



U.S. Agency for  
International  
Development

FISCAL YEAR

**2004**

# Budget Justification to the Congress



United States Agency For International Development  
*The Administrator*

February 28, 2003

**TO THE CONGRESS OF THE UNITED STATES**

On behalf of the U.S. Agency for International Development, I am pleased to transmit the Administration's budget justification for authorization and appropriations for the programs administered by the Agency in fiscal year 2004.

Through its economic assistance programs, USAID plays an active and critical role in the promotion of U.S. foreign policy interests. The investment this agency makes in developing countries has long-term benefits for America and the American people. Development now takes its place alongside defense and diplomacy as the three essential components of American foreign policy.

The Administration's budget request and its programs, objectives and results are described in detail in the following material and accompanying annexes. I urge the Congress to give favorable consideration to the Administration's economic assistance budget request.

Andrew S. Natsios

## INTRODUCTION

The U.S. Agency for International Development's (USAID) FY 2004 budget justification to the Congress reflects the Administration's program and budget request for bilateral foreign economic assistance appropriations.

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

A separate **Summary Tables** volume includes tables that illustrate the foreign assistance budget request for FY 2004 and provide a detailed tabular breakout of the economic assistance budget for FY 2001 (actual), FY 2002 (actual), FY 2003 (request), and FY 2004 (request).

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

**Annex I** details programs and activities for Africa.

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

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

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

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

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
FY 2004 BUDGET JUSTIFICATION**

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## **ADMINISTRATOR'S STATEMENT**

### **The Changing Landscape of Development**

The world has changed dramatically over the past two decades. Of the world's 200 countries in 2001, 124 were democracies—the highest number ever. Today most of the world's 6.0 billion people live in market economies, dramatically up from 1.5 billion in 1980. Globalization has integrated the world's markets for goods, services, finance, and ideas. Population growth rates are down, and in most parts of the world health and education have surpassed where the U.S. stood 50 years ago. Remarkable advances in biotechnology are bringing the promise of new cures for the sick and new seeds for the hungry.

But not all is bright. Virtually all new democracies are fragile; others are democracies more in name than substance. Many market advances are being challenged by losses of business confidence. Nearly a quarter of people living in developing countries, or about one billion people, live in absolute poverty. They are stranded across a gaping digital divide, blind to the benefits of information technology that could be free for all. And for many people, especially Americans, the terrorist attacks of September 11, 2001, breached the sense of security offered by geography.

### **The National Security Link**

In September 2002 President Bush introduced his National Security Strategy. For the first time development has been elevated as the third pillar of U.S. national security, along with defense and diplomacy. Foreign assistance will be a key instrument of foreign policy in the coming decades. Under the leadership of Secretary of State Powell, the U.S. Agency for International Development (USAID) is redefining its own strategic priorities to meet this challenge. These changes have altered the landscape for global development. Within this new landscape U.S. foreign assistance and USAID must be prepared to move in new directions. Six issues are paramount in redefining our future:

- Promoting democratic governance
- Driving economic growth
- Improving people's health and education
- Mobilizing private foreign aid
- Mitigating conflict
- Providing humanitarian aid

The first four articulate key development concepts driving the President's proposed Millennium Challenge Account, a major new initiative announced by

President Bush in March 2002, and showcased in his proposed budget for 2004. This is just the third major foreign aid policy statement since the second world war. The Millennium Challenge Account is based on the proposition that countries ruling justly, investing in their people, and encouraging economic freedom will receive more U.S. aid.

### **Strategic Direction and Themes**

Around the world one of the most pressing needs is to advance Democratic Governance—no small task. At a superficial level the state of global democracy appears highly encouraging. Over the past quarter-century, democracy has become the world's most common regime and we have learned that democratic and accountable states do better. But swirling beneath this expansion is growing disenchantment with political leaders seen by their people as corrupt, tyrannical, predatory, and unable or unwilling to address economic and social problems. In many developing and post-communist countries, people are losing confidence not just in elected officials but also in democratic institutions. So, promoting democratic governance must become a higher priority of U.S. foreign aid. Democracy and good governance are vital to spur development and reduce poverty in poorly performing countries. They are also vital to U.S. national security and this was reiterated by the President's National Security Strategy, published last year.

Economic Growth is another essential element of sustainable development. Economic growth raises living standards and reduces poverty. The productivity growth that spurs sustained economic growth depends on a favorable business climate and -- closely related -- the sophistication with which companies compete. This calls for programs that address both microeconomic and macroeconomic aspects of the business climate. USAID programs in trade capacity building aim to strengthen policies, institutions, and other factors that enable countries to participate in expanding trade and investment and benefit from the unprecedented opportunities offered by globalization.

In poor countries agricultural development connects poor people to economic growth. The requirements for agricultural development are well known. Increased opportunities for farmers through better agricultural technology and adequate prices lead to profitable farm investments and higher incomes that lift people out of poverty. USAID programs will address these factors at the national, regional and local levels. The United States can also get global agriculture moving by restoring the budgets of global agricultural research centers, training scientists, and assuring that the full range of scientific advances such as biotechnology is available to developing countries. Additionally, we need to better connect farmers to the global supply chains by encouraging agricultural trade reform, by supporting producer organizations and promoting the development of needed market infrastructure.

Key to sustainable growth is that it occurs in an environmentally sound manner. Environmental degradation is an increasing threat to long-term development with severe effects on health, trade, and poverty reduction efforts in general. Effects can be felt directly in the United States as in the case of climate change. It is in our interest to ensure that policies and institutions actually support sustainable development.

Fundamental to this growth is improving people's Health and Education. Because of changing demographics, many developing countries' workforces will grow over the next two decades. As a result, more resources will be available to invest in economic endeavors. But for that to happen, investments must be made today so that workers are healthy and educated. Preventing diseases that cause illness and pre-mature death contributes to global economic growth, reduction of poverty, a sustainable environment and both regional and domestic security. As we are witnessing with HIV/AIDS in many developing countries, illness on a national level can have devastating social and economic impacts. Responding to diverse health challenges requires strategic budget allocations and more flexible programs.

Global markets are changing, as more developing countries shift from production based on low-wage labor toward higher-end manufacturing. Doing so requires workers able to learn new skills and use new technologies. In countries where access to primary schooling remains incomplete and where educational quality remains seriously inadequate, the urgency of correcting these problems is increasingly apparent. Where improvements at the bottom of the educational ladder are enabling more students to finish primary school and move on to the secondary grades, countries need to ensure that they continue to gain new skills along the way. Taking full advantage of the potential offered by the global economy requires workers with the academic and technical skills needed to adapt emerging technologies to local conditions. While continuing to help countries get the process of educational improvement underway, U.S. foreign assistance must help more successful countries maintain their upward momentum.

Given the devastation caused by Conflict, the United States needs to do much more to mitigate it—and when that is not possible, to help manage it. Conflict is the product of deep grievances, political and economic competition, irresponsible political leaders, and weak and unaccountable institutions. It does not occur simply because people are unhappy or greedy, or because a country has the resources to sustain violence. Nor does it happen where all state and social institutions are weak. It happens when causes at multiple levels come together and reinforce each other.

Preventing conflict requires long-term interventions that make states and societies better able to manage tensions. Whatever the causes, a crucial part of the solution is encouraging innovative institutions that can deal with problems—

local, regional, and national. The most important principle when designing country programs is to apply a conflict lens to each major area of foreign assistance—from agriculture to economic growth to democracy and governance—and to have each area work in concert.

In the aftermaths of conflict and natural disaster, the United States has a critical role in providing Disaster Assistance. It must project a clear, consistent message about addressing humanitarian needs and reducing vulnerabilities that transform natural, socio-economic and political events into disasters. The defining disasters of 1990's were conflict-related, and the recent growth in humanitarian aid was largely driven by the devastation in failed and failing states. Wars triggered many of the great famines of the late twentieth century. They drive farmers from their land, disrupt markets, destroy food stores and result in food shortages.

U.S. assistance can do much to shape the 21<sup>st</sup> century. Assuming the Millennium Challenge Account moves forward, U.S. official development assistance is set to rise from \$10 billion a year today to \$15 billion in 2006 and thereafter. This does not include additional funds recently proposed by the President for famine relief, complex foreign crises, and HIV/AIDS which will add significant financial support to our development and humanitarian efforts globally. U.S. assistance is generally measured solely as the official development assistance that the government provides through USAID, the Peace Corps, multilateral institutions, and programs sponsored by the State Department and Department of Defense. But many nongovernment sources also provide foreign aid: foundations, corporations, private and voluntary organizations, colleges and universities, religious organizations, and individuals.

All these Private Aid sources—providing over \$30 billion a year—must be taken into account to plan aid more effectively. With private assistance predominating, U.S. official assistance will have to expand and strengthen partnerships with the full array of private sources.

The dominant themes, then, are for foreign assistance to focus on governance, on policy, on people, and on partnership. Unless a country's leaders make smart choices for national priorities and show their political will to work with outside donors, development—and development assistance—cannot succeed. Unless sensible policies are put in place, with the rule of law to promote good governance and individual freedom, development cannot be sustained, particularly for agriculture, the engine of growth for most poor countries. Unless countries invest in health and education, people cannot take on the demands of today's competitive workplace, and development cannot even start. And unless the official development community works better with partners, both traditional and new, many development opportunities will be wasted. Too much is at stake in all this. We have to ensure that these themes suffuse the future of foreign assistance—all in the national interest. (1)

## **Program Priorities**

This budget request supports programs and new initiatives directed at addressing the changing global environment and critical challenges facing the United States as we work to establish "a more secure, democratic and prosperous world". (2) These include:

- The President's International Mother and Child HIV Prevention Initiative is given priority funding especially for sub-Saharan Africa and Latin American countries.
- A commitment to increase support to the Afghan people as they rebuild their country, as well as continued support to other front line states, including expanded programs in Central Asia, Pakistan and Sudan.
- Increased funding for Economic Growth promoting trade-led growth and development, notably the Central America Free trade Agreement (CAFTA) and the Trade for African Development (TRADE) Initiative. Funds will also support microenterprise and small business development worldwide.
- Increased attention to agriculture as an important contributor to economic growth and trade especially in Africa, Central Asia, and Latin America. Particular emphasis is given to Africa to help reduce hunger.
- Continued priority funding for Education with a focus on basic education in Africa and in selected states of Asia and the Near East.
- Environment including increased funding for four international environmental initiatives -- Water for the Poor, Clean Energy, Congo Basin Forest Partnership, and Global Climate Change -- as well as ongoing programs aimed at natural resource management, tropical forestry and illegal logging.
- Democracy and Conflict Assistance to support elections, political party assistance, rule of law, security, anti-corruption, human rights and conflict prevention. It also supports programs to help prevent trafficking of persons and to assist victims of war and victims of torture
- USAID's Child Survival and Health programs to address critical health and family planning needs worldwide. The request, for example, includes support for HIV/AIDS and other infectious diseases programs, for example, the request includes funding for the Global Fund to Fight AIDS, Tuberculosis, and Malaria.
- Emergency relief in response to natural and manmade disasters that are often accompanied by displacement of large numbers of people and human suffering. This year we targeted drought-affected populations in Ethiopia,



Southern Africa and continued assistance to protracted complex emergencies such as Sudan or potentially in the Middle East.

- Transition Initiatives to provide a fast and flexible response capability to address the needs of countries experiencing significant political transitions or facing critical threats to basic stability and democratic reform. Recent interventions helped Afghanistan, East Timor, Zimbabwe, Macedonia, and Venezuela.
- The Global Development Alliance to mobilize resources from and alliances with U.S. public and private sectors in support of USAID objectives. In Brazil, for example, USAID is working with private companies and NGOs to encourage low-impact logging; while in Angola, USAID is cooperating with a U.S. oil company to promote small business development in rural communities.

### **Management Improvement**

Meeting foreign policy and program management challenges facing USAID and other foreign affairs agencies requires a modern, flexible and well disciplined organization. In close coordination with the President's Management Agenda, USAID is aggressively implementing an ambitious management reform program including the introduction of new business systems, processes and changes to our organizational structures. As part of the Department of State's "Diplomatic Readiness Initiative", we are taking action to ensure that the Agency has adequate numbers of well qualified personnel to meet present and future national security challenges. We are also evaluating, with the Department of State, the feasibility of more closely linking some of our business systems with the intent of achieving future operating efficiencies. And lastly, we are working closely with the Department of State to improve our support for U.S. public diplomacy and public affairs efforts overseas, especially targeting the Muslim and Arab worlds.

To date USAID has:

- Completed a comprehensive organizational restructuring to de-layer the Agency and strengthen program management capacity in the field, while centralizing technical leadership in three Washington-based "pillar" bureaus corresponding to Agency program priorities and joining the policy and resource allocation functions in the same bureau.
- Expanded recruitment and implemented a New Entry Professional (NEP) Program to address the critical human capital gap that resulted from a combination of substantial lay-offs and negligible recruiting in the 1990's.
- Started drafting a comprehensive Human Capital Strategic Plan designed to address both USAID's particular needs and the President's Management Agenda requirements with completion expected by mid-2003.

- Fielded an automated e-recruitment module (AVUE) reducing the average processing time for recruiting new staff from 120+ to 30 days.
- Implemented improvements to the headquarters core accounting system, including the capability to handle web-based queries from vendors, electronic invoicing, and improved financial and performance reporting.
- Financial management improvements enabled the Agency to close its material weakness on reporting and resource management and obtain an opinion from our auditors on the Agency's financial statements.
- Piloted an automated e-procurement system and deployed e-procurement capabilities to the Offices of Procurement, Security, Information Management and Administrative Services to speed the procurement of frequently used goods and services.
- Started drafting a knowledge management strategic plan to reposition the Agency as a global leader on development issues and to facilitate knowledge sharing among partners and staff with completion expected by mid-2003.
- Developed a strategic budgeting model to enable us to better link performance and resource allocation.

Later this year we will start implementing the plans for human capital, knowledge management, and strategic budgeting. We will procure new acquisition and assistance software, begin pilot testing our Phoenix financial management system overseas and reintroduce the International Development Intern program for recruitment and training of junior Foreign Service officers.

The budget request for salaries and support costs of our staff that manage programs totaling \$9.5 billion in FY 2004 includes:

- \$604 million for maintaining current staffing levels and adding up to an additional 50 staff overseas as part of the Diplomatic Readiness Initiative.
- \$146 million for our new Capital Investment Fund supporting information technology and facilities construction.
- \$35 million to cover operations of the Office of the inspector General associated with USAID's programs and personnel.

### **The Budget Request**

In summary, this budget request is founded on three precepts:

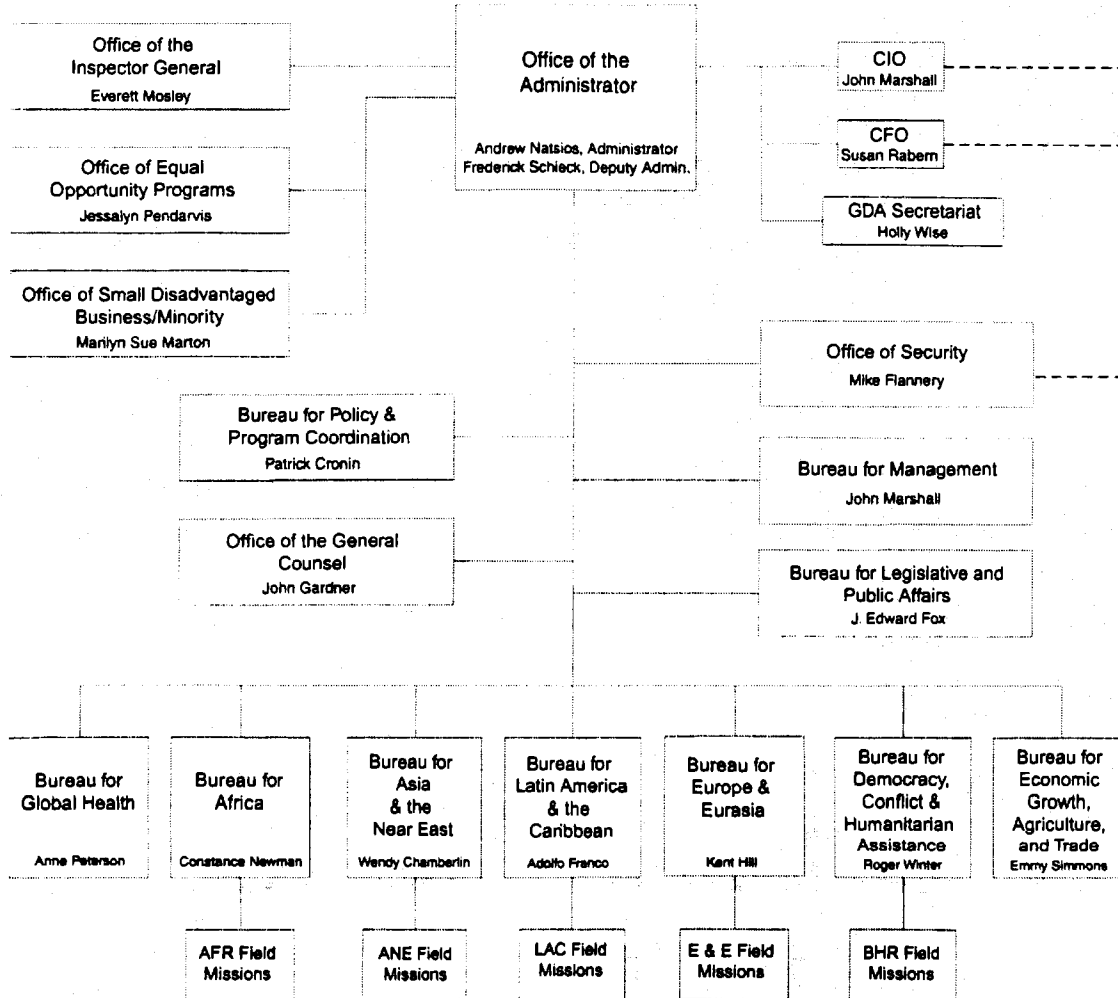
- Foreign aid and the U.S. Agency for International Development are essential elements of our country's national security apparatus.
- Our programs have evolved to meet the challenges of the new millennium.
- We must press ahead with the management reforms begun in 2001 and transform USAID into an organization of excellence.

I assure the Congress that we will aggressively continue along the path the Secretary and I have charted. This budget represents the minimum that I consider needed to maintain an effective field presence and to carry out our mission. I look forward to working with you over the coming year as we move our foreign policy agenda forward.

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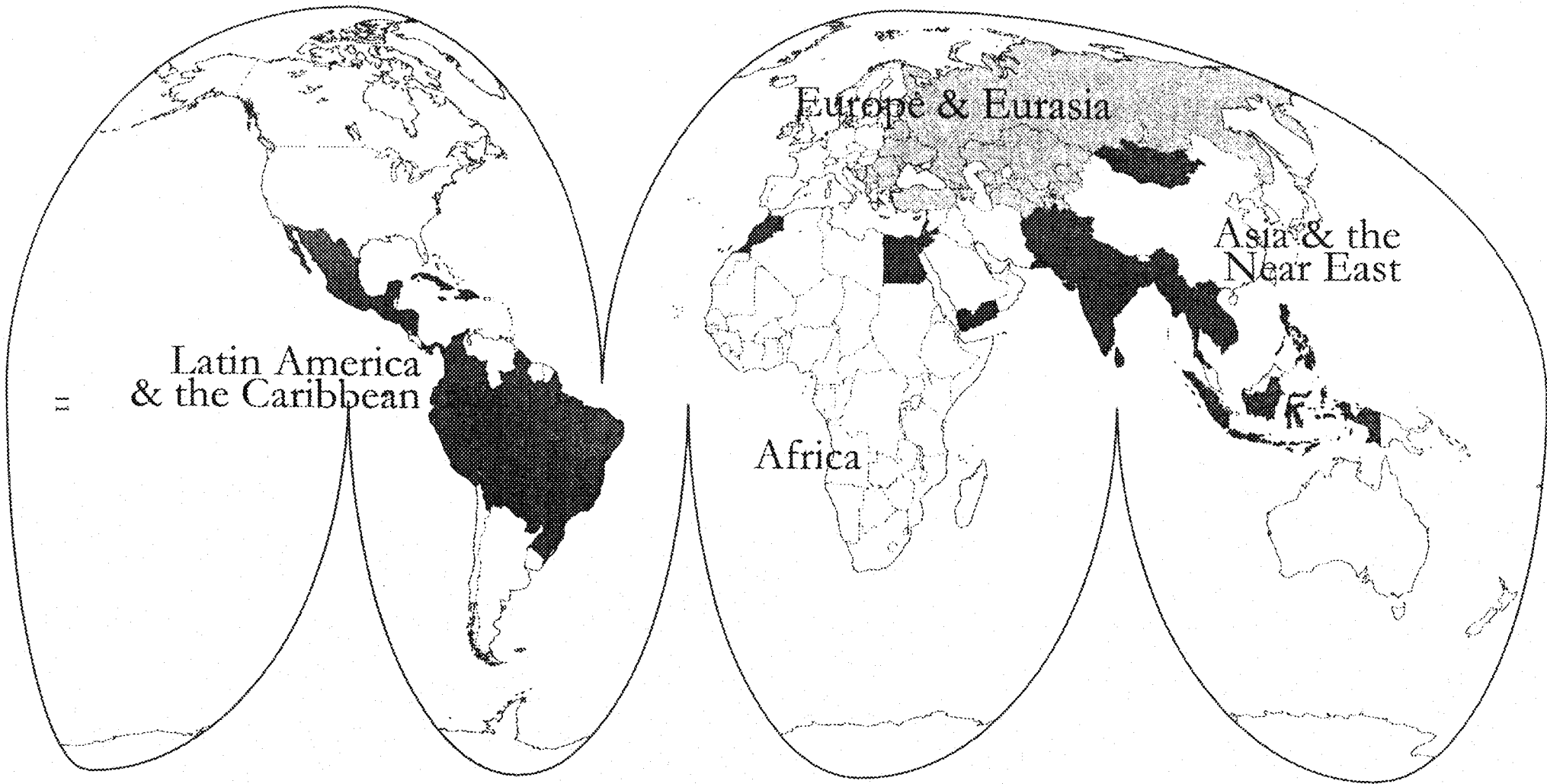
*(1) Excerpted from "Foreign Aid in the National Interest: Promoting Freedom, Security and Opportunity", Foreword by USAID Administrator Andrew S. Natsios, Washington, D.C., 2002.*

# U.S. Agency for International Development Organizational Chart



February, 2003

USAID Presence & Non-presence countries with over \$1 million – FY 2004



## SUMMARY OF FY 2004 BUDGET REQUEST

This chapter describes the FY 2004 budget request for proposed appropriation accounts. All USAID-managed programs, regardless of account, address our strategic framework, as represented by the following three program pillars:

Economic Growth, Agriculture and Trade (EGAT)  
Global Health (GH)  
Democracy, Conflict and Humanitarian Assistance (DCHA)

The chapter following this summary of the budget request, "Program Highlights," details new priorities and initiatives to address the changing international environment.

For FY 2004, the President is requesting appropriations under the Foreign Operations Subcommittee of \$8,379,300 in discretionary funds for USAID-administered programs, including those programs jointly administered with the State Department and associated management costs. This includes \$650 million the President has requested for two new accounts: the Famine Fund, to be managed by USAID, and the Global AIDS Initiative, to be coordinated by the State Department; agency and/or private organization allocations are yet to be determined. Also requested is \$1,185,000,000 in P.L. 480 Title II, which is appropriated through the Department of Agriculture but is managed by USAID. The total request including P.L. 480 is \$9,564,300. Levels do not include any potential funding through USAID from the new Millennium Challenge Account.

The tables and descriptions that follow provide further details in support of the budget request. Except for Table II, data provided in the tables are in thousands of dollars and cover a four-year period; Tables II(a-d) provide sector data for FYs 2001-2004 and are in millions of dollars. FY 2001 DA and CSH account levels are reconfigured to the new configuration begun in FY 2002, where family planning was moved to CSH and basic education was moved to DA.

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

Tables II through XVI cover the individual USAID-managed accounts.

Tables XVII a, b and c, provide an estimated breakout of the FY 2002-2004 programs by the three program pillars under all USAID-managed program accounts. Programs of special interest or emphasis are also broken out under the individual pillars.

Please note that FY 2003 levels reflect the FY 2003 request since the FY 2003 appropriation was not enacted at the time of this publication.

# USAID BUDGET SUMMARY

Table I

|  | FY 2001          | FY 2002          | FY 2003          | FY 2004          |
|--|------------------|------------------|------------------|------------------|
|  | Appropriation    | Appropriation    | Request          | Request          |
| <b>Foreign Operations Subcommittee</b>                       |                  |                  |                  |                  |
| <b>USAID Directly Managed:</b>                               |                  |                  |                  |                  |
| Child Survival & Health Programs Fund                        | 1,324,314        | 1,467,500        | 1,473,967        | 1,495,000        |
| [Total includes transfer to UNICEF]                          | [109,758]        | [120,000]        | [-]              | [-]              |
| Development Assistance                                       | 1,028,696        | 1,178,000        | 1,365,533        | 1,345,000        |
| [Total includes transfers to Int.Am.Fdn/Afr.Dev.Fdn]         | [27,651]         | -                | -                | -                |
| <i>Subtotal</i>  | <b>2,353,010</b> | <b>2,645,500</b> | <b>2,839,500</b> | <b>2,840,000</b> |
| International Disaster Assistance (IDA)                      | 164,637          | 235,500          | 285,500          | 235,500          |
| FY 2001 Supplemental   | 134,703          | -                | -                | -                |
| Emergency Response Fund-IDA (ERF)                            | -                | 146,000          | -                | -                |
| FY 2002 Supplemental-IDA                                     | -                | 40,000           | -                | -                |
| Transition Initiatives (TI)                                  | 49,890           | 50,000           | 55,000           | 55,000           |
| Famine Fund  | -                | -                | -                | 200,00           |
| Development Credit Programs [by transfer]                    | [4,989]          | [18,500]         | -                | [21,000]         |
| Development Credit Programs-appropriation                    | 1,497            | -                | -                | -                |
| Other Credit Programs-subsidy costs                          | 1,497            | -                | -                | -                |
| USAID Operating Expenses (OE)                                | 518,856          | 549,000          | 572,200          | 604,100          |
| FY 2001 Supplemental   | 12,971           | -                | -                | -                |
| Emergency Response Fund - OE                                 | 2,400            | 15,000           | -                | -                |
| FY 2002 Supplemental-OE                                      | -                | 7,000            | -                | -                |
| USAID Capital investment Fund                                | -                | -                | 95,000           | 146,300          |
| Development Credit Programs - Admin. Expenses                | 3,991            | 7,500            | 7,500            | 8,000            |
| Other Credit Programs-Admin. Expenses                        | 499              | -                | -                | -                |
| Inspector General Operating Expenses                         | 26,941           | 31,500           | 32,700           | 35,000           |
| Foreign Service Disability & Retirement [mandatory]          | [44,489]         | [44,880]         | [45,200]         | [43,859]         |
| <b>Subtotal-USAID Direct Managed</b>                         | <b>3,270,892</b> | <b>3,727,000</b> | <b>3,887,400</b> | <b>4,123,900</b> |
| <b>State and USAID Managed:</b>                              |                  |                  |                  |                  |
| Economic Support Fund & International Fund for Ireland (ESF) | 2,314,896        | 2,224,000        | 2,490,000        | 2,535,000        |
| Emergency Response Fund - ESF                                | -                | 600,000          | -                | -                |
| FY 2002 Supplemental-ESF                                     | -                | 465,000          | -                | -                |
| INC/Andean Counterdrug Initiative-USAID managed portion      | 25,750           | 219,000          | 278,000          | 259,400          |
| Assistance to the Independent States(ex-Soviet)-FSA          | 732,559          | 784,000          | 755,000          | 576,000          |
| FY 2001 Supplemental   | 75,659           | -                | -                | -                |
| Emergency Response Fund - FSA                                | -                | 64,000           | -                | -                |
| FY 2002 Supplemental-FSA                                     | -                | 110,000          | -                | -                |
| Of which transfers   | [334,937]        | [386,076]        | [296,470]        | [157,940]        |
| Assistance to Eastern Europe and the Baltics (AEEB)          | 674,338          | 621,000          | 495,000          | 435,000          |
| Of which transfers   | [180,802]        | [193,753]        | [155,276]        | [139,390]        |
| Global AIDS Initiative (Emergency Plan for AIDS Relief)      | -                | -                | -                | 450,000          |
| <b>Foreign Operations Subtotal</b>                           | <b>7,094,094</b> | <b>8,814,000</b> | <b>7,905,400</b> | <b>8,379,300</b> |
| Of which transfers   | 653,148          | 699,829          | 451,746          | 297,330          |
| <b>Foreign Operations Total less Transfers</b>               | <b>6,440,946</b> | <b>8,114,171</b> | <b>7,453,654</b> | <b>8,081,970</b> |
| <b>Agriculture Subcommittee</b>                              |                  |                  |                  |                  |
| P.L. 480 Food For Peace Title II                             | 835,159          | 850,000          | 1,185,000        | 1,185,000        |
| Emergency Response Fund - Title II                           | -                | 95,000           | -                | -                |
| FY 2002 Supplemental - Title II                              | -                | 13,820           | -                | -                |
| <b>USAID Total:</b>  | <b>7,929,253</b> | <b>9,772,820</b> | <b>9,090,400</b> | <b>9,564,300</b> |
| Of which Emergency Response Fund - ERF                       | 2,400            | 920,000          | -                | -                |
| Of which supplementals                                       | 223,333          | 635,820          | -                | -                |
| Of which transfers   | 653,148          | 699,829          | 451,746          | 297,330          |
| <b>USAID Total less ERF, Supps, Transfers</b>                | <b>7,050,372</b> | <b>7,517,171</b> | <b>8,638,654</b> | <b>9,266,970</b> |

**CHILD SURVIVAL AND HEALTH PROGRAMS FUND**

**Table II**

| <i>Child Survival and Health Programs Fund</i> |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
| <i>dollars thousands</i>                       |                  |                  |                  |                  |
|  | <i>FY 2001</i>   | <i>FY 2002</i>   | <i>FY 2003</i>   | <i>FY 2004</i>   |
| <b>TOTAL</b>                                   | <b>1,324,314</b> | <b>1,467,500</b> | <b>1,473,967</b> | <b>1,495,000</b> |
| <b>Global Health Pillar</b>                    | <b>1,324,314</b> | <b>1,467,500</b> | <b>1,473,967</b> | <b>1,495,000</b> |
| Child Survival/Maternal Health                 | 295,350          | 337,000          | 282,372          | 284,600          |
| Vulnerable Children                            | 29,935           | 25,000           | 13,000           | 10,000           |
| HIV/AIDS                                       | 289,340          | 435,000          | 700,020          | 750,000          |
| Other Infectious Diseases                      | 123,725          | 165,000          | 110,075          | 104,400          |
| Family Planning/Reproductive Health            | 376,206          | 385,500          | 368,500          | 346,000          |
| UNICEF   | 109,758          | 120,000          | [-]              | [-]              |
| Global Fund to Fight AIDS, TB, and Malaria     | 100,000          | [50,000]         | [100,000]        | [100,000]        |
| <i>Regional Distribution</i>                   |                  |                  |                  |                  |
| <i>dollars thousands</i>                       |                  |                  |                  |                  |
|  | <i>FY 2001</i>   | <i>FY 2002</i>   | <i>FY 2003</i>   | <i>FY 2004</i>   |
| <b>TOTAL</b>                                   | <b>1,324,314</b> | <b>1,467,500</b> | <b>1,473,967</b> | <b>1,495,000</b> |
| Sub-Saharan Africa                             | 359,698          | 422,679          | 458,491          | 542,105          |
| Asia   | 186,718          | 243,427          | 211,100          | 240,318          |
| Near East                                      | --               | 4,600            | --               | --               |
| Eurasia  | 6,782            | 131              | --               | --               |
| Latin America and the Caribbean                | 132,822          | 144,815          | 148,520          | 148,564          |
| Central Programs                               | 427,536          | 354,348          | 329,500          | 312,513          |
| International Organizations/Partners           | 209,758          | 297,500          | 326,356          | 251,250          |

\* FY 2001 account reconfigured to be comparable with FYs 2002 through 2004.

The FY 2004 request of \$1.495 billion for USAID's Child Survival and Health Program Fund (CSH) reflects the President's continuing commitment to improved health interventions that address critical health, HIV/AIDS, nutrition and family planning needs worldwide. Investing in health of the world's population contributes to global economic growth, reduction of poverty, a sustainable environment and regional security. CSH funding supports programs that expand basic health services and strengthen national health systems to significantly improve people's health, especially that of women, children, and vulnerable populations. A major focus for the use of these funds is in Sub-Saharan Africa.

HIV/AIDS programs (\$790 million, of which \$750 million is in the CSH account) focus on prevention, care, and treatment efforts, and the support of children affected by AIDS. This includes \$150 million for the President's Mother and Child HIV Prevention Initiative, which seeks to prevent the transmission of HIV/AIDS from mothers to infants, and to improve healthcare delivery systems in Africa and the Caribbean. Also included is \$100 million of the USG contribution to the Global Fund for AIDS, Tuberculosis, and Malaria.

Child survival and maternal health programs (\$285 million) reduce the number of deaths in children under five and save the lives of women during childbirth. Programs address immunizations, pneumonia and diarrhea prevention and treatment, polio eradication,



micronutrient deficiencies, antenatal care and safe birthing, nutrition, breastfeeding, and the USG contribution to the Vaccine Fund.

Programs for vulnerable children (\$10 million) will continue to support the Displaced Children and Orphans Fund (DCOF) which strengthens the capacity of families and communities to provide care, support, and protection for orphans, street children, and war-affected children.

Other infectious diseases programs (\$104 million) support the prevention and control of tuberculosis and malaria, combat anti-microbial resistance, and improve disease surveillance and response capabilities.

Family planning and reproductive health programs (\$346 million) will help expand access to information and services regarding family planning practices. Such access will reduce unintended pregnancies, improve infant and child health, reduce their mortality rates, decrease maternal deaths associated with childbirth, and reduce abortion. These programs are integrated with programs that protect human health. Total funding for these programs remains at \$425 million, with \$346 million from CSH, and the balance of \$79 million from accounts co-managed with the Department of State (e.g., the Economic Support Fund, Assistance to Eastern Europe and the Baltics, and the Freedom Support Act).

Included in the above are international partners, who will assist in several of the program activities. In addition to the Global Fund to Fight AIDS, Tuberculosis, and Malaria, these include Global Alliance for Vaccines and Immunizations (GAVI), Global Alliance for Improved Nutrition (GAIN), International AIDS Vaccine Initiative (IAVI), and the United Nations Joint Program on HIV/AIDS (UNAIDS).

#### GLOBAL AIDS INITIATIVE

Table III

| <i>Global AIDS Initiative</i> |                |                |                |                |
|-------------------------------|----------------|----------------|----------------|----------------|
| <i>Dollars thousands</i>      |                |                |                |                |
|                               | <i>FY 2001</i> | <i>FY 2002</i> | <i>FY 2003</i> | <i>FY 2004</i> |
| <b>TOTAL</b>                  | --             | --             | --             | 450,000        |

In his State of the Union Address on January 29, 2003, President Bush called for a new initiative to enhance the commitment of the United States to preventing the global spread of AIDS and to developing and delivering more effective treatments to the tens of millions of people overseas already infected and threatened with infection. The increased funds over the next five years will go into a new account for global AIDS initiatives. When these funds are added to existing international HIV/AIDS programs—primarily in the Agency for International Development, the Department of Health and Human Services, and the Global Fund to fight AIDS, Tuberculosis and Malaria—the total U.S. commitment to this global effort will reach \$15 billion over five years.

The President's initiative will be administered by a new AIDS Coordinator in the Department of State. It will be used to fund existing HIV/AIDS programs, such as the

volunteer organizations that are providing local and global communities with strategies to confront the HIV/AIDS pandemic.

The President's Emergency Plan for AIDS Relief will help the most afflicted countries in Africa and the Caribbean wage and win the war against HIV/AIDS, extending and saving lives. The following countries will be the focus of the initiative: Botswana, Cote d'Ivoire, Ethiopia, Guyana, Haiti, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, and Zambia. The allocation of these funds is yet to be determined.

## DEVELOPMENT ASSISTANCE

Table IV

| <i>Development Assistance</i>                                   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| <i>dollars thousands</i>  |                  |                  |                  |                  |
|   | <u>FY 2001</u>   | <u>FY 2002</u>   | <u>FY 2003</u>   | <u>FY 2004</u>   |
| <b>TOTAL *</b>  | <b>1,028,696</b> | <b>1,178,000</b> | <b>1,365,533</b> | <b>1,345,000</b> |
| <u>Economic Growth, Agriculture and Trade Pillar:</u>           | <u>844,574</u>   | <u>1,031,800</u> | <u>1,140,634</u> | <u>1,133,020</u> |
| Agriculture   | 160,390          | 201,862          | 260,500          | 268,400          |
| Economic Growth   | 246,636          | 331,784          | 346,634          | 315,777          |
| [ <i>of which microenterprise</i> ]                             | [90,660]         | [79,000]         | [79,000]         | [79,000]         |
| Environment   | 274,092          | 285,654          | 308,000          | 286,400          |
| [ <i>of which Global Climate Change</i> ]                       | [112,685]        | [109,973]        | [109,279]        | [109,000]        |
| Education and Training  | 163,170          | 212,300          | 225,500          | 262,343          |
| [ <i>of which Basic Education for Children</i> ]                | [102,801]        | [150,000]        | [165,000]        | [212,000]        |
| [ <i>Higher Education &amp; Training</i> ]                      | [60,369]         | [62,300]         | [60,500]         | [50,343]         |
| Development Credit by Transfer                                  | [5,000]          | [18,500]         | --               | [21,000]         |
| <u>Democracy, Conflict &amp; Humanitarian Assistance Pillar</u> | <u>156,819</u>   | <u>146,400</u>   | <u>224,899</u>   | <u>211,980</u>   |
| Democracy and Local Governance                                  | 131,308          | 119,400          | 149,299          | 164,843          |
| Human Rights  | 25,190           | 27,000           | 25,000           | 19,500           |
| Conflict  | --               | --               | 50,600           | 27,637           |
| <u>Global Development Alliance</u>                              | <u>--</u>        | <u>[20,000]</u>  | <u>[30,000]</u>  | <u>[15,000]</u>  |
| Transfers to IAF/ADF  | 27,651           | -                | --               | --               |
| <i>Regional Distribution</i>                                    |                  |                  |                  |                  |
| <i>dollars thousands</i>  |                  |                  |                  |                  |
|   | <u>FY 2001</u>   | <u>FY 2002</u>   | <u>FY 2003</u>   | <u>FY 2004</u>   |
| <b>TOTAL</b>  | <b>1,028,696</b> | <b>1,178,000</b> | <b>1,365,533</b> | <b>1,345,000</b> |
| Sub-Saharan Africa  | 408,529          | 453,996          | 541,600          | 498,945          |
| Asia  | 146,609          | 202,950          | 245,935          | 352,988          |
| Near East   | --               | 6,366            | 7,213            | 5,900            |
| Latin America and the Caribbean                                 | 191,445          | 220,241          | 268,485          | 244,862          |
| Central Programs  | 282,113          | 286,010          | 302,300          | 242,305          |
| IAF/ADF/Other   | 27,651           | 8,437            | --               | --               |

\*FY 2001 reconfigured to be comparable with FYs 2002 through 2004.

Development assistance is now recognized as playing a pivotal role in meeting U.S. national security challenges in the developing world, especially in supporting economic growth through fighting hunger and poverty, promoting education, and helping sustainable management of the world's natural resources, as well as promoting democratic governance and reducing the sources of conflict.

The Administration's request for the Development Assistance account, \$1.345 billion, includes funding for two of the Agency's program pillars (Economic Growth, Agriculture and Trade; and Democracy, Conflict and Humanitarian Assistance), including limited funding for the Global Development Alliance, to encourage stronger partnerships with a full array of private and public sources.

The \$1.133 billion in funds requested under the **Economic Growth, Agriculture and Trade** pillar will help address poverty and hunger, globalization and trade, education (especially basic education for children and young adults), and environmental issues and focuses on:

Agriculture programs (\$268.4 million) that will rebuild agricultural capability in developing countries, especially sub-Saharan Africa under an initiative, Cut Hunger in Africa. Programs will focus on promotion of sustainable agriculture, reducing hunger, and providing for technology transfers, including biotechnology.

Economic growth programs (\$315.8 million) that focus on trade and investment by strengthening private markets, providing access to economic opportunity for the rural and urban poor, and supporting microenterprise lending—thereby increasing the capacity of developing countries to participate in, and benefit from, global trade and investment. Notable programs include the Trade for African Development (TRADE) Initiative and the Central America Free Trade Agreement (CAFTA) program.

Education and training programs (\$262.3 million) that include \$212 million for basic education programs that will strengthen pre-primary, primary, and secondary education, and adult literacy, as well as teacher training. Efforts are focused primarily in Africa and Latin America, but also include targeted work in South Asia and the Near East. Development Assistance will also fund programs for higher education and training (\$50.4 million).

Environment programs (\$286.4 million) will reduce the threat of global climate change, conserve biological diversity, promote sound management of natural resources including forests, reduce illegal logging, provide access to clean water and sanitation, promote sustainable urbanization and pollution control, and increase renewable and clean energy services. The request includes funding for four environmental initiatives—Water for the Poor, Clean Energy, Congo Basin Forest Partnership, and Global Climate Change.

The request for **Democracy, Conflict, and Humanitarian Assistance** (DCHA) funding is \$212 million.

Development Assistance will focus on conflict prevention, democracy and local governance, and human rights by strengthening the rule of law and respect for human rights, encouraging credible and competitive political processes, promoting the development of a politically active civil society, and making government institutions more transparent and accountable. USAID will continue the integration of democracy programs with new approaches in dealing with conflict resolution, including programs that address the economic causes of conflict. USAID will also fund programs to help prevent trafficking of persons and assist victims of war and victims of torture. This request is based on the understanding that democratic governments are more likely to observe international laws and pursue policies that reduce poverty and terrorism.

In addition to this Development Assistance request, the request under the DCHA pillar also includes funding for the following accounts: \$236 million in International Disaster Assistance (IDA), \$55 million in Transition Initiatives (TI), \$1.185 billion in P.L. 480 Title II and \$200 million for a Famine Fund.

**The Global Development Alliance (GDA)** (\$15 million included in the above sectors) mobilizes resources from and alliances with U.S. public and private sectors in support of USAID objectives. In Brazil, for example, USAID is working with private companies and NGOs to encourage low-impact logging; while in Angola, USAID is cooperating with a U.S. oil company to promote small business development in rural communities. FY 2004 represents the third year of existence for GDA, and its principles have become integrated into Agency strategies and practices. As a result, GDA is no longer a separate budget item and the \$15 million requested will be programmed under the Economic Growth, Agriculture and Trade pillar programs.

**INTERNATIONAL DISASTER ASSISTANCE (IDA)**

**Table V**

|  | <i>International Disaster Assistance</i> |                       |                       |                       |
|--|--|-----------------------|-----------------------|-----------------------|
|  | <i>dollars thousands</i>                 |                       |                       |                       |
|  | <i>FY 2001</i>                           | <i>FY 2002</i>        | <i>FY 2003</i>        | <i>FY 2004</i>        |
| Direct Appropriation *                           | 164,936                                  | 235,500               | 285,500               | 235,500               |
| FY 2001 Supplemental                             | 134,404                                  | --                    | --                    | --                    |
| Emergency Response Fund                          | --                                       | 146,000               | --                    | --                    |
| FY 2002 Supplemental                             | --                                       | <u>40,000</u>         | --                    | --                    |
| <b>Total</b>                                     | <b><u>299,340</u></b>                    | <b><u>421,500</u></b> | <b><u>285,500</u></b> | <b><u>235,500</u></b> |
| Relief   | 237,807                                  | 365,189               | TBD                   | TBD                   |
| Mitigation/Preparedness                          | 23,724                                   | 29,960                | TBD                   | TBD                   |
| Worldwide Administrative and Operational Support | 37,809                                   | 26,351                | 34,000                | 34,000                |

SEE ADDITIONAL DETAIL IN CENTRAL PROGRAMS VOLUME

\* Actual emergency program levels were higher because they also were funded from prior-year resources, including carryover. Actual relief obligations were also higher because they, too, were funded in part from prior-year resources, including deobligations.

The FY 2004 request of \$235.5 million supports emergency relief and transitional activities in response to natural and manmade disasters that often are accompanied by displacement of large numbers of people. These include support for health interventions, agriculture and food security, nutrition, and water and sanitation. Assistance this year targets drought-affected populations in Ethiopia and Southern Africa, among others. In addition, IDA funds help with prevention, preparedness, economic recovery, and rehabilitation as part of a comprehensive response to reduce developing country vulnerability to emergencies. The supplemental funds provided during FY 2002 as part of the Emergency Response Fund have been assisting the people of Afghanistan. The use of current and future IDA funds is contingent on future events, therefore, the allocation of these funds remains to be determined.

**FAMINE FUND**

**Table VI**

| <i>Famine Fund</i>       |                |                |                |                |
|--------------------------|----------------|----------------|----------------|----------------|
| <i>Dollars thousands</i> |                |                |                |                |
|                          | <i>FY 2001</i> | <i>FY 2002</i> | <i>FY 2003</i> | <i>FY 2004</i> |
| <b>TOTAL</b>             | --             | --             | --             | 200,000        |

The Famine Fund is a new, flexible tool for the President to use in U.S.-led multilateral efforts to reduce the incidence of famine by addressing its root causes, and to respond more efficiently and effectively to famines that cannot be prevented, while more equitably sharing the burden of this response with other donors. The Fund, which will draw upon the broad disaster assistance authorities in the Foreign Assistance Act, will be managed by USAID under the foreign policy direction of the Secretary of State and subject to approval by the President.

**TRANSITION INITIATIVES**

**Table VII**

| <i>Transition Initiatives*</i>                   |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| <i>dollars thousands</i>                         |                |                |                |                |
|  | <i>FY 2001</i> | <i>FY 2002</i> | <i>FY 2003</i> | <i>FY 2004</i> |
| <b>TOTAL</b>                                     | <b>49,890</b>  | <b>51,115</b>  | <b>55,000</b>  | <b>55,000</b>  |
| Sub-Saharan Africa                               | 14,867         | 7,903          | 20,700         | 13,000         |
| Asia   | 6,463          | 10,871         | 14,000         | 8,000          |
| Near East  | 1,033          | --             | 6,000          | 8,000          |
| Europe   | 17,638         | 19,272         | 3,000          | 4,000          |
| Latin America and the Caribbean                  | 6,450          | 9,855          | 7,100          |                |
| New Country Programs (unallocated)               | --             | --             | 200            |                |
| Worldwide administrative and operational support | 3,439          | 3,214          | 4,000          | 4,000          |

SEE ADDITIONAL DETAIL IN CENTRAL PROGRAMS VOLUME, Chapter on the pillar bureau, Democracy, Conflict, and Humanitarian Assistance.

The Transition Initiatives account provides funding that advances peace and stability by conducting fast and flexible interventions in priority conflict-prone countries. The funds address the needs of pre- and post transition countries experiencing significant political changes or facing critical threats to basic stability and democratic reform. Transition Initiatives programs often bridge the gap between emergency humanitarian assistance and longer-term development. Recent interventions include Afghanistan, Burundi, Macedonia, and Venezuela.

USAID CREDIT PROGRAMS

Table VIII

| <i>Credit Programs<br/>dollars thousands</i> |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | <i>FY 2001</i>      | <i>FY 2002</i>      | <i>FY 2003</i>      | <i>FY 2004</i>      |
| <b><u>ACCOUNTS</u></b>                       | <b><u>7,454</u></b> | <b><u>7,500</u></b> | <b><u>7,500</u></b> | <b><u>8,000</u></b> |
| Development Credit Program                   | 5,488               | 7,500               | 7,500               | 8,000               |
| -- by transfer                               | [4,989]             | [18,500]            | --                  | [21,000]            |
| Micro & Small Enterprise Dev.                | 1,996               | --                  | --                  | --                  |
| <b><u>SOURCES AND USES</u></b>               | <b><u>7,454</u></b> | <b><u>7,500</u></b> | <b><u>7,500</u></b> | <b><u>8,000</u></b> |
| <u>Subsidy Costs, including transfers</u>    | <u>2,994</u>        | <u>[18,500]</u>     | <u>[18,500]</u>     | <u>[21,000]</u>     |
| • Development Credit Program                 | 1,497               | --                  | --                  | --                  |
| • [by transfer]                              | [4,989]             | [18,500]            | --                  | [21,000]            |
| • Micro & Small Enterprise                   | 1,497               | --                  | --                  | --                  |
| <u>Administrative Expenses</u>               | <u>4,490</u>        | <u>7,500</u>        | <u>7,500</u>        | <u>8,000</u>        |
| • Development Credit Program                 | 3,981               | 7,500               | 7,500               | 8,000               |
| • Micro & Small Enterprise                   | 499                 | --                  | --                  | --                  |

See also the Central Programs Annex for further information on this program.

The requested transfer authority (\$21 million) for FY 2004 would apply to FY 2004 appropriations and funds transferred would remain available for use through FY 2007. Of the FY 2004 authority requested, \$15 million will support the President's commitment at the World Summit on Sustainable Development (WSSD) to support the U.S. Government's commitment to the Water for the Poor Initiative, a critical component in achieving the UN Millennium development goal of cutting in half by 2015 the proportion of people who are unable to reach or afford safe drinking water.

The DCP allows USAID to use credit as a flexible development tool for a wide range of development purposes in historically under-served markets. It also increases grant assistance by mobilizing capital in developing countries for sustainable development projects, and it is often the best means to leverage private funds for development purposes. It is not intended for sovereign credit activities.

The request for FY 2004 includes \$8 million for administrative costs to manage the Development Credit Program (DCP). This includes funds for contractors to conduct financial and economic viability analyses of projects. To conform to the Federal Credit Reform Act of 1992, the \$8 million appropriation request for credit administrative expenses reflects the total costs of development, implementation, and financial management of all USAID credit programs.

**OPERATING EXPENSES**

**Table IX**

|   | FY 2001        | FY 2002        | FY 2003        | FY 2004        |
|---|----------------|----------------|----------------|----------------|
| <b>TOTAL SOURCES</b>                            | <b>605,929</b> | <b>643,286</b> | <b>647,005</b> | <b>653,835</b> |
| <b>Sources:</b>                                 |                |                |                |                |
| • Appropriations - Direct                       | 518,856        | 549,000        | 572,200        | 604,100        |
| • FY 2001 Supplemental                          | 12,971         | --             | --             | --             |
| • Emergency Response Fund                       | 2,400          | 15,000         | --             | --             |
| • FY 2002 Supplemental                          | --             | 7,000          | --             | --             |
| • Trust Funds, Carryforward, and Reimbursements | 71,702         | 61,986         | 74,805         | 49,735         |

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

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

OE funds are used to fund administrative cost of USAID-managed programs totalling \$9.5 billion for FY 2004. A large portion of the OE budget is either fixed or directly related to staffing levels; reductions in the requested funding would immediately impact the ability of USAID to maintain staff necessary to monitor and manage programs.

The FY 2004 request for USAID Operating Expenses is \$604.1 million, excluding the Office of the Inspector General and the Capital Investment Fund, which are requested separately. These funds will provide resources needed not only to maintain current staffing levels associated with USAID's presence in key developing countries, but also, as part of the Department of State's Diplomatic Readiness Initiative, to recruit, train and assign up to an additional 50 direct hire staff overseas in FY 2004. These new positions will begin limiting staffing gaps resulting from retirement of Foreign Service Officers.

The Operating Expenses of USAID are financed not only from the new budget authority, but also other sources of non-appropriated sources, including trust funds and recoveries. These other sources (trust funds and recoveries) will continue to drop in FY 2004. This decrease makes it critical that the full request for Operating Expenses be provided to meet expected requirements, including meeting the needs to maintain and expand missions in Afghanistan and Pakistan, hire additional staff in conjunction with the Secretary of State's Diplomatic Readiness Initiative, and provide for increased costs of security worldwide.

This request includes an increased commitment to training in order to ensure that the Agency builds a more flexible workforce and enhances its capacity to respond to the ever-increasing demands placed on USAID development experts.

This request also funds the International Cooperative Administrative Support Services (ICASS) system, which provides administrative support to all agencies with overseas



presence. Funds requested will also enable foreign service national staff in countries without a viable social security system to participate in a global retirement fund.

#### CAPITAL INVESTMENT FUND

Table X

|   | <i>Capital Investment Fund</i> |                |                |                |
|---|--------------------------------|----------------|----------------|----------------|
|   | <i>dollars thousands</i>       |                |                |                |
|   | <i>FY 2001</i>                 | <i>FY 2002</i> | <i>FY 2003</i> | <i>FY 2004</i> |
| <b>Total</b>  | -                              | --             | <b>95,000</b>  | <b>146,300</b> |
| See separate chapter in this volume for more detail |                                |                |                |                |

The request for FY 2004 is \$146.3 million. (USAID established a Capital Investment Fund (CIF) in FY 2003.) These no year funds will provide the Agency with greater flexibility to manage investments in information technology systems and overseas facility construction that the annual appropriation for USAID Operating Expenses does not allow.

In this fund, \$20 million is for Information Technology, which will support major systems and infrastructure improvement projects that have substantial impact on Agency operations and results. USAID will also develop an enterprise architecture in collaboration with the Department of State and extend its integrated core accounting system to field operations.

In addition, \$126.3 million is for construction overseas to build new USAID office facilities and to collocate on embassy compounds when new embassies are constructed where State will have begun construction by the end of 2003.

For construction projects which are to begin in 2004, funding for USAID facilities is included in the request for Embassy Security, Construction and Maintenance in the State Department CJS budget. The Secure Construction and Counterterrorism Act of 1999 requires that USAID co-locates on new embassy compounds.

#### INSPECTOR GENERAL OPERATING EXPENSES

Table XI

|  | <i>Inspector General Operating Expenses</i> |                |                |                |
|--|---|----------------|----------------|----------------|
|  | <i>dollars thousands</i>                    |                |                |                |
|  | <i>FY 2001</i>                              | <i>FY 2002</i> | <i>FY 2003</i> | <i>FY 2004</i> |
| <b>Total-Appropriation</b>   | <b>26,941</b>                               | <b>31,500</b>  | <b>32,700</b>  | <b>35,000</b>  |
| Total Costs  | 26,941                                      | 31,500         | 32,700         | 35,000         |
| See separate chapter in this volume for a more detailed IG Operating Expense narrative and tables. |   |                |                |                |

The FY 2004 request of \$35 million covers operations, including salaries, expenses, and support costs of the Office of the Inspector General associated with USAID programs and personnel operating in over 80 countries around the world. This request will enable the office to reduce the Agency's exposure to fraud and waste and increase the credibility of and confidence in USAID programs operating in highly vulnerable areas of the world.

The goal of the Office of the Inspector General is to assist USAID with implementation of its economic development strategies and provide USAID managers with information and



recommendations that improve program and operation effectiveness and efficiency. The Office has statutory responsibilities to (1) conduct audits and investigations relating to the programs, operations, and personnel of USAID; (2) provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency, and effectiveness and to detect waste, fraud, and abuse in the programs and operations of USAID; and, (3) provide a means for keeping the USAID Administrator and Congress informed about problems and deficiencies.

## ECONOMIC SUPPORT FUND

Table XII

| <i>Economic Support Fund</i>         |                         |                         |                         |                         |
|--------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <i>dollars thousands</i>             |                         |                         |                         |                         |
|                                      | <i>FY 2001</i>          | <i>FY 2002</i>          | <i>FY 2003</i>          | <i>FY 2004</i>          |
| <b>TOTAL</b>                         | <b><u>2,314,896</u></b> | <b><u>3,289,000</u></b> | <b><u>2,490,000</u></b> | <b><u>2,535,000</u></b> |
| Direct Appropriation                 |                         | 2,224,000               | 2,490,000               | 2,535,000               |
| Emergency Response Fund              | --                      | 600,000                 | --                      | --                      |
| FY 2002 Supplemental                 | --                      | 465,000                 | --                      | --                      |
| Direct apportionment to State        | 112,600                 | 118,700                 | TBD                     | TBD                     |
| Total managed by USAID               | 2,202,296               | 3,170,300               | 2,490,000               | 2,535,000               |
| <i>Regional Distribution</i>         |                         |                         |                         |                         |
| <i>Dollars thousands</i>             |                         |                         |                         |                         |
| <b>Total</b>                         | <b><u>2,314,896</u></b> | <b><u>3,289,000</u></b> | <b><u>2,490,000</u></b> | <b><u>2,535,000</u></b> |
| Sub-Saharan Africa                   | 85,798                  | 120,000                 | 77,000                  | 77,250                  |
| <i>[supplemental]</i>                | --                      | <i>[20,000]</i>         | --                      | --                      |
| East Asia and Pacific                | 179,846                 | 178,250                 | 166,750                 | 152,750                 |
| <i>[supplemental]</i>                | --                      | <i>[715,000]</i>        | --                      | --                      |
| South Asia                           | 7,989                   | 749,250                 | 244,000                 | 398,000                 |
| <i>[supplemental]</i>                |                         | <i>[703,000]</i>        |                         |                         |
| Near East                            | 1,848,723               | 1,802,000               | 1,624,000               | 1,580,000               |
| <i>[supplemental]</i>                |                         | <i>[123,000]</i>        |                         |                         |
| Europe                               | 44,901                  | 245,000                 | 44,000                  | 220,000                 |
| <i>[supplemental]</i>                | --                      | <i>[200,000]</i>        | --                      | --                      |
| Latin America and the Caribbean      | 120,238                 | 166,500                 | 96,000                  | 86,000                  |
| Central/State Interregional Programs | 27,401                  | 28,000                  | 38,250                  | 21,000                  |
| <i>[supplemental]</i>                | --                      | <i>[7,000]</i>          | --                      | --                      |

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

Africa, \$77.3 million, of which \$15 million to help ensure a just peace in Sudan; \$20 million for the region's four strategic countries – Ethiopia, Kenya, Nigeria and South Africa – to support economic growth, democracy, anti-crime and anti-corruption; \$4 million to help

stabilize democracy in Zimbabwe. Also, \$16.3 million is to continue programs to resolve long-running conflicts or instability, including Angola, Burundi, the Democratic Republic of Congo, and Sierra Leone; \$14 million for the Africa Regional Fund for activities to strengthen the rule of law and to support African efforts to manage renewable resources. In addition, \$5 million is for Safe Skies, and \$3 million is for regional organizations such as SADC and the Organization of African Unity.

East Asia and the Pacific, \$152.8 million, of which \$60 million for Indonesia and \$13.5 million for East Timor, \$20 million for the Philippines, \$15 million for Cambodia, \$10 million for Mongolia, \$6.5 million for Burma, \$18 million for the South Pacific Multilateral Fisheries Treaty; \$2.5 million for projects funded under the ASEAN Cooperative Plan and \$7.3 million for regional projects that support key U.S. objectives in the region.

South Asia, \$398 million, which includes \$150 million to help rebuild Afghanistan's road network and other medium and smaller-scale infrastructure projects; reinforce democracy and stability and particularly in the aftermath of the elections that will take place in June 2003; provide budget support for the Afghan Transitional Authority (ATA); and concurrent with ATA recruitment and training efforts, offer militia the opportunity to disarm and follow economic pursuits in the urban and rural sectors. For Pakistan \$200 million is for targeted budget support for sector reforms. In addition, there is \$20 million for India, \$6 million for Bangladesh; \$6 million for Nepal, \$14 million for Sri Lanka, and \$2 million for regional activities.

Near East, \$1.58 billion, to support Middle East stability and the search for a comprehensive peace between Israel and its neighbors. Funding includes \$480 million for Israel, \$575 million for Egypt, \$75 million for the West Bank and Gaza, and \$250 million for assistance to Jordan. In addition, funding of \$15 million is earmarked to support Yemen's efforts in the war on terrorism, and \$32 million for Lebanon. The request continues programs to strengthen regional cooperation, promote democracy and civil society, and encourage economic growth and integration through increased trade reforms through the Middle East Regional Cooperation (MERC) and Middle East Multilaterals programs (\$8 million). A total of \$145 million is requested for the Middle East Partnership Initiative (MEPI). The framework is to reform education systems and create greater educational opportunity; opening economies and creating jobs for people in the region. This initiative will favor countries that support democratic reforms, rule of law and women's empowerment.

Europe, \$220 million, includes \$200 million for balance of payments for Turkey; \$7.5 million for Cyprus to promote reconciliation between the Greek and Turkish communities; and \$8.5 million is requested for the International Fund for Ireland to help foster cross-community cooperation, economic regeneration and job opportunities in Northern Ireland and the border communities, as well as \$4 million for the final year of the Ireland intake program, which brings youth from disadvantaged areas to the United States to develop job skills.

Latin America and the Caribbean, \$86 million, includes \$35 million for democratic institution building and economic growth programs in Ecuador, Bolivia, Peru, Panama, and Venezuela; \$4.5 million to support the Ecuador/Peru border peace process; \$12 million for reform in Mexico under a new democracy and governance strategy and to implement a scholarship and training program; \$7 million for justice sector activities in Central America

and the Caribbean; \$9 million for the Third Border Initiative in the Caribbean, \$11.5 million for democracy-building and anti-corruption programs in the Dominican Republic, Paraguay and Guatemala; and \$7 million for Cuba, aimed at peaceful transition to democracy characterized by open markets and strong support for human rights.

Other, \$21 million, for state-managed programs, including \$2 million for the Partnership to Eliminate Sweatshops, \$17 million for Human Rights and Democracy Funds, and \$2 million for the Oceans, Environmental and Science Initiative.

**ASSISTANCE FOR EASTERN EUROPE AND THE BALTIC STATES**

**Table XIII**

| <i>Assistance for Eastern Europe and the Baltic States</i> |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| <i>dollars thousands</i>                                   |                |                |                |                |
|  | <i>FY 2001</i> | <i>FY 2002</i> | <i>FY 2003</i> | <i>FY 2004</i> |
| <b>TOTALS</b>  | <b>674,338</b> | <b>621,000</b> | <b>495,000</b> | <b>435,000</b> |
| TOTAL Direct Appropriation                                 | 598,679        | 621,000        | 495,000        | 435,000        |
| FY 2001 Supplemental                                       | 75,659         | --             | --             | --             |
| Of which transfers:  | 180,802        | 193,752        | 155,276        | 139,390        |
| <b>Total USAID-Managed</b>                                 | <b>493,536</b> | <b>427,247</b> | <b>339,724</b> | <b>295,610</b> |

The request of \$435 million will help stabilize southeast Europe and support the region's transition into the European and trans-Atlantic mainstream. Although there are no longer USAID missions in the European northern tier, legacy mechanisms are in place for grant-making funds, managed by private foundations, such as the Baltic-American Partnership Fund.

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

The request includes \$95 million for Serbia to help speed implementation of government reforms, and support economic development; community development and humanitarian programs will help the country move beyond its Milosevic-era past. An additional \$18 million will fund similar efforts in Montenegro. For Kosovo, the \$79 million request will support security, democratization, and respect for human rights and rule of law, as well as help revive the economy and provide social services. The Former Yugoslav Republic of Macedonia will receive \$39 million to increase employment-generation programs, work with small and medium-sized businesses, labor deployment, and help implement constitutional changes. For Bosnia-Herzegovina, \$44 million is requested to support economic development, judicial reform, and reform of military and state institutions. The \$28 million for Albania programs focuses on combating international crime and corruption and on fostering decentralization, local government reform, economic development, and restructuring of the energy sector, as well as increasing employment and trade via micro-enterprise financing. A three-year pledge for \$28 million annually for Bulgaria will fund a transition plan to secure stronger governance and broader economic opportunity. Regional

programs of \$51 million foster cooperation to fight trafficking in persons and organized crime and to promote trade and economic growth.

**ASSISTANCE FOR THE INDEPENDENT STATES OF THE FORMER SOVIET UNION**

**Table XIV**

| <i>Assistance for the Independent States of the Former Soviet Union</i> |                          |                |                |                |
|---|--------------------------|----------------|----------------|----------------|
|   | <i>dollars thousands</i> |                |                |                |
|   | <i>FY 2001</i>           | <i>FY 2002</i> | <i>FY 2003</i> | <i>FY 2004</i> |
| <b>TOTALS</b>   | <b>808,218</b>           | <b>958,000</b> | <b>755,000</b> | <b>576,000</b> |
| Direct Appropriation  | 808,218                  | 784,000        | 755,000        | 576,000        |
| Emergency Response Fund   | --                       | 64,000         | --             | --             |
| FY 2002 Supplemental  | --                       | 110,000        | --             | --             |
| Of which transfers:   | 334,936                  | 386,076        | 296,470        | 157,940        |
| <b>Total USAID-Managed</b>  | <b>473,282</b>           | <b>571,924</b> | <b>458,530</b> | <b>418,060</b> |
| See Europe and Eurasia volume for more detail                           |                          |                |                |                |

The request for the former Soviet Union totals \$576 million to fund continuing programs of USAID and other agencies supporting economic and democratic transition and the war on terrorism. Funding underscores the continued U.S. commitment to the region and the vital role played by the front-line states in the coalition against terrorism.

The lower request reflects reductions for Russia and Ukraine, which are slated for graduation from FSA assistance over the next several years. Graduation strategies will seek to leave behind a legacy of sustainable institutions that will continue to promote civil society development and economic growth.

The request continues the shift begun in FY 2002 toward increased funding for the Central Asian republics and Azerbaijan, and includes \$198.5 million for these countries. These funds would allow us to sustain efforts begun in the wake of 9/11 to enhance long-term stability in these key frontline states. Programs will be aimed at creating economic hope through support for macroeconomic reform and small business growth; opening political space by strengthening democratic institutions and grass roots organizations; repairing the badly deteriorated health and education infrastructure; overcoming isolation through exchanges and internet access; and easing interethnic and cross-border tensions.

In Eurasia, FSA programs will emphasize two priorities in FY 2004: diversification and decentralization of power (by strengthening NGOs, independent media, local governments, and the judicial branch) and bolstering the rule of law (by fighting corruption and improving the effectiveness of law enforcement systems).

Throughout the former Soviet Union, funds will support small and medium-sized businesses through training, exchanges, and greater access to credit, as well as U.S. investment and trade. Increasing emphasis will be placed on partnerships and dealing with corruption.

Funding (\$67 million) will support health programs, including efforts to improve maternal and infant health, combat infectious diseases, (HIV/AIDS and tuberculosis), and improve

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

**INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT (INC)**

(USAID-Managed Portion Only)

Table XV

| <i>Plan Colombia/Andean Counter-narcotics Initiative</i> |                      |                       |                       |                       |
|--|----------------------|-----------------------|-----------------------|-----------------------|
|  | FY 2000              | FY 2002               | FY 2003               | FY 2004               |
| <b>TOTAL</b>   | <b><u>25,750</u></b> | <b><u>219,000</u></b> | <b><u>278,000</u></b> | <b><u>259,400</u></b> |
| INC/Andean Counterdrug Initiative                        | 25,750               | 219,000               | 278,000               | 259,000               |

The Andean Counterdrug Initiative account (ACI) supports a comprehensive strategy for combating narcotics. This account is appropriated to the Department of State; the State Department transfers some of these funds to USAID for managing alternative development programs. The FY 2004 request of \$731 million for alternative development programs includes \$259 million to be managed by USAID.

The request continues programs aimed at addressing the economic, social and institutional problems linked to illicit drug production and flow. Under the Andean Counterdrug Initiative, USAID's Alternative Development programs encourage small farmers to produce sustainable, income-generating licit crops, voluntarily give up drug crops and provide other employment opportunities through small infrastructure and agro-industrial projects.

Assistance is provided for internally displaced persons who have fled the violence and chaos associated with drug production. The governance skills of communities, local governments and other institutions are strengthened to help them identify and resolve local development problems and to attract greater, licit economic development opportunities. Economic infrastructure, such as roads, electric power grids, schools and clinics is also provided. The integration of good governance and expanded economic opportunity leads to communities less likely to plant or replant narcotics crops.

The request for FY 2004 includes alternative development programs for Colombia (\$150 million), Peru (\$50 million), Bolivia (\$42 million), Ecuador (\$15 million) and \$2.4 million in regional programs.

Title II P.L. 480 FOOD FOR PEACE PROGRAMS

Table XVI

|   | PL 480 Title II Programs |                |                  |                  |
|---|--------------------------|----------------|------------------|------------------|
|   | dollars thousands        |                |                  |                  |
|   | FY 2001                  | FY 2002        | FY 2003          | FY 2004          |
| <b>Total</b>                                      | <b>835,159</b>           | <b>958,820</b> | <b>1,185,000</b> | <b>1,185,000</b> |
| Budget Level-Direct                               | 835,159                  | 850,000        | 1,185,000        | 1,185,000        |
| Emergency Response Fund                           | --                       | 95,000         | --               | --               |
| FY 2002 Supplemental                              | --                       | 13,820         | --               | --               |
| <b>Uses:</b>                                      |                          |                |                  |                  |
| Non-Emergency – PVO & WFP                         | 423,881                  | 402,340        | TBD              | TBD              |
| Emergency – PVO, WFP and Government-to-Government | 400,528                  | 546,460        | TBD              | TBD              |
| Farmer-to-Farmer                                  | 10,750                   | 10,000         | 10,000           | 10,000           |

FOR MORE DETAIL SEE CENTRAL PROGRAMS VOLUME AND SUMMARY TABLES

The United States uses its abundant agricultural resources and food processing capabilities to enhance food security and combat problems of malnutrition in the developing world both through emergency food aid responding to the critical food needs of targeted vulnerable groups and through development food aid focused on enhancing household nutrition or increasing incomes and agricultural production. Provided via private voluntary organizations (PVOs) and the UN's World Food Program (WFP), emergency food aid, such as in Afghanistan and Sudan, not only saves lives but also mitigates the immediate effects of conflict and contributes to the stabilization of war-torn societies. Development food aid is provided via multi-year commitments to PVOs, as well as through a portion of the biennial pledge to the WFP.

Appropriated to the U.S. Department of Agriculture, the Title II program is managed by USAID. The request for Title II for FY 2004 is \$1.185 billion. This sustains a 39% increase over FY 2002, exclusive of FY 2002 emergency funds, in USAID-managed food assistance resources that are no longer dependent on surplus commodities.

The Emergency Response Fund provided during FY 2002 has been assisting people in and around Afghanistan.

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

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

Table XVII (a)

## FY2004 Pillars and Programs of Special Interest

(Dollars Millions)

|  | Development Assistance/<br>Child Survival | Economic Support Fund | Assistance to Eastern Europe and Baltics | Assistance to Independent States of Former Soviet Union | Andean Counterdrug Initiative | Global AIDS Initiative | International Disaster Assistance | Transition Initiative | Famine Fund  | PL 480         | Totals         |
|--|---|-----------------------|--|---|-------------------------------|------------------------|-----------------------------------|-----------------------|--------------|----------------|----------------|
| <b>Economic Growth, Agriculture and Trade</b>            | <b>1,133.0</b>                            | <b>2,113.1</b>        | <b>157.3</b>                             | <b>311.4</b>  | <b>173.3</b>                  |                        |                                   |                       |              |                | <b>3,888.1</b> |
| Agriculture  | 268.5                                     | 91.2                  | 13.7                                     | 44.4  | 52.4                          |                        |                                   |                       |              |                | 470.2          |
| Economic Growth  | 315.7                                     | 1,113.1               | 117.8                                    | 190.3   | 108.9                         |                        |                                   |                       |              |                | 1,845.8        |
| Microenterprise [non-add]                                | [72.0]                                    | [9.8]                 | [8.1]                                    | [29.5]  | [2.5]                         |                        |                                   |                       |              | [0.8]          | [155.0] **/    |
| Environment  | 286.4                                     | 88.2                  | 10.4                                     | 53.2  | 11.0                          |                        |                                   |                       |              |                | 449.2          |
| [of which GCC]   | [109.0]                                   | [4.5]                 | [6.5]                                    | [19.0]  | [0.0]                         |                        | [5.0]                             |                       |              |                | [150.0] ***/   |
| Education and Training                                   | 262.4                                     | 122.7                 | 15.3                                     | 23.5  | 1.0                           |                        |                                   |                       |              |                | 425.0          |
| [of which Basic Education]                               | [212.0]                                   | [43.3]                | [5.2]                                    | [4.3]   | [0.0]                         |                        |                                   |                       |              |                | [264.9]        |
| Special Concerns */                                      |   | 698.0                 |  |   |                               |                        |                                   |                       |              |                | 698.0          |
| <b>Global Health</b>                                     | <b>1,495.0</b>                            | <b>91.5</b>           | <b>14.8</b>                              | <b>66.9</b>   | <b>8.1</b>                    | <b>450.0</b>           |                                   |                       |              | <b>10.0</b>    | <b>2,136.2</b> |
| Child Survival/Maternal Health                           | 284.6                                     | 18.0                  | 2.6                                      | 14.9  | 8.1                           |                        |                                   |                       |              |                | 328.2          |
| Vulnerable Children                                      | 10.0                                      | 6.4                   | 4.1                                      | 3.7   |                               |                        |                                   |                       |              |                | 24.2           |
| HIV/AIDS   | 750.0                                     | 13.5                  | 1.2                                      | 15.4  |                               |                        |                                   |                       |              | 10.0           | 790.0          |
| Global AIDS Initiative                                   |   |                       |  |   |                               | 450.0                  |                                   |                       |              |                | 450.0          |
| Infectious Diseases                                      | 104.4                                     | 2.8                   | 1.0                                      | 10.7  |                               |                        |                                   |                       |              |                | 118.9          |
| Family Planning/ Reproductive Health                     | 346.0                                     | 50.8                  | 5.9                                      | 22.2  |                               |                        |                                   |                       |              |                | 425.0          |
| <b>Democracy, Conflict &amp; Humanitarian Assistance</b> | <b>212.0</b>                              | <b>330.4</b>          | <b>262.9</b>                             | <b>197.7</b>  | <b>78.1</b>                   |                        | <b>235.5</b>                      | <b>55.0</b>           | <b>200.0</b> | <b>1,175.0</b> | <b>2,746.5</b> |
| Democracy and Governance/Conflict                        | 192.5                                     | 325.4                 | 250.4                                    | 167.4   | 30.1                          |                        |                                   | 55.0                  |              |                | 1,020.8        |
| Human Rights/Other Health                                | 19.5                                      | 5.0                   | 3.6                                      | 2.6   | 5.0                           |                        |                                   |                       |              |                | 35.7           |
| Humanitarian Assistance                                  |   |                       | 8.9                                      | 27.7  | 43.0                          |                        | 235.5                             |                       | 200.0        | 1,175.0        | 1,690.0        |
| <b>Global Development Alliance</b>                       | <b>[15.0]</b>                             |                       |  |   |                               |                        |                                   |                       |              |                | <b>[15.0]</b>  |
| <b>Total</b>   | <b>2,840.0</b>                            | <b>2,535.0</b>        | <b>435.0</b>                             | <b>576.0</b>  | <b>259.4</b>                  | <b>450.0</b>           | <b>235.5</b>                      | <b>55.0</b>           | <b>200.0</b> | <b>1,185.0</b> | <b>8,770.9</b> |

\*/ Special Concerns include programs for Israel, Turkey and the South Pacific Tuna Treaty

\*\*/ The Microenterprise Total also includes an additional \$32.3 million (\$1.6 million from Local Currency; and \$30.7 million from yet to be determined sources)

\*\*\*/ The GCC Total also includes an additional \$6 million from yet to be determined sources.

## FY2003 Pillars and Programs of Special Interest

(Dollars Millions)

|  | Development Assistance/Child Survival | Economic Support Fund | Assistance to Eastern Europe and Baltics | Assistance to Independent States of Former Soviet Union | Andean Counterdrug Initiative | International Disaster Assistance | Transition Initiative | PL 480         | Totals         |
|--|---------------------------------------|-----------------------|--|---|-------------------------------|-----------------------------------|-----------------------|----------------|----------------|
| <b>Economic Growth, Agriculture and Trade</b>            | <b>1,110.6</b>                        | <b>2,107.6</b>        | <b>194.5</b>                             | <b>417.4</b>  | <b>173.1</b>                  |                                   |                       |                | <b>4,003.2</b> |
| Agriculture  | 260.5                                 | 119.5                 | 19.9                                     | 40.7  | 52.6                          |                                   |                       |                | 493.3          |
| Economic Growth  | 316.6                                 | 988.5                 | 141.3                                    | 266.5   | 106.9                         |                                   |                       |                | 1,819.8        |
| Microenterprise [non-add] */                             | [ 80.0]                               | [ 39.0]               | [ 6.0]                                   | [ 20.0]   | [ 0.0]                        |                                   |                       |                | [ 145.0]       |
| Environment  | 308.0                                 | 123.4                 | 11.0                                     | 83.2  | 13.2                          |                                   |                       |                | 538.8          |
| [of which GCC]   | [ 109.3]                              | [ 5.7]                | [ 8.2]                                   | [ 27.4]   | [ 4.6]                        | [ 5.0]                            |                       |                | [ 160.1]       |
| Education and Training                                   | 225.5                                 | 58.2                  | 22.3                                     | 27.0  | 0.4                           |                                   |                       |                | 333.4          |
| [of which Basic Ed]                                      | [ 165.0]                              | [ 25.0]               | [ 4.7]                                   | [ 2.6]  | [ 0.0]                        |                                   |                       |                | [ 197.3]       |
| Special Concerns **/                                     |                                       | 818.0                 |  |   |                               |                                   |                       |                | 818.0          |
| <b>Global Health</b>                                     | <b>1,474.0</b>                        | <b>91.1</b>           | <b>12.6</b>                              | <b>63.6</b>   | <b>8.7</b>                    |                                   |                       |                | <b>1,650.0</b> |
| Child Survival/Maternal Health                           | 282.5                                 | 37.4                  | 2.9                                      | 19.6  | 8.7                           |                                   |                       |                | 351.1          |
| Vulnerable Children                                      | 13.0                                  | -                     | 3.2                                      | 6.9   |                               |                                   |                       |                | 23.2           |
| HIV/AIDS   | 600.0                                 | 17.0                  | 0.9                                      | 12.2  |                               |                                   |                       |                | 630.1          |
| Infectious Diseases                                      | 110.0                                 | 0.4                   | 0.7                                      | 11.5  |                               |                                   |                       |                | 122.6          |
| Family Planning/ Reproductive Health                     | 368.5                                 | 36.3                  | 4.9                                      | 13.4  |                               |                                   |                       |                | 423.1          |
| Global Fund  | 100.0                                 |                       |  |   |                               |                                   |                       |                |                |
| <b>Democracy, Conflict &amp; Humanitarian Assistance</b> | <b>224.9</b>                          | <b>253.1</b>          | <b>287.9</b>                             | <b>274.0</b>  | <b>96.2</b>                   | <b>285.5</b>                      | <b>55.0</b>           | <b>1,185.0</b> | <b>2,661.6</b> |
| Democracy and Governance/Conflict                        | 199.9                                 | 247.8                 | 276.7                                    | 235.9   | 39.2                          |                                   | 55.0                  |                | 1,054.4        |
| Human Rights/Other Health                                | 25.0                                  | 3.3                   | 2.1                                      | 0.7   | 7.0                           |                                   |                       |                | 38.1           |
| Humanitarian Assistance                                  |                                       | 2.0                   | 9.1                                      | 37.4  | 50.0                          | 285.5                             |                       | 1,185.0        | 1,569.0        |
| <b>Global Development Alliance</b>                       | <b>30.0</b>                           |                       |  |   |                               |                                   |                       |                | <b>30.0</b>    |
| <b>Other</b>   |                                       | <b>38.3</b>           |  |   |                               |                                   |                       |                | <b>38.3</b>    |
| State Department Initiatives                             |                                       | 38.3                  |  |   |                               |                                   |                       |                | 38.3           |
| <b>Total</b>   | <b>2,839.5</b>                        | <b>2,490.0</b>        | <b>495.0</b>                             | <b>755.0</b>  | <b>276.0</b>                  | <b>285.5</b>                      | <b>55.0</b>           | <b>1,185.0</b> | <b>8,383.0</b> |

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

\*\*/ Special Concerns include programs for Israel, Turkey and the South Pacific Tuna Treaty



Table XVII (c)

## FY2002 Pillars and Programs of Special Interest

(Dollars Millions)

|  | Development Assistance/Child Survival | Economic Support Fund | Assistance to Eastern Europe and Baltics | Assistance to Independent States of Former Soviet Union | Andean Counterdrug Initiative | International Disaster Assistance | Transition Initiative | PL 480       | Totals         |
|--|---------------------------------------|-----------------------|--|---|-------------------------------|-----------------------------------|-----------------------|--------------|----------------|
| <b>Economic Growth, Agriculture and Trade</b>            | <b>1,011.6</b>                        | <b>1,823.2</b>        | <b>291.4</b>                             | <b>430.8</b>  | <b>159.3</b>                  |                                   |                       |              | <b>3,716.3</b> |
| Agriculture  | 201.9                                 | 144.0                 | 16.4                                     | 40.2  | 37.0                          |                                   |                       |              | 439.5          |
| Economic Growth  | 311.8                                 | 738.7                 | 236.4                                    | 283.9   | 114.5                         |                                   |                       |              | 1,685.3        |
| Micoenterprise [non-add] */                              | [ 79.0]                               | [ 26.0]               | [ 30.0]                                  | [ 9.0]  | [ 0.0]                        |                                   |                       |              | [ 144.0]       |
| Environment  | 285.7                                 | 110.0                 | 16.8                                     | 83.6  | 7.8                           |                                   |                       |              | 503.9          |
| [of which GCC]   | [ 110.0]                              | [ 11.8]               | [ 9.8]                                   | [ 31.8]   | [ 5.0]                        | [ 4.0]                            |                       |              | [ 172.4]       |
| Education and Training                                   | 212.3                                 | 96.5                  | 21.8                                     | 23.1  | -                             |                                   |                       |              | 353.7          |
| [of which Basic Ed]                                      | [ 150.0]                              | [ 31.1]               | [ 4.1]                                   | [ 0.8]  | [ 0.0]                        |                                   |                       |              | [ 186.0]       |
| Special Concerns **/                                     |                                       | 734.0                 |  |   |                               |                                   |                       |              | 734.0          |
| <b>Global Health</b>                                     | <b>1,467.5</b>                        | <b>111.8</b>          | <b>17.2</b>                              | <b>58.7</b>   | <b>7.2</b>                    |                                   |                       |              | <b>1,662.4</b> |
| Child Survival/Maternal Health                           | 337.0                                 | 44.8                  | 0.3                                      | 18.2  | 7.2                           |                                   |                       |              | 407.5          |
| Vulnerable Children                                      | 25.0                                  | 0.3                   | 4.0                                      | 8.2   |                               |                                   |                       |              | 37.5           |
| HIV/AIDS   | 435.0                                 | 7.5                   | 2.1                                      | 9.3   |                               |                                   |                       |              | 453.9          |
| Infectious Diseases                                      | 165.0                                 | 1.4                   | 0.9                                      | 10.7  |                               |                                   |                       |              | 178.0          |
| Family Planning/ Reproductive Health                     | 385.5                                 | 57.9                  | 9.9                                      | 12.3  |                               |                                   |                       |              | 465.6          |
| UNICEF   | 120.0                                 |                       |  |   |                               |                                   |                       |              | 120.0          |
| <b>Democracy, Conflict &amp; Humanitarian Assistance</b> | <b>146.4</b>                          | <b>268.0</b>          | <b>312.4</b>                             | <b>294.5</b>  | <b>54.9</b>                   | <b>235.5</b>                      | <b>50.0</b>           | <b>850.0</b> | <b>2,211.7</b> |
| Democracy and Governance/Conflict                        | 119.4                                 | 262.6                 | 281.1                                    | 248.6   | 28.9                          |                                   | 50.0                  |              | 990.6          |
| Human Rights/Other Health                                | 27.0                                  | 3.3                   | 5.6                                      | 0.3   | 4.0                           |                                   |                       |              | 40.2           |
| Humanitarian Assistance                                  |                                       | 2.1                   | 25.7                                     | 45.6  | 22.0                          | 235.5                             |                       | 850.0        | 1,180.9        |
| <b>Global Development Alliance</b>                       | <b>20.0</b>                           |                       |  |   |                               |                                   |                       |              | <b>20.0</b>    |
| <b>Other</b>   |                                       | <b>21.0</b>           |  |   |                               |                                   |                       |              | <b>21.0</b>    |
| State Department Initiatives                             |                                       | 21.0                  |  |   |                               |                                   |                       |              | 21.0           |
| <b>Total</b>   | <b>2,645.5</b>                        | <b>2,224.0</b>        | <b>621.0</b>                             | <b>784.0</b>  | <b>221.4</b>                  | <b>235.5</b>                      | <b>50.0</b>           | <b>850.0</b> | <b>7,631.4</b> |

\*/ Excludes an additional \$11 million local currency.

\*\*/ Special Concerns include programs for Israel and the South Pacific Tuna Treaty

## **PROGRAM HIGHLIGHTS**

USAID's FY 2004 budget request responds to the challenge laid out by President Bush in 2002 in his remarks on global development.

"The advances of free markets and trade and democracy and rule of law have brought prosperity to an ever-widening circle of people in this world. During our lifetime, per capita income in the poorest countries has nearly doubled. Illiteracy has been cut by one-third, giving more children a chance to learn. Infant mortality has been almost halved, giving more children a chance to live... Yet in many nations, in many regions, poverty is broad and seemingly inescapable, leaving a dark shadow -- a dark shadow -- across a world that is increasingly illuminated by opportunity... This growing divide between wealth and poverty, between opportunity and misery, is both a challenge to our compassion and a source of instability. We must confront it. We must include every African, every Asian, every Latin American, every Muslim, in an expanding circle of development."<sup>1</sup>

USAID's budget request supports programs directed at key development priorities in the President's FY 2004 budget, including the Global AIDS Initiative, and the Famine Fund. The budget request reflects the Administration's new focus and impetus on the role of foreign assistance in enhancing our national security and promoting a sound economic development agenda.

By providing advisory services, training, and commodity support to more than 70 developing and transition countries around the world, USAID strengthens our country's leadership in the provision of hope and opportunity for people in the developing world.

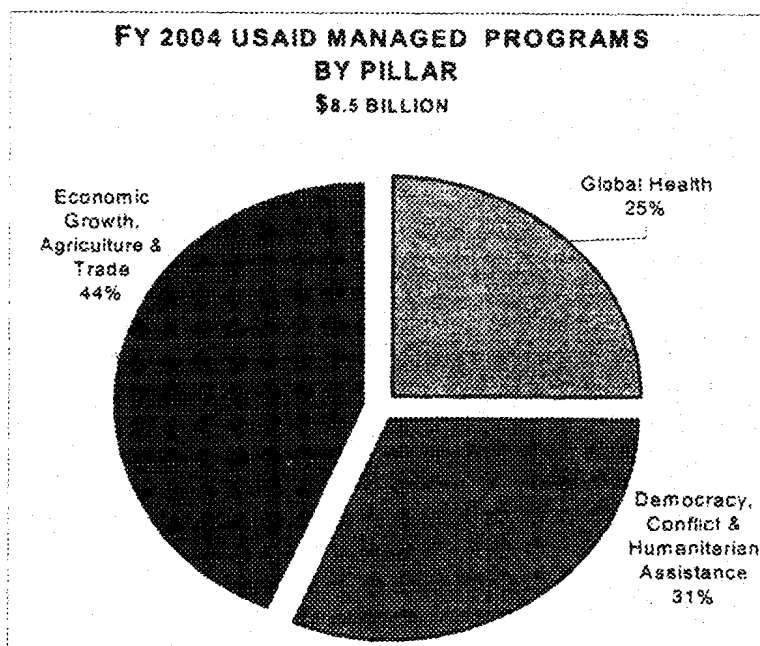
USAID has structured its programs around four "pillars": (1) the Economic Growth, Agriculture, and Trade (EGAT) pillar focuses on building stronger economies that are soundly-governed, broadly-based, and integrated into the global trading system; (2) the Global Health pillar includes child survival and maternal health, HIV/AIDS, infectious diseases, family planning and reproductive health; (3) the Democracy, Conflict, and Humanitarian Assistance pillar responds to crises and promotes good governance; and (4) the Global Development Alliance operationalizes a new way of promoting development in partnership with others, including the private sector. The FY 2004 budget request is organized around the three sectoral pillars; the Global Development Alliance is incorporated in all three.

The total FY 2004 program request is \$8.771 billion. \$4.255 billion is requested for programs to be implemented by USAID with accounts that are jointly managed with the Department of State (e.g., the Economic Support Fund, Assistance for Eastern Europe and the Baltic States, Assistance for the Independent States of the Former Soviet Union, Andean Counterdrug Initiative, and the Global AIDS Initiative). \$4.516 billion is requested for accounts which are principally managed by USAID. These programs will

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<sup>1</sup> Excerpted from remarks of March 14, 2002, at the Inter-American Development Bank, in Washington, DC.

be funded by: Development Assistance; Child Survival and Health Programs Fund; International Disaster Assistance; Transition Initiatives; the Famine Fund; and P.L. 480 Title II Food Aid (which falls under the Subcommittee on Agriculture, is appropriated through the U.S. Department of Agriculture and is managed by USAID). The graph below displays the total FY 2004 program budget request by pillar.



### Economic Growth, Agriculture and Trade Pillar

#### FY 2004 Program Request (\$ in millions)

| OTHER   | DA                    | ESF                   | AEER                | FSA                 | TOTALS                |
|---|-----------------------|-----------------------|---------------------|---------------------|-----------------------|
| <b>Economic Growth, Agriculture &amp; Trade</b>         | <b><u>1,133.0</u></b> | <b><u>2,113.2</u></b> | <b><u>157.3</u></b> | <b><u>311.4</u></b> | <b><u>3,714.9</u></b> |
| • Agriculture   | 268.5                 | 91.2                  | 13.7                | 44.4                | 417.8                 |
| • Economic Growth<br>• [of which, microenterprise]      | 315.7                 | 1,113.1               | 117.8               | 190.3               | 1,736.9<br>[155.0]    |
| • Education and Training<br>• of which, Basic Education | 262.4<br>212.0        | 122.7<br>43.3         | 15.3<br>5.2         | 23.5<br>4.3         | 424.0<br>264.9        |
| • Environment<br>• [of which, GCC]                      | 266.4                 | 88.2                  | 10.4                | 53.2                | 438.2<br>[155.0]      |
| • Special Concerns*                                     |                       | 698.0                 |                     |                     | 698.0                 |

\*Special Concerns include programs for Israel and Turkey cash transfers, and the South Pacific Tuna Treaty

Assistance provided under this pillar will broadly promote an expansion of economic opportunities by enabling: nations to better participate in and benefit from world trade; farmers and rural entrepreneurs to access new technologies and markets for the production of food and incomes; business firms, cooperatives, and other economic organizations to increase the efficiency and profitability of their efforts; and individuals to acquire the skills they need to succeed in life.

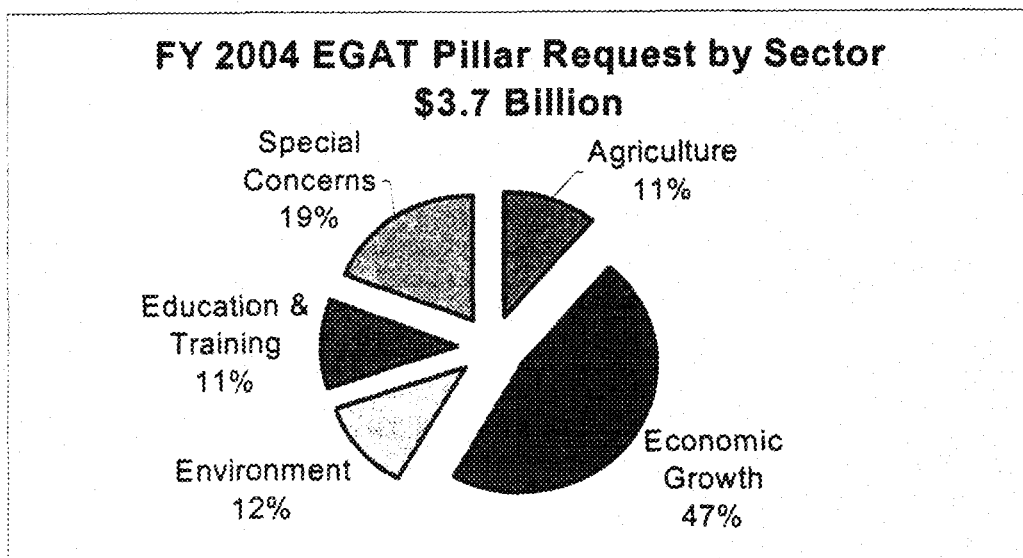
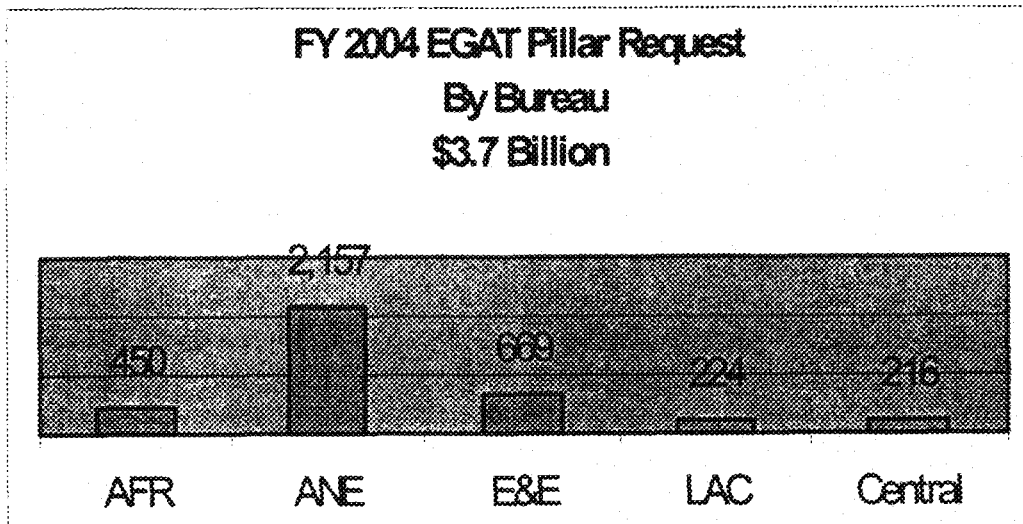
Development Assistance (DA) resources will be largely allocated to countries in sub-Saharan Africa, Latin America, and southeast Asia. OFDA and OTI resources will enable countries emerging from conflict or disaster to regain an economic growth path, initially by focusing on the basics of agriculture, microenterprise, education, and good governance. FSA and AEEB resources will continue the difficult task of building democratic market economies in Eastern Europe and the former Soviet Union. ESF resources support economic growth programs in countries that have special priority for the U.S. from a foreign policy perspective. Title II food aid resources both ensure safety nets when external shocks (drought, high oil prices, market crises, or civil strife) occur and highly-focussed resources that enable the poorest groups to find or maintain their places in national economies. The Development Credit Authority (DCA) permits USAID to expand the impact of all appropriated resources by facilitating our partnership with private sector financial institutions willing to work with USAID in providing needed credit to targeted sectors or borrowers.

Given U.S. Government (USG) commitments made at the WTO Ministerial Meeting in Doha to support increased integration of developing countries in the global trading system and at the U.N. Financing for Development Conference in Monterrey to support increased private sector investments in economic development, USAID's FY 2004 proposes to sustain a significant level of investment in trade capacity-building. With USG commitments made at the World Food Summit: five years later and USAID's role in the interagency effort dedicated to cutting hunger in half by the year 2105, the Agency is continuing to rebuild agricultural programs worldwide. We recognize that expanded economic opportunities for the vast majority of the poor in developing and transition countries rely on increasing productivity in this sector. Investments in science and the development of agricultural technologies (including those using biotechnology) will be complemented by investments that sustain the productivity and quality of the natural resources on which agricultural production depends.

The USG's recent decision to rejoin UNESCO strengthens USAID collaboration and leadership in the education sector and the implementation of the Education for All initiative. Without the training and skills to access the rapidly-growing knowledge base that underpins economic growth, children and adults in developing and transition countries will be unable to seize economic opportunities and realize the benefits of economic freedom that USAID promotes.

Finally, the USG commitments at the World Summit on Sustainable Development – and the Presidential Signature Initiatives announced at that Summit in Johannesburg – are reflected in the USAID requests for resources to support environmental protection and

conservation of biodiversity (especially in Central Africa), extending access to modern energy (including renewable energy and other clean technologies) to the poor, ending famine in Africa, expanding "digital freedom" by extending access to information technologies and the internet, and addressing increasingly critical issues associated with water: access to potable water and sanitation, more productive use of the world's fresh water for agriculture, and improved management of this scarce resource.



**Increasing Trade and Investment for Economic Growth and Reducing Poverty**

Economic growth is driven largely by increased trade and investment. Effective economic governance makes trade and investment possible by establishing an environment which provides the necessary legal framework, security, and skilled and healthy human resource base. Sound policies – and programs geared toward the microentrepreneur, community development, and small business -- ensure that the poor as well as the rich can participate in and benefit from trade and investment. Over the long term, a growing economy is required to reduce poverty.

USAID has built an impressive track record in its programs to build trade capacity in developing and transition countries since FY 1999. As the USG pursues an increasing number of bilateral trade agreements, the hemispheric agreement known as the Free Trade Area of the Americas (FTAA), and a number of historic changes in the global trading agreements negotiated through the World Trade Organization (WTO), USAID finds itself increasingly called upon to respond to needs for assistance in economic analysis, trade facilitation, and building both government and local business capacity to understand and respond to the opportunities that global trade presents. USAID's trade and investment proposals will, therefore, support regional, subregional, national, and local (private sector) initiatives.

In **Africa**, USAID promotes harmonization of trade and customs policies, more transparent and efficient finance and investment environments, and business linkages through both regional and sub-regional efforts. The regional **Trade for African Development and Enterprise (TRADE) Initiative** seeks to: (1) promote U.S.-Africa business linkages; (2) enhance competitiveness of African products (especially in response to opportunities presented by the popular Africa Growth and Opportunity Act (AGOA)); (3) expand the role of trade in African poverty reduction strategies; (4) improve the delivery of public services supporting trade (e.g. customs procedures); (5) build African capacity for trade policy analysis; and (6) strengthen the enabling environment for African businesses. At the President's request, USAID established three regional "hubs" for increasing trade competitiveness in Africa in 2002/2003. These hubs energize sub-regional collaboration and, in southern Africa, will support the bilateral trade negotiations with the Southern Africa Customs Union as well as follow up to ensure that countries are able to respond to this new opportunity. The Africa Bureau's initiative to Cut Hunger in Africa will also include an element of trade capacity-building, focusing both on linking farmers to global markets and on increasing the efficiency of local and regional markets.

In **Asia and the Near East**, USAID's trade capacity building efforts will build on the success of the U.S.-Jordan Free Trade Agreement and U.S. support for Jordan's accession to the WTO, expand engagement with Morocco in the context of the U.S.-Moroccan Free Trade Agreement, and extend the impact and lessons of experience in work with private sector competitiveness in Sri Lanka. Opportunities to link the clean energy objectives with industrial growth and to link clean water objectives with better municipal management in support of economic growth will be seized to the extent that funds and private sector interests permit. In general, national programs will continue to liberalize international trade, improve economic governance, increase competition,

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eliminate restraints on foreign and domestic investment, improve financial sector performance, and privatize infrastructure.

In **Europe and Eurasia**, USAID continues to support countries' aspirations to become full members of the World Trade Organization. Some countries have gone further than others in making the transition to free market economies; USAID is emphasizing increasing competitiveness as a means of linking local markets to both macroeconomic reforms and microeconomic foundations for business growth. Good governance issues are also at the core of both regional and national programs. USAID is fighting corruption (including money laundering), promoting business ethics, and mitigating adverse impacts of transition through social insurance reform, employment generation and education reform.

In **Latin America and the Caribbean**, USAID supports the Opportunity Alliance for Central America (formerly the Partnership for Prosperity) as a means for integrating the relatively small economies in the region and promoting the recovery from market declines and job loss, exacerbated by drought. Assistance to the Alliance will also contribute to successful negotiation and implementation of the **U.S.-Central American Free Trade Agreement (CAFTA)** as well as the Free Trade Area of the Americas (FTAA) agreement. Priority bilateral activities include building capacity for analysis and policy development to underpin negotiations, promoting competitiveness in the private sector (being mindful of the gender impact of alternative approaches), developing market linkages (especially with the demanding U.S. market), and providing assistance for business development. Programs help countries comply with the "rules of trade," such as sanitary/phytosanitary measures, fair and efficient customs systems, and intellectual property rights. USAID's support for legal, policy, and regulatory reforms also will improve the climate for trade and investment. Given the importance of remittances to Central American economies, USAID is strengthening remittance mechanisms while lowering transfer costs.

To support these regional and country efforts to build trade capacity, the EGAT Bureau provides leadership and technical support to USAID economic growth programs around the world. In FY 2004, EGAT Bureau programs will identify and disseminate new approaches for creating sound commercial laws, increasing competition in key service sectors, and accelerating the response of private firms to global market opportunities. EGAT expertise will also complement and support mission staff capability worldwide. The EGAT Bureau will also provide support for interagency efforts to extend information and communication technologies more widely, working with governments on regulatory reforms, the private sector on needed infrastructural investments, and with a host of partners on applications relevant to development challenges.

### **Developing Agriculture and Reducing Hunger**

To reduce hunger over the next 20 years, both men and women farmers in developing countries will have to more than double the productivity of their land, labor, and water



resources without further encroaching on concentrations of biodiversity, degrading soil and water quality, or bringing marginal land into production. At the same time, to realize the benefits of trade and meet the standards of international markets, farmers will have to become more competitive in marketing what they produce. The need to double productivity and compete globally will require countries to institute market-based policies as well as develop the institutions, infrastructure, and rural finance systems needed to ensure that farmers both have access to the necessary technologies and the incentive to use them.

To meet this huge challenge, USAID is revitalizing its agricultural programs and encouraging public and private donors and development partners to do the same. Agency-wide agricultural programs are aimed at four strategic themes:

- Mobilizing science and technology to reduce poverty and hunger
- Developing global and local trade opportunities for farmers and rural industries
- Increasing knowledge at the local level through training, outreach, and adaptive research
- Promoting sustainable agriculture and sound environmental management

**Africa's challenges are the greatest:** It is the only region of the world in which, if current trends prevail, hunger will increase rather than decrease in the coming decades. Recognizing that the agriculture sector is the most cost-effective engine of growth for Africa, USAID has launched the regional **Initiative to Cut Hunger in Africa**, with the intent of fulfilling the U.S. pledge towards a global effort to reduce hunger in the region in half by 2015. USAID will initially partner with three countries still experiencing significant food insecurity (Uganda, Mali, and Mozambique) but whose governments are most committed to promoting broad-based and equitable growth in the agricultural sector. With these three programs as "regional anchors", the Initiative will grow to include neighboring countries and promote the use of modern technologies, expand credit to farmers, strengthen producer associations, provide better market information to farmers and traders, and enhance the economic incentives for farmers and small-scale entrepreneurs. It will target crops, livestock, and environmental goods and services where African farmers have a competitive advantage. Related efforts will be made to promote private sector-led diversification of the economy, such as agro-processing, and to increase agricultural exports.

In **Latin America and the Caribbean**, USAID will more than double its agriculture program funding to build on successful efforts, including those with non-traditional agricultural exports and access to specialty coffee markets. Business development and marketing services will help small and medium farmers and rural enterprises improve productivity and tap new markets. In Central America and Mexico, the Opportunity Alliance in which USAID participates actively will emphasize trade-led rural competitiveness through diversification, promoting access to agricultural niche markets and expansion into non-agricultural products.

In **Europe and Eurasia**, much of USAID's work in the agricultural sector has focused on land reform; this has improved the incentives for farmers to invest in and manage their land. Lessons learned in one country are being shared with others, such as between Moldova and Ukraine. Where countries have a comparative advantage in agriculture, such as Albania and Kazakhstan, USAID is increasing its support for agribusiness development.

The FY 2004 budget request for the EGAT Bureau will enable the Bureau to sustain global leadership in international agricultural research and development through its management of the global Collaborative Research and Development Program (CRSP) with the U.S. land grant universities as well as its participation in the Consultative Group for International Agricultural Research (CGIAR). In addition, the Bureau will provide technical leadership and field support in a wide range of areas: sanitary/phytosanitary standards, environmentally-sound sustainable agriculture, mitigation of and adaptation to climate change, training and outreach, and rural finance.

### **Increasing Access to Efficient, High Quality Education**

President Bush has repeatedly underscored his commitment to education both at home and abroad. "The task of development is urgent and difficult, yet the way is clear. As we plan and act, we must remember the true source of economic progress is the creativity of human beings. Nations' most vital natural resources are found in the minds and skills and enterprise of their citizens. The greatness of a society is achieved by unleashing the greatness of its people."

Education – an important investment in people -- is the foundation for higher living standards and democratic societies. It is an important long-term investment in sustaining democracies, improving health, increasing per capita income and conserving the environment. Economic growth in developing countries requires creating a skilled workforce. Full educational participation by girls leads to improved family health and child survival, along with stronger family support for the education of future generations. Conversely, uneducated young men, without prospects of productive employment, are especially vulnerable to recruitment by groups supporting terrorism or contributing to civil and international conflict.

USAID's basic education programs help and encourage countries to improve their educational policies and institutions and to adopt improved educational practices in the classroom. The involvement of families and communities in educational decision-making is crucial. In many developing countries, where girls face barriers to educational participation, USAID devotes special efforts to reducing these barriers and thereby promoting educational opportunity for girls. These efforts, along with the Agency's strong field presence, have given USAID a reputation as a technical leader and innovator in basic education. The Agency is well-known, for example, for investing in pilot programs that are later funded on a large scale by the World Bank and regional development banks. In FY 2004, the USG, through USAID, is requesting funds for two Presidential Initiatives in Africa and Latin America as well as increased education funding for South Asia, Southeast Asia, and Eurasia. USAID also proposes to continue targeted support for higher education, including fostering of partnerships between U.S.

institutions and counterpart institutions in developing and transition countries. Workforce development will also play a role in linking economic growth and education strategies in countries experiencing high unemployment.

The multi-year initiative, **Strengthening Basic Education in Africa**, challenges African education professionals to find new ways to quickly provide children with opportunities to learn and become productive members of society. To address the devastation of the HIV/AIDS epidemic, this initiative will assure that 400,000 teachers are trained, and will increase the African Education Ministries' capacity to address the impact of HIV/AIDS on education systems. With the assistance of U.S. Historically Black Colleges and Universities, African students will be provided with 4.5 million textbooks in their local languages. Local organizations will receive funding to help communities create parent teacher associations to ensure that parents and communities have a school they can be proud to send their children to. An important result will be an increase in the number of girls graduating with the life skills they need.

The **Centers of Excellence in Teacher Training (CETT) Initiative in Latin America and the Caribbean** is supporting the development of three teacher training centers to serve Central America, the Caribbean, and the Andean region of South America. This multi-year education initiative is focused on increasing teacher and administrator quality, improving the reading instruction and pedagogical skills of poorly qualified teachers, and advancing education reform in key countries. A clearinghouse of teacher training materials will be created and disseminated using information technology. The centers will disseminate best practices and lessons learned from teacher training institutions, think tanks, schools, and universities, as well as provide virtual training.

In **South and Southeast Asia** (Afghanistan, Pakistan, Bangladesh, India, and Indonesia), increased FY 2004 funding for basic education will foster continued progress in training of very large populations. In Afghanistan and Pakistan, the emphasis will be on expanding opportunities for girls as well as boys who have had their education disrupted by war.

In **Central Asia** (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan), USAID is initiating a major effort to prevent basic education services from deteriorating. This initiative is focused on nurturing critical thinking and indigenous values required both to reform successfully and to reduce the appeal of Islamic radicalism.

USAID'S basic education programs strongly emphasize the need to ensure equitable access for girls, especially in Africa and the Near East. In contrast, educational gender gaps tend to be small in most countries in Latin America and the Caribbean. In such countries, USAID concentrates more on improving classroom practices and other aspects of educational quality, to reduce grade repetition and school drop-outs among girls and boys alike.

In the EGAT Bureau, support for higher education partnerships, a program of research pointing to best practices, management of the USAID training system, and support for

the development of fact-based management information systems will contribute to more effective education and training programs worldwide.

## **Managing Natural Resources and Protecting the Global Environment**

In addition to improving management of natural resources for increased agricultural productivity, USAID invests in five key areas that affect environmental quality and the sustainable access of people to resources vital for life:

- Conservation of biological diversity
- Improved management of land, water, and forests
- Environmentally-sound urbanization
- Enhancing the access of underserved populations to modern energy and promoting clean and efficient energy production and use
- Measures to reduce the threat of and facilitate adaptation to Global Climate Change while simultaneously promoting sustainable economic growth.

In FY 2004, USAID is requesting funds to implement three Presidential Initiatives.

The **Water for the Poor Initiative** expands access to clean water and sanitation services, improves watershed management, and increases the efficiency of water in industrial and agricultural activities. This initiative will help achieve the UN Millennium Declaration Goal of cutting in half by 2015 the proportion of people who lack safe drinking water. This initiative is multi-year and will leverage private resources to generate more than \$1.6 billion for water-related activities globally. The regional focus will be in Africa, and Asia and the Near East.

The **Clean Energy Initiative: Powering Sustainable Development from the Village to Metropolis** seeks to provide millions of people with new access to energy services, increase the efficiency of energy use, and significantly reduce readily preventable deaths associated with indoor and outdoor air pollution. It will accomplish these goals by changing vehicle and domestic energy use patterns. Under this initiative, USAID funds will leverage an estimated \$400 million in other funds through the Global Village Energy Partnership. The Partnership includes other governments, the private sector, civil society, and development organizations.

The **Congo Basin Forest Partnership Initiative** will promote economic development, alleviate poverty, improve governance, and conserve natural resources in six Central African countries: Cameroon, Central African Republic, Democratic Republic of Congo, Equatorial Guinea, Gabon, and the Republic of Congo. Through a network of national parks and protected areas, activities will support sustainable forest management, forestry concessions, sustainable agriculture, and assistance to local communities who depend upon conservation of the forest and wildlife resources. USAID funding will be leveraged by contributions from international environmental organizations, host governments, G-8 nations, the European Union, and the private sector.

USAID activities in support of the President's **Initiative on Illegal Logging** will complement the regional Congo Basin Forest Partnership Initiative. Recognizing the negative impact that illegal logging has on world markets in forest products, USAID will partner with producers and forest organizations worldwide to develop and implement new approaches to sustainable forestry management that respond to market incentives.

The **Global Climate Change Initiative** will transfer American energy and sequestration technologies to developing and transition countries to promote sustainable development and minimize their greenhouse gas emissions growth. Activities assist countries to better measure, reduce emissions, and invest in clean and renewable energy technologies. This initiative is implemented in the four regional bureaus: Africa, Asia and the Near East, Latin America and the Caribbean, and Europe and Eurasia.

## Global Health Pillar

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

- Reduce infant and child mortality
- Improve maternal health
- Address the HIV/AIDS epidemic
- Reduce the threat of other infectious diseases
- Reduce unintended pregnancies

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

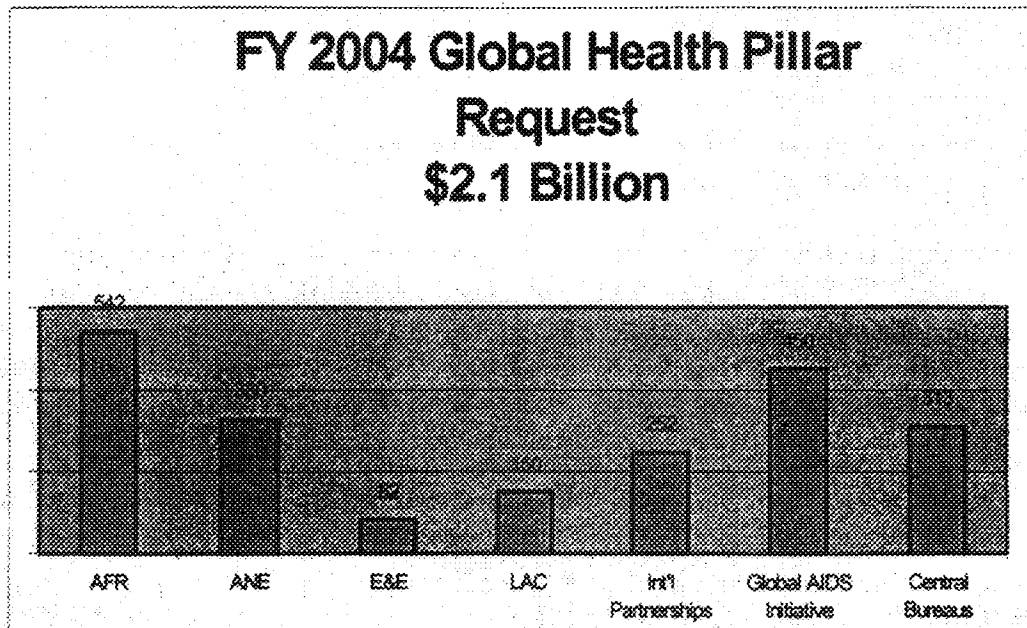
## Global Health Pillar

**FY 2004 Program Request (\$ in millions)**

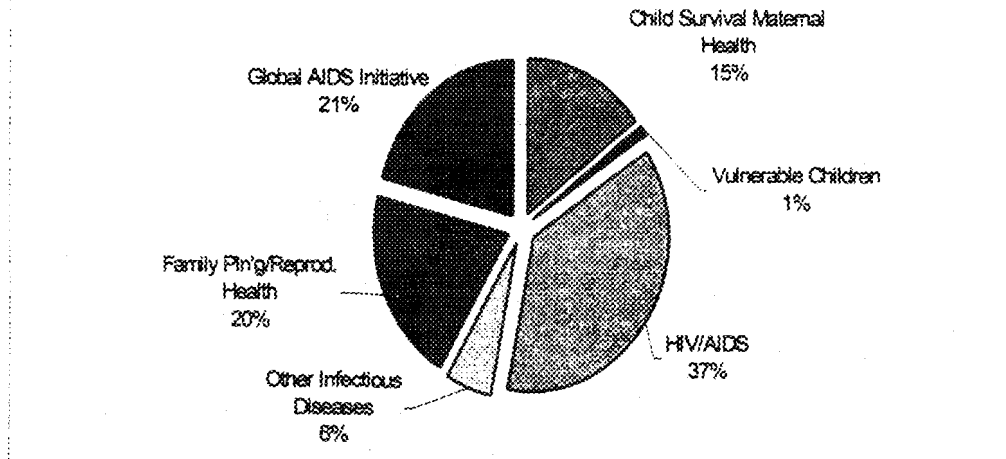
| Pillar and Sector                    | CSH            | ESF         | AEEB        | FSA         | GLOBAL AIDS INITIATIVE | PL 480      | TOTALS         |
|--------------------------------------|----------------|-------------|-------------|-------------|------------------------|-------------|----------------|
| Global Health                        | <u>1,495.0</u> | <u>91.5</u> | <u>13.5</u> | <u>50.7</u> | <u>450.0</u>           | <u>10.0</u> | <u>2,118.2</u> |
| • Child Survival/<br>Maternal Health | 284.6          | 18.1        | 2.4         | 14.9        |                        |             | 310.1          |
| • Vulnerable Children                | 10.0           | 6.4         | 4.1         | 3.7         |                        |             | 24.2           |
| • HIV/AIDS                           | 750.0          | 13.4        | 1.2         | 15.4        |                        | 10.0        | 790.0          |

| Pillar and Sector                      | CSH   | ESF  | AEEB | FSA  | GLOBAL AIDS INITIATIVE | PL 480 | TOTALS |
|--|-------|------|------|------|------------------------|--------|--------|
| • Other Infectious Diseases            | 104.4 | 2.8  | 1.0  | 10.7 |                        |        | 118.9  |
| • Family Planning/ Reproductive Health | 346.0 | 50.8 | 5.2  | 14.7 |                        |        | 425.0  |
| • Global AIDS Initiative               |       |      |      |      | 450.0                  |        | 450.0  |

policies to combat these health threats USAID uses these advantages to catalyze the efforts of the international community through technical leadership and support to partnerships including the Global Fund to Fight AIDS, Tuberculosis, and Malaria; the Global Alliance for Vaccines and Immunization; and the Global Alliance for Improved Nutrition. These partnerships complement worldwide coalitions to implement technical and programmatic strategies, such as Stop TB and Roll Back Malaria.



## FY 2004 Global Health Pillar Request by Sector \$2.1 Billion



### Addressing the HIV/AIDS Epidemic

The HIV/AIDS pandemic is a major and growing threat to both health and overall development, especially in poor countries. HIV primarily strikes people in their peak productive years, with devastating effects on citizens, communities, economies, and national security. The guiding principle of USAID's HIV/AIDS strategy is to support programs that save the most lives. This strategy is both geographic and programmatic. Geographically, USAID directs resources to priority countries and regions selected on the basis of the severity of the epidemic, the risk of rapid increase of infection, and the commitment to deal aggressively with the pandemic. Programmatically, USAID implements activities in a "prevention-to-care" continuum to fight the pandemic. This includes a balanced ABC prevention approach: abstinence (including delaying sexual debut); being faithful in relationships and condom provision; supporting care and treatment including provision of drugs; assisting orphans and children affected by HIV/AIDS; and supporting efforts by the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

USAID will provide both financial and technical assistance to the **Global Fund to Fight AIDS, Tuberculosis, and Malaria**. The Global Fund is a financing mechanism intended to mobilize additional resources for scaling up proven interventions. USAID's bilateral programming provides the foundation, e.g., human capacity and systems development, upon which the Global Fund can build and expand. At the country level, USAID's missions support the Global Fund by providing technical assistance to the Country Coordinating Mechanism (CCMs) in analyses or assessments required to

strengthen proposals, as well as assistance in proposal development; and by improving the capacity of CCMs to implement successful programs. Additionally, in FY 2002, USAID staff provided technical support to develop policy and operational guidelines for the Fund, and continue to be members of the technical committees.

In FY 2003, USAID in partnership with the Centers for Disease Control and Prevention (CDC) will begin implementation of the President's **International Mother and Child HIV Prevention Initiative**. This jointly managed initiative will be expanded in FY 2004 to provide national coverage in fourteen countries in Africa and the Caribbean Basin.

At the program level, USAID implements activities in a "prevention-to-care continuum" to fight the pandemic by:

- Using a balanced "ABC" prevention approach focusing on behavior change and increased voluntary counseling and testing (VCT)
- Supporting care and treatment
- Assisting orphans, and children and families affected by AIDS
- Building capacity for surveillance
- Encouraging greater financial commitments from stakeholders
- Supporting Global Fund efforts
- Galvanizing support from national leaders in all sectors

In FY 2003 and FY 2004, USAID will implement a global HIV/AIDS program that will use resources most effectively by:

- Concentrating resources on priority countries and regions to provide a critical mass of coverage in these countries
- Increasing resources for Africa, which remains USAID's highest HIV/AIDS priority
- Supporting the scaling up of prevention, care, and treatment programs for families and children affected by AIDS
- Supporting the President's Mother and Child HIV Prevention Initiative
- Increasing staffing levels in priority countries and regional programs
- Improving managers' ability to plan, monitor, implement, and evaluate programs for maximum impact and to disseminate effective approaches to others

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

The Agency is committed to improving the capacity of developing countries to protect populations not yet infected by HIV and those already affected. In FY 2003 and FY 2004, USAID will continue to work closely with host-country governments, citizen



groups and other donors. It will also expand partnerships with the community and faith-based organizations to help achieve ambitious international goals. Within the HIV/AIDS program, the Agency will also continue to fund programs that address the critical needs of children affected by HIV/AIDS, including orphans.

In his State of the Union Address on January 29, 2003, President Bush announced the **Emergency Plan for AIDS Relief**, to turn the tide in the global effort to combat the HIV/AIDS pandemic. The plan will enhance the commitment of the United States in preventing the global spread of AIDS through development and delivery of more effective treatments to those who are already infected or threatened with infection. A new AIDS Coordinator in the Department of State will administer the President's Initiative. The FY 2004 request of \$450 million is to be appropriated into a new account, the **Global AIDS Initiative**. When added to the existing USG International HIV/AIDS programs, the total United States commitment to this global effort will reach \$15 billion over five years.

### **Reducing the Threat of Other Infectious Diseases**

USAID's FY 2003 and FY 2004 programs will reduce deaths and sickness from infectious diseases. They will support the prevention and control of tuberculosis and malaria as well as programs designed to combat anti-microbial resistance and improve disease surveillance and response capabilities. USAID will strengthen global and regional initiatives, such as Roll Back Malaria, the Global Partnership to Stop TB, and its related effort, the Global TB Drug Facility. The Agency will continue to advance the sharing and use of the most recent technical knowledge by using electronic networks to convene key international health experts to share technical information, program developments, and research findings.

The Agency's TB strategy will support programs in high-prevalence countries, including those training TB experts on the Directly Observed Treatment Short-Care (DOTS) strategy, as well as others supporting local efforts of global and regional partnerships. USAID's plan is to achieve cure rates of 85% and case-detection rates of 70% in targeted countries and to continue to support drug-resistance surveillance. The Agency will also expand the availability and appropriate use of new diagnostics for tuberculosis.

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

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

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

### **Reducing Infant and Child Mortality and Improving Maternal Health**

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

In FY 2004, USAID will continue activities that reduce the incidence of the major childhood killers: acute respiratory infections (primarily pneumonia), diarrheal disease, measles, malaria and factors that occur in the first 28 days of life (neonatal period). Combating childhood malnutrition and preventing micronutrient deficiencies will also be part of USAID's programs, as will safe-birthing and effective prenatal, postpartum, and neonatal care. USAID will continue critical environmental health activities, such as promoting good hygiene, controlling vector-borne diseases, and improving access to safe water and sanitation services.

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

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

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

### **Protecting Vulnerable Children**

In 2004, USAID will continue to support the Displaced Children and Orphans Fund (DCOF) by establishing effective approaches to working with local communities and nongovernmental organizations to provide care and support for vulnerable children. Activities will assist children affected by war, street children, and children with disabilities. These programs will seek to avoid institutional care solutions, working instead to meet children's needs within their communities. Additionally, USAID will continue programs that assist orphans in Russia and Eastern Europe by focussing on the medical and basic needs of orphans and reducing the number of children entering state orphanages.

### **Stabilizing Population**

For 35 years, USAID has been a world leader in supporting voluntary family planning and reproductive health programs, helping families achieve their desired family size while protecting the health of women and children. The Agency's programs have had a significant impact, contributing to a decrease in the average number of children per family in developing countries (excluding China) from more than six in the 1960s to the 2001 level of less than four. By helping women and families have only the children they want, and when they want them, family planning programs have significantly contributed to a 25% reduction in maternal and infant deaths and decreased the demand for abortions. USAID's population programs will continue to be implemented and monitored in accordance with the requirements of the Mexico City Policy, which was restored by the President in January 2001. The policy requires that foreign non-governmental organizations agree, as a condition of receiving U.S. Government funds for family planning activities, not to perform or actively promote abortion as a method of family planning, regardless of funding source.

The long-term aim of the Agency's family planning and reproductive health programs is to increase availability and use of family planning services by using client-centered approaches, maximizing quality and emphasizing informed choice. By reducing the number of unintended and mistimed pregnancies, these efforts contribute directly to the Agency goal of stabilizing world population, while extensively improving the health and status of women.

In FY 2004, USAID will maintain its current level of support for family planning and reproductive health activities. The Agency will focus on the special needs of youth, protection against unintended pregnancy and sexually transmitted infections (including HIV/AIDS), and pregnancy-related hemorrhage care services (emergency treatment, family planning services, and referral for infection treatment and follow-up).

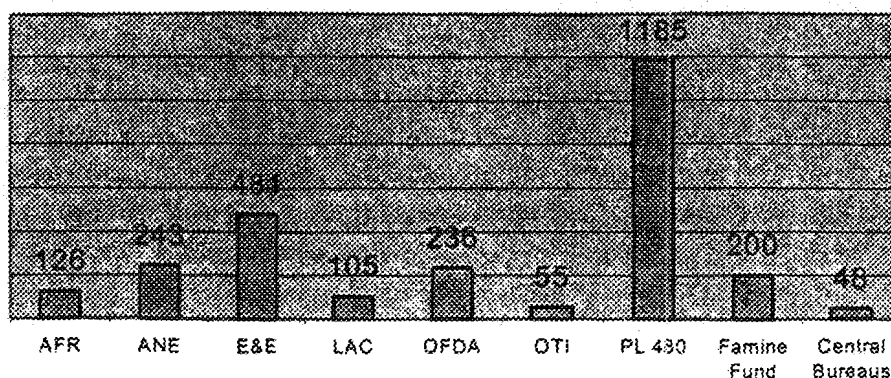
In summary, USAID believes that expanding basic health services and strengthening health systems significantly improves all peoples' health, especially that of women, children, and vulnerable populations. The linkage between good health and improved productivity and reduced poverty is very strong. In some low-income areas, such as sub-Saharan Africa, high levels of disease have slowed or stopped economic growth. The AIDS pandemic alone stands to reverse decades of hard-won economic achievements in Africa and, like malaria, will have significant effects on the economic well-being of many other low-income countries. Control of infectious diseases, good nutrition, and access to information and family planning services are not only interdependent but also essential to development and long-term growth. When people are well nourished, free from the ravages of disease, and able to make informed decisions about planning their family size, they can more fully contribute to social and economic progress.

### Democracy, Conflict and Humanitarian Assistance Pillar

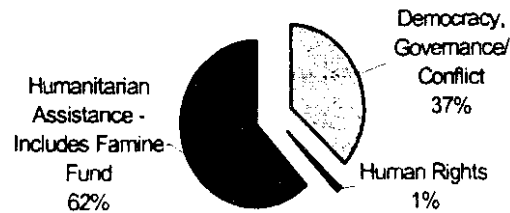
FY 2004 Program Request (\$ In millions)

| Pillar and Sector   | DA           | ESF          | AEEB         | FSA          | Famine       | IDA          | TI          | PL 480         | TOTALS         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|-------------|----------------|----------------|
| <b>Democracy, Conflict, &amp; Humanitarian Assistance</b> | <b>212.0</b> | <b>330.4</b> | <b>262.9</b> | <b>197.7</b> | <b>200.0</b> | <b>235.5</b> | <b>55.0</b> | <b>1,185.0</b> | <b>2,678.4</b> |
| • Democracy and Governance                                | 192.5        | 325.4        | 250.4        | 167.4        |              |              | 55.0        |                | 990.7          |
| • Human Rights  | 19.5         | 5.0          | 3.6          | 2.6          |              |              |             |                | 30.7           |
| • Humanitarian Assistance                                 |              |              | 8.9          | 27.7         | 200.0        | 235.5        |             | 1,185.0        | 1,657.0        |

FY 2004 DCHA Pillar Request  
\$2.7 Billion



**FY 2004 DCHA Pillar Request  
by Sector  
\$2.7 Billion**



USAID's DCHA Pillar will improve coordination of democracy and governance, transitions, and humanitarian assistance; it will also create a cross-cutting approach to conflict mitigation and management. The overarching goal of the DCHA Pillar is promoting peace within a democratic framework.

The Agency's programs will integrate efforts in conflict prevention, mitigation, and management, as well as post-conflict transitions and reconstruction. USAID will strengthen the performance and accountability of democratic governance, which in turn will improve stability, expand economic prosperity, and combat the corruption that dermines economic development prospects. The Agency will also develop a more integrated response to assist the increasing numbers of failing and failed states. These states help breed violent conflict and support for international terrorism; tackling these two problems is a major U.S. foreign policy priority.

In addition to funding democracy and governance programs and the Conflict Management Initiative, the requested FY 2004 budget will enable USAID to maintain its renowned capability to respond quickly to man-made crises and natural disasters, whether with rapid provision of emergency food aid and other relief material or with innovative and effective near-term efforts of the Office of Transition Initiatives.

The President has announced the establishment of a new **Famine Fund**, a flexible tool to use in U.S.-led multilateral efforts to reduce the incidence of famine by addressing its root causes. The Fund would also respond more efficiently and effectively to famines that cannot be prevented, while more equitably sharing the burden of this response with other donors. It will draw upon the broad disaster assistance authorities in the Foreign Assistance Act and will be managed by USAID under the foreign policy direction of the Secretary of State, subject to approval by the President. The FY 2004 request is \$200 million to be appropriated into a new account.

Over the past three decades, democracy and freedom have spread globally at an unprecedented rate. USAID's democracy and governance programs have played an important role in these historic accomplishments. Recent notable examples include transitions to democracy in Nigeria, East Timor and Peru and significant elections in Peru, Kenya, Senegal, and Ghana. Constant nurturing of fragile democracies remains critical to limit backsliding; Nigeria is an example of a country perpetually teetering on the precipice of return to military rule.

Nevertheless, troubling signs have been on the horizon for several years. The terrorist attacks on the United States marked a shift in how the United States defines its national interests and priorities, requiring a concomitant change in how it strategically uses its foreign assistance. The United States has an overriding economic and political interest in helping shape a world where stable states and societies resolve problems peacefully. Success will result in less terrorism and violent conflict and a better ability worldwide to meet people's security, economic, and political needs. USAID will reorient and increase its efforts to deal effectively with the changing international environment, especially related to the crisis in political and economic governance and the related loss of faith in democracy, markets, and other attributes of modernism.

### **Mitigating Conflict and Improving Governance**

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

The Conflict Management Initiative centers around five essential priorities:

- Supporting the development of more integrated, focused USAID and U.S. Government strategies. These strategies will result from conflict-

vulnerability analyses and will address prevention, management, and re-ignition (during post-conflict transition) of violent conflict.

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

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

### **Developing and Consolidating Democracy and Governance**

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

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

Despite real progress over the past decade, three general governance problems continue to contribute to the fragile state of democracy in an increasing numbers of countries. First, economic reforms, where they have even been implemented, have at times failed to substantially mitigate widespread poverty and inequality. Second, the rule of law is pervasively weak, as evidenced by growing levels of corruption, increases in

domestic and international crime, impunity before the law, and abuse of human rights. Finally, the inability to manage ethnic, political, and religious differences peacefully and inclusively remains a challenge. These three problem areas create political instability and form the basis for grievances that can breed alienation, hatred, and despair, which in turn fuels violent conflict and support for terrorism.

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

### **Using Transition Initiatives to Advance Peace and Stability**

USAID's Office of Transition Initiatives advances peace and stability by conducting fast and flexible interventions in priority, conflict-prone countries. The Transition Initiative programs were created originally to address those situations where the nature of governance shifted from authoritarian rule to more open societies. In recent years, "transition" has become a broader concept, referring to countries moving from war to peace, those making the turn from civil conflict to national reconciliation, or those where political strife has not yet erupted into violence and it may be possible to prevent or mitigate the conflict and broaden democratic participation.

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

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

### **Using Humanitarian Assistance to Respond to Disasters and Emergencies**

International Disaster Assistance (IDA) funds humanitarian programs that provide relief, rehabilitation, and reconstruction assistance to victims of natural and man-made disasters.

IDA program objectives are to: (1) meet the critical needs of targeted vulnerable groups in emergency situations; (2) increase adoption of disaster prevention and mitigation



measures in countries at risk of natural disasters; and (3) enhance follow-on development prospects in priority, post-conflict countries.

To accomplish these objectives, USAID has a well-established management structure and is staffed with disaster relief experts who draw on public and private sector resources to respond within hours following a disaster declaration. USAID deploys assessment teams to identify needs and disaster assistance response teams to coordinate emergency responses and facilitate information flows. USAID also provides search and rescue teams, ground operations teams, medical assistance, shelter, potable water, sanitation assistance, and emergency and therapeutic feeding.

Effective humanitarian assistance requires that relief, mitigation, transition, and development programs within USAID support each other. USAID collaborates with other assistance providers in the international community to coordinate programs and share the burden of relief costs. U.S. private voluntary organizations (PVOs) and non-governmental organizations (NGOs) are critically important partners in these efforts and play an essential role in raising resources, providing assistance, and implementing programs in the field.

Pursuant to Section 493 of the Foreign Assistance Act of 1961, as amended, the President has designated the USAID Administrator as Special Coordinator for International Disaster Assistance. USAID works closely with the Departments of State and Defense to coordinate American relief efforts. In many disaster situations, 24-hour, daily coverage is provided to ensure a speedy and appropriate response and the transmission of accurate information between the disaster site and participating USG agencies. Satellite communication equipment augments USAID's ability to target emergency assistance accurately and to coordinate with PVOs, NGOs, other USG agencies, and other donors.

Demands on resources have increased steadily for a number of years. In FY 2002, USAID responded to 75 disasters in 60 countries, 50 natural disasters, 17 complex emergencies and 8 human caused emergencies. Civilians continue to suffer the horrifying consequences of conflict and natural disasters and look to the international community for life-saving and life-sustaining support.

Complex emergencies, involving civil conflict often complicated by natural disasters, account for an increasing share of the IDA budget. Although these conflicts fluctuate in intensity, their resolution is very difficult and relief assistance may be necessary for long periods. Increasing emphasis is being placed on applying preparedness and mitigation lessons learned to deal with these emergencies.

USAID's disaster assistance funds the following types of activities:

- Search and rescue for victims of floods and earthquakes
- Emergency health and nutrition
- Water and sanitation
- Shelter and survival kits

- Food security and agricultural production
- Emergency infrastructure rehabilitation
- Resettlement and reintegration of internally displaced persons
- Disaster preparedness and mitigation
- General relief, administration, and logistics
- Restocking of health clinics and hospitals with essential drugs and equipment
- Training for local health care workers in primary health care
- Support for nutritional and epidemiological surveillance to increase early warning of epidemics or other deterioration in health status
- Training of traditional birth attendants (instrumental in reducing infant and maternal mortality)
- Emergency immunization campaigns to vaccinate children against preventable diseases such as measles

### **Combating Food Insecurity through Food for Peace**

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

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

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

The FY 2004 request will help the Agency meet the continued critical needs of people in emergency situations. It calls for maintaining the FY 2003 funding level, which included an increase of approximately \$300 million to help offset the loss of the Section 416(b) surplus commodities program of the U.S. Department of Agriculture (USDA). From 1999 through 2001, USAID and USDA had a strategic alliance to send available Section

416(b) surplus commodities to meet food aid needs around the world. As a result, the United States contributed 65% of the emergency food resources received by the UN's World Food Program in 2001—with an estimated value of over \$1 billion. During FY 2002, overall USG food aid resources were reduced. Supplemental funds facilitated increased deliveries to Afghanistan. Also, emergency food aid requirements developed beyond the available Title II resources, prompting the Administration to draw on resources from the Emerson Trust.

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

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

Since the mid-1990s, USAID and its partners have learned much about improving food security using Title II non-emergency resources, and non-emergency food aid programs have grown from 53 countries in 1997 to 84 in 2001. Much of this growth was in small activities in food-insecure **sub-Saharan Africa**. The Agency's FY 2004 request will maintain this level of nonemergency Title II activities and continue to reinforce results-oriented improvements (such as those in Guinea). A change in authorizing legislation also raises the Section 202(e) level to 5-10% of the total Title II annual appropriation, (\$34 million for FY 2003). It also authorizes use of Internal Transport, Shipping and Handling (ITSH) funds for non-emergency development programs in least developed countries, which may reduce the impact of decreased monetization.

## The Global Development Alliance Pillar

| Pillar/Sector               | DA     | ESF | AEEB | FBA | IDA | TI | PL 480 | TOTALS |
|-----------------------------|--------|-----|------|-----|-----|----|--------|--------|
| Global Development Alliance | [15.0] |     |      |     |     |    |        | [15.0] |

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

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

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

FY 2004 represents the third year of existence for GDA, and its principles have become integrated into Agency strategies and practices. As a result, GDA is no longer a separate budget line item and the \$15 million requested will be programmed under the EGAT pillar.

## **MANAGEMENT IMPROVEMENT**

### **USAID's Management Vision**

In his Senate confirmation testimony in 2001, USAID Administrator Andrew Natsios made transforming the Agency into a premier, high-performance, international development and humanitarian assistance organization one of his top priorities. Subsequently, the Administrator articulated a set of core principles to guide the Agency's transformation. He indicated that USAID would:

- Simplify and standardize business systems and processes to reduce costs, simplify use, and enable the Agency to respond with speed and agility to changing program needs.
- Establish a customer service culture in all USAID's service providing organizations that demonstrates a dedicated commitment to making Agency programs as effective as possible.
- Increase efficiency by reducing overhead expenses and improving the ratio of product to process, making sure that the Agency's costs of doing business are transparent, aggressively managed, and compare favorably with peer organizations.
- Promote partner inclusiveness in all business relationships to better meet the needs of internal and external customers and to ensure that small businesses are well-represented.
- Increase transparency in program and business decision-making, assuring that decisions are fast, results driven, and clearly understandable to partners large and small.
- Ensure accountability and compliance with the letter and spirit of all applicable laws and regulations to achieve a clean audit opinion; deter legal disputes; acquire a sterling reputation for sound management; and improve relations with the Congress, the General Accounting Office, and the Office of Management and Budget.
- Deliver programs smarter, faster, better, and cheaper, continuously improving USAID's performance as a global "thought leader" and as the world's most effective delivery organization of economic and humanitarian assistance.

## **USAID's Business Transformation Plan**

USAID is implementing a comprehensive plan to reform the Agency's management systems, modernize customer service, and improve performance. This plan can be envisioned as a four-lane highway toward high performance in which each lane represents one of USAID's four major business transformation initiatives:

1. Strategic management of human capital,
2. Business systems modernization,
3. Knowledge for development, and
4. Strategic budgeting

The four parallel lanes, aligned and integrated, are built on a roadbed of "best practices." USAID's "Business Transformation Executive Committee" (or BTEC) oversees and directs the process, and will be supported by a new Program Management Office (PMO) and Management Policy and Metrics (MPM) staff.

## **Relationship to the President's Management Agenda**

In August 2001, President Bush unveiled the five elements of the President's Management Agenda (PMA):

1. Strategic management of human capital,
2. Competitive sourcing,
3. Improved financial management,
4. Expanded electronic government, and
5. Budget and performance Integration.

The four components of USAID's business transformation are fully consistent with the PMA and were explicitly designed to produce the performance breakthroughs desired by both the President and the Administrator.

1. USAID's *Strategic Management of Human Capital* initiative, for example, directly addresses the PMA's human capital concerns and also encompasses aspects of "competitive sourcing" by requiring that future staffing decisions explicitly consider a range of sourcing alternatives prior to recruiting.
2. USAID's *Business Systems Modernization* initiative includes reforms to the Agency's financial management, acquisition and assistance, and information technology capabilities, and directly addresses the PMA's e-government, financial performance, and competitive sourcing objectives.
3. USAID's *Knowledge for Development* initiative includes plans to improve the strategic management of the Agency's intellectual capital, enhance learning from experience, and strengthen partner collaboration to facilitate

the technology-enabled business transformation envisioned under the PMA's e-government and human capital objectives.

4. *USAID's Strategic Budgeting* initiative encompasses strategic planning, budgeting, and decision-making reforms to better link performance and budget and to make Agency decision-making as performance-driven as possible.

## **FY 2002 Accomplishments**

The Agency achieved significant accomplishments last year (FY 2002), including the following efforts:

- Established a fully functioning Business Transformation Executive Committee (BTEC), chaired by the Deputy Administrator and composed of Agency senior executives, providing Agency-wide leadership for the business transformation and ensuring that initiatives and investments are focused on the Agency's highest priority needs.
- Implemented business transformation "quick hits," including:
  1. Adopting an automated e-recruitment module (reducing the average processing time for recruiting new staff from 120+ to 30 days);
  2. Piloting an automated e-procurement system (and deploying e-procurement capabilities to the Offices of Procurement, Security, Information Resources Management, and Administrative Services);
  3. Developing a worldwide, Web-based staff reporting and data collection tool;
  4. Standardizing indefinite quantity contracts (speeding and simplifying the procurement of frequently used goods and services);
  5. Establishing transformation and customer service objectives for Agency executives;
  6. Expanding the use of the Remedy Customer Relationship Management Tool, which tracks customer requests, to improve services from all relevant offices; and
  7. Improving the process for recovering unused funds from previous fiscal years.
- Completed a comprehensive Headquarters organizational restructuring to strengthen program management capacity in the field by centralizing technical leadership in three Washington-based "pillar" bureaus corresponding to Agency program priorities of Global Health; Democracy, Conflict and Humanitarian Assistance; and Economic Growth, Agriculture, and Trade.

- Initiated a review of field and headquarters business processes and procedures, and developed an "overseas concept of operations" for how future financial management and procurement functions would be handled in the field.
- Enlarged the New Entry Professional (NEP) program to address the critical human capital gap that resulted from substantial lay-offs and negligible recruiting in the 1990s.
- Completed a second annual employee survey that showed USAID's efforts to improve services and enhance customer satisfaction are already having an impact.
- Developed an initial performance-informed budgeting model that guided planning for the 2004 budget.
- Developed specific customer service standards for service providing headquarters organizations.
- Improved the operation of the Agency's financial systems by:
  - Expanding the use of existing cross-servicing and outsourcing agreements, including grants management (with the Department of Health and Human Services), loans management (with Riggs Bank), payroll (with the National Finance Center, and voucher processing (private contractor);
  - Completing mapping and attributing field financial data from the Mission Accounting and Control System (MACS) Auxiliary Ledger to the Agency operating units defined in the new core financial management system (Phoenix);
  - Deploying enhanced versions of Phoenix to better use web-based technologies and improve the Agency's ability to collect accrual information through Web-based tools; and
  - Enhancing reporting and financial management through innovations such as an Agency-wide flash report that shows current year obligations against annual operating unit budgets and a pipeline report that enables Agency-wide web-based reporting of funding pipelines for operating unit strategic objectives.
- Closed the Agency's Material Weakness on reporting and resource management by strengthening program performance and financial reporting systems.



## **FY 2003 Planned Accomplishments**

Major efforts planned to be undertaken this year (FY 2003) include the following:

- Procure new acquisition and assistance software.
- Undertake strategic planning exercises to produce consistency in programmatic and administrative approaches and structures:
  - Finalize and implement an integrated strategic plan with the Department of State.
  - Carry out a joint study examining opportunities to integrate elements of State and USAID financial management operations worldwide.
  - Finalize and implement a comprehensive human capital strategic plan that addresses USAID's needs and the requirements of the President's Management Agenda.
  - Develop a joint high-level State and USAID Enterprise Architecture, consistent with the overall Federal Enterprise Architecture, to serve as a framework for business process and systems improvements in both agencies;
  - Finalize and implement a knowledge management strategy to reposition the Agency as a global knowledge leader and to facilitate knowledge sharing among partners and staff.
- Expand the Strategic Budgeting model into a system that more accurately deals with different accounts, regions, and central programs, and integrates and rationalizes program, operating expense, and workforce allocations for all operating units and funding accounts.
- Incorporate the findings of the performance assessment rating tool (PART) into the rationale for the budget request for all pertinent activities.
- Conduct an overseas workforce study to develop criteria and models for rational, transparent, and effective allocation of overseas staff.
- Develop and use an integrated system of performance measures to assess business transformation progress.
- Initiate the application of cost accounting methods to management support services to facilitate reallocation of resources to highest priority functions.
- Conduct an Agency "knowledge fair," implement pilot "knowledge sharing" thematic groups, and develop an initial Agency knowledge portal.

- Deploy an enhanced version of the Phoenix financial management system using Windows 2000 and begin piloting Phoenix overseas, subject to the results of the State and USAID integration study.
- Establish a Program Management Office and Management Policy and Metrics staff to plan, coordinate, manage, and evaluate business transformation activities.

### **FY 2004 Projected Accomplishments**

USAID plans to carry out the following further management improvements in FY 2004:

- Begin testing integrated acquisition and assistance software and begin streamlining procurement processes to align with the new software.
- Implement standardized and integrated business process and systems throughout the Agency, coordinating with the State Department and other agencies where practical and mutually advantageous.
- Complete USAID's enterprise architecture in collaboration with the State Department, aligning the Agency business model with the Federal Enterprise Architecture.
- Adapt business processes to leverage Federal Government cross-servicing, e-government technologies, and outsourcing of selected functions.
- Continue deploying the Phoenix financial management system to overseas missions.
- Continue deploying the Strategic Budgeting system to make budget allocation decisions.
- Utilize the model of overseas workforce to begin making rational, transparent, and effective allocations of overseas staff.

## USAID Support Budget

### Overview

USAID continues to press ahead with the management reforms aimed at strengthening program and support systems, as it faces the triple challenge of:

- ◆ The impending retirement of many of USAID's most experienced officers
- ◆ increases in the strategic importance and funding of key countries and programs, and
- ◆ rising costs of creating and maintaining a secure environment for U.S. personnel overseas.

#### **Agency Staffing in Crisis**

***As a central part of diplomatic readiness, a robust workforce planning process has been created, and is being continually improved in tandem with the development of an Agency Human Capital Strategy. These efforts will strengthen the current and future cadre of officers dedicated to meeting the challenges presented by the following trends:***

- Within the next five years, 40% of the total workforce will be eligible to retire. In 2002 alone, 150 Civil Service and Foreign Service staff retired;
- The trend of a 7-12% annual retirement rate is expected to continue;
- Given this trend, more than 80% of staff turnover will occur in less than a decade;
- Recently hired staff will need several years of experience and training before they are ready for broader program and management responsibilities.

These challenges are complicated by more and more complex political situations that require USAID's Civil Servants and Foreign Service Officers (FSOs) to upgrade their skills in languages, negotiations, and management at a time when the human and intellectual knowledge capital are quickly being depleted. In conjunction with the Department of State's Diplomatic Readiness Initiative, the Agency is focusing on several closely linked efforts (see Management Improvement Section) to strengthen its current and future readiness to transition into more complex arenas of development to support U.S. foreign policy. Key to this effort is putting in place reforms that will establish innovative and streamlined business models capable of responding to increasingly complex and challenging foreign policy demands.

The FY 2004 request is critical in building diplomatic readiness for future years. This request:

- ◆ Supports the programs that will advance the country's national security and foreign policy objectives, and
- ◆ Enhances accountability of programs implemented in increasingly complex settings.

**This budget will promote the following objectives:**

- ◆ strengthen the new missions in Afghanistan and Pakistan
- ◆ hire additional U.S. direct hire HIV/AIDS specialists
- ◆ provide increased security for USAID personnel overseas
- ◆ initiate the implementation of a Human Capital Strategy Plan developed in FY 2003 that includes recruiting and training of up to 50 new Foreign Service Officers in addition to creating new training, mentoring, and coaching opportunities for new senior and mid-level managers as they take on broader responsibilities
- ◆ build the Agency's financial management capabilities, both in Washington and the field
- ◆ provide certification training programs to retool our current and future staff
- ◆ enable foreign service national staff who work in countries without a viable social security system to participate in a global retirement fund, and
- ◆ fund increases for the International Cooperative Administrative Support Services (ICASS) system, which provide administrative support to all agencies with overseas presence.

| <b>Operating Expenses</b> |                                 |                                 |                                   |                                  |
|---------------------------|---------------------------------|---------------------------------|-----------------------------------|----------------------------------|
| (\$ in thousands)         |                                 |                                 |                                   |                                  |
| <u>Category</u>           | <u>FY 2001</u><br><u>Actual</u> | <u>FY 2002</u><br><u>Actual</u> | <u>FY 2003</u><br><u>Estimate</u> | <u>FY 2004</u><br><u>Request</u> |
| <b>Uses:</b>              |                                 |                                 |                                   |                                  |
| Overseas Operations       | 320,549                         | 324,898                         | 350,558                           | 335,069                          |
| Washington Operations     | 144,532                         | 151,870                         | 156,128                           | 163,255                          |
| Central Support           | 138,448                         | 141,218                         | 140,319                           | 155,511                          |
| <b>Total Uses</b>         | <b>603,529</b>                  | <b>617,986</b>                  | <b>647,005</b>                    | <b>653,835</b>                   |
| <b>Sources:</b>           |                                 |                                 |                                   |                                  |
| OE Appropriation          | 531,827                         | 556,000                         | 572,200                           | 604,100                          |
| Other Sources             | 71,702                          | 61,986                          | 74,805                            | 49,735                           |
| <b>Total Sources:</b>     | <b>603,529</b>                  | <b>617,986</b>                  | <b>647,005</b>                    | <b>653,835</b>                   |

The requested OE budget authority of \$604.1 million, combined with \$49.7 million from local currency trust funds and other funding sources, will provide a total of \$653.8 million to cover the Agency's projected operating expenses. This will fund:

- Salaries and Benefits
- Training

- On-going Support of current IT systems
- Security
- Other administrative costs associated with programs worldwide, including those managed by USAID and financed through International Disaster Assistance, the Economic Support Fund, the Support for East European Democracy Act, the FREEDOM Support Act, and P.L. 480 Title II Food for Peace Programs.

Direct costs of the Agency's overseas presence, including U.S. salaries and benefits, represent over 50% of the OE costs. The Agency's overseas presence is indispensable to the effective management of the Agency's programs, the delivery of U.S. foreign assistance, improved situational awareness, and increased programmatic and financial oversight. It is the core of diplomatic readiness: strengthening the U.S. Government's knowledge base and providing alternative and valuable perspectives to U.S. policymakers.

| <b>Capital Investment Fund</b> |                                 |                                 |                                   |                                  |
|--------------------------------|---------------------------------|---------------------------------|-----------------------------------|----------------------------------|
| <b>( \$ in thousands)</b>      |                                 |                                 |                                   |                                  |
| <u>Category</u>                | <u>FY 2001</u><br><u>Actual</u> | <u>FY 2002</u><br><u>Actual</u> | <u>FY 2003</u><br><u>Estimate</u> | <u>FY 2004</u><br><u>Request</u> |
| Information Technology         |                                 |                                 | 13,000                            | 20,000                           |
| Overseas Facility Construction |                                 |                                 | 82,000                            | 126,300                          |
| <b>Total Obligations</b>       |                                 |                                 | <b>95,000</b>                     | <b>146,300</b>                   |

The Agency is requesting \$146 million for its Capital Investment Fund (CIF) for FY 2004. This fund uses no-year authority to provide USAID with greater flexibility to manage investments in technology and facility construction. With the CIF, USAID will:

- ◆ fund Information Technology to support major systems and infrastructure improvement that have substantial impact on agency operations and results.
- ◆ develop enterprise architecture in collaboration with the Department of State, and extend its integrated core accounting system to field operations, and
- ◆ fund new office facilities co-located on embassy compounds where State will have begun construction by the end of FY 2003.

## OPERATING EXPENSES

| Dollars in Thousands                            |                   |                   |                     |                    |
|---|-------------------|-------------------|---------------------|--------------------|
|   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Estimate | FY 2004<br>Request |
| <b>Operating Expenses, New Budget Authority</b> | 531,827           | 549,000           | 572,200             | 604,100            |
| <b>Supplemental</b>                             |                   | 7,000             |                     |                    |
| Emergency Response Fund                         | 2,400             | 15,000            |                     |                    |
| <b>Total</b>                                    | 534,227           | 571,000           | 572,200             | 604,100            |

### Uses of Operating Expenses

The OE budget is broken down into sections dealing with:

- Overseas Operations including field mission allocations, USDH salaries and benefits, and field mission relocations.
- Washington Operations including bureau/office allocations and USDH salaries and benefits.
- Central Support including security, information technology, Washington rent, utilities and other support costs, diplomatic readiness, staff training, and other agency costs.

The table below shows the funding levels from FY 2001 through FY 2004 and USDH workforce levels, followed by a brief description of each category and explanation of the FY 2004 funding request.

| <u>Category</u>                           | <u>FY 2001<br/>Actual</u> | <u>FY 2002<br/>Actual</u> | <u>FY 2003<br/>Estimate</u> | <u>FY 2004<br/>Request</u> |
|---|---------------------------|---------------------------|-----------------------------|----------------------------|
| <b>Overseas Operations</b>                |                           |                           |                             |                            |
| Field Missions                            | 240,000                   | 238,970                   | 249,261                     | 239,641                    |
| USDH Salaries and Benefits                | 79,294                    | 84,257                    | 87,997                      | 91,428                     |
| Field Mission Facility Relocations        | 1,255                     | 1,671                     | 13,300                      | 4,000                      |
| <b>Subtotal Overseas Operations</b>       | <b>320,549</b>            | <b>324,898</b>            | <b>350,558</b>              | <b>335,069</b>             |
| <b>Washington Operations</b>              |                           |                           |                             |                            |
| Washington Bureaus/Offices                | 16,719                    | 15,539                    | 13,747                      | 12,783                     |
| USDH Salaries and Benefits                | 127,813                   | 136,331                   | 142,381                     | 150,472                    |
| <b>Subtotal Washington Operations</b>     | <b>144,532</b>            | <b>151,870</b>            | <b>156,128</b>              | <b>163,255</b>             |
| <b>Central Support</b>                    |                           |                           |                             |                            |
| Security                                  | 7,716                     | 6,748                     | 7,090                       | 7,090                      |
| Information Technology                    | 73,049                    | 72,409                    | 64,407                      | 63,200                     |
| Washington Rent, Utilities, Support Costs | 39,107                    | 41,837                    | 43,537                      | 45,000                     |
| Diplomatic Readiness                      |                           |                           |                             | 6,029                      |
| Staff Training                            | 5,951                     | 6,441                     | 7,331                       | 10,000                     |
| Other Agency Costs                        | 12,625                    | 14,783                    | 17,954                      | 24,192                     |
| <b>Subtotal Central Support</b>           | <b>138,448</b>            | <b>141,218</b>            | <b>140,319</b>              | <b>155,511</b>             |
| <b>Total Obligations</b>                  | <b>603,529</b>            | <b>617,986</b>            | <b>647,005</b>              | <b>653,835</b>             |
| <b>U.S. Direct Hire Workforce</b>         |                           |                           |                             |                            |
| End-of-Year On-Board Levels               | 1,933                     | 1,974                     | 1,985                       | 2,025                      |
| Estimated Full-Time Equivalent Workyears  | 1,918                     | 1,953                     | 1,980                       | 2,005                      |

## **Overseas Operations**

Approximately 52% of the OE budget funds the Agency's overseas presence. This is comprised of USDH salary and benefits for foreign service officers overseas and costs of maintaining field missions. These costs are in addition to costs for mission relocations.

## **Field Missions**

- Salaries and benefits for foreign service national (FSN) direct hire, personal service Contractors (PSCs), and U.S. PSCs. For FY 2004 mission-funded salary and benefit costs are estimated at \$94.5 million, or 39% of total funding made available to missions.
- Residential and office rents, utilities, security guard costs, and communications. The Agency will require approximately \$54.6 million in FY 2004 to fund these costs—23% of total allocations to missions. These costs are largely non-discretionary.
- International Cooperative Administrative Support Services (ICASS). ICASS is the cost of administrative support provided to missions by other U.S. Government agencies (generally the Department of State). This support will cost an estimated \$23.7 million in FY 2004. The Agency's Working Capital Fund (WCF), which finances the costs associated with USAID's provision of services, is described later in this section.
- Operational and training travel. This category includes essential travel to visit development sites, work with host country officials, and participate in training, as well as other travel of an operational nature, including travel to respond to disasters. This request is for \$13 million in FY 2004.
- Supplies, materials, and equipment. This category includes the cost of replacing office and residential equipment, official vehicles, IT hardware and software, and general office and residential supplies and materials, as well as some security-related equipment. FY 2004 costs are at \$18.4 million.
- Mandatory travel and transportation. This category includes travel and transportation expenses for post assignment, home leave, and Rest & Recovery. It also covers shipment of furniture and equipment. FY 2004 costs are estimated at \$15 million.
- Contractual support. Mission requirements for voucher examiners, data entry assistance, and other administrative support provided through contracts will cost approximately \$4 million in FY 2004.
- Operation and maintenance of facilities and equipment. In FY 2004, \$8.4 million is required to fund the cost of operating and maintaining facilities and equipment at overseas missions.

### **USDH Salaries and Benefits - Overseas**

- USDH Salaries and Benefits includes salaries and the Agency share of benefits, such as retirement, thrift savings plan, social security, and health and life insurance for approximately 700 Foreign Service Officers serving overseas. The retirement costs include the January 2003 inception of the virtual locality pay program. Under this initiative, the formula used to calculate FSOs' pension benefits now adjusts the pay base to reflect locality pay received by Washington staff. Overseas salaries also include various post differentials including "difficult to staff incentives" for FSOs willing to extend tours at posts where harsh living conditions deter personnel from seeking assignments.

### **Field Mission Facility Relocations**

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

### **Washington Operations**

Includes USDH salaries and benefits for staff in Washington plus travel, administrative supplies, and contract support for Washington offices and bureaus.

### **Washington Bureaus/Offices**

- Operational and training travel. This category includes essential travel to visit missions, development sites, work with host country officials, and participate in training, as well as other travel of an operational nature, including travel to respond to disasters. This request is for \$5.5 million in FY 2004.
- Manpower contracts and advisory services to support essential functions of the agency include: preparation of the Agency's Financial Statements, voucher payment processing, and financial analysis. This request is for \$6 million in FY 2004.

### **USDH Salaries and Benefits - Washington**

- USDH Salaries and Benefits includes salaries and the Agency share of benefits, such as retirement, thrift savings plan, social security, and health and life insurance for approximately 1,300 general service and foreign service employees.



## Security

|                      | FY 2001<br><u>Actual</u> | FY 2002<br><u>Actual</u> | FY 2003<br><u>Estimate</u> | FY 2004<br><u>Request</u> |
|----------------------|--------------------------|--------------------------|----------------------------|---------------------------|
|                      | (\$ thousands)           |                          |                            |                           |
| Physical Security    | 6,371                    | 5,174                    | 5,615                      | 5,829                     |
| Personnel Security   | 1,190                    | 1,034                    | 1,450                      | 1,236                     |
| Information Security | <u>155</u>               | <u>540</u>               | <u>25</u>                  | <u>25</u>                 |
| Total SEC Budget     | 7,716                    | 6,748                    | 7,090                      | 7,090                     |

The USAID security (SEC) budget for FY 2004 represents a continuing effort to protect USAID employees and facilities against global terrorism, and national security information against espionage. This budget focuses on improving the security of existing USAID field missions where collocation with the U.S. Embassies cannot be accommodated. This will be accomplished by enhancing physical security measures, improving emergency communications systems, providing armored vehicles, and conducting security awareness training to protect classified information. The USAID security effort in Washington will focus on public access controls in the Ronald Reagan Building and the protection of national security information.

Physical security includes all costs associated with (1) overseas security enhancement projects, including design, procurement, shipment and physical installation of certified systems, materials and barriers to deter intruders to USAID facilities; (2) upgrading Emergency & Evacuation (E & E) voice radio systems; (3) the procurement of armored vehicles, and (4) security costs associated with USAID Headquarters in Washington, DC.

- USAID anticipates completing eight physical security enhancement projects at overseas posts where USAID field missions cannot collocate with U.S. Embassies because of insufficient space and there are no current plans to construct new Embassies.
- To insure that USAID employees have a dependable means of accessing U.S. Embassy E & E voice radio networks, communications systems upgrade projects are planned for 23 USAID missions. Those systems will include residential and vehicle radios, base stations, and repeaters that will provide employees with 24-hour communications while at work, at home, and during transit. The costs include procurement, testing, calibration, equipment repair, shipment, and installation.
- The Agency plans to provide three Fully Armored Vehicles (FAVs) and lightly armor nine USAID vehicles at posts where the threat of terrorism, war, or civil disturbance is considered critical or high. Two defensive-driving training courses will be conducted

for USAID armored vehicle drivers to enhance their driving skills and ability to respond properly to emergency conditions.

- For USAID/Washington, this category includes guard costs in the USAID portion of the Ronald Reagan Building to protect personnel, safeguard facilities, and protect sensitive and national security information. Costs for maintenance and repair of security equipment such as electronic card access systems, locking devices, and closed-circuit television surveillance systems are included.

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

Information security includes costs associated with the protection of national security and sensitive information, one of the Agency's highest priorities. Executive Order (EO) 12958, EO 12968, and Information Security Oversight Office (ISOO) Directive 1 require USAID to establish and maintain a security awareness program to ensure that classified national security information is properly prepared, transported, safeguarded and eventually destroyed. This category includes costs to maintain an Agency-wide interactive computerized training course to satisfy annual training requirements established by E.O. 12968.

### Information Technology

|   | FY 2001<br><u>Actual</u> | FY 2002<br><u>Actual</u> | FY 2003<br><u>Estimate</u> | FY 2004<br><u>Request</u> |
|---|--------------------------|--------------------------|----------------------------|---------------------------|
| IT Systems  | 13,166                   | 17,258                   | 16,607                     | 16,103                    |
| IT Infrastructure                                     | 38,259                   | 44,273                   | 39,704                     | 39,552                    |
| IT Architecture, Planning & IRM<br>Program Management | <u>7,490</u>             | <u>5,606</u>             | <u>8,096</u>               | <u>7,545</u>              |
| <b>Subtotal</b>                                       | <b>58,915</b>            | <b>67,137</b>            | <b>64,407</b>              | <b>63,200</b>             |
| Systems Development                                   | 14,134                   | 5,272                    | N/A                        | N/A                       |
| <b>Total IT Budget</b>                                | <b>73,049</b>            | <b>72,409</b>            | <b>64,407</b>              | <b>63,200</b>             |

The FY 2004 USAID Information Technology (IT) Budget provides funding for the ongoing support of IT systems, infrastructure and architecture which plays a critical role in helping the USAID staff fulfill the agency's mission. Prior to FY 2003 the Agency's IT Support Budget contained funds used for both ongoing operations and for initiatives.

Starting with the submission of the FY 2003 budget these two funding sources were separated. The IT Support Budget now contains funding only for ongoing operations while the Capital Investment Fund contains money for new initiatives. The Systems Development category represents combined operational and new initiatives project funding prior to FY 2003.

### **IT Systems Operations**

The IT Systems component of the operations budget is targeted at \$16.6 million in FY 2003 and \$16.1 million in FY 2004. These funds provide funding for managing, operating, and maintaining the organization's suite of enterprise-wide, legacy and database systems. The budget also provides funding for designing, developing, programming, and implementing small automated information management systems. This budget includes contract support for ongoing software maintenance, error correction, and licensing. In total, approximately 33 systems are maintained in the categories of financial, mixed financial, procurement, human resources, inventory and other systems.

Major components of the IT Systems Operations portfolio are Phoenix, the Agency's commercial off-the-shelf (COTS) core accounting application; and the Acquisition & Assistance subsystem of the legacy New Management System (NMS).

### **IT Infrastructure Operations**

The IT Infrastructure component of the operations budget is targeted at \$39.7 million in FY 2003 and \$39.6 million in FY 2004. It consists of a wide range of technologies that support the agency's worldwide telecommunications operations and centralized network and server platforms at USAID's Washington, DC headquarters (USAID/W). The hardware and software technologies include, server platforms, desktop platforms, switches, routers, voice systems, telegram distribution, network monitoring, operational computer security, telecommunications functions, and the customer help desk. In addition to support for USAID/W, the budget also covers the costs of providing standards and technical support to missions and manages all mission telecommunications functionality, mission firewalls and mission servers. It provides for day-to-day management in planning, capacity analysis, and implementation of centrally funded upgrades.

Given the vulnerability of international operations, funding will be used to review and improve IT systems and organizational security procedures, to ensure that adequate IT security is in place, to provide tools, to define IT security policies, and implement IT security roles and responsibilities. Additionally, work will continue in risk management, security management, incidence response and policy enforcement, enhanced capabilities for system certification and accreditation, compliance monitoring, risk analysis and assessments, security monitoring, validating and verifying Agency Disaster Recovery and COOP plans.

Several other major components of the IT Infrastructure Operations portfolio include Internet Services, Tech Hub, Information System Security Program and Knowledge Management.

### **IT Architecture, Planning, & IRM Program Management**

The IT Architecture, Planning and IRM Program Management component operations budget is targeted at \$8.1 million in FY 2003 and \$7.5 million in FY 2004. It includes the costs associated with maintaining the Enterprise Architecture, contract management, process improvement, acquisition support and information resource program management. IT Architecture, Planning and IRM Program Management contains the ongoing cost to maintain the baseline architecture and to improve Agency-wide access to the Enterprise Architecture.

A portion of this budget component is also used to address the costs for IRM acquisition management, including the costs for the management and oversight of the major technology labor contracts.

### **Washington Rent, Utilities, and Support Costs**

In FY 2004, payments for office rent, utilities, and guard services for public areas in the Ronald Reagan Building and warehouse space in the metropolitan area will cost about \$35 million, 78% of this budget category. The General Services Administration charges for building specific security for the Ronald Reagan Building increased 300 percent from FY 2002 to FY 2003 and another 150% in FY 2004. This is an average increase of approximately \$3 million per year. These increases are related to increases security measures after the 9/11 attacks. The remainder of this account is also relatively fixed, required for building and equipment maintenance and operations costs, postal fees, bulk supplies, transit subsidies, and other general support costs for headquarters personnel.

### **Diplomatic Readiness**

USAID's \$6 million request is part of a multi-year "readiness" initiative that supports the diplomatic readiness effort initiated in FY 2003 by the Department of State. This effort would culminate in establishing a new ceiling for USDH staff. The 1,000 strong Foreign Service would be increased by 15 percent, the percentage used by the Department of State in establishing a training and assignment float. The civil service cadre would be increased by 50 positions to also establish a training float for entry level programs.

The Diplomatic Readiness Initiative will respond to the growing need of preparedness in the foreign assistance and humanitarian relief arena. Because of constantly shifting priorities overseas, USAID's plan to create a Human Capital Strategy and Plan will include several important initiatives to position the Agency for quick response capability

as the political situation overseas becomes more and more complex. Diplomatic Readiness includes the recruitment and hiring of qualified staff to replace retiring officers and to expand staff to develop a surge capacity necessary to meet urgent foreign policy demands. More critically, it is about maintaining quality and flexibility of human resources and ensuring that staff maximizes the professional skills needed to grow with the requirements of the job. USAID is following the lead of OPM's guidance for the management of human capital by establishing ways to get the "right people in the right jobs with the right skills at the right time" to carry out our mission. USAID's Diplomatic Readiness Initiative will assist us in carrying out this mandate.

**Diplomatic Readiness will provide USAID with the overall capacity to:**

- fill critical vacancies overseas
- maintain the world class humanitarian and development assistance programs that tackle the causes of terrorism – poverty and loss of hope
- ensure staff are highly trained in languages, development technologies, project management and other supporting skills
- respond to unforeseen foreign crisis situations that can emerge quickly
- design new business models of managing development as needs dictate and the flexibility to change business models when necessary
- lead development by collaborating with other US and international organizations to effectively implement programs to further U.S. foreign policy interests, and
- rationalize overall staffing to achieve the best results overseas.

USAID will plan and establish the details of its Diplomatic Readiness Initiative in FY 2003. The important elements of this initiative include:

- an overall long-term recruiting and hiring plan as part of the Human Capital Strategy
- a plan to design and institutionalize a training and certification program to transfer existing development knowledge and expertise
- identifying the new skills necessary for incoming and current staff members to meet complex foreign assistance challenges that contribute to overall foreign policy and developing relevant training programs that reflect these skills needs, and
- new models of doing business that include deploying staff overseas in ways that account for the increased security threat both to our American and foreign national staffs, increase our ability to respond quickly to emerging conflicts, are the most cost effective, and that support and focus on results critical to our foreign interests.

USAID's work on the President's Management Agenda (PMA) items (Human Capital, Financial Performance, E-Government, Budget and Performance Integration, and Competitive Sourcing) is being aligned to the concept of diplomatic readiness. The PMA emphasizes the interdependency of these core management models in strengthening the Agency's impact as a world-class development agency with the capacity to respond quickly and effectively to U.S. foreign policy interests.

**Specifically, the \$6 million budgeted for Diplomatic Readiness will position USAID in FY 2004 to:**

- establish a “surge” capacity to respond to new policy priorities and programs
- reverse the staffing crisis by expanding and strengthening recruitment/hiring
- properly train and develop new and current staff to be well-prepared for increasingly demanding overseas positions
- create a “float” to enable deployment of officers to cover critical work during vacancy periods that often occur for a period of up to six months when officers leave post and before their replacements arrive
- mandate greater adherence to language training and reverse the trend of sending officers to post without sufficient language skills due to the current necessity of quickly filling critical positions
- allocate training positions in overseas missions to ensure that new officers are mentored appropriately before taking on leadership of offices and programs, and
- hire between 30 and 50 new officers over and above the number lost through attrition.

**Staff Training**

| <b>Category</b>                                | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Estimate</b> | <b>FY 2004<br/>Request</b> |
|--|---------------------------|---------------------------|-----------------------------|----------------------------|
| Executive and Senior Leadership                | 1,300                     | 1,300                     | 1,000                       | 1,500                      |
| Acquisition/Assistance Management              | 745                       | 1,058                     | 1,091                       | 1,500                      |
| Supervision                                    | 113                       | 216                       | 297                         | 450                        |
| Managing for Results                           | 414                       | 120                       | 393                         | 900                        |
| New Entry Professional (including travel)      | 718                       | 614                       | 775                         | 875                        |
| Core Professional Skills (Lang/Computer/Other) | 1,761                     | 1,658                     | 1,705                       | 2,000                      |
| Agency Reforms and Program Pillars Training    | 350                       | 450                       | 450                         | 800                        |
| Distance Learning (New Start)                  |                           | 400                       | 400                         | 400                        |
| Training Support Services                      | 290                       | 325                       | 745                         | 1,000                      |
| Training- Related Travel                       | 260                       | 300                       | 475                         | 575                        |
| <b>Total</b>                                   | <b>5,951</b>              | <b>6,441</b>              | <b>7,331</b>                | <b>10,000</b>              |

The FY 2004 request level of \$10 million represents a 36% increase from the FY 2003 level of \$7.3 million.

The continued investment in training is a central part of the FY 2003 formulation of the Agency Human Capital Strategy. In this strategy, “a more flexible workforce” is an important goal and becomes closely aligned to the diplomatic readiness concept of foreign affairs operations that has been initiated by the Department of State. USAID will complete an overseas workforce assessment in FY 2003 that will form the basis for more robust workforce planning, corporate hiring strategies and training programs. Training will focus on:

- identifying skills needed for a world class, 21<sup>st</sup> Century development agency
- analyzing gaps between the skills needed and those available within the Agency
- implementing the most cost-effective models of training to close the skills gaps, including the use of blended approaches that combine classroom and distance learning; and
- improving training in languages, technologies, project management, procurement, and finance.

These activities will ensure that the Agency builds a more flexible workforce and enhances its capacity to respond to the ever increasing demands placed on USAID development experts. The training strategy is to rebuild and retool the core of the Agency workforce and ensure that newly hired employees receive the training needed to do their jobs effectively. Specifically, in FY 2004, USAID will:

- train up to 100 new officers
- develop certification programs for senior leaders, program managers, technical officers and support staff (Finance Officers and Contracting Officers)
- design a new training program in response to the Administrator's FY 2003 announcement that all supervisors must be trained, and
- continue training in languages, security and retirement planning.

Approximately 60% of new funds will be used for new initiatives to support the Human Capital Strategy and its goals and approximately 40% of the FY 2004 budget request is for fixed recurring requirements such as language and security training.

### **Other Agency Costs**

This budget request covers primarily mandatory costs, the largest being payments to the Department of State (DOS) for administrative support and Dispatch Agent fees, and to the Department of Labor for employee medical and compensation claims relating to job-related injury or death. This category also includes travel and related costs for retiring FSOs, costs associated with the Foreign Service panels, and funding for medical, property, and tort claims.

DOS administrative support costs will increase by approximately \$2 million from FY 2003 to FY 2004 due to additional funds being invested in upgrading the Interagency Cooperative Administrative Support System (ICASS) infrastructure. Agencies' contributions increase in the same proportion as DOS contributions.

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

In addition, this includes costs to allow Foreign Service Nationals (FSN) who work in countries without a viable social security system to participate in a global retirement

fund. This is estimated at \$2.3 million in FY 2004. Finally, potential extraordinary audit costs to cover Inspector General (IG) expenses are included for \$1.7 million.

### Sources of Funding for Operating Expenses

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

Local currency trust funds will decline slightly due to the loss of funds from Tanzania. Anticipated funds available in FY 2004 are estimated at \$26.7 million compared with \$27.6 million in FY 2003. Recoveries continue to remain relatively flat at historical rates of \$10 million to \$15 million. Estimated recoveries during FY 2003 available for use in FY 2004 are anticipated at \$12.0 million compared to \$16 million in FY 2002 and \$10.7 million in FY 2001. The unobligated balance at the start of the FY 2003 was higher than expected due to a late supplemental for Afghanistan at the end of FY 2002 of \$7 million, which was carried over. Also more funds were carried over than predicted for interim office building relocations - \$7.3 million.

#### Funding Sources for Operating Expenses (\$000)

| <u>Category</u>                               | <u>FY 2001<br/>Actual</u> | <u>FY 2002<br/>Actual</u> | <u>FY 2003<br/>Estimate</u> | <u>FY 2004<br/>Request</u> |
|---|---------------------------|---------------------------|-----------------------------|----------------------------|
| Appropriated Operating Expenses               | 533,000                   | 556,000                   | 572,200                     | 604,100                    |
| Rescission                                    | - 1,173                   |                           |                             |                            |
| <b>Availability - New Budget Authority OE</b> | <b>531,827</b>            | <b>556,000</b>            | <b>572,200</b>              | <b>604,100</b>             |
| Appropriation Transfers                       | - 134                     |                           |                             |                            |
| Unobligated Balance                           | - 319                     |                           |                             |                            |
| <b>Obligations - New Budget Authority OE</b>  | <b>531,374</b>            | <b>556,000</b>            | <b>572,200</b>              | <b>604,100</b>             |
| DA funds used for Envir. Travel/Non Presence  | 155                       | 746                       | 320                         | 320                        |
| DA Funds - Program Transfer                   |                           | 10,300                    |                             |                            |
| CSD funds used for Child Survival Travel      | 59                        | 79                        | 125                         | 125                        |
| IDA funds used for southern Africa            | 2,911                     | 1,646                     |                             |                            |
| ESF funds used for East Timor                 |                           | 425                       | 1,000                       | 498                        |
| ESF funds used for Pakistan                   |                           | 1,027                     | 1,472                       |                            |
| Andean Counter Drug Initiative                |                           | 4,500                     | 4,500                       | 4,500                      |
| Local Currency Trust Funds (Recurring)        | 24,340                    | 25,675                    | 27,557                      | 26,692                     |
| Reimbursements                                | 6,052                     | 7,114                     | 5,600                       | 5,600                      |
| Unobligated Balance - Start of Year           | 56,520                    | 28,576                    | 34,231                      | 12,000                     |
| Recovery of Prior Year Obligations            | 10,694                    | 16,129                    | 12,000                      | 11,000                     |
| Ending Balance - Current Year Recoveries      | - 10,694                  | - 16,129                  | -12,000                     | -11,000                    |
| Ending Balance - Other Funds                  | - 17,882                  | - 18,102                  |                             |                            |
| <b>Obligations - Other Funding Sources</b>    | <b>72,155</b>             | <b>61,986</b>             | <b>74,805</b>               | <b>49,735</b>              |
| <b>Total Obligations</b>                      | <b>603,529</b>            | <b>617,986</b>            | <b>647,005</b>              | <b>653,835</b>             |
| <b>Emergency Response Fund<sup>1</sup></b>    | <b>2,400</b>              | <b>15,000</b>             |                             |                            |

<sup>1</sup> Includes 2,400 in transfers carried forward from 2001 to 2002 and 15,000 transferred in 2002.



## **Operating Expense Tables – Index**

- **Table 1 – 6 pages - USAID Operating Expenses by Organization (to the Mission level) including Trust Funds and Salaries and Benefits.**
- **Table 2 – 8 pages – USAID Workforce by Organization (to the Mission level).**
- **Table 3 – 1 page – USAID Overseas Administrative Support Trust Fund Obligations by Mission.**
- **Table 4 – 2 pages – Use of Operating Expenses for USAID by Object Class Code.**

**TABLE 1**  
**USAID Operating Expenses**

(in thousands of dollars)

|  | FY 2001 Actuals    |               |                   |                | FY 2002 Actuals    |               |                   |                | FY 2003 Estimate   |               |                   |                | FY 2004 Request    |               |                   |                |
|--|--------------------|---------------|-------------------|----------------|--------------------|---------------|-------------------|----------------|--------------------|---------------|-------------------|----------------|--------------------|---------------|-------------------|----------------|
|  | Direct Obligations |               | USDH<br>Sal & Ben | Total          | Direct Obligations |               | USDH<br>Sal & Ben | Total          | Direct Obligations |               | USDH<br>Sal & Ben | Total          | Direct Obligations |               | USDH<br>Sal & Ben | Total          |
|  | OE                 | TF            |                   |                | OE                 | TF            |                   |                | OE                 | TF            |                   |                | OE                 | TF            |                   |                |
|  | OE                 | TF            | Sal & Ben         | Total          | OE                 | TF            | Sal & Ben         | Total          | OE                 | TF            | Sal & Ben         | Total          | OE                 | TF            | Sal & Ben         | Total          |
| Office of the Administrator                            | 120                |               | 1,637             | 1,757          | 306                |               | 2,784             | 3,090          | 218                |               | 3,037             | 3,255          | 218                |               | 3,209             | 3,427          |
| Equal Opportunity Programs                             | 86                 |               | 633               | 719            | 138                |               | 708               | 846            | 143                |               | 764               | 907            | 133                |               | 807               | 940            |
| Small & Disadvantaged Business                         | 101                |               | 481               | 592            | 119                |               | 750               | 868            | 123                |               | 885               | 1,008          | 113                |               | 936               | 1,049          |
| Office of Security                                     | 7,716              |               | 2,618             | 10,334         | 6,748              |               | 2,755             | 9,503          | 7,090              |               | 2,926             | 10,016         | 7,090              |               | 3,092             | 10,182         |
| General Counsel  | 204                |               | 4,854             | 5,058          | 322                |               | 5,401             | 5,723          | 278                |               | 5,482             | 5,760          | 258                |               | 5,794             | 6,052          |
| Legislative & Public Affairs                           | 203                |               | 2,760             | 2,963          | 312                |               | 3,613             | 3,925          | 204                |               | 4,265             | 4,469          | 189                |               | 4,507             | 4,696          |
| Program and Policy Coordination (PPC)                  | 693                |               | 5,644             | 6,337          | 735                |               | 8,966             | 9,701          | 442                |               | 8,465             | 8,907          | 417                |               | 6,947             | 9,384          |
| GDA-Secretarial  | 0                  |               |                   | 0              | 50                 |               | 555               | 605            | 50                 |               | 524               | 574            | 50                 |               | 554               | 604            |
| Management   | 5,109              |               | 38,200            | 43,309         | 7,036              |               | 37,198            | 44,234         | 5,898              |               | 37,692            | 43,590         | 5,585              |               | 39,830            | 45,415         |
| Africa (AFR)   | 739                |               | 8,031             | 8,770          | 573                |               | 8,407             | 8,980          | 488                |               | 9,143             | 9,631          | 488                |               | 9,663             | 10,151         |
| Asia and Near East (ANE)                               | 183                |               | 5,644             | 5,827          | 497                |               | 6,149             | 6,646          | 349                |               | 7,310             | 7,659          | 349                |               | 7,728             | 8,075          |
| Europe and Eurasia (E&E)                               | 5,227              |               | 10,675            | 15,902         | 946                |               | 9,567             | 10,513         | 1,500              |               | 8,111             | 9,811          | 1,132              |               | 8,572             | 9,704          |
| Latin America and Caribbean (LAC)                      | 342                |               | 7,363             | 7,705          | 673                |               | 7,307             | 7,980          | 340                |               | 6,899             | 7,239          | 340                |               | 7,291             | 7,631          |
| Humanitarian Relief (BHR)                              | 2,019              |               | 8,638             | 10,657         |                    |               |                   |                |                    |               |                   |                |                    |               |                   |                |
| Global   | 1,693              |               | 21,814            | 23,507         |                    |               |                   |                |                    |               |                   |                |                    |               |                   |                |
| Democracy, Conflict and Humanitarian Assistance (DCHA) |                    |               |                   |                | 2,360              |               | 11,313            | 13,673         | 2,367              |               | 13,205            | 15,572         | 2,184              |               | 13,956            | 16,120         |
| Economic Growth, Agriculture & Trade                   |                    |               |                   |                | 847                |               | 11,378            | 12,325         | 832                |               | 15,329            | 16,161         | 832                |               | 16,201            | 17,033         |
| Global Health  |                    |               |                   |                | 525                |               | 7,303             | 7,828          | 515                |               | 8,694             | 9,209          | 515                |               | 9,188             | 9,703          |
| Complement   |                    |               | 8,811             | 8,811          |                    |               | 12,177            | 12,177         |                    |               | 9,850             | 9,850          |                    |               | 10,199            | 10,199         |
| <b>Subtotal Washington</b>                             | <b>24,435</b>      |               | <b>127,813</b>    | <b>152,248</b> | <b>22,287</b>      |               | <b>138,331</b>    | <b>158,618</b> | <b>20,837</b>      |               | <b>142,381</b>    | <b>163,218</b> | <b>19,873</b>      |               | <b>150,472</b>    | <b>170,345</b> |
| AFR overseas   | 74,997             | 3,381         | 25,261            | 103,839        | 74,158             | 4,261         | 28,251            | 104,870        | 73,317             | 3,732         | 27,504            | 104,553        | 74,113             | 2,606         | 28,428            | 105,147        |
| ANE overseas   | 37,018             | 18,459        | 21,394            | 76,871         | 38,772             | 19,162        | 22,385            | 80,319         | 48,695             | 21,215        | 24,053            | 93,963         | 44,415             | 21,660        | 24,901            | 90,976         |
| E & E overseas   | 56,343             |               | 13,962            | 70,305         | 52,193             |               | 16,590            | 68,783         | 52,625             |               | 18,948            | 69,573         | 49,000             |               | 17,723            | 66,723         |
| LAC overseas   | 45,944             | 2,500         | 18,143            | 66,587         | 46,886             | 2,250         | 18,283            | 67,419         | 45,819             | 2,610         | 18,504            | 66,733         | 44,001             | 2,426         | 19,345            | 65,772         |
| PPC overseas   | 950                |               | 418               | 1,368          | 927                |               | 363               | 1,290          | 1,021              |               | 368               | 1,389          | 991                |               | 384               | 1,375          |
| BHR Overseas   | 409                |               | 116               | 525            |                    |               |                   |                |                    |               |                   |                |                    |               |                   |                |
| DCHA overseas  |                    |               |                   |                | 358                |               | 119               | 477            | 427                |               | 113               | 540            | 427                |               | 117               | 544            |
| Complement - Overseas                                  |                    |               |                   |                |                    |               | 266               | 268            |                    |               | 507               | 507            |                    |               | 530               | 530            |
| <b>Subtotal Overseas</b>                               | <b>215,661</b>     | <b>24,340</b> | <b>79,294</b>     | <b>319,295</b> | <b>213,294</b>     | <b>25,673</b> | <b>84,257</b>     | <b>323,224</b> | <b>221,704</b>     | <b>27,557</b> | <b>87,997</b>     | <b>337,258</b> | <b>212,947</b>     | <b>26,692</b> | <b>91,428</b>     | <b>331,067</b> |
| Facility Relocations - Overseas                        | 1,255              |               |                   | 1,255          | 1,671              |               |                   | 1,671          | 13,300             |               |                   | 13,300         | 4,000              |               |                   | 4,000          |
| Information Technology support                         | 73,049             |               |                   | 73,049         | 72,409             |               |                   | 72,409         | 64,400             |               |                   | 64,400         | 63,200             |               |                   | 63,200         |
| Rent and other General Support                         | 39,107             |               |                   | 39,107         | 41,837             |               |                   | 41,837         | 43,537             |               |                   | 43,537         | 45,000             |               |                   | 45,000         |
| Staff Training   | 5,951              |               |                   | 5,951          | 6,441              |               |                   | 6,441          | 7,331              |               |                   | 7,331          | 10,000             |               |                   | 10,000         |
| Diplomatic Readiness                                   |                    |               |                   |                |                    |               |                   |                |                    |               |                   |                | 6,029              |               |                   | 6,029          |
| FSN Retirement Fund                                    |                    |               |                   |                |                    |               |                   |                |                    |               |                   |                | 2,300              |               |                   | 2,300          |
| Extraordinary Audit Costs                              |                    |               |                   |                |                    |               |                   |                |                    |               |                   |                | 1,700              |               |                   | 1,700          |
| ICASS  | 4,473              |               |                   | 4,473          | 4,531              |               |                   | 4,531          | 8,347              |               |                   | 8,347          | 10,100             |               |                   | 10,100         |
| Employee Compensation Claims                           | 3,393              |               |                   | 3,393          | 3,662              |               |                   | 3,662          | 3,893              |               |                   | 3,893          | 4,284              |               |                   | 4,284          |
| Personnel Support                                      | 2,383              |               |                   | 2,383          | 2,885              |               |                   | 2,885          | 2,235              |               |                   | 2,235          | 2,235              |               |                   | 2,235          |
| Legislative & Public Affairs Support                   | 876                |               |                   | 876            | 1,265              |               |                   | 1,265          | 1,322              |               |                   | 1,322          | 1,322              |               |                   | 1,322          |
| U.S. Dispatch Agen Fees                                | 875                |               |                   | 875            | 700                |               |                   | 700            | 700                |               |                   | 700            | 735                |               |                   | 735            |
| Medical-Property-Tort Claims                           | 514                |               |                   | 514            | 541                |               |                   | 541            | 545                |               |                   | 545            | 572                |               |                   | 572            |
| Program funded Travel                                  |                    |               |                   | 0              |                    |               |                   | 0              | 445                |               |                   | 445            | 445                |               |                   | 445            |
| All other Centrally Funded                             | 311                |               |                   | 311            | 402                |               |                   | 402            | 474                |               |                   | 474            | 501                |               |                   | 501            |
| <b>Subtotal Central Funded</b>                         | <b>130,732</b>     |               |                   | <b>130,732</b> | <b>134,473</b>     |               |                   | <b>134,473</b> | <b>133,229</b>     |               |                   | <b>133,229</b> | <b>148,423</b>     |               |                   | <b>148,423</b> |
| <b>GRAND TOTAL</b>                                     | <b>372,083</b>     | <b>24,340</b> | <b>207,107</b>    | <b>603,530</b> | <b>371,725</b>     | <b>25,673</b> | <b>220,588</b>    | <b>617,886</b> | <b>388,070</b>     | <b>27,557</b> | <b>230,378</b>    | <b>647,005</b> | <b>388,243</b>     | <b>26,692</b> | <b>241,900</b>    | <b>653,835</b> |

## Overseas Operating Expenses

(In thousands of dollars)

|                                      | FY 2001 Actuals     |              |               |                | FY 2002 Actuals     |              |               |                | FY 2003 Estimate    |              |               |                | FY 2004 Request     |              |               |                |
|--------------------------------------|---------------------|--------------|---------------|----------------|---------------------|--------------|---------------|----------------|---------------------|--------------|---------------|----------------|---------------------|--------------|---------------|----------------|
|                                      | Mission Obligations |              | USDH          | Total          | Mission Obligations |              | USDH          | Total          | Mission Obligations |              | USDH          | Total          | Mission Obligations |              | USDH          | Total          |
|                                      | OE                  | TF           | Sal & Ben     |                | OE                  | TF           | Sal & Ben     |                | OE                  | TF           | Sal & Ben     |                | OE                  | TF           | Sal & Ben     |                |
| <b>Africa</b>                        |                     |              |               |                |                     |              |               |                |                     |              |               |                |                     |              |               |                |
| Angola                               | 2,557               |              | 250           | 2,807          | 2,097               |              | 388           | 2,485          | 2,000               |              | 367           | 2,367          | 2,100               |              | 383           | 2,483          |
| Benin                                | 2,350               |              | 557           | 2,907          | 2,206               |              | 509           | 2,717          | 2,225               |              | 482           | 2,707          | 2,225               |              | 503           | 2,728          |
| Democratic Republic of the Congo     | 1,800               |              | 391           | 2,191          | 2,872               |              | 310           | 3,182          | 2,848               |              | 489           | 3,335          | 3,159               |              | 510           | 3,889          |
| Eritrea                              | 1,328               |              | 511           | 1,839          | 1,423               |              | 602           | 2,025          | 1,432               |              | 570           | 2,002          | 1,417               |              | 595           | 2,012          |
| Ethiopia                             | 3,285               | 1            | 1,620         | 4,906          | 3,191               |              | 1,283         | 4,474          | 3,075               |              | 1,457         | 4,532          | 3,042               |              | 1,521         | 4,563          |
| Ghana                                | 2,925               | 211          | 1,773         | 4,909          | 3,010               | 274          | 1,830         | 4,914          | 2,824               | 190          | 1,543         | 4,367          | 2,589               |              | 1,510         | 4,199          |
| Guinea                               | 2,978               |              | 741           | 3,719          | 3,010               |              | 663           | 3,673          | 2,803               |              | 933           | 3,736          | 2,888               |              | 974           | 3,662          |
| Kenya                                | 4,242               |              | 934           | 5,176          | 3,873               |              | 699           | 4,772          | 4,254               |              | 1,022         | 5,276          | 4,208               |              | 1,068         | 5,274          |
| Liberia                              | 713                 |              | 275           | 988            | 659                 |              | 198           | 856            | 673                 |              | 186           | 859            | 606                 |              | 194           | 800            |
| Madagascar                           | 2,624               |              | 1,093         | 3,717          | 2,570               |              | 856           | 3,426          | 2,570               |              | 1,620         | 4,190          | 2,441               |              | 1,690         | 4,131          |
| Malawi                               | 1,793               | 378          | 916           | 3,087          | 1,793               | 582          | 875           | 3,250          | 1,850               | 550          | 725           | 3,125          | 1,813               | 600          | 756           | 3,169          |
| Mali                                 | 4,984               |              | 1,785         | 6,729          | 4,744               |              | 1,308         | 6,062          | 3,767               |              | 1,128         | 4,893          | 3,728               |              | 1,175         | 4,901          |
| Mozambique                           | 6,664               | 581          | 1,631         | 8,876          | 5,355               | 911          | 1,685         | 7,921          | 5,556               | 982          | 1,828         | 6,366          | 5,383               | 1,006        | 1,635         | 6,034          |
| Namibia                              | 1,122               |              | 336           | 1,458          | 1,045               |              | 424           | 1,469          | 960                 |              | 401           | 1,361          | 950                 |              | 419           | 1,389          |
| Nigeria                              | 4,381               |              | 1,113         | 5,494          | 3,942               |              | 1,282         | 5,224          | 4,212               |              | 1,307         | 5,519          | 4,167               |              | 1,364         | 5,531          |
| REDSO-ESA                            | 5,344               |              | 2,327         | 7,671          | 5,722               |              | 2,290         | 7,982          | 5,873               |              | 2,377         | 8,050          | 5,812               |              | 2,480         | 8,092          |
| Regional Center for Southern Africa  | 3,143               |              | 327           | 3,470          | 3,063               |              | 1,894         | 4,957          | 2,879               |              | 2,069         | 4,748          | 2,850               |              | 2,159         | 4,909          |
| Rwanda                               | 2,801               |              | 662           | 3,463          | 2,572               |              | 726           | 3,298          | 2,545               |              | 659           | 3,404          | 2,518               |              | 666           | 3,414          |
| Senegal                              | 4,581               |              | 1,662         | 6,243          | 4,828               |              | 1,596         | 6,424          | 4,497               |              | 1,827         | 6,124          | 4,568               |              | 1,698         | 6,266          |
| Sierra Leone                         |                     |              | 0             | 0              |                     |              | 0             | 0              | 200                 |              | 200           | 200            | 148                 |              | 148           | 148            |
| South Africa                         | 4,784               |              | 1,947         | 6,711          | 5,243               |              | 2,050         | 7,293          | 4,758               |              | 1,844         | 6,602          | 4,707               |              | 1,924         | 6,631          |
| Sudan                                | 364                 |              |               | 364            | 328                 |              |               | 328            | 307                 |              |               | 307            | 303                 |              | 303           | 303            |
| Tanzania                             | 3,108               | 685          | 1,007         | 4,800          | 2,793               | 802          | 1,205         | 4,800          | 3,236               | 920          | 1,304         | 5,460          | 4,170               |              | 1,361         | 5,531          |
| Uganda                               | 3,719               | 809          | 1,489         | 5,997          | 3,681               | 805          | 1,329         | 5,815          | 3,500               | 890          | 1,258         | 5,648          | 3,444               | 1,000        | 1,313         | 5,757          |
| West African Regional Program (WARP) |                     |              | 136           | 136            | 350                 |              | 357           | 707            | 819                 |              | 450           | 1,269          | 862                 |              | 470           | 1,332          |
| Zambia                               | 2,282               | 114          | 879           | 3,375          | 2,258               | 802          | 951           | 4,011          | 2,465               | 200          | 900           | 3,565          | 2,636               |              | 939           | 3,575          |
| Zimbabwe                             | 958                 | 602          | 771           | 2,331          | 1,528               | 85           | 803           | 2,416          | 1,791               |              | 780           | 2,551          | 1,773               |              | 793           | 2,566          |
| RHUDO                                | 207                 |              | 66            | 275            |                     |              | 0             | 0              |                     |              | 0             | 0              |                     |              | 0             | 0              |
| <b>Total Africa Overseas</b>         | <b>74,997</b>       | <b>3,381</b> | <b>25,281</b> | <b>103,639</b> | <b>74,158</b>       | <b>4,281</b> | <b>26,251</b> | <b>104,870</b> | <b>73,317</b>       | <b>3,732</b> | <b>27,504</b> | <b>104,553</b> | <b>74,113</b>       | <b>2,606</b> | <b>28,428</b> | <b>105,147</b> |

## Overseas Operating Expenses

(in thousands of dollars)

| Asia & Near East                         | FY 2001 Actuals     |               |               |               | FY 2002 Actuals     |               |               |               | FY 2003 Estimate    |               |               |               | FY 2004 Request     |               |               |               |
|--|---------------------|---------------|---------------|---------------|---------------------|---------------|---------------|---------------|---------------------|---------------|---------------|---------------|---------------------|---------------|---------------|---------------|
|  | Mission Obligations |               | USDH          | Total         | Mission Obligations |               | USDH          | Total         | Mission Obligations |               | USDH          | Total         | Mission Obligations |               | USDH          | Total         |
|  | OE                  | TF            | Sal & Ben     |               | OE                  | TF            | Sal & Ben     |               | OE                  | TF            | Sal & Ben     |               | OE                  | TF            | Sal & Ben     |               |
| Afghanistan                              |                     |               |               | 0             | 336                 |               | 115           | 451           | 7,944               |               | 362           | 8,308         | 5,778               |               | 453           | 6,231         |
| Bangladesh                               | 3,813               | 235           | 2,023         | 6,071         | 3,921               | 233           | 2,148         | 6,302         | 3,777               | 233           | 2,034         | 6,044         | 3,896               | 233           | 1,997         | 6,129         |
| Cambodia                                 | 2,930               |               | 1,023         | 3,953         | 3,844               |               | 685           | 4,529         | 2,922               |               | 906           | 3,828         | 3,008               |               | 948           | 3,956         |
| East Timor                               | 400                 |               |               | 400           |                     |               |               | 0             | 1,000               |               |               | 1,000         | 498                 |               |               | 498           |
| Egypt                                    | 2,139               | 16,488        | 6,941         | 25,548        | 2,068               | 16,483        | 8,831         | 25,362        | 2,047               | 17,854        | 6,483         | 26,184        | 1,995               | 17,370        | 6,472         | 25,837        |
| India                                    | 4,284               |               | 1,428         | 5,712         | 4,379               |               | 1,595         | 5,974         | 4,390               |               | 1,811         | 6,001         | 4,820               |               | 1,788         | 6,408         |
| Indonesia                                | 4,503               | 228           | 2,233         | 6,962         | 5,224               | 539           | 2,787         | 8,550         | 4,818               | 650           | 2,890         | 8,358         | 4,417               | 650           | 2,884         | 7,961         |
| Jordan                                   | 2,192               | 710           | 1,364         | 4,266         | 2,365               | 967           | 1,303         | 4,635         | 2,638               | 1,000         | 1,782         | 5,420         | 2,284               | 1,080         | 1,859         | 5,203         |
| Lebanon                                  | 1,111               |               | 214           | 1,325         | 829                 |               | 197           | 1,028         | 715                 |               | 187           | 902           | 730                 |               | 185           | 925           |
| Mongolia                                 | 381                 |               | 175           | 568           | 322                 |               | 189           | 511           | 353                 |               | 179           | 532           | 308                 |               | 187           | 493           |
| Morocco                                  | 2,896               |               | 835           | 3,531         | 2,658               |               | 990           | 3,648         | 3,283               |               | 703           | 3,986         | 1,327               |               | 387           | 1,694         |
| Nepal                                    | 2,502               |               | 1,006         | 3,508         | 2,545               |               | 1,015         | 3,560         | 2,547               |               | 961           | 3,508         | 2,501               |               | 1,003         | 3,504         |
| Pakistan                                 |                     |               |               | 0             | 813                 |               | 70            | 883           | 1,471               | 678           | 862           | 3,011         | 1,256               | 1,000         | 1,029         | 3,285         |
| Philippines                              | 2,699               | 820           | 1,585         | 5,084         | 2,524               | 980           | 1,852         | 5,336         | 2,370               | 1,000         | 1,753         | 5,123         | 2,220               | 1,347         | 1,829         | 5,396         |
| Sri Lanka                                | 1,000               |               | 244           | 1,244         | 1,001               |               | 231           | 1,232         | 735                 |               | 247           | 982           | 751                 |               | 256           | 1,008         |
| Thailand                                 |                     |               |               | 0             |                     |               |               | 0             | 1,450               |               | 739           | 2,189         | 2,595               |               | 1,157         | 3,752         |
| West Bank and Gaza                       | 5,791               |               | 2,145         | 7,936         | 5,943               |               | 2,377         | 8,320         | 5,801               |               | 2,250         | 7,851         | 5,716               |               | 2,348         | 8,064         |
| Yemen                                    |                     |               |               | 0             |                     |               |               | 0             | 654                 |               | 124           | 778           | 517                 |               | 129           | 648           |
| RHUDO                                    | 587                 |               | 196           | 785           |                     |               |               | 0             |                     |               |               | 0             |                     |               |               | 0             |
| <b>Total Asia and Near East Overseas</b> | <b>37,018</b>       | <b>18,459</b> | <b>21,394</b> | <b>76,871</b> | <b>38,772</b>       | <b>19,162</b> | <b>22,385</b> | <b>80,319</b> | <b>48,895</b>       | <b>21,215</b> | <b>24,053</b> | <b>93,963</b> | <b>44,415</b>       | <b>21,690</b> | <b>24,901</b> | <b>90,976</b> |

### Overseas Operating Expenses

(In thousands of dollars)

|  | FY 2001 Actuals     |    |                   |               | FY 2002 Actuals     |    |                   |               | FY 2003 Estimate    |    |                   |               | FY 2004 Request     |    |                   |               |
|--|---------------------|----|-------------------|---------------|---------------------|----|-------------------|---------------|---------------------|----|-------------------|---------------|---------------------|----|-------------------|---------------|
|  | Mission Obligations |    | USDH<br>Sal & Ben | Total         | Mission Obligations |    | USDH<br>Sal & Ben | Total         | Mission Obligations |    | USDH<br>Sal & Ben | Total         | Mission Obligations |    | USDH<br>Sal & Ben | Total         |
|  | OE                  | TF |                   |               | OE                  | TF |                   |               | OE                  | TF |                   |               | OE                  | TF |                   |               |
| <b>Europe &amp; Eurasia</b>              |                     |    |                   |               |                     |    |                   |               |                     |    |                   |               |                     |    |                   |               |
| Albania                                  | 983                 |    | 493               | 1,476         | 1,138               |    | 544               | 1,682         | 1,700               |    | 547               | 2,247         | 1,800               |    | 570               | 2,370         |
| Armenia                                  | 2,375               |    | 790               | 3,165         | 2,505               |    | 745               | 3,250         | 3,000               |    | 940               | 3,940         | 2,800               |    | 981               | 3,781         |
| Azerbaijan                               | 559                 |    |                   | 559           | 657                 |    | 303               | 960           | 1,000               |    | 267               | 1,267         | 776                 |    | 299               | 1,075         |
| Bosnia and Herzegovina                   | 5,386               |    | 1,223             | 6,609         | 3,186               |    | 1,194             | 4,380         | 3,200               |    | 1,353             | 4,553         | 2,800               |    | 1,412             | 4,212         |
| Bulgaria                                 | 1,400               |    | 417               | 1,817         | 1,269               |    | 410               | 1,879         | 1,350               |    | 388               | 1,738         | 1,300               |    | 405               | 1,705         |
| Croatia                                  | 1,710               |    | 449               | 2,159         | 1,630               |    | 510               | 2,140         | 1,800               |    | 483               | 2,083         | 1,500               |    | 504               | 2,004         |
| Georgia                                  | 4,622               |    | 1,750             | 6,372         | 4,416               |    | 1,817             | 6,233         | 3,750               |    | 1,720             | 5,470         | 3,824               |    | 1,795             | 5,619         |
| Hungary                                  | 4,853               |    | 199               | 5,052         | 5,244               |    | 1,119             | 6,363         | 5,450               |    | 954               | 6,404         | 5,000               |    | 995               | 5,995         |
| Kazakhstan                               | 7,507               |    | 2,143             | 9,650         | 8,975               |    | 2,492             | 11,467        | 8,200               |    | 2,732             | 10,932        | 8,100               |    | 2,721             | 10,821        |
| Kosovo                                   | 8,648               |    | 1,343             | 9,991         | 3,840               |    | 851               | 4,691         | 4,400               |    | 806               | 5,206         | 3,900               |    | 1,009             | 4,909         |
| Macedonia                                | 1,197               |    | 438               | 1,635         | 1,612               |    | 524               | 2,136         | 2,000               |    | 744               | 2,744         | 1,800               |    | 776               | 2,576         |
| Moldova                                  | 538                 |    |                   | 538           |                     |    | 137               | 137           | 422                 |    | 130               | 552           | 404                 |    | 135               | 539           |
| Montenegro                               |                     |    |                   | 0             | 2,917               |    |                   | 2,917         | 1,000               |    |                   | 1,000         | 600                 |    |                   | 600           |
| Romania                                  | 2,314               |    | 564               | 2,898         | 1,661               |    | 674               | 2,335         | 1,750               |    | 638               | 2,388         | 1,600               |    | 665               | 2,265         |
| Russia                                   | 5,584               |    | 1,895             | 7,479         | 5,332               |    | 1,889             | 7,221         | 5,500               |    | 2,026             | 7,526         | 4,900               |    | 2,115             | 7,015         |
| Serbia                                   | 3,150               |    |                   | 3,150         | 1,981               |    | 1,192             | 3,173         | 3,025               |    | 1,128             | 4,153         | 3,000               |    | 1,178             | 4,178         |
| Ukraine                                  | 5,517               |    | 2,238             | 7,755         | 5,830               |    | 2,189             | 8,019         | 5,278               |    | 2,072             | 7,350         | 4,896               |    | 2,163             | 7,059         |
| <b>Total Europe and Eurasia Overseas</b> | <b>56,343</b>       |    | <b>13,962</b>     | <b>70,305</b> | <b>52,193</b>       |    | <b>16,590</b>     | <b>68,783</b> | <b>52,625</b>       |    | <b>16,848</b>     | <b>69,573</b> | <b>49,000</b>       |    | <b>17,723</b>     | <b>66,723</b> |

## Overseas Operating Expenses

(In thousands of dollars)

|   | FY 2001 Actuals     |              |               |               | FY 2002 Actuals     |              |               |               | FY 2003 Estimate    |              |               |               | FY 2004 Request     |              |               |               |
|---|---------------------|--------------|---------------|---------------|---------------------|--------------|---------------|---------------|---------------------|--------------|---------------|---------------|---------------------|--------------|---------------|---------------|
|   | Mission Obligations |              | USDH          | Total         | Mission Obligations |              | USDH          | Total         | Mission Obligations |              | USDH          | Total         | Mission Obligations |              | USDH          | Total         |
|   | OE                  | TF           | Sal & Ben     |               | OE                  | TF           | Sal & Ben     |               | OE                  | TF           | Sal & Ben     |               | OE                  | TF           | Sal & Ben     |               |
| <b>Latin America and Caribbean</b>                |                     |              |               |               |                     |              |               |               |                     |              |               |               |                     |              |               |               |
| Bolivia   | 4,637               |              | 2,123         | 6,760         | 4,675               |              | 2,210         | 6,885         | 4,800               |              | 2,223         | 7,023         | 4,413               |              | 2,457         | 6,870         |
| Brazil  | 695                 |              | 267           | 962           | 943                 |              | 318           | 1,259         | 965                 |              | 366           | 1,361         | 985                 |              | 413           | 1,398         |
| Caribbean Regional Program                        |                     |              |               | 0             |                     |              |               | 0             |                     |              | 262           | 262           |                     |              | 274           | 274           |
| Central America Regional Program                  |                     |              |               | 0             | 165                 |              | 101           | 266           |                     |              | 787           | 787           |                     |              | 958           | 958           |
| Colombia  | 4,000               | 100          | 820           | 4,920         | 3,533               | 70           | 1,153         | 4,756         | 4,137               | 100          | 1,213         | 5,450         | 4,400               | 100          | 1,392         | 5,892         |
| Dominican Republic                                | 2,329               | 400          | 1,068         | 3,797         | 2,676               | 401          | 1,132         | 4,409         | 2,650               | 450          | 1,474         | 4,574         | 2,639               | 450          | 1,538         | 4,627         |
| Ecuador   | 1,415               |              | 536           | 1,951         | 1,528               |              | 737           | 2,266         | 1,750               |              | 558           | 2,308         | 1,690               |              | 728           | 2,418         |
| El Salvador                                       | 4,296               | 400          | 1,783         | 6,481         | 4,241               | 564          | 1,801         | 6,606         | 4,160               | 575          | 2,096         | 6,833         | 3,830               | 565          | 2,169         | 6,564         |
| Guatemala   | 4,189               | 400          | 1,953         | 6,542         | 4,349               | 198          | 2,023         | 6,570         | 4,625               | 30           | 1,277         | 5,932         | 4,236               | 11           | 666           | 4,915         |
| Guyana  | 365                 |              | 146           | 511           | 499                 |              | 174           | 673           | 410                 |              | 130           | 540           | 375                 |              | 135           | 510           |
| Haiti   | 5,249               |              | 1,734         | 6,983         | 4,915               |              | 1,306         | 6,221         | 4,619               |              | 1,374         | 5,993         | 4,396               |              | 1,577         | 5,973         |
| Honduras  | 2,587               | 1,200        | 1,748         | 5,535         | 2,719               | 979          | 1,464         | 5,162         | 2,800               | 1,200        | 1,368         | 5,168         | 2,479               | 1,200        | 1,325         | 5,004         |
| Jamaica   | 3,578               |              | 967           | 4,545         | 3,779               | 36           | 813           | 4,630         | 3,438               | 255          | 698           | 4,691         | 3,401               | 100          | 1,071         | 4,572         |
| Mexico  | 691                 |              | 274           | 965           | 965                 |              | 304           | 1,269         | 1,127               |              | 466           | 1,613         | 1,056               |              | 507           | 1,566         |
| Nicaragua   | 3,535               |              | 1,671         | 5,206         | 3,385               |              | 1,569         | 4,974         | 3,051               |              | 1,157         | 4,208         | 3,101               |              | 1,208         | 4,309         |
| Panama  | 1,150               |              | 262           | 1,432         | 952                 |              | 261           | 1,233         | 775                 |              | 266           | 1,041         | 764                 |              | 276           | 1,042         |
| Paraguay  | 920                 |              | 295           | 1,215         | 895                 |              | 301           | 1,196         | 912                 |              | 265           | 1,177         | 856                 |              | 277           | 1,133         |
| Peru  | 5,949               |              | 2,405         | 8,354         | 6,445               |              | 2,578         | 9,023         | 5,600               |              | 2,254         | 7,854         | 5,376               |              | 2,352         | 7,728         |
| RHUDO   | 357                 |              | 71            | 428           |                     |              |               |               |                     |              |               |               |                     |              |               |               |
| <b>Total Latin America and Caribbean Overseas</b> | <b>45,944</b>       | <b>2,500</b> | <b>16,143</b> | <b>64,587</b> | <b>46,666</b>       | <b>2,250</b> | <b>16,263</b> | <b>67,419</b> | <b>45,619</b>       | <b>2,810</b> | <b>16,504</b> | <b>66,733</b> | <b>44,001</b>       | <b>2,426</b> | <b>16,345</b> | <b>65,772</b> |

### Overseas Operating Expenses

(in thousands of dollars)

|  | FY 2001 Actuals     |          |                   |              | FY 2002 Actuals     |          |                   |              | FY 2003 Estimate    |          |                   |              | FY 2004 Request     |          |                   |              |
|--|---------------------|----------|-------------------|--------------|---------------------|----------|-------------------|--------------|---------------------|----------|-------------------|--------------|---------------------|----------|-------------------|--------------|
|  | Mission Obligations |          | USDH<br>Sal & Ben | Total        | Mission Obligations |          | USDH<br>Sal & Ben | Total        | Mission Obligations |          | USDH<br>Sal & Ben | Total        | Mission Obligations |          | USDH<br>Sal & Ben | Total        |
|  | OE                  | TF       |                   |              | OE                  | TF       |                   |              | OE                  | TF       |                   |              | OE                  | TF       |                   |              |
| <b>Program and Policy Coordination</b>                 |                     |          |                   |              |                     |          |                   |              |                     |          |                   |              |                     |          |                   |              |
| Belguim  | 175                 |          | 133               | 308          | 124                 |          | 95                | 219          | 179                 |          | 114               | 293          | 179                 |          | 119               | 298          |
| France   | 282                 |          | 144               | 426          | 282                 |          | 153               | 435          | 272                 |          | 145               | 417          | 252                 |          | 151               | 403          |
| Japan  | 343                 |          | 141               | 484          | 362                 |          | 115               | 477          | 392                 |          | 109               | 501          | 382                 |          | 114               | 496          |
| Switzerland  | 150                 |          |                   | 150          | 159                 |          |                   | 159          | 178                 |          |                   | 178          | 178                 |          |                   | 178          |
| <b>Total Program and Policy Coordination Overseas</b>  | <b>950</b>          | <b>0</b> | <b>418</b>        | <b>1,368</b> | <b>927</b>          | <b>0</b> | <b>363</b>        | <b>1,290</b> | <b>1,021</b>        | <b>0</b> | <b>368</b>        | <b>1,389</b> | <b>991</b>          | <b>0</b> | <b>384</b>        | <b>1,375</b> |
| <b>Humanitarian Response</b>                           |                     |          |                   |              |                     |          |                   |              |                     |          |                   |              |                     |          |                   |              |
| Italy  | 409                 |          | 116               | 525          |                     |          |                   |              |                     |          |                   |              |                     |          |                   |              |
| <b>Democracy, Conflict and Humanitarian Assistance</b> |                     |          |                   |              |                     |          |                   |              |                     |          |                   |              |                     |          |                   |              |
| Italy  |                     |          |                   |              | 358                 |          | 119               | 477          | 427                 |          | 113               | 540          | 427                 |          | 117               | 544          |

**TABLE 2  
USAID Workforce**

| Organization  | September 30, 2001 Actual |            |              |              |              |              | September 30, 2002 Actual |            |              |              |              |              | September 30, 2003 Estimate |            |              |              |              |              | September 30, 2004 Request |            |              |              |              |              |
|---|---------------------------|------------|--------------|--------------|--------------|--------------|---------------------------|------------|--------------|--------------|--------------|--------------|-----------------------------|------------|--------------|--------------|--------------|--------------|----------------------------|------------|--------------|--------------|--------------|--------------|
|   | OE Funded                 |            |              |              | Prog         | Grand Total  | OE Funded                 |            |              |              | Prog         | Grand Total  | OE Funded                   |            |              |              | Prog         | Grand Total  | OE Funded                  |            |              |              | Prog         | Grand Total  |
|   | USDH                      | Other US   | FSN          | Total OE     |              |              | USDH                      | Other US   | FSN          | Total OE     |              |              | USDH                        | Other US   | FSN          | Total OE     |              |              | USDH                       | Other US   | FSN          | Total OE     |              |              |
| Washington Workforce  |                           |            |              |              |              |              |                           |            |              |              |              |              |                             |            |              |              |              |              |                            |            |              |              |              |              |
| Office of the Administrator                                   | 25                        |            |              | 25           |              | 25           | 25                        |            |              | 25           |              | 25           | 28                          |            |              | 28           |              | 28           | 28                         |            |              | 28           |              | 28           |
| Equal Opportunity Programs                                    | 6                         |            |              | 6            |              | 6            | 7                         |            |              | 7            |              | 7            | 8                           |            |              | 8            |              | 8            | 8                          |            |              | 8            |              | 8            |
| Small & Disadvantaged Business                                | 7                         |            |              | 7            |              | 7            | 8                         |            |              | 8            |              | 8            | 10                          |            |              | 10           |              | 10           | 10                         |            |              | 10           |              | 10           |
| Office of Security  | 29                        |            |              | 29           |              | 29           | 32                        |            |              | 32           |              | 32           | 36                          |            |              | 36           |              | 36           | 36                         |            |              | 36           |              | 36           |
| General Counsel   | 42                        |            |              | 42           |              | 42           | 40                        |            |              | 40           |              | 40           | 43                          |            |              | 43           |              | 43           | 43                         |            |              | 43           |              | 43           |
| Legislative & Public Affairs                                  | 34                        |            |              | 34           |              | 34           | 40                        |            |              | 40           |              | 40           | 50                          |            |              | 50           |              | 50           | 50                         |            |              | 50           |              | 50           |
| Program and Policy Coordination (PPC)                         | 51                        |            |              | 51           | 10           | 61           | 83                        |            |              | 83           | 10           | 93           | 83                          |            |              | 83           | 11           | 94           | 83                         |            |              | 83           | 11           | 94           |
| Global Development Alliance                                   | 0                         |            |              | 0            |              | 0            | 6                         |            |              | 6            |              | 6            | 6                           |            |              | 6            |              | 6            | 6                          |            |              | 6            |              | 6            |
| Management  | 418                       |            |              | 418          |              | 418          | 397                       |            |              | 397          |              | 397          | 426                         |            |              | 426          |              | 426          | 426                        |            |              | 426          |              | 426          |
| Africa (AFR)  | 81                        |            |              | 81           | 34           | 115          | 79                        |            |              | 79           | 56           | 135          | 91                          |            |              | 91           | 30           | 121          | 91                         |            |              | 91           | 30           | 121          |
| Asia & Near East (ANE)  | 55                        |            |              | 55           | 12           | 67           | 54                        |            |              | 54           | 9            | 63           | 68                          |            |              | 68           | 2            | 70           | 68                         |            |              | 68           | 2            | 70           |
| Europe & Eurasia (ENE)  | 101                       |            |              | 101          | 74           | 175          | 98                        |            |              | 98           | 48           | 146          | 88                          |            |              | 88           | 33           | 121          | 88                         |            |              | 88           | 33           | 121          |
| Latin America & the Caribbean (LAC)                           | 65                        | 4          |              | 69           | 14           | 83           | 66                        |            |              | 66           | 12           | 78           | 66                          |            |              | 66           | 14           | 80           | 66                         |            |              | 66           | 14           | 80           |
| Humanitarian Relief (BHR)                                     | 83                        |            |              | 83           | 107          | 190          |                           |            |              |              |              |              |                             |            |              |              |              |              |                            |            |              |              |              |              |
| Global Democracy, Conflict and Humanitarian Assistance (DCHA) |                           |            |              |              |              |              | 110                       |            |              | 110          | 128          | 238          | 136                         | 2          |              | 138          | 130          | 268          | 136                        | 2          |              | 138          | 130          | 268          |
| Economic Growth Agriculture and Trade (EGAT)                  |                           |            |              |              |              |              | 89                        |            |              | 89           | 67           | 156          | 127                         |            |              | 127          | 146          | 273          | 127                        |            |              | 127          | 146          | 273          |
| Global Health   |                           |            |              |              |              |              | 69                        |            |              | 69           | 110          | 179          | 87                          |            |              | 87           | 135          | 222          | 87                         |            |              | 87           | 135          | 222          |
| Complement  | 116                       |            |              | 116          |              | 116          | 137                       |            |              | 137          |              | 137          | 115                         |            |              | 115          |              | 115          | 115                        |            |              | 115          |              | 115          |
| <b>Subtotal Washington</b>                                    | <b>1,298</b>              | <b>4</b>   |              | <b>1,302</b> | <b>391</b>   | <b>1,693</b> | <b>1,340</b>              |            |              | <b>1,340</b> | <b>440</b>   | <b>1,780</b> | <b>1,468</b>                | <b>2</b>   |              | <b>1,470</b> | <b>501</b>   | <b>1,971</b> | <b>1,468</b>               | <b>2</b>   |              | <b>1,470</b> | <b>501</b>   | <b>1,971</b> |
| Overseas Workforce  |                           |            |              |              |              |              |                           |            |              |              |              |              |                             |            |              |              |              |              |                            |            |              |              |              |              |
| AFR Overseas  | 203                       | 35         | 1,435        | 1,673        | 547          | 2,220        | 203                       | 33         | 1,348        | 1,584        | 576          | 2,160        | 220                         | 42         | 1,397        | 1,659        | 765          | 2,424        | 218                        | 49         | 1,403        | 1,670        | 780          | 2,450        |
| ANE Overseas  | 172                       | 19         | 728          | 917          | 267          | 1,184        | 172                       | 23         | 760          | 955          | 263          | 1,218        | 200                         | 43         | 886          | 1,129        | 375          | 1,504        | 200                        | 43         | 874          | 1,117        | 377          | 1,494        |
| E & E Overseas  | 114                       | 31         | 514          | 659          | 413          | 1,072        | 122                       | 32         | 539          | 693          | 438          | 1,131        | 130                         | 57         | 632          | 819          | 502          | 1,321        | 130                        | 52         | 628          | 810          | 483          | 1,293        |
| LAC Overseas  | 139                       | 21         | 722          | 882          | 398          | 1,280        | 132                       | 22         | 728          | 882          | 359          | 1,241        | 147                         | 18         | 718          | 883          | 444          | 1,327        | 147                        | 18         | 707          | 872          | 433          | 1,305        |
| BHR Overseas  | 1                         | 2          |              | 3            | 76           | 79           |                           |            |              |              |              |              |                             |            |              |              |              |              |                            |            |              |              |              |              |
| DCHA Overseas   |                           |            |              |              |              |              | 1                         | 2          |              | 3            | 69           | 72           | 1                           |            |              | 1            | 71           | 72           | 1                          |            |              | 1            | 71           | 72           |
| PPC Overseas  | 3                         | 2          | 3            | 8            |              | 8            | 2                         | 1          | 4            | 7            |              | 7            | 3                           | 3          | 2            | 8            |              | 8            | 3                          | 3          | 2            | 8            |              | 8            |
| Complement - Overseas   | 3                         |            |              | 3            |              | 3            | 2                         |            |              | 2            |              | 2            | 4                           |            |              | 4            |              | 4            | 4                          |            |              | 4            |              | 4            |
| <b>Subtotal Overseas</b>                                      | <b>635</b>                | <b>110</b> | <b>3,400</b> | <b>4,145</b> | <b>1,701</b> | <b>5,846</b> | <b>634</b>                | <b>113</b> | <b>3,379</b> | <b>4,126</b> | <b>1,705</b> | <b>5,831</b> | <b>705</b>                  | <b>183</b> | <b>3,635</b> | <b>4,503</b> | <b>2,157</b> | <b>6,660</b> | <b>703</b>                 | <b>165</b> | <b>3,614</b> | <b>4,482</b> | <b>2,144</b> | <b>6,628</b> |
| Lapse   |                           |            |              |              |              |              |                           |            |              |              |              |              | (168)                       | (15)       | (327)        | (530)        | (245)        | (775)        | (146)                      | (15)       | (325)        | (486)        | (245)        | (731)        |
| <b>GRAND TOTAL</b>  | <b>1,933</b>              | <b>114</b> | <b>3,400</b> | <b>5,447</b> | <b>2,092</b> | <b>7,539</b> | <b>1,974</b>              | <b>113</b> | <b>3,379</b> | <b>5,466</b> | <b>2,145</b> | <b>7,611</b> | <b>1,985</b>                | <b>150</b> | <b>3,308</b> | <b>5,443</b> | <b>2,413</b> | <b>7,656</b> | <b>2,025</b>               | <b>152</b> | <b>3,289</b> | <b>5,466</b> | <b>2,400</b> | <b>7,668</b> |

Note: '01 and '02 represent on board levels at the end of the fiscal year. For '03 and '04 ceilings are presented, however, there is a lapse rate calculated into the overall numbers which is reflected at the bottom of the chart to show people leaving the Agency before being replaced. When forecasting it is impossible to project which organizations will have the lapse, therefore the chart reflects ceilings in organizations and one total lapse number to get a total projected number.



### USAID Workforce

| Africa Overseas Staff         | September 30, 2001 Actual |           |              |              |            |              | September 30, 2002 Actual |           |              |              |            |              | September 30, 2003 Estimate |           |              |              |            |              | September 30, 2004 Request |           |              |              |            |              |
|-------------------------------|---------------------------|-----------|--------------|--------------|------------|--------------|---------------------------|-----------|--------------|--------------|------------|--------------|-----------------------------|-----------|--------------|--------------|------------|--------------|----------------------------|-----------|--------------|--------------|------------|--------------|
|                               | OE Funded                 |           |              |              | Prog       | Grand Total  | OE Funded                 |           |              |              | Prog       | Grand Total  | OE Funded                   |           |              |              | Prog       | Grand Total  | OE Funded                  |           |              |              | Prog       | Grand Total  |
|                               | USDH                      | Other US  | FSN          | Total OE     |            |              | USDH                      | Other US  | FSN          | Total OE     |            |              | USDH                        | Other US  | FSN          | Total OE     |            |              | USDH                       | Other US  | FSN          | Total OE     |            |              |
| Angola                        | 3                         | 3         | 25           | 31           | 14         | 45           | 3                         | 2         | 27           | 32           | 11         | 43           | 3                           | 1         | 29           | 33           | 18         | 51           | 3                          | 1         | 29           | 33           | 18         | 51           |
| Benin                         | 4                         | 1         | 43           | 48           | 13         | 61           | 5                         | 1         | 44           | 50           | 13         | 63           | 5                           |           | 46           | 51           | 15         | 66           | 5                          |           | 46           | 51           | 15         | 66           |
| Burundi                       |                           |           |              |              |            |              |                           |           |              |              |            |              |                             |           |              |              | 5          | 5            |                            |           |              |              | 7          | 7            |
| Cote d'Ivoire                 |                           |           |              |              | 1          | 1            |                           |           |              |              | 1          | 1            |                             |           |              |              |            |              |                            |           |              |              |            | 0            |
| DROC                          | 2                         | 1         | 15           | 18           | 14         | 32           | 3                         | 2         | 18           | 23           | 20         | 43           | 5                           | 1         | 31           | 37           | 21         | 58           | 5                          | 1         | 32           | 38           | 22         | 60           |
| Eritrea                       | 3                         | 1         | 19           | 23           | 8          | 31           | 4                         | 1         | 21           | 26           | 10         | 36           | 4                           | 1         | 22           | 27           | 8          | 35           | 4                          | 1         | 22           | 27           | 8          | 35           |
| Ethiopia                      | 10                        |           | 258          | 268          | 22         | 290          | 10                        | 1         | 148          | 159          | 29         | 188          | 12                          | 2         | 186          | 200          | 45         | 245          | 12                         | 2         | 186          | 200          | 45         | 245          |
| Ghana                         | 12                        | 1         | 72           | 85           | 24         | 109          | 12                        | 1         | 74           | 87           | 19         | 106          | 12                          | 1         | 69           | 82           | 38         | 120          | 12                         | 2         | 68           | 82           | 40         | 122          |
| Guinea                        | 6                         | 3         | 80           | 89           | 30         | 99           | 7                         | 4         | 62           | 73           | 32         | 105          | 8                           | 4         | 76           | 88           | 29         | 117          | 8                          | 4         | 76           | 88           | 29         | 117          |
| Kenya                         | 6                         | 3         | 97           | 106          | 31         | 137          | 5                         | 3         | 94           | 102          | 36         | 138          | 6                           | 4         | 78           | 88           | 63         | 151          | 6                          | 4         | 79           | 89           | 61         | 150          |
| Liberia                       | 2                         |           | 9            | 11           |            | 11           | 1                         |           | 9            | 10           | 1          | 11           | 1                           |           | 6            | 7            | 4          | 11           | 1                          |           | 6            | 7            | 4          | 11           |
| Madagascar                    | 8                         | 1         | 38           | 47           | 32         | 79           | 3                         |           | 35           | 38           | 29         | 87           | 6                           |           | 36           | 42           | 30         | 72           | 6                          |           | 32           | 38           | 32         | 70           |
| Malawi                        | 8                         |           | 55           | 63           | 15         | 78           | 8                         |           | 50           | 58           | 17         | 75           | 7                           |           | 44           | 51           | 43         | 94           | 7                          |           | 44           | 51           | 43         | 94           |
| Mali                          | 14                        | 3         | 61           | 78           | 30         | 108          | 11                        | 2         | 62           | 75           | 35         | 110          | 10                          | 2         | 65           | 77           | 39         | 116          | 10                         | 2         | 65           | 77           | 39         | 116          |
| Mozambique                    | 15                        | 2         | 83           | 100          | 51         | 151          | 12                        | 2         | 79           | 93           | 48         | 141          | 14                          | 6         | 102          | 122          | 50         | 172          | 12                         | 8         | 102          | 122          | 48         | 170          |
| Namibia                       | 3                         |           | 22           | 25           | 7          | 32           | 4                         |           | 21           | 25           | 8          | 33           | 4                           |           | 16           | 20           | 12         | 32           | 4                          |           | 16           | 20           | 14         | 34           |
| Nigeria                       | 8                         | 1         | 17           | 26           | 9          | 35           | 13                        | 2         | 34           | 49           | 30         | 79           | 14                          | 2         | 36           | 52           | 32         | 84           | 14                         | 2         | 47           | 63           | 42         | 105          |
| REDSO-ESA                     | 17                        | 2         | 56           | 75           | 45         | 120          | 18                        | 1         | 56           | 75           | 50         | 125          | 20                          | 4         | 58           | 80           | 53         | 133          | 20                         | 4         | 56           | 80           | 53         | 133          |
| RCSA                          | 13                        | 3         | 60           | 76           | 15         | 91           | 13                        | 4         | 63           | 80           | 16         | 96           | 15                          | 4         | 62           | 81           | 22         | 103          | 15                         | 4         | 62           | 81           | 22         | 103          |
| Rwanda                        | 5                         | 4         | 48           | 55           | 13         | 68           | 4                         | 2         | 48           | 52           | 14         | 66           | 5                           | 3         | 46           | 54           | 18         | 72           | 5                          | 6         | 46           | 57           | 14         | 71           |
| Senegal                       | 12                        | 2         | 70           | 84           | 34         | 118          | 13                        | 1         | 78           | 92           | 31         | 123          | 14                          | 1         | 77           | 92           | 28         | 118          | 14                         | 1         | 75           | 90           | 25         | 115          |
| Sierra Leone                  |                           |           |              |              |            |              |                           |           |              |              |            |              |                             |           |              |              | 10         | 10           |                            |           |              |              | 10         | 10           |
| Somalia                       |                           |           |              |              |            |              |                           |           |              |              |            |              |                             |           |              |              | 3          | 3            |                            |           |              |              | 3          | 3            |
| South Africa                  | 14                        | 2         | 67           | 83           | 42         | 125          | 17                        | 1         | 68           | 86           | 41         | 127          | 19                          | 1         | 60           | 80           | 49         | 129          | 19                         | 2         | 60           | 81           | 46         | 127          |
| Sudan                         |                           | 1         | 11           | 12           | 4          | 16           |                           | 1         | 12           | 13           | 2          | 15           |                             | 1         | 5            | 6            | 10         | 16           |                            | 1         | 5            | 6            | 10         | 16           |
| Tanzania                      | 9                         | 1         | 70           | 80           | 18         | 98           | 7                         | 1         | 68           | 78           | 13         | 89           | 8                           |           | 74           | 82           | 22         | 104          | 8                          |           | 74           | 82           | 22         | 104          |
| Uganda                        | 11                        |           | 78           | 89           | 33         | 122          | 11                        | 1         | 78           | 90           | 33         | 123          | 11                          | 4         | 72           | 87           | 35         | 122          | 11                         | 3         | 72           | 86           | 35         | 121          |
| WARP                          | 1                         |           | 2            | 3            | 4          | 7            | 3                         |           | 2            | 5            | 4          | 9            | 4                           |           | 2            | 6            | 17         | 23           | 4                          |           | 1            | 5            | 19         | 24           |
| Zambia                        | 7                         |           | 59           | 66           | 19         | 85           | 7                         |           | 55           | 62           | 14         | 76           | 7                           |           | 56           | 63           | 28         | 91           | 7                          | 1         | 57           | 65           | 34         | 99           |
| Zimbabwe                      | 7                         |           | 40           | 47           | 13         | 60           | 8                         |           | 44           | 50           | 16         | 68           | 8                           |           | 45           | 51           | 20         | 71           | 6                          |           | 45           | 51           | 20         | 71           |
| RHUDOS                        | 3                         |           | 2            | 5            | 6          | 11           | 3                         |           |              | 3            | 3          | 6            |                             |           |              |              |            |              |                            |           |              |              |            |              |
| <b>Africa Workforce Total</b> | <b>203</b>                | <b>35</b> | <b>1,435</b> | <b>1,673</b> | <b>547</b> | <b>2,220</b> | <b>203</b>                | <b>33</b> | <b>1,348</b> | <b>1,584</b> | <b>578</b> | <b>2,160</b> | <b>220</b>                  | <b>42</b> | <b>1,397</b> | <b>1,659</b> | <b>765</b> | <b>2,424</b> | <b>218</b>                 | <b>49</b> | <b>1,403</b> | <b>1,670</b> | <b>780</b> | <b>2,450</b> |

**USAID Workforce**

| Asia and Near East Overseas Staff   | September 30, 2001 Actual |           |            |            |            |              | September 30, 2002 Actual |           |            |            |            |              | September 30, 2003 Estimate |           |            |              |            |              | September 30, 2004 Request |           |            |              |            |              |
|-------------------------------------|---------------------------|-----------|------------|------------|------------|--------------|---------------------------|-----------|------------|------------|------------|--------------|-----------------------------|-----------|------------|--------------|------------|--------------|----------------------------|-----------|------------|--------------|------------|--------------|
|                                     | OE Funded                 |           |            |            | Prog       | Grand Total  | OE Funded                 |           |            |            | Prog       | Grand Total  | OE Funded                   |           |            |              | Prog       | Grand Total  | OE Funded                  |           |            |              | Prog       | Grand Total  |
|                                     | USDH                      | Other US  | FSN        | Total OE   |            |              | USDH                      | Other US  | FSN        | Total OE   |            |              | USDH                        | Other US  | FSN        | Total OE     |            |              | USDH                       | Other US  | FSN        | Total OE     |            |              |
| Alghanistan                         |                           |           |            |            |            |              | 3                         |           |            | 3          |            | 3            | 10                          | 3         | 50         | 63           | 24         | 87           | 12                         | 3         | 50         | 65           | 24         | 89           |
| Bangladesh                          | 14                        |           | 41         | 55         | 28         | 83           | 17                        |           | 44         | 61         | 30         | 91           | 17                          | 3         | 46         | 66           | 33         | 99           | 16                         | 3         | 45         | 64           | 33         | 97           |
| Cambodia                            | 6                         |           | 49         | 55         | 14         | 69           | 5                         | 3         | 78         | 86         | 18         | 104          | 7                           | 1         | 77         | 85           | 13         | 98           | 7                          | 2         | 73         | 82           | 16         | 98           |
| East Timor                          |                           |           |            |            |            |              |                           |           |            |            |            |              |                             | 1         | 7          | 8            | 5          | 13           |                            | 1         | 8          | 9            | 6          | 15           |
| Egypt                               | 56                        | 3         | 234        | 293        | 27         | 320          | 49                        | 2         | 223        | 274        | 27         | 301          | 49                          | 7         | 241        | 297          | 28         | 325          | 47                         | 7         | 237        | 291          | 30         | 321          |
| India                               | 12                        | 1         | 85         | 98         | 10         | 108          | 13                        | 2         | 88         | 103        | 13         | 116          | 16                          | 4         | 105        | 125          | 26         | 151          | 17                         | 4         | 105        | 126          | 26         | 152          |
| Indonesia                           | 17                        | 2         | 77         | 96         | 56         | 152          | 19                        | 5         | 77         | 101        | 51         | 152          | 23                          | 8         | 97         | 128          | 72         | 200          | 22                         | 7         | 93         | 122          | 71         | 193          |
| Jordan                              | 10                        |           | 36         | 46         | 8          | 54           | 9                         |           | 36         | 45         | 6          | 51           | 13                          | 4         | 47         | 64           | 6          | 70           | 13                         | 4         | 47         | 64           | 6          | 70           |
| Lebanon                             | 1                         |           | 2          | 3          | 4          | 7            | 1                         |           | 2          | 3          | 1          | 4            | 1                           |           | 6          | 7            | 4          | 11           | 1                          |           | 6          | 7            | 4          | 11           |
| Mongolia                            | 2                         |           | 2          | 4          | 4          | 8            | 1                         |           | 2          | 3          | 3          | 6            | 1                           |           | 2          | 3            | 5          | 8            | 1                          |           | 2          | 3            | 5          | 8            |
| Morocco                             | 7                         | 1         | 36         | 44         | 14         | 58           | 7                         |           | 36         | 43         | 11         | 54           | 6                           |           | 14         | 20           | 11         | 31           | 3                          |           | 14         | 17           | 9          | 26           |
| Nepal                               | 8                         | 4         | 36         | 48         | 21         | 69           | 8                         | 4         | 42         | 54         | 22         | 78           | 8                           | 6         | 69         | 83           | 39         | 122          | 8                          | 5         | 69         | 82           | 37         | 119          |
| Pakistan                            |                           |           |            |            |            |              | 2                         |           |            | 2          |            | 2            | 7                           |           |            | 7            |            | 7            | 8                          |           |            | 8            |            | 8            |
| Philippines                         | 12                        | 1         | 74         | 87         | 28         | 115          | 14                        |           | 77         | 91         | 19         | 110          | 14                          | 2         | 73         | 89           | 37         | 126          | 14                         | 2         | 73         | 89           | 37         | 126          |
| Sri Lanka                           | 2                         | 1         | 14         | 17         | 6          | 23           |                           | 2         | 15         | 17         | 7          | 24           | 2                           | 2         | 14         | 18           | 13         | 31           | 2                          | 3         | 14         | 19           | 15         | 34           |
| Thailand                            |                           |           |            |            |            |              |                           |           |            |            |            |              | 6                           |           |            | 6            |            | 6            | 9                          |           |            | 9            |            | 9            |
| Turkey                              |                           |           |            |            | 1          | 1            |                           |           |            |            | 1          | 1            |                             |           |            |              |            |              |                            |           |            |              |            |              |
| West Bank and Gaza                  | 20                        | 3         | 35         | 58         | 40         | 98           | 19                        | 2         | 36         | 57         | 47         | 104          | 19                          | 2         | 38         | 59           | 59         | 118          | 19                         | 2         | 38         | 59           | 56         | 117          |
| Yemen                               |                           |           |            |            |            | 0            |                           |           |            |            |            |              | 1                           |           |            | 1            |            | 1            |                            |           |            | 1            |            | 1            |
| RHUDOS                              | 5                         | 3         | 5          | 13         | 6          | 19           | 5                         | 3         | 4          | 12         | 7          | 19           |                             |           |            |              |            |              |                            |           |            |              |            |              |
| <b>Asia and Near East Workforce</b> | <b>172</b>                | <b>19</b> | <b>726</b> | <b>917</b> | <b>267</b> | <b>1,184</b> | <b>172</b>                | <b>23</b> | <b>780</b> | <b>955</b> | <b>263</b> | <b>1,218</b> | <b>200</b>                  | <b>43</b> | <b>886</b> | <b>1,129</b> | <b>375</b> | <b>1,504</b> | <b>200</b>                 | <b>43</b> | <b>874</b> | <b>1,117</b> | <b>377</b> | <b>1,494</b> |

### USAID Workforce

| Europe and Eurasia Overseas Staff | September 30, 2001 Actual |          |     |          |      |             | September 30, 2002 Actual |          |     |          |      |             | September 30, 2003 Estimate |          |     |          |      |             | September 30, 2004 Request |          |     |          |      |             |
|-----------------------------------|---------------------------|----------|-----|----------|------|-------------|---------------------------|----------|-----|----------|------|-------------|-----------------------------|----------|-----|----------|------|-------------|----------------------------|----------|-----|----------|------|-------------|
|                                   | OE Funded                 |          |     |          | Prog | Grand Total | OE Funded                 |          |     |          | Prog | Grand Total | OE Funded                   |          |     |          | Prog | Grand Total | OE Funded                  |          |     |          | Prog | Grand Total |
|                                   | USDH                      | Other US | FSN | Total OE |      |             | USDH                      | Other US | FSN | Total OE |      |             | USDH                        | Other US | FSN | Total OE |      |             | USDH                       | Other US | FSN | Total OE |      |             |
| Albania                           | 4                         | 1        | 6   | 11       | 6    | 17          | 6                         | 1        | 13  | 20       | 6    | 26          | 4                           | 2        | 18  | 24       | 15   | 39          | 4                          | 2        | 16  | 24       | 19   | 43          |
| Armenia                           | 5                         | 5        | 22  | 32       | 20   | 52          | 6                         | 5        | 27  | 38       | 20   | 58          | 8                           | 6        | 28  | 42       | 23   | 65          | 8                          | 5        | 29  | 42       | 24   | 66          |
| Azerbaijan                        | 2                         |          | 3   | 5        | 8    | 13          | 2                         | 1        | 3   | 6        | 10   | 16          | 2                           | 1        | 3   | 6        | 14   | 20          | 2                          | 1        | 3   | 6        | 14   | 20          |
| Belarus                           |                           |          |     |          | 6    | 6           |                           |          |     |          | 6    | 6           |                             |          |     |          | 1    | 1           |                            |          |     | 0        | 1    | 1           |
| Bosnia and Herzegovina            | 8                         | 1        | 60  | 69       | 41   | 110         | 7                         | 2        | 56  | 65       | 54   | 119         | 9                           | 2        | 70  | 81       | 48   | 129         | 9                          | 2        | 70  | 81       | 48   | 129         |
| Bulgaria                          | 4                         | 2        | 13  | 19       | 11   | 30          | 3                         | 2        | 16  | 21       | 12   | 33          | 3                           | 2        | 16  | 21       | 15   | 36          | 3                          | 2        | 16  | 21       | 15   | 36          |
| Croatia                           | 4                         | 1        | 11  | 16       | 19   | 35          | 4                         | 1        | 12  | 17       | 16   | 33          | 4                           | 3        | 11  | 18       | 18   | 36          | 4                          | 3        | 11  | 18       | 13   | 31          |
| Georgia                           | 11                        | 3        | 41  | 55       | 31   | 86          | 12                        | 2        | 37  | 51       | 32   | 83          | 12                          | 3        | 45  | 60       | 37   | 97          | 12                         | 3        | 45  | 60       | 37   | 97          |
| RSC Hungary                       | 10                        | 3        | 39  | 52       | 3    | 55          | 10                        | 5        | 35  | 50       | 3    | 53          | 9                           | 6        | 46  | 61       | 2    | 63          | 9                          | 5        | 45  | 59       | 2    | 61          |
| Kazakhstan                        | 17                        | 3        | 91  | 111      | 33   | 144         | 17                        | 4        | 94  | 115      | 42   | 157         | 22                          | 8        | 125 | 155      | 88   | 243         | 21                         | 8        | 125 | 154      | 88   | 242         |
| Kosovo                            | 9                         | 2        | 52  | 63       | 21   | 84          | 5                         | 1        | 65  | 71       | 20   | 91          | 5                           | 11       | 58  | 74       | 20   | 94          | 6                          | 9        | 55  | 70       | 15   | 85          |
| Kyrgyzstan                        | 1                         |          | 4   | 5        | 4    | 9           | 1                         |          | 4   | 5        | 6    | 11          |                             |          |     |          |      |             |                            |          |     | 0        |      | 0           |
| Lithuania                         |                           |          |     |          |      |             |                           |          |     |          | 1    | 1           |                             |          |     |          |      |             |                            |          |     |          |      |             |
| Macedonia                         | 3                         | 1        | 14  | 18       | 11   | 29          | 4                         | 2        | 17  | 23       | 15   | 38          | 6                           | 3        | 21  | 30       | 14   | 44          | 6                          | 3        | 21  | 30       | 14   | 44          |
| Moldova                           | 1                         |          | 7   | 8        | 10   | 18          | 1                         |          | 8   | 9        | 11   | 20          | 1                           |          | 7   | 8        | 15   | 23          | 1                          |          | 7   | 8        | 15   | 23          |
| Montenegro                        |                           |          |     |          |      |             |                           |          |     |          |      |             |                             | 1        | 2   | 3        | 14   | 17          |                            |          |     | 0        |      | 0           |
| Romania                           | 4                         |          | 19  | 23       | 31   | 54          | 5                         |          | 19  | 24       | 26   | 50          | 5                           |          | 15  | 20       | 33   | 53          | 5                          |          | 15  | 20       | 33   | 53          |
| Russia                            | 14                        | 3        | 55  | 72       | 53   | 125         | 15                        | 1        | 52  | 68       | 50   | 118         | 17                          | 3        | 56  | 76       | 51   | 127         | 17                         | 3        | 57  | 77       | 51   | 128         |
| Serbia                            | 1                         | 1        | 5   | 7        | 3    | 10          | 7                         | 1        | 5   | 13       | 3    | 16          | 7                           | 2        | 33  | 42       | 16   | 58          | 7                          | 2        | 33  | 42       | 16   | 58          |
| Tajikistan                        |                           |          | 2   | 2        | 2    | 4           |                           |          | 4   | 4        | 6    | 10          |                             |          |     |          |      |             |                            |          |     | 0        |      | 0           |
| Turkmenistan                      |                           | 1        | 2   | 3        | 2    | 5           |                           | 1        | 2   | 3        | 2    | 5           |                             |          |     |          |      |             |                            |          |     | 0        |      | 0           |
| Ukraine                           | 15                        | 4        | 63  | 82       | 93   | 175         | 16                        | 3        | 64  | 83       | 86   | 169         | 16                          | 4        | 78  | 98       | 78   | 176         | 16                         | 4        | 78  | 98       | 78   | 176         |
| Uzbekistan                        | 1                         |          | 5   | 6        | 5    | 11          | 1                         |          | 6   | 7        | 11   | 18          |                             |          |     |          |      |             |                            |          |     | 0        |      | 0           |
| Europe and Eurasia Workforce      | 114                       | 31       | 514 | 659      | 413  | 1,072       | 122                       | 32       | 539 | 693      | 438  | 1,131       | 130                         | 57       | 632 | 819      | 502  | 1,321       | 130                        | 52       | 628 | 810      | 483  | 1,293       |

**USAID Workforce**

| Latin America and Caribbean<br>Overseas Staff | September 30, 2001 Actual |             |     |             |      |                | September 30, 2002 Actual |             |     |             |      |                | September 30, 2003 Estimate |             |     |             |      |                | September 30, 2004 Request |             |     |             |      |                |
|---|---------------------------|-------------|-----|-------------|------|----------------|---------------------------|-------------|-----|-------------|------|----------------|-----------------------------|-------------|-----|-------------|------|----------------|----------------------------|-------------|-----|-------------|------|----------------|
|   | OE Funded                 |             |     |             | Prog | Grand<br>Total | OE Funded                 |             |     |             | Prog | Grand<br>Total | OE Funded                   |             |     |             | Prog | Grand<br>Total | OE Funded                  |             |     |             | Prog | Grand<br>Total |
|   | USDH                      | Other<br>US | FSN | Total<br>OE |      |                | USDH                      | Other<br>US | FSN | Total<br>OE |      |                | USDH                        | Other<br>US | FSN | Total<br>OE |      |                | USDH                       | Other<br>US | FSN | Total<br>OE |      |                |
| Bolivia                                       | 17                        |             | 92  | 109         | 33   | 142            | 16                        | 1           | 92  | 109         | 31   | 140            | 17                          |             | 99  | 116         | 37   | 153            | 18                         |             | 99  | 117         | 37   | 154            |
| Brazil  | 2                         |             | 5   | 7           | 10   | 17             | 3                         |             | 7   | 10          | 10   | 20             | 3                           |             | 8   | 11          | 11   | 22             | 3                          |             | 8   | 11          | 11   | 22             |
| Caribbean Regional Program                    |                           |             |     |             |      |                |                           |             |     |             |      |                | 2                           |             | 2   | 4           | 12   | 16             | 2                          |             | 2   | 4           | 12   | 16             |
| Central America Program                       |                           |             |     |             |      |                |                           |             |     |             |      |                | 6                           |             | 5   | 11          | 25   | 36             | 7                          |             | 4   | 11          | 24   | 35             |
| Colombia                                      | 8                         | 3           | 23  | 34          | 23   | 57             | 9                         | 3           | 28  | 40          | 19   | 59             | 10                          | 5           | 38  | 53          | 19   | 72             | 11                         | 5           | 38  | 54          | 19   | 73             |
| Dominican Republic                            | 7                         | 1           | 39  | 47          | 34   | 81             | 8                         | 1           | 41  | 50          | 22   | 72             | 11                          | 2           | 46  | 59          | 20   | 79             | 11                         | 2           | 46  | 59          | 20   | 79             |
| Ecuador                                       | 6                         |             | 16  | 22          | 7    | 29             | 5                         |             | 22  | 27          | 7    | 34             | 4                           |             | 23  | 27          | 17   | 44             | 5                          |             | 26  | 31          | 19   | 50             |
| El Salvador                                   | 14                        | 1           | 71  | 86          | 28   | 114            | 13                        | 4           | 106 | 123         | 31   | 123            | 16                          | 1           | 74  | 81          | 35   | 128            | 16                         | 1           | 71  | 88          | 32   | 120            |
| Guatemala                                     | 16                        | 1           | 80  | 97          | 55   | 152            | 15                        | 1           | 70  | 86          | 57   | 143            | 10                          | 1           | 62  | 73          | 40   | 113            | 5                          | 1           | 61  | 67          | 35   | 102            |
| Guyana  | 1                         | 1           | 2   | 4           | 5    | 9              | 1                         | 1           | 2   | 4           | 5    | 9              | 1                           | 1           | 2   | 4           | 6    | 10             | 1                          | 1           | 2   | 4           | 6    | 10             |
| Haiti   | 10                        | 2           | 79  | 91          | 43   | 134            | 9                         | 3           | 78  | 90          | 36   | 126            | 10                          | 2           | 81  | 93          | 37   | 130            | 11                         | 2           | 81  | 94          | 37   | 131            |
| Honduras                                      | 11                        | 4           | 74  | 89          | 51   | 140            | 12                        | 2           | 63  | 77          | 29   | 106            | 12                          | 2           | 62  | 76          | 31   | 107            | 11                         | 2           | 58  | 71          | 29   | 100            |
| Jamaica                                       | 7                         | 1           | 44  | 52          | 14   | 66             | 6                         | 1           | 42  | 49          | 27   | 76             | 7                           | 1           | 45  | 53          | 22   | 75             | 8                          | 1           | 45  | 54          | 22   | 78             |
| Mexico  | 2                         |             | 8   | 10          | 13   | 23             | 2                         |             | 6   | 8           | 17   | 25             | 4                           |             | 9   | 13          | 20   | 33             | 4                          |             | 9   | 13          | 18   | 31             |
| Nicaragua                                     | 12                        | 2           | 77  | 91          | 20   | 111            | 13                        | 2           | 72  | 87          | 38   | 125            | 10                          | 2           | 66  | 78          | 38   | 116            | 10                         | 2           | 61  | 73          | 38   | 111            |
| Panama  | 2                         |             | 20  | 22          | 19   | 41             | 2                         |             | 13  | 15          | 16   | 31             | 2                           |             | 11  | 13          | 18   | 31             | 2                          |             | 11  | 13          | 18   | 31             |
| Paraguay                                      | 2                         | 1           | 10  | 13          | 4    | 17             | 2                         |             | 11  | 13          | 12   | 25             | 2                           |             | 11  | 13          | 13   | 26             | 2                          |             | 11  | 13          | 13   | 26             |
| Peru  | 20                        | 4           | 61  | 105         | 35   | 140            | 16                        | 3           | 75  | 94          | 33   | 127            | 20                          | 1           | 74  | 95          | 43   | 138            | 20                         | 1           | 74  | 95          | 43   | 138            |
| Rhudo   | 2                         |             | 1   | 3           | 4    | 7              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |
| LAC Workforce Total                           | 139                       | 21          | 722 | 882         | 398  | 1,280          | 132                       | 22          | 728 | 882         | 359  | 1,241          | 147                         | 18          | 718 | 883         | 444  | 1,327          | 147                        | 18          | 707 | 872         | 433  | 1,305          |

### USAID Workforce

| Humanitarian Assistance<br>Overseas Staff | September 30, 2001 Actual |             |     |             |           |                | September 30, 2002 Actual |             |     |             |      |                | September 30, 2003 Estimate |             |     |             |      |                | September 30, 2004 Request |             |     |             |      |                |  |  |
|---|---------------------------|-------------|-----|-------------|-----------|----------------|---------------------------|-------------|-----|-------------|------|----------------|-----------------------------|-------------|-----|-------------|------|----------------|----------------------------|-------------|-----|-------------|------|----------------|--|--|
|   | OE Funded                 |             |     |             | Prog      | Grand<br>Total | OE Funded                 |             |     |             | Prog | Grand<br>Total | OE Funded                   |             |     |             | Prog | Grand<br>Total | OE Funded                  |             |     |             | Prog | Grand<br>Total |  |  |
|   | USDH                      | Other<br>US | FSN | Total<br>OE |           |                | USDH                      | Other<br>US | FSN | Total<br>OE |      |                | USDH                        | Other<br>US | FSN | Total<br>OE |      |                | USDH                       | Other<br>US | FSN | Total<br>OE |      |                |  |  |
|   |                           |             |     |             |           |                |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Angola                                    |                           |             |     |             | 1         | 1              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Burundi                                   |                           |             |     |             | 3         | 3              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Colombia                                  |                           |             |     |             | 1         | 1              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Costa Rica                                |                           |             |     |             | 7         | 7              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| DROC                                      |                           |             |     |             | 2         | 2              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| El Salvador                               |                           |             |     |             | 1         | 1              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| East Timor                                |                           |             |     |             | 1         | 1              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Guinea                                    |                           |             |     |             | 1         | 1              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| India                                     |                           |             |     |             | 1         | 1              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Indonesia                                 |                           |             |     |             | 9         | 9              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Italy                                     | 1                         | 2           |     | 3           | 1         | 4              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Jamaica                                   |                           |             |     |             | 1         | 1              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Kenya                                     |                           |             |     |             | 15        | 15             |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Mali                                      |                           |             |     |             | 1         | 1              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Nepal                                     |                           |             |     |             | 2         | 2              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Nigeria                                   |                           |             |     |             | 1         | 1              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Pakistan                                  |                           |             |     |             | 1         | 1              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Peru                                      |                           |             |     |             | 1         | 1              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Philippines                               |                           |             |     |             | 4         | 4              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Serbia                                    |                           |             |     |             | 7         | 7              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Sierra Leone                              |                           |             |     |             | 8         | 8              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Sudan                                     |                           |             |     |             | 3         | 3              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| Yugoslavia                                |                           |             |     |             | 4         | 4              |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |
| <b>OCHA Workforce Total</b>               | <b>1</b>                  | <b>2</b>    |     | <b>3</b>    | <b>76</b> | <b>79</b>      |                           |             |     |             |      |                |                             |             |     |             |      |                |                            |             |     |             |      |                |  |  |

**USAID Workforce**

| Democracy, Conflict and Humanitarian Assistance Overseas Staff | September 30, 2001 Actual |          |     |          |      |             | September 30, 2002 Actual |          |     |          |      |             | September 30, 2003 Estimate |          |     |          |      |             | September 30, 2004 Request |          |     |          |      |             |    |   |  |  |  |   |  |  |  |  |    |    |    |    |   |
|--|---------------------------|----------|-----|----------|------|-------------|---------------------------|----------|-----|----------|------|-------------|-----------------------------|----------|-----|----------|------|-------------|----------------------------|----------|-----|----------|------|-------------|----|---|--|--|--|---|--|--|--|--|----|----|----|----|---|
|  | OE Funded                 |          |     |          | Prog | Grand Total | OE Funded                 |          |     |          | Prog | Grand Total | OE Funded                   |          |     |          | Prog | Grand Total | OE Funded                  |          |     |          | Prog | Grand Total |    |   |  |  |  |   |  |  |  |  |    |    |    |    |   |
|  | USDH                      | Other US | FSN | Total OE |      |             | USDH                      | Other US | FSN | Total OE |      |             | USDH                        | Other US | FSN | Total OE |      |             | USDH                       | Other US | FSN | Total OE |      |             |    |   |  |  |  |   |  |  |  |  |    |    |    |    |   |
|  |                           |          |     |          |      |             |                           |          |     |          |      |             |                             |          |     |          |      |             |                            |          |     |          |      |             |    |   |  |  |  |   |  |  |  |  |    |    |    |    |   |
| Afghanistan  |                           |          |     |          |      |             |                           |          |     |          |      | 2           | 2                           |          |     |          |      |             |                            |          |     |          |      | 2           | 2  |   |  |  |  |   |  |  |  |  |    |    |    | 2  | 2 |
| Angola   |                           |          |     |          |      |             |                           |          |     |          |      | 1           | 1                           |          |     |          |      |             |                            |          |     |          |      | 1           | 1  |   |  |  |  |   |  |  |  |  |    |    | 1  | 1  |   |
| Barbados   |                           |          |     |          |      |             |                           |          |     |          |      | 2           | 2                           |          |     |          |      |             |                            |          |     |          |      | 2           | 2  |   |  |  |  |   |  |  |  |  |    |    | 2  | 2  |   |
| Burundi  |                           |          |     |          |      |             |                           |          |     |          |      | 4           | 4                           |          |     |          |      |             |                            |          |     |          |      | 4           | 4  |   |  |  |  |   |  |  |  |  |    |    | 4  | 4  |   |
| Costa Rica   |                           |          |     |          |      |             |                           |          |     |          |      | 6           | 6                           |          |     |          |      |             |                            |          |     |          |      | 6           | 6  |   |  |  |  |   |  |  |  |  |    |    | 6  | 6  |   |
| DROC   |                           |          |     |          |      |             |                           |          |     |          |      | 4           | 4                           |          |     |          |      |             |                            |          |     |          |      | 4           | 4  |   |  |  |  |   |  |  |  |  |    |    | 4  | 4  |   |
| El Salvador  |                           |          |     |          |      |             |                           |          |     |          |      | 1           | 1                           |          |     |          |      |             |                            |          |     |          |      | 1           | 1  |   |  |  |  |   |  |  |  |  |    |    | 1  | 1  |   |
| Guinea   |                           |          |     |          |      |             |                           |          |     |          |      | 2           | 2                           |          |     |          |      |             |                            |          |     |          |      | 2           | 2  |   |  |  |  |   |  |  |  |  |    |    | 2  | 2  |   |
| Indonesia  |                           |          |     |          |      |             |                           |          |     |          |      | 9           | 9                           |          |     |          |      |             |                            |          |     |          |      | 9           | 9  |   |  |  |  |   |  |  |  |  |    |    | 9  | 9  |   |
| Italy  |                           |          |     |          |      |             |                           | 1        | 2   |          | 3    | 1           | 4                           |          | 1   |          |      | 1           |                            |          |     |          | 3    | 4           |    | 1 |  |  |  | 1 |  |  |  |  | 3  | 4  |    |    |   |
| Kenya  |                           |          |     |          |      |             |                           |          |     |          |      | 14          | 14                          |          |     |          |      |             |                            |          |     |          |      | 14          | 14 |   |  |  |  |   |  |  |  |  |    |    | 14 | 14 |   |
| Macedonia  |                           |          |     |          |      |             |                           |          |     |          |      | 4           | 4                           |          |     |          |      |             |                            |          |     |          |      | 4           | 4  |   |  |  |  |   |  |  |  |  |    |    | 4  | 4  |   |
| Nepal  |                           |          |     |          |      |             |                           |          |     |          |      | 3           | 3                           |          |     |          |      |             |                            |          |     |          |      | 3           | 3  |   |  |  |  |   |  |  |  |  |    |    | 3  | 3  |   |
| Pakistan   |                           |          |     |          |      |             |                           |          |     |          |      | 1           | 1                           |          |     |          |      |             |                            |          |     |          |      | 1           | 1  |   |  |  |  |   |  |  |  |  |    |    | 1  | 1  |   |
| Peru   |                           |          |     |          |      |             |                           |          |     |          |      | 2           | 2                           |          |     |          |      |             |                            |          |     |          |      | 2           | 2  |   |  |  |  |   |  |  |  |  |    |    | 2  | 2  |   |
| Philippines  |                           |          |     |          |      |             |                           |          |     |          |      | 4           | 4                           |          |     |          |      |             |                            |          |     |          |      | 4           | 4  |   |  |  |  |   |  |  |  |  |    |    | 4  | 4  |   |
| Serbia   |                           |          |     |          |      |             |                           |          |     |          |      | 3           | 3                           |          |     |          |      |             |                            |          |     |          |      | 3           | 3  |   |  |  |  |   |  |  |  |  |    |    | 3  | 3  |   |
| Sierra Leone   |                           |          |     |          |      |             |                           |          |     |          |      | 2           | 2                           |          |     |          |      |             |                            |          |     |          |      | 2           | 2  |   |  |  |  |   |  |  |  |  |    |    | 2  | 2  |   |
| Sudan  |                           |          |     |          |      |             |                           |          |     |          |      | 4           | 4                           |          |     |          |      |             |                            |          |     |          |      | 4           | 4  |   |  |  |  |   |  |  |  |  |    |    | 4  | 4  |   |
| DCHA Workforce Total   |                           |          |     |          |      |             |                           | 1        | 2   |          | 3    | 69          | 72                          |          | 1   |          |      | 1           |                            |          |     |          | 71   | 72          |    | 1 |  |  |  | 1 |  |  |  |  | 71 | 72 |    |    |   |

### USAID Workforce

| Program and Policy<br>Coordination Overseas Staff | September 30, 2001 Actual |             |          |             |      |                | September 30, 2002 Actual |             |          |             |      |                | September 30, 2003 Estimate |             |          |             |      |                | September 30, 2004 Request |             |          |             |          |                |  |  |  |  |
|---|---------------------------|-------------|----------|-------------|------|----------------|---------------------------|-------------|----------|-------------|------|----------------|-----------------------------|-------------|----------|-------------|------|----------------|----------------------------|-------------|----------|-------------|----------|----------------|--|--|--|--|
|   | OE Funded                 |             |          |             | Prog | Grand<br>Total | OE Funded                 |             |          |             | Prog | Grand<br>Total | OE Funded                   |             |          |             | Prog | Grand<br>Total | OE Funded                  |             |          |             | Prog     | Grand<br>Total |  |  |  |  |
|   | USDH                      | Other<br>US | FSN      | Total<br>OE |      |                | USDH                      | Other<br>US | FSN      | Total<br>OE |      |                | USDH                        | Other<br>US | FSN      | Total<br>OE |      |                | USDH                       | Other<br>US | FSN      | Total<br>OE |          |                |  |  |  |  |
| Belgium   | 1                         | 1           |          | 2           |      |                |                           |             |          |             |      |                | 1                           | 1           |          | 2           |      |                |                            |             | 1        | 1           |          | 2              |  |  |  |  |
| France  | 1                         |             | 1        | 2           |      |                | 1                         |             | 2        | 3           |      |                | 1                           |             | 1        | 2           |      |                |                            |             | 1        |             | 1        | 2              |  |  |  |  |
| Japan   | 1                         |             | 1        | 2           |      |                | 1                         |             | 1        | 2           |      |                | 1                           |             | 1        | 2           |      |                |                            |             | 1        |             | 1        | 2              |  |  |  |  |
| Switzerland                                       |                           | 1           | 1        | 2           |      |                |                           | 1           | 1        | 2           |      |                |                             | 2           |          | 2           |      |                |                            |             |          | 2           |          | 2              |  |  |  |  |
| <b>PPC Workforce Total</b>                        | <b>3</b>                  | <b>2</b>    | <b>3</b> | <b>8</b>    |      |                | <b>2</b>                  | <b>1</b>    | <b>4</b> | <b>7</b>    |      |                | <b>3</b>                    | <b>3</b>    | <b>2</b> | <b>8</b>    |      |                |                            |             | <b>3</b> | <b>3</b>    | <b>2</b> | <b>8</b>       |  |  |  |  |

**TABLE 3**  
**USAID Overseas Administrative Support Trust Fund Obligations**  
(In thousands of dollars)

|  | FY 2001 Actuals |               | FY 2002 Actuals |               | FY 2003 Estimate |               | FY 2004 Request |               |
|--|-----------------|---------------|-----------------|---------------|------------------|---------------|-----------------|---------------|
|  | Trust Funds     | Exchange Rate | Trust Funds     | Exchange Rate | Trust Funds      | Exchange Rate | Trust Funds     | Exchange Rate |
| <b>Africa (AFR)</b>                      |                 |               |                 |               |                  |               |                 |               |
| Ethiopia                                 | 1               | 8             |                 |               |                  |               |                 |               |
| Ghana                                    | 211             | 7017          | 274             | 7676          | 190              | 8500          | -               | -             |
| Malawi                                   | 378             | 75            | 582             | 72            | 550              | 80            | 600             | 80            |
| Mozambique                               | 581             | 18870         | 911             | 23258         | 982              | 24000         | 1,006           | 25000         |
| Tanzania                                 | 685             | 843           | 802             | 943           | 920              | 985           | -               | 990           |
| Uganda                                   | 808             | 1742          | 805             | 1760          | 890              | 1800          | 1,000           | 1800          |
| Zambia                                   | 114             | 3694          | 802             | 4127          | 200              | 4500          | -               | -             |
| Zimbabwe                                 | 602             | 147           | 85              | 354           | -                | -             | -               | -             |
| <b>Total AFR</b>                         | <b>3,381</b>    |               | <b>4,261</b>    |               | <b>3,732</b>     |               | <b>2,606</b>    |               |
| <b>Asia and Near East (ANE)</b>          |                 |               |                 |               |                  |               |                 |               |
| Bangladesh                               | 235             | 55            | 233             | 58            | 233              | 58            | 233             | 58            |
| Egypt                                    | 16,468          | 4             | 16,463          | 5             | 17,654           | 5             | 17,370          | 5             |
| Indonesia                                | 226             | 9889          | 539             | 9531          | 650              | 9000          | 650             | 9,000         |
| Jordan                                   | 710             | 1             | 967             | 1             | 1,000            | 1             | 1,060           | 1             |
| Pakistan                                 |                 |               | 0               | 58            | 678              | 58            | 1,000           | 58            |
| Philippines                              | 820             | 50            | 960             | 51            | 1,000            | 50            | 1,347           | 50            |
| <b>Total ANE</b>                         | <b>18,459</b>   |               | <b>19,162</b>   |               | <b>21,215</b>    |               | <b>21,660</b>   |               |
| <b>Latin America and Caribbean (LAC)</b> |                 |               |                 |               |                  |               |                 |               |
| Colombia                                 | 100             | 2031          | 70              | 2388          | 100              | 3100          | 100             | 3400          |
| Dominican Republic                       | 400             | 17            | 401             | 17            | 450              | 20            | 450             | 22            |
| El Salvador                              | 400             | 9             | 564             | 9             | 575              | 9             | 565             | 9             |
| Guatemala                                | 400             | 8             | 198             | 8             | 30               | 8             | 11              | 8             |
| Honduras                                 | 1,200           | 15            | 979             | 17            | 1,200            | 18            | 1,200           | 19            |
| Jamaica                                  |                 |               | 38              | 48            | 255              | 53            | 100             | 55            |
| <b>Total LAC</b>                         | <b>2,500</b>    |               | <b>2,251</b>    |               | <b>2,610</b>     |               | <b>2,426</b>    |               |
| <b>Worldwide Overseas Summary</b>        | <b>24,340</b>   |               | <b>25,675</b>   |               | <b>27,557</b>    |               | <b>26,692</b>   |               |



**TABLE 4**  
**Use of Operating Expenses by Object Class Code**

(In thousands of dollars)

| Category   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Estimate | FY 2004<br>Request |
|--|-------------------|-------------------|---------------------|--------------------|
| <b>11.1 Compensation, Full-time Personnel</b>    |                   |                   |                     |                    |
| U.S. Direct Hire                                 | 144,386           | 162,862           | 169,985             | 179,987            |
| Foreign National Direct Hire                     | 5,119             | 4,459             | 4,427               | 4,254              |
| Subtotal 11.1                                    | 149,505           | 167,321           | 174,412             | 184,241            |
| <b>11.3 Compensation - All Other Direct Hire</b> |                   |                   |                     |                    |
| U.S. Direct Hire                                 | 11,960            | 2,268             | 2,271               | 2,384              |
| Foreign National Direct Hire                     | 3                 | 89                | 35                  | 35                 |
| Subtotal 11.3                                    | 11,963            | 2,357             | 2,306               | 2,419              |
| <b>11.5 Other Personnel Compensation</b>         |                   |                   |                     |                    |
| USDH Post Differential                           | 8,040             | 7,464             | 12,525              | 13,151             |
| Other USDH Compensation                          | 3,635             | 4,463             | 11                  | 11                 |
| Other FNDH Compensation                          | 557               | 680               | 472                 | 413                |
| Subtotal 11.5                                    | 12,232            | 12,607            | 13,008              | 13,575             |
| <b>11.8 Special Personal Services Payments</b>   |                   |                   |                     |                    |
| U.S. Citizens                                    | 12,002            | 12,631            | 13,844              | 12,335             |
| Foreign Nationals                                | 43,889            | 46,696            | 50,561              | 50,790             |
| Subtotal 11.8                                    | 55,891            | 59,327            | 64,405              | 63,125             |
| <b>12.1 Personnel Benefits</b>                   |                   |                   |                     |                    |
| US Direct Hire                                   |                   |                   |                     |                    |
| Retirement                                       | 24,927            | 26,089            | 27,646              | 29,329             |
| Health and Life                                  | 14,530            | 17,532            | 17,956              | 19,054             |
| Educational Allowances                           | 6,469             | 7,112             | 8,321               | 8,714              |
| All Other USDH Benefits                          | 4,145             | 7,502             | 8,519               | 8,909              |
| Foreign Service Nationals                        | 7,874             | 9,370             | 12,840              | 14,745             |
| U.S. PSCs/IPA/Details-In                         | 2,278             | 0                 | 54                  | 58                 |
| Payments to FSN Voluntary Separation Fund        | 10                | 577               | 1,665               | 1,658              |
| Subtotal 12.1                                    | 60,233            | 68,182            | 77,001              | 82,467             |
| <b>13.0 Benefits for Former Personnel</b>        |                   |                   |                     |                    |
| U.S. Direct Hire                                 | 10                | 0                 | 0                   | 0                  |
| Foreign Service Nationals                        | 730               | 3,050             | 1,066               | 652                |
| Subtotal 13.0                                    | 740               | 3,050             | 1,066               | 652                |
| <b>21.0 Travel and Transportation of Persons</b> |                   |                   |                     |                    |
| Mandatory/Statutory Travel                       |                   |                   |                     |                    |
| Training Travel                                  | 3,582             | 3,449             | 4,449               | 3,962              |
| Post Assignment                                  | 1,044             | 1,090             | 1,238               | 1,155              |
| Home Leave Travel                                | 2,460             | 1,231             | 1,571               | 1,453              |
| R & R Travel                                     | 1,439             | 1,607             | 2,095               | 2,296              |
| All Other  | 1,844             | 2,295             | 2,755               | 2,036              |
| Operational Travel                               | 14,043            | 15,842            | 17,830              | 16,618             |
| Subtotal 21.0                                    | 24,412            | 25,514            | 29,938              | 27,520             |
| <b>22.0 Transportation of Things</b>             |                   |                   |                     |                    |
| Post Assignment Freight                          | 4,945             | 5,382             | 5,960               | 5,258              |
| Home Leave Freight                               | 1,459             | 833               | 1,227               | 1,196              |
| Shipment of Furniture and Equipment              | 2,760             | 2,453             | 2,411               | 2,224              |
| Other Transportation of Things                   | 475               | 455               | 322                 | 356                |
| Subtotal 22.0                                    | 9,639             | 9,123             | 9,920               | 9,034              |

## Use of Operating Expenses by Object Class Code

(In thousands of dollars)

| Category   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Estimate | FY 2004<br>Request |
|--|-------------------|-------------------|---------------------|--------------------|
| <b>23.1 Rental Payments to GSA</b>                         | 31,637            | 31,427            | 34,050              | 35,740             |
| <b>23.2 Rental Payments to Others</b>                      | 28,377            | 30,588            | 31,647              | 32,143             |
| <b>23.3 Communications/Utilities/Miscellaneous Charges</b> |                   |                   |                     |                    |
| Office/Residential Utilities                               | 5,613             | 5,024             | 6,226               | 6,266              |
| Communications Cost  | 6,054             | 6,539             | 6,675               | 6,693              |
| Other Miscellaneous Communications Costs                   | 1,023             | 340               | 901                 | 872                |
| Subtotal 23.3  | 12,690            | 11,903            | 13,802              | 13,831             |
| <b>24.0 Printing and Reproduction</b>                      | 2,532             | 1,920             | 1,795               | 1,741              |
| <b>25.1 Advisory and Assistance Services</b>               | 7,333             | 8,386             | 3,134               | 2,749              |
| <b>25.2 Other Services</b>                                 |                   |                   |                     |                    |
| Training   | 9,887             | 6,911             | 8,424               | 12,449             |
| Information Technology Systems                             |                   |                   |                     |                    |
| Design/Analysis/Maintenance                                | 24,195            | 29,405            | 19,993              | 19,113             |
| Other IT Support Costs                                     | 12,349            | 4,596             | 7,545               | 6,921              |
| Office/Residential Security Guards                         | 10,121            | 9,698             | 11,624              | 11,977             |
| Other Miscellaneous Services                               | 11,084            | 10,557            | 17,344              | 17,804             |
| Subtotal 25.2  | 67,636            | 61,167            | 64,930              | 68,264             |
| <b>25.3 Goods/Services from Other Gov't. Accts.</b>        | 28,633            | 33,039            | 38,242              | 41,448             |
| <b>25.4 Operation and Maintenance of Facilities</b>        | 7,443             | 9,400             | 10,579              | 8,257              |
| <b>25.6 Medical Care</b>                                   | 138               | 360               | 458                 | 453                |
| <b>25.7 Operation/Maint. of Equipment &amp; Storage</b>    |                   |                   |                     |                    |
| Information Technology (IT) Systems                        | 22,227            | 24,527            | 29,685              | 30,867             |
| Office/Residential Furniture & Equipment                   | 1,739             | 2,333             | 2,337               | 2,233              |
| Storage of Effects   | 868               | 1,225             | 1,126               | 1,237              |
| Other Miscellaneous  | 727               | 865               | 1,639               | 1,431              |
| Subtotal 25.7  | 25,561            | 28,950            | 34,787              | 35,768             |
| <b>25.8 Subsistence/Support of persons</b>                 | 4                 | 0                 | 33                  | 33                 |
| <b>26.0 Supplies and materials</b>                         | 10,648            | 10,158            | 8,806               | 8,773              |
| <b>31.0 Equipment</b>                                      |                   |                   |                     |                    |
| Office/Residential Furniture & Equipment                   | 18,112            | 15,816            | 8,212               | 6,402              |
| Vehicles   | 6,495             | 2,243             | 1,921               | 2,360              |
| IT Hardware and Software                                   | 22,828            | 19,132            | 8,658               | 7,030              |
| Subtotal 31.0  | 47,435            | 37,191            | 18,791              | 15,792             |
| <b>32.0 Lands and structures</b>                           | 3,372             | 4,288             | 13,345              | 5,236              |
| <b>41.0 Grants, subsidies and contributions</b>            | 1,479             | 1,162             |                     |                    |
| <b>42.0 Claims and indemnities</b>                         | 3,996             | 566               | 550                 | 574                |
| <br><b>TOTAL COSTS</b>                                     | <br>603,529       | <br>617,986       | <br>647,005         | <br>653,835        |

## CAPITAL INVESTMENT FUND

FY 2004 will be the second year that the Capital Investment Fund will be proposed in order to modernize and improve information technology systems and to finance construction of USAID buildings overseas in conjunction with the Department of State. These no year funds will provide the Agency with greater flexibility to manage investments in technology systems and facility construction not allowed by the annual appropriation for Operating Expenses.

| <b>Capital Investment Fund</b><br>(\$ in thousands) |                                   |                                  |
|---|-----------------------------------|----------------------------------|
| <u>Category</u>                                     | <u>FY 2003</u><br><u>Estimate</u> | <u>FY 2004</u><br><u>Request</u> |
| Information Technology                              | 13,000                            | 20,000                           |
| Overseas Facility Construction                      | 82,000                            | 126,300                          |
| <b>Total Obligations</b>                            | <b>95,000</b>                     | <b>146,300</b>                   |

### Information Technology (IT)

Separating the improvement funds from on-going operations funds will allow IT improvement managers to have funding certainty independent of operational cost fluctuations. This request reflects the Agency's best estimates at this point in time. USAID is beginning the process of developing an enterprise architecture informed by discussions with the Department of State. This includes an evaluation of our financial management and procurement systems. Different line item expenditures could shift once this analysis is completed. This fund is proposed at \$20 million for FY 2004 and will be used to support the following initiatives:

| <b>Information Technology</b>       |                             |                            |
|-------------------------------------|-----------------------------|----------------------------|
| (\$ in thousands)                   |                             |                            |
| <u>Category</u>                     | <u>FY 2003<br/>Estimate</u> | <u>FY 2004<br/>Request</u> |
| <b>IT Systems</b>                   |                             |                            |
| Phoenix Washington Enhancements     | 2,400                       |                            |
| Mission Financial System            | 2,000                       | 10,800                     |
| Procurement Improvement System      | 2,000                       | 4,000                      |
| E-Gov Initiatives                   | 379                         | 681                        |
| <b>Subtotal IT Systems</b>          | <b>6,779</b>                | <b>15,481</b>              |
| <b>IT Infrastructure</b>            |                             |                            |
| Infrastructure Projects             | 3,421                       | 319                        |
| <b>Subtotal IT Infrastructure</b>   | <b>3,421</b>                | <b>319</b>                 |
| <b>IT Architecture and Planning</b> | <b>2,800</b>                | <b>4,200</b>               |
| <b>Total</b>                        | <b>13,000</b>               | <b>20,000</b>              |

### **IT Systems Capital Investments**

- **USAID Phoenix Core Financial System (USAID Washington)** - This project supports product releases and upgrades to the headquarters' core financial system that provides accurate financial information to support Agency decisions in order to achieve USAID's strategic goals and objectives in the most cost efficient and effective manner and support substantial compliance with the Federal Financial Management Improvement Act (FFMIA).
- **Financial System (USAID Missions)** - This project is part of the proposed plan to modernize USAID's business systems world wide through the expansion of the Agency's core accounting system to include overseas missions in developing countries. The overseas deployment of a web-based and integrated financial management system will provide an agency-wide system for budget execution, accounting, and financial management. Using e-business technologies provides a tool for mission personnel to manage financial transactions and program performance. It will also allow the agency to replace its current Mission Accounting and Control System (MACS) system used overseas that is not considered compliant with Joint Financial Management Improvement Program (JFMIP) requirements. This project will be coordinated through joint USAID and Department of State planning efforts. Funding for this project through FY-2004 will support the joint financial systems analysis study with the Department of State, comprehensive business and technical deployment planning, acquisition planning and execution, pilot testing and early phases of the systems rollout.
- **Procurement System (USAID Missions)** - The Procurement System Improvement Project (PSIP) is designed to replace the NMS legacy system for Acquisition and Assistance, which is used only at USAID's Washington headquarters and would provide full electronic processing capability for the first time to field missions. It will

provide USAID with a breakthrough change in capabilities for worldwide, electronic processing of acquisition and assistance. Acquisition and Assistance (A&A) is a core USAID function and the Agency's primary means of achieving its mission of economic development. The overseas deployment of a web-based procurement system will provide a common agency-wide system for the A&A process. This A&A process applies to contracts for goods and services, as well as grants of development assistance, and to vendors and other agency partners in support of the program operations business area. The project will enable the Agency to achieve a higher level of compliance with key government regulations, such as Government Performance and Results Act, Government Paperwork Elimination Act, and the Information Technology Management Reform Act. The current plan is to commence the project by researching other potential Federal suppliers of these services. Funding requested will also include USAID's cost share in the Federal electronic grants portal initiative.

- **E-Gov Initiatives** – USAID is undertaking several initiatives to improve agency operations while benefiting from the cost effective electronic government technologies. Among the projects undertaken include engaging in:
  - a multi-agency E-Travel initiative to create a common travel management system throughout the Federal government to allow for simplified processes and less expensive operations;
  - an Integrated Acquisition initiative to facilitate the sharing of common data elements to enable agencies to make more informed procurement, logistical, payment and performance assessment decisions, and make maximum use of E-market approaches.
  - A online Federal training initiative to provide employees with ready access to training products and services needed to help them perform their jobs and support USAID goals.

## **IT INFRASTRUCTURE CAPITAL INVESTMENTS**

- **Infrastructure Projects** – These funds will be used for enhancements to the USAID infrastructure to support systems deployment models which will result from both discussions with the Department of State on potential joint operations, and the development of an Agency enterprise architecture. It is anticipated that funding will be needed in multiple aspects of the current infrastructure including hardware, software, security, and telecommunications. Projects funded will also address weaknesses raised by audits and vulnerability assessments.

## **IT ARCHITECTURE AND PLANNING CAPITAL INVESTMENTS**

- **Architecture and Planning/PMO** - This project is part of the proposed plan to modernize USAID's business systems world wide through the upgrade and extension of its Enterprise Architecture (EA). The project also provides for adequate

staffing to support the management of related projects through all cycles of the project planning and management process. In order to do this, USAID will build upon previous work performed in support of its EA, conduct a joint study with Department of State and develop an enterprise architecture that is consistent with Federal Enterprise Architecture standards.

### **Facility Construction**

The Secure Construction and Counterterrorism Act of 1999 requires the construction of new USAID office facilities and to collocate these facilities on embassy compounds when new embassies are constructed. The requested amount of \$126.3 million will fund USAID buildings in locations where State will have begun construction before FY 2004 including the following mission locations: Guinea, Cambodia, Uganda, Zimbabwe, Georgia, Mali and Armenia. Full funding for USAID buildings at all embassy locations where State will begin construction in FY 2004 has been included in the State request under the Capital Surcharge Proposal. It is critical that the funding be provided in FY 2004 in order to provide secure, safe and functional workspaces for our employees and so that the Agency and the Department of State can be in compliance with the Act of 1999.

## **WORKING CAPITAL FUND**

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

Services provided by USAID include building operations, information management, administrative supplies, non-expendable property management, travel services and customs clearance. In FY 2002 and FY 2003 USAID expanded WCF authority to five new missions, Kosovo, Montenegro, Bolivia, Jamaica, and Peru. Added to three original pilot missions in Bosnia, El Salvador and Rwanda, USAID now has eight missions employing the use of WCF to offer administrative services. One of the original pilot missions, Honduras, ceased being a service provider during FY 2002 as customer agencies left the country following the conclusion of Hurricane Mitch operations.

Gross receipts into the WCF during FY 2002 totaled approximately \$2 million. While virtually all funds were required to cover the actual cost of providing service, over time it is anticipated that modest surpluses will accumulate through charging customers for depreciation and proceeds from the sale of assets. Missions will invest these surpluses in infrastructure improvements to further increase the effectiveness and efficiency with which services are delivered.

The WCF receives a portion of its income from deposits of rebates from the use of Federal credit cards. Receipts from rebates in FY 2002 totaled \$115,000. These funds are dedicated to management oversight of existing working capital fund missions, to provide training, and to assist missions that are ready to provide ICASS services with start-up costs. During FY 2002, assessment teams reviewed operations in Bosnia and Kosovo. The team members interviewed customers from all agencies and received useful feedback that was shared with mission directors at these posts.

## OPERATING EXPENSES OF THE INSPECTOR GENERAL

Dollars in Thousands

| Funding Categories | FY 2001<br>ACTUALS | FY 2002<br>ACTUALS | FY 2003<br>ESTIMATE | FY 2004<br>REQUEST |
|--------------------|--------------------|--------------------|---------------------|--------------------|
| Appropriation      | 26,941             | 31,500             | 32,700              | 35,000             |

The Office of Inspector General (OIG), U. S. Agency for International Development (USAID) FY 2004 appropriation request is \$35 million. This request will enable the OIG to reduce USAID's, the African Development Foundation's (ADF), and the Inter-American Foundation's (IAF) exposure to fraud and waste and to increase the credibility of and confidence in those programs operating in highly vulnerable areas of the world.

Established under the Inspector General Act of 1978, the OIG is tasked to: (1) conduct audits and investigations relating to the programs, operations and personnel of USAID, ADF, and IAF; (2) provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency and effectiveness and to detect waste, fraud and abuse in the programs and operations of USAID, ADF, and IAF; and, (3) provide a means for keeping the USAID Administrator, Foundation Directors, and the Congress fully and currently informed about problems and deficiencies relating to USAID, ADF, and IAF.

The OIG's goal is to promote and preserve the integrity, effectiveness and efficiency of USAID, ADF, and IAF. The OIG assists USAID, ADF, and IAF with the implementation of its strategies for economic development and provides managers with information and recommendations that improve program and operational effectiveness and efficiency. During FY 2002, with a \$33.4 million (\$31.5 million appropriation and \$1.9 million carryover) budget, OIG audits and investigations of contracts, contractors, grantees and program operations led to more than \$80<sup>1</sup> million in monetary findings, including amounts management agreed should be recovered for questioned costs, funds put to better use and civil restitution payments and penalties. Of the \$80 million, \$56 million from investigations were actual recoveries to the U.S. Government. By the end of FY 2003, OIG expects to no longer have a carryover balance to supplement its appropriation.

During FY 2002, OIG, for the first time since it began auditing USAID's financial statements, was able to issue qualified opinions on three of USAID's five FY 2001 principal financial statements. This reflects a big improvement from prior years' results. However, the fact that it required an extraordinary effort from OIG and USAID financial management staff to achieve those opinions demonstrates the continuing need for USAID to improve its systems and the reliability of the data from those systems.

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<sup>1</sup> The \$80 million in identified monetary findings includes \$24.1 million from audits and \$56.3 million from investigations. Of the \$24.1 million over \$11 million was sustained - agreed to by USAID management.



The OIG continued a multi-year investigation of companies that conspired to rig bids on USAID-funded construction contracts in Egypt. During FY 2002, this investigation resulted in a guilty plea by an international construction company and a criminal fine of \$54 million. OIG activities also resulted in the conviction of the former head of finance of a USAID-funded private voluntary organization (POV) for embezzlement and an order for restitution in the amount of \$288,333. Further, through OIG efforts, the president of an Illinois company was convicted for submitting a false demand against the United States and was ordered to pay restitution in the amount of \$41,309.

Finally, during FY 2002, in an effort to reduce fraud and illegal activity through proactive initiatives, the OIG staff conducted fraud awareness training sessions for more than 1,000 employees, grantees and contractors worldwide.

USAID continues to play a critical and central role in the relief and reconstruction efforts in Afghanistan. Because of the inherent risk involved with implementing relief and reconstruction programs in that region and the need for accountability, the OIG will make every effort to position its resources to ensure a level of accountability that will set the standard for the world donor community.

**Office of Inspector General  
(\$000)**

**Funding by Category**

|   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Estimate | FY 2004<br>Request |
|---|-------------------|-------------------|---------------------|--------------------|
| Appropriation   | 27,000            | 31,500            | 32,700              | 35,000             |
| Recission   | (59)              |                   |                     |                    |
| Disaster Assistance funds carried-over from prior years | 1,024             | 521               | 309                 | 309                |
| No-Year/multi-year funds carried-over from prior year   | 4,148             | 2,744             | 3,373               | 0                  |
| Prior-Year Obligations Recovered                        | 1,965             | 1,998             |                     |                    |
| <b>Total Available Funds</b>                            | <b>34,078</b>     | <b>36,763</b>     | <b>36,382</b>       | <b>35,309</b>      |
| Obligations - OE funds                                  | (26,632)          | (30,737)          | (32,700)            | (35,000)           |
| Obligations - Disaster Assistance                       | (503)             | (212)             | 0                   | 0                  |
| Obligations - No-year/multi-year funds                  | (3,678)           | (2,441)           | (3,373)             | 0                  |
| <b>Total Obligations</b>                                | <b>(30,813)</b>   | <b>(33,390)</b>   | <b>(36,073)</b>     | <b>(35,000)</b>    |
| <b>End-of-year Carry Forward</b>                        | <b>3,265</b>      | <b>3,373</b>      | <b>309</b>          | <b>309</b>         |

**Funding by Location**

|                                    | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Estimate | FY 2004<br>Request |
|------------------------------------|-------------------|-------------------|---------------------|--------------------|
| Washington Costs                   | 6,585             | 8,070             | 8,668               | 6,222              |
| Centrally Funded Personnel Costs   | 17,137            | 18,283            | 20,185              | 21,240             |
| <b>TOTAL WASHINGTON</b>            | <b>23,722</b>     | <b>26,353</b>     | <b>28,853</b>       | <b>27,462</b>      |
| <b>Regional Inspector Generals</b> |                   |                   |                     |                    |
| Pretoria, South Africa             | 662               | 797               | 769                 | 857                |
| Dakar, Senegal                     | 1,302             | 1,278             | 1,138               | 1,178              |
| Manila, Phillipines                | 938               | 928               | 969                 | 1,002              |
| Cairo, Egypt                       | 1,030             | 1,005             | 1,212               | 1,148              |
| Budapest, Hungary                  | 1,521             | 1,666             | 2,057               | 2,083              |
| San Salvador, El Salvador          | 1,135             | 1,151             | 1,075               | 1,270              |
| Disaster Assistance                | 503               | 212               | 0                   | 0                  |
| <b>TOTAL OVERSEAS</b>              | <b>7,091</b>      | <b>7,037</b>      | <b>7,220</b>        | <b>7,538</b>       |
| <b>TOTAL OIG FUNDING</b>           | <b>30,813</b>     | <b>33,390</b>     | <b>36,073</b>       | <b>35,000</b>      |

| OCC  | Category  | Hq.    | Field | Total  | Hq.    | Field | Total  | Hq.    | Field | Total  | Hq.    | Field | Total  |
|------|---|--------|-------|--------|--------|-------|--------|--------|-------|--------|--------|-------|--------|
| 11.1 | Compensation, full-time permanent<br>U.S. Direct Hire | 8,882  | 4,024 | 12,906 | 8,308  | 4,485 | 12,793 | 9,028  | 4,958 | 13,986 | 9,848  | 5,208 | 14,857 |
| 11.5 | Other personnel compensation<br>U.S. Direct Hire      | 549    | 248   | 797    | 861    | 630   | 1,491  | 952    | 656   | 1,608  | 1,000  | 650   | 1,650  |
| 11.8 | Other Compensation<br>PSCs                            | 0      | 897   | 897    | 0      | 601   | 601    | 0      | 455   | 455    | 0      | 468   | 468    |
| 12.1 | Personnel benefits                                    |        |       |        |        |       |        |        |       |        |        |       |        |
|      | U.S. Direct Hire:                                     |        |       |        |        |       |        |        |       |        |        |       |        |
|      | Retirement Costs                                      | 1,853  | 839   | 2,692  | 1,285  | 694   | 1,979  | 1,381  | 767   | 2,148  | 1,493  | 806   | 2,298  |
|      | Health and Life Insurance                             | 511    | 231   | 742    | 562    | 303   | 865    | 621    | 335   | 957    | 653    | 352   | 1,005  |
|      | Education Allowances                                  | 0      | 463   | 463    |        | 360   | 360    |        | 380   | 380    |        | 558   | 558    |
|      | Other Benefits  | 45     | 185   | 230    | 941    | 479   | 1,421  | 1,033  | 574   | 1,606  | 961    | 561   | 1,522  |
|      | Sub-Total   | 2,408  | 1,719 | 4,127  | 2,788  | 1,837 | 4,625  | 3,035  | 2,056 | 5,090  | 3,106  | 2,276 | 5,383  |
|      | Total Personnel Compensation                          | 11,839 | 6,888 | 18,727 | 11,958 | 7,552 | 19,510 | 13,014 | 8,124 | 21,139 | 13,755 | 8,603 | 22,358 |
| 21.0 | Travel and Transportation of Persons                  |        |       |        |        |       |        |        |       |        |        |       |        |
|      | Operational Travel                                    | 257    | 1,203 | 1,460  | 603    | 828   | 1,431  | 434    | 1,168 | 1,602  | 445    | 786   | 1,231  |
|      | Training Travel                                       | 20     | 12    | 32     | 0      | 48    | 48     | 0      | 41    | 41     | 0      | 47    | 47     |
|      | Sub-Total   | 277    | 1,215 | 1,492  | 603    | 876   | 1,479  | 434    | 1,209 | 1,643  | 445    | 833   | 1,277  |
| 22.0 | Transportation of Things                              |        |       |        |        |       |        |        |       |        |        |       |        |
|      | Post Assignment/Home Leave Freight                    | 0      | 511   | 511    | 0      | 422   | 422    | 0      | 437   | 437    | 0      | 366   | 366    |
|      | Shipment of Furniture and Equipment                   | 0      | 27    | 27     | 0      | 76    | 76     | 0      | 47    | 47     | 0      | 35    | 35     |
|      | Sub-Total   | 0      | 538   | 538    | 0      | 498   | 498    | 0      | 484   | 484    | 0      | 401   | 401    |
|      | Total Travel and Transportation                       | 277    | 1,753 | 2,030  | 603    | 1,374 | 1,977  | 434    | 1,693 | 2,127  | 445    | 1,234 | 1,678  |
| 23.1 | Rental Payments to GSA                                | 1,741  | 0     | 1,741  | 1,803  | 0     | 1,803  | 1,971  | 0     | 1,971  | 1,960  | 0     | 1,960  |
| 23.2 | Rental Payments to Others                             | 0      | 1,843 | 1,843  | 0      | 1,574 | 1,574  | 0      | 1,739 | 1,739  | 0      | 1,849 | 1,849  |
|      | Sub-Total   | 1,741  | 1,843 | 3,384  | 1,803  | 1,574 | 3,377  | 1,971  | 1,739 | 3,710  | 1,960  | 1,849 | 3,809  |

| OCC  | Category                                      | Hq.   | Field | Total | Hq.   | Field | Total | Hq.   | Field | Total | Hq.   | Field | Total |
|------|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 23.3 | Communications, Utilities, and Misc. Charges  |       |       |       |       |       |       |       |       |       |       |       |       |
|      | Office and Residential Utilities              | 0     | 176   | 176   | 0     | 141   | 141   | 0     | 212   | 212   | 0     | 223   | 223   |
|      | Telephone Costs                               | 0     | 71    | 71    | 13    | 34    | 47    | 21    | 62    | 83    | 22    | 64    | 86    |
|      | Other   | 318   | 7     | 325   | 0     | 18    | 18    | 4     | 18    | 22    | 4     | 18    | 22    |
|      | Sub-Total                                     | 318   | 254   | 572   | 13    | 193   | 206   | 25    | 292   | 317   | 26    | 305   | 331   |
|      | Total Rent, Communications, and Utilities     | 2,059 | 1,897 | 3,956 | 1,816 | 1,767 | 3,583 | 1,996 | 2,031 | 4,027 | 1,986 | 2,155 | 4,141 |
| 24.0 | Printing and Reproduction                     | 39    | 0     | 39    | 49    | 17    | 66    | 38    | 8     | 46    | 40    | 8     | 48    |
| 25.1 | Advisory and Assistance Services:             | 157   | 14    | 171   | 8     | 16    | 24    | 122   | 13    | 135   | 74    | 14    | 88    |
| 25.2 | Other Services                                |       |       |       |       |       |       |       |       |       |       |       |       |
|      | Office and Residential Security Guards        | 0     | 65    | 65    | 0     | 97    | 97    | 0     | 133   | 133   | 0     | 135   | 135   |
|      | Staff Training                                | 368   | 19    | 387   | 381   | 8     | 389   | 411   | 15    | 426   | 403   | 17    | 420   |
|      | ADP Systems Design/Analysis                   | 0     | 0     | 0     | 22    | 0     | 22    | 0     | 0     | 0     | 0     | 0     | 0     |
|      | Other   | 244   | 303   | 547   | 213   | 559   | 772   | 165   | 33    | 198   | 153   | 37    | 190   |
|      | Sub-Total                                     | 612   | 387   | 999   | 616   | 664   | 1,280 | 576   | 181   | 757   | 556   | 189   | 745   |
| 25.3 | Purchase of Goods and Svcs from Gov't. Accts. |       |       |       |       |       |       |       |       |       |       |       |       |
|      | International Cooperative Admin. Supp. Svcs   | 206   | 894   | 1,100 | 219   | 950   | 1,169 | 229   | 980   | 1,209 | 233   | 952   | 1,185 |
|      | Other Services                                | 1,688 | 15    | 1,703 | 2,760 | 112   | 2,872 | 3,204 | 487   | 3,671 | 1,596 | 1,072 | 2,668 |
|      | DCAA and CFO Audits                           | 1,185 | 0     | 1,185 | 1,533 | 0     | 1,533 | 1,614 | 0     | 1,614 | 1,255 | 0     | 1,255 |
|      | Sub-Total                                     | 3,079 | 909   | 3,988 | 4,511 | 1,062 | 5,573 | 5,432 | 1,447 | 4,880 | 3,084 | 2,024 | 5,108 |
| 25.4 | Operations and Maintenance of Facilities      | 0     | 114   | 114   | 0     | 170   | 170   | 0     | 102   | 102   | 0     | 85    | 85    |
| 25.6 | Medical Care                                  | 0     | 0     | 0     | 0     | 23    | 23    | 0     | 0     | 0     | 0     | 0     | 0     |
| 25.7 | Operation/Maintenance of Equipment & Storage  |       |       |       |       |       |       |       |       |       |       |       |       |
|      | ADP and Telephone Systems                     | 57    | 0     | 57    | 94    | 0     | 94    | 96    | 14    | 110   | 193   | 16    | 209   |
|      | Office & Residential Furniture and Equipment  | 0     | 0     | 0     | 90    | 20    | 110   | 37    | 33    | 70    | 38    | 35    | 73    |
|      | Other Operations/Maintenance Costs            | 12    | 20    | 32    | 0     | 1     | 1     | 0     | 20    | 20    | 0     | 27    | 27    |
|      | Sub-Total                                     | 69    | 20    | 89    | 184   | 21    | 205   | 133   | 67    | 200   | 231   | 78    | 309   |
|      | Total Contractual Services                    | 3,956 | 1,444 | 5,400 | 5,319 | 1,956 | 7,275 | 6,262 | 1,810 | 8,072 | 3,944 | 2,390 | 6,334 |

| OCC  | Category                                  | Hq.           | Field         | Total         | Hq.           | Field         | Total         | Hq.           | Field         | Total         | Hq.           | Field         | Total         |
|------|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 28.0 | Supplies and Materials                    | 65            | 45            | 110           | 144           | 56            | 200           | 59            | 38            | 97            | 61            | 47            | 108           |
| 31.0 | Purchase of Equipment                     |               |               |               |               |               |               |               |               |               |               |               |               |
|      | ADP Hardware/Software                     | 179           | 22            | 201           | 333           | 117           | 450           | 718           | 51            | 769           | 214           | 8             | 222           |
|      | Other Office/Residential Furniture/Equip. | 4             | 322           | 326           | 19            | 309           | 328           | 0             | 179           | 179           | 0             | 111           | 111           |
|      | Sub-Total                                 | 183           | 344           | 527           | 352           | 426           | 778           | 718           | 230           | 948           | 214           | 119           | 333           |
| 32.0 | Lands and Structures                      | 0             | 61            | 61            | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| 42.0 | Insurance Claims & Indemnities            | 0             | 2             | 2             | 0             | 1             | 1             | 0             | 1             | 1             | 0             | 0             | 0             |
|      | <b>Total Acquisition of Assets</b>        | <b>248</b>    | <b>452</b>    | <b>700</b>    | <b>496</b>    | <b>483</b>    | <b>979</b>    | <b>777</b>    | <b>269</b>    | <b>1,046</b>  | <b>275</b>    | <b>166</b>    | <b>441</b>    |
|      | <b>Total Costs</b>                        | <b>18,379</b> | <b>12,434</b> | <b>30,813</b> | <b>20,241</b> | <b>13,149</b> | <b>33,390</b> | <b>22,522</b> | <b>13,936</b> | <b>36,073</b> | <b>20,445</b> | <b>14,555</b> | <b>35,000</b> |

Office of Inspector General

Staffing Levels

| Organization                          | FY 2001 Actual |          |               |                     | FY 2002 Actual |          |               |                     | FY 2003 Estimate |          |               |                     | FY 2004 Request |          |               |                     |
|---------------------------------------|----------------|----------|---------------|---------------------|----------------|----------|---------------|---------------------|------------------|----------|---------------|---------------------|-----------------|----------|---------------|---------------------|
|                                       | U.S.           |          | Foreign       |                     | U.S.           |          | Foreign       |                     | U.S.             |          | Foreign       |                     | U.S.            |          | Foreign       |                     |
|                                       | Direct Hire    | PSCs     | National PSCs | Total Staffing FTEs | Direct Hire    | PSCs     | National PSCs | Total Staffing FTEs | Direct Hire      | PSCs     | National PSCs | Total Staffing FTEs | Direct Hire     | PSCs     | National PSCs | Total Staffing FTEs |
| <b>Washington Offices</b>             |                |          |               |                     |                |          |               |                     |                  |          |               |                     |                 |          |               |                     |
| Inspector General                     | 6              |          |               | 6                   | 6              |          |               | 6                   | 7                |          |               | 7                   | 7               |          |               | 7                   |
| Legal Counsel                         | 3              |          |               | 3                   | 2              |          |               | 2                   | 3                |          |               | 3                   | 3               |          |               | 3                   |
| Management                            | 25             |          |               | 25                  | 24             |          |               | 24                  | 26               |          |               | 26                  | 26              |          |               | 26                  |
| Audit                                 | 68             |          |               | 68                  | 63             |          |               | 63                  | 65               |          |               | 65                  | 68              |          |               | 68                  |
| Investigations                        | 15             |          |               | 15                  | 16             |          |               | 16                  | 17               |          |               | 17                  | 19              |          |               | 19                  |
| <b>Total Washington</b>               | <b>117</b>     | <b>0</b> | <b>0</b>      | <b>117</b>          | <b>111</b>     | <b>0</b> | <b>0</b>      | <b>111</b>          | <b>118</b>       | <b>0</b> | <b>0</b>      | <b>118</b>          | <b>123</b>      | <b>0</b> | <b>0</b>      | <b>123</b>          |
| <b>Overseas Regions</b>               |                |          |               |                     |                |          |               |                     |                  |          |               |                     |                 |          |               |                     |
| <b>Africa</b>                         | <b>17</b>      | <b>0</b> | <b>7</b>      | <b>24</b>           | <b>16</b>      | <b>0</b> | <b>7</b>      | <b>23</b>           | <b>16</b>        | <b>0</b> | <b>7</b>      | <b>23</b>           | <b>16</b>       | <b>0</b> | <b>7</b>      | <b>23</b>           |
| Pretoria                              | 9              |          | 2             | 11                  | 8              |          | 2             | 10                  | 9                |          | 2             | 11                  | 9               |          | 2             | 11                  |
| Dakar                                 | 8              |          | 5             | 13                  | 8              |          | 5             | 13                  | 7                |          | 5             | 12                  | 7               |          | 5             | 12                  |
| <b>Asia/Near East</b>                 | <b>14</b>      | <b>0</b> | <b>8</b>      | <b>22</b>           | <b>18</b>      | <b>0</b> | <b>8</b>      | <b>26</b>           | <b>18</b>        | <b>0</b> | <b>8</b>      | <b>24</b>           | <b>18</b>       | <b>0</b> | <b>8</b>      | <b>24</b>           |
| Manila                                | 6              |          | 4             | 10                  | 7              |          | 4             | 11                  | 7                |          | 4             | 11                  | 7               |          | 4             | 11                  |
| Cairo                                 | 8              |          | 4             | 12                  | 11             |          | 4             | 15                  | 9                |          | 4             | 13                  | 9               |          | 4             | 13                  |
| <b>Europe/E&amp;E</b>                 | <b>12</b>      | <b>1</b> | <b>3</b>      | <b>16</b>           | <b>11</b>      | <b>1</b> | <b>4</b>      | <b>16</b>           | <b>11</b>        | <b>1</b> | <b>4</b>      | <b>16</b>           | <b>11</b>       | <b>1</b> | <b>4</b>      | <b>16</b>           |
| Budapest                              | 12             | 1        | 3             | 16                  | 11             | 1        | 4             | 16                  | 11               | 1        | 4             | 16                  | 11              | 1        | 4             | 16                  |
| <b>Latin American &amp; Caribbean</b> | <b>9</b>       | <b>0</b> | <b>2</b>      | <b>11</b>           | <b>10</b>      | <b>1</b> | <b>4</b>      | <b>15</b>           | <b>8</b>         | <b>1</b> | <b>4</b>      | <b>13</b>           | <b>8</b>        | <b>1</b> | <b>4</b>      | <b>13</b>           |
| San Salvador                          | 9              | 0        | 2             | 11                  | 10             | 1        | 4             | 15                  | 8                | 1        | 4             | 13                  | 8               | 1        | 4             | 13                  |
| <b>Total Overseas</b>                 | <b>52</b>      | <b>1</b> | <b>20</b>     | <b>73</b>           | <b>55</b>      | <b>2</b> | <b>23</b>     | <b>80</b>           | <b>51</b>        | <b>2</b> | <b>23</b>     | <b>76</b>           | <b>51</b>       | <b>2</b> | <b>23</b>     | <b>76</b>           |
| <b>Total Worldwide</b>                | <b>169</b>     | <b>1</b> | <b>20</b>     | <b>190</b>          | <b>166</b>     | <b>2</b> | <b>23</b>     | <b>191</b>          | <b>169</b>       | <b>2</b> | <b>23</b>     | <b>194</b>          | <b>174</b>      | <b>2</b> | <b>23</b>     | <b>199</b>          |

**FOREIGN SERVICE  
RETIREMENT AND DISABILITY FUND<sup>1</sup>**

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

| FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Estimate | FY 2004<br>Request |
|-------------------|-------------------|---------------------|--------------------|
| 44,489            | 44,880            | 45,200              | 43,859             |

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

The extension of coverage to USAID employees created an unfunded liability in the system. An actuarial determination by the Department of the Treasury shows that in FY 2004, \$43,859,000 will be required to amortize this liability and the unfunded liability created by pay raises and benefit changes since FY 1974.

For FY 2004, USAID is requesting an appropriation of this amount.

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<sup>1</sup> Authorized by Chapter 8 of the Foreign Service Act of 1980.

## Democracy, Conflict, and Humanitarian Assistance

The mission of the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) is to save lives, alleviate suffering, support democracy, and promote opportunities for people adversely affected by poverty, conflict, natural disasters, and a breakdown of good governance. DCHA rapidly responds in support of USAID's mission worldwide, particularly in fragile, failed and failing states. To carry out its mission, the bureau collaborates within the Agency, the U.S. Government, and with external stakeholders. DCHA seeks to maximize its efforts through partnerships with organizations that share the Agency's vision and complement its resources. DCHA's teams design and implement effective solutions to crisis situations that link humanitarian efforts with longer-term development goals. USAID's vision is that strong democratic institutions, less conflict, improved food security, and timely humanitarian relief will produce a free and more prosperous global community.

Under the authority of the Foreign Assistance Act of 1961, as amended, the President has designated the USAID Administrator as his Special Coordinator for International Assistance.

**"Understanding what, if anything, the foreign assistance community can do to help stop a nation's slide to self-destruction is critical."**

*Source: Foreign Aid in the National Interest: Promoting Freedom, Security, and Opportunity*

The DCHA bureau within USAID is the lead U. S. Government organization for providing emergency, life-saving disaster relief, including food aid, and other humanitarian assistance to people in the developing countries, particularly those plagued by state failure problems. Even in countries that are not so fragile, however, there are inevitably natural disasters and violent man-made crises that threaten large-scale loss of life. DCHA's programs, and especially those providing development assistance, also encourage responsible participation by all citizens in the political processes of their countries, assist those countries to improve governance, especially the rule of law, and help strengthen non-governmental organizations (NGOs) and other elements of civil society. Proposed funding for FY 2004 will further strengthen U.S. leadership in foreign disaster relief, emergency food aid, and other humanitarian assistance. The financial resources requested will also underwrite crucial assistance programs for helping countries to: manage and mitigate conflict; make the transition from crisis to recovery and a return to development progress, practice democracy and good governance, and

strengthen the capacity of indigenous non-governmental organizations.

**The Development Challenge:** The biggest challenge facing the Agency today is the enormous food crisis plaguing the developing world. The crisis has put the international humanitarian relief system at risk of being completely overwhelmed. The main causes of the crisis include widespread droughts in southern Africa and in the Horn of Africa, continued turmoil in Afghanistan, and an ongoing food shortage of major proportions in North Korea.

**Global Food Aid Needs and Projected Contributions  
Fiscal Year 2003  
(In millions of metric tons)**

**Emergency Needs**

|             |       |
|-------------|-------|
| World       | 5.900 |
| Africa      | 3.717 |
| Afghanistan | .488  |
| DPRK        | .512  |
| Other       | 1.183 |

**Estimated Available**      2.3 - 3.5

*Source: WFP Estimates*

An unprecedented gap between the world's emergency food aid needs and levels has opened, exceeding at least two million tons. This gap is posing a daunting challenge for the USAID-managed PL 480 Title II program. While Title II funding levels have remained within a relatively stable range over the last several years, total U.S. food aid levels have fallen to near fifteen-year lows in tonnage terms and, when cost is accounted for in constant dollars, to nearly the lowest-ever levels since the birth of the PL 480 program in 1954. European Union and world food aid

totals have followed a similar decline, driven by World Trade Organization (WTO) reforms that have cut back on agricultural surpluses at the same time that food aid has become more costly. With the sole exception of the Title II program, none of the donor pledges in the WTO's Marrakech Decision to maintain food aid to developing countries in the face of rising food prices is being honored.



USAID's Title II program has extensive experience with both emergency relief and longer-term food security assistance in these needy regions. Working with prominent Private Voluntary Organizations (including CARE, Catholic Relief Services, Save the Children, and World Vision) partnering with local NGOs (such as the Relief Society of Tigray), USAID was able to respond quickly to allay the growing famine in Ethiopia.

In southern Africa almost fifteen million people are at risk of acute hunger and malnutrition from the drought and complex food emergency. Using Title II resources and Bill Emerson Humanitarian Trust Fund commodities in fiscal year 2002 USAID was able to provide 248,100 MT of food assistance, valued at \$127 million - the equivalent of more than 10 percent of the entire Title II appropriation - in response to the first severe food emergency in the Southern African region in nearly a decade. Title II resources will continue to be taxed in FY 2003, as estimates of food needs in the southern Africa region have more than doubled from those of the previous fiscal year on top of increased needs in many other parts of the world.

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

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

All seven of DCHA's offices that manage programs share a set of common goals: (1) advancing longer-term development through integrated, high-impact interventions, particularly in countries affected by crisis, conflict, and food insecurity; (2) strengthening capable, responsive, and stable democratic systems and civil society, particularly in fragile, failing, and failed states; (3) increasing host country capacity to save lives and reduce human suffering; (4) providing technical leadership within the U. S. Government and to

partners in response to the needs of fragile, failed, and failing states; and (5) ensuring coordination within DCHA for more effective responses to crisis and development needs.

The programs managed by these seven offices support USAID's four pillars: (1) democracy, conflict, and humanitarian assistance; (2) economic growth, agriculture, and trade; (3) global health; and (4) global development alliance.

- **Office of Democracy and Governance (DG):** A balanced foreign policy approach underpins USAID's programs to strengthen democracy and good governance worldwide. In the words of the recently released report *Foreign Aid in the National Interest: Promoting Freedom, Security, and Opportunity*: "It is strongly in the U. S. interest to promote both democracy and good governance." Democratic governments tend to advocate and observe international laws, protect civil and human rights, avoid external conflicts, and pursue free market economies essential to international trade and prosperity. Supporting such governance entails a variety of often difficult political and institutional reforms, and capacity-building across four strategic areas: (1) promoting the rule of law and respect for human rights; (2) encouragement of credible and competitive political processes; (3) development of politically active civil society; and (4) promoting more transparent and accountable government institutions, including local government support and anti-corruption efforts.
- **Office of Conflict Management and Mitigation (CMM):** The world faces a major and growing threat from the increasing incapacity of states globally to deal with the potential causes of instability, conflict, and in some cases terrorism. Responding effectively to this emerging global reality is the challenge that shapes CMM's programs and external relationships. All USAID development programs and partners, especially those that directly address humanitarian assistance, the transition from crisis to stability, and promotion of democracy, must now address this new imperative. A key distinguishing feature of CMM programs is that they are longer-term than those of the Office of Transition Initiatives and they can be utilized for non-emergency activities.
- **Office of U.S. Foreign Disaster Assistance (OFDA):** The United States, through USAID, remains the world's leader in responding to man-made and natural disasters. While emergency relief for natural

disasters is crucial, preparedness is equally important. Even though nature cannot be tamed, or natural disasters stopped from taking place, there is room for prevention. OFDA's preparedness, mitigation and prevention efforts are essential in dealing with natural disasters, playing an even greater role in the case of complex emergencies. The last decade's marked growth in these man-made emergencies has continued into the new millennium, as internal conflict and war increasingly cause social, political, and economic institutions and systems to fail. Sometimes, natural disasters accompany man-made emergencies, which compound their complexity.

- Office of Transition Initiatives (OTI): Addressing the needs of pre- and post-transition countries experiencing significant political change, or facing critical threats to basic stability and democratic reform, is the charge of OTI. Working on the ground with local partners, the office provides short-term, high-impact assistance targeted at key transition needs.
- Office of Food for Peace (FFP): FFP manages P.L. 480 Title II food aid, which is the primary resource of the United States for responding swiftly to the critical food needs of disaster victims and other targeted vulnerable groups. Non-emergency, development food aid programs focus on mitigating food insecurity in low-income, food deficit countries.
- Office of Private and Voluntary Cooperation (PVC): Increasingly, PVC is focusing on providing resources to private voluntary and cooperative development organizations for use in strengthening the capabilities of local partners to carry out development and humanitarian aid programs at the local level. The programs address priority needs such as agriculture, micro-enterprise, civil society, democracy, child survival and health, and the environment.
- Office of American Schools and Hospitals Abroad (ASHA): ASHA awards grants to U.S. organizations that are founders or sponsors of private, overseas schools, libraries and hospital centers. These grants increase access abroad to American ideas, values and practices. The assistance and activities project a positive image of the United States, contribute to the reduction of poverty, and assist in combating terrorism.
- Office of Program, Policy and Management (PPM): PPM provides technical assistance and support to various offices, both within and outside the DCHA Bureau.

**Program And Management Challenges:** To be effective, the DCAH bureau's interventions must be well coordinated, the responses must be careful but rapid, and the approaches must be appropriately integrated if lives are to be saved and suffering reduced, conflict prevented or mitigated, non-governmental organizations' and other local institutions' capacities strengthened, and democracy and good governance buttressed. To that end, DCHA is implementing a number of important initiatives and innovations.

- The bureau has helped USAID make considerable progress in integrating disaster relief, transition, food security, and conflict management and mitigation programs into country portfolios. The result has been a shifting of country program priorities to crisis prevention and mitigation activities focused on both natural and man-made disasters.
- The bureau, through its Office of Transition Initiatives, continues to be the principal means by which the Agency delivers transition assistance to countries emerging from a crisis or teetering on the brink of one.
- The bureau has worked closely with the rest of the Agency to develop agency-wide response mechanisms for quickly dealing with crises as they arise.
- The bureau continues to actively pursue a resource-leveraging approach with its partners, particularly in its innovative work on forging PVO- and other public-private partnerships.

- The bureau continues to refine and apply performance-monitoring tools to strengthen program management and the allocation of resources. Reinforcing effective past practice, DCHA offices continue to consult with partners on adopting up-to-date Agency performance management and results reporting procedures and practices.

The individual sections on each of the bureau's offices contain numerous examples of the results their programs have achieved in the past year. They also contain specific information on the program plans for fiscal year 2004.

**Other Program Elements:** DCHA is a "pillar bureau-plus" within USAID. Like the Agency's other two pillar bureaus, DCHA provides field support to overseas missions and serves as a center of technical excellence for programs in democracy and governance, conflict, private and voluntary cooperation, and humanitarian assistance. However, several of DCHA's offices have direct responsibility for field programs. This is true of OFDA, OTI, ASHA, PVC, and perhaps to a lesser degree FFP and CMM. DCHA is making a concerted effort to integrate its programs more fully within both the bureau and the Agency. The bureau is also continuing its work on ensuring close coordination with the Departments of State and Agriculture, the National Security Council, and other parts of the U.S. Government.

**Other Donors:** A hallmark of DCHA's programs is the degree to which they involve partners, including private voluntary organizations (PVOs), cooperative development organizations (CDOs), non-governmental organizations (NGOs), for-profit contractors, American schools and hospitals sponsoring overseas institutions, United Nations agencies, international organizations, and other bilateral and multilateral donors. DCHA intends to continue working closely with the U.S. foreign affairs community, particularly the Department of State, on donor coordination and other partnering relationships. The bureau plans to form an increased number of alliances with entities such as the U.S. Institute for Peace, the Department of Defense, indigenous religious institutions dedicated to conflict prevention, mitigation, and resolution, and other non-governmental and governmental organizations.

**BUREAU FOR DEMOCRACY, CONFLICT, AND HUMANITARIAN ASSISTANCE**

| Program Summary (In Thousands of Dollars) |                   |                   |                      |                    |
|---|-------------------|-------------------|----------------------|--------------------|
| Category                                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Estimated | FY 2004<br>Request |
| Development Assistance                    | 66,826            | 66,269            | 76,300               | 69,452             |
| Child Survival & Health Fund              | 31,618            | 25,893            | 23,800               | 3,050              |
| International Disaster Assistance {a}     | 164,640           | 235,500           | 285,500              | 235,500            |
| Emergency Response Fund - IDA {b}         |                   | 146,000           |                      |                    |
| Supplemental - IDA {c}                    | 134,700           | 40,000            |                      |                    |
| Transition Initiatives {d}                | 49,890            | 50,000            | 55,000               | 55,000             |
| P. L. 480 Title II                        | 836,159           | 850,000           | 1,185,000            | 1,185,000          |
| Emergency Response Fund - P. L. 480 {e}   |                   | 95,000            |                      | 200,000            |
| Supplemental - P. L. 480 {f}              |                   | 13,820            |                      |                    |
| Famine Fund                               |                   |                   |                      |                    |
| <b>Total Program Funds</b>                | <b>1,281,833</b>  | <b>1,522,482</b>  | <b>1,626,600</b>     | <b>1,748,002</b>   |

- (a) FY 2003, International Disaster Assistance (IDA) includes \$50 million budget amendment for West Bank and Gaza.
- (b) FY 2002, IDA received \$146 million Supplemental for Afghanistan Emergency Response Fund (ERF) of which \$95 million was programmed by OFDA.
- (c) FY 2001, IDA received \$134.7 million Supplemental funding for Southern Africa Floods and in FY 2002 received \$40 million supplemental for Afghanistan reconstruction.
- (d) Transition Initiatives (TI) excludes \$15.5 million in Economic Support Funds (ESF) in FY 2001 and \$5.1million ESF in FY 2002 for various countries.
- (e) In FY 2002, P. L. 480 Title II received Supplemental funds of \$95 million ERF for Afghanistan.
- (f) In FY 2002, P. L. 480 Title II received \$13.8 million Supplemental transfer of unobligated Global Food for Education funds (P. L. 107-206). See *Summary Tables* volume for *P. L. 480 Dollars and Metric Tonnage* tables.

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

## American Schools and Hospitals Abroad

**The Development Challenge:** The goal of the Office of American Schools and Hospitals Abroad (ASHA) program, as stated in its enabling legislation, is to assist schools, libraries, and medical centers outside the United States founded or sponsored by U.S. citizens to serve as study and demonstration centers for ideas and practices of the United States. To this end, the principal objective of ASHA grants is to demonstrate U.S. advances in education and medical technology and practices, in areas of research and training in selected countries. With the above goal and principal objective in mind, the challenge of the ASHA program is to increase the ability of overseas schools, libraries, and medical centers to demonstrate U.S. advancements in educational and medical technology. It is envisioned that these institutions will contribute to the strengthening of bridges and mutual understanding between the people of the United States and those of other countries. The challenge for the ASHA program also involves developing the capacity of overseas institutions to effectively project and foster favorable images of the United States. Consequently, the ASHA-assisted institutions will create a foundation for nurturing and developing leadership in a wide variety of disciplines, while providing an appreciation for, and an understanding of, U.S. economic, political and social institutions, philosophy, and practices.

**The USAID Program:** For the FY 2002 competitive award cycle, 47 U.S. organizations applied for \$53 million under the ASHA program. These U.S. organizations sponsored 52 overseas institutions in 26 countries. Of the 47 U.S. sponsors, ASHA awarded grants to 25 sponsors for 26 overseas institutions in 14 countries. A total of \$17 million was obligated for the FY 2002 program. For FY 2003, ASHA received grant applications from 43 U.S. organizations requesting a total of \$66 million. These U.S. organizations sponsored 47 overseas institutions in 29 countries.

In pursuit of ASHA's goal and objective, grants were awarded to:

- build technological bases for integrated research, training, and patient care in critical areas of medical science;
- build technological bases for efficient information acquisition and communication for informed decision-making;
- build technology-augmented "smart" classrooms for training generations of independent thinkers with problem-solving skills; and
- build open-access facilities modeled after U.S. academic institutions and libraries to provide access to uncensored information and promote understanding between the people of the United States and those of other countries.

In addition to projecting a positive image of the United States, ASHA-funded activities contribute directly to three of the Agency's four pillars. Through development of professionals with American-style education and the transmission of current American ideas and practices in agriculture, business, medical sciences, and democracy and governance, these overseas institutions contribute to the achievement of the Agency's goals in their respective countries by: (1) supporting broad-based economic growth, (2) improving agricultural productivity and enhancing food security through practical training, research and technology transfer, (3) promoting environmental awareness and sustainable development, (4) conducting medical research and protecting human health, (5) demonstrating and promoting good governance and democracy, and (6) clarifying and building an understanding of U.S. foreign policy. Activities of these institutions also support the U.S. international affairs strategic goals of maintaining regional stability and open markets, and they help protect U.S. national interests by promoting understanding between the people of the United States and the beneficiary countries.

**Other Program Elements:** ASHA funds pay for the procurement of scientific and educational commodities and for the construction and renovation of structures used for teaching, research, and patient care. ASHA's grant assistance goes to a variety of institutions, including secondary schools, undergraduate and graduate institutions, and medical centers. The secondary schools provide basic academic subjects and entrepreneurial and vocational training. The undergraduate institutions' curricula include subjects in liberal arts, business, agriculture, the sciences, medicine, and nursing; the graduate

institutions provide specialized training in health, law, social sciences, physical sciences, and international studies. The medical centers offer training in such areas as modern health care, medical education, and research. Many of these institutions provide virtually the only modern academic education, health care, and medical training programs in the recipient countries and sometimes in the geographic region. ASHA-assisted educational institutions produce professionals to fill the urgent need for a skilled workforce in the countries and regions they serve. The USAID regional and other pillar bureaus often have programs involving institutions that ASHA supports.

**Other Donors:** ASHA grants supplement contributions predominantly from private sources. ASHA-funding has also enabled overseas institutions to leverage financial assistance from other bilateral donors such as faith-based and private voluntary institutions.

**Office of American Schools and Hospitals Abroad  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Development Assistance     | 17,000            | 18,000            | 17,000                   | 14,000             |
| <b>Total Program Funds</b> | <b>17,000</b>     | <b>18,000</b>     | <b>17,000</b>            | <b>14,000</b>      |

| <b>STRATEGIC OBJECTIVE SUMMARY</b>            |        |        |        |        |
|---|--------|--------|--------|--------|
| 964-001 American Schools and Hospitals Abroad |        |        |        |        |
| DA  | 17,000 | 18,000 | 17,000 | 14,000 |

## **Conflict Management and Mitigation**

**The Development Challenge:** The costs and consequences of violent conflict for USAID and the international donor community have become alarmingly high. According to World Bank records, the donor community pledged more than \$60 billion to assist in the recovery of war-torn countries just during the 1990s, and World Bank lending for post-conflict recovery has increased almost tenfold the past ten to fifteen years. Furthermore, spending on peacekeeping operations increased from \$464 million in 1990 to more than \$2.5 billion in 2001. Violent conflicts have blunted and reversed prospects for economic growth, wiping out decades of investment in the blink of an eye and fueling a dramatic deterioration in the quality of life in many countries. Although these conflicts have taken a serious toll on the economies of countries experiencing conflict, the impact of violence frequently reaches beyond borders and adversely affects the economies of neighboring countries and regions as well.

Recent events in Central Asia, Central Africa, and the Balkans show that internal conflict has the potential to spill across borders and spark wider, regional wars. Among the most intractable and worrisome in this regard are those conflicts that result in failed states, such as Somalia, Liberia, Afghanistan, Sudan, and the Democratic Republic of Congo. In these lawless settings, a new breed of "conflict entrepreneur" has found sanctuary, and the line between criminal violence and political violence has blurred. Transnational criminal organizations, terrorist networks and local warlords have exploited instability and violence to amass enormous power and wealth.

A peaceful and prosperous world is one of the foremost U.S. foreign policy priorities, and development assistance has an important role to play in advancing this objective. To best contribute to this goal, USAID understands that conflict is complex and does not happen simply because people are unhappy or greedy or because state and social institutions are weak or perverse. It happens when causes at multiple levels come together and reinforce one another. It is ultimately the product of deep grievance, zero-sum political and economic competition, irresponsible political leadership, weak or predatory institutions, and forces at the regional and global level.

Every major focus area in foreign assistance from economic growth, to agriculture, to democracy and governance has at least some bearing on the underlying causes of conflict. In recognition of this fact, the Office of Conflict Management and Mitigation (CMM) was established to strengthen the contribution that foreign assistance can make to addressing the critical challenge of violent conflict in the developing world.

**The USAID Program:** In FY 2003 and FY 2004, the Agency has requested a total of \$20 million in Development Assistance for Conflict Management and Mitigation programs, with \$10 million programmed each year to address the causes and consequences of violent conflict in the developing world. CMM will focus on areas where USAID has been particularly effective in breaking the chain of events fueling violent conflict, including youth in the developing world, the economic causes and consequences of violence, the role of economic actors in building peace, the links between natural resources and conflict, and the relation of political, economic and social institutions to violence.

Youth can be an extraordinary resource for positive change. In many parts of the developing world, however, they have little hope for a viable future and can become easy targets for groups seeking to promote violence and hate. USAID addresses this development challenge through education programs that teach values such as tolerance, critical thinking and democratic participation. In Nigeria and the Balkans, civic education programs have taught high-school students the benefits of non-violent political participation by helping them to identify local problems, develop solutions, and then implement those solutions together with local government officials. In partnership with the private sector, CMM will explore ways to provide high-risk youth with economic opportunities through vocational education and employment generation programs, particularly in urban and semi-urban areas.

The economic causes and consequences of violence and the role that economic actors can play in building peace is another area of CMM emphasis. In Sri Lanka, the business community led efforts to bring the government and the Tamil insurgents back to the negotiating table. With USAID assistance, the



same business leaders continue their support by providing young people and former combatants with skills training and jobs, sponsoring media campaigns on the benefits of peace, and rebuilding economic ties between regions long torn apart by war. CMM also hopes to limit the negative economic forces that drive violence by providing technical assistance to governments for anti-corruption programs and by strengthening the ability of civil society groups to monitor economic abuses of power.

Environmental crises and zero-sum competition over natural resources can also represent a serious destabilizing force. Competition over a dwindling supply of productive land and water fuels ethnic tensions within and between countries. In many countries emerging from conflict, violence has re-ignited as internally displaced populations return to find their land occupied by others. Governments and indigenous groups have clashed over the exploitation of forest and mineral resources. The degradation of rural environments and subsequent disruption of rural economies has led to massive waves of rural-to-urban migration and the emergence of sprawling slums around urban centers. USAID conflict programs will focus on land use tensions, better management of natural resources, assistance to governments in drafting legislation governing property rights, and mediation boards and legal assistance on land issues for displaced populations.

The strength and health of political, economic, and social institutions are perhaps the most critical factors in determining whether conflict will emerge. The institutions of healthy democracies are able to cope with many causes of violence and a robust and inclusive civil society can articulate group goals, monitor abuses of power, and propose effective solutions to a wide range of problems. A strong and accountable security sector and an equitable and impartial rule of law can guarantee personal security and protect property rights, thereby addressing one of the major reasons that individuals turn to violence. Effective and accountable local governance can help to resolve tensions that arise at the community level before they escalate to dangerous levels. CMM is working closely with the Office of Democracy and Governance to develop democracy programs that are suited to the unique needs of conflict prone environments. In Nigeria, USAID supports a group that brings together Christian and Muslim leaders who have successfully intervened to calm religious tensions in a number of areas. USAID also supports programs that train local media to report on sensitive issues in a way that will not inflame tensions but rather reinforce the ability of local government to identify and address many of the root causes of conflict such as competition over land or youth unemployment.

To support the work of USAID field missions, CMM will continue to provide technical leadership in the area of conflict management and mitigation. It will provide research support to missions in conflict-prone environments through conflict assessments and assist with developing conflict-sensitive programs and strategies. CMM will distill the lessons learned on programming in high-risk environments, disseminate best practices, and monitor and evaluate the impact of conflict programs.

**Other Program Elements:** CMM will continue its ongoing relationships with important institutions engaged in conflict mitigation activities, including CONTACT, the International Crisis Group, LaRoche College and Seeds of Peace. CMM will also attempt to explore new and non-traditional approaches to development programming tailored specifically to the unique situation of pre- and post-conflict environments.

Normally, the field missions will manage conflict management and mitigation activities. However, in non-presence countries, CMM will work with the relevant regional bureaus and other offices in DCHA to see that activities are managed and monitored appropriately. In certain non-presence countries where the regional bureaus and other DCHA offices lack capacity, CMM will directly manage activities. In these situations, CMM oversight will ensure targeted programming in difficult environments and will also allow for re-programming of funds if circumstances warrant.

**Other Donors:** CMM has maintained healthy consultation with other donors active in this sector, particularly the United Kingdom's Department for International Development, and will continue to coordinate conflict management and mitigation programming with such donors so as to maximize the overall impact of interventions in this area.

**Office of Conflict Management and Mitigation  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Development Assistance     | 0                 | 653               | 10,000                   | 10,000             |
| <b>Total Program Funds</b> | <b>0</b>          | <b>653</b>        | <b>10,000</b>            | <b>10,000</b>      |

| <b>STRATEGIC OBJECTIVE SUMMARY</b>                |   |     |        |        |
|---|---|-----|--------|--------|
| <b>966-001 Conflict Management and Mitigation</b> |   |     |        |        |
| DA  | 0 | 653 | 10,000 | 10,000 |

**Notes:** In FY 2003 an additional \$40.6 million for conflict management and mitigation was requested for geographic and other regions: AFR: \$20 million, ANE: \$13.2 million, LAC: \$7 million, and PPC: \$.4 million.

In FY 2004 an additional \$17.7 million for conflict management and mitigation was requested for geographic regions: AFR: \$8.4 million, ANE: \$2.4 million, and LAC: \$6.9 million.

## Democracy and Governance

**The Development Challenge:** USAID efforts to strengthen democracy and good governance worldwide anchor a balanced foreign policy approach. These efforts are increasing, in part as a result of a renewed emphasis from President Bush, as announced in the "National Security Strategy of the United States," and as reflected in the Agency's reorganization moving democracy and governance to a new pillar bureau. These measures reflect contemporary research that democratic governments are more likely to advocate and observe international laws, protect civil and human rights, avoid external conflicts, and pursue free market economies essential to international trade and prosperity.

Toward this end, USAID invests resources in five priority areas:

- Improving laws and legal systems;
- Conducting fair and impartial elections and strengthening political processes;
- Developing citizen groups and civil society;
- Improving government's ability to perform and respond to constituency needs; and
- Improving social, economic, and developmental status of targeted vulnerable populations.

**The USAID Program:** In FY 2003, the Office of Democracy and Governance (DG Office) will program \$19.6 million in development assistance (DA) funding and \$2 million in child survival (CSH) funding. For FY 2004, the Administration has requested \$18.5 million in DA funding and \$2.05 million in CSH funding for the DG portfolio. The FY 2004 funds would further existing strategic objectives, with rule of law programs receiving 9 %, elections and political processes 13%, civil society 33%, governance 11%, and crisis funds 34%. The DG Office's own funding is directed to:

- formulating new approaches to make DG programs work better;
- assessing innovative activities and promoting best practices;
- training worldwide staff; and
- providing direct technical support to USAID missions.

The DG Office also manages some additional DA and economic support funds (ESF) at the request of USAID field missions or U.S. embassies in countries where USAID is not present.

The DG Office continues to take a leading role in providing guidance and leadership on a number of U.S. Government priorities, while launching into areas that have remained sparsely covered. For example, the DG Office has been actively involved in the development of the Agency's anti-corruption strategy. The Office has been coordinating an intra-agency working group since 1997, but it has stepped up its engagement in preparation for the 1999 Global Forum on Fighting Corruption. This past year saw the DG Office tasked by the Administrator with developing an Agency-wide anti-corruption strategy (in coordination with Policy and Program Coordination Bureau (PPC)). At the same time, the office was fully engaged in inter-agency efforts to develop a presidential initiative on corruption.

There remains, within the community of both practitioners and analysts, profound uncertainty about how best to direct democracy assistance. USAID, like other donors, does not really know with any degree of certainty, based on empirical evidence, what works and what does not, or what works better, and what works less well, in any particular context - or in general, for that matter. USAID needs to rigorously examine its nearly two decades of experience in order to extract, as best and systematically as it can, lessons learned and best practices for the Agency. The first preliminary results of this examination will not be conclusive. However, they can begin to give USAID an understanding of how to program DG resources for greater effectiveness and efficiency. The DG Office began such an examination effort some two years ago. The Office has already completed six country case studies and begun four sub-sector investigations. These efforts will continue in FY 2003 and for at least two more years, as the office intends to be thorough in this analysis.

On the other end of its technical leadership, the DG Office has worked to increase attention to the important but oft sidelined topic of campaign finance, often a source of corruption and undue influence in developing countries. The campaign finance project has continued to gather attention, and a technical handbook is forthcoming.

The DG Office also worked within DCHA to further discussions on areas of bureau-wide interest. The Office provided staff and research to support the start-up of the Office of Conflict Management and Mitigation. It is also contributing to the bureau's planning framework working group, which in part will define opportunities for programming in fragile, failed, and failing states. The DG Office has also worked this past year with the Office of Transition Initiatives and Office of Foreign Disaster Assistance on short- and longer-term response in post-conflict countries.

**Other Program Elements:** The DG Office continues to provide essential contributions by supporting a number of programs in non-presence countries. These activities allow USAID to work in a number of countries that are U.S. foreign policy priorities, but where a USAID mission is not present. Examples include support to a woman's rights advocacy program in Afghanistan (prior to a mission being established late last fiscal year) and elections administration and assessment assistance to the Cote d'Ivoire. The DG Office plays a leadership role in the field of democracy assistance within the U.S. Government (USG) and among other donors.

**Other Donors:** DG disseminates its best practices widely and coordinates with other donors to develop cutting edge approaches in each of the four program sectors, in the area of rule of law, elections and political processes, civil society, and governance. DG works closely with other relevant USG actors, primarily the Departments of Justice and State, to coordinate programs that have multiple funding sources. The highly political nature of elections often creates circumstances in which donor coordination is critical. UN organizations, other bilateral donors, and myriad international organizations and NGOs provide large-scale assistance on a selective basis. In these situations, the DG Office works closely with the other donors to coordinate activities and leverage other funds. The labor portfolio provides a particularly prominent example of donor coordination within civil society programs. DG coordinates its program with activities conducted by other USG actors, including the Department of State's Bureau for Democracy, Human Rights, and Labor; the Department of Treasury; the Office of the U.S. Trade Representative; and Labor's Bureau of International Labor Affairs. State and USAID coordinate on funding of anti-sweatshop programs, with USAID focusing on labor-related issues and State on business features. In the area of governance, anti-corruption programs require particularly intensive coordination. DG's major focus for anti-corruption collaboration in the coming year will be the establishment of a multi-donor-funded endowment for Transparency International, a key international anti-corruption NGO. In the area of civil-military programs, coordination occurs on many levels. An arrangement with the Department of Defense's Defense Security Cooperation Agency provides a foundation from which numerous collaborative activities have been launched, including a joint civil-military program in the Republic of Georgia.

**Office of Democracy and Governance  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Development Assistance                  | 15,621            | 16,503            | 12,779                   | 16,470             |
| Child Survival and Health Programs Fund | 0                 | 0                 | 0                        | 2,050              |
| <b>Total Program Funds</b>              | <b>15,621</b>     | <b>16,503</b>     | <b>12,779</b>            | <b>18,520</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |       |       |       |       |
|--|-------|-------|-------|-------|
| <b>932-001 Rule of Law Program</b>   |       |       |       |       |
| DA   | 1,425 | 2,508 | 1,694 | 1,592 |
| <b>932-002 Elections and Political Processes Program</b>   |       |       |       |       |
| DA   | 3,925 | 1,750 | 2,496 | 2,345 |
| <b>932-003 Civil Society Program</b>   |       |       |       |       |
| DA   | 8,346 | 8,745 | 6,444 | 6,049 |
| <b>932-004 Governance Program</b>  |       |       |       |       |
| DA   | 1,925 | 3,500 | 2,145 | 2,014 |
| <b>932-005 Improved social, economic, and/or developmental status of targeted vulnerable populations</b> |       |       |       |       |
| CSH  | 0     | 0     | 0     | 2,050 |
| DA   | 0     | 0     | 0     | 4,470 |

## Famine Fund

| <b>PROGRAM SUMMARY</b>     |                   |                   |                          |                    |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| (In thousands of dollars)  |                   |                   |                          |                    |
| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
| Famine Fund                | 0                 | 0                 | 0                        | 200,000            |
| <b>Total Program Funds</b> | <b>0</b>          | <b>0</b>          | <b>0</b>                 | <b>200,000</b>     |

**The Development Challenge:** The specter of severe food crises, often including the threat of famine, continues to haunt developing countries in the new millennium, with the threats even showing clear signs of reaching new plateaus early in the 21<sup>st</sup> century. Demands on food aid resources have intensified over the past three years, and donors are being hard-pressed to supply sufficient quantities to stave off famine. The rise in frequency and severity of both natural and man-made food crises is increasingly accompanied by more complex causality, as geopolitical change intensifies, particularly in the developing world. The result is that the donor community must deal with food emergencies much more comprehensively than ever before.

**The USAID Program:** In recognition of the need to combat famine by not only providing relief to its victims but also attacking its root causes, the President has announced the creation of a special new, flexible program, the Famine Fund. One purpose of this new Fund is to strengthen U.S.-led multilateral efforts, especially for seeing that the necessary resources are available for averting famines wherever possible. The Fund is also to be a means for improving the efficiency and effectiveness of response to famines that cannot be prevented. A related objective of the new Fund is to ensure more equitable burden-sharing among donors in combating famine.

The Famine Fund will draw upon the broad disaster assistance authorities in the Foreign Assistance Act. USAID will manage the Fund, under the foreign policy direction of the Secretary of State, subject to approval by the President. The FY 2004 request is \$200 million, to be appropriated into a new account.

## Food for Peace – P.L. 480 Program

**The Development Challenge:** U.S. Government support for overseas food aid was formalized in the Agricultural Trade Development and Assistance Act of 1954, also known as P.L. 480. The basic legislation, which has been modified many times, establishes the U.S. policy for using abundant U.S. agricultural resources and food processing capabilities to enhance food security in the developing world through the provision of culturally acceptable nutritious food commodities. On a global level, more than 815 million people today are chronically undernourished. For the United States, reducing the number of chronically undernourished and underweight people throughout the world is both a humanitarian concern and a strategic goal. Food resources are given to help those in need in an effort both to deal with hunger and to eliminate the food insecurity that fuels political instability and environmental degradation. P.L. 480 Title II, administered by USAID's Office of Food for Peace (FFP), is a people-to-people program, from the people of the United States to people who do not have access to sufficient food to meet their needs for healthy and productive lives. The P.L. 480 Title I program of concessional sales to foreign governments is administered by the U.S. Department of Agriculture.

**The USAID Program:** USAID remains concerned about the troubling projections for world hunger. According to current estimates, by the year 2030 world population will rise from the present 5.7 billion to 8.7 billion. As populations grow, per capita availability of arable land will decrease even further, thus heightening the need for intensification of agricultural production and increasing the demands on finite natural resources. At the 2002 World Food Summit, the U.S. Government reaffirmed its commitment to the broad objective of utilizing America's agricultural abundance to meet the United States' humanitarian and foreign policy objectives.

Several developments are occurring that are likely to have a major impact on the resource requirements for the P.L. 480 Title II program in FY 2003 and beyond and the manner in which the resources are programmed. Global emergency food needs are severely straining host country and donor capacity to assist vulnerable populations. Title II resource limitations may undermine development program results. Implementation of a monetization rationalization plan will result in reductions in monetized tonnage, which in turn may make it more difficult to meet the sub-minimum tonnage requirements.

The 2002-2007 Farm Bill, which is the authorization bill for the U.S. Department of Agriculture (USDA) and P.L. 480, has the following major impacts:

- Minimum tonnages of commodities that FFP must approve annually increased from 2,025,000 to 2,500,000; the sub-minimum tonnage requirement for non-emergency programs is increased from 1,550,000 to 1,875,000.
- Section 202(e) funding (cooperating sponsor administrative, management, personnel, etc.) is raised from \$28 million per year to five to ten percent of Title II annual appropriated funds.
- Internal transport, storage and handling (ITSH) funds can now be used for non-emergency development programs in least developed countries (LDCs); this may reduce the impact of decreased monetization.

USAID will continue efforts to streamline Title II guidance, program approval and implementation procedures consistent with legislative requirements.

The June and August 2002 authorized releases of 275,000 and 300,000 metric tons, respectively, of wheat from the Bill Emerson Humanitarian Trust for the southern Africa complex food security crisis will need to be repaid. Initial estimates of the payback total \$84 million.

DCHA and the FFP Office are developing new five-year strategic plans that will take into account support of USAID's mission worldwide, particularly in fragile, failed and failing states. FFP's plan will target efforts toward working together with partners and with other Pillar Bureaus and Missions within USAID to predict, prevent, and respond to malnutrition and potential famine overseas.

As part of the Administration's effort to improve performance measures and results reporting, FFP will continue to work within the Administration toward this end by streamlining and further improving Title II operations.

**P.L. 480 Title II Emergency Food Aid.** The request level in FY 2004 represents a straight line from the FY 2003 request for the FFP objective to meet the critical needs of targeted groups. Beneficiaries are food insecure and nutritionally vulnerable persons affected by conflict or natural disasters. Primary implementing partners are the World Food Program (WFP) and private voluntary organizations (PVOs). In FY 2002, SO 1 provided 976,800 metric tons of Title II emergency food aid, valued at \$541.4 million. These emergency food resources met the critical food needs of 34,040,820 food insecure and nutritionally at-risk persons affected by natural disasters and complex emergencies in a total of 35 countries worldwide. In comparison to FY 2001, this represents a marked increase in both the quantity of emergency food aid resources provided and the number of countries served.

The regions in Africa (especially southern Africa and the Horn) continued to be the largest recipients. In FY 2002, 59% of Title II emergency resources were programmed in Africa, totaling 533,170 metric tons worth \$318.1 million. A total of 297,170 metric tons of Title II resources, valued at \$166.8 million (31%), went to Asia. About 6% of Title II resources were provided to Europe and Eurasia, equaling 54,500 metric tons, valued at \$31.1 million. Latin America and the Caribbean received 1% of Title II assistance, with 9,860 metric tons valued at \$5.9 million. Emergency programs are designed to meet short- and medium-term food security requirements of beneficiaries. Activities within Title II emergency programs have shifted from direct, general food aid distribution to integrating transitional development and self-reliance interventions. As emergency programs vary according to a country's contextual situation, implementing partners might incorporate several of these types of activities into their interventions while leveraging non-food items from other resources to address beneficiaries' wide-ranging needs. Over 83% of emergency programs engage beneficiaries in developing and participating in Food for Work, Food for Agriculture, Food for Asset Creation, and Food for Training activities. These emergency, food-aid supported activities help to begin the process of rebuilding lives and livelihoods in addition to forging the bridge from relief to development.

**P.L. 480 Title II Development Food Aid.** Title II non-emergency food aid is focused on mitigating food insecurity through activities implemented by PVOs and the WFP. These organizations utilize Title II food resources to reduce food insecurity in the developing world through activities that enhance household nutrition or increase incomes and agricultural production and productivity. The ongoing activities continue to facilitate rapid response to natural disasters worldwide. The FFP Office has built a solid portfolio of multi-year commitments to PVOs for this purpose.

In 2002, the Office of Food for Peace programmed \$395.6 million and 976,800 metric tons in support of development activities. Over 80% of Title II development resources support activities to improve household nutrition (including water and sanitation activities) and agricultural productivity (including natural resource management), the priority technical areas of intervention designed to attack the root causes of food insecurity. Priority was also given to programming Title II development activities in sub-Saharan Africa and South Asia and to targeting the most food insecure and vulnerable households and individuals within the countries where Title II development programs are implemented.

In addition to programs in the Office of Food for Peace, Title II funds are used to support the Farmer-to-Farmer Program that mobilizes the knowledge and skills of United States agricultural volunteers, land grant universities, cooperatives, private agribusinesses, and nonprofit farm organizations to help farmers in USAID-assisted countries to increase food production and improve the effectiveness of marketing and distribution systems. This program, previously managed by the Office of Private and Voluntary Cooperation, is being transferred to the Bureau for Economic Growth, Agriculture and Trade.

**Other Program Elements:** The strength of our nation's international food assistance program is USAID's presence around the world and its numerous organizational partnerships. USAID collaborates closely with the U.S. Department of Agriculture, the Department of State, other USAID offices and field missions to ensure that both development and emergency food aid programs are coordinated and effective.



USAID works in close partnership with PVOs, indigenous organizations, universities, American businesses, international agencies, and other governments. USAID has relationships with a large number of American companies and U.S.-based PVOs, allowing for great creativity and effectiveness in incorporating food into a wide range of development efforts.

**Other Donors:** The World Food Summit of 2002, convened by the Food and Agriculture Organization of the United Nations (FAO), provided an international forum to focus attention on efforts to address hunger and food insecurity. The United States, along with 182 nations and the European Community, pledged to halve the number of hungry people by the year 2015. The United States is one of a number of international donors supporting global food aid activities. In 2001, the U.S. contributed 62 percent of global food aid, the European Union 17 percent, Japan 8 percent, China 4 percent, Canada 3 percent, South Korea 2 percent, Australia 1(one) percent, and other donors 3 percent.

**P.L. 480 Title II, Food for Peace**

**Office of Food for Peace  
PROGRAM SUMMARY**

(in thousands of dollars)

| <b>USAID Accounts</b>                   | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|---|---------------------------|---------------------------|----------------------------------|----------------------------|
| Child Survival and Health Programs Fund | 2,297                     | 2,050                     | 1,967                            | 800                        |
| Development Assistance                  | 3,703                     | 3,950                     | 4,033                            | 5,200                      |
| <b>Total Program Funds</b>              | <b>6,000</b>              | <b>6,000</b>              | <b>6,000</b>                     | <b>6,000</b>               |
|   |                           |                           |                                  |                            |

| <b>P.L. 480 Title II Accounts</b>    | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|--------------------------------------|---------------------------|---------------------------|----------------------------------|----------------------------|
| P.L. 480 Title II                    | 835,159                   | 850,000                   | 1,185,000                        | 1,185,000                  |
| Emergency Response Fund              |                           | 95,000                    |                                  |                            |
| Global Food for Education Transfer * |                           | 13,820                    |                                  |                            |
| <b>Total Program Funds</b>           | <b>835,159</b>            | <b>958,820</b>            | <b>1,185,000</b>                 | <b>1,185,000</b>           |
|                                      |                           |                           |                                  |                            |

| <b>STRATEGIC OBJECTIVE SUMMARY</b>                                       |       |       |       |       |
|--|-------|-------|-------|-------|
| <b>962-001 Central Programs: Support for PL 480 Title II Emergency</b>   |       |       |       |       |
| CSH  | 1,150 | 1,025 | 984   | 400   |
| DA   | 1,852 | 1,975 | 2,016 | 2,600 |
| <b>962-002 Central Programs: Support for PL 480 Title II Development</b> |       |       |       |       |
| CSH  | 1,147 | 1,025 | 983   | 400   |
| DA   | 1,851 | 1,975 | 2,017 | 2,600 |

Note: See Summary Tables volume for P.L. 480 Dollars and Metric Tonnage by Region and Country.

\* Transfer of unobligated Global Food for Education funds.

## **International Disaster Assistance**

**The Development Challenge:** The role of the Office of Foreign Disaster Assistance (OFDA) within the U.S. Government is as primary first responder to disasters in foreign countries. The Office is structured to meet one objective: Meeting the critical needs of targeted vulnerable groups in emergency situations. This objective supports USAID's goal of saving lives, reducing suffering, and reestablishing conditions for political and economic development. Given the magnitude and unpredictable nature of most disaster events, OFDA is organized to respond rapidly while remaining flexible and creative in responding to relief and mitigation needs. Emergency programs initiated by OFDA are short-term in nature, and are carried out with the expectation that other USAID offices, such as USAID regional bureaus or the Office of Transition Initiatives (OTI), or other U.S. Government agencies will address medium to long-term rehabilitation and reconstruction needs.

**The USAID Program:** Under the authority of the Foreign Assistance Act of 1961, as amended, the President has designated USAID's Administrator as the Special Coordinator for International Disaster Assistance. The disaster assistance program is implemented through the Office of U.S. Foreign Disaster Assistance (OFDA). International Disaster Assistance funds, obligated and implemented mainly through OFDA, play an important part in U.S. foreign policy by providing humanitarian assistance to victims of crisis and disaster. Prevention, preparedness, emergency response, economic recovery and rehabilitation are all part of a comprehensive effort to mitigate the effects of disasters and reduce vulnerability to future emergencies.

OFDA's management structure includes relief professionals trained to respond to disasters within 24 - 72 hours. The office is also capable of drawing on public and private sector resources while maintaining a staff within OFDA with specific expertise in public health, sanitation, nutrition, shelter, agriculture, social sciences, hydro-meteorology and earth science, to identify needs and coordinate appropriate emergency response and facilitation of information. OFDA also provides disaster assistance response teams (DART), search and rescue teams, health and medical interventions, shelter assistance and water purification units.

OFDA programs frequently include the following activities:

- Provision of emergency commodities and services for immediate health care and nutrition;
- Training of local health care staff in basic hygiene, nutrition and surveillance;
- Provision of potable water and appropriate sanitation facilities to reduce the probability of disease outbreak;
- Increased capability of OFDA, its partners and local and host country governments to provide timely emergency response to disasters;
- Increased capacities to prepare for and mitigate vulnerability in disaster situations;
- Provision of plastic sheeting, tents, blankets and household kits to meet basic shelter and cooking tool needs of targeted vulnerable groups; and
- Emergency provision of seeds, tools, and a seed multiplication and distribution system.

In FY 2003, the Administration requested \$248.5 million. This budget will address the challenges of projected increases in frequency and severity of natural and human-caused emergencies. The onset of a moderate El Nino in late 2002 is already having an affect on climate in some parts of the world, and droughts and flooding are occurring with more frequency and severity. Recent El Nino-related climatic impacts have included drier-than-average conditions over many parts of Indonesia, India, Mexico, Central America and northern South America. Scientists also predict more devastating earthquakes and severe volcanic eruptions. OFDA will continue to organize professional training to strengthen the disaster response, mitigation and preparedness capacities of targeted at-risk countries worldwide. OFDA will also continue to use innovative approaches to strengthen its own capabilities to respond to disasters effectively and efficiently, and to incorporate risk-reduction measures in disaster response programs.

OFDA will strengthen internal capacity by upgrading training for Washington and field staff on new methodologies, systems and tools. A core response team is being trained to respond to potential humanitarian needs in the Persian Gulf. OFDA will strengthen its disaster assistance response teams (DARTs) and its Washington-based response management teams (RMTs) through improved training. The RMT is a multi-disciplinary team of professionals, brought together to respond to disasters and provide support to DARTs in the field. At the same time, OFDA will continue to collaborate with USAID missions, and draw on the resources and expertise of other U.S. Government entities through participating agency services agreements (PASAs) and resource sharing and service agreements (RSSAs) to respond to disasters. In 2002, for example, experts in locusts and grasshoppers from a USAID's Africa Bureau project were assigned to OFDA's food security unit to apply their expertise to emergency agriculture programs. OFDA will strengthen its collaboration with numerous regional and multilateral organizations, including the World Bank, the Caribbean Development Bank and the Organization of American States. OFDA will improve the technical capability of its Technical Assistance Group (TAG) to provide innovative approaches through specialized technical advice to emergency response programming in the face of evolving challenges. The TAG team is composed of specialists who provide scientific and technical expertise to long-term planning and disaster preparedness.

For FY 2004, the Administration has requested \$235,500,000 in International Disaster Assistance for relief, rehabilitation and reconstruction activities carried out by OFDA. These resources will be used to broaden response capability of RMTs and DARTs and to strengthen the Response Alternatives for Technical Services program, established in FY 2000 to enhance OFDA's "surge capacity" by ensuring that additional professional expertise is available, if needed, for immediate field deployment or emergency Washington support. A total of fifty such responders, who are on-call personal service contractors, will be available in FY 2003 and FY 2004.

In addition, OFDA plans to maintain staff in its regional offices in Latin America (San Jose, Costa Rica), Africa (Nairobi, Kenya), and Asia (Manila, Philippines), to continue with improved monitoring of potential crises and to maintain the capability to provide regionally managed disaster response. OFDA's Asia Regional Office will relocate in the spring of 2003 to Bangkok, Thailand, which will provide the staff with optimal travel capabilities and access to regional offices of many international organizations. OFDA is currently conducting a desktop assessment of how best to address coverage in Africa. OFDA expects to establish two additional offices in Africa, one in southern Africa and the other in West Africa.

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

Some major OFDA achievements, responses, and initiatives for FY 2002 include:

-- Afghanistan Complex Emergency. Two decades of war in Afghanistan left the country impoverished and with a widespread humanitarian crisis. A four-year drought compounded the crisis, forcing Afghans to leave their homes in search of food and water following the collapse of coping mechanisms. OFDA's humanitarian assistance totaled \$114.4 million during FY2002, representing the largest program in an overall U.S. Government support effort of \$531.4 million. Over 25 partners, including non-governmental agencies, UN agencies, and international organizations have been engaged in Afghanistan in sectors ranging from health, nutrition, agriculture and sanitation to air transportation, logistics, donor coordination and shelter. The success of OFDA's program in Afghanistan can be partially measured by the fact that widespread famine was averted as a consequence of OFDA initiatives.

-- Angola Complex Emergency. During 2002, the situation in Angola changed dramatically. At the start of the year, military forces of the Angolan Government and those of the National Union for the Total Independence of Angola (UNITA) were engaged in a civil war that disrupted lives and livelihoods throughout the country, with over four million people displaced. The death of Jonas Savimbi, leader of

UNITA, led to the signing of a memorandum of understanding on April 4 between the warring parties, ending 27 years of civil war. In FY 2002, OFDA's total program budget was \$20.6 million, meeting critical needs in selected areas of the Planalto Region. Total assistance to Angola from the U.S. Government in FY 02 amounted to \$122 million. OFDA's program covers key humanitarian sectors including health, nutrition, water, sanitation and coordination. OFDA field presence has been critical in playing a coordinating role among the numerous donors in Angola, but it is time to transition to and focus on development programs there.

-- Sudan Complex Emergency. OFDA programmed \$38.4 million in FY 2002 through 25 partner agencies in several sectors including primary health, nutrition, water and sanitation, food security, logistics and donor coordination. Since 2001, when President Bush appointed USAID Administrator Natsios as Special Humanitarian Coordinator and former U.S. Senator John Danforth as Special Envoy for Peace, the U.S. Government has been at the forefront of sustained peace negotiations between the warring Sudanese parties. This involvement has led to a formal cease-fire agreement for the Nuba Mountains, a negotiated agreement for the cessation of attacks against civilians, established periods of tranquility, and initiation of an international inquiry into slavery in Sudan. U.S. involvement helped create a favorable environment for peace talks under the auspices of the regional Intergovernmental Authority on Development (IGAD) that produced the Machakos Protocol, signed by the Government of Sudan (GOS) and Sudan People's Liberation Army on July 20, 2002. Despite these notable gains, constraints to humanitarian assistance continue. For example, the Sudanese Government has expanded the ban on all flights to Eastern Equatoria, placed new restrictions on flights to the Nuba Mountains, and denied access to 61 specific locations in opposition controlled areas. Also, government aerial attacks against civilians have increased, forcing humanitarian aid organizations to evacuate staff from numerous locations. OFDA and the Africa Bureau continue to provide program support to Sudan in the sectors of health, food, security, education and economic revitalization. Both OFDA and Africa Bureau are also at the forefront with initiatives directly linked to the peace process and reconciliation.

-- Democratic Republic of Congo (DROC) Complex Emergency: Insecurity, lack of infrastructure, and limited access to vulnerable populations continue to hinder humanitarian assistance in DROC. However, important peace initiatives took place during 2002. On July 30, 2002, the presidents of Rwanda and DROC signed a peace agreement in Pretoria, South Africa, and Rwanda pledged to withdraw forces and Nutu militia from the country. On September 6, 2002, the Government of Uganda also signed an agreement to withdraw troops. Most foreign troops (from Angola, Namibia, Rwanda, and Uganda) have withdrawn from DROC during the past year. Insecurity in rural areas persists, restricting access to agricultural land, which results in decreased crop yields that contribute to the food security crisis in DROC. During FY 2002, OFDA provided more than \$26 million (\$22 million for the complex emergency and nearly \$5 million in response to the January, 2002 eruption of Mt. Nyiragongo near Goma). OFDA's emergency assistance has been in the food security and nutrition sectors, in its contributions to market infrastructure rehabilitation, and through support of agricultural programs for war-affected, vulnerable and displaced persons. Projects are targeted in the geographic areas with the highest mortality and malnutrition rates. OFDA also provides grants for local capacity building to promote rebuilding of livelihoods. An important component of the OFDA program is the funding of AirServe International to operate three humanitarian aircraft in areas outside government control. Chronic insecurity and conflict continue to put approximately 20 million people at risk in DROC.

In FY 2002, OFDA responded to 75 declared disasters in 60 countries, involving 59 natural disasters, 13 complex emergencies, and three human-caused emergencies. Civilians continue to bear the brunt of conflicts and natural disasters. During FY 2002, millions of people have been forced to flee their homes and communities, and have lost access to health care, clean water, food, and other basic essentials for survival. These people look to the international humanitarian community for life-saving and life-sustaining support.

Floods made up the largest number of natural disasters in FY 2002 (39%), impacting one of every two countries in which OFDA responded to a disaster declaration. Droughts continued for the fourth year in Central Asia and the Indian Sub-Continent, and this year drought also affected Southern Africa and the Horn of Africa causing significant crop failure, livestock loss and shortage of potable water.

A substantial percentage of OFDA funds address the physical needs of internally displaced populations. The security of IDPs, both physical and legal, generally referred to as protection, has also been provided through OFDA funding but has been limited to the purely physical sorts of protection. Determining the extent to which OFDA can promote the further integration of protection thinking into humanitarian assistance programming, support protection activities that move toward the legal, human rights sort of activities and how and when it would be appropriate to fund stand-alone protection activities for IDPs are issues OFDA hopes to address within the bureau and the agency as a whole.

**Other Program Elements:** OFDA is not the only office within the U.S. Government that provides humanitarian aid to foreign countries. USAID's Office of Food for Peace is responsible for administering P.L. 480, Title II emergency food aid, which is targeted to vulnerable populations suffering from food insecurity as a result of natural disasters, civil conflict, or other crises. USAID's Office of Transition Initiatives provides assistance to countries that are in a stage of transition from crisis to recovery. In FY 2003, a new Office of Conflict Management and Mitigation was established in the DCHA Bureau to respond to conflict situation. Equally important to OFDA is collaboration with other parts of USAID such as the regional bureaus and field missions, which provide development aid to foreign countries. Development aid and disaster assistance often work together. Countries that have achieved sustainable development are often less likely to require massive U.S. humanitarian assistance after a crisis. Three of the biggest providers of U.S. Government humanitarian assistance are the U.S. Department of Agriculture, the U.S. Department of State's Bureau for Population, Refugees and Migration, and the U.S. Department of Defense's Office for Peacekeeping and Humanitarian Affairs.

**Other Donors:** OFDA collaborates closely with other donors in the international relief community. This is important both to coordinate programs and share the burden of relief costs. For example, all international donors attended a pledging conference in Tokyo in 2002 to coordinate assistance to Afghanistan. Over \$1 billion was pledged at this meeting. U.S. PVOs are essential partners who play a key role in raising resources, providing humanitarian assistance, and implementing relief programs. OFDA's partnership with U.S. PVOs and non-governmental organizations include support for mechanisms to facilitate the exchange of information among international partners and to prevent duplication of effort.

**International Disaster Assistance  
Office of Foreign Disaster Assistance  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                    | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| International Disaster Assistance (a)       | 164,637           | 235,500           | 285,500                  | 235,500            |
| Emergency Response Fund (b)                 |                   | 146,000           |                          |                    |
| Supplemental (c)                            | 134,703           | 40,000            |                          |                    |
| Child Survival and Health Programs Fund (d) | 1,886             | 0                 | 0                        | 0                  |
| Development Assistance (d)                  | 17,000            | 0                 | 0                        | 0                  |
| <b>Total Program Funds</b>                  | <b>318,226</b>    | <b>421,500</b>    | <b>285,500</b>           | <b>235,500</b>     |

**STRATEGIC OBJECTIVE SUMMARY**

| 961-001 Critical needs met of targeted vulnerable groups on emergency situations. |         |         |         |         |
|---|---------|---------|---------|---------|
| IDA   | 164,637 | 235,500 | 285,500 | 235,500 |
| CSH   | 1,886   | 0       | 0       | 0       |
| DA  | 17,000  | 0       | 0       | 0       |

- {a} FY 2003 International Disaster Assistance (IDA) includes a \$50 million budget amendment for West Bank Gaza.
- {b} FY 2002 Emergency Response Fund for Afghanistan of which \$50 million was managed by ANE and other bureaus.
- {c} FY 2001 Supplemental for Southern Africa Floods; FY 2002 Supplemental for Afghanistan reconstruction of which \$7 million was provided to OFDA.
- {d} FY 2001 DA & CSH funds were transferred to OFDA under FAA section 492(b) authority.

## Private and Voluntary Cooperation

**The Development Challenge:** USAID and U.S. private voluntary organizations (PVOs) recognize that sustainable development, poverty reduction, and economic benefits to vulnerable or marginalized populations are much more likely to occur in areas where local non-government organizations (NGOs) are strong and supported by viable, sector-wide institutions. Reflecting this view, local NGOs and cooperatives have become increasingly important as development partners. Their growing role rests on three factors: their ability to deliver services to local constituencies; the link they provide between the constituencies they serve and local government and the private sector; and when democratic transitions falter and conflict emerges, their ability to help stabilize the situation and address the conditions that exacerbate conflict.

While the potential for local NGOs to contribute to civil society and national development is strong, considerable challenges confront them and limit their potential. Many such organizations are constrained by financial, managerial, and technical limitations that restrict their ability to improve or expand services. They are undermined by weak or hostile legal and regulatory environments and, because of their small size and inability to coordinate actions, are limited in their ability to exercise influence at the local and national levels.

The growing local NGO community is more than a series of discrete organizations acting in isolation. There is an obvious need to build linkages among local organizations by connecting them to durable networks and support organizations that: provide a locus for problem solving and group action; build stronger relationships with local and regional government agencies; and increase their ability to form alliances with the business community.

The worldwide growth of local NGOs and the need to strengthen their capacity to deliver services is widely recognized and supported by the U.S. PVO community. The growth of the NGO community is paralleled by a shift in the role of U.S. PVOs and increased reliance on local NGOs as primary service delivery partners. As U.S. PVOs redefine their role to support the capacity-strengthening needs of local NGOs, cooperatives, local governments, and rural institutions, they have indicated that local organizations are relatively inexperienced in program implementation and are often financially insecure. They need a great deal more assistance in using performance data to manage program implementation more effectively and measuring the effects and impact of programs, using state-of-the-art technical approaches, and developing management and planning skills.

The challenge is to create a more vibrant NGO sector at the local level. USAID's Office of Private and Voluntary Cooperation (PVC) and the U.S. PVO community will need to develop and implement a program that:

- strengthens existing NGO networks and intermediate support organizations that link individual NGOs and foster self-reliance and problem solving;
- builds bridges between local organizations and local governments;
- creates opportunities for local business to make parallel investments in NGO development actions;
- addresses the need for reform of the legal and regulatory environment that hinders the formation and operations of local organizations;
- uses the best practices and program guidance gained from the PVC office's experience in strengthening the U.S. PVO community;
- increases analysis - with special emphasis on interventions and program responses to pre-conflict situations - that examines issues, identifies warning signals, and forecasts trends that affect local organizations' ability to deliver services; and



-- promotes the development of a uniform USAID strategy for strengthening the capacity of local NGOs and community organizations in terms of pre- and post-conflict situations and humanitarian response in times of disaster.

**The USAID Program:** Historically, Congress and USAID have recognized the potential of U.S. PVOs and cooperative development organizations (CDOs) to contribute human, technical, and financial resources to the resolution of development problems overseas. The PVC office's primary objectives are to strengthen U.S. PVOs' and cooperatives' capacity to carry out development programs in a wide variety of sectors, including economic growth, health, and civil society, and to use these voluntary organizations' strengths and skills to develop programs to increase local NGOs' ability to provide better services to their constituencies.

As a result of the recent Agency-wide reorganization, several PVC grant programs - Child Survival, Farmer to Farmer, Development Education and the Victims of Torture Program - were transferred to other USAID/Washington offices. At the same time, the Peace Corps Small Grant Program was transferred to PVC.

Currently, the PVC Office manages three competitive grant programs: Matching Grants; Cooperative Development; and the NGO Strengthening Program. These grants fund individual PVOs and CDOs to carry out development programs in countries where the United States has strategic interests. The grants contain a cost-sharing requirement to leverage additional private resources for development activities and are implemented with a variety of local partners, including local NGOs, cooperatives, networks, local governments, and businesses.

The PVC Office also manages two specialized programs: the competitive Ocean Freight Reimbursement program, which provides U.S. PVOs with a means to ship supplies to country programs, and the Denton Program, a non-competitive initiative that enables private groups to ship development and humanitarian supplies to overseas recipients using military transportation on a space-available basis.

FY 2003 funds will be used to implement a new objective that will enhance the capacity of local NGOs to deliver development services in select USAID-assisted countries. Funds will also be used for ongoing programs that build the capacity of U.S. PVOs.

**Other Program Elements:** In addition to the development programs described, the PVC Office administers the Agency's PVO Registration Program and serves as the Secretariat for the U.S. Advisory Committee on Voluntary Foreign Aid, a group that advises the USAID Administrator on issues and challenges affecting the relationship between U.S. foreign assistance efforts and the work of the private voluntary community. While the PVC Office is the PVOs gateway to the Agency, other Washington bureaus and field missions partner with these organizations in carrying out USAID programs around the world.

**Other Donors:** The United States is a leader among donors in supporting PVOs, CDOs, and NGOs. Other donors that support these voluntary organizations include multilateral development banks, multilateral agencies (e.g., the United National Development Program), the European Community, and bilateral donors. The PVC Office coordinates with the NGO liaison units of the multilateral development banks and has worked closely with Japan on expanding the role of voluntary organizations in its development activities. The PVC Office also promotes expanded relationships between PVOs and CDOs and private sources of development funding in the United States.

**Office of Private and Voluntary Cooperation  
PROGRAM SUMMARY**

(in thousands of dollars)

| <b>Accounts</b>                         | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|---|---------------------------|---------------------------|----------------------------------|----------------------------|
| Child Survival and Health Programs Fund | 27,435                    | 23,843                    | 21,833                           | 200                        |
| Development Assistance                  | 28,123                    | 27,163                    | 32,488                           | 23,782                     |
| <b>Total Program Funds</b>              | <b>55,558</b>             | <b>51,006</b>             | <b>54,321</b>                    | <b>23,982</b>              |

**STRATEGIC OBJECTIVE SUMMARY**

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>963-001 Capabilities of U.S. PVOs increased</b> |        |        |        |        |
| CSH  | 27,435 | 23,843 | 21,833 | 200    |
| DA   | 28,123 | 27,163 | 21,924 | 7,982  |
| <b>963-002 Local NGO Capacity Enhanced</b>         |        |        |        |        |
| DA   | 0      | 0      | 10,564 | 15,800 |

## Transition Initiatives

**The Development Challenge:** The late 1980s and early 1990s was a period of dramatic change. Countries all over the globe underwent transitions: transitions from autocratic to democratic rule, transitions from war to peace, and, unfortunately, transitions away from democracy and from peace to war. It quickly became apparent that these transitions were particularly sensitive; choices made during these periods had enormous influence on a country's future—for good or ill. However it also became quickly apparent that traditional forms of humanitarian aid and development assistance were not suited to these periods of transition. Instead, there was a need for a mechanism that retained the responsiveness and flexibility of humanitarian response, but focused on advancing democratic governance and managing conflict within highly charged and highly fluid transitional environments.

In 1994, USAID created the Office of Transition Initiatives (OTI) as a new tool for this new era. Since then OTI has operated in 25 diverse transitional settings worldwide, and this accumulated experience has confirmed the initial premise that transitions are times when ways of governing have been discredited, but there is no agreement on what is to take their place. In these extraordinarily fluid times, it is indeed possible to reshape a society socially, economically, and politically. And in transitions from Serbia to East Timor to Sierra Leone, OTI has demonstrated that modest amounts of targeted transitional programming can leverage profound political and social change.

The benefits of transitional assistance are not automatic, however. Transitions are highly politicized and frequently unstable as major groups within the country jockey to shape the emerging regime. With so much that is unsettled, the dominant social concerns are short term: personal security, the basic needs of shelter, food and water, and immediate political aims. Successfully operating in these environments requires orientations, activities and modalities that differ from those adapted to the more stable environments where long-term, sustainable development is possible. Programmatic flexibility is central. The currents within a transition are often unpredictable, revealing both unexpected opportunities to advance democracy and peace and unforeseen threats. Responding appropriately requires financial resources and implementation mechanisms that can be readily redirected, and program staff who are sensitive to the operating environment, willing to take risks and empowered to make needed programmatic adjustments. Another key is to identify activities that have rapid, visible impact. In uncertain transitional periods, the population is hungry for assurance that democracy or peace is worth the risks, and they are not willing to wait months or years for that sign. Thus activities that provide transition dividends—or publicize them—are vital for sustaining the momentum for positive change.

**The USAID Program:** While OTI has worked in a diverse range of transition settings, its programs tend to fall into one of three operating environments. Even though each OTI program is designed specifically around the needs of the transition underway in a particular country, the three categories provide a useful means for thinking about the political and social environment and the types of activities that are best suited to each.

**Transitions to Democracy:** Transitions to democracy occur when a seminal event, typically an election, ushers in a democratic government after a long period of military or autocratic rule and offers the opportunity to sustain support for democracy until economic and social reforms can take hold. In Haiti, Kosovo, and East Timor, OTI addressed citizens' pressing needs and began the process of creating and strengthening democratic institutions. In East Timor, for example, OTI's Transitional Employment Program (TEP) injected critical financial resources into devastated communities to jumpstart the economy, providing East Timorese tangible results of the reconstruction and development process. In fragile democracies, such as in Nigeria, Indonesia, and Peru, OTI's programs often focus on establishing civilian control over the country's armed forces, educating democratically elected officials, and supporting the development of a free press. For example, in Peru, OTI provided support to the media, civil society, and the Peruvian Congress to facilitate higher civilian involvement in defense and security issues.

**Transitions to Peace:** Transitions to peace are openings that signal movement away from conflict and instability toward more stable, democratic governance. Typically, a window is a constitutive settlement,

broadly defined as an agreement among political actors on how to move forward. The settlement may take the form of a peace agreement, an accord, or a new constitution. In these situations, OTI works to strengthen the chances of an agreement's success by identifying and addressing critical bottlenecks to it, and by increasing civil society's involvement in the negotiation process. Typical activities involve supporting forums and conferences organized for NGOs to discuss and provide input to the peace process, and providing technical assistance to the development of national peace-building plans. In Sierra Leone, for example, an OTI grantee conducted consultative forums in all areas under government control and played a key role in peace-building efforts after the May 2000 setback. OTI also promotes a culture of peace and reconciliation through media campaigns and programs to ensure accurate and balanced reporting; establishes "safe spaces" where members of diverse communities can discuss or address problems of common concern; builds the capacity of local communities to manage their own conflicts; and works with local partners to resolve specific conflicts through facilitated workshops and joint problem solving. Other OTI programs targeted at transitions to peace include Indonesia, Kosovo, Macedonia, Congo and Burundi.

In several instances of supporting transition to peace, OTI was asked to establish a presence in a country that did not yet have a USAID mission. For example, OTI entered East Timor on the heels of the retreating Indonesian militia and before the USAID mission established an on-the-ground presence. OTI's ability to demonstrate a U.S. Government commitment can be enormously useful to USAID and the U.S. Government. In the East Timor case, OTI worked with local communities to repair needed infrastructure and provide economic incentives to the population. To the East Timorese, OTI was the welcome face of the U.S. Government.

**Transitional Political Crisis:** A third scenario for OTI intervention involves a political crisis in which a transition has first stalled and then begun to unravel. In this scenario, OTI sees the potential to prevent or mitigate what could turn into violent conflict by shoring up democratic institutions and supporting the momentum for positive, political change. OTI typically achieves this objective by supporting forums and public meetings at which key issues can be debated. For example, Zimbabwe's President precipitated a political crisis in early 2000 by seeking to amend the constitution in order to strengthen the power of the executive and undermine due process and the rule of law. OTI established a program to respond to the crisis that successfully supported civil society's opposition to the constitutional changes. Since then, OTI has continued to work with civil society and independent media to prevent even further erosion of democracy in Zimbabwe. Similarly, in Venezuela, OTI's program is intended to provide an opportunity for a society sharply divided over fundamental issues to discuss their differences in neutral space.

OTI has found that responding to transitional political crises poses particular challenges. Unlike transitions to democracy or from war to peace, there is frequently no discernable event—a peace accord or an election—to mark the start of a political crisis. Moreover, not every political crisis is serious enough to warrant OTI's involvement. This places an extra burden on OTI in collaboration with regional bureaus and field missions to determine when a transitional crisis has begun and how OTI can best respond.

**Other Program Elements:** OTI works closely with the Agency's geographic bureaus and field missions to coordinate objectives and activities that support a country's transition. In East Timor, for example, OTI's program laid the foundation upon which the new mission is building. In Afghanistan, OTI is an integral part of the Agency's program, along with the ANE bureau and OFDA. OTI's contributions have resulted in the transfer of funds from the geographic bureaus and field missions to OTI to carry out activities in two new country programs, Angola and Sri Lanka. OTI's program in Zimbabwe is funded mostly by economic support funds from the Department of State.

**Other Donors:** OTI makes an effort to coordinate its programs with other in-country bilateral or multi-lateral donors. In Afghanistan, OTI has a memo of understanding with the Japanese aid agency (JICA) and the United National Development Program (UNDP) to collaborate. In Aceh, Indonesia, OTI attended the multi-donor conference and, as a result, was able to complement others' activities. In the Balkans (Serbia and Montenegro and Macedonia), OTI worked with the European Union (EU) and The World Bank on programs to support transition initiatives.

**Office of Transition Initiatives  
PROGRAM SUMMARY**

(in thousands of dollars)

| <b>Accounts</b>            | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|----------------------------|---------------------------|---------------------------|----------------------------------|----------------------------|
| Transition Initiatives     | 49,890                    | 50,000                    | 55,000                           | 55,000                     |
| <b>Total Program Funds</b> | <b>49,890</b>             | <b>50,000</b>             | <b>55,000</b>                    | <b>55,000</b>              |

**STRATEGIC OBJECTIVE SUMMARY**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| 965-001 Political transactions successfully advanced in priority, conflict-prone countries. |        |        |        |        |
| TI  | 49,890 | 50,000 | 55,000 | 55,000 |

Note: Table excludes \$20 million in FY01 and \$25 million in FY02 of funds managed by OTI from other sources as well as \$15.5 million FY01 and \$5.1 million FY02 of Economic Support Funds (ESF). See summary tables volume for additional funds managed by OTI.

## **BUREAU FOR ECONOMIC GROWTH, AGRICULTURE AND TRADE**

The Bureau for Economic Growth, Agriculture, and Trade (EGAT) was constituted as one of the Agency's three new technical "pillar" bureaus in August 2001. As the Bureau was organized throughout FY 2002, each Office in the new EGAT was assigned lead responsibility for technical leadership and field support in a given program area: economic growth, poverty reduction, development credit, agriculture, environment and science policy, natural resource management, energy and information technology, urban development, and women in development. Technical staff from regional bureaus were reassigned to the EGAT Bureau to encourage greater synergy among programs in different regions and to deepen the Agency's expertise in priority areas. This structure enables EGAT to take the lead for the Agency and the Administration in meeting a broad range of development challenges and to provide coordinated support for mission programs around the world.

FY 2002 was a banner year for global debate on the issues of trade, financing for development, hunger and food security, and sustainable development. In addition, the G-8 took on a number of development concerns – education, African development, the digital divide – and special events – the U.N. General Assembly on Children, the Education for All meetings, various OECD forums – focused the attention of senior leaders in the United States on development issues. Finally, the famine in sub-Saharan Africa and the coffee crisis in Latin America underscored the devastating impacts that global forces can have on the livelihoods of poor people.

EGAT staff helped shape the agendas for each of the major conferences and meetings; coordinated USAID participation – often through an interagency process – in these events; drafted action plans for Agency implementation of the Presidential initiatives associated with many of the events; and assumed responsibility for managing and monitoring outcomes of these initiatives. To illustrate:

The World Trade Organization (WTO) Ministerial meeting in Doha, Qatar, in November, 2002, set out a new trade negotiation agenda – and resulted in agreement that the developed countries would pay attention to enhancing the ability of developing countries to participate successfully in global trade. EGAT coordinated the process of assessing the USG support for what is now called "trade capacity-building" and providing this information in a readable report. This report helped persuade developing countries that the United States was focused on their trade-related issues and willing to support their efforts to increase trade. EGAT staff subsequently drafted a Trade and Investment Strategy for the Agency, developed closer relationships with the U.S. Trade Representative's Office to ensure coordination of development assistance and trade negotiation processes. Staff worked with both U.N. agencies and a number of Least Developed Countries to begin the process of boosting their export capabilities and opening up their trading systems more generally.

At the International Financing for Development Conference at Monterrey, Mexico, in March, 2002 (check date), President Bush's welcome announcement of the Millennium Challenge Account (MCA) reinforced the major theme of the conference: that it is domestic and foreign private capital that fuels growth and that the governance structures, business climates, and transparent financial systems in developing countries are critical to ensuring that such capital is available. USAID's efforts in promoting good governance, favorable environments for business investments, and functioning financial systems that reach down to the poor (e.g., through microfinance) were recognized. EGAT's mandate includes continued support for these programs worldwide.

The five-year anniversary of the World Food Summit, held in Rome in June, 2002, renewed the United States' commitment to reducing hunger through increasing agricultural productivity, ending famine, and improving nutrition, particularly in Africa. EGAT staff supported the inter-agency process to develop this commitment and are providing the technical expertise needed to realize these objectives in programs around the world.

Finally, the World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa, September, 2002, concluded a year of debate and dialogue on issues of economic growth, agriculture, and trade by highlighting the environmental factors that must be addressed to assure sustainability of the global economic growth. EGAT participation enabled the U.S. delegation to draw on the implementation experiences of USAID in defining a proactive way forward, laid out in the Presidential Signature Initiatives on Water, Clean Energy, and Ending Hunger in Africa.

To manage these programs, EGAT is working with both its traditional partners as well as new partners in the private sector. Through EGAT contracting mechanisms, traditional service providers offer field missions and regional bureaus technical knowledge based on long experience. As part of the Global Development Alliance (GDA), new private sector partners are also bringing a new perspective and additional resources to EGAT's development work. Specific areas for such public-private partnerships include forestry, water, coffee, basic education, and urban infrastructure development.

EGAT plays the critical role of linking Administration policies and initiatives with the field. EGAT manages a portfolio of contracts and grants to provide Missions and regional bureaus rapid access to cutting edge technical assistance. EGAT strengthens the capability of our field missions to work collaboratively with governments, entrepreneurs, investors, traders, scientists, farmers, parents and community groups. EGAT stimulates cross-sectoral thinking that sheds more light on old issues; promotes increased collaboration with other USG, international organizations, and private sector partners; and focuses on those actions that can make a difference.

In FY 2003 and FY 2004, the Bureau will program \$147.4 million and \$149.7 million, respectively. These funds will be used for innovative research, formation of worldwide partnerships, development and testing of project implementation concepts and tools, and direct provision of technical expertise and training. Through these activities, EGAT will provide the foundation for effective Agency assistance programs in more than 70 countries.

EGAT's new structure and team approach will promote synergies across sectors and disciplines. New strategic frameworks are being developed to reflect this approach. During this period of transition, however, there is no longer a one-to-one relationship between Strategic Objectives (SOs) and management units (i.e., offices). Multiple offices may have joint responsibility for an individual SO. For example, the Office of Environment and Science Policy (ESP) manages activities, which support agriculture and natural resource management (NRM) strategic objectives. In addition, individual SOs receive funds from more than one funding code. As an example, Women in Development SOs are supported by education, economic growth, and trafficking resources. The Data Sheets that follow include activities that have management input by more than one office.

## **EGAT Bureau Offices**

### **Economic Growth Office**

**The Development Challenge:** Approximately 1.3 billion people live in abject poverty. More than 800 million people, mostly women and children, go to bed hungry every night. Economic growth can translate into overall improvements in the economic and social well being of people in developing countries. Better incomes result in increased food consumption and, often, diets of better quality; greater opportunities for micro and small enterprises to flourish; and significant contributions to improvements in health, education, mortality and morbidity rates. Trade and investment are the principal mechanisms through which global market forces spur economic growth.

Although the share of developing countries in world trade and global foreign investment is increasing, the 49 poorest countries in the world account for only 0.5% and 0.3% of world trade

and investment respectively. Some countries are clearly being left behind. Faster economic growth is essential to achieving the international development goal of reducing by one half the proportion of people living on \$1 a day by 2015.

**The USAID Program:** The United States forcefully renewed its commitment to promoting economic growth in the developing world at the World Trade Organization Ministerial in Doha, Qatar and at the International Financing for Development Conference at Monterrey, Mexico. Trade, investment and governance were identified as keys to economic growth.

USAID invests approximately \$2.3 billion a year in economic growth activities. The EGAT Office of Economic Growth (EGAT/EG) provides leadership and technical support to all USAID economic growth programs around the world. EGAT/EG financial and personnel resources are focused on meeting the needs and concerns of USAID field missions and developing countries through implementing programs to build or strengthen the policy, legal and institutional underpinnings required for USAID-assisted countries to achieve open and competitive economies. EGAT/EG also serves as the lead technical office for USAID follow-up to trade capacity building commitments made at Doha and the development framework laid out at Monterrey.

EGAT/EG's objective concentrates on promoting open and competitive economies. FY 2003 funds will be used to implement programs to: 1) enhance the capacity to participate in, and benefit from, global trade and investment; 2) Improve macro-economic stability and public governance to foster favorable business environments; and 3) enhance private sector capacity to respond to opportunities in the global marketplace. The specific activities to be funded by FY 2004 requested appropriations is described in more detail in the data sheet.

**Other Program Elements:** USAID field missions buy-in to EGAT mechanisms and services.

**Other Donors:** EGAT/EG collaborates with and helps finance the Integrated Framework for Trade-Related Technical Assistance to Less Developed Countries, which incorporates international trade into country development strategies. EGAT/EG also has international organizational agreements with the World Trade Organization and the World Bank, which follow up on investment and finance-related issues emerging in the post-Doha/Monterrey environment. EGAT/EG also collaborates closely with a wide range of bilateral donors in strengthening trade capacities overseas.

#### **Poverty Reduction Office**

**The Development Challenge:** Poverty reduction must go hand and hand with economic growth. Economic growth is key to reducing this acute level of poverty. Improved household incomes provide poorer families with the purchasing power they need to improve their health and education, put food on the table and provide shelter for family members. Access to jobs and income allow families to create the assets they need to sustain improved livelihoods and keep the family from slipping back into poverty during difficult times.

Economic growth alone, however, will not be sufficient to achieve improvements in the lives of the world's poor. Only if the poor can participate equally in growth in new jobs and income will the Millennium Development Goal of reducing poverty by half by 2015 be reached. Poor families will have to increase their per capita income from 3-5 percent per year to achieve this goal. To assure the poor are not left behind in a broader growth process, pro-poor interventions will be needed. Such interventions include expansion of microenterprise development and microfinance programs, increased availability of more productive agricultural technologies to the rural poor, land and property ownership reforms that increase poor peoples' access to assets, and the development of sustainable and affordable safety nets for food, housing, and other basic needs.



Enactment of the Microenterprise for Self-Reliance Act of 2000 confirmed the role of microenterprise in the U.S. foreign assistance programs and emphasized its links to poverty alleviation, growth and competitiveness.

**The USAID Program:** EGAT's Office of Poverty Reduction (EGAT/PR) seeks to ensure that markets work for the poor and that the poor are empowered to participate fully in community and national economic life. EGAT/PR's program assists USAID field missions design economic policies and programs that are both growth oriented and directly benefit the poor. The Office helps to develop mechanisms that protect the poor from major natural and economic shocks and expand the poor's access to business development and financial services markets to improve incomes and build assets. The Office will continue work in microenterprise development to expand the availability of business and financial services to poorer entrepreneurs. It will also undertake poverty analysis to build understanding and support missions' efforts to grapple with the multiple dimensions of poverty.

EGAT/PR's strategic objective concentrates on expanding access to economic opportunities for the poor. EGAT/PR depends upon USAID regional bureaus for much of its annual funding. For example, in FY 2003 EGAT/PR estimates that it will manage \$20.3 million in USAID regional funds in support of microenterprise development activities. It will use FY 2003 core and regional bureau funding, totaling \$26.1 million, to continue its competitive grants and research program, expand its technical and financial commitment to improve and expand field programs. EGAT/PR will also begin implementation of a new knowledge management system and fund the start-up of the Poverty Analysis and Social Safety Net Team.

EGAT/PR plans to use FY 2004 resources, totaling \$4.8 million in core funds and \$20.1 million in regional bureau financing, to expand agency-wide investments in microenterprise development from the current level of \$155 million to \$200 million per year. The goal will require a partial shift in EGAT/PR focus from research and pilot testing to working more closely with USAID field missions to identify and flesh out new investment opportunities, improve staff skills to design and implement more effective microenterprise development investments. Activities will also increase the flow of practical knowledge to field staff and their partners to improve the day-to-day management of microenterprise development programs.

The specific activities to be funded by FY 2004 appropriations are described in more detail in the data sheet.

**Other Program Elements:** USAID field missions buy-in to EGAT mechanisms and services.

**Other Donors:** Almost all donors have poverty reduction as a key component of their programs. The Poverty Reduction Strategy Paper (PRSP) process managed by the World Bank and the International Monetary Fund provides a funding framework and serves as a focal point for coordinating poverty investment activities in many USAID countries.

At the international level, 29 bilateral and multilateral donors are engaged in funding pro-poor microbusiness and financial services around the world. USAID has been instrumental in organizing these donors to finance a multi-donor funding and coordination mechanism, the Consultative Group to Assist the Poorest (CGAP), which is housed in the World Bank. In part, CGAP supports the analysis and training needed to improve donor microfinance policy, build staff capacity and improve investment performance within member organizations.

USAID has also been very active in supporting and leading the Donors' Committee on Small Enterprise Development, which serves as a catalyst and coordinating mechanism for donors involved in advancing business development services delivery and improving the policy environment for small and micro-enterprises. In addition to these public sector donors, the Office works closely with a number of private foundations - the Ford Foundation, the Soros Foundation

and the Eurasia Foundation - to develop and test new policy and approaches to improving the access that the poor have to markets and financing.

### **Development Credit (DCA) Office**

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

**The USAID Program:** The United States has comparative expertise in the role of financial mediator. A combination of grant-financed training and technical assistance supported by true risk-sharing DCA guarantees is a powerful tool for change. Experience has shown that true risk-sharing guarantees supported by carefully focused technical assistance can effectively address the historical, cultural, and other credit market imperfections that block the effective use of local capital

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

DCA is not a separate program requiring additional appropriations. Rather, it is an alternative use of existing appropriations. Subject to an annual Congressional ceiling, funding from other USAID-managed accounts can be transferred to the DCA account and used to pay for the costs of more disciplined, less costly credit assistance. DCA augments grant assistance by mobilizing private capital in developing countries for sustainable development projects, thereby supporting the capacity of host countries to finance their own development.

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

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

As such, DCA correlates strongly with the Agency's newly articulated operational pillars. Insofar as it both supports the private sector and requires partnership with private enterprise using its own capital, DCA is by definition an example of the Global Development Alliance in action. Furthermore, while DCA can support any sector with adequate cost-recovery potential, experience has shown that it is especially effective in stimulating economic growth and agricultural development. For instance, DCA has been used to channel the local currency equivalent of \$3.7 million in loan capital to agribusiness lending in Mali, and the local currency equivalent of \$2 million to small mid-sized enterprises in Peru to support the use of clean and efficient energy technology. DCA has also proven useful in promoting global health by directing

local capital to finance potable water and sanitation systems for poor people in Honduras, Morocco, and South Africa.

Since the inception of DCA in 1998, a total of twenty-two projects in fourteen countries have been approved. These projects established a credit portfolio of \$308 million in local currencies at a credit subsidy cost to the Agency of \$8.9 million. The contingent liability of the existing DCA portfolio amounts to \$114 million.

For FY 2004 USAID is requesting \$8 million in directly appropriated funding for credit administrative expenses and \$21 million in transfer authority for DCA credit subsidy.

| <b>Development Credit</b>              | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Planned</b> | <b>FY 2004<br/>Request</b> |
|--|---------------------------|----------------------------|----------------------------|
| <b>Credit Subsidy</b>                  |                           |                            |                            |
| Transfer authority for DCA             | [3,320,000]               |                            | [21,000,000]               |
| Unused FY02 Transfer Authority for DCA | -                         | [15,200,000]               | -                          |
| Appropriation for DCA Program          | 1,400,000                 | -                          | -                          |
| Appropriation for MSED Program         | 1,100,000                 | -                          | -                          |
| <b>Administrative Expenses</b>         |                           |                            |                            |
| Appropriation for DCA                  | 6,000,000                 | 7,500,000                  | 8,000,000                  |
| Appropriation for MSED Program         | 132,000                   |                            |                            |

To conform with the Federal Credit Reform Act of 1992, the \$8 million appropriation request for credit administrative expenses reflects the total cost of the development, implementation and financial management of all Agency credit programs, including certain costs previously funded by the Agency OE appropriation. It will fund 26 full-time direct hire staff associated with management and oversight of new DCA activities and the continued administration of existing credit portfolios which amount to more than \$15 billion. In addition to providing direct support to field missions, it also includes funding for legal support, financial and accounting services.

The DCA transfer authority will be used to guarantee loans and loan portfolios worldwide and in every economic sector targeted by USAID. In FY 2004, the Agency will commit \$15 million transfer authority to support the Presidential Water Initiative and \$6 million to support activities such as bond financing, micro-small and medium enterprise (MSME) development, competitive financial services, and creative municipal financing and clean energy. Activities funded through DCA add value to the Agency's overall efforts by:

- **Demonstrating** to financial institutions in developing countries that mobilizing local private capital to fund activities in their own countries leads to profitable, worthy ventures;
- **Creating Competitive Markets** by providing local financial institutions with incentives to engage in providing financial services to historically disadvantaged groups and all viable economic sectors;
- **Improving Policies and Increasing Transparency** within financial institutions and the legal framework guiding those organizations;
- **Establishing Efficient Credit Markets** by helping institutions develop business plans, revise credit policies and train staff properly; and
- **Increasing Employment** through increased lending to MSMEs and spillover effects into related and peripheral sectors.

**Other Program Elements:** USAID field missions actively participate in establishing credit facilities.

**Other Donors:** None

## **Agriculture Office**

**The Development Challenge:** It is estimated that more than two billion children will be born over the next twenty years, and more than 95% of them will live in the developing world. To provide diets adequate for a healthy and active population, agricultural producers in developing countries must be able to more than double the current productivity of their land, labor and water resources. But agricultural producers cannot do this alone. Science, training, credit, infrastructure, and external investments must all come together to achieve the needed agricultural transformation. Also, increased integration into global markets is critical for developing and transition countries. Not only will such integration contribute to making available new production and processing technologies, but it will also expand the opportunities for developing country agricultural producers and rural industries to market higher value crops and products competitively and profitably to a broader range of consumers.

Poverty reduction and food security are basic to alleviating hunger, and the vast majority of developing and transitional countries depend on agriculture for food supplies and for generating economic growth opportunities. The key challenge for partner countries is to assure that the agricultural sector constitutes a sustainable economic base to achieve food security and economic growth. Additionally, partner countries must undertake efforts to assure that nutritionally adequate food supplies are available and affordable to their populations. To meet these challenges, EGAT's Office of Agriculture (EGAT/AG) implements programs that develop and expand the application of science and technology and market enhancing policies to address food and agricultural problems that face the world over the next decade.

**The USAID Program:** EGAT/AG provides leadership and technical support to all USAID agricultural programs worldwide. Its financial and personnel resources are focused on meeting the needs and concerns of USAID field missions and developing countries through implementing programs that are organized around three major themes and a special initiative. These include: 1) Agriculture and Rural Policy and Governance; 2) Agricultural Technology Generation and Outreach; 3) Agribusiness and Markets; and 4) Collaborative, Development-Related Research involving Israeli, Arab, and Developing-Country Institutions.

EGAT/AG will pursue USAID priorities in agriculture for curtailing hunger, promoting economic growth, and rebuilding USAID's agricultural programs worldwide. It will also facilitate USAID's and field missions' ability to develop and implement U.S. Government agricultural sector initiatives announced at the World Food Summit – ending famine, improving nutrition and increasing agricultural productivity – and the Presidential Initiative to End Hunger in Africa: A Second Green Revolution.

USAID is requesting FY 2004 funds for two objectives. One objective concentrates on the use of science and technology to improve agricultural productivity, natural resource management, markets, and human nutrition. The other special objective promotes increased scientific and technical cooperation in agriculture, environment, health, and other technical fields among Middle Eastern countries, developing countries, and the U.S. by fostering productive, developmentally relevant professional relationships among scientists. The specific activities to be funded by FY 2004 appropriations are described in more detail in the data sheets.

**Other Program Elements:** USAID field missions buy-in to EGAT mechanisms and services.

**Other Donors:** The EGAT/AG program collaborates with other donors to ensure dialogue on strategic approaches and policy coherence for agricultural development programs and other issues related to food security and poverty reduction efforts. EGAT/AG maintains dialogue with the key organizations under the UN umbrella, particularly FAO, International Fund for Agricultural Development, and the World Food Program, and provides input during program development and review. This past year consultations with the European Union and other donors were conducted during the preparations for and participation in the World Food Summit and the World Summit for

Sustainable Development. Bilateral consultations with other donors are also undertaken when the need and opportunity arises.

### **Environment and Science Policy Office**

**The Development Challenge:** In this world of science and technological innovations, developing and transitional countries are at a disadvantage. Much of the innovation and research takes place in developed countries and results are not communicated well to the rest of the world. As a result, developing and transitional countries often remain unaware of the innovations that could help them to achieve their development goals. They are unable to participate in international fora and take advantage of opportunities to help themselves. For that to occur, scientific capacity in developing countries must be significantly strengthened.

The USAID has an interest in assisting developing and transitional countries to acquire science and technical innovation to participate both in the range of multilateral fora and to work with multilaterally supported institutions. Having acquired this knowledge they can take advantage of opportunities to find new solutions to development problems, particularly in the areas of agriculture and environment.

**The USAID Program:** On behalf of the U.S. government, USAID provides assistance to multilateral institutions and assistance to developing and transitional countries to promote the sustainable use of natural resources and protect the environment, public health, the status of indigenous and local communities and to increase agricultural productivity. USAID also seeks to link extensive U.S. agriculture and environment science communities with policy and decision-makers and scientists around the world. The Agency seeks to advance U.S. multilateral policy through programs that ensure those issues such as environmental sustainability, community participation, and the responsible use of sound science and technological innovations re applied.

The EGAT Office of Environment and Science Policy (EGAT/ESP) was created to provide leadership to three specific areas that include science and technological innovation— multilateral policy, biotechnology and agricultural research and climate change. The office coordinates USAID efforts to implement an international agenda on environmental, agricultural and natural resource issue within the larger international science and technology context. EGAT/ESP programs are implemented through three closely linked teams:

- The Multilateral Policy and Conventions Team works across USAID and with USG partners, civil society groups, and international organizations to pursue consistent approaches to protecting the environment and improving public health both multilaterally and within USAID programs.
- The International Research and Biotechnology Team assures oversight of the agriculture, natural resource management and environmental research portfolios and enhances the prospects for improving food security, protecting the environment, and reducing poverty by the use of agricultural biotechnology; and
- The Global Climate Change Team assures oversight of and reporting on USAID activities in support of the US government's international strategy on climate change, and coordinates USAID involvement in climate change research activities. The program encourages climate-friendly economic development and helps vulnerable populations and ecosystems to improve their resilience to potential climate change.

The data sheets cover the objectives and specific activities for which EGAT/ESP is requesting FY 2004 funds.

**Other Program Elements:** USAID field missions buy-in to EGAT mechanisms and services.

**Other Donors:** EGAT/ESP works closely with the World Bank, and provides overall management for USG participation in the Consultative Group on International Agriculture Research (CGIAR). The CGIAR is reaching out to partners around the world to launch a series of programs aimed at bringing new, innovative solutions to major global problems. USAID views these programs as an excellent means of forging stronger partnerships between the International Agriculture Research Centers and U.S. universities for new joint research and development programs on genomics, genetic resources, water resources, climate change, livestock disease and an array of other problems and opportunities. EGAT/ESP also plays a leadership role on developing country issues as they arise in US bilateral agreements on climate change. The US has established fifteen bilateral agreements, six with other donors (Canada, Australia, New Zealand, the European Union, Italy, and Japan). These agreements provide frameworks for undertaking activities in support of joint climate change objectives.

### **Natural Resource Management Office**

**The Development Challenge:** Sustainable economic growth that alleviates poverty and human suffering requires wise management of natural assets and the minimization of pollution. Loss of forests, reduced biodiversity, and loss or impairment of land and water resources undermines long-term economic growth and threatens ecological systems. It also directly threatens U.S. security by endangering human health and increasing developing countries' vulnerability to natural disasters and conflict. The world's natural resource base is rapidly degrading, with over 130,000 km<sup>2</sup> of tropical forest lost each year, and the extinction of species is up to 1,000 times faster than what would occur naturally. Approximately 450 million people in 31 countries face serious shortages of fresh water today. And more than 1.2 billion people lack access to clean water.

Natural resources stand at the center of efforts to spur economic growth, promote good governance, and protect the biosphere. Experience has shown that countries that develop and implement effective resource management plans that involve local communities in decision-making are more likely to develop sustainable economies and fully functioning democracies. As a result, citizens of all countries, including the United States, benefit from safeguarding the world's biodiversity and sustainably managing natural resources.

**The USAID Program:** The new Office of Natural Resources Management (EGAT/NRM) is responsible for oversight and management of USAID programs that affect the sustainable use of natural resources. EGAT/NRM assists in the development, implementation and evaluation of USAID policies, strategies, and resource allocation priorities regarding biodiversity, water, forestry and sustainable agriculture/natural resource management. EGAT/NRM manages contracts, grants, and interagency agreements that provide USAID field missions access to world-class natural resources management expertise from private sector contractors, industry associations, non-governmental organizations, and other U.S. Government agencies. The structure and portfolio of the Office explicitly reflects the reorganization goal of more closely linking natural resource conservation and use with sustainable agriculture. Four inter-linked teams carry out EGAT/NRM's objectives.

USAID is requesting funds for four objectives: 1) effective biological diversity; 2) improved management of natural forest and tree systems; 3) land resources management; and 4) coastal and freshwater resources. The specific activities to be funded by FY 2004 appropriations are described in more detail in those data sheets.

**Other Program Elements:** USAID missions and regional bureaus regularly contribute to and utilize EGAT/NRM technical services to conduct programs in their regions.

**Other Donors:** USAID plays a central role in harmonizing international development programs among U.S. agencies and with U.S. non-government partners, a group that include environmental conservation groups, business and trade associations, private and public foundations, universities, and research and policy institutes. USAID works closely with multilateral institutions and donors including UN agencies, the World Bank, the Global Environment Facility, regional development banks in Africa, Asia, Latin America and Eastern Europe as well as with the European Union, the Organization of American States and major bilateral donors.

### **Energy and Information Technology Office**

**The Development Challenge:** Energy (electricity, oil, gas, and renewable energy) and Information Technology (IT) are critical to economic growth and social development. These infrastructure sub-sectors underpin the expansion and improvement of services in almost all other sectors, including agriculture, health, and education. The importance of these sub-sectors is reflected in the enormous investments made in them worldwide.

A recent World Energy Assessment Report showed that an increase of 1 kilowatt per capita would be sufficient for the populations of developing countries to achieve a standard of living as high as Western Europe in the 1970s. Despite the importance of energy to development, two billion people worldwide live without access to modern energy services. For example, in Southern Africa, 75% of the region's population still relies on wood for fuel, which led to major deforestation and indoor air pollution, causing respiratory illnesses and high infant mortality rates. Furthermore, energy can be very expensive. On average, people in developing countries currently spend about 12% of their income on energy, compared to an average of 2% in Organization for Economic Cooperation and Development (OECD) countries.

Three billion people have never used a telephone, and only slightly more than 500 million use the Internet. This is at a time when the rapid diffusion of information communications technology (ICT) in industrialized countries is changing the way we work, learn, communicate, cure, govern and protect the environment. As an example, the conduct of business on the Internet has created, in less than a decade, a global electronic market estimated at over a trillion dollars in value - but almost entirely for the benefit of industrialized nations. Developing nations have made great strides in adopting ICTs, especially wireless cell phones, but still trail far behind in access to ICT and its enormous economic and social benefits.

**The USAID Program:** In recent years, USAID focused its infrastructure assistance in two sub-sectors: energy and information technology. EGAT has brought these two programs and key elements of the Global Technology Network together because of their common policy reform agendas and reliance on public - private partnerships to speed technology transfer. These partnerships promote private sector investment, which is critical for the modernization of infrastructure in developing countries. The EGAT Office of Energy and Information Technology (EGAT/EIT) provides technical leadership and field support for improved governance and increased access to clean energy supplies, information/ communication technologies, and clean modern manufacturing technologies.

USAID is requesting funds for five objectives that concentrate on: 1) increased efficiency of energy use and production; 2) increased use of renewable energy; 3) clean sources used in energy production; and 4) expanded access to and use of information and telecommunications technology; 5) open, competitive economies promoted.

Some FY 2003 funds will be used to develop alliances between the public and private sector to leverage resources and maximize efficiency. EGAT/EIT has taken a major role in the implementation of the U.S. Government Clean Energy Initiative announced at the World Summit on Sustainable Development (WSSD) in September 2002. USAID, through EGAT, is responsible for increasing access to modern and affordable energy services. This will be achieved through

implementation of the Global Village Energy Partnership (GVEP), a partnership of developed and developing countries and the private sector. GVEP constitutes a new paradigm for increasing access to energy services for rural and urban populations in developing countries by integrating energy services into sectors vital to reducing poverty and achieving economic, social, and political development.

To ensure that developing nations enjoy the benefits of information technology, EGAT/EIT promotes expanded access to and application of information and telecommunication services. EGAT/EIT cooperates with other U.S. agencies, international groups and the private sector. It supports experts from the Federal Communications Commission and the National Telecommunication and Information Administration, which has provided technical assistance and participated in regional workshops. EGAT/EIT supports cooperation with the International Telecommunication Union to promote regional cooperation and assist countries in special need in Africa. It continues to support the United States Telecommunications Training Institute, a public-private partnership, which uses the training resources of its corporate and government board members to provide training for developing nation professionals. The Office has a close relationship with Cisco Networking Academies Program, facilitating relationship with partner universities in developing countries, and in some cases paying for connectivity and equipment costs. The IT-Team plans to engage U.S. industry in a new global initiative to promote e-commerce in the developing world through policy reform and small business training.

The Technology Transfer component complements the Energy and IT team by facilitating the transfer of appropriate clean technologies and private sector investment in infrastructure. These activities help small and medium enterprises acquire modern manufacturing technologies and deal with pollution issues through the development of partnerships with NGOs and the private sector in the U.S. Technology transfer activities also support the Public-Private Infrastructure Advisory Facility (PPIAF), a multi-donor funded organization which successfully promotes private sector investment in infrastructure.

The specific activities to be funded by FY 2004 appropriations are described in more detail in data sheets for Energy, Information Technology and Technology Transfer.

**Other Program Elements:** USAID field missions buy-in to EGAT mechanisms and services.

**Other Donors:** The Energy Office leveraged funds from multilateral development banks, principally from the Asia Sustainable Energy Unit of the World Bank, the Global Environment Facility, and the United Nations Development Program (UNDP). The Global Village Energy Partnership will increasingly leverage of other donor resources. For the Watergy program, the Energy Office will leverage additional funding from such organizations as the U.N. Foundation, the World Bank and the Organization of American States. In IT, the Office works closely on e-Government with the State Department and the U.S. Trade and Development Agency.

### **Urban Program Office**

**The Development Challenge:** Half of the world's population lives in urban areas. Furthermore, 95% of world population growth over the next twenty years will take place in the cities of the developing world. These cities are fast becoming focal points of poverty, civil unrest, infectious disease, and potential recruitment zones by terrorist groups. The success of national development plans largely depends on the ability of city governments to respond to increasing demands for basic service delivery, job creation, and infrastructure for economic development. Cities can play very positive roles as the hubs of national economic growth and trade, but the inability of national and city authorities to manage urbanization is undermining this constructive function.



The growing crisis of increased urbanization in the developing world is emerging and drawing greater U.S. and international attention. Failing cities can lead to political instability in countries important to U.S. economic interests and national security. The Millennium Development Goals specify that by 2020 the lives of at least 100 million slum dwellers should be significantly improved as proposed in the "Cities Without Slums" initiative. Also, by 2015, the number of people who are unable to reach or to afford safe drinking water is to be cut in half.

**The USAID Program:** USAID's urban program is currently in a period of transition. The long-standing U.S. Government's Housing Guarantee and Urban Environmental Credit programs ended in 2000 and the five overseas Regional Urban Development Offices closed in 2002. In response, EGAT/UP has updated its strategy to respond to the challenges of unprecedented global urbanization and needs of USAID missions and partners that seek to address urban problems. It is applying the lessons learned in urban programming to mainstream development programs across sectors.

USAID recognizes the problems facing developing cities and EGAT's Office of Urban Programs (EGAT/UP) takes the lead role in addressing them. Concerted efforts are underway to manage and share USAID's urban knowledge and experience acquired over 30 years, and to bridge the gap in applied urban sciences. EGAT/UP provides technical assistance, training, knowledge management services, and promotes public-private partnerships that enable field missions and national governments and local authorities to improve their management of urbanization. Low-income urban residents, especially children, are the direct beneficiaries of USAID urban activities. Expanded integration of urban programs across USAID's country portfolios can increase field missions' development impact, particularly by targeting resources to poor city dwellers. Urban programs provide opportunities to reduce poverty and build the underpinnings of sustained economic growth through better urban governance.

EGAT/UP's development objective is to increase the capacity of cities to improve the standards of living and economic opportunities for the urban poor. The focus is poor urban child health, poor urban youth employment and conflict abatement, and sustainable service delivery to the urban poor. The specific activities to be funded by FY 2004 appropriations are described in more detail in the data sheet.

**Other Program Elements:** USAID field missions buy-in to EGAT mechanisms and services.

**Other Donors:** USAID anticipates the continued involvement of key partners including, the bilateral donors associated with the Cities Alliance (including: Canada, France, Germany, Italy, Japan, Netherlands, Norway, Sweden and the UK), The World Bank, UN-Habitat, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, African Development Bank.

## **Education Office**

**The Development Challenge:** Education is the foundation for higher living standards and democratic societies. It is a critical long-term investment in peace and development. Economic growth and participation in the global economy for developing countries demand the creation and continuous re-tooling of a skilled workforce. The current situation is challenging. Overall, more than 125 million children worldwide are out of school, and 60% of these are girls. One in four children does not complete five years of basic education. Nearly 900 million adults are illiterate, primarily in developing countries. Violent conflicts in some 85 countries, as well as natural and man-made disasters compound problems. HIV/AIDS is undermining the human capital investments and development successes of the past 40 years in all sectors, including education, and to date the development response has not been proportional to the magnitude of the unprecedented challenge.

U.S. national interests are supporting economic growth and democratic societies. Education and training underpin a country's ability to participate in the global economy, while supporting the growth of democratic institutions and local and regional stability.

**The USAID Program:** The EGAT Office of Education (EGAT/ED) provides technical leadership, broad donor coordination in education and training, and support to field missions to expand and accelerate USAID results in developing countries. EGAT/ED objectives focus on (a) improved basic education, especially for girls and women and other under-served populations; (b) strengthened higher education institutions, communities and individuals to meet local and national economic growth and social development needs; and (c) improved performance of host-country trainees and effectiveness of host-country organizations. FY 03 and FY 04 funding will improve access and quality of USAID basic education programs, including support for Presidential Initiatives in Latin America and Africa. Funding will also increase developing country workforce skills, expand the number of U.S.-developing country higher education partnerships, and improve the management (including post-9/11 security concerns) and performance of USAID training programs worldwide.

The Office of Education manages a \$10 million Global Development Alliance (GDA) in education focused on teacher training, community partnerships, and an education web portal. EGAT/Education also provides education and developing country expertise to support the U.S. participation in G-8 summits, Development Committee meetings, and international meetings and fora. The Office of Education also has the U.S. government lead with UNESCO, the World Bank, UNICEF, and other multilateral actors in the Education for All Initiative.

**Other Program Elements:** USAID field missions buy-in to EGAT mechanisms and services.

**Other Donors:** Global Response: The world community gathered in Dakar, Senegal, in April 2000 to focus on achieving Education for All (EFA) through a consensus to pursue six comprehensive education goals. The Financing for Development (FfD) at Monterrey in April 2002 led to the Monterrey Consensus: developing countries were primarily responsible and accountable for their own economic and social development and donor would help once commitment was demonstrated. The G-8 leaders through a senior-level Education Task Force reaffirmed support for EFA with special emphasis on quality and gender and access for the under-served. The Development Committee has supported EFA through the IDA 13 replenishment and the World Bank's Fast Track Initiative which focuses on accelerating results within 18 good education performers. USAID is a member of the EFA High Level Group, the EFA Working Group and the FTI Donor Partnerships.

### **Women in Development Office**

**The Development Challenge:** Women and girls represent the largest segment of the world's poor- approximately 70% of the 1.3 billion people living in absolute poverty today; women constitute 60 percent of the poor living in rural areas. Women's unemployment rates remain high relative to those of men, and, when employed, they are often paid less than men are for the same work. Despite significant gains in many areas, women worldwide continue to have fewer rights and less control over important resources than is the case for men.

Increasing gender equality is central to effective development. All members of society—not only girls and women—pay a price for gender inequality in lower standards of living, slower economic growth, weaker governance, and lower quality of life. Countries with smaller gaps between men and women in education, employment, and property rights have lower child malnutrition and mortality and more transparent business and government operations and faster economic growth, leading in turn to further narrowing of the gender gap.

**The USAID Program:** The integration of gender concerns into USAID's programs is the responsibility of all agency staff. The Office of Women in Development (EGAT/WID) is the focal point for technical expertise and leadership on gender issues. The program is designed to reflect U.S. values of fairness, which demand that both women and men have opportunities, in ways that bolster development impacts in all sectors. Funding is used for innovative field activities and studies and technical assistance for missions. EGAT/WID identifies and initiates work on emerging issues with critical gender dimensions such as trafficking, conflict resolution, information technology, trade, and the linkage between women's status and HIV/AIDS.

Increasingly, all USAID units are mainstreaming gender considerations into their activities. As examples, in the areas of microfinance, basic education, and agriculture, addressing gender differences are accepted as fundamental to achieving program results. In response to evolving assistance needs, the EGAT/WID office will be developing a new strategic approach and style of operation. It will begin to shift focus from research and pilot testing to promoting increased mission ownership, and improving staff skills to incorporate critical gender issues into mainstream assessments, designs and implementation of strategies and programs. As part of this shift, the Office will leverage and track other Agency resources that directly support gender concerns.

EGAT/WID objectives are focused on: 1) reducing gender-based constraints to economic growth; 2) mobilizing local constituencies to improve girls' education; 3) improving protection of women's legal rights; and 4) increasing integration of gender considerations in USAID programs. The specific activities to be funded by FY 2004 appropriations are described in more detail in the data sheets.

**Other Program Elements:** USAID field missions buy-in to EGAT mechanisms and services.

**Other Donors:** EGAT/WID works with the United Nations Development Program and the World Bank, which are working on gender mainstreaming in their organizations. EGAT/WID also collaborates with the International Organization for Migration to help implement some USAID anti-trafficking programs in partner countries. EGAT/WID coordinates closely with the U.S. Department of State's Office to Monitor and Combat Trafficking in Persons and other U.S. Government agencies, including the U.S. Department of Labor.

#### **Program Analysis, Implementation, Communications and Outreach Office**

**The Development Challenge:** This office in the EGAT Bureau is primarily responsible for ensuring that program activities are efficient and achieve stated results, and that program funds are adequate and efficiently managed. This office also focuses on regional coordination, efficient internet-based communication, knowledge management information systems, and evaluations and program monitoring. This office is also responsible for managing activities under the bureau's program development and learning objective. The strategic objective for program and development funds activities that enable the Bureau to fulfill its mandate to evaluate programs, develop new initiatives, and respond to worthy unsolicited project ideas.

**The USAID Program:** The Bureau Program Development and Learning (PDL) objective allows the EGAT Bureau to finance program development costs, program assessments, special projects, evaluation efforts and better information management tools. It enables the EGAT to pilot new program initiatives through competitive or unsolicited processes and to design and support program evaluations. The program will develop knowledge-sharing technologies to enhance USAID staff and contractor effectiveness in implementing programs, and expand information technology systems to improve communications via the internet and web sites.

**Other Program Elements:** These activities support EGAT Bureau programs.

**Other Donors:** None

**Economic Growth, Agriculture & Trade  
PROGRAM SUMMARY**

(In thousands of dollars)

| <b>Accounts</b>                         | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|---|---------------------------|---------------------------|----------------------------------|----------------------------|
| Child Survival and Health Programs Fund | 8,285                     | 0                         | 0                                | 0                          |
| Development Assistance                  | 150,592                   | 182,298                   | 154,800                          | 149,703                    |
| <b>Total Program Funds</b>              | <b>158,857</b>            | <b>182,298</b>            | <b>154,800</b>                   | <b>149,703</b>             |

Emmy B. Simmons  
Assistant Administrator

**Economic Growth, Agriculture & Trade  
PROGRAM SUMMARY**

(in thousands of dollars)

| Country / Fund Account                                    | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Request | Prior<br>Request |
|---|-------------------|-------------------|--------------------|------------------|
| <b>Economic Growth and Agriculture Development</b>        |                   |                   |                    |                  |
| Development Assistance                                    | 93,527            | 110,691           |                    | 86,706           |
| <b>Total Economic Growth and Agriculture Development</b>  | <b>93,527</b>     | <b>110,691</b>    |                    | <b>86,706</b>    |
| <b>Environment</b>  |                   |                   |                    |                  |
| Development Assistance                                    | 38,317            | 36,510            |                    | 28,300           |
| <b>Total Environment</b>                                  | <b>38,317</b>     | <b>36,510</b>     |                    | <b>28,300</b>    |
| <b>Human Capacity Development</b>                         |                   |                   |                    |                  |
| Development Assistance                                    | 7,123             | 22,360            |                    | 14,160           |
| Child Survival and Health Programs Fund                   | 5,925             | 0                 |                    | 0                |
| <b>Total Human Capacity Development</b>                   | <b>13,048</b>     | <b>22,360</b>     |                    | <b>14,160</b>    |
| <b>Program Development &amp; Strategic Planning</b>       |                   |                   |                    |                  |
| Development Assistance                                    | 2,965             | 1,736             |                    | 14,634           |
| <b>Total Program Development &amp; Strategic Planning</b> | <b>2,965</b>      | <b>1,736</b>      |                    | <b>14,634</b>    |
| <b>Women in Development</b>                               |                   |                   |                    |                  |
| Development Assistance                                    | 8,660             | 11,000            |                    | 11,000           |
| Child Survival and Health Programs Fund                   | 2,340             | 0                 |                    | 0                |
| <b>Total Women in Development</b>                         | <b>11,000</b>     | <b>11,000</b>     |                    | <b>11,000</b>    |
| <b>Total Program Funds</b>                                | <b>158,857</b>    | <b>182,297</b>    |                    | <b>154,800</b>   |

The levels and the offices presented in this table reflect EGAT pre-reorganization.

**Economic Growth, Agriculture & Trade  
PROGRAM SUMMARY**

(In thousands of dollars)

| Country / Fund Account   | FY 2003<br>Request | FY 2004<br>Request |
|--|--------------------|--------------------|
| <b>Agriculture Office</b>  |                    |                    |
| Development Assistance   | 35,126             | 34,060             |
| <b>Total Agriculture Office</b>  | <b>35,126</b>      | <b>34,060</b>      |
| <b>Economic Growth Office</b>  |                    |                    |
| Development Assistance   | 11,600             | 13,500             |
| <b>Total Economic Growth Office</b>                                    | <b>11,600</b>      | <b>13,500</b>      |
| <b>Education Office</b>  |                    |                    |
| Development Assistance   | 19,280             | 17,300             |
| Child Survival and Health Programs Fund                                | 0                  | 0                  |
| <b>Total Education Office</b>  | <b>19,280</b>      | <b>17,300</b>      |
| <b>Energy and Information Technology Office</b>                        |                    |                    |
| Development Assistance   | 13,900             | 13,500             |
| <b>Total Energy and information Technology Office</b>                  | <b>13,900</b>      | <b>13,500</b>      |
| <b>Environment and Science Policy Office</b>                           |                    |                    |
| Development Assistance   | 37,255             | 34,695             |
| <b>Total Environment and Science Policy Office</b>                     | <b>37,255</b>      | <b>34,695</b>      |
| <b>Natural Resource Management Office</b>                              |                    |                    |
| Development Assistance   | 12,925             | 20,295             |
| <b>Total Natural Resource Management Office</b>                        | <b>12,925</b>      | <b>20,295</b>      |
| <b>Poverty Reduction Office</b>  |                    |                    |
| Development Assistance   | 3,800              | 4,800              |
| <b>Total Poverty Reduction Office</b>                                  | <b>3,800</b>       | <b>4,800</b>       |
| <b>Program Analysis, Implementation, Communication, Outreach</b>       |                    |                    |
| Development Assistance   | 6,634              | 1,663              |
| <b>Total Program Analysis, Implementation, Communication, Outreach</b> | <b>6,634</b>       | <b>1,663</b>       |
| <b>Urban Program Office</b>  |                    |                    |
| Development Assistance   | 3,300              | 2,500              |
| <b>Total Urban Program Office</b>                                      | <b>3,300</b>       | <b>2,500</b>       |
| <b>Women in Development</b>  |                    |                    |
| Development Assistance   | 11,000             | 7,390              |
| Child Survival and Health Programs Fund                                | 0                  | 0                  |
| <b>Total Women in Development</b>                                      | <b>11,000</b>      | <b>7,390</b>       |
| <b>Total Program Funds</b>   | <b>154,800</b>     | <b>149,703</b>     |

The levels and the offices presented in this table reflect EGAT's current organization.

| STRATEGIC OBJECTIVE SUMMARY  |                   |                   |                          |                    |
|--|-------------------|-------------------|--------------------------|--------------------|
|  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
| 933-001 Improved access to financial and non-financial services for microenterprises of the poor                               |                   |                   |                          |                    |
| DA   | 15,036            | 0                 | 0                        | 0                  |
| 933-002 Improved food availability, economic growth and conservation of natural resources through agricultural development     |                   |                   |                          |                    |
| DA   | 65,160            | 0                 | 0                        | 0                  |
| 933-003 Appropriate and functioning economic policies, market reforms, and institutions are developed to accelerate ec growth  |                   |                   |                          |                    |
| DA   | 5,792             | 0                 | 0                        | 0                  |
| 933-006 Private sector business linkages support U.S. technology transfer in support of development objectives                 |                   |                   |                          |                    |
| DA   | 4,000             | 0                 | 0                        | 0                  |
| 933-007 increased science and technology cooperation among Middle Eastern and developing countries                             |                   |                   |                          |                    |
| DA   | 3,539             | 0                 | 0                        | 0                  |
| 933-008 Open, Competitive Economies Promoted   |                   |                   |                          |                    |
| DA   | 0                 | 16,870            | 12,600                   | 15,400             |
| 933-009 Science and technology developed to improve agricultural productivity, natural resource mgmt, markets, human nutrition |                   |                   |                          |                    |
| DA   | 0                 | 65,098            | 66,806                   | 63,555             |
| 933-010 Access to Economic Opportunities for the Poor Expanded   |                   |                   |                          |                    |
| DA   | 0                 | 25,224            | 3,800                    | 4,800              |
| 933-011 Increased technical cooperation among middle eastern, developing countries, and the U.S.                               |                   |                   |                          |                    |
| DA   | 0                 | 3,500             | 3,500                    | 1,500              |
| 934-0011 Effective biodiversity conservation and management  |                   |                   |                          |                    |
| DA   | 8,277             | 6,541             | 5,792                    | 6,300              |
| 934-0012 Improved management of natural forest and tree system   |                   |                   |                          |                    |
| DA   | 2,248             | 4,227             | 2,418                    | 4,185              |
| 934-0013 Environment education and communication   |                   |                   |                          |                    |
| DA   | 1,690             | 1,662             | 1,750                    | 5,595              |
| 934-0014 Increased conservation and sustainable use of coastal and freshwater resources  |                   |                   |                          |                    |
| DA   | 3,200             | 4,558             | 2,965                    | 4,215              |
| 934-002 Improved management of urbanization in targeted areas  |                   |                   |                          |                    |
| DA   | 4,084             | 3,304             | 3,300                    | 2,500              |
| 934-0031 Increased energy efficiency   |                   |                   |                          |                    |
| DA   | 3,239             | 3,632             | 3,000                    | 2,300              |
| 934-0032 Increased use of renewable energy resources   |                   |                   |                          |                    |
| DA   | 5,175             | 4,276             | 3,600                    | 2,800              |
| 934-0033 Clean energy production and use   |                   |                   |                          |                    |
| DA   | 4,455             | 4,526             | 3,400                    | 2,900              |
| 934-004 Agency climate change program effectively implemented  |                   |                   |                          |                    |
| DA   | 5,949             | 3,784             | 2,075                    | 3,700              |
| 935-001 Improved and Expanded Basic Education, Especially for Girls, Women, and Other Under-served Populations                 |                   |                   |                          |                    |
| CSH  | 5,925             | 0                 | 0                        | 0                  |
| DA   | 0                 | 7,260             | 7,660                    | 9,800              |
| 935-002 Higher Education Strengthens the Capacity of Institutions, Communities, and Individuals to Meet Local and National     |                   |                   |                          |                    |
| DA   | 3,495             | 10,500            | 10,500                   | 6,100              |
| 935-003 Training Improves Work Performance of Host-Country Trainees and Effectiveness of Host-Country Organizations            |                   |                   |                          |                    |
| DA   | 1,033             | 1,100             | 1,100                    | 1,400              |
| 935-004 Expanded Access to and Application of Information and Telecommunications Services                                      |                   |                   |                          |                    |
| DA   | 2,595             | 3,500             | 2,900                    | 3,600              |

| <b>STRATEGIC OBJECTIVE SUMMARY</b>  |                           |                           |                                  |                            |
|---|---------------------------|---------------------------|----------------------------------|----------------------------|
|   | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
| <b>940-001 Enhance Communities' Capabilities to Conduct Low-Cost Grassroots, Sustainable Development Activities</b> |                           |                           |                                  |                            |
| DA  | 2,965                     | 1,000                     | 1,000                            | 0                          |
| <b>940-003 Program Development and Learning (PD&amp;L) Activity</b>   |                           |                           |                                  |                            |
| DA  | 0                         | 736                       | 5,634                            | 1,663                      |
| <b>941-001 Gender-based constraints to economic growth policies and programs increasingly addressed</b>             |                           |                           |                                  |                            |
| DA  | 3,580                     | 2,440                     | 2,440                            | 1,500                      |
| <b>941-002 Broad-based, informed constituencies mobilized to improve girls' education in emphasis countries</b>     |                           |                           |                                  |                            |
| CSH   | 2,340                     | 0                         | 0                                | 0                          |
| DA  | 0                         | 2,340                     | 2,340                            | 1,840                      |
| <b>941-003 Women's legal rights increasingly protected</b>  |                           |                           |                                  |                            |
| DA  | 2,599                     | 3,020                     | 3,020                            | 1,500                      |
| <b>941-004 Greater reflection of gender considerations in the Agency's work</b>                                     |                           |                           |                                  |                            |
| DA  | 2,481                     | 3,200                     | 3,200                            | 2,550                      |



## **Bureau for Global Health**

**The Development Challenge:** In response to increasingly prominent health challenges, USAID created the Bureau for Global Health (GH) to serve as the global leader in international public health and as the locus of technical leadership for USAID. USAID is recognized as a world leader in global health, including maternal health/child survival and nutrition, family planning, HIV/AIDS, and infectious diseases. As HIV/AIDS and other infectious diseases continue to threaten the health of families and children in developing countries worldwide, USAID works to eliminate these threats and improve the health and livelihoods of people across the globe. Investing in the health of the world's population contributes to global economic growth, reduction of poverty, a sustainable environment, and regional security. In addition to enhancing the lives of people overseas, with special emphasis on women and children, protecting human health and nutrition in developing and transitional countries directly affects public health in the United States by preventing the spread of infectious diseases.

Specifically, GH defines its three main roles as follows:

- Global leadership
- State-of-the-art research, innovation, and dissemination of innovation
- High quality technical support to the field

**The USAID Program:** GH has focused its resources and built its portfolio on the dynamic synergies of these three program elements and continues to expand and improve its programs to meet the changing public health needs and the realities of the field. Over the past year, GH has critically reviewed all its program activities, consolidated and refined approaches as appropriate, and expanded programs to meet new demands. The Bureau's programs are directed toward achievements of the following five strategic objectives:

- Increased use by women and men of voluntary practices of family planning that reduce fertility
- Increased use of key maternal health and nutrition interventions
- Increased use of key child health and nutrition interventions
- Increased use of improved, effective and sustainable responses to reduce HIV transmission and to mitigate the impact of the HIV/AIDS pandemic
- Increased use of effective interventions to reduce the threat of infectious diseases of major public health importance

**Other Program Elements:** Currently GH has over 222 technical and program experts who manage a wide spectrum of diverse technical projects; provide technical support to USAID missions and field programs; and nurture and galvanize stronger partnerships with the development community. This global leadership helps to achieve results by influencing the worldwide health agenda, and encouraging the wider global community to adopt new technologies and approaches, thereby increasing the likelihood of successful health programs.

GH follows a field-driven and field-centered approach to developing and testing new technologies and methodologies. GH develops new cost-effective, field-based tools, such as rapid and simple HIV/STD diagnostics, new and improved contraceptive methods, and new approaches to addressing mother-to-child transmission of HIV. Staff members are dedicated to providing superior technical expertise, information, commodities, and services to support mission and country programs. GH programs are flexible and can respond rapidly to field needs, such as the opening and closing of bilateral programs or responses to emergencies such as hurricanes and earthquakes.

GH is the repository for state-of-the-art information in biomedical, social science and operational research. It develops, tests, and disseminates new technologies and methodologies that contribute to successful field program implementation. GH is a pioneer in results monitoring and is a world leader in the development of tools for program evaluation and trend analysis in the global health sector.

**Other Donors:** USAID has long recognized the valuable role that collaboration among many partners and stakeholders play in the quest to achieve development objectives. Today, many new public and private partners are joining forces with traditional bilateral and multilateral donors to invest in global health. The international health-related expenditures of the top 10 private U.S. foundations now exceed U.S. government spending in this area. Accordingly, GH has refocused its efforts to develop strategic alliances with new public and private partners to bring substantial resources, ideas, and technologies to address global health issues. USAID has developed new ways of doing business in development that involve working more closely with non-traditional partners and incorporating commercial sector strategies into global health programs. USAID engages in many successful types of public-private partnerships in its efforts to improve global health. Examples include the Global Alliance for Vaccines and Immunization (GAVI), the Global Fund to Fight AIDS, Tuberculosis, and Malaria (GFATM), the Global Alliance for Improved Nutrition (GAIN), the STOP TB Initiative, the Roll Back Malaria Initiative, and the Initiative for Contraceptive Security.

USAID's long-standing partnerships with PVOs and NGOs enable the Agency to pursue its maternal health, child survival, family planning/reproductive health, HIV/AIDS, and infectious disease objectives in community-based programs worldwide. PVOs and NGOs have unique capabilities in mobilizing communities, partnering at the household level to educate and encourage changed behaviors, working with socially marginalized groups, and helping empower those with limited access to modern health care. Examples of PVO partnership mechanisms include PVO Child Survival Grants and the PVO/NGO Core Fund.

Social marketing has long been an area of strength for USAID health programs. Social marketing helps increase the demand for and utilization of public health products and services. To improve prospects for sustainability, some GH programs are transitioning to a more commercial or "manufacturer's model" of social marketing. Examples of such partnerships include: NetMark, a public-private partnership for the promotion of a commercially sustainable market for bednets and other insecticide-treated netting for the prevention of malaria; and the Commercial Market Strategies project to expand quality reproductive health care delivery by the private and commercial sector.

Currently, the primary objective of direct partnerships with private industry is to facilitate the development of health products of global importance that might not otherwise succeed in the commercial marketplace. Examples of such partnerships include the International AIDS Vaccine Initiative (IAVI) and the Malaria Vaccine Development Program (MVDP), as well as microbicide and contraceptive development.

## Bureau for Global Health PROGRAM SUMMARY

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 229,392           | 322,766           | 301,000                  | 306,063            |
| Development Assistance                  | 158,323           | 3,714             | 3,800                    | 0                  |
| <b>Total Program Funds</b>              | <b>387,715</b>    | <b>326,480</b>    | <b>304,800</b>           | <b>306,063</b>     |

### STRATEGIC OBJECTIVE SUMMARY

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>936-0011 Population and Reproductive Health - New Tech.</b>  |        |        |        |        |
| CSH   | 0      | 47,173 | 47,173 | 40,200 |
| DA  | 49,559 | 0      | 0      | 0      |
| <b>936-0012 Population &amp; Reproductive Health-Policy</b>     |        |        |        |        |
| CSH   | 0      | 8,438  | 8,438  | 7,700  |
| DA  | 10,016 | 0      | 0      | 0      |
| <b>936-0013 Population &amp; Reproductive Health - Capacity</b> |        |        |        |        |
| CSH   | 0      | 43,924 | 43,924 | 37,600 |
| DA  | 38,508 | 0      | 0      | 0      |
| <b>936-0014 Population &amp; Reproductive Health-Access</b>     |        |        |        |        |
| CSH   | 0      | 51,265 | 51,265 | 44,100 |
| DA  | 58,490 | 0      | 0      | 0      |
| <b>936-002 Maternal Health</b>                                  |        |        |        |        |
| CSH   | 14,140 | 14,883 | 12,168 | 11,923 |
| <b>936-003 Child Health and Nutrition</b>                       |        |        |        |        |
| CSH   | 96,525 | 46,434 | 36,732 | 47,450 |
| DA  | 3,750  | 3,714  | 3,800  | 0      |
| <b>936-004 AIDS Prevention and Control</b>                      |        |        |        |        |
| CSH   | 77,259 | 60,085 | 65,506 | 85,200 |
| <b>936-005 Infectious Disease Program</b>                       |        |        |        |        |
| CSH   | 41,468 | 50,564 | 35,794 | 31,890 |

E. Anne Peterson  
Assistant Administrator  
Bureau for Global Health

**Legislative & Public Affairs  
PROGRAM SUMMARY**

(In thousands of dollars)

| <b>Accounts</b>            | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|----------------------------|---------------------------|---------------------------|----------------------------------|----------------------------|
| Development Assistance     | 0                         | 0                         | 0                                | 2,000                      |
| <b>Total Program Funds</b> | <b>0</b>                  | <b>0</b>                  | <b>0</b>                         | <b>2,000</b>               |

**STRATEGIC OBJECTIVE SUMMARY**

|   |   |   |   |       |
|---|---|---|---|-------|
| <b>025-XXX Global Awareness of US Economic Assistance</b> |   |   |   |       |
| DA  | 0 | 0 | 0 | 2,000 |

## Data Sheet

|                                     |  |
|-------------------------------------|--|
| <b>USAID Mission:</b>               | Legislative & Public Affairs               |
| <b>Program Title:</b>               | Global Awareness of US Economic Assistance |
| <b>Pillar:</b>                      | Economic Growth, Agriculture and Trade     |
| <b>Strategic Objective:</b>         | 025-XXX                                    |
| <b>Status:</b>                      | New  |
| <b>Proposed FY 2003 Obligation:</b> | \$0  |
| <b>Prior Year Unobligated:</b>      | \$0  |
| <b>Proposed FY 2004 Obligation:</b> | \$2,000,000 DA                             |
| <b>Year of Initial Obligation:</b>  | 2004                                       |
| <b>Estimated Completion Date:</b>   | 2009                                       |

**Summary:** Support USAID's development and humanitarian assistance activities through programs designed to collect, organize, summarize and disseminate USAID program experiences and results to key audiences worldwide. Increase awareness of the breadth of U.S. foreign assistance and help facilitate widespread public discussion, analysis, and review. Expand public awareness of the political, economic, technical and social factors relating to the need for continued U.S. engagement and support in the developing world.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

This program will begin in FY 2004. Some components of the program were previously managed by USAID's Office of Private and Voluntary Cooperation, Bureau for Democracy, Conflict, and Humanitarian Assistance.

#### **FY 2004 Program:**

(\$2,000,000 DA) USAID will finance activities to collect, organize, summarize, and disseminate USAID program experiences and results to better communicate the message about America's foreign assistance program to the world. In all areas, implementers are to be determined.

#### **Specifically, USAID will fund:**

- Efforts aimed at expanding and strengthening host country awareness of U.S. assistance. Activities directed at increasing the understanding overseas of the importance, impact, and breadth of U.S. assistance in host countries, especially in key sectors such as economic growth, education, health (in particular, HIV/AIDS and child survival), democracy and good governance. (Furthering the objectives of section 641 of the Foreign Assistance Act, as amended, concerning marking and identifying American assistance.)
- Projects geared toward informing and educating the American public about issues relating to overseas economic and social development to increase domestic understanding of the importance of U.S. Government overseas assistance programs and why they are in the interest of the United States. Information dissemination campaigns, and development education programs for the purposes of broadening exposure to, and enhanced understanding of, the mission and goals of U.S. assistance and successful assistance activities. (Furthering the objectives of section 316 of the International Security and Development Cooperation Act of 1980.)

#### **Performance and Results:** The principle outcomes of this objective will be:

- To enhance exposure and understanding of Agency information and successes by development practitioners;
- To expand host country knowledge of U.S. development and humanitarian assistance efforts;
- To contribute to the goals of the National Security Strategy by increasing public awareness and understanding of the purposes and importance of U.S. assistance provided to developing countries; and
- To increase awareness of the importance of international development among the U.S. public.

**Management  
PROGRAM SUMMARY**

(In thousands of dollars)

| <b>Accounts</b>                         | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|---|---------------------------|---------------------------|----------------------------------|----------------------------|
| Child Survival and Health Programs Fund | 0                         | 0                         | TBD                              | TBD                        |
| Development Assistance                  | 1,394                     | 0                         | TBD                              | TBD                        |
| <b>Total Program Funds</b>              | <b>1,394</b>              | <b>0</b>                  | <b>TBD</b>                       | <b>TBD</b>                 |

**STRATEGIC OBJECTIVE SUMMARY**

|  |       |   |     |     |
|--|-------|---|-----|-----|
| <b>989-010 Information Technology Transfer</b> |       |   |     |     |
| CSH  | 0     | 0 | TBD | TBD |
| DA   | 1,394 | 0 | TBD | TBD |

## Data Sheet

|                                     |                                 |
|-------------------------------------|---------------------------------|
| <b>USAID Mission:</b>               | M-IRM                           |
| <b>Program Title:</b>               | Information Technology Transfer |
| <b>Pillar:</b>                      | Global Development Alliance     |
| <b>Strategic Objective:</b>         | 969-010                         |
| <b>Status:</b>                      | Continuing                      |
| <b>Proposed FY 2003 Obligation:</b> | TBD                             |
| <b>Prior Year Unobligated:</b>      | \$0                             |
| <b>Proposed FY 2004 Obligation:</b> | TBD                             |
| <b>Year of Initial Obligation:</b>  | FY 1998                         |
| <b>Estimated Completion Date:</b>   | FY 2005                         |

**Summary:** *The Information technology transfer program guides and supports USAID program officers worldwide with an analytical framework for linking IT investment decisions to their strategic objectives and business plans for the Agency's geographical bureaus. The Information Technology Transfer program links strategic plans to the Agency's mission, goals, and customer needs, as required by the Clinger-Cohen Act (CCA) and U.S. Public Law 40. Therefore, the Information Technology Transfer program effort ensures proper implementation of the IT phases in a project and stabilizes the investment process for technology programs in health, democracy, agriculture, environment, economic growth and other programs. The Information Technology Transfer program is the Agency's vehicle to ensure that organizational attributes for successful IT investment are approaches by:*

*Applying IT integrated architectures standards;  
Expressing the cost-benefits analysis in the project;  
Review the investment for select, control and evaluation success factors;  
Provide guidance with a management process for IT support structures;  
Measure performance that support's the Agency's executive programs;  
Planning the Agency's mission as it is expressed within titts IT policy; and  
Audit the work process for the appropriate IT contractor.*

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

*The information Technology Transfer program will provide short-term technical assistance with a wide range of IT proposals for relevance and feasibility in the following areas.*

*Establish a mature investment screening process of IT activities with internet data support services. The array of services will focus on web design, development, and hosting. Moreover, compliance testing with Section 508 (accessibility), form development, content management, and maintaining online communities (threaded discussion groups).*

*Develop sustainable IT program development training programs and technical workshops, guidance with telecommunications services, systems analysis and design methods, and quality assurance audits that include system security checks and well as physical security checks for USAID programs worldwide.*

*Implement best practices in program management where project management skills are demonstrative in program funded activities, qualified staff, scoring projects for risk before the program officer approves an IT contract or grant. Consequently, the program development officer can consider and balance the success factors when making a final decision on resource allocation and project mix.*

*Administrating Agency's IT Directive ADS 548 for projects' for its compliance forming sustainable development that is furthered by increased access of local populations and national governments to information, and by efficiency gains resulting from automating manual processes; opening the challenge*

to identifying ways in which telecommunication and information technology activities can promote sustainable development objectives and accelerate the integration of developing and transitioning countries into the world economy.

**FY 2004 Program:**

Improve and promote cases for e-government, technology and governance, building competitiveness in IT. In a world increasingly transformed by the information technologies, the Information Technology Transfer program will create a mature investment process complying with the Agency policies and procedures. The critical investment process will not only represent public tax dollars but create an Agency's investment process that works better, cost less, and demands high returns on information technology investments and reduce systems development risks. Moreover, the Information Technology Transfer program's mature investment process will help ensure the taxpayer dollars spent on information technology will be used to effectively support the Agency's mission objectives. Scarce resources and higher global demand for service mean that a project must be worth doing from a mission perspective, it must be possible to accomplish it in a reasonable time and cost, and it must support the strategic direction of the agency. This is how the Information Technology Transfer program works in responding to increasing even greater requests for technical support for the Bureaus for Democracy, Conflict and Humanitarian Assistance; Economic Growth, Agriculture and Trade; Global Health; and international partnerships.

**Performance and Results:** The Information Technology Transfer program assist vary greatly depending on the needs identified by the program officers requesting support, and is best illustrated by example:

**Developing Government off-the-shelf Software for Economic Growth, Agriculture and Trade Programs**

The Information Technology Transfer program is developing and implementing Government Off-the-Shelf (GOTS) software solution packages. USAID program officers and contractors around the world and contractors frequently develop specialized software packages. Once developed, the research and experience gained is frequently discarded. Similar programs implemented elsewhere do not benefit from the prior investment, which frequently can be substantial. The Information Technology Transfer program is leveraging the institutional investment by reusing the baseline applications and developing reusable information technology systems as a government off-the-shelf software.

During budget year FY2003 the Information Technology Transfer program invested efforts to develop a reusable government off-the-shelf software suite that supported the Economic Growth, Agriculture and Trade program. The government off-the-shelf software was implemented in a regional program resulting in a USAID cost savings solution vice conventional development or commercial procurements. In budget year FY2004 the Information Technology Transfer program will support program activities that will implement a Government off-the-shelf solution in three additional Central Bank Regions.

**Leveraging Modern Computer Technology to Strengthen International Partnerships**

Under this partnership was formed with the World Bank, the Ministry of Transport and Communication (MOTC) in Eritrea and the Information Technology Transfer program is setting the strategic and policy direction for creation a more liberalized telecommunications environment in Eritrea. This work developed the new Telecommunications Law and key Regulations in Eritrea.. This body of work explored the current environment in Eritrea and examined the broad national policy direction for the country, developed and assessed options based on international best practices and worked with the MOTC to establish the country's telecommunications-related strategies and policies.

**Legal and Regulatory Reform Partnership liberalizing sub-sectors with Eritrea**

The Information Technology Transfer program collaborative efforts were tasked to provide technical assistance with structural options for establishing new modern computer technologies that would form platforms for new market structures for marketing, efficient investments to include fair and non-discriminatory use of infrastructure sharing among different sectors and sub sectors. The Information



Technology Transfer program specialists developed technical scopes of work and interviewed firms that could adapt American software systems to meet local needs.

The specialists then verified the quality and performance of the system and corporate designs that was developed and oversaw its successful implementation. As a result of the Information Technology Transfer program Programassisted in this component, where the overall USAID country strategy in Eritrea was greatly strengthened.

#### Leveraging Information Technology to Strengthen Governments

The transformation from a Soviet state to full independence has not been easy for the new Republic of Armenia. The process of operating a government - maintaining roads, providing social services, operating schools, among many other responsibilities an so on is no simple task. Revenue is required, and an equitable tax collection system is important. A new State Registry system had to be built virtually from scratch. It then needed to be, networked nationally, to include the assigning of unique tax identification numbers to all commercial and private organizations, registering declarations about property and income, and recording payments. The USAID program officers, working closely with the Armenian Government, used specialists in the database systems that were required, but recognized the need to turn to specialists to develop the wide area network to link the nation's State Registration System around the country.

The Information Technology Transfer program was thus tasked to oversee the development of the wide area network component of the national tax system where 90 per cent of tax offices in the Republic of Armenia connected in a wide area network. The information Technology Transfer program specialists developed technical scopes of work and interviewed firms that could perform the necessary infrastructure installations. The specialists then verified the quality and performance of the national network as it was put in place. Currently, the 90 per cent of the 30 commercial and private organizations have been connected. As a result of the information Technology Transfer program's assistance for this component, the overall USAID program to reform and strengthen Armenian Government institutions has been greatly enhanced.

## **Bureau for Policy and Program Coordination**

**The Development Challenge:** In the 21st century, the principal aim of American foreign assistance is to contribute to global peace, prosperity, and security by promoting political, economic, and social progress in developing and transition countries, while addressing humanitarian issues as they arise. The world is changing more rapidly today than ever before. The complex and daunting challenges facing lesser-developed countries in the context of ever-increasing globalization require knowledge and understanding that empower donor agencies such as USAID to make effective policy and program decisions. The evolving global environment poses new challenges to development, and USAID is reforming its program and administrative structures to meet these challenges head-on. In the past two years, USAID has undergone significant agency restructuring, implementing necessary reforms to maintain its position at the forefront of the development community. USAID has built upon its previous successes and has positioned itself to better respond to U.S. national interests, foreign policy objectives, and values. In FY 2003 and beyond, USAID will continue this process of evolution in order to adapt to changing global conditions. This vision of change will be essential to maintaining and promoting USAID's position as a leader in the international development community.

**The USAID Program:** USAID's Bureau for Policy and Program Coordination (PPC) addresses the above development challenge by concentrating its program activities in three critical areas: 1) shaping the policy debate on development and humanitarian assistance; 2) aligning ends and means by ensuring that budgets reflect strategic priorities; and 3) developing and disseminating timely, policy-relevant knowledge and analysis of critical development issues. PPC provides quick, experience-based policy analysis as well as longer-term in-depth evaluations to share lessons learned and to inform the global development policy debate. Current evaluations address topics such as investments in agriculture, support of education in the Islamic world, and the role of transition assistance. In FY 2002, PPC played a key role in bringing together the international donor community by helping to create and organize the World Summit on Sustainable Development (WSSD) held in South Africa and supporting other development-related conferences around the world. In FY 2003, PPC will sponsor workshops to discuss the development of freedom, opportunity and knowledge in non-Arab countries with large Muslim populations. PPC will also complete a policy document on new directions in development assistance to supplement the recently published U.S. National Security Strategy and USAID's recently released report on Foreign Aid in the National Interest.

In the area of strategic budgeting, USAID is changing its planning and resource allocation processes to better meet U.S. strategic priorities and better inform its decisions by emphasizing performance. PPC is carrying out an extensive development process for a new joint USAID strategic plan with the Department of State and for the implementation of a new strategic budgeting model. These two efforts focus on meeting the requirements of the Presidential Management Agenda (PMA) for better integrating performance and budgeting. Once completed, these new elements will enable USAID to better contribute to national security objectives by addressing the global development challenge more efficiently and more effectively, thereby maximizing the impact of U.S. development assistance and humanitarian aid resources.

"Knowledge management" is the systematic process of finding, selecting, organizing, distilling and presenting information in a way that improves comprehension in a specific area of interest. It involves acquiring, storing and utilizing knowledge for problem solving, dynamic learning, strategic planning and decision making, protecting intellectual assets from decay, adding to Agency intelligence and providing increased flexibility. Knowledge management helps USAID gain insight and understanding from its own experience. PPC is responsible for ensuring that relevant and timely information is made available to USAID's administrative and program managers as well as to the broader U.S. foreign affairs community. USAID's new approach to knowledge management will utilize modern electronic management systems for information collection, storage, retrieval, dissemination and sharing. These improved systems will enable USAID to make better and more informed decisions on policy priorities and program design, and to greater influence the U.S. foreign affairs and international development community.

**Other Program Elements: N/A**

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

**Bureau for Policy and Program Coordination  
PROGRAM SUMMARY**

(in thousands of dollars)

| <b>Accounts</b>                         | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|---|---------------------------|---------------------------|----------------------------------|----------------------------|
| Child Survival and Health Programs Fund | 3,022                     | 0                         | 4,700                            | 3,400                      |
| Development Assistance                  | 4,796                     | 0                         | 7,400                            | 6,150                      |
| <b>Total Program Funds</b>              | <b>7,818</b>              | <b>0</b>                  | <b>12,100</b>                    | <b>9,550</b>               |

| <b>STRATEGIC OBJECTIVE SUMMARY</b>      |       |   |       |       |
|---|-------|---|-------|-------|
| <b>996-013 Learning from Experience</b> |       |   |       |       |
| CSH                                     | 3,022 | 0 | 4,700 | 3,400 |
| DA                                      | 4,796 | 0 | 7,400 | 6,150 |

## Data Sheet

|                                     |  |
|-------------------------------------|--|
| <b>USAID Mission:</b>               | Bureau for Policy and Program Coordination |
| <b>Program Title:</b>               | Learning from Experience                   |
| <b>Pillar:</b>                      | Global Development Alliance                |
| <b>Strategic Objective:</b>         | 996-013                                    |
| <b>Status:</b>                      | Continuing                                 |
| <b>Proposed FY 2003 Obligation:</b> | \$4,700,000 CSH; \$7,400,000 DA            |
| <b>Prior Year Unobligated:</b>      | \$584,000 DA                               |
| <b>Proposed FY 2004 Obligation:</b> | \$3,400,000 CSH; \$6,150,000 DA            |
| <b>Year of Initial Obligation:</b>  | 1998                                       |
| <b>Estimated Completion Date:</b>   | 2005                                       |

**Summary:** This USAID program includes policy analysis and evaluation, knowledge management, and performance budgeting. These initiatives provide USAID with the necessary information and analysis to design and implement effective development assistance and humanitarian aid programs, manage and more fully utilize the Agency's extensive network of development knowledge and experience, support the President's Management Agenda, promote effective forums for international donor coordination, and disseminate important information to the greater development community.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

Evaluations and development information services (\$7,900,000 DA and/or CSH). USAID will pursue a mix of long-term evaluations and short-term analyses to support the Agency's objectives, including an improved knowledge management system for development leadership, strategic budgeting, evaluation, and knowledge-sharing initiatives. The program will also provide analytical support for materials on lessons learned from USAID's experience, create an electronic system for group collaboration, and begin implementation of online systems for tracking presidential initiatives and calculating political risk assessments. Principal contractors, grantees or partners are: Academy for Education Development (AED), International Business Initiatives (IBI), LTS Corporation, Management Systems International (MSI), Checchi/Louis Berger Joint Venture, and The Mitchell Group.

Shape the development policy debate (\$2,100,000 DA and/or CSH). USAID will further shape its strategic planning and program guidance processes; sponsor workshops on freedom, opportunity, and knowledge in non-Arab countries with large Muslim populations; work with bureaus, missions and interagency partners to define potential policy priorities; produce articles for USAID's internal newsletter, editorials, and other outreach-oriented materials that convey USAID policy to target audiences within and outside the Agency; and co-sponsor a National Academy of Sciences workshop on USAID science and technology programs. This program will also develop and disseminate USAID core strategies for education, anti-corruption, agriculture, and trafficking in persons. Principal contractors, grantees or partners are: University of Maryland's Center for International Reform and the Informal Sector (IRIS), the U.S. Departments of Agriculture, and Treasury.

Donor coordination and outreach (\$1,100,000 DA and/or CSH). USAID will carry on dialogue and negotiations with other bilateral and international donors; participate in international events and bilateral consultations; represent USAID in Tokyo, Organization for Economic Cooperation and Development (OECD), Brussels, Geneva, and the World Bank; support field missions; assist in donor strategy development; provide information services for U.S. Government reporting to the OECD's Development Assistance Committee (DAC), analytical support to USAID and other agencies, and current reports on policies and programs of other bilateral and multilateral donors; and coordinate analyses to support U.S. leadership in international organizations. Principal contractors, grantees or partners are: U.S. Departments of Agriculture and Education, Office of the U.S. Trade Representative, USAID Development Information Services, OECD/DAC, World Bank, and World Trade Organization.

Develop and implement a comprehensive strategic budgeting system (\$1,000,000 DA and/or CSH). USAID will continue to develop a strategic budgeting system; prepare a new and highly focused Agency strategic plan; complete the design of the strategic budgeting model; complete the operating expense cost study; integrate strategic budgeting into USAID's business systems; improve USAID's performance management system; use the new strategic budgeting system and criteria to approve strategic plans and to allocate resources; coordinate the next round of program assessment and rating tool (PART) reviews; and manage USAID-wide program portfolio reviews. Principal contractors, grantees or partners are: IBM Performance Consulting and the National Academy for Public Administration (NAPA).

**FY 2004 Program:**

Improve knowledge management systems (\$6,300,000 DA and/or CSH). USAID will continue to develop and expand the use of knowledge management systems, including an analysis of the establishment of additional community of practice (CoP) sites and further transform the current USAID library into a fully operational Knowledge Sharing and Learning Center. USAID will also increase program evaluations by giving more assistance to program officers throughout the Agency. USAID will fully implement its online Presidential initiatives network, provide an Agency-wide assessment of USAID performance relating to the United Nations' Millennium Development goals, and test its newly developed Agency scorecard for development risk. Principal contractors, grantees or partners are: Academy for Education Development (AED), International Business Initiatives (IBI), LTS Corp., Management Systems International (MSI), Checchi/Louis Berger Joint Venture, and The Mitchell Group.

Shape the development policy debate (\$1,650,000 DA and/or CSH). USAID will work to implement the Monterrey Consensus and determine the impact of the Millennium Challenge Account on how USAID does business; assess the implications of trends in USAID programs; revise the USAID strategy on environment; develop a policy paper on institutional capacity-building; develop operational guidelines for a multi-sector approach to address the development impacts of the HIV/AIDS epidemic; provide policy support for interagency initiatives in the Middle East and the Muslim world; and continue to enhance the PPC Website to provide easy access to USAID policies and strategies. Principal contractors, grantees or partners are: University of Maryland's Center for International Reform and the Informal Sector (IRIS), and the U.S. Departments of Agriculture and Treasury.

Donor coordination and outreach (\$800,000 DA and/or CSH). USAID will address performance-based assistance, poor performing states, conflict, program support, and the critical need of good governance and economic growth. Specific donor coordination activities will: support the U.S. in hosting the 2004 Group of Eight (G-8) Summit; intensify bilateral consultations with key donors; promote multi-donor agreements; increase analytical work in multilateral fora; and increase involvement in crisis response task forces. Principal contractors, grantees or partners are: U.S. Department of Agriculture, Office of the U.S. Trade Representative, USAID Development Information Services, Organization for Economic Cooperation and Development's Development Assistance Committee, World Bank, United Nations, and G-8.

Develop and promote strategic budgeting model (\$800,000 DA and/or CSH). USAID will refine the strategic budgeting model and translate Agency priorities into processes for the allocation of program and operating expense resources; modify and update program, budget, and financial management policies and practices; streamline the Agency's performance management system; and direct the new strategic budgeting system to integrate priority-setting and performance. Principal contractors, grantees or partners are: IBM Performance Consulting, and the National Academy for Public Administration (NAPA).

**Performance and Results:** In FY 2002, USAID obtained excellent results in advancing to the forefront of the global development policy debate by establishing broad policy consultation with international donors, publishing analyses and evaluations on key development policy issues, providing knowledge management support to field and Washington-based offices, and attaining notable success in developing a strategic budgeting model for the Agency. With successful completion of this strategic objective, USAID will strengthen its position among the world's top development assistance and humanitarian aid organizations while promoting U.S. national security interests and strategic priorities.

## **Global Development Alliance**

**The Development Challenge:** With the establishment of the Global Development Alliance (GDA) as one of USAID's four pillars came formal recognition of the major shift in resource flows to the developing world. In 1970, 70% of the money that went to the developing world from the United States was official development assistance (ODA); 30% was private. By contrast, in 2000, 80% was private and 20% was ODA.

There are many types of private resource flows. Foreign direct investment (FDI) and net capital markets to the developing world is the most significant at \$27.8 billion in 2000. However, these investments by U.S. private investors in the developing world fluctuate with the macroeconomic environment. In addition, they are unevenly distributed with most flows going to wealthier countries in the developing world. Personal remittances from ethnic diasporas are large and historically have been overlooked. In 2000, U.S. immigrants from developing countries sent back \$18 billion to their home countries. Family and private foundations have taken on a significant role in development. The Bill and Melinda Gates Foundation spends on a par with USAID, the largest bilateral donor, in the area of developing world health care. Non-governmental organizations (NGOs), corporate foundations and corporate giving, religious organizations and family and private foundations all contribute significant financial, human and in-kind resources. Their cash resources totaled an estimated \$11 billion in 2000. U.S. universities and colleges make a significant contribution to development through the over \$1 billion that is spent on scholarships for foreign students, many from the developing world. All of these private resource flows in 2000 dwarf the United States' Part 1 (assistance to the world's poorest countries) ODA of \$10 billion to the poorest countries and our Part 2 (assistance to those countries that are "graduates" of strict developing country status) ODA of \$2.5 billion to our allies such as Israel and Russia.

Until now, USAID has not been integrated into the wide spectrum of U.S. private activity in the developing world. The purpose of the GDA is to combine USAID resources, where appropriate, with those of others. USAID has unique strengths that it brings to any alliance: USAID has a large number of field missions, many with over 40 years in a country; USAID professionals have unique technical expertise; and USAID is the largest bilateral donor in the world. USAID's portfolio of alliances with other partners demonstrates the enlarged impacts and reach that the Agency achieves working with others for common development objectives.

**The USAID Program:** The GDA Secretariat, charged with mainstreaming the use of this business model within USAID, has the following objectives:

- 1) Change the way the Agency - at all levels and in all regions and sectors - defines its role and acts;
- 2) Reach out to new partners to work in concert with them and maximize collective achievements in improving the economic, social and political conditions of people in the lesser developed world;
- 3) Work with USAID's traditional partners in this changing environment to engage them in new and creative ways; and
- 4) Clearly demonstrate the commitment of the U.S. Government, through its foreign assistance programs, to address the reality of a budget that will never be enough to adequately respond and creatively gather and channel the resources of others to further this goal.

Working in alliance with others sharing the Agency's goals and objectives is not new, but it is increasingly important to maximize the use of this model in all appropriate situations. The Secretariat is a small staff with an enormous agenda. In the first year of its existence, the office prepared an alliance-builders tool kit for Agency staff to help mainstream the GDA business model; held a three-sector conference in collaboration with the U.S. Chamber of Commerce to announce clearly and broadly USAID's intent to work with the private sector and others in new ways; provided guidance to Agency staff on identifying

alliance opportunities, developing alliances and reporting them; and funded important alliance opportunities in economic growth, education, environment, and agriculture.

**Other Program Elements:** Across the Agency, over 80 alliances were established in FY 2002 with USAID funding totaling approximately \$385 million (of which \$200 million is dedicated to the Global Fund to Fight AIDS, Tuberculosis, and Malaria). These alliances leveraged non-federal resources on at least a 1:1 basis. The largest number of new alliances were formed in Africa (36), and the sector which received the largest amount of alliance funding was agriculture, followed by environment (including water), economic growth, and education. These alliances represent a new way of doing the work necessary to achieve results under existing strategic objectives. The first year of experience with this emphasis on the use of public-private alliances was approached in varying ways by different bureaus and operating units. The Bureau for Global Health, in fact, has been a leader in this approach and, in recognition of the GDA business model, is increasing its consideration of potential alliances. Relatively new to this way of thinking, from the USAID/Washington perspective, the Africa and the Asia and Near East Bureaus held competitions between mission proposals and allocated resources for the most promising alliances through an incentive fund. Other bureaus targeted specific sectors or previously identified opportunities. Information sharing was transparent, lessons are being learned, and the Agency is well positioned to further expand the development and success of alliances in FY 2003 and beyond.

**Other Donors:** The list of private sector alliance partners is extensive and continues to expand rapidly. The FY 2002 Incentive Fund was used to enter into alliances related to education (Academy for Educational Development, ChevronTexaco, Sun Microsystems), youth (International Youth Foundation), economic growth (Small Enterprise Assistance Fund), water for the poor (Conrad Hilton Foundation, World Vision, Lions' Club), quality coffee production and small farmer income generation (Coffee Quality Institute), information technology (Information Technology of America Association), and protecting forests through certification of forest products (World Wildlife Fund, Certified Forest Products Council, Home Depot).



**GDA Secretariat  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Development Assistance     | 2,000             | 20,000            | 30,000                   | 15,000             |
| <b>Total Program Funds</b> | <b>2,000</b>      | <b>20,000</b>     | <b>30,000</b>            | <b>15,000</b>      |

| <b>STRATEGIC OBJECTIVE SUMMARY</b>                  |       |        |        |        |
|---|-------|--------|--------|--------|
| <b>020-001 Institutionalizing Alliance Building</b> |       |        |        |        |
| DA  | 2,000 | 2,000  | 1,000  | 500    |
| <b>020-002 Public-Private Alliance Building</b>     |       |        |        |        |
| DA  | 0     | 18,000 | 29,000 | 14,500 |

## INTERNATIONAL PARTNERSHIPS

Within the Child Survival and Health Programs Fund \$251.5 million is requested in FY 2004 for international health partnerships: HIV/AIDS \$204.5 million; and Child Survival and Maternal Health \$47.0 million, compared with a total of \$226.5 requested in FY 2003.

- **HIV/AIDS and Infectious Diseases: FY 2003 \$173.0 million; FY 2004 \$204.5 million**

The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) was established by a group of international public and private sector partners to leverage increased resources to support prevention and treatment programs in the fight against the three diseases. The fund will support an integrated approach to combating the diseases, combining prevention, treatment, and care. Current GFATM partners include bilateral donors, multilateral agencies, private foundations, nongovernmental organizations and developing country representatives. USAID requests \$100 million for the Global Fund for FY 2004.

USAID requests \$15 million in FY 2004 for the development of microbicides for the prevention of HIV/AIDS and sexually transmitted diseases. USAID has been partnering with both U.S. Government and international partners to ensure a coordinated effort to develop an effective microbicide. As a part of these efforts, U.S. Government agencies, including the National Institutes of Health, Centers for Disease Control and Prevention and Health Resources and Services Administration, have generated a comprehensive plan to support microbicide development. The U.S. Government is requesting a total of \$35 million in FY 2004.

In addition, \$89.5 million is requested in FY 2004 for both on-going and new partnerships. Examples of ongoing partnerships are the International AIDS Vaccine initiative (IAVI) and the Joint United Nations Programme on HIV/AIDS (UNAIDS). The goal of IAVI is to leverage and apply resources towards the global effort to develop an AIDS vaccine. UNAIDS provides global leadership and promotes consensus on policy and programmatic approaches to fighting the HIV/AIDS pandemic. UNAIDS strengthens national government programs by assisting them in the development of appropriate HIV/AIDS policies and strategies.

- **Child Survival and Maternal Health: FY 2003 \$53.5 million; FY 2004 \$47.0 million**

USAID requests \$45 million in FY 2004 for the Global Alliance for Vaccines and Immunization (GAVI) Vaccine Fund. The goal of GAVI is to increase the availability of essential life-saving vaccines in developing countries. Strategic objectives shared by GAVI partners are to improve access to and expand use of vaccines, accelerate vaccine research and development, and make immunization coverage a centerpiece in the design and assessment of international development efforts.

In FY 2004, USAID requests \$2.0 million for the Global Alliance for Improved Nutrition (GAIN). GAIN is a newly-formed alliance of public and private sector organizations seeking to improve health through the elimination of vitamin and mineral deficiencies. GAIN was founded by initial pledges from USAID, the Bill & Melinda Gates Foundation, and the Canadian International Development Agency. GAIN's primary strategy will be to provide grants to developing countries in support of commercially sustainable food fortification programs. GAIN partners include bilateral donors, foundations, multilateral agencies and private sector organizations.

## **AFRICA**

### **U.S. National Interests**

Today, promise, potential and opportunity exist in Africa. The hope for the future is based on current experiences in many countries on the African continent. This is good news for the United States. A more prosperous, healthy and stable Africa is in America's best interest, and contributes to U.S. efforts to foster world-wide economic growth and increased trade, and to combat transnational security threats.

Here are but a few examples of the good news. Africa has enormous potential to become a significantly larger player in global trade and commerce. The positive results of the African Growth and Opportunity Act (AGOA) of 2000 demonstrate this potential. In the first six months of 2002, AGOA imports totaled almost \$4 billion, a 20% increase over the same period a year earlier. Textile and apparel imports increased seven-fold and transportation equipment more than doubled. Foreign direct investment in Africa has also increased from just under \$1 billion in 1995 to \$6.3 billion in 2000.

With regard to the HIV/AIDS pandemic, encouraging results from Uganda and, more recently, from Zambia, demonstrate that the right responses, combined with political will and strong leadership from the top, can be effective in reducing prevalence rates. There are other positive health indicators on the continent. Infant mortality under five has decreased in a number of countries between 1960 and 1999. In Botswana, for example, infant mortality has declined from 173 to 59 per 1,000 live births and in Mali from 517 to 235 per 1,000 live births.

Another good sign for the continent is that support for democracy continues to grow: civil society has become increasingly vibrant, increased freedom of the press and new communications media such as the internet have expanded public access to information, and citizens are now more aware of their basic human rights. According to Freedom House, over the last decade, the number of free democracies in Africa has more than doubled from four to 10 and more than half the countries on the continent are in the transition process. The successful 2002 elections in Kenya and the anti-corruption drive in Zambia further underscore this trend.

Experience has shown that for countries to realize their full potential, and to take advantage of opportunities to address the principal constraints to poverty reduction, they must start from within, in partnership with the international community. This certainly applies to Africa. That is why the New Partnership for Africa's Development (NEPAD), launched in 2001, provides a welcome new framework for Africans who plan to take charge of their own destiny. Given what we know about ownership of the ways in which the challenges of the continent can be met, the U.S. and the international community have embraced NEPAD and have encouraged African leaders to move deliberately and purposely forward with its agenda.

Sustained economic growth and increased agricultural production in Africa reduce the need for the United States to provide costly and often recurring humanitarian assistance. Preserving the richness and diversity of Africa's natural resource endowment and sound management of the continent's resource base are key to global efforts to promote environmentally sound economic growth. Also, transparent and accountable governance structures make it more difficult for potential terrorist networks to form and operate effectively.

Despite these very positive developments, sub-Saharan Africa still faces some formidable challenges in its efforts to improve the standards of living for all of its peoples.

### **Development Challenges**

**Reducing Poverty through Broad-Based Economic Growth** Sub-Saharan Africa has not been spared in the global economic slowdown of the past three years, yet its effects have not been relatively as severe as elsewhere. GDP in the region grew by 2.5% in 2002, continuing a downward trend from 3.0% in 2001 and 3.3% in 2000, following the significantly higher growth rates of the mid-1990s. However, the World

Bank forecasts that growth will accelerate to 3.2% in 2003 and 3.8% in 2004 -- about 1.1% per capita -- as the world economy recovers and important structural reforms and economic liberalization measures taken by many countries begin to bear positive results. Nonetheless, sub-Saharan Africa remains the world's poorest region, and average living standards lag far behind those in the rest of the world. Almost half of Africa's 690 million people live on less than 65 cents a day. At the current population growth rate of 2.6% a year, reaching the Millennium Development Goal (MDG) of reducing poverty levels in sub-Saharan Africa by 50% by 2015 will require a 7% annual growth rate. Economic growth has also been highly uneven across the continent, with gains by leaders such as Mozambique, Mauritius and Botswana offset by poor performances in Zimbabwe and Kenya. Income disparities within many countries also remain severe. To reach the MDG for reducing poverty, concerted action is required along multiple fronts: increasing agricultural productivity and improving the competitiveness of African products; diversifying the economic base; building human capacity through improved educational opportunities, especially for girls; expanding information and telecommunications networks; strengthening African capacity to manage economic and natural resources; improving the enabling environment for trade and investment and curbing the spread of HIV/AIDS, malaria, and tuberculosis.

Agriculture is the mainstay of most sub-Saharan economies, supporting over 70% of the population and contributing an average of 30% of GDP. An increasing number of countries have taken initial steps to reform their economies by re-emphasizing rural agriculture-led growth. Nonetheless, agricultural productivity has stagnated over the past five years, and per capita food production has declined to 1980 levels. The most significant constraints to increasing agricultural productivity include low usage of improved technologies and information, under-capitalization of farmers, poor land use and insecurity of tenure, poor infrastructure, and inappropriate policy and regulatory frameworks that create distortions in markets and disincentives for efficient production. Food production has also been negatively affected by the rise of HIV/AIDS, as productivity is compromised by the need to care for infected family members. This past year has also seen drought conditions return to parts of the continent, particularly the Horn of Africa and southern Africa regions, where food assistance programs have been scaled up to avert famine.

In today's era of globalization, economic growth depends increasingly on an educated workforce that is poised to take advantage of opportunities. Education is also important to sustaining democracy, improving health, increasing income and managing environmental resources soundly. Africa continues to lag far behind the rest of the world in investment in its people. The region suffers from an average illiteracy rate of 41%. With 61% of boys and 57% of girls enrolled in primary school, Africa is the only region of the world where access to education has actually decreased over the past 20 years. Of those who enroll in primary school, one third drop out before completion. Of those who do complete primary school, just half continue on to secondary school (20% of all children). Education is, moreover, often of poor quality, leaving children ill-equipped for entry into the workforce of the 21<sup>st</sup> century. HIV/AIDS is affecting the demand for education, as family members, particularly girls, drop out of school to care for victims. HIV/AIDS is also decimating the ranks of teachers in many countries. In several countries, two teachers must be trained for every position to compensate for anticipated deaths from HIV/AIDS. Systemic education reform is essential to prepare Africa's children for the world of today. USAID devotes most of its efforts to improving primary and basic education, because basic education, particularly for girls, has a relatively greater impact on economic and social development.

Countries that have embraced open trade have enjoyed higher rates of economic growth. Africa has enormous potential to become a significantly larger player in global trade and commerce, but there have been disappointments. The global economic downturn reduced total U.S. trade (exports plus imports) with the region by nearly 22% in the first nine months of 2002 compared to the same period in 2001, and after substantial growth in the early-mid 1990s, foreign direct investment fell by 17% from 1997 to 2000. Foreign direct investment in Africa is less than 1% of the global total and just 3.5% of flows to developing nations. Foreign direct investment is also concentrated in just five countries and in a few extractive industries. Slow growth in the industrialized world was a significant factor in decreased investment flows, but sub-Saharan Africa must also continue to address systemic constraints, which weaken its competitive environment and keep transaction costs comparatively high.

Sub-Saharan Africa has an abundant natural resource base which can be a major contributor to sustained economic growth. Several countries in the region, notably Namibia and Madagascar, have implemented highly innovative community-based approaches to improve the management of their natural resource base and to extend the economic benefits to lower income households. Major challenges remain, however: the region contains 45% of global biodiversity yet has the highest rate of deforestation in the world. Rapid urbanization and industrialization also create new environmental challenges. By 2016, over half of all Africans will reside in cities. The top-down approach to natural resource management in many countries has resulted in inefficient exploitation and contributed to degradation, while inequitable access to natural resources is often a root cause of social instability.

**Global Health** A healthier population is critical to Africa's efforts to reduce poverty and improve living standards. Several countries in the region have demonstrated that political commitment at the highest levels, focused programs, adequate financial resources, trained professional staff, and strong coordination of partnerships at the regional and country level can indeed make a difference in combating infectious diseases. Nonetheless, the health of Africans remains unacceptably poor by any standard. Continent-wide, the rate of decrease in child mortality has slowed over the past decade. For every thousand children born in Africa in 2003, 175 will die before their fifth birthday, compared to 100 in Asia and just six in the developed world. A woman's risk of dying from maternal causes is 1 in 15 in Africa, about 10 times higher than in Latin America and over 2,000 times higher than in North America. Unlike any other part of the world, malnutrition rates are actually increasing in Africa. HIV/AIDS has compounded these problems. Some 90% of the 600 million malaria cases per year occur in Africa and the incidence of TB is the highest in the world. Malaria is estimated to decrease the GDP of Africa by as much as \$12 billion per year. Immunization rates for children under one year of age continue to increase but they are still below 80%, leaving significant numbers exposed to vaccine preventable illness and death. One notable success has been the effort to eradicate polio, now close to accomplishment. Nonetheless, most sub-Saharan African countries are constrained by a continuing scarcity of resources and limited trained staff, and are challenged by the difficulties of decentralizing public services. To address the resources issue, several countries are experimenting with innovative ways to improve health care financing, such as community or cooperative-based programs, which have often resulted in better utilization of the service network.

Sub-Saharan Africa's HIV/AIDS pandemic is continuing to widen and deepen, and Africa remains by far the world's most affected region, further compromising its economic, social and democratic gains. HIV/AIDS prevalence rates remain above 8% in 18 of 41 African countries, and are nearly 33% in Zimbabwe and 38% in Botswana and Swaziland. Prevalence rates increased in 14 countries in 2001, including four in West Africa where the crisis has been less severe. Over 20 million Africans have died of complications resulting from HIV/AIDS, 80% of whom were in their productive years. Two-thirds of the 12 million young people living with AIDS in Africa are female. The number of orphans in Africa is expected to increase from 34 million in 2001 to 42 million in 2010, almost half from HIV/AIDS. Average life expectancy will continue to decline over the next decade, falling below 35 in several high prevalence countries, and a shrinking labor pool will slow the continent's growth rate by as much as 2% a year.

Continued high population growth rates in sub-Saharan Africa undermine the best efforts to improve the standards of living and reduce poverty. Fertility rates continue to decline in some countries, particularly those with relatively higher incomes. However, the annual population growth rate is still 2.5% per year, the highest in the world. Contraceptive prevalence rates remain under 15% in the region, although the majority of women say they desire fewer children. Even with the devastating effects of the HIV/AIDS pandemic, Africa's population will increase from about 690 million now to about one billion in 2020, further straining social infrastructure.

**Democracy, Conflict and Humanitarian Assistance** Political stability and inclusiveness, the rule of law, and accountability in government and the private sector enhance investment and trade and promote a more equitable distribution of economic assets and access to social services. Good governance, coupled with improved economic and social development, also reduces the vulnerability and receptivity to terrorist agendas. However, despite recent democratic successes in Kenya, Zambia and post-war Sierra Leone, much more needs to be done to improve governance in the region. The entire world is watching

the virtual collapse of democracy in Zimbabwe and the outbreak of violence in the Cote d'Ivoire -- potent reminders that democratization processes are still fragile.

Several violent conflicts have moved toward resolution during the past year, most significantly the conflicts in the Democratic Republic of the Congo, Burundi, and Sudan. However, new conflicts have arisen, and instability will remain a serious risk for almost half the countries in Africa for the foreseeable future. The severe food crises that have afflicted large parts of east and southern Africa also heighten the potential for conflict. These humanitarian crises and complex emergencies jeopardize economic development and undermine gains in the social sectors. Terrorist organizations find more fertile ground for the exploitation of vulnerable people where conflict or disasters disrupt normal life.

**Public-Private Alliances** In FY 2002, 36 public-private alliances between USAID and the corporate sector, foundations, universities, and non-governmental organizations were begun in 20 different countries in sub-Saharan Africa, funded with \$30 million in Agency resources and more than \$30 million from private partners. Alliances created were primarily in the agriculture, economic growth, education, and environment sectors. In addition, four larger alliances were created through the Global Development Alliance (GDA) program. There is considerable potential for additional alliances in the region in the future.

**Debt Issues** Debt burdens remain high in many sub-Saharan African countries. Over 80% of the heavily indebted poor countries (HIPC) are in the region, and the continent's total debt service ratio in 1999 (debt as a percentage of exports of goods and services) is 13.9%, uncomfortably close to the 15-20% mark that is considered unsustainable. Nonetheless, HIPC debt relief is now reducing debt service payments in 14 countries that have reached Paris Club agreements, freeing up public resources that can be redirected to increased social sector spending, primarily health and education.

#### **Program and Management Challenges**

**Security Issues** Six of 22 USAID Missions and two of the three Regional Offices in sub-Saharan Africa exist in critical and high-threat security situations. Of these eight field offices, funding for new facilities that meet new security standards has been allocated for just three.

**Staffing and Operating Expenses** USAID continues to rationalize its human resource base to optimize performance by shifting direct hire staff from field programs of lesser priority to those of the highest priority. Overseas direct-hire field staff levels will increase from 216 to 227, including nine additional HIV/AIDS professionals and training positions for junior officers entering the workforce. Washington-based Africa Bureau staff levels will remain constant at 91.

**Other Donors** The United States has replaced the United Kingdom as the largest bilateral provider of Overseas Development Assistance (ODA) to sub-Saharan Africa, and remains ahead of Japan and France. By far the largest ODA levels are provided through multilateral organizations, particularly the World Bank group, which lends almost exclusively through its concessional International Development Association (IDA) window. The European Community (EC), the African Development Bank (AfDB) and the United Nations (UN) agencies are also significant multilateral donors to Africa. Major areas of focus are education, governance, economic growth and diversification, health and agricultural development. USAID collaborates closely with other donors using the framework of country Poverty Reduction Strategies to assure synergies of its programs with those of other donors.

#### **FY 2004 Program**

In FY 2004 USAID will continue to support African-led efforts to address the most pressing challenges facing the continent today. To assure sustainability, USAID will design and implement its programs through effective partnerships with African governments, and with local, regional, national and international public, private, and non-governmental organizations. USAID strongly endorses the bold new approaches advocated by the NEPAD, particularly its focus on the need for African ownership of and full participation in development initiatives, and on the peer review process to encourage good economic and

governance performance. The centerpieces of USAID's FY 2004 program will be four Administration Initiatives, of which the first two are Presidential: the Africa Education Initiative; the Trade for African Development and Enterprise (TRADE) Initiative; the Initiative to End Hunger in Africa; and the Congo Basin Forest Partnership. Other key elements will be an Anti-Corruption Initiative; an increased emphasis on conflict mitigation and management; a significant scaling up of HIV/AIDS related programs, including participation in the Presidential Mother-to-Child Transmission Initiative; and continued implementation of the Leland Initiative to promote better access to and use of emerging information and communications technologies.

**Economic Growth, Agriculture, and Trade** Increasing agricultural productivity is central to accelerating economic growth and to improving the health and well being of the people of Africa. The cornerstone of USAID's economic growth and agriculture programs is the Administration's Initiative to End Hunger in Africa, launched in 2002, which will fulfill the U.S. pledge towards a global effort to cut hunger in the region in half by 2015. Through this initiative, USAID will channel significant additional resources to those high-performing countries that have committed themselves to promoting broad-based and equitable growth in the agricultural sector. The initiative will promote the use of modern technologies, expand credit to farmers, strengthen producer associations, provide better market information to farmers and traders, and enhance the economic incentives for farmers and small-scale entrepreneurs. The initiative will target crops, livestock, and environmental goods and services where African farmers have a competitive advantage. Related efforts will be made to promote private sector-led diversification of the economy, such as agro-processing, and to increase agricultural exports.

The TRADE Initiative focuses on six broad areas: (1) promoting U.S.-Africa business linkages; (2) enhancing competitiveness of African products; (3) expanding the role of trade in African poverty reduction strategies; (4) improving the delivery of public services supporting trade (e.g. customs procedures); (5) building African capacity for trade policy analysis; and (6) strengthening the enabling environment for African businesses. In partnership with other U.S. government agencies, including the U.S. Department of Commerce, the Office of the U.S. Trade Representative, and the U.S. Department of Agriculture, USAID is providing technical assistance, economic analysis, and training to countries throughout the continent by supporting experts in three regional "Hubs for Global Competitiveness." These hubs -- one each in west, east, and southern Africa -- all opened for business during the past year. In FY 2004, USAID resource levels for the economic growth and agricultural sectors will total \$223 million.

USAID's focus in the environmental sector will be on policy changes and capacity building in support of community-based approaches to natural resources management. USAID programs also contribute to international efforts to reduce long-term threats to the environment, particularly global climate change and the loss of bio-diversity. Finally, the U.S. pledged at the World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa, in September 2002, to support a major new environmental initiative in central Africa, the Congo Basin Forest Partnership (CBFP). CBFP builds upon USAID's successful Central African Regional Program for the Environment (CARPE), a 20 year effort launched in 1995. This partnership will promote economic development, poverty alleviation, improved governance, and natural resource conservation in six countries through support to a network of national parks and protected areas, well-managed forestry concessions, and assistance to communities that depend on natural resources for their livelihood. USAID funding for environmental programs in Africa will total \$82.2 million in FY 2004.

The centerpiece of USAID's efforts to improve basic education in sub-Saharan Africa is the five-year Africa Education Initiative, launched by President Bush in FY 2002. This initiative will increase access to and quality of basic education through improved teacher training and curriculum development, the development and distribution of textbooks and other learning tools, greater use of information technology, and the increased involvement of parents and communities in their children's education. At the same time, USAID will continue its long-term programs that address country-level education system reform throughout the continent. USAID's planned FY 2004 funding for basic education in Africa is \$121.5 million.

**Global Health and Population** USAID programs to improve the health of sub-Saharan Africans focus on increasing the availability, effectiveness and access to quality health care. USAID programs address the leading causes of child mortality and morbidity such as malaria, TB, malnutrition, respiratory diseases, diarrhea and vaccine-preventable illnesses. USAID will increase immunization coverage, strengthen surveillance, and build human capacity to provide better quality care, improve community and household practices for prevention and management of childhood illnesses and promote innovative health financing strategies. USAID funding for these activities will total \$136.9 million in FY 2004. USAID will continue to support a range of family planning programs, including public education, advocacy and outreach through traditional and community structures, community-based distribution and social marketing of contraceptives and encouragement of child spacing practices. Funding for reproductive health programs will total \$80 million in FY 2004.

HIV/AIDS is the major health priority for USAID in Africa. USAID will maintain its focus on primary prevention and expand its coverage of services, including those for orphans and vulnerable children. Pilot care and treatment programs will be introduced in several of the most-affected countries. USAID will also assist countries to access the Global Fund to Fight AIDS, TB and Malaria. Reflecting the continuing spread and deepening impact of HIV/AIDS on economic and social development in the region, USAID plans a major increase in funding in FY 2004 for HIV/AIDS-related programs, to \$325 million, 77% higher than the FY 2002 level. HIV/AIDS programs represent 31% of all USAID development assistance funding in Africa. Programs will build on successful activities in Uganda, Senegal, and Zambia, which include voluntary counseling and testing, social marketing of condoms, programs designed to encourage people to adopt lifestyle changes that will better protect them from HIV/AIDS infection, and care and support for orphans and other vulnerable children. Programs to prevent mother-to-child transmission of HIV and care and support activities for persons affected by AIDS will be expanded. HIV/AIDS prevention activities are an integral part of USAID programs in economic growth and education programs throughout the region. In its efforts to slow the spread of HIV/AIDS, USAID will continue to enlist the support of community-based partners, including faith-based organizations.

**Democracy, Conflict, and Humanitarian Response** President Bush has stated: "The world's help must encourage developing countries to make the right choices for their own people. Good governance is an essential condition of development." Indeed, Africa's better-managed countries have also made the greatest gains in political rights and civil liberties. USAID supports the application of democratic principles and good governance by promoting representative political processes and institutions, the rule of law, the growth of a vibrant civil society and respect for human rights. In many countries in the region, USAID has closely integrated the principles of participation, transparency, and sound governance throughout their development portfolios in addition to supporting discrete democracy, governance, and conflict prevention and mitigation programs. Funding for these programs will total \$67.8 million in FY 2004.

In FY 2003, USAID will begin implementing a new initiative to address one of the region's most insidious development challenges, corruption. The Africa region will also be a full participant in the Agency-wide conflict prevention program. Regional and bilateral programs will emphasize conflict mitigation and management; community reintegration; promotion of African networks and capacities to identify and respond to potential crises; information sharing; and research and pilot efforts to address cross-border, resource-based, and other types of conflict.



## Africa PROGRAM SUMMARY

(in thousands of dollars)

| Country / Fund Account                        | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| <b>Africa Regional</b>                        |                   |                   |                          |                    |
| Child Survival and Health Programs Fund       | 38,571            | 44,223            | 33,915                   | 33,420             |
| Development Assistance                        | 81,619            | 83,961            | 167,146                  | 188,976            |
| Economic Support Fund                         | 22,216            | 31,325            | 77,000                   | 22,000             |
| Supplemental - ESF*                           | 0                 | 12,000            | 0                        | 0                  |
| PL 480 Title II                               | 31,285            | 81,218            | 23,981                   | 24,337             |
| <b>Total Africa Regional</b>                  | <b>173,691</b>    | <b>252,730</b>    | <b>302,041</b>           | <b>268,232</b>     |
| <b>Angola</b>                                 |                   |                   |                          |                    |
| Child Survival and Health Programs Fund       | 7,287             | 6,406             | 5,400                    | 11,200             |
| Development Assistance                        | 2,676             | 5,118             | 2,750                    | 2,500              |
| Economic Support Fund                         | 2,491             | 3,000             | 0                        | 3,500              |
| PL 480 Title II                               | 33,481            | 31,616            | 8,004                    | 7,538              |
| <b>Total Angola</b>                           | <b>45,935</b>     | <b>46,140</b>     | <b>16,154</b>            | <b>24,738</b>      |
| <b>Benin</b>                                  |                   |                   |                          |                    |
| Child Survival and Health Programs Fund       | 10,158            | 7,743             | 6,343                    | 7,529              |
| Development Assistance                        | 3,723             | 8,982             | 7,923                    | 6,892              |
| Economic Support Fund                         | 0                 | 350               | 0                        | 0                  |
| PL 480 Title II                               | 3,994             | 4,687             | 4,023                    | 4,699              |
| <b>Total Benin</b>                            | <b>17,875</b>     | <b>21,762</b>     | <b>18,289</b>            | <b>19,120</b>      |
| <b>Burundi</b>                                |                   |                   |                          |                    |
| Child Survival and Health Programs Fund       | 0                 | 400               | 500                      | 2,500              |
| Development Assistance                        | 0                 | 4,200             | 3,500                    | 1,800              |
| Economic Support Fund                         | 4,500             | 2,000             | 0                        | 3,500              |
| PL 480 Title II                               | 9,164             | 2,496             | 0                        | 9,500              |
| <b>Total Burundi</b>                          | <b>13,664</b>     | <b>9,096</b>      | <b>4,000</b>             | <b>17,300</b>      |
| <b>Central Africa Regional</b>                |                   |                   |                          |                    |
| Development Assistance                        | 0                 | 0                 | 0                        | 15,000             |
| <b>Total Central Africa Regional</b>          | <b>0</b>          | <b>0</b>          | <b>0</b>                 | <b>15,000</b>      |
| <b>Democratic Republic of the Congo</b>       |                   |                   |                          |                    |
| Child Survival and Health Programs Fund       | 15,337            | 21,178            | 13,476                   | 18,086             |
| Development Assistance                        | 4,788             | 4,773             | 10,024                   | 6,082              |
| Economic Support Fund                         | 4,978             | 2,050             | 0                        | 4,250              |
| PL 480 Title II                               | 14,244            | 11,555            | 0                        | 0                  |
| <b>Total Democratic Republic of the Congo</b> | <b>39,347</b>     | <b>39,556</b>     | <b>23,500</b>            | <b>28,418</b>      |
| <b>Eritrea</b>                                |                   |                   |                          |                    |
| Child Survival and Health Programs Fund       | 4,516             | 5,350             | 5,400                    | 5,400              |
| Development Assistance                        | 5,603             | 5,558             | 4,619                    | 840                |
| PL 480 Title II                               | 2,830             | 5,564             | 1,908                    | 2,256              |
| <b>Total Eritrea</b>                          | <b>12,949</b>     | <b>16,472</b>     | <b>11,927</b>            | <b>8,496</b>       |
| <b>Ethiopia</b>                               |                   |                   |                          |                    |
| Child Survival and Health Programs Fund       | 26,086            | 23,057            | 31,950                   | 37,168             |
| Development Assistance                        | 14,561            | 20,200            | 18,104                   | 15,438             |
| Economic Support Fund                         | 0                 | 0                 | 0                        | 5,000              |
| Supplemental - ESF**                          | 0                 | 4,000             | 0                        | 0                  |
| PL 480 Title II                               | 102,628           | 58,423            | 27,281                   | 20,803             |
| <b>Total Ethiopia</b>                         | <b>143,275</b>    | <b>105,680</b>    | <b>77,335</b>            | <b>78,409</b>      |

## Africa PROGRAM SUMMARY

(in thousands of dollars)

| Country / Fund Account                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| <b>Ghana</b>                            |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 15,419            | 18,655            | 20,055                   | 22,220             |
| Development Assistance                  | 19,858            | 15,963            | 18,688                   | 14,575             |
| Economic Support Fund                   | 4,500             | 0                 | 0                        | 0                  |
| PL 480 Title II                         | 18,027            | 12,407            | 14,951                   | 21,767             |
| <b>Total Ghana</b>                      | <b>57,804</b>     | <b>47,025</b>     | <b>53,694</b>            | <b>58,562</b>      |
| <b>Guinea</b>                           |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 9,354             | 6,700             | 7,160                    | 6,659              |
| Development Assistance                  | 9,168             | 15,442            | 15,765                   | 11,095             |
| Economic Support Fund                   | 0                 | 650               | 0                        | 0                  |
| PL 480 Title II                         | 10,712            | 6,818             | 3,441                    | 4,474              |
| <b>Total Guinea</b>                     | <b>29,234</b>     | <b>29,610</b>     | <b>26,366</b>            | <b>22,228</b>      |
| <b>Kenya</b>                            |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 13,272            | 27,563            | 33,413                   | 38,513             |
| Development Assistance                  | 19,927            | 13,547            | 13,280                   | 3,776              |
| Economic Support Fund                   | 2,400             | 2,000             | 0                        | 8,000              |
| Supplemental - ESF***                   | 0                 | 4,000             | 0                        | 0                  |
| PL 480 Title II                         | 47,771            | 17,682            | 12,134                   | 14,262             |
| <b>Total Kenya</b>                      | <b>83,370</b>     | <b>64,792</b>     | <b>58,827</b>            | <b>64,551</b>      |
| <b>Liberia</b>                          |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 1,850             | 1,600             | 2,100                    | 2,045              |
| Development Assistance                  | 5,720             | 3,725             | 3,100                    | 1,100              |
| Economic Support Fund                   | 0                 | 1,150             | 0                        | 0                  |
| PL 480 Title II                         | 3,062             | 5,643             | 1,027                    | 0                  |
| <b>Total Liberia</b>                    | <b>10,632</b>     | <b>12,118</b>     | <b>6,227</b>             | <b>3,145</b>       |
| <b>Madagascar</b>                       |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 4,185             | 8,725             | 8,493                    | 8,915              |
| Development Assistance                  | 15,183            | 10,540            | 9,785                    | 10,945             |
| Economic Support Fund                   | 0                 | 2,000             | 0                        | 0                  |
| PL 480 Title II                         | 5,171             | 8,503             | 10,732                   | 12,590             |
| <b>Total Madagascar</b>                 | <b>24,539</b>     | <b>29,768</b>     | <b>29,010</b>            | <b>32,450</b>      |
| <b>Malawi</b>                           |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 14,862            | 15,540            | 17,480                   | 21,919             |
| Development Assistance                  | 13,150            | 13,829            | 13,397                   | 10,555             |
| Economic Support Fund                   | 0                 | 500               | 0                        | 0                  |
| PL 480 Title II                         | 1,726             | 13,699            | 6,290                    | 4,918              |
| <b>Total Malawi</b>                     | <b>29,738</b>     | <b>43,568</b>     | <b>37,167</b>            | <b>37,392</b>      |
| <b>Mali</b>                             |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 12,433            | 14,488            | 13,288                   | 12,659             |
| Development Assistance                  | 22,054            | 21,688            | 21,340                   | 17,027             |
| Development Credit Authority            | 99                | 0                 | 0                        | 0                  |
| Economic Support Fund                   | 750               | 0                 | 0                        | 0                  |
| PL 480 Title II                         | 2,372             | 1,355             | 0                        | 0                  |
| <b>Total Mali</b>                       | <b>37,708</b>     | <b>37,531</b>     | <b>34,628</b>            | <b>29,686</b>      |
| <b>Mozambique</b>                       |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 12,953            | 17,677            | 21,800                   | 24,200             |
| Development Assistance                  | 31,469            | 22,438            | 23,692                   | 16,061             |
| Economic Support Fund                   | 600               | 400               | 0                        | 0                  |
| PL 480 Title II                         | 22,996            | 18,448            | 16,871                   | 16,659             |
| <b>Total Mozambique</b>                 | <b>68,018</b>     | <b>58,963</b>     | <b>62,363</b>            | <b>56,920</b>      |

## Africa PROGRAM SUMMARY

(In thousands of dollars)

| Country / Fund Account                           | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|--|-------------------|-------------------|--------------------------|--------------------|
| <b>Namibia</b>                                   |                   |                   |                          |                    |
| Child Survival and Health Programs Fund          | 4,383             | 1,850             | 1,900                    | 2,500              |
| Development Assistance                           | 5,498             | 8,183             | 5,080                    | 4,932              |
| Economic Support Fund                            | 0                 | 700               | 0                        | 0                  |
| <b>Total Namibia</b>                             | <b>9,881</b>      | <b>10,733</b>     | <b>6,980</b>             | <b>7,432</b>       |
| <b>Nigeria</b>                                   |                   |                   |                          |                    |
| Child Survival and Health Programs Fund          | 23,363            | 36,066            | 41,358                   | 46,300             |
| Development Assistance                           | 30,941            | 21,968            | 23,879                   | 12,639             |
| Economic Support Fund                            | 23,445            | 8,500             | 0                        | 5,000              |
| <b>Total Nigeria</b>                             | <b>77,749</b>     | <b>66,534</b>     | <b>65,235</b>            | <b>63,939</b>      |
| <b>REDSO-ESA</b>                                 |                   |                   |                          |                    |
| Child Survival and Health Programs Fund          | 5,514             | 9,475             | 9,125                    | 14,887             |
| Development Assistance                           | 11,350            | 15,859            | 13,163                   | 7,404              |
| Economic Support Fund                            | 250               | 1,000             | 0                        | 0                  |
| <b>Total REDSO-ESA</b>                           | <b>17,114</b>     | <b>26,334</b>     | <b>22,288</b>            | <b>22,291</b>      |
| <b>Regional Center for Southern Africa</b>       |                   |                   |                          |                    |
| Development Assistance                           | 1,251             | 20,117            | 24,731                   | 12,771             |
| Economic Support Fund                            | 998               | 950               | 0                        | 0                  |
| <b>Total Regional Center for Southern Africa</b> | <b>2,249</b>      | <b>21,067</b>     | <b>24,731</b>            | <b>12,771</b>      |
| <b>Rwanda</b>                                    |                   |                   |                          |                    |
| Child Survival and Health Programs Fund          | 7,167             | 12,100            | 12,150                   | 14,508             |
| Development Assistance                           | 6,997             | 6,402             | 6,023                    | 4,810              |
| Economic Support Fund                            | 2,100             | 2,500             | 0                        | 0                  |
| PL 480 Title II                                  | 10,394            | 14,498            | 10,978                   | 12,438             |
| <b>Total Rwanda</b>                              | <b>26,658</b>     | <b>35,500</b>     | <b>29,151</b>            | <b>31,754</b>      |
| <b>Senegal</b>                                   |                   |                   |                          |                    |
| Child Survival and Health Programs Fund          | 10,366            | 15,005            | 14,762                   | 15,825             |
| Development Assistance                           | 13,375            | 13,950            | 13,618                   | 12,209             |
| PL 480 Title II                                  | 834               | 1,790             | 0                        | 5,387              |
| <b>Total Senegal</b>                             | <b>24,575</b>     | <b>30,745</b>     | <b>28,380</b>            | <b>33,421</b>      |
| <b>Sierra Leone</b>                              |                   |                   |                          |                    |
| Child Survival and Health Programs Fund          | 1,884             | 841               | 468                      | 500                |
| Development Assistance                           | 3,116             | 6,413             | 3,400                    | 3,727              |
| Economic Support Fund                            | 950               | 10,225            | 0                        | 5,000              |
| PL 480 Title II                                  | 32,974            | 24,355            | 0                        | 0                  |
| <b>Total Sierra Leone</b>                        | <b>38,924</b>     | <b>41,834</b>     | <b>3,868</b>             | <b>9,227</b>       |
| <b>Somalia</b>                                   |                   |                   |                          |                    |
| Child Survival and Health Programs Fund          | 500               | 500               | 200                      | 411                |
| Development Assistance                           | 2,500             | 2,267             | 2,700                    | 965                |
| Economic Support Fund                            | 0                 | 1,750             | 0                        | 0                  |
| PL 480 Title II                                  | 9,702             | 19,729            | 0                        | 0                  |
| <b>Total Somalia</b>                             | <b>12,702</b>     | <b>24,246</b>     | <b>2,900</b>             | <b>1,376</b>       |
| <b>South Africa</b>                              |                   |                   |                          |                    |
| Child Survival and Health Programs Fund          | 17,362            | 20,404            | 25,150                   | 31,628             |
| Development Assistance                           | 32,665            | 36,804            | 36,278                   | 27,457             |
| Development Credit Authority                     | 289               | 500               | 0                        | 0                  |
| Economic Support Fund                            | 800               | 600               | 0                        | 2,000              |
| <b>Total South Africa</b>                        | <b>51,116</b>     | <b>58,308</b>     | <b>61,428</b>            | <b>61,085</b>      |

## Africa PROGRAM SUMMARY

(in thousands of dollars)

| Country / Fund Account                            | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| <b>Sudan</b>                                      |                   |                   |                          |                    |
| Child Survival and Health Programs Fund           | 1,000             | 500               | 300                      | 16,426             |
| Development Assistance                            | 3,500             | 10,631            | 22,000                   | 49,613             |
| Economic Support Fund                             | 10,000            | 20,000            | 0                        | 15,000             |
| PL 480 Title II                                   | 40,886            | 60,190            | 0                        | 0                  |
| <b>Total Sudan</b>                                | <b>55,386</b>     | <b>91,321</b>     | <b>22,300</b>            | <b>81,039</b>      |
| <b>Tanzania</b>                                   |                   |                   |                          |                    |
| Child Survival and Health Programs Fund           | 10,725            | 16,700            | 22,490                   | 25,164             |
| Development Assistance                            | 10,378            | 8,108             | 10,446                   | 3,227              |
| PL 480 Title II                                   | 29,256            | 4,827             | 0                        | 0                  |
| <b>Total Tanzania</b>                             | <b>50,359</b>     | <b>29,635</b>     | <b>32,936</b>            | <b>28,391</b>      |
| <b>Uganda</b>                                     |                   |                   |                          |                    |
| Child Survival and Health Programs Fund           | 30,680            | 35,000            | 38,559                   | 41,795             |
| Development Assistance                            | 19,198            | 24,724            | 24,385                   | 20,273             |
| Economic Support Fund                             | 595               | 0                 | 0                        | 0                  |
| PL 480 Title II                                   | 31,290            | 22,591            | 15,880                   | 18,520             |
| <b>Total Uganda</b>                               | <b>81,763</b>     | <b>82,315</b>     | <b>78,824</b>            | <b>80,588</b>      |
| <b>West African Regional Program (WARP)</b>       |                   |                   |                          |                    |
| Child Survival and Health Programs Fund           | 11,367            | 19,473            | 19,631                   | 23,800             |
| Development Assistance                            | 17,246            | 10,773            | 8,018                    | 5,878              |
| Economic Support Fund                             | 645               | 1,550             | 0                        | 0                  |
| PL 480 Title II                                   | 0                 | 1,173             | 3,190                    | 1,779              |
| <b>Total West African Regional Program (WARP)</b> | <b>29,258</b>     | <b>32,969</b>     | <b>30,839</b>            | <b>31,457</b>      |
| <b>Zambia</b>                                     |                   |                   |                          |                    |
| Child Survival and Health Programs Fund           | 26,838            | 30,700            | 37,404                   | 40,095             |
| Development Assistance                            | 10,255            | 14,822            | 12,881                   | 9,632              |
| Economic Support Fund                             | 300               | 800               | 0                        | 0                  |
| PL 480 Title II                                   | 0                 | 6,060             | 0                        | 3,100              |
| <b>Total Zambia</b>                               | <b>37,393</b>     | <b>54,382</b>     | <b>50,285</b>            | <b>52,827</b>      |
| <b>Zimbabwe</b>                                   |                   |                   |                          |                    |
| Child Survival and Health Programs Fund           | 6,438             | 6,450             | 14,223                   | 15,835             |
| Development Assistance                            | 6,384             | 2,512             | 1,885                    | 746                |
| Economic Support Fund                             | 3,280             | 6,000             | 0                        | 4,000              |
| PL 480 Title II                                   | 0                 | 25,522            | 0                        | 0                  |
| <b>Total Zimbabwe</b>                             | <b>16,102</b>     | <b>40,484</b>     | <b>16,108</b>            | <b>20,581</b>      |
| <b>Total Program Funds</b>                        | <b>1,319,008</b>  | <b>1,461,218</b>  | <b>1,237,781</b>         | <b>1,303,326</b>   |

## Angola

**The Development Challenge:** Angola is at a critical juncture in its history as it begins the transition from war to peace. In August 2002, the Government of the Republic of Angola (GRA) and the National Union for the Independence of Angola (UNITA) declared an end to the 27-year civil war. This demonstrated the commitment of both parties to the peace process begun in April 2002 with the signing of the agreement that reinstated the 1994 Lusaka Protocol. Angolans are increasingly hopeful about the future of their country. National elections projected for 2005 are an important step forward.

Angola has been devastated by the civil war. An entire generation has grown up with the reality of constant, violent armed conflict; a conflict that has left a million dead, four million dislocated and severely affected, and created some of the worst social and economic conditions in the world. As the country moves toward a new era of peace and stability, it will continue to face a major humanitarian crisis. Angola now fights a war of a different sort: a war against poverty, severe malnutrition, poor education, lack of basic human rights, and the scourge of HIV/AIDS. Despite the growing demand for greater political participation, a legacy of centralized, authoritarian governance has left the vast majority of Angolan citizens disenfranchised, disaffected, and without voice or representation in political affairs.

The end of the country's civil war has opened new opportunities for Angolans and the international donor community to come together to affect real and lasting political, economic and social development. Although the end of the war has removed many obstacles to long-term development, others have been created. Addressing immediate humanitarian and emergency needs is critical to national reconciliation, resettlement and reintegration if Angola is to move toward a stable democracy with good governance and economic prosperity. The countryside is heavily mined, and this legacy of the war regularly claims innocent victims. Roads and other elements of transportation infrastructure are in deplorable condition. Basic health services, agricultural extension and local governance are extremely poor to non-existent and, outside of the oil sector, the country's economy is barely functioning. Two million internally displaced persons (IDPs) and 100,000 demobilized soldiers and their 350,000 dependents require humanitarian assistance. Angola, once a net exporter of food, is now unable to feed itself and relies on external assistance to meet basic requirements.

Serious corruption problems persist in Angola. Government accountability and transparency is poor. The International Monetary Fund estimates that 15 percent of annual revenues are unaccounted for. Donors and international financial institutions are pressuring the GRA to implement necessary reforms. Civil society organizations are working to develop their capacity to serve as checks on government activity.

Health statistics for women and children are especially grim. They include a shockingly high incidence of maternal morbidity and mortality - 1,500 deaths per 100,000 live births; infant mortality is 150 deaths per 1,000 live births; and the mortality rate for children under five is 250 deaths per 1,000 live births. Malaria and diarrheal diseases are endemic, as are many vaccine-preventable diseases such as measles. UNAIDS (2001) estimates national HIV/AIDS prevalence at 5.5%; however, surveillance data is extremely limited. Higher prevalence rates are reported in particular high-risk groups. The epidemic is spreading in the capital city of Luanda and other urban areas. The possibility of the disease spreading in the rural areas is very real as demobilization takes place, access to previously inaccessible areas increases, and transportation corridors with neighboring countries are opened up.

The U.S. national goals in Angola are economic, humanitarian and political. The United States seeks to assist Angola in its economic rehabilitation, effective national reconciliation, resettlement/reintegration of war-affected populations, reconstruction of crucial infrastructure and the establishment of democratic and free market economic processes. Angola is the United States' eighth largest supplier of oil, one of its largest trading partners in Africa in general, and has the potential to play an important role in Southern Africa's regional stability.

**The USAID Program:** To address the development challenge in Angola, USAID is requesting FY 2003 and FY 2004 funding to support a program consisting of three objectives: 1) improving food security with

a focus on smallholder agriculture, 2) strengthening civil society, and 3) improving maternal and child health and decreasing the incidence of HIV/AIDS. The food security objective includes distributing improved seed varieties and fostering the growth of local seed production, providing agricultural extension services to train farmers in new agricultural technologies, and developing innovative agricultural marketing strategies. Under the civil society objective, FY 2003 and FY 2004 funds will be used to support and strengthen civil society coalitions, promote independent media, encourage transparent and accountable governance, secure land tenure rights, and ensure free and fair electoral processes. Funding for the health objective will help improve the capacity of institutions and communities to provide services for maternal and child health and expand HIV/AIDS prevention programs. USAID will work with international and local non-governmental organizations to involve private sector participation. More detail on activities to be funded by FY 2003 and FY 2004 appropriations is provided in the following Data Sheets.

**Other Program Elements:** In addition to the resources requested in the Data Sheets, USAID's Washington-based Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) will support several activities in Angola. In FY 2003 and FY 2004, this central bureau will manage a development relief program with P.L. 480 Title II food commodities to promote food-for-work activities for smallholder agriculture and to promote IDP resettlement and reintegration. Health and democracy and governance principles will be integrated into these activities. Another central USAID program will reduce infant, child and maternal mortality through home visits; through low-tech/high-impact interventions that focus on malaria, diarrheal disease and nutrition; and through immunizations. USAID will support emergency health activities including child immunizations, safe and hygienic deliveries for women and provision of potable water. Displaced Children and Orphans Funds (DCOF) will support a program run by the Christian Children's Fund to help war-affected children and their communities. With funding provided through the War Victims fund, Vietnam Veterans of America will support a center in Moxico province that provides prosthetic limbs to maimed people, many of whom are victims of landmine accidents. USAID's Office of Transition Initiatives (OTI) will initiate activities in FY 2003 and FY 2004 to expand work with civil society organizations and independent political parties.

**Other Donors:** The United States is the leading bilateral donor to Angola, followed by Norway (democracy and governance, energy, and water sectors), the United Kingdom (poverty reduction, micro finance and humanitarian assistance sectors), Spain (health, education, agriculture, civil society, and humanitarian assistance sectors), Sweden (humanitarian assistance), the Netherlands and smaller donors. The European Union is the leading multilateral donor, and the World Bank is planning a transition package to support the reintegration of demobilized soldiers. In addition to the leadership and humanitarian assistance provided by the United Nations' Office for the Coordination of Humanitarian Assistance and the United Nations Development Program, other U.N. organizations are also present, including the United Nations Program on HIV/AIDS, the World Food Program, the Food and Agriculture Organization, UNICEF, the United Nations Fund for Population Activity, and the World Health Organization.

## Angola PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 7,287             | 6,406              | 5,400                    | 11,200             |
| Development Assistance                  | 2,676             | 5,118              | 2,750                    | 2,500              |
| Economic Support Fund                   | 2,491             | 3,000              | 0                        | 3,500              |
| PL 480 Title II                         | 33,481            | 31,618             | 8,004                    | 7,538              |
| <b>Total Program Funds</b>              | <b>45,935</b>     | <b>46,140</b>      | <b>16,154</b>            | <b>24,738</b>      |

| STRATEGIC OBJECTIVE SUMMARY                           |       |       |       |        |
|---|-------|-------|-------|--------|
| <b>654-005 Improved Food Security</b>                 |       |       |       |        |
| DA  | 1,443 | 2,703 | 1,750 | 2,000  |
| ESF   | 0     | 0     | 0     | 1,250  |
| <b>654-006 Civil Society Strengthening</b>            |       |       |       |        |
| DA  | 889   | 2,415 | 1,000 | 500    |
| ESF   | 2,491 | 3,000 | 0     | 2,250  |
| <b>654-007 Maternal and Child Health and HIV/AIDS</b> |       |       |       |        |
| CSH   | 7,287 | 6,406 | 5,400 | 11,200 |
| DA  | 344   | 0     | 0     | 0      |

\* FY 02 appropriated CSH excludes \$2,100,000 in polio funds programmed under Africa Regional.

## Benin

**The Development Challenge:** Benin continues to make progress in building a stable democracy. Outside observers have praised Benin for having organized three legislative elections and three presidential elections that were generally judged to have been transparent, peaceful and fair. Benin is now poised to hold municipal elections for the first time ever. Success with these elections will place financial and political power in the hands of local communities. Benin also is considered to have good records for human rights and freedom of the press. The economic outlook for the country is encouraging. Real GDP growth is forecast at over 5% for 2003 and is expected to continue rising in 2004. Evidence of heightened economic activity abounds. Cotonou, the commercial capital, buzzes with new construction financed both with private funds and donor funds for public works projects. New roads under construction in the interior will link agricultural production areas to markets in larger towns as well as move goods from the port to points further north in Benin and neighboring countries.

Benin still faces formidable challenges to achieving sustainable development. According to the United Nations Development Report for 2002, Benin ranks 153 among 173 countries in terms of overall quality of life. Per capita GDP for 2000 was \$370. An estimated 33% of the population lives below the poverty line. Overall literacy for persons aged 15 to 49 is 37.4%. The literacy rate among men this age is 52.1%. The proportion for women is 23.6%. The mortality rate for children under five years of age is 158 per 1,000. Maternal mortality is 500 per 100,000. According to UNAIDS figures, prevalence of HIV/AIDS among adults is estimated at 4.1%. With an estimated population growth rate of 2.7%, Benin's population is expected to increase from 6.3 to 9.4 million by 2015. This rise in population will make goals for social and economic development even more difficult to achieve.

Economic figures show that debt servicing constitutes 3.5% of GDP for 2000, and accounts for 12.5% of exports of goods and services. Government spending on education and health as a proportion of GDP is 3.2% and 1.6% respectively. With debt relief under the Heavily Indebted Poor Countries (HIPC) initiative, more public funds are expected to be spent on health and education. Benin will also continue efforts to promote private sector development and to improve the policy development process, especially in the agricultural sector, which accounts for 38% of GDP. Despite an encouraging outlook for continued economic growth, Benin must still grapple with problems of ineffective management of public funds in all sectors of the economy, along with corruption and cronyism among public officials. Citizens of Benin also need encouragement to develop the interest and skills needed to play a more active role working with government officials to formulate policies that affect their lives and livelihoods.

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

**The USAID Program:** The Data Sheets that follow below cover three objectives for which USAID is requesting FY 2003 and FY 2004 funds. These programs include: 1) improving the quality of basic education with an emphasis on educating girls; 2) improving family health by preventing the spread of HIV/AIDS, encouraging family planning, and promoting children's health; and 3) improving government management in social and productive sectors with special emphasis on health, education and rural economic growth.

**Other Program Elements:** USAID's centrally funded Program for Innovation in Microenterprise (PRIME) provides financing to complement bilateral resources to increase access to microfinancing for small entrepreneurs, many of whom are poor women. Resources from the West Africa Regional Program (WARP) also continue. WARP activities include trade promotion, both within the region and between Benin and the United States under the African Growth and Opportunity Act (AGOA), harmonization of commercial law, and support of a public-private sector project to construct a regional gas pipeline. Education for Democracy and Development Initiative (EDDI) resources are used to fund girls' primary and secondary school scholarships. Through centrally funded support to Georgetown University, a new method of natural family planning is being tested in selected public and private health clinics. The



HIV/AIDS bilateral program in Benin is complemented by the WARP health and HIV/AIDS regional activities. This includes activities to strengthen and expand cross-border interventions to reduce the spread of sexually transmitted diseases. The WARP cross-border programs are taking place on trade routes from Cote d'Ivoire east through Ghana, Togo and Benin to Nigeria, north to Mali, and from Guinea to Niger. Benin also benefits from P.L. 480 Title II food resources which help to improve nutrition and food security in food deficit areas, and mother and child health activities.

**Other Donors:** The Government of Benin's 2000 figures on donor contributions show that the United States is the leading bilateral donor, followed by Denmark (agriculture, road construction, water), France (secondary and higher education, institutional reform, rural development, industry, energy), Germany (park management, agriculture, forestry, fisheries, roads), Switzerland (health, adult literacy, rural development, institutional reform), Netherlands (rural development, health, agriculture, forestry, fisheries, natural resources), and Canada (institutional reform, rural development, community development, health).

The principal multilateral donors are the World Bank (HIV/AIDS prevention, girls' education, construction of primary schools, judicial reform, government decentralization), the West African Development Bank (communications, roads, rural and community development), the World Health Organization (technical advisor to the Ministry of Health), UNICEF (child survival, primary education), UNFPA (population, family planning), UNDP (environment, women in development, HIV/AIDS prevention, communications) and the European Union. The European Union chairs donor meetings that include effective policy dialogue with the Minister of Health on substantive health issues.

## Benin PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 10,158            | 7,743              | 6,343                    | 7,529              |
| Development Assistance                  | 3,723             | 8,962              | 7,923                    | 6,892              |
| Economic Support Fund                   | 0                 | 350                | 0                        | 0                  |
| PL 480 Title II                         | 3,994             | 4,657              | 4,023                    | 4,699              |
| <b>Total Program Funds</b>              | <b>17,875</b>     | <b>21,762</b>      | <b>18,289</b>            | <b>19,120</b>      |

| STRATEGIC OBJECTIVE SUMMARY                         |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>680-001 Reforming Primary Education In Benin</b> |       |       |       |       |
| CSH   | 5,720 | 0     | 0     | 0     |
| DA  | 0     | 7,500 | 7,000 | 6,030 |
| <b>680-002 Benin Integrated Family Health</b>       |       |       |       |       |
| CSH   | 4,438 | 7,743 | 6,343 | 7,529 |
| DA  | 2,238 | 0     | 0     | 0     |
| <b>680-003 Governance Program</b>                   |       |       |       |       |
| DA  | 1,485 | 1,482 | 923   | 862   |
| ESF   | 0     | 350   | 0     | 0     |

\* FY 02 appropriated CSH excludes \$100,000 in polio funds programmed under Africa Regional.

## Burundi

**The Development Challenge:** Continued fighting between government and rebel forces, massive population movements as a result of the war, general insecurity and a poor socio-economic environment are all factors that complicate Burundi's development. Quality of life continues to deteriorate as the conflict destroys infrastructure, prevents access to basic services, and reduces agricultural output. School attendance has dropped to 48%, life expectancy has dropped from 49 years in 1995 to 42 years in 2000, infant mortality has risen to 136 per 1,000 births from 98 per 1,000 births in 1995, and maternal mortality averages 1,000 per 100,000 births. The HIV/AIDS prevalence rate is approximately 19% in urban areas and 7% in rural areas, and there are an estimated 230,000 AIDS orphans. There are 820,000 Burundian refugees in Tanzania, 340,000 internally displaced Burundians, and 30,000 refugees in Burundi, mostly from the Democratic Republic of Congo.

In December 2002, a cease-fire agreement was signed between the Government of Burundi (GOB) and the Forces for the Defense of Democracy (FDD), which is viewed as an important step towards ending the fighting in Burundi. However, there is skepticism, as several conditions of the 2000 Arusha Peace and Reconciliation Agreement have not yet been met, including reform of the military, demobilization of combatants, and reintegration of refugees, internally displaced people, and ex-combatants.

The U.S. national interest in Burundi is clear. Successful implementation of the Arusha Peace and Reconciliation Accord (APRA) and the December cease-fire agreement will lessen conflict and enhance stability in the Great Lakes region. Efforts to improve the health status of the population as well as increase food security will diminish the risk of further economic disruption and help to decrease Burundi's dependence on international humanitarian assistance.

**The USAID Program:** In the past two years, USAID has made a concerted effort to target disadvantaged provinces in an effort to help redress the imbalance that favored Bujumbura and certain other areas. Where security permits, USAID has worked in rural areas allowing better access to the regions where the conditions are most severe. Program activities promote the principles of peace, reconciliation and good governance; encourage civil society participation, particularly among women and youth; enhance food security through increased economic and agricultural opportunities; and improve access to basic social services such as child and maternal health care, HIV/AIDS care and prevention, support for victims of torture, and safe water and sanitation.

USAID's strategy for Burundi is designed to be flexible in responding to the frequently changing security situation.

**Other Program Elements:** Humanitarian and emergency food assistance is provided to the most vulnerable communities and groups throughout Burundi. Economic Support Funds support a variety of different projects including: an independent radio station that contributes to public awareness of democracy and rule of law; a women's center that works with local human rights groups on women's issues; a project that promotes awareness among youth at risk of the consequences of conflict; and efforts by civil society organizations to increase activities in the justice sector. Transition assistance supports a small grant program that encourages popular support for the APRA and for the transitional government. Transition assistance also supports a non-formal, community education program that will also serve as a reintegration mechanism for ex-combatants. HIV/AIDS activities are being supported by regional programs based in Nairobi, Kenya. Central USAID funding also supports basic health activities.

**Other Donors:** Multilateral and bilateral donors provide funding to United Nations (U.N.) agencies and, in some cases, direct support for government activities. Only 18% of this money has been disbursed because many of the pledges were conditioned on a cease-fire. The United States is the largest bilateral donor to Burundi. USAID's partners include U.N. agencies in agriculture and health, and U.S. non-governmental organizations who are working to strengthen local groups. USAID's partners in the HIV/AIDS program include the United Kingdom and France, who supply condoms and laboratory support, respectively. Germany, the second largest donor, supports debt relief, conflict mitigation, democracy and

health. Belgium, the third largest bilateral donor, supports demobilization, reintegration of refugees and internally displaced people, and education. The European Union, the largest multilateral donor, and USAID's Office of Foreign Disaster Assistance both provide funding for the U.N. World Food Program aircraft for humanitarian workers.

## Burundi PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 0                 | 400                | 500                      | 2,500              |
| Development Assistance                  | 0                 | 4,200              | 3,500                    | 1,800              |
| Economic Support Fund                   | 4,500             | 2,000              | 0                        | 3,500              |
| PL 480 Title II                         | 9,164             | 2,496              | 0                        | 9,500              |
| <b>Total Program Funds</b>              | <b>13,664</b>     | <b>9,096</b>       | <b>4,000</b>             | <b>17,300</b>      |

| STRATEGIC OBJECTIVE SUMMARY                           |       |       |       |       |
|---|-------|-------|-------|-------|
| 695-005 Supporting Implementation of the Peace Accord |       |       |       |       |
| CSH   | 0     | 400   | 0     | 0     |
| DA  | 0     | 4,200 | 0     | 0     |
| ESF   | 4,500 | 2,000 | 0     | 0     |
| 695-006 Democracy and Governance                      |       |       |       |       |
| DA  | 0     | 0     | 0     | 100   |
| ESF   | 0     | 0     | 0     | 3,500 |
| 695-007 Food Security                                 |       |       |       |       |
| DA  | 0     | 0     | 3,500 | 1,700 |
| 695-008 Health  |       |       |       |       |
| CSH   | 0     | 0     | 500   | 2,500 |

\* FY 02 appropriated CSH excludes \$100,000 in polio funds programmed under Africa Regional.

## Democratic Republic of the Congo

**The Development Challenge:** The Democratic Republic of the Congo (DRC) is moving, slowly and haltingly, towards reunification of the country, national elections, and the end of conflicts involving both external and internal parties. However, the depth of poverty and the scale of need in the DRC remain enormous, with roughly two-thirds of the population living in rural areas and ensnared by desperate poverty. This poverty manifests itself in extremely low incomes and purchasing power, abysmal access to and availability of fundamental health services, and a near total lack of basic education. The capital, Kinshasa, with an estimated eight million people, already is dangerously overcrowded, with most people lacking access to basic services. A U.N. human development report in 2002 ranks DRC, with a population of 55 million, as 155 out of 173 countries. The per capita gross domestic product is \$107. Congo's external debt in 2001 was \$12 billion, and there is massive internal debt resulting in a sequestration of capital inhibiting economic growth. Infant mortality is 126 per 1,000 live births, and under five mortality is 213 per 1,000. Congo's maternal mortality rate is 1,289 per 100,000 live births, the highest in Africa. Life expectancy is 51 for men and 47 for women. The gross primary school enrollment rate is 55%. Only 25% of students attending school complete five years of primary school. In 1999, only 47% of the population had access to safe water.

U.S. national interests in the DRC are to: promote democratic systems and practices; resolve regional conflicts; assist refugees and victims; promote economic growth in developing and transitional economies; and promote international health. The reduction of poverty, conflict and despair will lessen the likelihood of the region serving as a breeding ground for recruits into terrorist activities. Improved regional stability and economic growth will facilitate progress in the global war on terrorism. Reducing the rate of transmission of HIV/AIDS and other infectious diseases and improving health status in the region will diminish the risk of further economic disruption, political disintegration, impoverishment and conflict.

**The USAID Program:** At present, the USAID program in DRC has only one objective, which focuses on assisting the Congolese people to solve their problems across all sectors through participation in public, private and civil society institutions and organizations. Through several activities, the program works to enhance child and maternal health in targeted health zones, improve food security and livelihoods, strengthen civil society and promote justice. FY 2003 funds will be used to implement ongoing programs in health (e.g., strengthen key health facilities, support national health campaigns, strengthen HIV/AIDS education and referral services), economic growth (e.g., seed multiplication, microfinance, farmer extension services), and environment. FY 2004 funds as requested will support a new USAID strategy for the period FY 2004-2008. This new strategy will more explicitly focus on health, livelihoods, democracy and governance, and education as well as on the reintegration of ex-combatants by articulating separate objectives for each. USAID does not work directly with the government of DRC (GDRC) in most program areas. The private sector in the DRC is extremely limited, and mostly confined to the extractive industries. The Mission is exploring opportunities to collaborate directly with the private sector in development of public private alliances.

**Other Program Elements:** In addition to the resources requested, humanitarian assistance will support key programs in the DRC, particularly in providing emergency assistance to the most vulnerable populations with emergency feeding programs, seeds and tools distribution, small-scale infrastructure rehabilitation, and logistical support to areas outside government control. P.L. 480 food assistance in FY 2003 will continue to support the World Food Program's Protracted Relief and Recovery Operation which provides Title II emergency food assistance. USAID/Washington funds for transition initiatives will continue to support the country's transition from war to peace and lay the groundwork for an eventual transition to democracy and reunification. To alleviate isolation of key population centers, transition funding will also support a national, multi-faceted communication strategy that fosters exchanges across the country focusing on dialogue, conflict prevention, and engaging Congolese in debates of national importance. DRC also benefits from USAID/Washington funds earmarked to support gorillas through grants to the International Gorilla Conservation Program and the Diane Fossey Gorilla Foundation International.

**Other Donors:** USAID's strategy in the DRC is designed to mesh with plans of other donors, including the World Bank and the International Monetary Fund, and takes into account plans prepared by the GDRC. With the exception of large infrastructure projects (addressed by the World Bank and the European Commission), the sectors in which other donors are engaged roughly mirror USAID's current portfolio: health, democracy and governance, agriculture/livelihoods, environment, and education. Health is one of the largest sectors for donors, with activities ranging from basic support to health zones, to vaccinations, HIV/AIDS, tuberculosis, malaria, and family planning programs. The largest donors in the health sector are the European Commission (EC), Belgium, and the World Bank. Canada, Italy, Germany, UNICEF and other donors also have programs. Democracy and governance activities fall into two categories: government capacity building (EC, World Bank, France, and Canada) and support to civil society (Belgium, Canada, Sweden and the United Kingdom). Programs directed at income generation are often linked to agriculture/food security; this is a field of engagement for many donors, including the Food and Agriculture Organization (FAO), Belgium, Canada, the EC, France, and Germany. A limited number of donors (including France, the EC, Germany, the IBRD and UNESCO) are involved in work related to the environment, including development of government capacity and direct protection of natural resources. Relatively few donors (World Bank, UNICEF, and Belgium) are working in education.

**Democratic Republic of the Congo  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 15,337            | 21,178            | 13,478                   | 18,088             |
| Development Assistance                  | 4,788             | 4,773             | 10,024                   | 6,082              |
| Economic Support Fund                   | 4,978             | 2,050             | 0                        | 4,250              |
| PL 480 Title II                         | 14,244            | 11,555            | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>39,347</b>     | <b>39,556</b>     | <b>23,502</b>            | <b>28,418</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

| 660-001 Health, Agriculture and Conflict Mitigation |        |        |        |        |
|---|--------|--------|--------|--------|
| CSH   | 15,337 | 21,178 | 13,478 | 18,088 |
| DA  | 4,788  | 4,773  | 10,024 | 6,082  |
| ESF   | 4,978  | 2,050  | 0      | 4,250  |



## Eritrea

**The Development Challenge:** FY 2002 was a transitional year, as Eritrea attempted to revive the economy and restore infrastructure affected by the 1998-2000 war with Ethiopia. The devastating impact of the war is still being felt in all sectors, especially with labor shortages due to delays in the planned demobilization of approximately 200,000 soldiers. Exports have decreased dramatically due to the war, the slow development of the private sector and the cessation of trade with Ethiopia. Income per capita is about \$180 per year, and the country is dependent on support from abroad, both from official donors and private remittances. Government expenditures on productive sectors and social services are low, with just 5% of total spending allocated to agriculture, 4% to health, and 6.5% to education. The overall adult literacy rate is 53.8%, with female literacy at 39.7%. The HIV/AIDS prevalence is moderate, but the disease already strains Eritrea's limited trained human resource base and fledgling institutional capacity. Without vigorous preventive programs, demobilization could spread HIV/AIDS very rapidly. A severe drought reduced agricultural production in 2002. Hence, Eritrea will continue to face critical development challenges for some time to come, and aggressive economic and political reforms will be needed to meet these challenges while Eritrea continues to provide a safety net for the poor.

The United States has four key foreign policy interests in Eritrea: maintaining regional stability, combating global terrorism, promoting the establishment of a democratic system and economic development. To these ends, the U.S. seeks to ensure that the uneasy peace between Eritrea and Ethiopia becomes a lasting one.

**The USAID Program:** USAID's 1997-2002 strategy concentrated on three objectives: increased use of health care services; increased income of enterprises; and increased capacity for accountable governance. It should be noted, however, that, shortly after this strategy was approved in 1997, the Government of the State of Eritrea (GSE) requested a major redirection of the governance objective to focus resources on capacity building. USAID recently has developed a new strategy for 2003-2007 to meet Eritrea's post-conflict development challenges in health and citizen participation. While economic development remains a priority for Eritrea, USAID funding for this sector will end with the current program in FY 2004.

Eritrea has made dramatic gains in child survival that will be challenging to sustain during the post-conflict transition. Maternal health has improved more slowly than child health, and planned demobilization of soldiers makes the next two years the critical time for preventing an explosion of the HIV/AIDS epidemic. Therefore, the new health objective will expand active demand for primary health care, especially at the community level; continue to improve the quality of primary health services; improve institutional capacity for resource allocation decisions in order to sustain health care improvement; and increase quality and demand for HIV/AIDS prevention services.

In order for Eritrea to achieve its long-term vision of a self-reliant, prosperous, democratic, and knowledge-based country, it will need to strengthen the ability of its citizens to participate actively in their country's own development process. As a result, USAID will implement a new participation objective that will develop capacity of community-based organizations, strengthen partnerships between community-based organizations and local administrations, and enhance the flow of information to and among citizens through expansion of the Internet program.

**Other Program Elements:** USAID is collaborating with the World Bank to privatize the telecommunication system in Eritrea. With central USAID/Washington funding, girls are receiving scholarships to remain in school. Food and non-food humanitarian assistance contributes to the program, particularly in assisting populations displaced during the border war and affected by drought.

**Other Donors:** The World Bank and the European Union are Eritrea's largest donors, in addition to the United States. The World Bank supports Eritrea in demobilization and reintegration of combatants, economic recovery, health, human capacity development and the rehabilitation of the ports of Massawa and Assab. The European Union provides support for energy and power, roads, the education sector, as

well as food aid. Other bilateral partners include Italy, the United Kingdom, the Netherlands, France and Germany. The U.N. agencies are represented in Eritrea and support health, education, humanitarian assistance, and economic development activities.

**Eritrea  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 4,516             | 5,350              | 5,400                    | 5,400              |
| Development Assistance                  | 5,603             | 5,558              | 4,619                    | 840                |
| PL 480 Title II                         | 2,830             | 5,564              | 1,908                    | 2,256              |
| <b>Total Program Funds</b>              | <b>12,949</b>     | <b>16,472</b>      | <b>11,927</b>            | <b>8,496</b>       |

| STRATEGIC OBJECTIVE SUMMARY                     |       |       |       |       |
|---|-------|-------|-------|-------|
| 661-001 Health and Population                   |       |       |       |       |
| CSH   | 4,516 | 5,350 | 0     | 0     |
| DA  | 345   | 0     | 0     | 0     |
| 661-002 Rural Enterprise Investment Partnership |       |       |       |       |
| DA  | 3,900 | 3,318 | 3,119 | 300   |
| 661-003 Developing Human Potential              |       |       |       |       |
| DA  | 1,358 | 2,240 | 0     | 0     |
| 661-004 Health and HIV/AIDS                     |       |       |       |       |
| CSH   | 0     | 0     | 5,400 | 5,400 |
| 661-006 Developing Human Capacity               |       |       |       |       |
| DA  | 0     | 0     | 1,500 | 540   |

\* FY 02 appropriated CSH excludes \$200,000 in polio funds programmed under Africa Regional.

## Ethiopia

**The Development Challenge:** Ethiopia suffers from chronic food insecurity. Agriculture accounts for half of Ethiopia's gross domestic product, 85% of its exports, and 80% of its total employment. A combination of frequent drought, poor cultivation practices, and low levels of on-farm investment persistently undermine the productivity of the agricultural sector. The magnitude and depth of poverty means drought and other unanticipated crises can rapidly transform into the potential for famine. Each crisis increases the country's vulnerability to the most marginal of shocks. In the absence of alternatives, households are forced into depleting the very productive assets (e.g., oxen, farm implements) they require for future productivity. In addition to these economic problems, Ethiopia's low health status - with a life expectancy at birth of 43 years, infant mortality of 117 per 1,000 live births, high population growth, and low literacy rates of 34% - further deplete human productivity and exert a heavy burden on the state to increase delivery for health, education and other social services.

Policy change has been slow and is urgently needed to create the conditions that will lead to the broad-based economic growth, that will alleviate chronic food insecurity. The Government of the Federal Democratic Republic of Ethiopia (GFDRE) has begun more open dialogue in critical areas.

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

**The USAID Program:** USAID's long-term goal in Ethiopia is to reduce chronic food insecurity. To meet this goal, USAID's program focuses on agriculture and other areas of potential income growth, health, education, democracy and governance, and disaster mitigation. USAID works with a mix of international and local non-governmental organization (NGO) partners in both development and emergency programs to increase rural household production and productivity.

The USAID food security program focuses on increasing rural, particularly agricultural, production and productivity by addressing problems in agricultural technology, microenterprise development, business and cooperative development, trade, and policy reform. Related programs specifically address problems in pastoralist livestock regions and in reducing the vulnerability of the poorest segments of the population to the effects of drought, conflict and other crises.

USAID also supports programs that increase access to quality primary health care and family planning services to reduce vulnerability to disease and slow the rate of population growth. Ethiopia is an HIV/AIDS intensive focus country and USAID will be working to accelerate the pace of prevention and the treatment of this and other serious infections, such as tuberculosis. USAID coordinates its work in this sector with other U.S. agencies, including the Centers for Disease Control and Prevention. Strengthening health care financing mechanisms and health product logistics systems remain priorities.

The education program is working to improve the access, quality, and equity of basic education. Improved teacher training, parental and community involvement, availability of books and other materials and management are all being addressed.

In democracy and governance, the USAID program supports decentralization of government services from the national to the regional and local levels, strengthening of civil society organizations and anti-corruption efforts. Effective and transparent decision-making is a primary aim of the program.

**Other Program Elements:** Ethiopia is a priority country under the Presidential Initiative for Prevention of Mother-To-Child Transmission (PMTCT) of HIV/AIDS, which will greatly expand USAID's current support in this area.

Food aid resources are a major component of U.S. assistance to Ethiopia, and are fully integrated into the USAID development program. In FY 2002, \$3.2 million in non-food humanitarian assistance was

provided to Ethiopia for medical kits, water services, nutritional surveys to target assistance and relief for drought affected areas, which included enhancement of early warning systems. USAID also provided centrally-funded technical assistance and business development services. Regional east African funding recently was used for the establishment of the Conflict Early Warning System (CEWARN) in Addis Ababa. Resources from central education funds help address needs for books and other educational materials, continue scholarships for girls, and expand civic education through school clubs.

**Other Donors:** After the United States, the largest bilateral donors to Ethiopia are Japan, Germany, Canada, Italy, Norway and the Netherlands. The largest multilateral donors are the European Union, the United Nations Group, The World Bank and the International Monetary Fund.

USAID is a leader in assisting and coordinating health and education sector programs. Technical working groups, comprised of GFDRE and donors, are the main coordinating bodies. A development assistance group (DAG), of which USAID is a key member, has been instrumental in helping the GFDRE to develop its poverty reduction plan, review public expenditures annually and promote better public financial management.

## Ethiopia PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 26,086            | 23,057             | 31,950                   | 37,168             |
| Development Assistance                  | 14,581            | 20,200             | 18,104                   | 15,438             |
| Economic Support Fund                   | 0                 | 0                  | 0                        | 5,000              |
| Supplemental - ESF                      | 0                 | 4,000              | 0                        | 0                  |
| PL 480 Title II                         | 102,628           | 58,423             | 27,281                   | 20,803             |
| <b>Total Program Funds</b>              | <b>143,276</b>    | <b>105,680</b>     | <b>77,335</b>            | <b>78,409</b>      |

| STRATEGIC OBJECTIVE SUMMARY                     |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>663-005 Enhanced Household Food Security</b> |        |        |        |        |
| CSH   | 500    | 0      | 0      | 0      |
| <b>663-007 Food Security</b>                    |        |        |        |        |
| CSH   | 200    | 675    | 800    | 1,000  |
| DA  | 3,807  | 3,582  | 3,518  | 3,433  |
| <b>663-008 Essential Services for Health</b>    |        |        |        |        |
| CSH   | 11,470 | 20,902 | 29,790 | 32,730 |
| DA  | 4,650  | 230    | 0      | 0      |
| <b>663-009 Basic Education</b>                  |        |        |        |        |
| CSH   | 10,872 | 200    | 400    | 1,000  |
| DA  | 0      | 11,765 | 10,850 | 8,235  |
| <b>663-010 Democracy and Governance</b>         |        |        |        |        |
| CSH   | 1,848  | 0      | 0      | 0      |
| DA  | 2,350  | 893    | 956    | 1,000  |
| ESF   | 0      | 0      | 0      | 1,750  |
| <b>663-011 Mitigate the Effects of Disaster</b> |        |        |        |        |
| CSH   | 998    | 930    | 610    | 1,988  |
| DA  | 2,654  | 2,545  | 1,530  | 1,840  |
| ESF   | 0      | 4,000  | 0      | 3,086  |
| <b>663-012 Southern Tier Initiative</b>         |        |        |        |        |
| CSH   | 400    | 350    | 350    | 450    |
| DA  | 1,100  | 1,185  | 1,250  | 1,130  |
| ESF   | 0      | 0      | 0      | 164    |

\* FY 02 appropriated CSH excludes \$2,700,000 in polo funds programmed under Africa Regional.

## Ghana

**The Development Challenge:** While Ghana's political situation remains stable and projected economic indicators for 2002 show some progress, Ghana continues to face daunting challenges. In 2002, inflation rates remained around 16%, a major improvement over the 26% rate of the year before. The cedi, Ghana's currency, was relatively stable for the whole of 2001 and most of 2002. Cocoa prices are currently high and oil prices were stable for much of the year. Although interest rates remain high at 36%, the rates have improved markedly over the year before where they hovered above 50%. In an effort to raise revenues, the Government of Ghana (GOG) increased water and energy tariffs in 2002 with no apparent political backlash. Yet, at approximately 4%, the growth rate has fallen short of the GOG's projections. With budget deficits consistently higher than planned, the GOG has borrowed heavily on the domestic market to fill the gap, diminishing available credit for private investment (although most bank lending is to the government or large businesses and institutions). Ghana reached the Heavily Indebted Poor Country (HIPC) initiative decision point in February 2002 and the government estimates a total of \$700 million in debt write-off at the end of 2004. However, serious slippage occurred in the first year of the International Monetary Fund agreement, which ended in late November 2002. Since then some progress has been made (petroleum pricing liberalization is most noteworthy) in addressing crucial issues. It appears the Government is more serious about making necessary reforms, without which there could be repercussions on the ability of the GOG to meet its budgetary requirements. Recent comments by the IMF indicate a more enthusiastic view of Ghana's prospects.

Politically, Ghana continues to enjoy a stable political environment despite increasing instability in the region. The deteriorating situation in neighboring Cote d'Ivoire is cause for serious concern. To date, the numbers of returning Ghanaians and foreign refugees have been manageable. However, Ghana is not equipped to handle large refugee flows and could easily be overwhelmed if the situation were to worsen. The Government of President Kufuor is committed to supporting the Economic Community of West African States (ECOWAS) peacekeeping operations in Cote d'Ivoire. On the domestic front, there are literally hundreds of chieftancy disputes from one end of Ghana to the other, and many are prone to violence. A state of emergency has continued in the Dagbon traditional area in the Northern Region after the killing of the Yendi traditional leader and 29 of his factional supporters. Other areas of tension include the Wa, in the Upper West, and Bawku, in the Upper East, over traditional leadership and political loyalties. Both have seen violence this past year and intervention by the security forces.

Although basic reforms are in place for acceleration of decentralization and delegation of responsibility for provision of many social services to district governments, commitment at the national level is missing. Key ministries, such as Health and Education, have yet to relinquish many central/national authorities to the districts and planned levels of resources are not yet available to District Assemblies and local authorities. Local staff capabilities to administer and implement such programs are still low, as are the number of personnel available to carry out the work.

**The USAID Program:** USAID is currently developing a new strategy that will be fully operational by FY 2004. Some aspects may be phased in by the end of FY 2003. Separate notifications for any new activities beginning in FY 2003 will be provided upon approval of the new strategy. During this transition period, USAID is consolidating current programs to focus on those elements that have proven successful and will, in all probability, be continued in some form during the next strategic period. This includes increasing private-sector-led economic growth; improving primary education, family health, family planning, and the control of HIV/AIDS; and enhancing good governance. Given the enormous challenges faced by Ghana, USAID will, under the new strategy, examine ways to assist the GOG, civil society organizations and communities to promote decentralization across sectors and address issues related to conflict prevention and mitigation. While the economic growth portfolio will continue to stimulate the non-traditional export sector, USAID will also examine ways to invigorate traditional exports (e.g. cocoa) and the agriculture sector in the Northern Region, the poorest area of the country. The Data Sheets provided below identify the four objectives in the current program for which resources are requested for FY 2003. The FY 2004 requests stated in these data sheets pertain to the anticipated four new strategic objectives that will comprise the core of the new 2004-2010 strategic plan.

**Other Program Elements:** Ghana receives considerable assistance from USAID outside the bilateral programs.

P.L. 480 Title II resources support agroforestry and on-farm production activities implemented by Adventist Development and Relief Agency, and small/microenterprise and micro-credit programs provided by TechnoServe. Significant support for basic education in the northern regions is being achieved with Title II resources administered by Catholic Relief Services. Title II is also supporting programs to improve nutritional practices, water supply and sanitation implemented by Opportunities Industrialization Centers International.

The West African Regional Program supports various regional organizations on issues of economic integration; population, health and nutrition; food security, the environment, and natural resources management; and conflict prevention. The West Africa Water Initiative, with support from USAID's Economic Growth, Agriculture and Trade (EGAT) Bureau and the Global Development Alliance, is a major new effort to increase access to potable water in Ghana (as well as in Mali and Niger).

There are several other USAID-funded programs in agriculture: the Farmer-to-Farmer program and two Collaborative Research Support Programs, one in economic research strengthening (Strategies and Analyses for Growth and Access Project), and one in child survival (Project Concern International).

**Other Donors:** Donor coordination and collaboration remain excellent. Through the work of numerous sectoral committees, the new Multi-Donor Budgetary Support Group (where USAID is supportive but does not provide funds), and ad hoc groups focusing on a variety of specific concerns, donors share information and lessons learned and explore new opportunities. USAID will participate in new donor fora on decentralization and water. Assistance to Ghana, in the form of grants and concessional loans from over 20 multilateral and bilateral donors, is now around \$1 billion annually, the United States being among the four largest bilateral donors. Other major donors include: the World Bank (infrastructure, education and health); the International Monetary Fund (structural adjustment); United Nations agencies; the United Kingdom (public administration, health, education, rural infrastructure and agriculture); Japan (education, health and agriculture); the European Union (transportation infrastructure); Canada (water and decentralization); Denmark (health, energy and water); the Netherlands; Germany; France; Italy; and Spain.



## Ghana PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 15,419            | 18,655             | 20,055                   | 22,220             |
| Development Assistance                  | 19,858            | 15,963             | 18,688                   | 14,575             |
| Economic Support Fund                   | 4,500             | 0                  | 0                        | 0                  |
| PL 480 Title II                         | 18,027            | 12,407             | 14,951                   | 21,767             |
| <b>Total Program Funds</b>              | <b>57,804</b>     | <b>47,025</b>      | <b>53,694</b>            | <b>58,562</b>      |

| STRATEGIC OBJECTIVE SUMMARY                            |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>641-001 Economic Growth</b>                         |        |        |        |        |
| CSH  | 0      | 0      | 300    | 300    |
| DA   | 11,103 | 7,661  | 8,500  | 5,195  |
| <b>641-002 Quality Improvements in Primary Schools</b> |        |        |        |        |
| CSH  | 5,857  | 0      | 500    | 1,000  |
| DA   | 0      | 7,200  | 8,275  | 7,030  |
| <b>641-003 Health</b>                                  |        |        |        |        |
| CSH  | 9,562  | 18,655 | 19,155 | 20,820 |
| DA   | 7,255  | 0      | 0      | 50     |
| ESF  | 4,500  | 0      | 0      | 0      |
| <b>641-004 Democracy and Governance</b>                |        |        |        |        |
| CSH  | 0      | 0      | 100    | 100    |
| DA   | 1,500  | 1,102  | 1,913  | 2,300  |

\* FY 02 appropriated CSH excludes \$300,000 in polio funds programmed under Africa Regional.

## Guinea

**The Development Challenge:** The cross-border attacks that threatened to destabilize Guinea's national integrity and undermine the prospects for long-term development are no longer the dominant factors that they were two years ago. Internally, however, Guinea's progress toward democracy continues to face major constraints: meaningful multi-party politics is impeded by ethnic cleavages, and the legacy of authoritarian leadership, pervasive corruption and over-centralization have stymied the development of effective legislative and judicial branches of government. Nonetheless, a coordinated donor response to a national referendum to effect changes to the Guinean constitution resulted in the retention of key clauses preserving the separation of powers and the five-year term of the President of the National Assembly. The trend toward greater democratic participation was reversed, however, and local government officials are now nominated rather than elected. The constructive dialogue facilitated by USAID over the preceding two years contributed to peaceful, if deeply flawed, legislative elections in June, 2002 but the potential for conflict has increased markedly since dialogue between the administration and the opposition broke down in the lead-up to these elections. A potentially rich country, given its mineral resources and agricultural capacity, Guinea's economic development is impeded by limited foreign and domestic investment, inadequate infrastructure, and rampant corruption. The quality of life of the average Guinean is considered among the lowest in the world - per capita gross domestic product in 2001 was \$363, life expectancy is under 48 years, the infant mortality rate is 112 per 1,000, and severe malnutrition is widespread. New opportunities, however, have opened up for Guinea to address its economic development constraints and reduce poverty. Under the World Bank and International Monetary Fund coordinated Heavily Indebted Poor Countries (HIPC) Debt Relief Initiative, Guinea's official debt, which in 2002 represents 34% of government revenue, is scheduled for cancellation. Debt relief will allow for a positive redirection of the investment budget, including the financial resources to boost investment in Guinea's social development and implement its poverty reduction strategy. On the health front, a burgeoning HIV/AIDS epidemic now threatens to undermine Guinea's national security, as the HIV prevalence rate in the armed forces (6%) is higher than that of the general population (2.8%), and could create even more severe economic and human hardship.

Guinea continues to be of strategic interest to the United States in several respects. Viewed in the context of the war on terrorism, Guinea is a moderate Muslim country that currently holds a non-permanent seat on the UN Security Council and maintains a moderate, secular orientation in its foreign policy. In the West African context, Guinea remains a stable country in the sub-region that has not fallen into inter-ethnic or civil strife. It is in the strategic interest of the United States to support Guinea as a constructive force for peace in a regional setting where Liberia continues as a failed, pariah state and Côte d'Ivoire is degenerating into open civil conflict. It is also strongly in the U.S. interest to prevent the burgeoning and potentially destabilizing HIV/AIDS epidemic from taking root in Guinea and undermining the progress made in confronting its development challenges.

**The USAID Program:** The Data Sheets below cover the five objectives for which USAID requests FY 2003 and FY 2004 funds. The bilateral assistance program focuses on: (1) agriculture and the management of natural resources; (2) providing quality basic education to a larger percentage of Guinean children, with emphasis on girls and rural children; (3) improving the health and welfare of women and children, reducing the growth of the HIV/AIDS pandemic and promoting family planning practice; (4) fostering progress in democracy through the strengthening of civil society organizations; promoting more transparent, good governance at the local level; and strengthening electoral practices and electoral conduct; and (5) targeting the Forest Region of Guinea and the rehabilitation needs of local communities, following the destruction brought about by the 2000-2001 cross-border attacks. FY 2003 funds will be used to implement ongoing programs in forest co-management and agricultural export development. FY 2003 health funds will be used for the continued strengthening of decentralized health service delivery in Upper Guinea, a national social marketing program, technical assistance in child immunization, integrated management of childhood illness (IMCI), nutrition, and a new HIV/AIDS strategy that targets high-risk populations in recently identified high prevalence areas of the country. Education funds will finance training in support of administrative and financial decentralization in the education system; in-service training for primary school teachers; implementation of a reading instruction program; the development of

an education sector HIV/AIDS policy; the reinforcement of 100 community-based organizations to undertake school improvement projects; girls' scholarships and equity-enhancing activities; and enhancing the Government's institutional capacity for education planning. Democracy and governance funds will support the empowerment of grassroots organizations through training in internal governance and transparent budget management. Improved budget management by local groups will enhance their eligibility for credit, thus helping local groups reap economic dividends from sound governance practices. Democracy and governance funds will also support training at the community level in the area of improved human rights practices.

**Other Program Elements:** P.L. 480 Title II funds are used to support sustainable agriculture in targeted areas of Guinea with a view to improving household food security. Funds are also used to improve maternal and child nutrition. Funding from USAID's Office of Foreign Disaster Assistance has helped establish Guinea's Emergency Response Unit, which is designed to respond to humanitarian crises brought about by the influx of refugees. The Department of State's Bureau of Population, Refugees and Migration continues to provide support to the many refugees still resident in camps in Guinea.

**Other Donors:** Donor coordination in promoting development in Guinea has been outstanding. As the largest bilateral contributor to Guinea's "Education for All" Program, USAID led pioneering efforts promoting support among other donors for a decentralized education system. USAID leveraged complementary resources from the United Nations International Children's Emergency Fund (UNICEF), the United Nations Development Program (UNDP) and Germany to co-finance the first national HIV/AIDS prevalence survey; the World Health Organization (WHO), UNICEF and the World Bank co-finance the Integrated Management of Childhood Illness, a major element of the Child Survival program; and WHO, UNICEF and Japan jointly finance childhood immunization programs. In concert with several other donors (EU, Japan, Germany), USAID is providing financial support to an action plan developed by Conservation International for the protection of chimpanzees in West Africa. USAID has mobilized G-7 donor countries to improve democratic practices and electoral conduct in Guinea. Aggregate development assistance to Guinea totals \$71.185 million per year, excluding debt relief. France and Japan are Guinea's largest bilateral donors, followed by the United States. France continues to focus on rural development and infrastructure, natural resource management, fishery development, and education. Japan makes contributions to goals in the fields of health, basic education and debt relief. Kuwait and China invest in private sector development of rural infrastructure.

## Guinea PROGRAM SUMMARY

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 9,354             | 6,700              | 7,180                    | 6,659              |
| Development Assistance                  | 9,168             | 15,442             | 15,765                   | 11,095             |
| Economic Support Fund                   | 0                 | 650                | 0                        | 0                  |
| PL 480 Title II                         | 10,712            | 6,818              | 3,441                    | 4,474              |
| <b>Total Program Funds</b>              | <b>29,234</b>     | <b>29,610</b>      | <b>26,386</b>            | <b>22,228</b>      |

| STRATEGIC OBJECTIVE SUMMARY                         |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>675-001 Improved Natural Resource Management</b> |       |       |       |       |
| DA  | 5,638 | 6,979 | 6,880 | 4,747 |
| ESF   | 0     | 200   | 0     | 0     |
| <b>675-002 Family Planning and Health (FPH)</b>     |       |       |       |       |
| CSH   | 4,380 | 6,700 | 6,910 | 6,659 |
| DA  | 2,230 | 0     | 0     | 0     |
| <b>675-003 Basic Education</b>                      |       |       |       |       |
| CSH   | 4,994 | 0     | 0     | 0     |
| DA  | 0     | 6,200 | 6,250 | 4,348 |
| <b>675-004 Democracy and Governance</b>             |       |       |       |       |
| DA  | 1,300 | 1,783 | 1,385 | 1,250 |
| ESF   | 0     | 450   | 0     | 0     |
| <b>675-005 Post-Conflict Transition</b>             |       |       |       |       |
| CSH   | 0     | 0     | 250   | 0     |
| DA  | 0     | 500   | 1,250 | 750   |

\* FY 02 appropriated CSH excludes \$250,000 in polio funds programmed under Africa Regional.

## Kenya

**The Development Challenge:** Kenya is the dominant economy in the Horn of Africa. As a center for commercial and economic activity in a regional market of nearly 200 million people, it has the potential to promote economic growth and stability throughout the region. While Kenya in the past has achieved per capita income growth of 6% to 7% per year, actual growth fell from 4.6% in 1996 to a negative 0.2% in 2000, with some signs of turn around to an estimated 1.8% in 2002. Kenya's economic performance is a reflection of poor governance, including a culture of corruption, poor management of the economy by the previous government and, as a result, declining domestic and international investment in recent years. The successful December 27, 2002, presidential election hopefully marks a shift to a more open and democratic system in Kenya, bringing with it improvements in governance, management of the economy and delivery of social services. While this election is an important beginning, it is only the first step in addressing Kenya's development potential.

Although Kenya has a strong human resource base and significant amounts of existing, if deteriorating infrastructure from which to build, its progress in the short term will be hindered by constraints in health and primary education. Infant and child (under five) mortality is 112 deaths per 1,000 births, and HIV/AIDS continues to devastate the country. The Kenyan educational system is in disarray: enrollment rates, especially of girls and the economically disadvantaged have fallen. As public investment has decreased, therefore costs to families have increased. This is especially true in rural areas where some districts report as few as 17% of children are enrolled in primary schools.

Kenya is a high priority country for the United States in the fight against terrorism. Other important U.S. foreign policy interests in Kenya include: promoting regional stability, supporting democratization, encouraging economic prosperity and combating HIV/AIDS.

**The USAID Program:** The overarching goal of USAID assistance is to build a democratic and economically prosperous Kenya. This goal is being addressed through four objectives: improving the balance of power among the institutions of governance, protecting natural resources, improving rural incomes by increasing agricultural and rural enterprise opportunities, and improving health conditions.

HIV/AIDS prevention through positive behavior change, condom availability, blood transfusion safety, and preventing mother-to-child transmission is a program priority. Care and support for people living with HIV/AIDS will be expanded, including a pilot drug treatment program. Voluntary counseling and testing, reproductive health, and child survival will be supported, and tuberculosis (TB) and sexually transmitted infections (STIs) diagnosed and treated. In the wake of the December 2002 presidential election, USAID has a unique opportunity to help strengthen parliament and solidify the recent successes of the Kenyan electoral commission. Economic Support Funds (ESF) will be requested in FY 2004 for programs to promote better governance and transparency and to fight corruption. Growth of rural incomes will be encouraged through improvements in small farm agricultural productivity (including the use of biotechnology approaches), market access, and strengthening the private sector's abilities to manage the production and distribution of key commodities. Activities to improve management of wildlife outside protected areas, forest management and environmental governance, and integrated coastal management will all provide tangible benefits to local communities as well as preserve Kenya's wealth of natural resources.

**Other Program Elements:** Kenya is a priority country under the Presidential Initiative for Prevention of Mother-To-Child Transmission (PMTCT) of HIV/AIDS, which will greatly expand USAID's current support in this area.

Other USAID funding supports operations research in HIV/AIDS and community and reproductive health. Other central funds provide scholarships for girls and increase access to Internet and other electronic communications. Finally, central funding promotes market development, demonstrating best practices, in selected agricultural commodities. P.L. 480 Title II resources are used to improve food security in arid and semi-arid areas by providing agriculture and livestock production and marketing opportunities as well as promoting sustainable natural resource management practices.

**Other Donors:** USAID coordinates its assistance program closely with other donors in Kenya. Overall development assistance for Kenya totals about \$500 million per year. The United States is the third largest bilateral donor after Japan and the United Kingdom (UK). The main donors to the democracy and governance sector are the UK and the European Union (rule of law), the Netherlands, Denmark, Sweden, Germany, and Canada (civic education). USAID and the World Bank have been instrumental in working for an enabling policy environment for agricultural exports and markets. The World Bank works closely with USAID to provide support to Kenya's agricultural research institutes while the Netherlands supports livestock development. The leading donors in the micro- and small enterprise sector are the UK, the EU, the Netherlands, Denmark, and the United Nations Development Program. In the natural resources management (NRM) sector, the major donors are the Netherlands, the UK, Japan, Sweden, Belgium, Finland, Germany, Denmark, the EU, the World Bank, and the United Nations Environment Program (UNEP). USAID is the leading donor to Kenya's population and health sector and is working closely with the UK and the World Bank.

## Kenya PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 13,272            | 27,563            | 33,413                   | 38,513             |
| Development Assistance                  | 19,927            | 13,547            | 13,280                   | 3,776              |
| Economic Support Fund                   | 2,400             | 2,000             | 0                        | 8,000              |
| Supplemental - ESF                      | 0                 | 4,000             | 0                        | 0                  |
| PL 480 Title II                         | 47,771            | 17,682            | 12,134                   | 14,262             |
| <b>Total Program Funds</b>              | <b>83,370</b>     | <b>64,792</b>     | <b>58,827</b>            | <b>64,551</b>      |

### STRATEGIC OBJECTIVE SUMMARY

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>615-003 HIV/AIDS, Population, and Health</b>  |        |        |        |        |
| CSH  | 13,272 | 27,563 | 33,413 | 38,513 |
| DA   | 5,800  | 0      | 0      | 0      |
| <b>615-005 Natural Resources Management</b>      |        |        |        |        |
| DA   | 3,200  | 3,018  | 2,980  | 2,776  |
| <b>615-006 Democracy and Governance</b>          |        |        |        |        |
| DA   | 2,330  | 2,494  | 3,000  | 1,000  |
| ESF  | 2,400  | 2,000  | 0      | 4,000  |
| <b>615-007 Increased Rural Household Incomes</b> |        |        |        |        |
| DA   | 8,597  | 8,035  | 7,300  | 0      |
| ESF  | 0      | 4,000  | 0      | 4,000  |

## Liberia

**The Development Challenge:** Liberia is widely seen as one of Africa's preeminent "failed states" in which the central government has ceased to provide essential security and services. In the absence of state authority, territory is, in effect, ceded to contending militia groups that operate lawlessly and with impunity for crimes against civilians. In addition, conflict re-erupted in mid-2000 following cross-border incursions by the insurgent group Liberians United for Reconciliation and Democracy (LURD). The LURD consists of various militias that oppose President Charles Taylor; they are driven as much by economic depredation as by any clearly defined political agenda. Currently, there is an oscillating stalemate on the ground. The rebels occasionally advance toward Monrovia, while at other times the Government of Liberia (GOL) forces push the insurgents into the hinterland and into refuges in Guinea and Sierra Leone. Tens of thousands of combat-related fatalities have occurred. The Liberia conflict is interwoven with violence in neighboring Sierra Leone, Guinea and Cote d'Ivoire. Much of the blame lies with the Charles Taylor-led government, which has been in power since he won the presidential election in 1997 following over a decade of civil war. President Taylor is the major force in Liberian politics, and his policies remain a major obstacle to internal and regional stability and the development of a democratic Liberia. Under Taylor, the GOL has done little to improve the lives of the Liberian people.

The humanitarian consequences have been severe. According to the United Nations High Commissioner for Refugees (UNHCR), there are about 158,000 refugees from Liberia and about 130,000 internally displaced persons (IDPs) living in camps within Liberia. The actual number of displaced may be two or three times the number living in the camps. This crisis is occurring in one of the poorest countries on earth, with 80% of Liberia's approximately three million people living in poverty. Severe unemployment, amounting to 80% of the workforce, is the norm. Corruption is widespread. The capital, Monrovia, is without functioning electricity, water and sewerage systems. All basic human needs are supplied through the international donor community or through church groups. Most of the formal economy is controlled by Taylor or his close associates. The current government's policies on human rights and fostering regional instability have prevented the international community from providing the support that Liberia desperately needs to adequately address the growing humanitarian crisis and to overcome its serious social and economic problems. The USAID program supports U.S. national interests through reducing human suffering and promoting regional stability.

**The USAID Program:** If the International Contact Group that has been established can bring about a cease-fire and begin to lay the groundwork for a sustainable peace, USAID will support its attempts to resolve the conflict through a peace process and the eventual reconstruction of Liberia. Even in the current environment, USAID has been able to have a significant impact, by providing social and economic support such as primary health care, basic education and agricultural inputs to Liberians and their struggling communities trying to overcome the impact of national mismanagement and conflict. Through civic education and public information programs, USAID has supported community groups and non-governmental organizations (NGOs) in keeping a fragile civil society alive and functioning. U.S. humanitarian assistance has saved lives and lessened the misery of countless Liberians. Finally, U.S. assistance has served as a beacon of hope to the Liberian people, a reminder that the United States has not abandoned them in their desperate time of need.

The attached Data Sheets cover the three objectives for which USAID is requesting funds. These concentrate on increasing civil society's capacity for peace-building and supporting the eventual restoration of good governance, while improving food security and access to essential health care and services. Over the past year, USAID has successfully awarded two contracts which will consolidate and better integrate USAID programs and attempt to address long-term development issues. The consolidated program funds activities with international NGOs to support community groups and local NGOs that deliver quality primary health care, increase food security through better food crop production, processing and marketing; and provide resources for adult literacy, civic education and public information programs. USAID's assistance will increase the capacity of civil society to take a greater role in the future of Liberia. USAID will also provide resources to help strengthen opposition political parties in preparation for planned elections in October 2003. In February 2003, USAID will review the impact of its current



strategy. Given the current political and security dynamics of Liberia, USAID does not expect major changes in approach, and likely will extend the current strategy for an additional three years (through FY 2007).

**Other Program Elements:** Liberia receives funding from the Leahy War Victims Fund and the Displaced Children and Orphans Fund. The Leahy War Victims Fund, implemented through a grant to the United Methodist Committee on Relief, provides corrective surgical services as well as prostheses and physiotherapy for the disabled. Physiotherapy for children affected by polio and other mobility disorders is also being provided. Thus, 422 Liberians (250 males and 172 females) have received physical rehabilitation services, including prosthesis and physiotherapy, from the Ganta Prosthetic and Orthopedic Center, while 467 children (201 males and 266 females) have received physical rehabilitation services, including corrective surgery, prostheses and physiotherapy, from the Benedict Menin Rehabilitation Center.

The Displaced Children and Orphans Fund, implemented through UNICEF, promotes the social and economic reintegration of war-affected youth through their participation in vocational and literacy education, child's rights advocacy, youth networking and HIV/AIDS education and awareness activities at the community level. Under this program 352 girls (including 194 teen mothers) have enrolled in life skills education programs at sites in five counties; 202 peer educators have received training in HIV/AIDS prevention and control interventions; 25 community-based sessions on sexually transmitted infections and HIV/AIDS prevention and control have been conducted; and 677 youths (515 females and 162 males) have enrolled at the Accelerated Learning Program operated by Calvary Chapel of Liberia, Don Bosco Homes, the Children Assistance Program, and the Community Health and Development Agency. These activities have empowered the youths in the project areas to take appropriate actions to control the spread of sexually transmitted infections and HIV/AIDS in their respective communities and has facilitated their socio-economic reintegration.

P.L. 480 Title II assistance has allowed Catholic Relief Services (CRS) and the World Food Program (WFP) to improve food security and nutrition for internally displaced people, vulnerable groups, and students. CRS provided a daily lunch for over 25,000 students in 200 rural schools, in addition to daily meals to 5,500 handicapped, sick, or terminally ill people in welfare institutions. The WFP feeding program has provided food to over 182,000 people monthly.

**Other Donors:** The deteriorating political and security situation coupled with the GOL's involvement in regional conflict resulted in increasing alienation from the international community. United Nations sanctions against members of the current Government remain in force, as do those against diamond trading and the importation of weapons. The overall political and diplomatic situation has manifested a significant decrease in donor engagement in Liberia. The United Nations is the largest donor in Liberia, followed by the United States. The European Union (EU) is third among Liberia's significant donors. Other donors include: the United Kingdom, the Netherlands, Germany, Denmark and Finland. Neither the World Bank nor the International Monetary Fund is active in Liberia. Donor activities include assistance to improve food security, democracy and governance, income generation and primary health, in addition to significant humanitarian assistance. In addition to international donors, religious organizations including the Catholic, Lutheran and Methodist Churches provide significant assistance in the education and health sectors, as well as humanitarian assistance.

Coordination among donors is excellent. USAID, the European Union, and the United Nations Development Program (UNDP) meet twice a month to discuss political and development issues. Coordination is further strengthened through membership on advisory boards of different donor projects.

**Liberia  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 1,850             | 1,600              | 2,100                    | 2,045              |
| Development Assistance                  | 5,720             | 3,725              | 3,100                    | 1,100              |
| Economic Support Fund                   | 0                 | 1,150              | 0                        | 0                  |
| PL 480 Title II                         | 3,062             | 5,643              | 1,027                    | 0                  |
| <b>Total Program Funds</b>              | <b>10,632</b>     | <b>12,118</b>      | <b>6,227</b>             | <b>3,145</b>       |

| STRATEGIC OBJECTIVE SUMMARY                             |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>669-003 Improved Community Health</b>                |       |       |       |       |
| CSH   | 1,850 | 1,600 | 2,100 | 2,045 |
| DA  | 650   | 0     | 0     | 0     |
| <b>669-004 Improved Economic Livelihood</b>             |       |       |       |       |
| DA  | 3,270 | 2,665 | 2,500 | 1,100 |
| <b>669-005 Community Peace Building and Development</b> |       |       |       |       |
| DA  | 1,600 | 1,060 | 600   | 0     |
| ESF   | 0     | 1,150 | 0     | 0     |

\* FY 02 appropriated CSH excludes \$400,000 in polio funds programmed under Africa Regional.

## Madagascar

**The Development Challenge:** Madagascar is emerging from a prolonged political dispute over the outcome of a December 2001 presidential election. This political crisis devastated the economy, which contracted by 12% in 2002, further strained one of the world's top three "biodiversity hotspots," and disrupted an already weak health care system. Even before the crisis, 70% of Madagascar's population lived below the poverty line. Illiteracy is widespread at 46% of the population, infant, child and maternal mortality rates are unacceptably high, and life expectancy is low at only 58 years, all resulting mainly from the combined effects of low economic growth and a high average annual population growth rate of 2.8%. A recent USAID survey indicated that the political crisis further worsened people's well being. In addition, during the eight-month crisis, illegal exporting of endangered species occurred. Such actions threaten long-term prospects for sustainable development in Madagascar, given the uniqueness of Madagascar's flora and fauna.

With the political crisis resolved, Madagascar's prospects are now brighter than they have been for some time. Madagascar's new president favors reform, free-markets, and an open society and is committed to better governance and reducing the pervasive corruption that has plagued Madagascar since its independence. While the economy has suffered in the short-term, it continues to have considerable, untapped potential.

The top three U.S. foreign policy objectives with respect to Madagascar are broad-based economic development, environmental protection and promotion of democracy. These objectives coincide completely with USAID's current and proposed new development assistance strategies, discussed below.

**The USAID Program:** The overall goal of the USAID program in Madagascar is sustainable and inclusive economic development. A new strategy is pending approval. Once the new strategy is approved, USAID will notify separately for the use of FY 2003 and FY 2004 funds proposed for obligation under the new objectives.

Under the new strategy, a new democracy and governance program will address the weakness of Madagascar's democratic institutions, compounded by poor governance. It will build a deeper and stronger civil society, increase information flows, and increase government responsiveness to its citizens. A new health, population and nutrition program will address the prevention and management of sexually transmitted infections and HIV/AIDS; strengthen public health systems; and expand private health services to continue to improve child, maternal, and reproductive health and nutrition. A new environment and rural development program follows on the successes of the predecessor program, which will receive its final year of funding in FY 2003. This new program will work to conserve Madagascar's biologically diverse forest ecosystems, in part by linking natural resource management closely with economic development, i.e., helping people find livelihoods that do not increase deforestation for logging and/or farming and that support conservation of biodiversity. The new agricultural and trade program will concentrate on accelerating economic growth through market development and trade.

**Other Program Elements:** USAID centrally funded education activities support increased Internet access in Madagascar. In addition, central health funds will continue to contribute to joint environment-health programs. The new agriculture and trade program will also receive support from centrally and regionally funded activities. Finally, P.L. 480 food assistance will continue to support child survival and nutrition education.

**Other Donors:** In rank order, the World Bank, France, the European Union (EU), the United States and Japan are the key donors. The World Bank has identified governance as its central theme. The World Bank, International Monetary Fund, and EU provide budget support linked to improved public financial transparency and accountability. The World Bank also leads efforts to clean up trade in gems. The United Nations Development Program (UNDP), EU, Japan, Germany, and Switzerland partner in electoral support. The World Bank, United Nations specialized agencies, and France are active partners in the health sector, particularly in maternal and child health. The World Bank is becoming the lead donor in

fighting HIV/AIDS, while UNFPA is major partner in family planning, and Japan collaborates with USAID in certain areas, including behavioral change activities. The World Bank, EU, UNDP, France, Germany and Switzerland are, with the United States, active members of a multi-donor group on environment, rural development and food security. The World Bank is the most active supporter of emergency economic recovery, while the World Bank and EU lead in infrastructure development, and the World Bank aids privatization efforts. The World Bank and France support the financial system, especially mutual credit institutions. Agricultural development is a priority of the World Bank, EU, France, and International Fund for Agricultural Development. The World Bank also leads in the education sector. Finally, UNDP is a major partner in disaster preparedness. The EU and African Development Bank are supporting the emergency response to the 2002 locust threat. The World Food Program is the major partner in protecting food security.

## Madagascar PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 4,185             | 8,725             | 8,493                    | 8,915              |
| Development Assistance                  | 15,183            | 10,540            | 9,785                    | 10,945             |
| Economic Support Fund                   | 0                 | 2,000             | 0                        | 0                  |
| PL 480 Title II                         | 5,171             | 8,503             | 10,732                   | 12,590             |
| <b>Total Program Funds</b>              | <b>24,539</b>     | <b>29,768</b>     | <b>29,010</b>            | <b>32,450</b>      |

| STRATEGIC OBJECTIVE SUMMARY                                       |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>687-001 Democracy and Governance</b>                           |       |       |       |       |
| DA  | 1,763 | 2,090 | 0     | 0     |
| <b>687-002 Smaller, Healthier Families</b>                        |       |       |       |       |
| CSH   | 4,185 | 8,725 | 0     | 0     |
| DA  | 4,237 | 0     | 0     | 0     |
| <b>687-003 Biodiversity Conservation and Sustainable Dev't</b>    |       |       |       |       |
| DA  | 9,183 | 8,450 | 2,000 | 0     |
| ESF   | 0     | 2,000 | 0     | 0     |
| <b>687-VVV Democracy and Governance</b>                           |       |       |       |       |
| DA  | 0     | 0     | 785   | 914   |
| <b>687-XXX AIDS, Family Health and Food Security</b>              |       |       |       |       |
| CSH   | 0     | 0     | 8,493 | 8,915 |
| <b>687-YYY Biodiversity Conservation and Sustainable Developm</b> |       |       |       |       |
| DA  | 0     | 0     | 6,000 | 8,656 |
| <b>687-ZZZ Agriculture, Trade and Economic Growth</b>             |       |       |       |       |
| DA  | 0     | 0     | 1,000 | 1,375 |

## Malawi

**The Development Challenge:** Malawi's political and economic development is impeded by its landlocked condition, poor transportation network, dependence on a single cash crop (tobacco) for the bulk of export earnings, poor incentives for foreign and domestic investment, a strong legacy of authoritarian leadership, high population growth rate and low human capacity levels. Life expectancy is under 40 years. The infant mortality rate of 104 per 1,000 live births and malnutrition rates are among the highest in Africa. The International Monetary Fund estimated that Malawi's per capita gross domestic product in 2001 was \$166, down from \$180 in 2000. External debt in December 2001 was \$2.7 billion, with debt servicing absorbing more than a quarter of the Government of Malawi's (GOM's) budget. In December 2000, Malawi was approved under the Enhanced Heavily Indebted Poor Countries Initiative, which will reduce the average annual debt service of about \$50 million over a five year period.

The United States' national goals in Malawi are: the promotion of market-led economic growth, support for stable democratic governance and conflict avoidance and containing the HIV/AIDS pandemic. Malawi emerged from decades of one-party autocracy to a multi-party democracy in 1994. Fundamental economic liberalization and structural reforms have accompanied this political transformation, although they have been fragile and halting. HIV/AIDS affects 16% of the adult population, and continues to threaten the country's future development. Further economic reforms are needed to ensure stability and democratic consolidation in the run-up to the 2004 elections.

Malawi is a strong U.S. ally within the region, and has demonstrated relative political and economic stability in an unstable region. Malawi supports U.S. interests in regional development and political issues, and recently played a critical role in crisis prevention and conflict resolution efforts in Zimbabwe, Angola and the Democratic Republic of Congo, while its President was Chair of the Southern Africa Development Community (SADC). Promoting broad-based, private sector-led economic growth and democratic governance will contribute to a more stable country and region.

**The USAID Program:** FY 2003 funds will be used to promote economic growth, with an emphasis on agriculture and natural resources management; democracy and governance, particularly through strengthening the accountability of institutions; HIV/AIDS, family planning, health, including infectious diseases, and nutrition; and basic education. USAID programs promote citizens' understanding of their rights and responsibilities to participate in democratic decision-making. A community-level social mobilization campaign supported by USAID has markedly increased female enrollment at the primary and secondary levels. The program will also address the quality of education, which has declined as a result of a policy decision to accelerate universal enrollment. Program activities will continue to improve professional teaching skills; develop school capacity to respond to the needs of the student population; and ensure successful implementation and monitoring of critical reform policies.

The FY 2004 request responds to critical needs in democracy and governance, health and education, employment, and income generation. USAID has a comparative advantage in addressing Malawi's short and medium-term constraints, particularly in the area of democracy and governance, where USAID is one of the few donors that has the ability to work with civil society. While the level of USAID program support is small, the leverage derived from it is high. The United Kingdom, the major donor for democracy and governance activities, relies on USAID technical assistance. The same is true in the areas of agriculture and trade, where USAID is the leading proponent of market-led development. USAID was the leading donor in anticipating the current food crisis and convinced the government, other donors, and implementers of the need for strong coordination and collective solutions to mitigate a humanitarian crisis that threatens the region. Long term food security and economic growth will be fostered through agricultural reform and modern farming practices that can translate into increased agricultural productivity, efficiency, and global market access, which in turn create off-farm employment opportunities.

**Other Program Elements:** USAID has an ongoing P.L. 480 Title II Food for Development program. USAID continues to work closely with the centrally-managed Famine Early Warning System (FEWS) to assist Malawi with food monitoring. The Leland Initiative has been invaluable in opening up the internet to

commercial interests, particularly for rural small-holder associations. The African Trade and Investment Project (ATRIP) funding has permitted the development of Malawian business interests in support of the goals of the African Growth and Opportunity Act (AGOA). The Equity and Growth Through Economic Research project has helped identify constraints to private sector expansion.

**Other Donors:** Overall development assistance to Malawi totals about \$400 million per year, excluding debt relief. The United Kingdom is the largest bilateral donor and works in many sectors, including budget support. The scale of the USAID program places it in the second tier of bilateral donors, with Canada, Norway, Japan and Germany. Germany focuses on health, education, and democracy and governance. Norway is addressing HIV/AIDS, health, education, agriculture, and natural resources, while Japan concentrates on agriculture and infrastructure. Canada focuses on health, HIV/AIDS and education. In conjunction with the United Kingdom, USAID helps the Malawian National Assembly to improve the interaction between civil society and government. Multilateral donors include the United Nations agencies, the European Union, the World Bank, the International Monetary Fund and the African Development Bank. Donor coordination is excellent in Malawi. The May 2000 Consultative Group meeting in Malawi brought together the GOM, donors, the private sector and NGOs to discuss Malawi's economic progress and outline a strategy for future growth. This process continued with the preparation of Malawi's Poverty Reduction Strategic Planning Paper in April 2002.

## Malawi PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 14,862            | 15,540             | 17,480                   | 21,919             |
| Development Assistance                  | 13,150            | 13,829             | 13,397                   | 10,555             |
| Economic Support Fund                   | 0                 | 500                | 0                        | 0                  |
| PL 480 Title II                         | 1,726             | 13,699             | 6,290                    | 4,918              |
| <b>Total Program Funds</b>              | <b>29,738</b>     | <b>43,568</b>      | <b>37,167</b>            | <b>37,392</b>      |

| STRATEGIC OBJECTIVE SUMMARY                             |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>612-002 Natural Resource Management</b>              |        |        |        |        |
| DA  | 3,500  | 0      | 0      | 0      |
| <b>612-006 Rural Income Growth</b>                      |        |        |        |        |
| DA  | 6,170  | 7,324  | 8,589  | 7,192  |
| <b>612-007 Increased Constitutionalism and Advocacy</b> |        |        |        |        |
| DA  | 1,200  | 755    | 808    | 755    |
| ESF   | 0      | 500    | 0      | 0      |
| <b>612-008 AIDS and Family Health</b>                   |        |        |        |        |
| CSH   | 10,851 | 15,540 | 17,180 | 21,819 |
| DA  | 2,280  | 0      | 0      | 0      |
| <b>612-009 Basic Education</b>                          |        |        |        |        |
| CSH   | 4,211  | 0      | 300    | 300    |
| DA  | 0      | 5,750  | 4,000  | 2,808  |

\* FY 02 appropriated CSH excludes \$75,000 in polio funds programmed under Africa Regional.



## Mali

**The Development Challenge:** In May and July 2002, respectively, Mali held peaceful elections for the presidency and legislature. These elections marked another milestone in the consolidation of Mali's young democracy since the 1991 collapse of the longtime dictatorship. Although corruption in Mali is not as severe as in many sub-Saharan African countries, Mali's new president has made anti-corruption a major focus of his new government. Notwithstanding its democratic credentials, Mali's progress towards sustainable economic development remains fragile. The largely agriculture-based economy does not as yet provide an adequate platform for reducing endemic poverty and improving the quality of life for the majority of the country's people. Although the last decade was witness to significant economic liberalization and structural reforms, Mali is severely indebted, subject to cyclical drought, and heavily dependent on the export of a limited range of primary commodities.

In recent years, Mali's macroeconomic performance improved significantly despite the negative influence of factors such as irregular rainfall and fluctuations in the prices of its primary exports on world markets. Political unrest in neighboring Côte d'Ivoire since the September 2002 mutiny has further highlighted Mali's economic and social vulnerability. In this regard, the period 1994-2000 was most remarkable, with GDP growth averaging 5% per annum and inflation limited to 2% to 3%. Despite these positive trends, 72% of Mali's population live below the poverty line, and unemployment and underemployment, especially among youth, are high.

Mali's social indicators are abysmal. Life expectancy at birth is 51 years; infant mortality is 113 per 1,000 live births; maternal mortality is 582 per 100,000 live births; fertility is almost seven children per woman; only 54% of the population has access to potable water; the rate of chronic malnutrition is 38.2%; the school gross enrolment rate is 66%; and the illiteracy rate is 58%. Thankfully, the rate of HIV/AIDS prevalence within the general population is among the lowest in the West African region.

Mali is one of the few predominantly Muslim countries that have vocally supported the U.S. war on terrorism. The number-one priority for the United States in Mali is to support Mali's efforts to combat terrorism. Furthermore, thanks to its political stability and the commitment of its leadership to regional integration, Mali plays an indispensable role as a stabilizing force in volatile West Africa. Therefore, it is in the U.S. national interests to support programs that will consolidate democratic systems and practices, expand economic development, and improve the health and educational levels of the Malian people.

**The USAID Program:** In FY 2003, USAID will begin to implement its new ten-year strategy aimed at expanding economic opportunities, particularly for the rural poor; providing high impact health services to improve the health and welfare of women and children, and to prevent an HIV/AIDS epidemic; improving the quality of basic education for boys and girls; consolidating democracy through decentralization; and accelerating overall development by making information more widely accessible. This new strategy differs from the prior one in several significant ways. There is greater emphasis on economic growth, in particular the expansion of irrigated agriculture (mostly rice), which will help Mali to become less dependent on the annual amount of rainfall. Health efforts will focus on high impact interventions such as child vaccinations, provision of Vitamin A, and distribution of bednets to fight malaria. These activities were selected because they have been proven to reduce child and maternal mortality. The focus of education activities will be on quality. Under the prior strategy, USAID helped to build 1,745 schools that educate approximately 15% of the children attending primary school. However, teachers are not trained and schools are not well equipped. Most new education efforts will be targeted to upgrading teachers' skills. The health and education portfolios have been separated so that results can be better managed and tracked. Finally, to make sure that maximum impact is achieved, USAID has carefully selected "communes" in which to co-locate 70% of activities in a bold experiment in synergy.

The Data Sheets presented below describe the five objectives for which USAID plans to use FY 2003 and FY 2004 funds. The objectives closely support the Malian government's strategy for achieving systemic poverty reduction. The government has put in place long-term sector plans for education and health, supported by all major donors including USAID, to directly improve the quality of life for all Mallians.

Notably, it has also acknowledged the critical role of good governance and transparency in poverty reduction efforts and has developed a long-term program for judicial reform. Non-governmental organizations both domestic and international are key to USAID's program effectiveness, serving as reliable partners capable of delivering essential services. Increasingly, private activity is driving economic development in Mali, and USAID is working to bolster the capacity of and to provide opportunities for the small but dynamic local business sector.

Without economic growth, long-term poverty reduction in Mali will not be attainable. Therefore, USAID's main strategic axis is an expansion of sustainable economic opportunities. Raising rural incomes enables Malians, especially women and children, to enjoy better health and leads to improved life skills education. USAID is committed to ensuring that its economic growth activities fuel progress in other program areas, such as health and education, where the population is chronically under-served. USAID is at the forefront of efforts to reinforce human and institutional capacities to make decentralization a reality by equipping civil society, local government, and the private sector with the means to develop partnerships to effectively manage local social and economic affairs.

**Other Program Elements:** In addition to the bilateral assistance to the Government of Mali, USAID has other on-going programs in Mali directly funded and/or managed by USAID's Washington-based pillar bureaus, the regional bureau, and the West African Regional Program (WARP). The Famine Early Warning System focuses on improving the quality and effectiveness of information/response planning systems that contribute directly to drought preparedness and the adoption of response plans. The West Africa InterCRSP Natural Resource Management Project aims to increase the availability of and access to knowledge, techniques and technologies to improve performance and people-level impact of natural resources management efforts in West Africa. The Agribusiness Association Development activity supports sub-regional agribusiness associations desiring assistance in policy formulation, market development and analysis, and commercialization of applied technologies. The Malaria Research and Training Center established in Bamako in 1990 contributes to the improvement of the Malian National Malaria Control Program by updating staff skills in technical and operational aspects of malaria control. Food for Peace P.L. 480 resources are monetized in other countries to generate local currency that is used for development activities in the harsh environmental conditions of northern Mali and in neighboring countries under a regional food security program.

**Other Donors:** Mali relies a great deal on the presence of a strong community of development partners. A well-established coordination mechanism exists among donors with a monthly meeting held to discuss and analyze technical and political constraints facing the efficient implementation of development activities. The United States ranks third among Mali's bilateral partners, and provides approximately 10% of overall assistance, which totals roughly \$380 million per year, excluding debt relief. France and the Netherlands are the leading bilateral donors. Both are active in the areas of education, health, rural development and food security. In addition, France works in the governance arena and, alongside Canada, is helping to reform the judiciary. Other than USAID, France is the main bilateral partner supporting information technologies. Other important bilateral donors and their principal areas of focus in common with USAID include Germany (health, education, governance, rural development and food security), Japan (education); Canada (health, education, rural development and food security), Switzerland (health, rural development and food security), and Belgium (health and education). Multilateral donors present in Mali include the World Bank (health, education, governance, rural development and food security), the European Union (health, governance, rural development and food security), the UN agencies (health, education, and governance), and the World Food Program (rural development and food security).

**Mali**  
**PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 12,433            | 14,488             | 13,288                   | 12,659             |
| Development Assistance                  | 22,054            | 21,688             | 21,340                   | 17,027             |
| Development Credit Authority            | 99                | 0                  | 0                        | 0                  |
| Economic Support Fund                   | 750               | 0                  | 0                        | 0                  |
| PL 480 Title II                         | 2,372             | 1,355              | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>37,708</b>     | <b>37,531</b>      | <b>34,628</b>            | <b>29,686</b>      |

| STRATEGIC OBJECTIVE SUMMARY                               |        |       |        |        |
|---|--------|-------|--------|--------|
| <b>688-001 Youth</b>                                      |        |       |        |        |
| CSH   | 12,433 | 6,000 | 0      | 0      |
| DA  | 5,995  | 3,550 | 0      | 0      |
| <b>688-002 Sustainable Economic Growth</b>                |        |       |        |        |
| DA  | 5,782  | 3,330 | 0      | 0      |
| DCA   | 99     | 0     | 0      | 0      |
| <b>688-003 Democratic Governance</b>                      |        |       |        |        |
| DA  | 4,687  | 2,300 | 0      | 0      |
| ESF   | 750    | 0     | 0      | 0      |
| <b>688-004 Information and Communication</b>              |        |       |        |        |
| DA  | 1,500  | 450   | 0      | 0      |
| <b>688-005 Development in the North</b>                   |        |       |        |        |
| DA  | 4,090  | 810   | 0      | 0      |
| <b>688-006 High Impact Health Services</b>                |        |       |        |        |
| CSH   | 0      | 8,488 | 13,288 | 12,459 |
| <b>688-007 Improving Quality of Basic Education</b>       |        |       |        |        |
| DA  | 0      | 3,540 | 6,050  | 4,511  |
| <b>688-008 Shared Governance Through Decentralization</b> |        |       |        |        |
| DA  | 0      | 1,836 | 4,692  | 3,766  |
| <b>688-009 Accelerated Economic Growth</b>                |        |       |        |        |
| DA  | 0      | 5,222 | 9,598  | 7,850  |
| <b>688-010 Communications for Development</b>             |        |       |        |        |
| CSH   | 0      | 0     | 0      | 200    |
| DA  | 0      | 850   | 1,000  | 900    |

\* FY 02 appropriated CSH excludes \$300,000 in polo funds programmed under Africa Regional.

## Mozambique

**The Development Challenge:** Mozambique continues to be held in high regard internationally as a model of war-to-peace transition. The country's success is reflected in its ability to sustain strong economic growth. Gross Domestic Product (GDP) growth was 14.8% in 2001, with 10% projected for 2002. Behind solid and increasingly progressive leadership, the country continues to press forward with economic and political reforms in the face of substantial development challenges. Per capita annual GDP is now roughly \$225. With municipal elections slated for 2003 and national elections in 2004, continued growth in the effectiveness of civil society and greater government transparency and accountability are essential to curtailing corruption and building citizen confidence. Sixty percent of adults are illiterate. Despite increased vaccination rates and better access to basic health services, life expectancy remains 46 years. Given this difficult context, even if Mozambique can successfully reduce the incidence of HIV/AIDS in the medium term, the present prevalence rate of 12.6% will eventually translate into large costs for the economy and society. In the face of these challenges, donor resources and private investment are needed if Mozambique is to maintain its economic growth, reduce poverty, and stem the spread of HIV/AIDS.

Mozambique's ocean access to global markets for several landlocked countries and its proximity to the industrial heartland of South Africa underscore the fact that its political stability and economic growth contribute to the U.S. national interests of peace, stability, and economic growth throughout southern Africa. As a rapidly growing economy, Mozambique is increasingly a potential market for U.S. exports and U.S. investment in agriculture, fisheries, and minerals.

In 2002, the economy returned to the single digit inflation and double-digit growth that was interrupted in 2000 - 2001 by floods and a banking crisis. There was also progress on the structural, or macro-economic, reforms that are needed for Mozambique to achieve its Poverty Reduction Strategy Plan (PRSP) goal of realizing a significant reduction in poverty by maintaining high rates of growth.

The economy opened further in 2002, with merchandise trade increasing as a percentage of GDP, from 40.7% in 2000 to 63.9% in 2002. Exports have doubled since 2000, reflecting the government's success in attracting major new investments, particularly in the processing of aluminum and natural gas.

**The USAID Program:** FY 2003 is the final year of Mozambique's current Country Strategic Plan, and it will be the year that USAID begins the transition to a new strategy. Both ongoing activities and future activities are summarized in the following four data sheets. In FY 2003, USAID's four strategic objectives will continue to increase rural incomes, strengthen the partnership between civil society and government, increase the use of essential maternal and child health services, and improve the enabling environment for private sector-led growth. In FY 2004, the first year of its new country strategy, USAID will pursue five new strategic objectives that foster sustained and more broad-based, poverty-reducing economic growth through agriculture and increased international trade, stem the spread of HIV/AIDS, improve maternal and child health, and build constructive relations between citizens and their governance bodies. The new strategy will contribute significantly to overall peace and security in Mozambique and sub-Saharan Africa. U.S. assistance will play an increasingly critical role in the country's future if the poor are to share in the benefits of growth and reform, and if Mozambique is to become fully integrated into the global economy.

Each of these programs makes a direct and significant contribution to one or more U.S. foreign aid pillars and Mozambique's development challenges. Together, they broaden participation in political life and economic growth for all Mozambicans. USAID's new country strategy will advance this goal by ensuring broad-based gains from the economic growth Mozambique is expected to achieve over the next several years. Separate notifications will be provided to Congress once the new strategy is approved.

**Other Program Elements:** Monetized PL 480 Title II resources will complement the Mission's DA portfolio to assist food insecure families to increase food production, raise cash incomes and improve family nutrition.

In addition to the resources requested in the Data Sheets, USAID's Economic Growth, Agriculture and Trade (EGAT) Bureau provides central funding for the Conservation of Resources in African Landscape (CORAL) activity, which includes work in Mozambique. This activity increases and improves protection and sustainable use of agricultural land; natural resources, principally forests, and biodiversity; and both freshwater and coastal ecosystems. Ecotourism development is a key enterprise activity under CORAL, and a sector USAID considers a potential focus of its new country strategy. In FY 2003 USAID expects the start-up of new activities funded under the Regional HIV/AIDS Program for Southern Africa. These will target high-risk populations in the extremely active commercial centers of Namaacha, on the border with Swaziland, and Ressano Garcia, on the border with Mpumalanga Province in South Africa. The lead implementer will be an experienced U.S. private voluntary organization (PVO) already working in Mozambique and in the neighboring countries. The approach will be to identify and mobilize local partners to provide sexually transmitted infection (STI) referrals and education, HIV/AIDS behavior change outreach and education activities, voluntary counseling and testing, and condom social marketing to high-risk populations. These activities will be an important adjunct to USAID's own bilateral Maputo Corridor AIDS Prevention (MCAP) project in helping to reduce HIV transmission in southern Mozambique. Mozambique is a priority country under the Presidential Initiative for Prevention of Mother-To-Child Transmission (PMTCT) of HIV/AIDS, which will greatly expand USAID's current support in this area.

**Other Donors:** Overall donor assistance to Mozambique's economic growth and poverty reduction strategy is expected to total approximately \$620 million in 2003, with grants projected at approximately \$450 million and a projected \$170 million in concessional loans. The United States remains the largest bilateral donor, likely providing over \$65 million in grants and monetized food aid in FY 2003. Other major donors include the World Bank, the International Monetary Fund, the United Nations agencies, the European Union, the United Kingdom (U.K.), Japan, the Netherlands, Sweden, Denmark, Switzerland, Italy, France, and Norway. Portugal, South Africa, and the U.K. are major sources of private investment in Mozambique. Donor coordination working groups are active in all of USAID's strategic areas. An important aspect is Mozambican government leadership of each working group. USAID partners with the World Bank, the European Union (EU), and bilateral European donors, in close cooperation with the Ministry of Agriculture, to improve agricultural policy and restructure the agricultural public sector. USAID remains a leading member of the Ministry of Health-chaired donor working group that includes Canada, the Netherlands, the EU, Japan, the World Bank, and several other European countries. USAID and the World Bank continue to implement complementary efforts to improve the environment for private sector growth. Of particular note are ten public-private fora to discuss and develop policies that foster private sector-led growth and development.

## Mozambique PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 12,953            | 17,677             | 21,800                   | 24,200             |
| Development Assistance                  | 31,469            | 22,438             | 23,692                   | 16,081             |
| Economic Support Fund                   | 600               | 400                | 0                        | 0                  |
| PL 480 Title II                         | 22,996            | 18,448             | 16,871                   | 16,859             |
| <b>Total Program Funds</b>              | <b>68,018</b>     | <b>58,963</b>      | <b>62,363</b>            | <b>56,920</b>      |

| STRATEGIC OBJECTIVE SUMMARY                    |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>656-001 Increased Rural Incomes</b>         |        |        |        |        |
| DA   | 18,840 | 17,910 | 19,842 | 9,600  |
| <b>656-002 Government and Civil Society</b>    |        |        |        |        |
| DA   | 1,912  | 1,261  | 1,350  | 1,281  |
| ESF  | 600    | 400    | 0      | 0      |
| <b>656-003 Maternal and Child Health</b>       |        |        |        |        |
| CSH  | 12,953 | 17,677 | 21,800 | 24,200 |
| DA   | 5,250  | 0      | 0      | 0      |
| <b>656-004 Enabling Environment for Growth</b> |        |        |        |        |
| DA   | 5,467  | 3,267  | 2,500  | 5,200  |

\* FY 02 appropriated CSH excludes \$100,000 in polio funds programmed under Africa Regional.

## Namibia

**The Development Challenge:** Namibia has emerged as an African success story just 12 years into its independence from South Africa. It remains committed to a path of reconciliation, maintains an open-door policy for trade and investment, and nurtures a promising parliamentary democracy. It rates high on a number of international indices in terms of democratic freedom, economic competitiveness and governmental integrity. Namibia is blessed with extensive mineral and gemstone deposits, impressive port and highway infrastructure, and Africa's best telecommunications systems.

At the same time, Namibia faces extreme inequalities stemming from years of colonialism and apartheid. The wealthiest 1% of the population earns more than the poorest 50%. Unemployment is estimated at 35%, and 25% of the population is underemployed. The inability to generate adequate levels of employment is a symptom of economic stagnation, as evidenced by the annual per capita GDP growth rate averaging 1.6% since independence. Slow economic growth will continue until Namibia is able to fully shed the colonial economic model whereby resources are extracted and exported with little value added.

Compounding these historical challenges is the rapid spread of HIV/AIDS. With an HIV/AIDS prevalence rate of 23.3%, AIDS deaths have reduced life expectancy from 60 years in 1991 to 47 years in 2000. The disease is cutting into the ranks of teachers and other key professionals. The epidemic is expected to result in 118,000 orphans by 2006 and a 20% reduction in gross domestic product by 2010.

The U.S. national interests in Namibia are based on the desire to maintain and deepen Namibia's status as an African success story and to enhance its ability to contribute to peace, security, and stability on the African continent. Namibia is also a strong partner with the U.S. in the war on terrorism.

**The USAID Program:** USAID is requesting funds to support five objectives intended to accelerate progress toward the economic, social and political empowerment of historically disadvantaged Namibians. These programs promote private enterprise development, improve education in grades one through four, increase the environmental and economic benefits of community-based natural resource management, strengthen democracy, and curb the spread of HIV/AIDS. All FY 2003 and FY 2004 funds will be used to finance ongoing strategic objective programs.

**Other Program Elements:** In FY 2002, ESF funding totaling \$700,000 enabled USAID to continue its parliamentary strengthening program for another year and to initiate an electoral support program in coordination with the Government of Namibia and other donors.

With funding totaling \$3.1 million during FYs 2000-2002, the Education for Democracy and Development Initiative has supported USAID's bilateral programs, including the introduction of information technology to accelerate development, the promotion of youth entrepreneurship, and assistance for the education and social needs of children orphaned by the HIV/AIDS crisis. In FY 2001, USAID's Regional Center for Southern Africa (RCSA) contributed \$1,000,000 to help support the achievement of objectives under the Community Based Natural Resource Management (CBNRM) Program. RCSA is considering an additional contribution to the program in FY 2003.

Namibia is a priority country under the Presidential Initiative for Prevention of Mother-To-Child Transmission (PMTCT) of HIV/AIDS, which will greatly expand USAID's current support in this area. USAID's HIV/AIDS budget has been supplemented by USAID's Regional Housing and Urban Development Office (RHUDO), which has supported the efforts of local government authorities to reduce HIV/AIDS impacts at the community level. USAID's Office of Women in Development provided FY 2002 funding for a study of the role of gender in HIV/AIDS transmission. RHUDO and USAID's Democracy, Conflict and Humanitarian Assistance (DCHA) Bureau have funded short-term assistance and studies for the democracy program. With funding from the Leland Initiative and USAID's Economic Growth, Agriculture and Trade (EGAT) Bureau's DOT.COM program, USAID designed a cross-cutting information and communication technology (ICT) strategy in FY 2002. The Africa Bureau provided \$1.5 million in FY

2002 public-private partnership funding to initiate two inter-related alliances to extend ICT technology and educational content to rural schools. Over the FY 2001-2003 period, the EGAT Bureau is financing a program in which six American volunteers are training local teachers and teaching business skills. In FY 2002, Africa Bureau funding supported two grants to assist vulnerable children, as well as an anti-corruption program.

**Other Donors:** Despite its relatively modest size, USAID's program is the second largest among bilateral donors, after Germany, and is visible, strategic, and results-oriented. USAID works actively with other donors in every area of engagement to ensure complementarity. United Nations agencies have begun to play an important role in catalyzing a coordinated response to the HIV/AIDS epidemic, supported also by Germany, Finland, Sweden, the Netherlands and France. The European Union, Sweden, Finland, Norway, Denmark, the United Kingdom, Germany, the United Nations International Children's Emergency Fund (UNICEF) and the United Nations Development Program (UNDP) are engaged in a sector-wide assistance program in the education sector. The World Bank Global Environmental Fund is considering assistance to Namibia for community-based natural resource management, an area also supported by the United Kingdom. The Netherlands parallel finances a civil society support program with USAID, and with Sweden, are partners with USAID in an electoral support activity. The United Kingdom and Germany are engaged in small and medium enterprise development programs.



**Namibia  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 4,383             | 1,850             | 1,900                    | 2,500              |
| Development Assistance                  | 5,498             | 8,183             | 5,080                    | 4,932              |
| Economic Support Fund                   | 0                 | 700               | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>9,881</b>      | <b>10,733</b>     | <b>6,980</b>             | <b>7,432</b>       |

| STRATEGIC OBJECTIVE SUMMARY   |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>673-001 Private Enterprise Development</b>                       |       |       |       |       |
| DA  | 0     | 1,475 | 1,400 | 0     |
| <b>673-002 Basic Education Support</b>                              |       |       |       |       |
| CSH   | 1,998 | 350   | 0     | 0     |
| DA  | 0     | 4,184 | 1,800 | 1,576 |
| <b>673-003 Community Based Natural Resource Management</b>          |       |       |       |       |
| DA  | 3,800 | 2,224 | 1,880 | 2,558 |
| <b>673-004 Democracy and Governance</b>                             |       |       |       |       |
| DA  | 1,698 | 300   | 0     | 800   |
| ESF   | 0     | 700   | 0     | 0     |
| <b>673-005 Reduced Prevalence of HIV/AIDS in Target Communities</b> |       |       |       |       |
| CSH   | 2,385 | 1,500 | 1,900 | 2,500 |

## Nigeria

**The Development Challenge:** With the 1998-1999 transition from military rule to a democratically elected government, Nigeria committed itself to the development of a sustainable democracy and the expansion of economic and social opportunities for all Nigerians. Over the intervening four years, Nigeria has made significant progress in laying the foundation for future democratic consolidation and economic growth. Nonetheless, Nigeria still faces formidable challenges.

Nigeria's economic and social stability is threatened by the rising tide of poverty. The population is projected to double to over 260 million by 2025. This growth will require a doubling of the already inadequate infrastructure and GDP simply to sustain the current level of poverty. Per capita income has declined by 75 percent in real terms over the past 20 years, and 70 percent of Nigerians now live on less than one dollar per day. The economy is dependent on oil revenues, which provide 85 percent of federal budget resources and 95 percent of export earnings. Oil dependence has overshadowed the needs of agriculture, which employs nearly three-quarters of Nigerians and accounts for over 40 percent of GDP. Revitalization of the stagnant agricultural sector is a key strategy for poverty reduction. Pervasive corruption, which acts as a regressive tax and redistributes wealth in favor of the privileged, is also a major contributing factor to poverty that must be addressed.

Nigeria's social indicators also paint a grim picture. Nigeria's infant and maternal mortality rates are unacceptably high and similar to rates of its poorer, smaller, neighbors. High fertility - about six children per woman - and inadequate birth spacing contribute to poor health and limit Nigerian women's productive capacity. While about 35% of women between 15 - 49 years of age want to space or postpone a subsequent pregnancy, only 9% of women are currently using modern contraceptives. While the estimated HIV/AIDS seroprevalence of 5.8% is relatively low compared to rates in southern Africa, Nigeria's 3.5 - 4 million seropositives account for nearly one-tenth of the HIV/AIDS-infected worldwide. Far more alarming is the potential for explosive growth in the near future, to as many as 10 to 15 million HIV-infected individuals over the next eight years. Half of Nigeria's population is under the age of 15 years, at high risk of infection and/or becoming orphaned. An estimated 900,000 Nigerian children have already been orphaned by HIV/AIDS, and this number could increase to nine million in the next decade. Just 55 percent of primary school aged children in Nigeria are enrolled in school, and the increase in orphan numbers may reduce this even further, with the greatest impact on girls. At the same time, Nigeria's rapidly growing population threatens to overwhelm the country.

Nigeria plans to hold local, state and federal elections during the first half of 2003. While the Independent National Electoral Commission (INEC) has recently completed a national voter registration drive, media and other reports suggest that the process may not have been completely transparent or accountable. The registration exercise is nonetheless a major step forward in preparing the country for a second round of democratic elections. Political tensions are rising in anticipation of the elections and threaten to exacerbate ethnic, communal and religious differences, increasing the risk of more destabilizing conflicts that continue to plague the country.

The primary U.S. national interests in Nigeria are democracy, global economic growth and stability, and regional conflicts. Nigeria's prosperity and stability are essential to growth and stability in West Africa and more generally in sub-Saharan Africa. Nigeria is the fifth largest exporter of oil to the United States, and a top-ten exporter worldwide.

**The USAID Program:** The current USAID transition strategy was developed in 1999 to respond to the challenges and the opportunities offered by Nigeria. Initially scheduled to end in 2001, the transition program has been extended through December 2003. A new five-year strategy is being developed, which will take effect in January 2004. Programs under the current strategy support USAID's goal of "Assisting Nigeria's Transition to Economic, Social and Political Stability." The strategy's four strategic objectives and one special objective were designed to address the key development challenges outlined above. USAID's programs also build on the opportunities that Nigeria offers, including a large human

resource base, enormous agricultural potential, an abundance of natural resources, a commitment to sustaining the democratic process, and nascent efforts to address pervasive corruption.

The current portfolio addresses democracy and governance, economic growth and agriculture, basic education, reproductive and child health and HIV/AIDS services, and infrastructure. Focal areas for the democracy and governance objective include support for efficient electoral processes, building capacity of legislatures and courts, conflict mitigation, and enhancing the effectiveness of civil society in advocating for accountable government. The economic growth and agriculture objective addresses improved performance of the agriculture sector, an enhanced environment for private sector growth, and greater access to financial services. The basic education objective will improve teacher skills, promote community support for primary education, and provide skills training for out of school youth. In the health sectors, USAID's programs seek to strengthen the delivery of basic reproductive health, maternal and child health, and HIV/AIDS prevention and support services; to increase their use; and to engage in policy dialogue to improve the enabling environment. Improvements to elements of the energy and transport sectors are addressed by the infrastructure objective.

Under the proposed strategy, USAID will continue to work in all areas supported under the current strategy, but the objectives will be restructured to increase management efficiency and impact. The democracy and governance objective will emphasize transparent governance and conflict management, with a strong focus on civil society. Agriculture will become the focus of efforts in a new objective for agriculture and economic growth. Since improved health and education are key determinants of development in Nigeria, previously separate efforts in basic education and health care will be integrated into a new objective for improved social sector service delivery. Given the projected impact of the epidemic on Nigeria over the next ten years, an expanded response to HIV/AIDS and tuberculosis will form a discrete strategic objective.

**Other Program Elements:** The Sustainable Tree Crop Development Program, being implemented by the International Institute for Tropical Agriculture (IITA) with support from AFR/SD, strives to improve the quality of production and marketing of perennials such as coffee and cocoa for export. USAID is already actively working on cocoa and gum arabic activities and has identified other tree crops such as cashews that can also benefit under this program. The West Africa Regional Program (WARP), based in Mali, works in Nigeria to enhance economic integration through assistance to public and private sector institutions, particularly in the energy sector. WARP also addresses early detection and response mechanisms to prevent regional conflicts, and addresses HIV/AIDS prevention. Nigeria is a priority country under the Presidential Initiative for Prevention of Mother-To-Child Transmission (PMTCT) of HIV/AIDS, which will greatly expand USAID's current support in this area. USAID also receives resources from the Presidential Initiative Strengthening Basic Education in Africa to support interactive radio instruction for teacher training.

**Other Donors:** The USG is the largest bilateral donor in Nigeria, followed closely by the United Kingdom (U.K.), which supports democracy and governance, health, HIV/AIDS, education and conflict. Collaboration with other donors is a critical component of the USAID's work throughout its portfolio. USAID participated in a multi-donor assessment of conflict (with the World Bank and others), and chairs the donor committee monitoring Nigeria's 2003 elections. USAID co-chairs the Education Donor Coordinating Committee with the United Nations Educational, Scientific and Cultural Organization (UNESCO), which was instrumental in completing an Education Baseline Survey in Nigeria, and serves as a key advisor to Nigeria's Federal Ministry of Education. USAID has worked closely with the U.K. to establish a collaborative condom social marketing program in Nigeria and to disseminate complementary behavior change information on abstinence and faithfulness, leveraging a \$75.5 million contribution from the U.K. USAID has also joined forces with Japan to develop programs to address HIV/AIDS and infectious diseases.

## Nigeria PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 23,363            | 36,066            | 41,356                   | 46,300             |
| Development Assistance                  | 30,941            | 21,968            | 23,879                   | 12,639             |
| Economic Support Fund                   | 23,445            | 8,500             | 0                        | 5,000              |
| <b>Total Program Funds</b>              | <b>77,749</b>     | <b>66,534</b>     | <b>66,235</b>            | <b>63,939</b>      |

| STRATEGIC OBJECTIVE SUMMARY                                |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>620-006 Democracy and Good Governance</b>               |        |        |        |        |
| DA   | 8,099  | 7,886  | 7,373  | 2,767  |
| ESF  | 9,330  | 7,500  | 0      | 2,500  |
| <b>620-007 Sustainable Agriculture and Economic Growth</b> |        |        |        |        |
| DA   | 9,142  | 9,412  | 11,131 | 6,007  |
| ESF  | 10,309 | 1,000  | 0      | 2,500  |
| <b>620-008 Basic Education</b>                             |        |        |        |        |
| CSH  | 3,163  | 0      | 0      | 19,700 |
| DA   | 2,700  | 4,670  | 5,375  | 3,865  |
| ESF  | 2,351  | 0      | 0      | 0      |
| <b>620-009 Integrated health information and services</b>  |        |        |        |        |
| CSH  | 20,200 | 36,066 | 41,356 | 26,600 |
| DA   | 11,000 | 0      | 0      | 0      |
| ESF  | 1,055  | 0      | 0      | 0      |
| <b>620-010 Infrastructure and Energy</b>                   |        |        |        |        |
| ESF  | 400    | 0      | 0      | 0      |

## Rwanda

**The Development Challenge:** Since the civil war and genocide of 1994, the Government of Rwanda (GOR) has made significant progress in restoring security in the country and rebuilding its social and economic infrastructure. Recovery from the devastation in 1994 is slow and has been complicated by invasions of Hutu extremists into Rwanda from the neighboring Democratic Republic of Congo (DRC) and Rwanda's ensuing role in the war in DRC. In accordance with the terms of the Pretoria Peace Accord signed with the DRC in July 2002, the GOR has overseen the withdrawal of 22,000 Rwandan soldiers from the eastern region of the DRC. While some Rwandan and Burundian rebels still pose a threat in the region, Rwanda itself is secure at this time. If peace and stability continue to improve as expected, the country will also see a rapid increase in the number of Rwandan Army soldiers and rebel ex-combatants in neighboring DRC being demobilized and reintegrated into their communities. Increasing numbers of Rwandan refugees are also expected to return. The reintegration of these tens of thousands of ex-combatants and refugees, along with the expected release of tens of thousands of prisoners under the traditional Rwandan method for resolving conflicts being used to try genocide crimes (known as "gacaca"), will increase the potential for violent conflict in communities throughout the country.

Democratization in Rwanda is underway. A nationwide referendum on a newly drafted constitution is scheduled for mid-2003, followed by presidential and parliamentary elections. As part of Rwanda's decentralization program, local government officials, elected for five-year terms in 2001, now have responsibility for providing many of the country's social services at the district level. Securing adequate resources for local government projects and services is a major challenge for the GOR.

In spite of the progress in Rwanda, severe development challenges remain. More than 60% of Rwanda's 8.16 million people live below the poverty line. For every 1,000 births, 107 infants die within the first year. Average life expectancy has dropped in the last decade to below 40 years of age. HIV/AIDS, at a prevalence rate of about 9%, malaria, tuberculosis and malnutrition are the main causes of sickness and death. Rwanda also is one of the most densely populated countries in the world, with an average of 317 people per square kilometer, exerting tremendous pressure on the land and the environment. More than 90% of the working population farm at a subsistence level and, due to continued population growth, the average farm size decreased from 2.5 acres in 1991 to 1.75 acres in 2000. The situation is further exacerbated by farming practices that often result in severe erosion, leading to declining soil fertility and other environmental problems.

The key U.S. national interests in Rwanda are regional stability, democracy and governance, and economic prosperity. Improved regional stability and economic growth will facilitate progress in the global war on terrorism. Economic cooperation will promote growth and increased trade in addition to lessening dependence on international humanitarian assistance.

**The USAID Program:** The USAID program supports the interests of stability and economic prosperity of Rwanda through strategic objectives in health and food security and economic growth, designed to improve the quality and availability of health services, increase agricultural production, and provide access to capital in rural areas. Likewise, the program helps to promote democracy and good governance under its third objective, which will increase citizen participation and support Rwanda's decentralization efforts and the development of the country's justice system. HIV/AIDS will continue to be a major element of USAID's program. FY 2003 funds will be used to implement current programs, while FY 2004 funds will be used to implement a new strategy for FY 2004 - FY 2008. Notification for new strategic objectives will be submitted for FY 2004, once the strategy is approved.

**Other Program Elements:** Three P.L. 480 activities form an integral component of USAID's food security and economic growth program and support efforts to improve agricultural productivity and increase food security, particularly for vulnerable populations like children affected by HIV/AIDS. USAID's central funding for the Famine Early Warning System provides timely information on the location and needs of vulnerable populations, which can change with the onset of floods, droughts and volcanic eruptions. The health program is complemented by USAID central funding for malaria and polio eradication activities that

help to improve health service delivery. Rwanda is a priority country under the Presidential Initiative for Prevention of Mother-To-Child Transmission (PMTCT) of HIV/AIDS, which will greatly expand USAID's current support in this area. Rwanda also benefits from USAID central funds earmarked to support gorillas through grants to the International Gorilla Conservation Program and the Diane Fossey Gorilla Foundation International. In addition to supporting conservation activities in the national park, central USAID funds encourage development of economic and tourism-related activities that benefit the great apes and the rural poor. Rwanda also receives centrally funded technical assistance, training and equipment to support the expansion of information and communication technologies, especially in educational institutions.

**Other Donors:** The United Kingdom (U.K.) and Belgium are Rwanda's first and second largest bilateral partners. Sweden and the Netherlands have recently pledged substantial increases in funding through budgetary support. The World Bank and the European Union (E.U.) also provide substantial support to the GOR. USAID, the third ranking bilateral donor in 2001-2002, was selected by the GOR to lead donor coordination for private sector development. The GOR also called upon USAID, in its fight against HIV/AIDS, to co-chair the HIV/AIDS Cluster Group with the United Nations Development Program. USAID also participates in other donor coordination groups and works closely with the Netherlands and the U.K. on decentralization, justice and conflict prevention; with the EU and World Bank on agriculture and economic development; and with the Belgians, United Nations Fund for Population Activities, UNICEF and WHO on health activities.

Other major bilateral donors and their principle areas of focus, include the U.K. (education, public finance, democracy and governance), Belgium (health, justice, social development, environment, transport and housing), Sweden (education, human rights and social sector restructuring), the Netherlands (justice, decentralization, and community development), Germany (environment, conflict management, civic education, social services and health), Switzerland (civil society and decentralization), France (health, governance, social sector), Canada (gender). Multilateral donors include the United Nations agencies, the European Union, the International Monetary Fund, the World Bank and the African Development Bank.

**Rwanda  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 7,167             | 12,100            | 12,150                   | 14,508             |
| Development Assistance                  | 6,997             | 6,402             | 6,023                    | 4,810              |
| Economic Support Fund                   | 2,100             | 2,500             | 0                        | 0                  |
| PL 480 Title II                         | 10,394            | 14,498            | 10,978                   | 12,438             |
| <b>Total Program Funds</b>              | <b>26,658</b>     | <b>35,500</b>     | <b>29,151</b>            | <b>31,754</b>      |

| STRATEGIC OBJECTIVE SUMMARY                      |       |        |        |        |
|--|-------|--------|--------|--------|
| <b>696-001 Democracy and Governance</b>          |       |        |        |        |
| CSH  | 0     | 2,000  | 0      | 0      |
| DA   | 2,965 | 0      | 923    | 1,500  |
| ESF  | 2,100 | 2,500  | 0      | 0      |
| <b>696-002 Health</b>                            |       |        |        |        |
| CSH  | 7,167 | 10,100 | 12,150 | 14,508 |
| DA   | 148   | 1,953  | 0      | 0      |
| <b>696-003 Food Security and Economic Growth</b> |       |        |        |        |
| DA   | 3,884 | 4,449  | 5,100  | 3,310  |

## Senegal

**The Development Challenge:** Senegal is a democratic and moderate Muslim nation committed to fighting terrorism. A stable country in an unstable region, and a model of religious and ethnic tolerance, it plays a key role in conflict resolution in West Africa and beyond. A founder of the New Partnership for Africa's Development (NEPAD), the country is an advocate for private sector-led growth and trade as the essential engines of Africa's economic growth. Freedom House lists Senegal as one of the few African and Muslim countries among the ranks of free nations.

With few natural resources and a per capita income of \$500 per year, Senegal is one of the poorest countries in the world. Unless it can create the conditions to unlock the productivity of its people and, in so doing, create jobs for thousands of unemployed youth, improve access to education and health care, and give people hope for the future, the country risks falling prey to the despair and demagoguery that have destabilized many of its neighbors.

Senegal's economic outlook is mixed. Good fiscal discipline was instrumental in its receiving a B+ sovereign credit rating from Standard and Poor's in 2000 and 2001. On the other hand, real GDP growth, which averaged 5.6% from 1995-2001, is projected at 2.4% in 2002, due to poor agricultural results and a change in the GDP calculation method required by the West Africa Economic and Monetary Union. Poorly run public enterprises (notably the peanut and electricity companies) are a continual drain on the government budget. Structural reforms, including privatization of inefficient state enterprises, increasing the flexibility of the labor market, and improving the transparency of public financial management are needed to achieve higher sustained GDP growth.

External debt is 78% of the GDP. Senegal's Poverty Reduction Strategic Plan was approved by the Boards of the IMF and World Bank in December 2002 opening the door to a new IMF poverty reduction facility with the expectation of reaching the HIPC completion point during 2003. An exercise has been initiated to reduce the number of conditions and to harmonize budget support within the framework of the poverty reduction strategy.

Overall, the country's competitiveness improved in 2002, confirming the trend noted in the Africa Competitiveness Report 2000/2001 that ranked Senegal among the most competitive African countries. Senegal's exports are expected to have grown by 8% in 2002, and new investments are being made by Mauritian, Malaysian, and U.S. textile investors to take advantage of African Growth and Opportunity Act (AGOA) preferences. Administrative barriers to starting new businesses have been reduced, but the time required for an investor to access land is well above the average for a sample of 20 African countries. The business community lacks confidence in the impartiality and competence of the judiciary, which is widely perceived as subject to external influence.

Low productivity, a result of the population's poor education and health status, is at the heart of Senegal's development challenge. Social indicators, although improving, paint a troubling picture. Gross primary school enrollment increased from 53% in the early 1990s to 69% in 2001. Yet, more than 50% of all adults, especially women, are still unable to read or write. While HIV/AIDS prevalence (1%) is among the lowest in West Africa, Senegal's total fertility rate remains high (5.2); use of modern contraceptives is low among married women (8%); and maternal mortality is among the highest in the subregion. In addition, life expectancy at birth is only 52 years, and the under five child mortality rate (142.5 deaths per 1,000 live births) is stubbornly high. A poorly educated population combined with a Sahelian environment of poor soils, very limited rainfall, and rapidly disappearing forests create the conditions in which 53.9% of households live below the poverty line. This has spurred an exodus to the cities, especially the capital, Dakar, where urban squalor is widespread.

Several disasters disrupted development progress in 2002. The delayed onset of the rainy season reduced harvests across the country, while unseasonal rain and cold caused losses of livestock, crops and homes in the north. In September, 1,836 people died in the tragic sinking of the "Joola" ferry, a key economic and psychological link between the conflict-affected Casamance region and the rest of the



country. Without the ferry, lack of reliable transportation between the Casamance and the capital limits commerce from one of the most productive regions.

It is in the United States' national interest to reinforce Senegal's stability and help it reduce poverty by promoting growth-oriented private sector development, improving the quality of social services and infrastructure, and strengthening democratic policies and practices through decentralization, good governance and conflict resolution.

**The USAID Program:** The data sheets that follow describe the five objectives for which USAID is requesting FY 2003 and FY 2004 funds. These objectives tackle the key constraints to Senegal's development. To encourage economic growth, the private enterprise program will build trade capacity and make it easier to start and operate a business. This includes improving business skills, strengthening microfinance institutions, and encouraging streamlined business procedures. The program also will commercialize non-traditional agricultural and natural products with export potential. To strengthen democracy at the grassroots, and because Senegal has decentralized responsibilities for service provision and resource management to local governments, FY 2003 and FY 2004 funds will be used to improve the skills of elected local officials and community leaders in raising local revenues, budgeting and financial management, and conflict resolution, particularly with respect to competition for a community's scarce natural resources. This program complements activities in the health and education sectors that encourage increased involvement of local governments and communities in their schools and health centers. The health program targets HIV/AIDS prevention and treatment and improved health of women and children, particularly through reduction in malaria and other infectious diseases. In FY 2003, USAID will launch a new basic education program to increase the number of children, especially girls, who are able to continue their education in middle schools. Finally, USAID will provide FY 2003 and FY 2004 funds for a limited number of conflict resolution initiatives in the Casamance, where a 20-year old rebellion continues to indiscriminately claim lives and hobble development. Home-grown activities such as community cultural weekends, small scale agricultural activities, and rebuilding destroyed schools and homes are helping to re-establish the basis for sustainable development and community-led peace initiatives.

**Other Program Elements:** USAID central funds support several agriculture and natural resource management activities in Senegal. The Africa Trade and Investment Policy Initiative (ATRIP) strengthened farmer cooperatives and helped them access international markets by linking them with cooperatives in the United States. ATRIP also funded the University of Minnesota to work with a Senegalese farmer to export green beans to the United States; the first trial shipment was sent in December 2002. The University of California at Riverside and Senegal's Agricultural Research Institute (ISRA) are researching early-maturing, drought-tolerant, and disease-resistant cowpea varieties to replace traditional long-cycle peanut and millet crops. In FY 2002, World Resources Institute began investigating the effects of decentralization on the charcoal market and the implications for Senegal's forests. Finally, the Earth Resources Orbiting Satellite (EROS) Data Center has undertaken collaborative research on carbon sequestration with Senegal's Environment Monitoring Center and ISRA.

In FY 2002, USAID's Education for Democracy and Development Initiative financed a number of activities, including an exchange program between the University of Massachusetts and the Gaston Berger University in Saint-Louis, Senegal, support for the Senegalese university public policy center for research, and teaching in political science and business law.

**Other Donors:** Direct development assistance to Senegal in 2001 was estimated at \$329 million (8.2% of GDP). More than half of total development assistance was provided by World Bank/IDA (22%), France (19%) and Japan (11%). The United States provided \$25 million, or approximately 8% of development assistance, ranking it fifth, behind the European Union. Since 1995, total direct development assistance to Senegal has declined by 35%. Most aid is in the form of project and technical assistance, while 6.8% is budget support. Donors and the Government of Senegal are working to speed up disbursement of donor funds. A well-functioning mechanism for donor coordination is led by the World Bank and the United Nations Development Program (UNDP). The United States leads the private sector donor subgroup, and plays important roles in other donor subgroups.

## Senegal PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 10,366            | 15,005            | 14,762                   | 15,825             |
| Development Assistance                  | 13,375            | 13,950            | 13,618                   | 12,209             |
| PL 480 Title II                         | 834               | 1,790             | 0                        | 5,387              |
| <b>Total Program Funds</b>              | <b>24,675</b>     | <b>30,745</b>     | <b>28,380</b>            | <b>33,421</b>      |

| STRATEGIC OBJECTIVE SUMMARY                                       |       |        |        |        |
|---|-------|--------|--------|--------|
| <b>685-001 Private Enterprise</b>                                 |       |        |        |        |
| DA  | 3,562 | 4,800  | 6,928  | 6,256  |
| <b>685-002 Democracy and Local Governance</b>                     |       |        |        |        |
| DA  | 4,800 | 6,540  | 2,361  | 2,443  |
| <b>685-003 Decentralized Quality Health Services</b>              |       |        |        |        |
| CSH   | 9,966 | 14,505 | 14,762 | 15,825 |
| DA  | 3,255 | 0      | 0      | 0      |
| <b>685-008 Education for Development and Democracy Initiative</b> |       |        |        |        |
| DA  | 0     | 700    | 0      | 0      |
| <b>685-009 Casamance Conflict Resolution</b>                      |       |        |        |        |
| CSH   | 400   | 500    | 0      | 0      |
| DA  | 1,758 | 1,910  | 800    | 600    |
| <b>685-010 Middle School Basic Education</b>                      |       |        |        |        |
| DA  | 0     | 0      | 3,531  | 2,910  |

## Sierra Leone

**The Development Challenge:** Through the combined efforts of a U.N. peacekeeping mission, the World Bank, the international community, and the Government of Sierra Leone in demobilization and disarmament of ex-combatants, peace has been restored, and the reintegration of ex-combatants is nearing completion. Government authority is being slowly reestablished throughout the country, and the peaceful, free, and open Presidential and Parliamentary elections held in May 2002 were an inspiration to many. Although a fragile peace has been realized, the possibility for resumed conflict remains a concern until the transnational region that includes Guinea's Parrot's Beak, Liberia's Lofa County, and the Eastern Region of Sierra Leone is stabilized. Sierra Leone has ranked last for the past three years on the United Nation's Human Development Index, and maternal mortality rates are currently the highest in the world. Although real GDP increased by 5% in 2001, this follows a cumulative decline of 25% during 1997-99, and approximately 66% since 1970.

The United States has several important interests at stake in Sierra Leone. The United States is providing approximately \$300 million per year to help support the world's largest U.N. Peacekeeping Force. It is in the U.S. interest to reinforce the gains achieved over the past 12-24 months to avert the need for future investment of this magnitude. In addition, the United States has a humanitarian interest in preventing a recurrence of the lawlessness and brutal violence that produced thousands of deaths, injuries, assorted war crimes, and hundreds of thousands of refugees. Finally, as the Department of State's Mission Performance Plan clearly lays out, the United States has an interest in supporting the efforts of its ally, the United Kingdom, which has allocated considerable investment of political and diplomatic capital, as well as its military assistance, to stabilize the situation in Sierra Leone.

**The USAID Program:** The Data Sheets below cover the two Special Objectives for which funds are requested for FY 2003 and FY 2004. FY 2004 resources will be provided under the first year of a planned three year extension of the current Transition Strategy. Under the Reintegration Objective, USAID provides social, economic, and physical support to encourage resettlement and reintegration in war-torn communities. As reintegration advances and communities become more economically and socially viable, there is a corresponding need for these communities to develop a capacity to make political decisions and build the practices of a democratic society. Assistance supplied under the Democracy Objective helps broaden participation of local communities and interest groups in key national debates such as the utilization of Sierra Leone's diamond resources, the provision of education, and the limitation of corruption. The program also focuses on youth and gender issues designed to reduce violence and promote community healing.

**Other Program Elements:** Displaced Children and Orphans Funds and War Victims funding provided by USAID's Global Health and Democracy, Conflict, and Humanitarian Assistance (DCHA) bureaus are easing the trauma and suffering of the war-affected through programs which address the needs of the handicapped and abducted women and children through various prosthetics, socio-psychological therapy, and basic vaccination programs. P.L. 480 funds are being used for feeding programs. The USAID Office of Foreign Disaster Assistance provides humanitarian relief programs in the targeted areas of eastern Sierra Leone. Transitional Program funds for Human Rights activities are jointly coordinated with the West Africa Regional Program (WARP). This includes assistance to women, orphans, and other children who have been victims of the war. Finally, joint program funding and coordination extends beyond USAID (e.g., the Kailahun District Hospital, which is jointly planned and financed (with STATE/Population, Refugees and Migration (PRM)).

**Other Donors:** The United States continues to be the leading provider of humanitarian assistance to Sierra Leone. The United States was the largest single donor to the U.N. Consolidated Appeal for Sierra Leone in 2001, providing approximately 54% of the total contributed. The United Kingdom (which ranks first in development assistance), is the next largest donor and provided 10% of the U.N. appeal. The European Union provided approximately 9% (not including contributions to U.N. High Commission for Refugees and International Committee of the Red Cross). Other major donors providing humanitarian assistance (by rank order) include Sweden, Japan, the Netherlands, Switzerland, Norway, and Germany.

## Sierra Leone PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 1,884             | 841                | 468                      | 500                |
| Development Assistance                  | 3,116             | 6,413              | 3,400                    | 3,727              |
| Economic Support Fund                   | 950               | 10,225             | 0                        | 5,000              |
| PL 480 Title II                         | 32,974            | 24,355             | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>38,924</b>     | <b>41,834</b>      | <b>3,868</b>             | <b>9,227</b>       |

| STRATEGIC OBJECTIVE SUMMARY                          |       |       |       |       |
|--|-------|-------|-------|-------|
| <b>636-001 Reintegration</b>                         |       |       |       |       |
| CSH  | 1,884 | 841   | 468   | 500   |
| DA   | 2,616 | 3,012 | 3,052 | 1,910 |
| ESF  | 950   | 3,000 | 0     | 2,000 |
| <b>636-002 Strengthening Democratic Institutions</b> |       |       |       |       |
| DA   | 500   | 3,401 | 348   | 1,817 |
| ESF  | 0     | 7,225 | 0     | 3,000 |

\* FY 02 appropriated CSH excludes \$234,000 in polio funds programmed under Africa Regional.

## Somalia

**The Development Challenge:** Somalia has been without a central government since 1991 and there have been numerous failed attempts at reconciliation. While current peace talks led by the Intergovernmental Authority on Development (IGAD) offer hope that the fighting might end, it is still too early to know how significant the outcomes may be. Civil unrest is the primary obstacle to economic growth and development in Somalia. Export earnings continue to drop, following a livestock ban imposed in September 2000 by countries in the Arabian Peninsula because of Somalia's inadequate animal health control and certification procedures. Somalis working outside the country have a harder time sending money home following the closure of al Barakat, formerly Somalia's largest remittance company, further worsening the economy. Ethiopia has closed its border with Somalia and imposed heavy import/export taxes that have further eroded economic conditions. In addition, insecurity and reduced assets over time have made communities more vulnerable to seasonal climate cycles that result in reduced food production.

Insecurity has continued to hamper international efforts to provide food aid and basic health services. In 2002, insecurity was the most important factor affecting food security and vulnerability and hampered humanitarian access. The humanitarian situation remains serious: one out of five children dies before the age of five; one of six children is enrolled in primary school; one of eight women is literate; and one of four families has access to clean drinking water.

U.S. national interests are clear: stability and security will not be achieved in the greater Horn of Africa region without putting an end to conflict and stopping potential Somali support for terrorism. The paramount goal of U.S. policy is to encourage the return of Somalia to the international community as a legitimate and reliable member. The United States provides an alternative to extremism in Somalia through its humanitarian assistance and support for long-term economic, social and democratic development, particularly education.

**The USAID Program:** USAID assistance to Somalia works for a more secure, less vulnerable Somalia. The three main objectives of the program are: to strengthen local governance and conflict mitigation, to provide for more productive livelihoods, and to respond to critical needs for vulnerable groups. The first two objectives, funded through Development Assistance, Child Survival and Health and Economic Support Funds, focus on strengthening the governance in local communities by civil society organizations and local authorities in stable regions of Somalia and promoting economic opportunities by improving basic education, rehabilitating infrastructure and supporting small economic initiatives, including those that enhance alternative energy use. The third objective is supported primarily by Development Assistance, humanitarian assistance and P.L. 480 food aid assistance.

**Other Program Elements:** USAID uses Development Assistance, Economic Support Funds, International Disaster Assistance, and food aid to help Somalia. Funding from USAID's humanitarian and P.L. 480 food aid assistance is targeted at meeting the critical needs of vulnerable groups. Humanitarian assistance is devoted to supplementary nutrition programs, re-establishment of infant growth monitoring, rehabilitation of health facilities, provision of essential medicines, immunization programs, rehabilitation of water resources, and logistical support throughout vulnerable areas of Somalia. Emergency P.L. 480 helps internally displaced people and vulnerable families, mainly in southern Somalia.

**Other Donors:** Donor coordination is good. USAID provides funding to the United Nations Development Program to support the operating costs of the Somalia Aid Coordination Body (SACB) Secretariat. The coordination group is made up of donors, U.N. agencies, and non-governmental organizations and provides a framework for a common approach to the allocation and distribution of aid resources in Somalia, and focuses on key areas of rehabilitation and development assistance.

Somalia receives aid from several multilateral and bilateral sources. In recent years the European Union has been the largest donor to Somalia (although in FY 2001, the United States was reported as the largest donor). The European Union provides assistance in primary health care, rural development,

livestock production and marketing, and irrigation infrastructure. Major bilateral donors include Italy, Japan, Sweden, Norway, the Netherlands, the United Kingdom and Denmark. Other donors include Canada, Finland, Germany and Egypt. Several U.N. agencies, particularly the United Nations Development Program and United Nations Children's Fund, also provide assistance.

**Somalia  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 500               | 500               | 200                      | 411                |
| Development Assistance                  | 2,500             | 2,267             | 2,700                    | 965                |
| Economic Support Fund                   | 0                 | 1,750             | 0                        | 0                  |
| PL 480 Title II                         | 9,702             | 19,729            | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>12,702</b>     | <b>24,246</b>     | <b>2,900</b>             | <b>1,378</b>       |

| STRATEGIC OBJECTIVE SUMMARY                             |       |       |       |     |
|---|-------|-------|-------|-----|
| <b>649-004 Local Governance and Conflict Mitigation</b> |       |       |       |     |
| DA  | 1,400 | 1,600 | 980   | 0   |
| ESF   | 0     | 450   | 0     | 0   |
| <b>649-005 Productive Livelihoods</b>                   |       |       |       |     |
| CSH   | 500   | 500   | 200   | 411 |
| DA  | 1,000 | 567   | 1,620 | 965 |
| ESF   | 0     | 1,300 | 0     | 0   |
| <b>649-006 Humanitarian Assistance</b>                  |       |       |       |     |
| DA  | 100   | 100   | 100   | 0   |

## South Africa

**The Development Challenge:** Eight years after the fall of apartheid and the installation of a democratic government, South Africa has made remarkable progress closing the gap between historically privileged and disadvantaged groups. Major transformations of the judicial, education, health, housing and governance sectors have accompanied and facilitated this progress. Yet much work remains. South Africa's principal development challenges include a sluggish economy, a high HIV/AIDS infection rate, and spiraling crime. Income inequality is among the highest in the world. Nearly 60% of black South Africans live in poverty, compared to three percent of whites. Similarly, large disparities are found in job skills, education, health care, and housing among South Africans, over half of whom live in urban centers. South Africa's health system, ranked by the World Health Organization at a dismal 175th out of 191, struggles under the weight of HIV/AIDS and related diseases. South Africa has more people living with HIV/AIDS than any other country in the world. An estimated 20% of the population between 15 and 49 years of age is HIV positive, with an estimated 1,700 new infections daily. Child mortality rates, average by African standards, have begun to worsen. It is estimated that by 2005 at least 1.3 million children will be orphaned as a result of HIV/AIDS and that 23% of skilled and 32% of semi- and unskilled workers will be infected by 2005.

Despite South Africa's adherence to prudent monetary and fiscal policies, economic growth has been sluggish. The economy grew an estimated 3.5% in 2002 and is currently projected to grow at rates of 3.5% to 3.8% per annum for the next three years. This projected economic growth rate is insufficient to significantly reduce unemployment, currently estimated at 29% (36% for blacks and 6% for whites.) Although South Africa itself has been spared the direct ravages of drought and the misguided food security policies afflicting other countries in the region, prices of foodstuffs have risen 20% over the past year, while overall inflation was a bit under 15%. It is unlikely that South Africa's pursuit of prudent monetary and fiscal policies, public-private partnerships to deliver services, privatization, and greater international and regional trade will soon translate into more jobs and improved living conditions for South Africans.

With nearly half of the total population living below the poverty line, violent crime has become endemic in South Africa. In 2001-2002, nearly 21,500 murders and 54,000 rapes were recorded. While crime rates are among the highest in the world, the conviction rate, estimated at eight percent, is among the lowest. The high level of crime is a disincentive for much-needed foreign investment. It also contributes to disillusionment with democracy among South Africans, many of whom place less trust in elected institutions, view them as less responsive to public opinion, and are less satisfied with their performance than in 1998. As most South Africans have not reaped tangible benefits from the country's sharp turn to democracy and aggressive effort to integrate into the world economy, a growing number of observers now mark the next five years as critical for South Africa's future.

U.S. national interests in South Africa derive from South Africa's growing role as a political and economic leader in the region and on the continent as a whole and its relative stability as an anchor of democracy in the region. South Africa is a strong U.S. ally in the war on terrorism. South Africa remains one of the most important U.S. trading partners in sub-Saharan Africa and is an exporter of numerous products to the United States, including vehicles and parts, apparel, and fresh and canned fruits and vegetables, to name a few. South Africa is a major regional supplier of food to relief efforts in Africa's food-insecure countries, and South African ports, railways and trucking companies are utilized extensively in the distribution of food throughout Southern Africa.

**The USAID Program:** USAID is requesting funds for six objectives. They correspond to the South African government's priorities, and are reviewed annually with the government to ensure the program supports the country's economic and democratic transformation in ways that reduce disparities between historically privileged and disadvantaged groups. The program enhances capacities of institutions, skills of individuals, and linkages between South Africa and the U.S. More specifically, the program strengthens the criminal justice system's ability to prosecute criminals, and improves the health system's ability to deliver primary health care, particularly interventions to combat HIV/AIDS, tuberculosis and



related diseases, as well as maternal and child mortality. As noted, HIV/AIDS affects every aspect of South Africa's economy and social fabric. USAID's broad approach to mitigating the impact of the pandemic addresses sector-specific challenges by integrating HIV/AIDS activities into all programs. In education, USAID's program redresses the legacies of apartheid through targeted training to close critical skills gaps in the short term, while assisting in the transformation of the national educational system to become more inclusive and results-oriented. The program fosters educational linkages that did not exist or were constrained under apartheid. Small, medium, and micro-enterprises in urban and agricultural areas are linked to larger businesses and markets in South and southern Africa and the United States, and their growth helps create jobs. Financial institutions, new local governments formed from previously disparate and segregated communities, and civil society groups are brought together into new public-private partnerships to increase environmentally sound municipal services and housing for low income South Africans. FY 2003 funds will be used to implement these ongoing programs in the areas of democracy and governance, education, health, economic policy and capacity building, market-driven job creation, and municipal services and shelter. FY 2004 funds will fund the continuation of these programs. All FY 2003 and FY 2004 funds will support ongoing programs as described in the following Data Sheets.

**Other Program Elements:** More than 20 centrally funded activities complement the bilateral program, primarily in education, agriculture and enterprise development, and health. The Economic Growth, Agriculture, and Trade (EGAT) Bureau funds 17 grants to U.S. universities to assist South Africa's historically disadvantaged institutions to transform their institutions, support basic education initiatives, and improve classroom teaching skills. The EGAT Bureau supports the Global Technology Network, which facilitates business relationships between U.S. and South African firms. The EGAT Bureau funds several energy projects that complement the Global Climate Change (GCC) program, as well as a grant to a sustainable transportation institute that complements the GCC program. Moreover, EGAT co-funds support for the regulation of micro-finance institutions and encourages the development of sustainable institutions and instruments. The Democracy, Conflict, and Humanitarian Assistance Bureau funds two farmer-to-farmer grants that provide U.S. volunteer technical assistance on ways to improve agribusiness productivity and incomes. A grant funded by the Global Health Bureau supports a child survival program. Each USAID team collaborates actively with the Africa Bureau Regional Program in areas such as intra-regional trade, the environment, and HIV/AIDS. South Africa is a priority country under the Presidential Initiative for Prevention of Mother-To-Child Transmission (PMTCT) of HIV/AIDS, which will greatly expand USAID's current support in this area. USAID's Regional Center for Southern Africa (RCSA) co-funds work on port concessioning, electricity and telecommunications regulation, anti-monopoly regulation, and parliamentary training. USAID also collaborates with RCSA in funding the Afrobarometer survey, which measures people's attitudes toward democracy and the market. Finally, Africa Bureau funds support the Development Credit Authority guarantee to the Home Loan Guaranty Corporation, a not-for-profit insurer that provides HIV/AIDS insurance coverage for up to 35,000 low-income South African families.

**Other Donors:** Donor coordination is generally good and is organized by technical sector. USAID is the largest bilateral donor and second largest overall donor to South Africa. The largest donor is the European Union, which supports health, education, criminal justice reform, and community water projects. The second largest bilateral donor, the United Kingdom, assists in health, private sector development, democracy and governance, and criminal justice. Germany, with programs in democracy and governance, education, health, and economic policy, is the third largest donor. Sweden has programs in democracy, governance, and poverty alleviation.

## South Africa PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 17,362            | 20,404            | 25,150                   | 31,628             |
| Development Assistance                  | 32,665            | 36,804            | 36,278                   | 27,457             |
| Development Credit Authority            | 289               | 500               | 0                        | 0                  |
| Economic Support Fund                   | 800               | 600               | 0                        | 2,000              |
| <b>Total Program Funds</b>              | <b>51,116</b>     | <b>58,308</b>     | <b>61,428</b>            | <b>61,685</b>      |

| STRATEGIC OBJECTIVE SUMMARY                                |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>674-001 Democracy and Governance</b>                    |        |        |        |        |
| CSH  | 0      | 0      | 250    | 500    |
| DA   | 9,048  | 6,679  | 6,679  | 4,000  |
| ESF  | 800    | 600    | 0      | 1,500  |
| <b>674-002 Education</b>                                   |        |        |        |        |
| CSH  | 3,200  | 979    | 250    | 500    |
| DA   | 2,529  | 9,422  | 9,400  | 7,220  |
| <b>674-004 Economic Capacity Building</b>                  |        |        |        |        |
| CSH  | 500    | 0      | 250    | 500    |
| DA   | 5,508  | 6,210  | 4,700  | 3,426  |
| <b>674-006 Housing &amp; Municipal Services</b>            |        |        |        |        |
| CSH  | 0      | 0      | 250    | 500    |
| DA   | 7,095  | 5,902  | 6,202  | 6,202  |
| DCA  | 289    | 500    | 0      | 0      |
| <b>674-008 Primary Health Care and HIV/AIDS Assistance</b> |        |        |        |        |
| CSH  | 13,662 | 19,425 | 23,900 | 29,128 |
| DA   | 1,125  | 0      | 0      | 0      |
| ESF  | 0      | 0      | 0      | 500    |
| <b>674-009 Employment Creation</b>                         |        |        |        |        |
| CSH  | 0      | 0      | 250    | 500    |
| DA   | 7,360  | 8,591  | 9,297  | 6,609  |

## Sudan

**The Development Challenge:** Sudan is engaged in peace negotiations after 20 years of civil war. Agreements provide for freedom of religion, self-determination for the southern Sudanese within a national unity government, unlimited humanitarian access and a cessation of hostilities during negotiations. The U.S.-supported cease-fire in the Nuba Mountains permitted humanitarian assistance deliveries to this long-isolated region. Stable southern areas have experienced some economic recovery, with food surpluses produced in the Western Equatoria region. However, enormous development challenges still exist. Intermittent conflict, related human rights abuses, and deep ethnic and religious rifts make reconciliation and transition to peace difficult. The lack of basic physical infrastructure and institutional capacity, particularly in the south, impede economic and social development. Extremely high rates of illiteracy, limited access to basic education, high rates of child mortality and infectious diseases, an emerging HIV/AIDS threat, lack of economic opportunities, poor quality agricultural production and inaccessible markets are legacies from years of conflict and developmental neglect. Some southern communities have begun rebuilding education and health services but require expanded support to achieve effective and efficient services.

The U.S. national interests are to achieve a durable peace and to end state sponsorship of international terrorism. U.S. humanitarian objectives include ensuring unimpeded access in the delivery of humanitarian and development assistance, while human rights goals include ensuring ethnic and religious tolerance among all groups in Sudan. A peaceful Sudan is important to the United States to promote regional stability in the volatile Horn of Africa.

**The USAID Program:** The current program aims to prepare the southern Sudanese for a transition from conflict to peace under three objectives. The objectives focus on conflict mitigation, food security and primary health care. All activities emphasize building capacity at the local level and improving skills of southern Sudanese to become increasingly self-reliant. FY 2003 funds will be used for on-going conflict mitigation, local governance, basic education, health and agriculture activities. Funds will also support new road and communication infrastructure and primary health services initiatives. FY 2004 funds will be used for on-going infrastructure, agriculture, education and health services activities and will also support new governance and economic recovery activities. USAID implements the program through U.S. and indigenous non-governmental organizations and coordinates with the appropriate Sudanese regional authorities; in opposition-administered areas, USAID coordinates activities with the Sudan People's Liberation Movement and, in government-administered areas, coordination of humanitarian assistance is with the Government of Sudan's Humanitarian Assistance Coordination Office.

USAID is preparing a new three-year strategic plan which will include a tripling of the development assistance budget from the FY 2003 request to the FY 2004 request. USAID will notify Congress on specific objectives, activities and funding levels once approved.

**Other Program Elements:** USAID will continue to provide humanitarian assistance to respond to continuing humanitarian crisis needs throughout the country. In FY 2003, funds will be used for non-food relief and P.L. 480 food aid. Transition initiative funds will be used for media and conflict mitigation activities. Relief will likely be needed to support on-going reconstruction and resettlement activities. The State Department manages several peace initiatives in support of the Presidential Peace Envoy. These activities complement USAID humanitarian and development efforts.

**Other Donors:** Other donor funding for development is expected to increase once a formal peace agreement is signed. The United States remains the only donor providing funds for development in opposition-administered areas. Other donors provide substantial levels of humanitarian assistance throughout Sudan. The European Union provides commodity and cash assistance. Germany, Norway, Sweden, United Kingdom, Canada, Italy, Belgium, the Netherlands, Finland, Switzerland, and Japan channel humanitarian assistance through U.N. agencies, Operation Lifeline Sudan and non-Operation Lifeline Sudan non-governmental groups. Various U.N. agencies provide core funds in addition to administering other donors' humanitarian efforts. The U.N. Humanitarian Coordination Unit provides

coordination services and the World Food Program and the U.N. International Children's Fund administer large programs. Other participating U.N. entities include the Food and Agriculture Organization, Development Programme, Population Fund, High Commissioner for Refugees, and the World Health Organization.

**Sudan  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 1,000             | 500               | 300                      | 16,426             |
| Development Assistance                  | 3,500             | 10,631            | 22,000                   | 49,613             |
| Economic Support Fund                   | 10,000            | 20,000            | 0                        | 15,000             |
| PL 480 Title II                         | 40,886            | 60,190            | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>55,386</b>     | <b>91,321</b>     | <b>22,300</b>            | <b>81,039</b>      |

| STRATEGIC OBJECTIVE SUMMARY        |        |        |        |        |
|------------------------------------|--------|--------|--------|--------|
| <b>650-001 Conflict Prevention</b> |        |        |        |        |
| CSH                                | 500    | 0      | 0      | 0      |
| DA                                 | 1,500  | 5,961  | 9,480  | 10,313 |
| ESF                                | 10,000 | 17,500 | 0      | 15,000 |
| <b>650-002 Food Security</b>       |        |        |        |        |
| DA                                 | 1,500  | 4,670  | 12,520 | 39,300 |
| ESF                                | 0      | 2,500  | 0      | 0      |
| <b>650-003 Health</b>              |        |        |        |        |
| CSH                                | 500    | 500    | 300    | 16,426 |
| DA                                 | 500    | 0      | 0      | 0      |

## Tanzania

**The Development Challenge:** Since its first multi-party elections in 1995, the Government of Tanzania (GOT) has successfully pursued an economic reform agenda that is controlling inflation, attracting investment, and sustaining annual gross domestic product (GDP) growth rates among the best in sub-Saharan Africa. Nevertheless, Tanzania's political and economic development is impeded by several harsh realities, including structural obstacles to enhanced economic growth, institutional and human capacity limitations, corruption, the government's uneasy relationship with civil society organizations, high population growth, high rates of infectious disease and unsustainable natural resource exploitation.

Tanzania ranked 140 out of 162 countries in the 2001 United Nations Development Program (UNDP) Human Development Index. According to the GOT's Household Budget Survey 2000/01, poverty is most severe in the countryside where about 40% of the population lives below the basic needs poverty line. About 70% of adults are literate. Although primary school is free and mandatory, the enrollment rate is only 59%, and the secondary school enrollment rate just 5%. Overall quality of education remains low. Life expectancy currently is 52 years for males and 54 for females, and is falling. The infant mortality rate is 99 per 1,000 and rising. Both phenomena are largely attributable to a national HIV/AIDS infection rate of about 12%. Democracy remains on shaky footing. Observers deemed Tanzania's 1995 and 2000 elections to have been free and fair on the mainland, but deeply flawed in Zanzibar, where violence and bloodshed followed the 2000 election. A repeat in 2005 could have a strong negative impact on Tanzania's political stability.

In 2001, Tanzania's GDP per capita was \$270. Continuing the trends in recent years, real GDP grew by 5.6% in 2001, with inflation down to 4.5% in October 2002. Agriculture is the backbone of the economy, contributing 48% to the GDP in 2001 and employing about 80% of the population. Agricultural growth and commercialization are essential for success of Tanzania's Poverty Reduction Strategy; however, the impediments are formidable: high transportation costs, weak market infrastructure, uneven production and inconsistent quality, and inadequate access to inputs and credit. Tanzania benefits from public sector debt relief under the Highly Indebted Poor Country program.

The U.S. interests are to keep Tanzania stable while assisting it to accelerate economic and political development and support Tanzania's positive influence in the region. Tanzania is a stable country in a volatile region, progressing on a path of democratic governance and market-based economic reform and growth. Tanzania plays a constructive role among its neighbors, exerting leadership in efforts to resolve regional conflicts peacefully and in hosting more than half a million refugees.

**The USAID Program:** FY 2003 funds will continue to support activities to combat HIV/AIDS, and to increase quality and use of services for reproductive and child health. In pursuit of USAID's private sector objective, funds will assist micro and small enterprises, particularly those related to agriculture, as a means to produce needed goods and services, generate jobs, and increase income and opportunities for the poor. Funds will also continue to strengthen the government's revenue collection capability, and provide policy support to small-scale mining. For the natural resources objective, funds will help build the capacity of local communities to participate in sustainable management of wildlife and protected areas, and to share income derived from tourism. To strengthen civil society and assist improvements in governance, USAID will train 35 Tanzanian non-governmental organizations (NGOs) in management, coalition building and advocacy. Approximately 20 small grants will be competitively awarded to local NGOs to organize and launch advocacy campaigns related to the achievement of USAID objectives in HIV/AIDS prevention and treatment, environmental protection and private sector promotion. Training for members of parliament and parliamentary staff, focusing on use of improved research facilities and information technology, will contribute to legislative branch effectiveness and, hopefully, better drafted laws.

Funds requested for FY 2004 will be used to bring a successful conclusion to current activities while laying the foundation for decisions on activities under a new strategy to be launched in FY 2005. FY 2004 funds will also expand efforts against HIV/AIDS and other sexually transmitted infections.

**Other Program Elements:** Tanzania is a priority country under the Presidential Initiative for Prevention of Mother-To-Child Transmission (PMTCT) of HIV/AIDS, which will greatly expand USAID's current support in this area.

USAID central funding has worked with Tanzania's immunization programs to develop sustainability plans. Regional African programs support the Commonwealth Regional Health Community Secretariat to promote policy reform and dialogue with Commonwealth countries. Girl's scholarships are provided from central education funding. USAID central funding also assists organizations in Tanzania to address women's issues in their communities, contributes to private sector development activities to increase trade, promotes conservation in northern Tanzania, and supports the Famine Early Warning System which furnishes food availability information to the Government of Tanzania (GOT) and major food donors.

**Other Donors:** Japan and the United Kingdom (U.K.) are Tanzania's first and second largest bilateral partners, together providing more than one-third of all bilateral assistance. Japan supports the agriculture and transport sectors; the U.K. assists public financial management and is the strongest proponent of direct budget assistance to the GOT. Other major bilateral donors and their principal areas of focus include: Denmark (health); Sweden and Germany (natural resources); Norway (energy); and the Netherlands (rural development). USAID is the designated lead bilateral donor for HIV/AIDS. Multilateral donors include the United Nations agencies, the European Union, the World Bank and the Africa Development Bank.

**Tanzania  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 10,725            | 16,700            | 22,490                   | 25,164             |
| Development Assistance                  | 10,378            | 8,108             | 10,446                   | 3,227              |
| PL 480 Title II                         | 29,256            | 4,827             | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>50,359</b>     | <b>29,636</b>     | <b>32,936</b>            | <b>28,391</b>      |

| STRATEGIC OBJECTIVE SUMMARY                                |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>621-001 Family Health and HIV Prevention</b>            |        |        |        |        |
| CSH  | 10,725 | 16,700 | 22,490 | 25,164 |
| DA   | 4,158  | 0      | 0      | 0      |
| <b>621-003 Democracy and Governance</b>                    |        |        |        |        |
| DA   | 0      | 1,334  | 1,346  | 727    |
| <b>621-008 Coastal and Wildlife Resources Conservation</b> |        |        |        |        |
| DA   | 3,070  | 3,017  | 4,000  | 2,500  |
| <b>621-009 Economic Growth</b>                             |        |        |        |        |
| DA   | 3,150  | 3,757  | 5,100  | 0      |



## Uganda

**The Development Challenge:** Uganda has made substantial progress in social and economic development since the USAID program was revived in 1980, moving from recovery and reconstruction toward sustainable growth and poverty reduction. Significant challenges, nonetheless, remain. Preliminary results of the recent Uganda National Population and Housing Census, conducted in September 2002, indicate a total population of 24.6 million people. About 50% of this population is under the age of 15 years and 85% dwell in rural areas. Life expectancy for Ugandans is 43 years. The annual population growth rate averaged an alarmingly high 3.3% over the past decade, and neither job opportunities nor agricultural productivity has kept pace. The rate of economic growth slowed to approximately 5.6% in FY 2002, below the pace needed to reduce poverty. Gross per capita product is only \$330. The worldwide slump in coffee prices reduced the value of Ugandan coffee exports to \$80 million in 2002, compared to \$457 million in 1995. Although free primary education is available to all Ugandan children, only 60% complete primary school, and 35% of adult Ugandans are illiterate. Despite a declining sero-prevalence rate, the HIV/AIDS pandemic continues to exact its toll on Uganda's population in terms of death, disability, lost productivity and numbers of orphans and vulnerable children. The number of orphans has increased to two million. At least one-quarter of Ugandan households provide for the needs of one or more orphans. Persistent conflict and insurgency over the past 15 years have disrupted the lives of at least 4,000,000 Ugandans. The number of people internally displaced in northern Uganda has risen to an all-time high of 840,000. Continued conflict in northern Uganda costs the economy in excess of \$100 million per year in lost production.

By emphasizing development solutions in the areas of economic growth, health, education and the environment, USAID/Uganda program fully supports the U.S. national interests in the country and East Africa region. The reduction of poverty and conflict will lessen the likelihood of the region serving as breeding ground for terrorism and other destabilizing movements. The USAID/Uganda program addresses the root causes of terrorism - poverty, poor health, a lack of educational and development opportunities. The opening of markets and economic cooperation will also promote growth and increased opportunities for U.S. trade and investment, in addition to lessening dependence on international humanitarian assistance.

**The USAID Program:** The program goal is to assist Uganda in reducing mass poverty. Three strategic objectives address poverty reduction and support elements of the Government of Uganda's (GOU's) poverty eradication program: rural sector growth, improved human capacity and effective governance. The rural sector growth objective addresses food security, sustainable agriculture, and trade and investment. It is designed to boost economic growth, restructure and revitalize Ugandan exports, curb environmental degradation and enhance food security for the vulnerable elements of the population, including those infected with and affected by HIV/AIDS. This program supports the Presidential Initiative to End Hunger in Africa. The second objective, improved human capacity, will reduce vulnerability to poverty by increasing education and health status. Infants and children under five, children in and out of school, and young adults are the principal beneficiaries. The program will help to reduce Uganda's high population growth and fertility rates, and to mitigate infant and child mortality due to preventable infectious diseases. Improving both the quality of basic education, and primary school completion rates are also critical objectives of the program. In collaboration with the GOU and private sector partners, USAID will also implement major new interventions to ensure delivery of prevention, treatment, care and support services to those infected with and affected by HIV/AIDS, including orphans. The third objective, effective governance, addresses problems of transparency and accountability, management and budgeting skills and the informed participation of civil society in processes of governance at both the national and local levels. The program also seeks to reduce the impact of conflict in selected areas of Uganda by promoting reconciliation and reintegration, peace dialogue, and support for vulnerable children and victims of torture.

**Other Program Elements:** Displaced Children and Orphans Funds assist war-affected children in northern and western Uganda, including formerly abducted children, former child soldiers, child mothers, and the internally displaced, with counseling and vocational training. Resources from the Victims of Torture Fund will be used to rehabilitate and reintegrate adults and children who have been physically or

psychologically abused by government military forces or rebel soldiers. Uganda is a priority country under the Presidential Initiative for Prevention of Mother-To-Child Transmission (PMTCT) of HIV/AIDS, which will greatly expand USAID's current support in this area. USAID central education funds have been used to install computer hardware and software and make the Internet accessible to hundreds of teacher trainees and tutors at nine training institutions and to provide girls' scholarships. USAID central funds are also provided to increase production of specialty coffee and cocoa, and regional east Africa funds are provided to promote regional trade activities. With USAID/Washington support, 14 Ugandan savings and credit cooperative societies are being strengthened to increase their membership and the quality of their savings and credit products. Other USAID/Washington resources in southwestern Uganda promote community-based management of childhood illness and to increase child survival. Finally, regional funds have supported Ugandan conflict mitigation activities. Resources from the Democracy, Conflict and Humanitarian Assistance Bureau support developmental relief activities. In addition, Uganda benefits from USAID central funds earmarked to support gorillas through grants to the International Gorilla Conservation Program.

**Other Donors:** Uganda receives significant donor support, approximately \$650 million annually. Donors provide approximately 52% of Uganda's annual national budgetary funding. The United States is the second largest bilateral donor, following the United Kingdom, whose portfolio focuses on justice, law and order, agriculture and environment, education, health, and public administration. Other key bilateral donors include Denmark (infrastructure, education, health, agriculture, water, democracy, and private sector), the Netherlands (decentralization, local government capacity building, and gender), Sweden (natural resources, agriculture, health, democratic governance, infrastructure, and trade and industry), and Japan (health and sanitation, human resource development, basic education infrastructure, and agricultural development). The smaller bilateral donor programs include Norway, Italy and Ireland. Multilateral donors include the World Bank, United Nations Development Program, United Nations Children's Fund, the European Union (EU), and the International Monetary Fund. The World Bank's non-lending program covers rural development, capacity building, and private sector development, while its loan portfolio funds infrastructure, civil service reform, and HIV/AIDS prevention and care. The EU supports infrastructure, education, health, agriculture, environment, private sector and sanitation. The United States plays a key role in donor coordination, chairing three sectoral donor working groups (addressing northern Uganda, environment, and Parliament) and participating in 11 others.

## Uganda PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 30,680            | 35,000            | 38,559                   | 41,795             |
| Development Assistance                  | 19,198            | 24,724            | 24,385                   | 20,273             |
| Economic Support Fund                   | 595               | 0                 | 0                        | 0                  |
| PL 480 Title II                         | 31,290            | 22,591            | 15,880                   | 18,520             |
| <b>Total Program Funds</b>              | <b>81,763</b>     | <b>82,316</b>     | <b>78,824</b>            | <b>80,688</b>      |

| STRATEGIC OBJECTIVE SUMMARY                       |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>617-001 Increased Rural Household Income</b>   |        |        |        |        |
| DA  | 7,595  | 0      | 0      | 0      |
| <b>617-002 Natural Resource Management</b>        |        |        |        |        |
| DA  | 4,377  | 0      | 0      | 0      |
| <b>617-003 Primary Education Reform</b>           |        |        |        |        |
| CSH   | 8,799  | 0      | 0      | 0      |
| <b>617-004 Maternal/Child Health and HIV/AIDS</b> |        |        |        |        |
| CSH   | 21,543 | 0      | 0      | 0      |
| DA  | 5,000  | 0      | 0      | 0      |
| <b>617-005 Democracy and Governance</b>           |        |        |        |        |
| DA  | 571    | 0      | 0      | 0      |
| ESF   | 595    | 0      | 0      | 0      |
| <b>617-006 Northern Uganda Reintegration</b>      |        |        |        |        |
| CSH   | 338    | 0      | 0      | 0      |
| <b>617-007 Economic Development</b>               |        |        |        |        |
| DA  | 0      | 15,510 | 16,250 | 12,932 |
| <b>617-008 Human Capacity</b>                     |        |        |        |        |
| CSH   | 0      | 35,000 | 38,559 | 41,795 |
| DA  | 0      | 8,154  | 7,000  | 6,281  |
| <b>617-009 Governance and Conflict</b>            |        |        |        |        |
| DA  | 1,655  | 1,060  | 1,135  | 1,080  |

## Zambia

**The Development Challenge:** Since 1991, Zambia has undergone a political transition from decades of one-party autocracy to multi-party democracy. Although much remains to be done, fundamental economic liberalization and structural reform programs have accompanied this political transformation. Zambia's political and economic development is constrained by its narrow economic base (dependency on copper mining), concentrated ownership of assets, limited foreign and domestic investment, legacy of authoritarian leadership, corruption and high unemployment. Zambia's social indicators remain very unfavorable, with life expectancy at 35 years, an infant mortality rate of 95 per 1,000 births, a 16% prevalence of HIV/AIDS among the adult population, and a high population growth rate. A more politically balanced parliament is struggling to assert itself following decades of subjugation by the Executive Branch, while a poorly resourced judiciary is seeking to strengthen the independence and efficiency of the legal system.

Over the past decade, severe and partial droughts have become the norm rather than the exception in the southern half of Zambia, creating a perennial food security crisis characterized by high rates of malnutrition. The HIV/AIDS pandemic continues to ravage every sector of Zambia's economy, with productivity under-cut by an unhealthy workforce, and increased absenteeism due to caring for the ill and attendance at funerals. The health system is rapidly becoming overwhelmed with the demands of this epidemic. Orphans and other vulnerable children in families affected by HIV/AIDS are in need of economic and psychosocial support. The World Bank estimated Zambia's 2001 per capita Gross Domestic Product at \$350. External debt, primarily to multilateral institutions, stood at \$7.2 billion in December 2001. The Government of the Republic of Zambia (GRZ) is servicing the debt, which is absorbing 20% of its budget revenue. In December 2000, Zambia was approved for debt relief under the Enhanced Debt Initiative for the Heavily Indebted Poor Countries.

Since 1999, Zambia has registered consecutive positive annual GDP growth rates averaging 4%. This trend, which was projected to continue for 2002, reflects Zambia's success toward a sustainable growth path following liberal market reforms of the 1990s. Zambia needs to continue its commitment to reforms. This, coupled with the new administration's emphasis on economic diversification, combating HIV/AIDS and its commitment to fighting corruption, offer true hope for reducing the high levels of poverty Zambia has experienced over the past decade.

Zambia plays an important role in advancing the United States national interests by contributing to greater stability and prosperity in the Southern African region. Zambia has been a leader in open-market reform, plays a constructive role in regional conflict resolution efforts, and is making progress in curbing the spread of HIV/AIDS.

**The USAID Program:** USAID collaborates with GRZ and the private sector in facilitating public/private dialogue, particularly in areas of agricultural policy reform and creating an enabling environment for private sector development. Collaboration with GRZ in the implementation of education, health and parliamentary reforms is good. USAID's partnerships with local and international non-governmental organizations (NGOs) promote public participation in civil life and political processes that strengthen democratic governance. These partnerships focus on sustainable community-based approaches to rural development and increasing access to better education and health services.

USAID is contributing to Presidential and agency initiatives for Africa that are having a major impact on Zambia's economic, social and political status. USAID is helping to cut hunger in Zambia by promoting policies that liberalize the agricultural sector and improving small agricultural producers' productivity, diversification, market access, and land management practices. USAID continues to play an important role in advancing Zambia's Integrated Framework for Trade (IFT) approach. USAID provided technical assistance to conduct Zambia's trade diagnostic study, and provided financial and technical support to the IFT national workshop that formed the basis for Zambia's IFT Public-Private Sector Partnership. USAID played a critical role in helping Zambia prepare the African Growth and Opportunity Act (AGOA) visa regulations system that helped increase Zambia's yarn exports to South Africa, Botswana and Mauritius.

USAID is Zambia's leading bilateral partner in the health sector, especially in the fight against HIV/AIDS. USAID worked with GRZ in the preparation of its successful proposal to the Global Fund to Fight HIV/AIDS, tuberculosis and malaria, which mobilizes \$192 million over the next five years for Zambia. USAID is a key partner in GRZ's Basic Education Sub-sector Investment Program. USAID support is substantially expanding learning opportunities for vulnerable children, including girls and orphans.

The Data Sheets below cover the objectives for which USAID is requesting FY 2003 and FY 2004 funds. FY 2003 funds will be used to implement the current four objectives, which concentrate on interventions that increase rural incomes of selected groups, improve quality of basic education for more school-aged children, increase use of integrated child and reproductive health and HIV/AIDS interventions, and expand opportunities for effective participation in democratic governance. USAID's current Country Strategic Plan for Zambia will come to an end in September 2003. USAID will use the FY 2004 budget to fund five new strategic objectives, including a strategic objective that will seek to reduce the impact of HIV/AIDS through a proposed multi-sectoral approach.

**Other Program Elements:** USAID collaborates with the Economic Growth, Agriculture and Trade (EGAT) Bureau in agriculture and natural resource products marketing and capacity building support to Zambian agribusinesses. With EGAT, USAID provides technical assistance to energy sector regulation, rural electrification and energy sector partnerships. Under USAID's Washington-based Leland Initiative and the Education for Development and Democracy Initiative, USAID deploys Information and Communications Technologies (ICTs) in agriculture, supports small and medium enterprises and strengthens the capacity of policy and regulatory regimes. The Leland Initiative helps mobilize partnerships and resources for implementing USAID's Public-Private Alliance on ICT capacity building. USAID works with the Regional Center for Southern Africa (RCSA) and the Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA) on trade programs that address issues related to strengthening regional trade. In FY 2003, the Presidential Initiative for Basic Education in Africa, which will include many of the EDDI programs, will expand support for teacher training and school health and nutrition and interactive radio activities in Zambia.

USAID works with the Global Health Bureau on the Zambian side of the Cross-Border HIV/AIDS Initiative of the Regional Corridors of Hope activity. USAID's Bureau for Democracy, Conflict and Humanitarian Assistance is supporting child survival and HIV/AIDS activities in Zambia. Zambia is a priority country under the Presidential Initiative for Prevention of Mother-To-Child Transmission (PMTCT) of HIV/AIDS, which will greatly expand USAID's current support in this area. With central population funds, USAID is increasing access to family planning in underserved rural areas and strengthening advocacy for safe motherhood.

**Other Donors:** Donor coordination is good; various donors take the lead in coordinating sectoral areas. The Poverty Reduction Strategy Paper (PRSP) and the National Economic Diversification Program are important focal points for donor collaboration. USAID has been the leader of the Parliamentary Reform Sub-group of donors in support of democratic governance. Overall development assistance to Zambia has averaged \$310 million a year (1997-2001). The World Bank is Zambia's largest donor. Other key multilateral donors include the European Union (EU), the United Nations, and the African Development Bank. The United Kingdom (UK) and the United States are Zambia's first and second largest bilateral donors, respectively.

Zambia's major donors and their principal areas of collaboration with USAID includes: the World Bank (privatization, PRSP, agriculture, tourism, health and wildlife sectors); Germany and the EU (tourism, small and medium business development); Norway and the International Fund for Agricultural Development (rural agri-business development); Norway and the Netherlands (Public-Private Agricultural Forum); the United Nations International Children's Emergency Fund (UNICEF), Japan, Denmark, Sweden, the UK, Ireland, the Netherlands, and Canada (health); the UK, Japan, Norway and other bilateral donors (HIV/AIDS); and the UK, Denmark, Norway, Japan, the Netherlands, Ireland, Finland, the World Bank, and UNICEF (basic education).

## Zambia PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 26,838            | 30,700             | 37,404                   | 40,095             |
| Development Assistance                  | 10,255            | 14,822             | 12,881                   | 9,632              |
| Economic Support Fund                   | 300               | 800                | 0                        | 0                  |
| PL 480 Title II                         | 0                 | 8,060              | 0                        | 3,100              |
| <b>Total Program Funds</b>              | <b>37,393</b>     | <b>64,382</b>      | <b>50,285</b>            | <b>62,827</b>      |

| STRATEGIC OBJECTIVE SUMMARY                        |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>611-001 Rural Income Growth</b>                 |        |        |        |        |
| DA   | 6,725  | 8,160  | 6,958  | 0      |
| <b>611-002 Basic Education</b>                     |        |        |        |        |
| CSH  | 4,965  | 0      | 0      | 0      |
| DA   | 0      | 5,450  | 5,000  | 0      |
| <b>611-003 Integrated Health</b>                   |        |        |        |        |
| CSH  | 21,873 | 30,700 | 37,404 | 0      |
| DA   | 2,880  | 0      | 0      | 0      |
| <b>611-004 Democracy and Governance</b>            |        |        |        |        |
| DA   | 650    | 1,212  | 923    | 0      |
| ESF  | 300    | 800    | 0      | 0      |
| <b>611-XX5 Increased Competitiveness</b>           |        |        |        |        |
| CSH  | 0      | 0      | 0      | 1,750  |
| DA   | 0      | 0      | 0      | 3,988  |
| <b>611-XX6 Basic Education</b>                     |        |        |        |        |
| CSH  | 0      | 0      | 0      | 1,750  |
| DA   | 0      | 0      | 0      | 4,444  |
| <b>611-XX7 Improved Health Status</b>              |        |        |        |        |
| CSH  | 0      | 0      | 0      | 27,095 |
| <b>611-XX8 Democracy and Governance</b>            |        |        |        |        |
| CSH  | 0      | 0      | 0      | 500    |
| DA   | 0      | 0      | 0      | 1,200  |
| <b>611-XX9 Multi-sectoral Response to HIV/AIDS</b> |        |        |        |        |
| CSH  | 0      | 0      | 0      | 9,000  |

\* FY 02 appropriated CSH excludes \$80,000 in polio funds programmed under Africa Regional.

## Zimbabwe

**The Development Challenge:** Zimbabwe is in the midst of four destructive and interrelated crises: humanitarian, HIV/AIDS, economic and political. No sector of this once vibrant and growing economy has gone unscathed, nor has any segment of the nation's diverse population. Zimbabwe was once acknowledged as an enduring post-independence success story, but the actions of the Government of Zimbabwe (GOZ) over the last several years have caused immense damage to the nation's economy, democratic institutions, social cohesion and welfare. Repairing Zimbabwe's tattered institutions and rebuilding its economy promise to be a long and difficult process. It is also one that most observers agree the country cannot embark upon without first addressing the underlying political crisis that polarizes this troubled nation.

Zimbabwe's economic and social indicators paint a picture of a country in deep crisis: 7.2 million people (over one-half of the population) require emergency food and other humanitarian aid to survive; over one third of the sexually-active population is HIV positive (with an estimated 4,000 deaths per week); GDP is expected to have declined by at least 12% in 2002 (the largest decline in the nation's history); the annual inflation rate is conservatively estimated at 175% (500% anticipated in 2003); unemployment is officially estimated in excess of 60%; and acute shortages in basic food supplies, medicines and fuel persist. The nation's crisis has resulted in a large-scale exodus of teachers, social/health care workers and professionals with marketable skills. Staffing at many health clinics is estimated at only 40%.

Objectives for U.S. assistance in Zimbabwe are to: prevent a further deterioration of the political and economic situation and the consequent detrimental impact on the region; strengthen the prospects for stability by fortifying civil society and democratic institutions; and implement an effective response to the catastrophic HIV/AIDS pandemic.

**The USAID Program:** In response to the humanitarian crisis, USAID is collaborating with U.N. agencies, other donors and non-governmental organizations (NGOs) to provide food assistance to approximately 7.2 million of the 13.1 million Zimbabweans. Utilizing three different NGO delivery mechanisms, USAID has committed 217,000 metric tons of food with a value of approximately \$110 million. While food distributions so far have been confined to rural areas, the UN and other donors are exploring the need to provide assistance to some of the peri-urban and urban areas in Zimbabwe as well. USAID is sponsoring small agricultural recovery and supplemental feeding programs with three US PVOs, and is contributing to the UN's local humanitarian assistance coordination unit.

In addition to the ongoing emergency food and humanitarian assistance, USAID's core program has two Strategic Objectives (SOs) and one Special Objective (SpO) in areas where it has a comparative advantage in assisting Zimbabwe to emerge from this tumultuous period: 1) the mitigation of the HIV/AIDS pandemic; 2) increasing dialogue between the citizenry and selected government institutions; and 3) enhancing access of the most disadvantaged groups (principally in rural or peri-urban areas) to micro-finance and related business and technical support services. Since January 2002, however, the Mission's program has been subject to the restrictions of the Brooke-Alexander Amendment. In addition, in response to the flawed presidential election of March 2002, U.S. Government policy has further restricted USAID's assistance to or through the GOZ.

Aside from immediate humanitarian needs, USAID is focused on mitigating the devastating HIV/AIDS pandemic through innovative programs to promote behavior change and reduce the stigma of AIDS. The HIV/AIDS program is focused on: voluntary HIV/AIDS counseling and testing services; social marketing of condoms; integration of HIV/AIDS-related activities into existing family planning programs; strengthening the capacity of civil society to formulate and advocate for improved HIV/AIDS policies; supporting community responses to the need for care of orphans and other vulnerable children; and providing support services for those with HIV/AIDS. In FY 2003 USAID will focus on scaling up the successful Voluntary Counseling and Testing services program to increase impact, and identifying appropriate prevention, care and support for those with HIV/AIDS.

With the full engagement of Zimbabwean partners, USAID is increasing the dialogue between civil society and select government institutions (Parliament and local authorities) so that the concerns of the disenfranchised majority of Zimbabweans are heard. This program is focused on supporting civil society organizations to advocate on issues such as governmental budget priorities, improved urban services, and the rights of women, children and minorities; assisting Parliament in exercising its oversight role for ministries and soliciting citizen input in its proceedings; and developing the capacity of local government authorities to receive and utilize citizens' input in their decision-making processes. For FY 2003, USAID will build on the institutional strengthening begun with Parliament and local authorities and continue to encourage dialogue between these government institutions and civil society.

As a direct complement to USAID's HIV/AIDS and participation programs, USAID's third principal initiative is to increase economic opportunities for disadvantaged groups. These groups include those living below the poverty line (a rapidly expanding segment of the population given the economic crisis), women, subsistence farmers and farm workers, the handicapped, orphans, and others infected and affected by HIV/AIDS. Consequently, providing assistance to the very large and growing informal sector is the most viable way of creating employment and income for the poor majority. The economic opportunities program is focused on: increasing access to micro-finance services; improving the business capacity of the disadvantaged through skills training; providing commercial and agribusiness linkages and market opportunities for subsistence farmers; and providing low-cost, labor-efficient technologies (such as drip irrigation systems) to increase incomes for HIV/AIDS-affected households. For FY 2003, depending on available funding, USAID will look to expand distribution of the successful drip irrigation kits and work with a local micro-finance grantee, Zambuko Trust, in its long-term efforts to transform itself into a commercial financial institution.

**Other Program Elements:** Very substantial and diverse assistance is coming from the Agency's Democracy, Conflict and Humanitarian Assistance (DCHA) Pillar Bureau: 1) the Office of Food for Peace and the Office of Foreign Disaster Assistance Offices are providing emergency food and humanitarian assistance; 2) the Office of Transition Initiatives is supporting freedom of the press, the rule of law, grassroots organizations, and human rights, in close coordination with the Mission's "Participation SO"; 3) the Private Voluntary Cooperation Office is supporting one of Zimbabwe's leading microfinance institutions (Zambuko Trust, which the Mission is also supporting under its "Economic Opportunities" SpO) and is also supporting the Citizens Network for Foreign Affairs volunteers; and 4) the American Schools and Hospitals Abroad Office is supporting Zimbabwe's Africa University. The Economic Growth, Agriculture and Trade (EGAT) Pillar Bureau is also supporting the mission's SpO through its Micro-enterprise Innovation Program.

Within USAID's Regional Center for Southern Africa (RCSA) portfolio, there are four activities dealing with natural resource management; three supporting agricultural research and policy development; five supporting the development of Southern Africa regional trade and economic integration; and three encouraging anti-corruption, enhanced legislative processes, and greater media freedom. Additionally, under the Global Health Pillar Bureau, the regional HIV/AIDS program is providing support complementary to the mission's bilateral activities by focusing on HIV/AIDS mitigation along international trucking routes and at border sites. Lastly, the Centers for Disease Control (CDC) is working with the host government to combat the AIDS pandemic and with WHO on other health-related issues.

**Other Donors:** In addition to the United States, the major non-food aid donors are: the European Union (governance, social services and environment); the United Kingdom (poverty, agriculture, AIDS/health and private sector); Japan (environment, self help, AIDS/reproductive health, education, infrastructure and private sector); and Sweden (HIV/AIDS and democracy/human rights). Implementing smaller programs are the Netherlands (governance and HIV/AIDS) and Norway (health and education, although their program is now in abeyance). Germany (once a major donor) and Denmark have both withdrawn their development assistance programs since the March 2002 Presidential elections. Food and other humanitarian assistance is being provided directly or indirectly by all of the above, plus: Australia, Austria, Denmark, Finland, France, Germany, Norway, South Africa, South Korea, Switzerland, the African Development Bank and the U.N. agencies.



In June 2002, the International Monetary Fund (IMF) adopted a declaration of non-cooperation regarding Zimbabwe's overdue financial obligations, and suspended the provision of technical assistance. Likewise, the World Bank's program has been terminated due to poor performance and the breakdown in the rule of law. Currently, the Government of Zimbabwe is in arrears on all of its multilateral debt obligations.

All but one major bilateral donor have stopped government-to-government assistance, opting instead to channel their aid through NGOs. The U.N. family of agencies remains active in Zimbabwe in several sectors (AIDS/health, education, environment and governance). Because bilateral relations between most donors and the GOZ are strained, the UN is serving as the principal interlocutor among the parties. The U.N. coordinates the range of humanitarian assistance, actively involving all major bilateral donors. Donor coordination is excellent, especially with respect to the emergency food and humanitarian assistance program. USAID, in conjunction with CDC, leads the coordination of HIV/AIDS activities in country, while USAID is a principal member of the donors' good governance group committee.

## Zimbabwe PROGRAM SUMMARY

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 6,438             | 6,450             | 14,223                   | 15,835             |
| Development Assistance                  | 6,384             | 2,512             | 1,885                    | 746                |
| Economic Support Fund                   | 3,280             | 6,000             | 0                        | 4,000              |
| PL 480 Title II                         | 0                 | 25,522            | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>16,102</b>     | <b>40,484</b>     | <b>16,108</b>            | <b>20,581</b>      |

| STRATEGIC OBJECTIVE SUMMARY                                      |       |       |        |        |
|--|-------|-------|--------|--------|
| <b>613-008 Participation</b>                                     |       |       |        |        |
| DA   | 2,790 | 2,512 | 1,385  | 746    |
| ESF  | 3,280 | 5,500 | 0      | 2,500  |
| <b>613-009 HIV/AIDS</b>  |       |       |        |        |
| CSH  | 5,939 | 5,950 | 13,723 | 15,335 |
| DA   | 2,084 | 0     | 0      | 0      |
| <b>613-010 Linkages for the Advancement of the Disadvantaged</b> |       |       |        |        |
| CSH  | 499   | 500   | 500    | 500    |
| DA   | 1,510 | 0     | 500    | 0      |
| ESF  | 0     | 500   | 0      | 1,500  |

## **Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA)**

**The Development Challenge:** The Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA) covers countries in east and southern Africa, most of which are among the poorest and least developed in the world, with low or even negative economic growth rates. The region is plagued by persistent problems of food insecurity, with recurring food emergencies over substantial areas. Recurring internal and cross-border conflicts with roots in historical ethnic rivalries are aggravated by frequent drought, insufficient resources and an influx of armaments. Inadequate and deteriorating transport and communications infrastructure as well as policy and bureaucratic barriers hamper interregional trade. Weak leadership and pervasive corruption characterize many of the countries of the region. Severe and growing health problems including malaria, HIV/AIDS, and continued high levels of maternal and child mortality have a debilitating impact on economic growth. With two-thirds of the world's 42 million HIV/AIDS infected population in Africa, mostly in east and southern Africa, the impact of this pandemic will extend for years to come and affect all aspects of life in the region.

By emphasizing development of African solutions to problems which transcend national borders, the REDSO/ESA program, based in Nairobi, fully supports U.S. national interests in the region. The reduction of poverty, conflict and despair will lessen the likelihood of the region serving as a breeding ground for recruits into terrorist activities. Improved regional stability and economic growth will facilitate progress in the global war on terrorism. Economic cooperation and the opening of markets will promote growth and increased opportunities for U.S. trade and investment, in addition to lessening dependence on international humanitarian assistance. Reducing the rate of transmission of HIV/AIDS and other infectious diseases and improving health status in the region will diminish the risk of further economic disruption, political disintegration, impoverishment and conflict.

**The USAID Program:** REDSO/ESA's regional program works with and through multi-national African organizations in east and southern Africa to assist the region in developing and coordinating crossborder policies, procedures and systems in food security, conflict prevention and mitigation, and health. In improving food security, REDSO/ESA programs focus primarily on increasing agricultural production and facilitating trade in agricultural products. The program directly supports the Presidential Initiatives to End Hunger in Africa and Trade for African Development and Enterprise. Given the number and intensity of cross-border conflicts in east Africa, the conflict prevention and mitigation program emphasizes identifying and disseminating effective peace building practices and developing appropriate dispute resolution skills. The health program builds the professional skills and management systems to enable the region to provide adequate services for infectious diseases, including HIV/AIDS, reproductive health and family planning, maternal and child health, and nutrition problems over time. In addition, REDSO/ESA provides legal, financial, procurement, and technical services to USAID programs in 23 countries throughout eastern and southern Africa and manages USAID programs in east African countries in which there are no resident USAID staff present, i.e., Burundi, Somalia and Sudan. REDSO/ESA will also provide oversight to a new program in Djibouti, which will begin receiving development assistance in FY 2003. The new program in Djibouti will be notified separately once it has been developed.

**Other Program Elements:** REDSO/ESA assists in the management of USAID's large P.L. 480 Title II emergency and non-emergency food assistance programs in 17 countries in east and southern Africa and provides support for the U.S. Department of Agriculture's food aid program operating in 14 countries in the region.

Humanitarian assistance is provided to a number of emergency programs in the region. These emergency programs are coordinated with bilateral USAID programs in each country as well as with the REDSO/ESA regional program. Centrally funded programs in population, health and nutrition play an important supporting role in providing technical assistance and training for regional African institutions. For example, centrally funded health projects helped assess training needs, courses and institutions in 11 countries in the region that will support comprehensive planning for HIV/AIDS training. In addition, these central projects supported the development of a management tool that will enable countries to evaluate the performance of drug and commodity supply systems and measure progress toward implementing

drug policies. Central funding from Presidential and Agency initiatives will also fund REDSO-hosted advisors in education and anticorruption.

**Other Donors:** The European Union and the United States are the first and second largest donors supporting direct assistance to regional institutions such as the Intergovernmental Authority on Development (IGAD) and the Common Market for East and Southern Africa (COMESA). Other important donors supporting regional activities in food security, conflict prevention, and health include the World Bank, Canada, Germany, the African Development Bank and the United Kingdom. USAID closely cooperates with United Nations agencies, such as the World Health Organization, in maternal/child health and HIV/AIDS prevention, and the World Food Program in food assistance.

## REDSO-ESA PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 5,514             | 9,475              | 9,125                    | 14,887             |
| Development Assistance                  | 11,350            | 15,859             | 13,163                   | 7,404              |
| Economic Support Fund                   | 250               | 1,000              | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>17,114</b>     | <b>26,334</b>      | <b>22,288</b>            | <b>22,291</b>      |

| STRATEGIC OBJECTIVE SUMMARY                                |       |        |       |        |
|--|-------|--------|-------|--------|
| <b>623-005 Regional Food Security</b>                      |       |        |       |        |
| DA   | 6,803 | 12,668 | 9,750 | 5,212  |
| ESF  | 250   | 1,000  | 0     | 0      |
| <b>623-006 Regional Conflict Mitigation and Resolution</b> |       |        |       |        |
| DA   | 3,342 | 3,176  | 3,363 | 2,192  |
| <b>623-007 Regional Health Systems Improvements</b>        |       |        |       |        |
| CSH  | 5,514 | 9,475  | 9,125 | 14,887 |
| DA   | 1,205 | 15     | 50    | 0      |

\* FY 02 appropriated CSH excludes \$100,000 in polio funds programmed under Africa Regional.

## Regional Center for Southern Africa

**The Development Challenge:** The Regional Center for Southern Africa (RCSA) is a regional program that currently covers 12 of the 14 countries that are members of the Southern Africa Development Community (SADC), namely Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. The region is anchored by the modern and dominant economy of South Africa, and many of the countries in southern Africa continue to be predominantly agricultural, and very poor. Although agriculture accounts for 70-80% of employment in SADC, it contributes less than 10% of regional GDP. Average regional GDP growth in 2002 was 2.6%; a positive rate but less than the estimated 6.2% that the region needs to meet its poverty alleviation goals. Challenged by poverty, hard hit by the HIV/AIDS pandemic and once again facing the threat of famine, this region has seen its average life expectancy drop from 57 to 33 years. The political crisis in Zimbabwe illustrates the fragility of democratic institutions in the region.

Against this bleak picture is the more positive one of a region with relatively well-developed infrastructure, diverse natural resources, generally better health and education than the rest of sub-Saharan Africa (aside from HIV/AIDS) and nascent democratic governments. With the cessation of hostilities and subsequent peace in Angola, and potentially in the Democratic Republic of the Congo (DRC), exciting new opportunities for development are presenting themselves in the region.

The United States has three main interests in southern Africa. First, the United States would like to increase trade and strengthen economic ties with the SADC region. At the same time, the United States is extremely concerned about the region's unfolding food security and HIV/AIDS crises, both from a humanitarian perspective and because they are decimating a limited pool of skilled workers and managers, thereby eroding the basis for regional economic development and trade. Finally, the United States has an interest in strengthening democracy to improve the climate for trade and reduce the risk of conflict in the region.

**The USAID Program:** USAID is requesting FY 2003 funding for four objectives that focus on establishing and strengthening democratic norms and practices, expanding trade, improving the management of shared wildlife and natural resources and increasing agricultural production and trade.

FY 2003 funds will finance ongoing regional democracy programs with non-governmental organizations (NGOs) in elections, media and anti-corruption which will, among other things, target the application of election norms and the protection of independent media in the upcoming elections in Namibia, Malawi, South Africa, Mozambique and Botswana. The bulk of FY 2003 funds will go to activities that promote expanded economic growth through trade, regional integration and enhanced competitiveness.

Limited funds will be applied to two cross-border natural resource areas that engage community, NGO, and government actors to protect wildlife and water resources. Another priority area of concern, food security, will be addressed directly through ongoing emergency food security assessments in six countries and indirectly through the commercial dissemination of drought resistant varieties of several basic crops.

The final year of funding for the current strategy is FY 2003. USAID is developing a new strategy for the Southern Africa Region that will run from FY 2004 - FY 2010. The new strategy will be reviewed in June 2003 for implementation beginning in October 2003, following Congressional Notification of the new strategic objectives. FY 2004 funds will be used for the sectors and areas to be approved under this new strategy.

**Other Program Elements:** Through the Education for Democracy and Development Initiative (EDDI), USAID is funding the training of 600 undergraduate and 20 graduate students a year at the University of Botswana in the application of geographic information systems and remote sensing. USAID's South Africa mission manages a regional HIV/AIDS program that focuses on preventing transmission at border crossings and checkpoints.

**Other Donors:** The European Union (EU) countries and USAID are the largest donors to SADC countries in trade, investment, natural resource management and agricultural sectors. The EU and the United Nations Development Program (UNDP) support media freedom, and the International Monetary Fund (IMF) works on anti-corruption initiatives. USAID and the IMF are collaborating on regional macroeconomic policy initiatives. The World Bank and USAID are cooperating on trans-boundary park management activities in the Great Limpopo River Basin. The World Bank contributed to the growth of the short-term electricity market that USAID was instrumental in starting. Disaster management activities receive support from the World Bank, the IMF, the UNDP and Germany. Many donors are active in natural resource policies and management, including the World Bank, the EU, the UNDP, Germany, Sweden, Denmark, France and the Global Environmental Facility. The World Bank, the EU, Germany, and the African Development Bank promote the development of transit corridors in Southern Africa.

**Regional Center for Southern Africa  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Development Assistance     | 1,251             | 20,117            | 24,731                   | 12,771             |
| Economic Support Fund      | 998               | 950               | 0                        | 0                  |
| <b>Total Program Funds</b> | <b>2,249</b>      | <b>21,067</b>     | <b>24,731</b>            | <b>12,771</b>      |

| STRATEGIC OBJECTIVE SUMMARY                                     |       |        |        |       |
|---|-------|--------|--------|-------|
| <b>690-001 Improved Democratic Practices in Southern Africa</b> |       |        |        |       |
| DA  | 1,251 | 1,617  | 1,464  | 1,758 |
| ESF   | 0     | 200    | 0      | 0     |
| <b>690-002 Southern Africa Trade Development</b>                |       |        |        |       |
| DA  | 0     | 14,500 | 18,517 | 4,500 |
| <b>690-011 Broadened U.S.-SADC Cooperation</b>                  |       |        |        |       |
| ESF   | 998   | 0      | 0      | 0     |
| <b>690-012 Shared Natural Resources Management</b>              |       |        |        |       |
| DA  | 0     | 0      | 1,000  | 2,673 |
| ESF   | 0     | 750    | 0      | 0     |
| <b>690-013 Expanded Trade in Farm Technologies and Products</b> |       |        |        |       |
| DA  | 0     | 4,000  | 3,750  | 3,840 |



## **West African Regional Program (WARP)**

**The Development Challenge:** The conflict in Côte d'Ivoire, long the political and economic hub of the subregion, is both symbolic and symptomatic of the fragility of the West African region where overall socio-economic indicators are among the worst in the world. A military uprising in September 2002 has given rise to a military and political crisis which so far has defied resolution. The Côte d'Ivoire conflict has serious ramifications for all of West Africa in the form of refugees and displaced people as well as severe economic disruption.

Population growth (averaging 2.8%), infant mortality (100 deaths per 1,000 births), and literacy (below 50%) all cast a shadow over the region's developmental potential. These somber statistics, however, do not reveal the positive impact of development assistance programs, because rampant population growth, which requires ever greater levels of services and investments, cancels out the gains, and because conflict can instantaneously erase decades of development.

The United States has a significant stake in the future of West Africa. The region's extreme poverty and disproportionately high number of unemployed youth, combined with deep-seated ethnic and religious diversity, create an inherently unstable environment. Failure to improve living conditions through improved access to the global economy, along with failure to instill tolerance and respect for individual rights through good governance, could have devastating consequences for the United States. For instance, it could undermine the global war against terrorism and/or create a constituency for radical fundamentalists. Therefore, it is in the interest of the United States to counteract these trends through development assistance programs such as the West African Regional Program.

**The USAID Program:** The West African Regional Program (WARP) supports activities in the following 18 West African countries: Benin, Burkina Faso, Cameroon, Cape Verde, Chad, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo. The program covers strategic objectives that deal with developmental obstacles that can be most effectively addressed through actions taken at a regional level in partnership with the leading regional organizations, including key West African regional organizations, such as the West African Economic and Monetary Union (WAEMU), the Economic Community of West African States (ECOWAS), and the Permanent Interstate Committee for Drought Control in the Sahel (CILSS).

The Data Sheets following this summary cover the four objectives for which USAID is requesting FY 2003 and FY 2004 funds. These objectives are concerned with: 1) fostering regional economic integration; 2) increasing the use of HIV/AIDS, reproductive health and child survival products and services; 3) strengthening food security and environment policies and programs; and 4) helping to establish regional mechanisms to prevent conflicts. All of these objectives complement and add value to programs now being implemented by USAID's bilateral missions in West Africa. The West African Regional Program anticipates receiving additional FY 2003 and FY 2004 funds from the new Presidential Initiatives to increase support to the critical areas of trade and agriculture. The Trade for African Development and Enterprise (TRADE) initiative aims at increasing the level of trade between Africa and the United States, with special focus on the Africa Growth and Opportunity Act (AGOA) and training in World Trade Organization (WTO) requirements. The Initiative to End Hunger in Africa will raise the productivity and incomes of farmers through the application of science and technology and by improving access to markets and competitiveness of local products. In health, FY 2003 and FY 2004 funds will be used for a new regional activity that will transfer proven health interventions throughout the region, including the successful health models in HIV/AIDS, reproductive health, child survival, nutrition and immunization. The new activity will also provide technical assistance to improve public sector health policies, increase the advocacy skills of the growing private sector and strengthen the capacity of African institutions to plan and implement policies and programs.

**Other Program Elements:** In addition to the activities for which resources are requested in the Data Sheets, USAID also implements 14 major centrally-funded activities in the areas of health, education, democratic governance, food security and environment. WARP collaborates with USAID's bilateral

missions and uses technical resources made available through the centrally funded projects in all of the sectors in which it works. This collaboration is expected to intensify with the advent of the new initiatives, which accentuate the development of positive synergies among USAID-funded programs in the region. Almost all countries in West Africa also receive funding under Food for Peace (FFP) P.L. 480 programs. WARP hopes to link regional FFP programs in health and education with its own community-based health sector programs.

**Other Donors:** In FY 2002, six bilateral donors (the United States, Denmark, Canada, Italy, Japan, and the United Kingdom (U.K.)) and four multilateral donor organizations (the World Bank, the International Monetary Fund, the United Nations Development Program (UNDP), and the African Development Bank), had development objectives and/or strategies that were West Africa-specific. Additionally, donors, led by the U.K., Canada, the UNDP, the European Union, Germany and the World Bank, have massive regional investments in agriculture, including fisheries (\$4.22 billion), biodiversity and environment (over \$100 million), finance (\$49 million), health and education. Within the region, donors made giant strides in FY 2002 towards coordinating their support to ECOWAS, which has been appointed the implementing agent for the New Partnership for African Development (NEPAD) in West Africa. ECOWAS has appealed for assistance in strengthening its capacity to carry out this assignment. In response, donors, led by USAID, Canada, France, the European Union and the World Bank, have agreed to coordinate their assistance to ECOWAS and to each take responsibility for providing technical assistance and staffing in a specific area. USAID will help ECOWAS acquire additional staff in energy, trade, and agricultural policy because these are areas where USAID has important ongoing projects with ECOWAS. In FY 2002, USAID began to provide training and equipment for ECOWAS's financial management unit; this activity will be completed in FY 2003. Finally, USAID will include a component within its new regional health activity to strengthen the planning and management capacity of the West African Health Organization, a key component of the ECOWAS Health Secretariat.

**West African Regional Program (WARP)  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual* | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|--------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 11,367            | 19,473             | 19,631                   | 23,800             |
| Development Assistance                  | 17,246            | 10,773             | 8,018                    | 5,878              |
| Economic Support Fund                   | 645               | 1,550              | 0                        | 0                  |
| PL 480 Title II                         | 0                 | 1,173              | 3,190                    | 1,779              |
| <b>Total Program Funds</b>              | <b>29,258</b>     | <b>32,969</b>      | <b>30,839</b>            | <b>31,457</b>      |

| STRATEGIC OBJECTIVE SUMMARY                               |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>624-004 Regional Economic Integration Strengthened</b> |        |        |        |        |
| DA  | 3,870  | 4,875  | 2,000  | 890    |
| ESF   | 495    | 1,000  | 0      | 0      |
| <b>624-005 Family Health and AIDS Prevention</b>          |        |        |        |        |
| CSH   | 11,367 | 19,473 | 19,631 | 23,800 |
| DA  | 8,195  | 0      | 0      | 0      |
| <b>624-006 Increased Food Security</b>                    |        |        |        |        |
| DA  | 4,763  | 3,366  | 5,556  | 3,746  |
| ESF   | 0      | 250    | 0      | 0      |
| <b>624-007 Conflict Prevention</b>                        |        |        |        |        |
| DA  | 418    | 2,532  | 462    | 1,242  |
| ESF   | 150    | 300    | 0      | 0      |

\* FY 02 appropriated CSH excludes \$353,000 in polio funds programmed under Africa Regional.

## Central Africa Regional

**The Development Challenge:** Central Africa contains the second largest area of contiguous moist tropical forest in the world. The nine countries of the Central Africa Congo Basin include Cameroon, Equatorial Guinea, Gabon, the Central African Republic, the Democratic Republic of the Congo, Republic of Congo, Burundi, Rwanda and Sao Tome/Principe. More than 60 million people living in the region depend on the rich forests and other biotic resources for their livelihoods and economic development. Prudent use and conservation of the environmental resources in the Congo will support development without depleting the rich natural resource base. The challenge, however, is how to use and conserve environmental resources without jeopardizing either the future of the human population or the biodiversity ecosystem in which they live. These forests form the catchment basin of the Congo River, a watershed of local, regional and global significance that provides valuable ecological services by absorbing and storing excess carbon dioxide released from the burning of fossil fuels, thereby helping to slow the rate of global climate warming.

The U.S. national interests in Africa are multifold. Reducing poverty, mitigating conflict, and promoting democracy are critical goals and are central to U.S. national security and regional stability. A prosperous and democratic Africa will be a more effective collaborator in confronting such diverse threats as environment degradation and global terrorism and will reduce the need to supply U.S. humanitarian funds in response to recurring crises.

**The USAID Program:** The Central Africa Regional Program has a single strategic objective: to reduce the rate of forest degradation and loss of biodiversity through increased local, national, and regional natural resource management. Activities supporting this objective will take place across the region, both within the nine covered countries and in transborder areas. A significant proportion of resources will be devoted to achieving the goal of the Congo Basin Forest Partnership (CBFP) to promote economic development; alleviate poverty; improve governance and natural resources conservation through support for a network of national parks and protected areas, well-managed forestry concessions, and assistance to communities which depend upon the conservation of the outstanding forest and wildlife resources of 11 key landscapes in six Central African countries. Areas where species of plants or animal habitats occur will be identified and mapped, management plans will be developed and staff will be trained. Ancillary support activities will include protected area management, improved logging policies, constructive patterns of forest use by forest inhabitants and environmental governance.

The Central African Regional Program for the Environment (CARPE) was funded previously through Strategic Objective 698-017, Accelerate Progress in the Spread of Strategically Viable and Environmentally Sound Environmental Management Systems, under the Africa Regional portfolio. It will transition to the new Congo Basin Forest Partnership, 605-001, in FY 2004. Of the \$15 million in FY 2004 funds, 80% will be devoted to a range of conservation activities within 11 selected landscapes across six of the Congo Basin countries over a three-year period. Specific activities, both within and outside these selected landscapes are described further in the Data Sheet.

**Other Program Elements:** Because the CARPE program has been focused on the Congo Basin where only two USAID missions are present, it remains heavily dependent upon collaboration among a large number of U.S. private voluntary organizations (PVOs) and other U.S. partners. Under the new Central Africa Regional program, activities in non-presence countries (NPCs) of the Congo Basin will be coordinated by USAID's DRC office, but actual implementation will rely heavily upon the U.S. PVOs and their relationships with the governments and societies of these NPCs.

**Other Donors:** The United States is only one of many actual and potential donors in the Congo Basin. During the learning phase of CARPE, the following donors collaborated on a wide range of small activities across the region: European Union; World Bank; Global Environment Facility (GEF); United Nations Educational, Scientific and Cultural Organization (UNESCO); France; Germany; the Netherlands; Japan; and Canada. Other donors are expected to join the process as implementation unfolds.

## Central Africa Regional PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Development Assistance     | 0                 | 0                 | 0                        | 15,000             |
| <b>Total Program Funds</b> | <b>0</b>          | <b>0</b>          | <b>0</b>                 | <b>15,000</b>      |

### STRATEGIC OBJECTIVE SUMMARY

|   |   |   |   |        |
|---|---|---|---|--------|
| 605-001 Congo Basin Forest Partnership (CBFP) |   |   |   |        |
| DA  | 0 | 0 | 0 | 15,000 |

## Africa Regional

**The Development Challenge:** Africa continues to present a complex mixture of development challenges and tangible progress. There are many reasons for cautious optimism about Africa's prospects—including the opportunities created by the U.S. African Growth and Opportunity Act (AGOA). Much of the economic news from Africa is positive. Reports from Africa show many countries growing at promising rates, as much as 4.3% in 2001, growth which continued in 2002. Local communities are taking more responsibility for their environment and for their children's education, a sign of better, more democratic governance on the continent. Expanded programs to fight HIV/AIDS and other infectious diseases are being implemented throughout Africa. New projects to encourage trade and agricultural growth can accelerate the encouraging trend of African economic development.

Some challenges remain, such as the problems of HIV/AIDS, regional food insecurity, environmental degradation and armed conflict. Ultimately, though, Africa's future depends on how it addresses economic and political governance, resolves civil conflicts, and responds to the need for deeper economic and social reforms. USAID's Africa Bureau works from the assumption that African development can only result from a partnership in which the Africans undertake the leadership and essential responsibilities themselves. That said, the United States continues to be in a position to effect real change, change that will enhance our collective security and help Africans help themselves in the long-term.

For the United States, African development assistance is not charity, but represents a vital investment in global peace and security. The goals of reducing poverty, mitigating conflict, promoting democracy, and lowering HIV/AIDS rates are vitally important to U.S. national security and to regional stability, and contribute to our efforts to encourage worldwide economic growth and combat transnational security threats.

**The USAID Program:** The following Data Sheets give a comprehensive overview of the 13 objectives for which USAID is requesting these funds for the Africa Regional Program. A number of common themes are indicative of USAID's development approach: (1) developing Africans' capacity to design and manage their own programs; (2) maintaining a focus on sustainability; (3) using cross-sectoral linkages to increase performance for a wider range of programs; and (4) establishing partnerships with other development partners and the private sector -- both in the United States and globally -- to maximize the impact of USAID resources. Finally, USAID is taking the leadership position on four new Administration Initiatives, of which the first two are Presidential: education, trade, agriculture, and forestry; as well as on an anti-corruption initiative.

USAID's regional program for Africa comprises three distinct types of activities. First, USAID provides policy-relevant information and helps African countries and partners use this information to improve their policies, programs and strategies for development. Second, it builds Africa's capacity to manage its own development by strengthening African institutions. Third, it helps African countries and institutions build more effective regional channels for economic and technical cooperation.

**Agricultural Development:** Hunger in Africa is a growing problem and is directly related to poor economic development. As a significant step toward reducing the number of impoverished and malnourished people in Africa and in partnership with other donors, the United States will undertake an Initiative to End Hunger in Africa, increasing by over 25 percent its efforts to raise agricultural production and reduce poverty by 2015. The Initiative is a response to the concern in both the United States and African countries over the link between hunger and slow economic growth, and the recognition by the New Partnership for Africa's Development (NEPAD) that agriculture is the most important engine of economic growth for the continent.

**Economic Growth:** Building free markets in Africa is a key link to setting up sustainable economic prosperity. USAID recently launched the Trade for African Development and Enterprise (TRADE) Initiative. The Initiative revolves around three trade hubs which will ultimately serve the east, west and southern African regions. All the hubs have opened, and are working to support the six following themes: promote U.S. - African business linkages; enhancing the competitiveness of African products and

services; expanding the role of trade for African poverty reduction strategies; improving the delivery of public services supporting trade; strengthening African capacity for trade policy formulation and implementation; and strengthening the enabling environment for African businesses. Activities will include building relationships between United States and sub-Saharan African firms, strengthening African business groups to foster joint ventures, and increasing African access to the Internet and other information technologies.

**Environment:** USAID supports training and policy-change efforts that increase local control over community resources as a means of addressing environmental challenges. USAID has leveraged its efforts by coordinating donors, partners and research networks and by greater use of advanced information and remote-sensing technologies, including satellites and the Internet.

**Human Capacity:** USAID's main education goal is to increase access to basic education for African children - especially girls - without lowering quality, respond to the challenge of HIV/AIDS for the education sector, ensure that teachers are well trained for their tasks, and ensure that communities take more responsibility for their children's education. To address these challenges, USAID is combining the basic education program and the Education for Democracy and Development Initiative, with the President's African Education Initiative.

**Health and Population:** USAID's activities work to improve the quality and sustainability of African health care services; all emphasize increased African capacity to design, manage and evaluate health systems. The regional program aims to support innovative approaches to HIV/AIDS prevention in the African context, through the education, health and agricultural sectors. The program in family planning and reproductive health supports effective work in research, advocacy, social marketing of contraceptives, and behavior change communications. Other programs include targeting polio, TB, malaria, malnutrition, respiratory diseases, diarrhea, vaccine-preventable illnesses and maternal/child health, as well as the widespread lack of access to health services.

**Democracy and Governance:** The work of the USAID regional program in strengthening principles of democracy and good governance advances the national security goal of creating the conditions for peace and promoting U.S. and world security. This effort consists of research and information-sharing on state-of-the-art innovations; technical assistance to field missions; grants to African non-governmental organizations for human rights and democracy-building activities; grants for critical activities, such as elections support and civic education; a new initiative to combat corruption in Africa; and innovative pilot projects integrating the promotion and practice of good governance principles into other development sectors.

**Humanitarian Assistance:** The onrush of humanitarian crises in Africa shows no sign of abating. These emergencies threaten lives, economic growth, democratic progress, and regional stability. USAID's regional crisis prevention and mitigation programs will continue to seek solutions to problems before they become acute and to give African decision makers the tools to identify and ward off approaching crises, lessen their impact and help nations recover from crises in a timely manner.

FY 2003 is the final year of the current strategy. A new strategy will be designed for implementation beginning in FY 2004, which will be separately notified.

**Other Program Elements:** When appropriate, USAID's Africa regional program works with the pillar bureaus to ensure that appropriated funds are spent in the most cost-effective manner. This programmatic synergy makes USAID a more effective agency, in terms of results, resources used and overall, long-term development impact.

**Other Donors:** Coordination between USAID and other donors--such as the World Bank, the European Union, the United Nations Children's Fund, and the World Health Organization's African Regional Office--helps to avoid program duplication, streamline efforts and combine funding to achieve the greatest possible impact. The program is also closely coordinated with host country development strategies and works with African non-governmental organizations, building partnerships and networks with all of these.

## Africa Regional PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 38,571            | 44,233            | 33,915                   | 33,420             |
| Development Assistance                  | 81,819            | 83,981            | 187,148                  | 188,978            |
| Economic Support Fund                   | 22,216            | 31,325            | 77,000                   | 22,000             |
| Supplemental - ESF**                    | 0                 | 12,000            | 0                        | 0                  |
| PL 480 Title II                         | 31,285            | 81,218            | 23,981                   | 24,337             |
| <b>Total Program Funds</b>              | <b>173,891</b>    | <b>262,730</b>    | <b>302,041</b>           | <b>288,232</b>     |

| STRATEGIC OBJECTIVE SUMMARY                                       |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>698-001 Support for Cross-Cutting Programs</b>                 |        |        |        |        |
| CSH   | 0      | 23     | 5,440  | 4,500  |
| DA  | 8,110  | 7,896  | 25,883 | 17,545 |
| ESF   | 3,606  | 19,175 | 77,000 | 22,000 |
| <b>698-013 Strengthening Democracy and Good Governance</b>        |        |        |        |        |
| DA  | 3,415  | 4,025  | 14,200 | 9,000  |
| ESF   | 4,894  | 3,500  | 0      | 0      |
| <b>698-014 African Economic Growth</b>                            |        |        |        |        |
| DA  | 18,418 | 5,225  | 18,838 | 27,350 |
| ESF   | 1,250  | 0      | 0      | 0      |
| <b>698-015 Improving African Agriculture</b>                      |        |        |        |        |
| CSH   | 0      | 200    | 250    | 100    |
| DA  | 20,383 | 17,025 | 33,500 | 51,685 |
| <b>698-016 Leland Initiative: African Information Technology</b>  |        |        |        |        |
| CSH   | 325    | 0      | 0      | 0      |
| DA  | 253    | 6,233  | 1,500  | 1,000  |
| ESF   | 0      | 500    | 0      | 0      |
| <b>698-017 Improved Environmental/Natural Resource Management</b> |        |        |        |        |
| DA  | 7,900  | 9,935  | 9,700  | 6,900  |
| ESF   | 0      | 3,150  | 0      | 0      |
| <b>698-018 Health Services in Africa</b>                          |        |        |        |        |
| CSH   | 4,291  | 0      | 0      | 0      |
| <b>698-019 Better Health Care in Africa</b>                       |        |        |        |        |
| CSH   | 17,895 | 22,368 | 16,225 | 13,375 |
| <b>698-020 Family Planning Promotion</b>                          |        |        |        |        |
| CSH   | 0      | 2,500  | 2,200  | 1,945  |
| DA  | 2,361  | 0      | 0      | 0      |
| <b>698-021 Improved Regional HIV/AIDS Programs</b>                |        |        |        |        |
| CSH   | 8,921  | 7,500  | 8,300  | 12,000 |
| <b>698-022 Crisis Prevention, Mitigation and Recovery</b>         |        |        |        |        |
| CSH   | 200    | 200    | 0      | 0      |
| DA  | 6,458  | 8,142  | 32,225 | 20,281 |
| <b>698-023 Environmental Assessment for Sound Development</b>     |        |        |        |        |
| DA  | 740    | 800    | 500    | 350    |
| <b>698-024 Polio Eradicated Through Sustainable Immunization</b>  |        |        |        |        |
| CSH   | 4,845  | 11,442 | 1,500  | 1,500  |



| Strategic Objective / Account              | FY 2001 Actual | FY 2002 Actual | FY 2003 Prior Request | FY 2004 Request |
|--|----------------|----------------|-----------------------|-----------------|
| <b>698-025 Education and Democracy</b>     |                |                |                       |                 |
| CSH  | 2,094          | 0              | 0                     | 0               |
| DA   | 13,581         | 0              | 0                     | 0               |
| ESF  | 12,466         | 0              | 0                     | 0               |
| <b>698-026 Improving African Education</b> |                |                |                       |                 |
| DA   | 0              | 24,680         | 30,800                | 54,865          |
| ESF  | 0              | 17,000         | 0                     | 0               |

\* Africa Regional FY 02 appropriations include polio funds of \$7,442,000 for the following operating units: Angola \$2,100,000; Benin \$100,000; Burundi \$100,000; Eritrea \$200,000; Ethiopia \$2,700,000; Ghana \$300,000; Guinea \$250,000; Liberia \$400,000; Malawi \$75,000; Mali \$300,000; Mozambique \$100,000; REDSO \$100,000; Rwanda \$50,000; Sierra Leone \$234,000; WARP \$353,000; and Zambia \$80,000.

\*\* Prior Year Unobligated Funds include \$12 million of FY 2002 Supplemental - ESF.

## ASIA AND THE NEAR EAST

### THE DEVELOPMENT CHALLENGE

The Asia and Near East (ANE) region is home to 800 million impoverished people, more than Africa and Latin America combined. Inadequate economic opportunity at both the national and local level is a problem throughout the region, and is of particular concern in South Asia and the Middle East. The ANE region has the highest levels of illiteracy, with over 600 million uneducated people—four times the totals for Africa, Latin America, and Europe/Eurasia combined. Illiteracy in the region disproportionately affects women and girls. South Asia has the highest rate of female illiteracy in the world at 57 percent, and in East Asia illiteracy is two and a half times higher among women than men. The region is also governed by some of the world's most closed and repressive regimes. Over half of all ANE countries are considered "not free."<sup>1</sup> Inadequate economic opportunity, the lack of education and skills training, together with corrupt and authoritarian governance, contribute to a disillusioned, isolated, and under-employed populace. In combination with high illiteracy rates—and with post-9/11 hindsight—it seems clear why the region became a nexus of intolerance and an exporter of terror.

Foreign assistance to the Asia and Near East region is one of the United States' most effective foreign policy tools for promoting regional stability. A prosperous, healthy, educated population able to participate in democratic processes reduces the risk of terrorism, civil conflict, and regional instability. A robust foreign assistance program will help invigorate economic growth and opportunity; tackle illiteracy and skills development; and promote inclusive, representative, and transparent governance. USAID's ANE Bureau, by addressing priority development needs, will also work to alter the social and economic geography upon which terrorism has grown.

The ANE Bureau proposes a comprehensive agenda to address the development needs of key frontline states in the war against terrorism by bringing resources to new initiatives that reduce poverty and hopelessness. These initiatives include expanding economic opportunity by developing trade capacity and invigorating economic opportunity at the local level; improving education in the region through programs that address illiteracy, gender disparities, and out-of-work youth; and working with governments and civil society to advance democratic reforms and make governments more representative, transparent, and responsive to their constituents.

Implementing these new initiatives and core programs will require (as compared with FY 2002 levels) expanding the DA and CSH budgets by a combined total of \$176.3 million, expanding the ESF budget by \$121.3 million (excluding Egypt, Israel, and cash transfer programs in Pakistan), and increasing OE by \$9.2 million. The bureau plans to hold its USDH level constant at the FY 2002 number.

#### 1. Middle East and North Africa

In the Middle East and North Africa sub-region, the need for robust foreign assistance has never been more compelling. September 11 pointed out the need to address the root causes of regional instability. In countries across the Middle East, economic hopelessness and political stagnation are breeding extremism, providing fertile ground for those seeking to fill the ranks of terrorist groups. Over the last 25 years, economic performance in the Middle East has fallen behind that of most other regions of the world. The economic situation is exacerbated by the demographic conditions, with a majority of the population in many of these countries below the age of 25. Each year millions of young people enter the labor market with no prospect of finding a job.

Governments in the Middle East face crucial choices on issues of economic development and policy reform. If they do not make the right choices, the region will continue to fall farther behind,

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<sup>1</sup> Source: Freedom House.

potentially strengthening the hand of the extremists and increasing the threat to stability. Economic assistance is critical to fostering the correct choices and providing the means to implement them. By addressing the major development problems of economic stagnation, lack of participatory government, competition over water resources, and high population rates, USAID can help to create the conditions necessary for regional peace and stability. To accomplish these objectives, the ANE Bureau is working closely with the Department of State to adjust the structure of all USAID programs in the sub-region to correspond closely with the objectives of the Middle East Partnership Initiative (MEPI) announced by Secretary of State Powell. Those objectives include:

- Ensuring that our assistance is focused on economic reform and private sector development, increasing educational opportunity, strengthening civil society and the rule of law, and increasing the participation of women in political and economic life;
- Expanding the reach of our assistance to more directly improve the lives of more people in the Middle East;
- Improving the efficiency of our assistance; and
- Monitoring and measuring the results more effectively.

MEPI now forms the thematic construct around which all of our programs in the region will be organized; it may also serve as a source of funding for activities undertaken by or in collaboration with these programs. The Department of State and USAID are conducting a joint review of the overall strategic direction of the Middle East and North Africa portfolio and its specific programs to ensure that USAID efforts are reaching as many people as possible, with a particular emphasis on women and youth, and that we are providing the most effective and efficient assistance possible. This review will ultimately entail significant changes in the level of funding of the programs, projects, and activities described in this Budget Justification. After completion of the joint review, USAID will notify the Congress through established procedures prior to obligating funds for any revised efforts.

## **2. South Asia**

South Asia is the frontline in the war on terrorism. The events of September 11 highlighted the strategic importance of this subregion to the United States, and the importance of improving economic and social conditions in South Asia to U.S. national security. South Asia faces some of the most daunting development problems in the world. The region is home to one-fifth of the world's population and 40 percent of the world's poor. More than half of the region's children under the age of five are malnourished. South Asia has the world's highest adult illiteracy rates, second highest fertility levels, a rapidly growing HIV/AIDS epidemic, widespread prevalence of infectious diseases, low socioeconomic status for women and girls, increasing urbanization and pollution, and staggering infant and child mortality. Each of these contributes to political instability.

In Afghanistan, years of civil war, compounded by Taliban rule and the worst drought in recent history, have devastated the country. While significant progress has been made in the past year (return of three million children to school, return of two million refugees, a successful Loya Jirga, and an increase in wheat production of 82 percent), approximately half of Afghanistan's 22 million people live in absolute poverty. Malnutrition is widespread. Fifty percent of the people are unemployed, while 70 percent are illiterate. Despite the significant increase in donor contributions, the slow pace of demonstrated improvements in people's lives continues to threaten the country's stability.

In Nepal, a Maoist insurgency has gained increasing control over rural areas and escalated dramatically in intensity. While the Government of Nepal controls all 75 district centers, Maoists now basically control seven of Nepal's 75 districts. In these districts, they have declared people's governments, established people's courts, and maintained or allowed the provision of basic health and education services. Maoists have significant presence in 17 additional districts and

have carried out violent activities – e.g., attacks on government offices, hydropower plants, telecommunications, and bridges – in 74 districts.

Pakistan, a key partner of the U.S. in the international campaign against terrorism, faces serious challenges to correct its social inequities, devolve political and economic authority to its provinces, and raise its basic health and education indicators. Next door in India, the world's largest democracy and home of the second largest Muslim population, the U.S. and India are seeking to transform their strategic relationship across military, security, economic and development lines. Bangladesh, although recognized for its continued democratic transfer of power and its significant social development progress in recent years, remains one of the poorest, most corrupt and most disaster-prone countries in the world. Finally, the issue of Kashmir represents a political and military tinderbox between the nuclear weapon states of India and Pakistan, which in the past year helped to lead to one million soldiers facing off with each other across the Line of Control.

On a positive note, Sri Lanka, for the first time in almost twenty years, now enjoys a cease-fire between the government and the Liberation Tigers of Tamil Eelam (LTTE). Considerable work now must be done to advance post-conflict reconciliation, inter-ethnic tolerance and respect, and a renewed commitment to development.

### **3. East Asia**

While nations in East Asia continue to struggle to emerge from a legacy of financial and political crises, East Asia has also been affected by the network of terrorism that became evident after September 11. This was made tragically clear by October bombing in Bali, Indonesia, which killed 300 people and precipitated the ordered evacuation in the U.S. Mission, as well as a series of bombings and kidnappings in the Philippines. With increasing evidence of terrorist networks in Southeast Asia, combating their operations, addressing the root causes of terrorism, reinforcing the influence of moderate Islam and supporting democracy and stability in the region are important U.S. priorities. At the same time, fragile post-conflict situations, including Mindanao in the Philippines and Aceh in Indonesia, require sustainable improvements in people's lives to improve the chances for lasting peace

Levels of development in East Asia vary widely. Some countries are in a state of economic and political transition; intrastate conflict threatens fragile democracies in several East Asian nations; and authoritarian regimes persist. The effects of the Asian financial crisis of the late 1990s linger across the region, while the spread of HIV/AIDS threatens all East Asia. Burma and Cambodia have the highest rates of HIV infection in Asia, and HIV crosses borders easily and rapidly in Southeast Asia.

USAID is responding to these challenges with a diverse portfolio of assistance emphasizing trade, education, health, and democracy. For example, in the Philippines and Indonesia, USAID continues to provide significant assistance in economic policy reform and is a catalyst among donors in such areas as anti-money laundering, bank reform, and customs and procurement reform. In Cambodia, USAID assistance is focused on human rights and opening up the political system to more than one party. USAID assistance for Burma is focused on providing education and health services for refugees along the Thai border. With USAID assistance, a number of countries are making progress on WTO membership and/or major trade agreements with the U.S. For example, in Vietnam, USAID is providing important technical expertise to help the Vietnamese comply with the requirements of the Bilateral Trade Agreement with the U.S.

### **PROGRAM AND MANAGEMENT CHALLENGES**

USAID continues to face three main program and management challenges in the ANE region. First, USAID has had to adjust available resources to tackle heightened foreign policy priorities (e.g., the establishment of new missions in Pakistan, Afghanistan, and increased efforts in basic

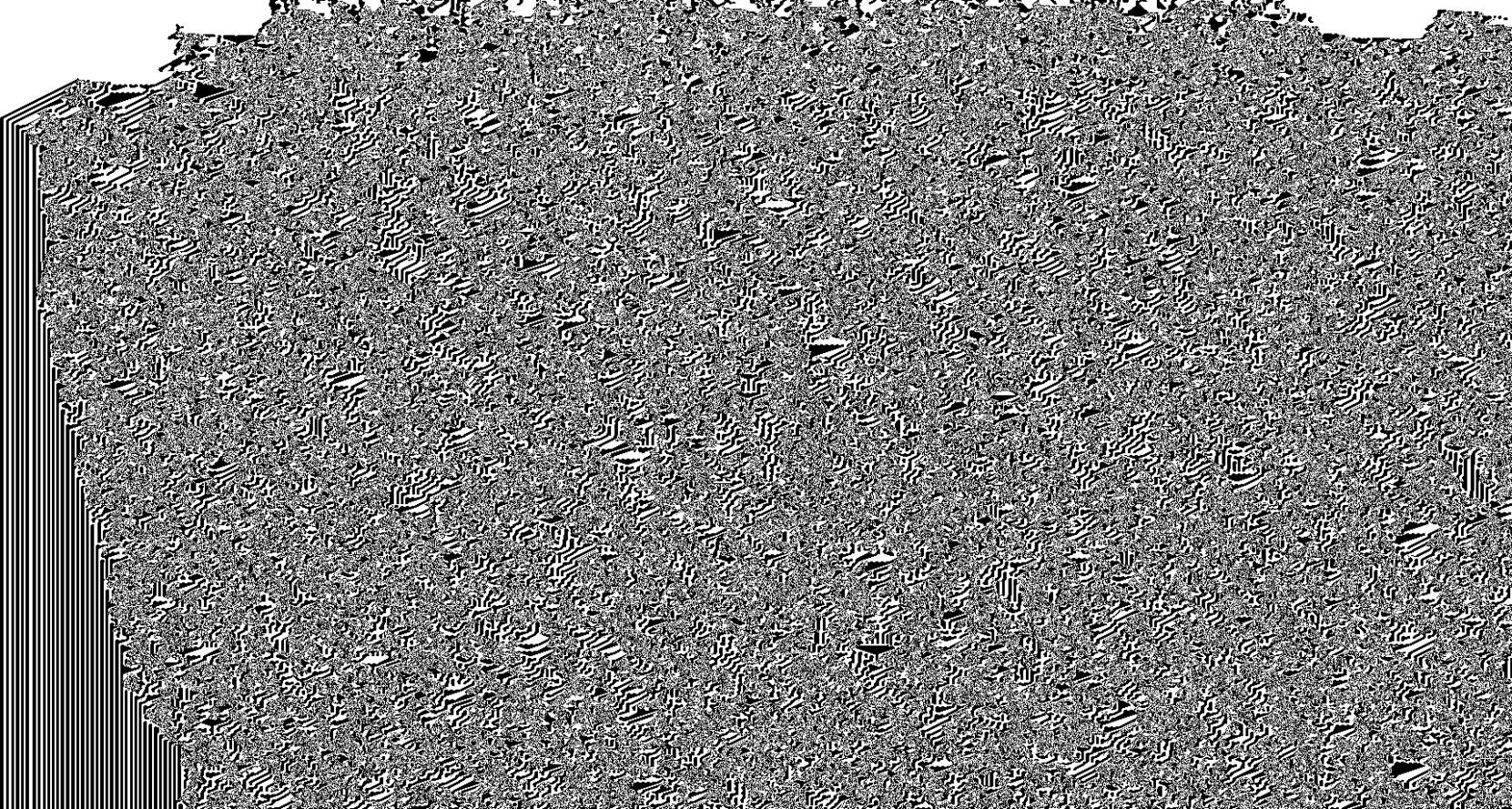
education) without jeopardizing existing bilateral and regional development activities. Existing activities remain critical to achieving development progress and stability and supporting broader U.S. foreign policy objectives in the three sub-regions.

Second, USAID must respond to requests to initiate or expand programs in non-presence countries while identifying better ways to manage assistance in such countries. USAID must be able to deliver meaningful development results that contribute to achievement of U.S. foreign policy objectives. To meet this challenge, USAID will take three major steps in FY 2003:

- The Agency will open a new Regional Development Office in Bangkok, Thailand. This office will be responsible for managing non-presence programs in Burma, China, Laos, and Vietnam, as well as a portfolio of regional programs with activities throughout South and Southeast Asia in the economic growth, health, and democracy sectors. It should be noted that these regional programs are not new; rather, management responsibility for them is simply being shifted from Washington to the field.
- USAID will expand the capacity of the existing bilateral mission in Egypt to serve as a regional support center for programs in presence and non-presence countries throughout the Near East and North Africa sub-region.
- The Agency will establish an office in Yemen to lead the development and management of USAID's expanding program in that country.

Finally, USAID is taking significant steps toward fulfilling the vision captured by the Global Development Alliance. Considering the daunting problems facing the ANE region, USAID programs alone are not enough. Accordingly, USAID has taken significant steps toward fostering greater collaboration with key bilateral donors and private sector entities (foundations, companies, NGOs, etc.) to mobilize resources in order to maximize efforts in support of U.S. foreign policy objectives. For example:

- USAID, British Petroleum, Great Britain's Department for International Development, and the Indonesian government have become partners in an effort to train Indonesians to use new income from gas production to prevent environmental damage and social disruption. Mirco Stilianopoulos, partnered with USAID to identify remote areas of Indonesia by using



the Child Survival and Health (CSH) account, \$2,130,750,000 from the Economic Support Fund (ESF) account. In addition, USAID is requesting \$101,639,000 from P.L. 480 Title II resources.

This FY 2004 request is broken down by sub-region as follows:

|                                |                   |
|--------------------------------|-------------------|
| ▪ East Asia                    | \$ 285.8 million  |
| • South Asia                   | \$ 889.5 million  |
| ▪ Middle East and North Africa | \$1,432.9 million |
| ▪ Regional                     | \$ 223.4 million  |

By USAID pillar, the FY 2004 request is as follows:

|   |                   |
|---|-------------------|
| Economic Growth, Agriculture, and Trade   | \$2,157.8 million |
| Global Health   | \$ 330.4 million  |
| Democracy, Conflict, and Humanitarian Assistance<br>(which includes \$101.6 million in P.L. 480 Title II) | \$ 343.4 million  |

## Asia and Near East PROGRAM SUMMARY

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 110,533           | 214,028           | 211,100                  | 240,318            |
| Development Assistance                  | 222,807           | 209,313           | 253,148                  | 358,888            |
| Economic Support Fund                   | 2,036,558         | 1,891,500         | 2,234,750                | 2,130,750          |
| Supplemental-ESF                        | 0                 | 238,000           | 0                        | 0                  |
| Emergency Response Fund                 | 0                 | 600,000           | 0                        | 0                  |
| PL 480 Title II                         | 194,352           | 298,122           | 146,616                  | 101,639            |
| <b>Total Program Funds</b>              | <b>2,564,250</b>  | <b>3,450,963</b>  | <b>2,845,614</b>         | <b>2,831,595</b>   |

## East Asia PROGRAM SUMMARY

(In thousands of dollars)

| Country / Fund Account                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| <b>Burma</b>                            |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 2,000             | 0                 | 0                        | 2,500              |
| Development Assistance                  | 993               | 0                 | 0                        | 0                  |
| Economic Support Fund                   | 3,492             | 6,500             | 6,500                    | 6,500              |
| <b>Total Burma</b>                      | <b>6,485</b>      | <b>6,500</b>      | <b>6,500</b>             | <b>9,000</b>       |
| <b>Cambodia</b>                         |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 9,420             | 15,000            | 22,500                   | 22,800             |
| Development Assistance                  | 0                 | 0                 | 0                        | 2,000              |
| Economic Support Fund                   | 14,967            | 20,000            | 17,000                   | 15,000             |
| PL 480 Title II                         | 2,422             | 1,085             | 0                        | 0                  |
| <b>Total Cambodia</b>                   | <b>26,809</b>     | <b>36,085</b>     | <b>39,500</b>            | <b>39,800</b>      |
| <b>China</b>                            |                   |                   |                          |                    |
| Economic Support Fund                   | 0                 | 5,000             | 5,000                    | 0                  |
| <b>Total China</b>                      | <b>0</b>          | <b>5,000</b>      | <b>5,000</b>             | <b>0</b>           |
| <b>East Timor</b>                       |                   |                   |                          |                    |
| Economic Support Fund                   | 24,945            | 25,000            | 19,000                   | 13,500             |
| <b>Total East Timor</b>                 | <b>24,945</b>     | <b>25,000</b>     | <b>19,000</b>            | <b>13,500</b>      |
| <b>Indonesia</b>                        |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 19,580            | 35,568            | 32,568                   | 29,250             |
| Development Assistance                  | 51,483            | 38,704            | 38,704                   | 31,691             |
| Economic Support Fund                   | 49,890            | 50,000            | 60,000                   | 60,000             |
| PL 480 Title II                         | 12,144            | 5,670             | 10,245                   | 11,194             |
| <b>Total Indonesia</b>                  | <b>133,097</b>    | <b>129,942</b>    | <b>141,517</b>           | <b>132,135</b>     |
| <b>Laos</b>                             |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 0                 | 1,000             | 1,000                    | 1,350              |
| Development Assistance                  | 0                 | 1,000             | 1,000                    | 0                  |
| PL 480 Title II                         | 0                 | 513               | 0                        | 0                  |
| <b>Total Laos</b>                       | <b>0</b>          | <b>2,513</b>      | <b>2,000</b>             | <b>1,350</b>       |
| <b>Mongolia</b>                         |                   |                   |                          |                    |
| Economic Support Fund                   | 11,974            | 12,000            | 12,000                   | 10,000             |
| <b>Total Mongolia</b>                   | <b>11,974</b>     | <b>12,000</b>     | <b>12,000</b>            | <b>10,000</b>      |
| <b>North Korea</b>                      |                   |                   |                          |                    |
| PL 480 Title II                         | 1,776             | 0                 | 0                        | 0                  |
| <b>Total North Korea</b>                | <b>1,776</b>      | <b>0</b>          | <b>0</b>                 | <b>0</b>           |
| <b>Philippines</b>                      |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 9,450             | 25,599            | 24,550                   | 22,000             |
| Development Assistance                  | 30,334            | 24,456            | 26,609                   | 23,068             |
| Economic Support Fund                   | 7,202             | 21,000            | 20,000                   | 20,000             |
| Supplemental-ESF                        | 0                 | 12,000            | 0                        | 0                  |
| <b>Total Philippines</b>                | <b>46,986</b>     | <b>83,055</b>     | <b>71,159</b>            | <b>65,068</b>      |
| <b>Thailand</b>                         |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 0                 | 1,000             | 1,000                    | 3,000              |
| Development Assistance                  | 0                 | 750               | 2,250                    | 750                |
| <b>Total Thailand</b>                   | <b>0</b>          | <b>1,750</b>      | <b>3,250</b>             | <b>3,750</b>       |
| <b>Vietnam</b>                          |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 2,494             | 4,106             | 4,006                    | 7,200              |
| Development Assistance                  | 2,999             | 6,950             | 8,450                    | 4,000              |
| <b>Total Vietnam</b>                    | <b>5,493</b>      | <b>11,056</b>     | <b>12,456</b>            | <b>11,200</b>      |
| <b>Total Program Funds</b>              | <b>257,565</b>    | <b>312,901</b>    | <b>312,382</b>           | <b>285,803</b>     |



## South Asia PROGRAM SUMMARY

(In thousands of dollars)

| Country / Fund Account                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| <b>Afghanistan</b>                      |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 0                 | 4,000             | TBD                      | 21,000             |
| Development Assistance                  | 0                 | 10,701            | TBD                      | 150,000            |
| Economic Support Fund                   | 0                 | 17,250            | TBD                      | 150,000            |
| Supplemental—ESF                        | 0                 | 88,000            | TBD                      | 0                  |
| PL 480 Title II                         | 29,294            | 159,472           | TBD                      | 0                  |
| <b>Total Afghanistan</b>                | <b>29,294</b>     | <b>279,423</b>    | <b>TBD</b>               | <b>321,000</b>     |
| <b>Bangladesh</b>                       |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 15,500            | 39,950            | 33,700                   | 32,000             |
| Development Assistance                  | 42,050            | 21,670            | 24,720                   | 18,850             |
| Economic Support Fund                   | 0                 | 3,000             | 7,000                    | 6,000              |
| PL 480 Title II                         | 67,658            | 23,974            | 45,083                   | 45,445             |
| <b>Total Bangladesh</b>                 | <b>125,208</b>    | <b>88,594</b>     | <b>110,503</b>           | <b>102,295</b>     |
| <b>India</b>                            |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 24,593            | 41,678            | 40,785                   | 40,800             |
| Development Assistance                  | 28,805            | 29,200            | 34,400                   | 27,100             |
| Economic Support Fund                   | 4,989             | 7,000             | 25,000                   | 20,000             |
| PL 480 Title II                         | 78,289            | 93,679            | 91,288                   | 45,000             |
| <b>Total India</b>                      | <b>136,676</b>    | <b>171,557</b>    | <b>191,473</b>           | <b>132,900</b>     |
| <b>Nepal</b>                            |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 9,250             | 20,000            | 20,449                   | 18,500             |
| Development Assistance                  | 12,158            | 7,597             | 11,247                   | 14,311             |
| Economic Support Fund                   | 0                 | 3,000             | 6,000                    | 6,000              |
| PL 480 Title II                         | 0                 | 2,352             | 0                        | 0                  |
| <b>Total Nepal</b>                      | <b>21,408</b>     | <b>32,949</b>     | <b>37,696</b>            | <b>38,811</b>      |
| <b>Pakistan</b>                         |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 0                 | 5,000             | 12,500                   | 25,000             |
| Development Assistance                  | 0                 | 10,000            | 37,500                   | 50,000             |
| Economic Support Fund                   | 0                 | 9,500             | 200,000                  | 200,000            |
| Supplemental—ESF                        | 0                 | 15,000            | 0                        | 0                  |
| Emergency Response Fund                 | 0                 | 600,000           | 0                        | 0                  |
| PL 480 Title II                         | 1,855             | 5,134             | 0                        | 0                  |
| <b>Total Pakistan</b>                   | <b>1,855</b>      | <b>644,634</b>    | <b>250,000</b>           | <b>275,000</b>     |
| <b>Sri Lanka</b>                        |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 300               | 300               | 300                      | 500                |
| Development Assistance                  | 3,399             | 5,150             | 5,750                    | 5,000              |
| Economic Support Fund                   | 0                 | 3,000             | 4,000                    | 14,000             |
| PL 480 Title II                         | 0                 | 1,325             | 0                        | 0                  |
| <b>Total Sri Lanka</b>                  | <b>3,699</b>      | <b>9,775</b>      | <b>10,050</b>            | <b>19,500</b>      |
| <b>Total Program Funds</b>              | <b>318,140</b>    | <b>1,226,932</b>  | <b>599,722</b>           | <b>889,506</b>     |

## Middle East and North Africa PROGRAM SUMMARY

(in thousands of dollars)

| Country / Fund Account                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| <b>Algeria</b>                          |                   |                   |                          |                    |
| PL 480 Title II                         | 0                 | 2,009             | 0                        | 0                  |
| <b>Total Algeria</b>                    | <b>0</b>          | <b>2,009</b>      | <b>0</b>                 | <b>0</b>           |
| <b>Egypt</b>                            |                   |                   |                          |                    |
| Economic Support Fund                   | 693,471           | 655,000           | 615,000                  | 575,000            |
| PL 480 Title II                         | 323               | 3,839             | 0                        | 0                  |
| <b>Total Egypt</b>                      | <b>693,794</b>    | <b>658,839</b>    | <b>615,000</b>           | <b>575,000</b>     |
| <b>Israel</b>                           |                   |                   |                          |                    |
| Economic Support Fund                   | 838,152           | 720,000           | 800,000                  | 480,000            |
| <b>Total Israel</b>                     | <b>838,152</b>    | <b>720,000</b>    | <b>800,000</b>           | <b>480,000</b>     |
| <b>Jordan</b>                           |                   |                   |                          |                    |
| Economic Support Fund                   | 149,670           | 150,000           | 250,000                  | 250,000            |
| Supplemental-ESF                        | 0                 | 100,000           | 0                        | 0                  |
| <b>Total Jordan</b>                     | <b>149,670</b>    | <b>250,000</b>    | <b>250,000</b>           | <b>250,000</b>     |
| <b>Lebanon</b>                          |                   |                   |                          |                    |
| Development Assistance                  | 600               | 600               | 500                      | 500                |
| Economic Support Fund                   | 34,923            | 35,000            | 32,000                   | 32,000             |
| <b>Total Lebanon</b>                    | <b>35,523</b>     | <b>35,600</b>     | <b>32,500</b>            | <b>32,500</b>      |
| <b>Morocco</b>                          |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 4,902             | 4,600             | 0                        | 0                  |
| Development Assistance                  | 5,685             | 5,766             | 6,713                    | 5,400              |
| PL 480 Title II                         | 591               | 0                 | 0                        | 0                  |
| <b>Total Morocco</b>                    | <b>11,178</b>     | <b>10,366</b>     | <b>6,713</b>             | <b>5,400</b>       |
| <b>West Bank and Gaza</b>               |                   |                   |                          |                    |
| Economic Support Fund                   | 84,813            | 72,000            | 75,000                   | 75,000             |
| <b>Total West Bank and Gaza</b>         | <b>84,813</b>     | <b>72,000</b>     | <b>75,000</b>            | <b>75,000</b>      |
| <b>Yemen</b>                            |                   |                   |                          |                    |
| Economic Support Fund                   | 3,991             | 5,000             | 10,000                   | 15,000             |
| Supplemental-ESF                        | 0                 | 3,000             | 0                        | 0                  |
| PL 480 Title II                         | 0                 | 395               | 0                        | 0                  |
| <b>Total Yemen</b>                      | <b>3,991</b>      | <b>8,395</b>      | <b>10,000</b>            | <b>15,000</b>      |
| <b>Total Program Funds</b>              | <b>1,817,121</b>  | <b>1,757,208</b>  | <b>1,789,213</b>         | <b>1,432,900</b>   |

## Asia and Near East Regional PROGRAM SUMMARY

(In thousands of dollars)

| Country / Fund Account                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| <b>ANE Regional</b>                     |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 13,044            | 16,227            | 17,742                   | 14,418             |
| Development Assistance                  | 44,301            | 46,769            | 55,305                   | 26,218             |
| Economic Support Fund                   | 114,079           | 72,250            | 71,250                   | 182,750            |
| Supplemental-ESF                        | 0                 | 20,000            | 0                        | 0                  |
| <b>Total ANE Regional</b>               | <b>171,424</b>    | <b>155,246</b>    | <b>144,297</b>           | <b>223,386</b>     |
| <b>Total Program Funds</b>              | <b>171,424</b>    | <b>155,246</b>    | <b>144,297</b>           | <b>223,386</b>     |

## Burma

**The Development Challenge:** United States interests in Burma include: promoting democracy, supporting human rights and religious freedom, fighting HIV/AIDS, furthering effective counter-narcotics efforts, World War II remains recovery, and promoting regional stability. The U.S. also pursues a global strategic goal of preventing or minimizing the human costs of conflict and natural disasters.

Conditions in Burma continue to reflect the State Peace and Development Council's (SPDC, formerly called SLORC) struggle for political and military control of the country. Despite multiparty elections in 1990 that resulted in the main opposition party, the National League for Democracy (NLD), winning a decisive victory, SPDC refused to hand over power. U.S. Government policies maintain pressure on the SPDC to engage in meaningful dialogue with the democratic opposition leading toward a peaceful transition to civilian rule. In 2002, the regime released Aung San Suu Kyi from her most recent period of house arrest and freed hundreds of political prisoners. However, no apparent progress has been made toward a substantive dialogue between the regime and Aung San Suu Kyi.

The military believes that it is the only institution capable of keeping Burma united as a single country, and that pluralism is destructive to national unity. It views economic progress, reform and liberalization as secondary to the maintenance of political control. The military is now more powerful than it has ever been, due to an aggressive recruitment program, improved weaponry, and cease-fire agreements with several ethnic armies that have allowed troops to be concentrated in fewer areas. The SPDC has signed cease-fire agreements with all but three armed insurgent groups representing the Shan, Karenni and Karen ethnic groups. Extrajudiciary killings, torture, forced labor, portering, forced relocation, rape and other abuses still commonly occur in most of the ethnic states of Burma.

Economic policies pursued by the Burmese Government have resulted in a deteriorating social and economic situation. Approximately 13 million of Burma's 48 million people, more than 25% of the population, live below the subsistence level of \$1.00 per day. Ten percent of Burmese children are severely malnourished, and 20% suffer moderate wasting, according to a recent World Bank report.

As a result of ethnic fighting and deteriorating economic conditions in Burma, more than 1.6 million people have fled Burma and an estimated 1.5 million more remain inside Burma as internally displaced people. Of the population that fled Burma, approximately 155,000 reside in refugee camps in Thailand and Bangladesh, while the remainder live as illegal migrant workers in Thailand, Bangladesh, India, China and Malaysia.

**The USAID Program:** USAID suspended assistance to Burma following the 1988 suppression of the pro-democracy movement. A FY 1993 earmark of \$1 million reinstated USG assistance, initially through the Department of State's Bureau for Democracy, Human Rights and Labor (State/DRL). Since 1998, USAID has co-managed the Burma earmark with State/DRL. Since FY 1999, \$6.5 million has been earmarked to support democracy in Burma and pro-democracy groups outside Burma, and meet the humanitarian needs of Burmese who reside in Thailand.

Currently, with its share of the earmarked funds, USAID administers: (1) humanitarian assistance activities that provide primary healthcare and basic education support to refugees living in refugee camps on the Thai-Burma border; and (2) democracy activities that finance training for Burmese journalists and public information workers to improve the quality and dissemination of news and information on the situation inside Burma, and fund scholarships for Burmese refugees to study at colleges and universities in Asia, Europe, Canada, Australia, and the U.S.

**Other Program Elements:** With funding from the Regional Stabilize Population Growth and Protect Human Health strategic objective (498-022), USAID began HIV/AIDS prevention activities inside Burma in FY 2002. USAID anticipates programming another \$2.5 million (CSH) under this program in FY 2003 to expand and deepen on-going HIV/AIDS prevention activities inside Burma. The Department of State's Population, Refugees and Migration Program funds refugee assistance activities that complement USAID

activities on the Thai-Burma border. State/DRL also supports a grant to the National Endowment for Democracy (NED) under the earmark.

**Other Donors:** The activities being funded under the earmark operate independently of the Burmese regime, and are coordinated with more than 30 other donor agencies through either the Burma Donors Forum, or the Coordinating Council for Support to Displaced Persons in Thailand. Bilateral donor programs that focus on humanitarian assistance to Burma and to Burmese refugees include the Netherlands, Denmark, Sweden, Australia, and the United Kingdom. Multilateral donors with activities in Burma include the United Nations Children's Fund, the United Nations Development Program, the World Food Program, and the United Nations High Commissioner for Refugees.

## Burma PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 2,000             | 0                 | 0                        | 2,500              |
| Development Assistance                  | 993               | 0                 | 0                        | 0                  |
| Economic Support Fund                   | 3,492             | 6,500             | 6,500                    | 6,500              |
| <b>Total Program Funds</b>              | <b>6,485</b>      | <b>6,500</b>      | <b>6,500</b>             | <b>9,000</b>       |

| STRATEGIC OBJECTIVE SUMMARY                               |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>482-002 Promote Democracy and Aid Burmese Refugees</b> |       |       |       |       |
| CSH   | 2,000 | 0     | 0     | 0     |
| DA  | 993   | 0     | 0     | 0     |
| ESF   | 3,492 | 6,500 | 6,500 | 6,500 |
| <b>1/ 482-XXX ANE Regional HIV/AIDS Program</b>           |       |       |       |       |
| CSH   | 0     | 0     | 0     | 2,500 |

<sup>1/</sup> USAID plans to obligate \$2,500,000 in FY 2004 under the regional Stabilize Population Growth and Protect Human Health (498-022) for HIV/AIDS activities in Burma.

## Cambodia

**The Development Challenge:** Cambodia continues to face significant challenges in its efforts to spur desperately needed economic growth. Nonetheless, the Royal Government of Cambodia (RGC) largely met its overall targets for revenue, expenditures, and domestic financing in 2001. The Gross National Product grew 5.3 percent in real terms, with low inflation and a stable exchange rate. Budgetary allocations for social sectors have increased as expenditures for defense and security decline, albeit modestly.

Cambodia's economic growth strategy is firmly based on the private sector. The trade regime has opened up: the number of tariff areas has declined from twelve to four, and the highest tariff rate of 130 percent was reduced to 35 percent. Cambodia has been fast-tracked for accession to the World Trade Organization, a goal it expects to achieve in 2003. As chair of the Association of Southeast Asian Nations (ASEAN), Cambodia gained some international prestige when it hosted the annual ASEAN Summit in November 2002. Civil society organizations that advocate for and promote change have grown in numbers and maturity.

These positive indicators mask continuing challenges. With a low annual per capita GDP of \$280, Cambodia is one of the poorest countries in Asia. Fifty-eight percent of the domestic budget is financed by donors, primarily through loans. The genocidal Khmer Rouge regime (1975-79) and occupation by Vietnam (1978-89) had a devastating impact on Cambodian institutions and human capacity. Although the trend is slowly improving, human resources capacity has not expanded sufficiently to meet needs, resulting in institutional weakness in government services and limitations for private sector growth.

About 80 percent of Cambodians are engaged in subsistence agriculture, a sector with insufficient productivity to keep up with population increases. The adult literacy rate was estimated at 37 percent by a recent UNESCO study. Health status is poor for most Cambodians. Life expectancy is in the mid-50s, population growth is 2.5 percent, and infant mortality is 95 per 1000. Half of all children under the age of five are malnourished, and 20 percent are severely stunted. The high incidence of HIV/AIDS infections, estimated at 2.6 percent of the general population, is straining the weak health care system and the economy.

Economic growth is mainly concentrated in two sectors: garments and tourism, which account for approximately one-third of GNP and 86 percent of exports. These sectors employ no more than a tenth of the labor force, and cannot provide jobs for a labor force growing at more than 5 percent per year, many of whom reside in poor rural areas. The donor agenda for economic reforms has focused on improving the legal framework, consistent application of the law in a transparent and efficient manner, financial sector reform, civil service and administrative reform, a reduction in corruption and the indirect costs of doing business, and environmental protection. Despite donor attempts to support economic reforms, private sector investment and employment generation have been disappointing. The impending abolition of the quota system globally in December 2004 poses the real danger that Cambodia may lose its market share for garments, and jobs, to lower-cost producer countries. With so few jobs currently available and legal enforcement so weak, Cambodia is a haven for trafficking in persons and child prostitution.

The coalition government consists of the dominant political party, the Cambodia Peoples Party and the National United Front for a Neutral, Peaceful, Cooperative and Independent Cambodia (FUNCINPEC). The National Assembly election in July 2003 will be the third since the Paris Peace Accords of 1991. Whether the elections will be free and fair depends on progress on issues including voter intimidation, equal access to radio and television for all political parties, and fair and impartial decisions by the National Election Committee.

The United States' main foreign policy objectives in Cambodia are to promote democratic practices, good governance and human rights; to support market-led economic growth to combat poverty; to support targeted interventions to fight the spread of infectious diseases, especially HIV/AIDS; and to improve maternal and child health.

**The USAID Program:** USAID requests FY 2003 and FY 2004 funds for three objectives: to increase competition in Cambodian political life; to increase the use of high-impact HIV/AIDS and family health services; and to increase the relevance and quality of basic education. The funds will also support Cambodian initiatives to engage in economic and environmental activities in the context of good governance, e.g., transparency and accountability on key economic and political issues.

USAID's democracy program supports Cambodian non-governmental organizations (NGOs) and national political parties. Years of USAID support have fostered the growth of strong, motivated NGOs. The new democracy strategy will strengthen their capacity to advocate for democratic reforms at the national level, human rights, and anti-trafficking reforms. USAID supports political parties that meet international standards for transparency and accountability, and promotes the achievement of a level playing field for all of them in the upcoming national elections in July 2003. Through its implementing partners, USAID provides technical assistance to strengthen the parties' capacities to reach voters, organize campaigns, ensure their safety and security, and gain access to media outlets in the lead-up to the elections. USAID also supports efforts by the Ministry of Women's and Veterans Affairs and Cambodian and international NGOs to prevent the trafficking of women and children.

USAID's health program supports the RGC's strong commitment to increase access to health services, and to mitigate and prevent the effects of the HIV/AIDS epidemic. USAID programs have contributed to significant reductions in infant and child mortality, as well as maternal mortality. USAID's previous support for AIDS prevention has helped to reduce HIV/AIDS prevalence significantly among key target groups and the general public. A new integrated health/HIV/AIDS program will build on innovative outreach and development approaches for the prevention and management of HIV/AIDS, and for improved coverage for child survival and maternal health programs.

Basic education activities focus on the relevance of the primary school curriculum for Cambodian children, and strengthening the school system to use new student-centered teaching methodologies. USAID collaborates well with the Ministry of Education, Youth and Sports, and participates in an effective donor coordination mechanism for this sector.

**Other Program Elements:** USAID/Washington programs complement and reinforce the USAID bilateral program strategy. USAID/W provides child survival grants for community-based health services, mostly in remote areas. The Leahy War Victims Fund helps to coordinate government, private, and donor activities for disabled persons, and funds rehabilitation centers to provide assistive devices, vocational training, and job placement. In the area of environmental management, programs support a university-level environmental studies program, and the protection and sustainable use of natural resources including forests, freshwater and coastal ecosystems, agricultural lands, and biodiversity.

**Other Donors:** The two largest donors are the multilateral banks. The Asian Development Bank finances health and education, poverty alleviation, agriculture, and roads. The World Bank funds health and education, governance and rural development. The United States is the second largest bilateral donor, after Japan. Japan focuses on a range of activities, including judicial reform, trade and investment, industrial promotion, transportation, power, telecommunications, health, education, and humanitarian aid. France is predominant in the area of higher education in law and medicine, as well as legal and judicial reform. The United Nations Development Program supports RGC programs in health, education, governance, elections and administrative reform. Australia, Germany, the United Kingdom, Sweden, and the European Union provide funds to the government for elections, governance, basic education, health, HIV/AIDS, environment, rural development, and poverty reduction. China wields considerable influence in Cambodia, but information about the size of its aid program is not available. Cambodia's small Muslim community receives assistance from Saudi Arabia and other donors. Donor coordination is effective, especially in the democracy, health, HIV/AIDS, and education sectors.



## Cambodia PROGRAM SUMMARY

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 9,420             | 15,000            | 22,500                   | 22,800             |
| Development Assistance                  | 0                 | 0                 | 0                        | 2,000              |
| Economic Support Fund                   | 14,967            | 20,000            | 17,000                   | 15,000             |
| PL 480 Title II                         | 2,422             | 1,085             | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>26,809</b>     | <b>36,085</b>     | <b>39,500</b>            | <b>39,800</b>      |

| STRATEGIC OBJECTIVE SUMMARY   |       |        |        |        |
|---|-------|--------|--------|--------|
| <b>442-001 Human Rights</b>   |       |        |        |        |
| ESF   | 8,514 | 55     | 0      | 0      |
| <b>442-002 Family Health</b>  |       |        |        |        |
| ESF   | 4,703 | 3,853  | 0      | 0      |
| <b>442-004 Mine Victims</b>   |       |        |        |        |
| ESF   | 1,000 | 0      | 0      | 0      |
| <b>442-005 Reduced Transmission of Sexually Transmitted Infections and HIV/AIDS among High-Risk Populations</b> |       |        |        |        |
| CSH   | 9,420 | 0      | 0      | 0      |
| ESF   | 750   | 0      | 0      | 0      |
| <b>442-009 HIV/AIDS and Family Health</b>   |       |        |        |        |
| CSH   | 0     | 15,000 | 22,500 | 22,800 |
| ESF   | 0     | 5,519  | 0      | 0      |
| <b>442-010 Democracy and Human Rights</b>   |       |        |        |        |
| ESF   | 0     | 10,573 | 17,000 | 15,000 |
| <b>442-011 Improving Basic Education</b>  |       |        |        |        |
| DA  | 0     | 0      | 0      | 2,000  |

## China

**The Development Challenge:** The People's Republic of China (PRC) sprawls across East Asia, its sheer size and economic power dominating the region. For the United States, seeing China fully integrated into the global economic and trading system is critical for regional security, prosperity and peace. Not only does China play a key role in international security affairs through its permanent membership in the United Nations Security Council, but it also is a major U.S. trade partner. Trade between the two countries totaled more than \$120 billion in 2001. For these economic and security reasons, the United States actively seeks a good relationship with China.

Currently, there is no USAID presence in the PRC. However, the United States maintains principled and purposeful engagement with the Government and people of China. This engagement has led to important gains in a number of critical areas, such as human rights and tariff reductions, although differences remain. The Chinese Government does not share core American values on human rights, religious freedom, and democracy. The United States and China also disagree on the best policies for Taiwan and Tibet. To narrow these differences and take advantage of the many areas where U.S. and Chinese interests coincide, the United States undertakes regular contacts and dialogue.

Since 1979, China has been engaged in an effort to reform its economy, an effort the United States firmly supports. In addition to reducing the role of ideology in economic policy, the Chinese leadership has emphasized political and social stability and economic productivity. This has included increased support for market based personal income growth and consumption. In the last 20 years, China has made the largest single contribution to global poverty reduction of any country. However, challenges still remain. Over 200 million Chinese live on less than \$1 a day, many of them in poor and remote regions of the country. The number of urban poor is also on the rise.

In the 1980s, China tried to combine central planning with market-oriented reforms to increase productivity, living standards, and technological quality without exacerbating inflation, unemployment, and budget deficits. China also pursued agricultural reforms, dismantling the commune system and introducing a household-based system that provided peasants a greater decision-making role in agricultural activities. Other initiatives have included the promotion of self-management for state-owned enterprises, increased competition in the marketplace, and freer contacts between Chinese and foreign trading-enterprises. Over the years, China has come to rely more upon foreign financing and imports, but modernizing the banking and legal systems to accommodate increased foreign ties remains a major hurdle.

The Chinese Government's efforts to promote rule of law are significant and ongoing. After the Cultural Revolution, China's leaders worked to develop a legal system to restrain abuses of official authority and revolutionary excesses. In 1982, the National People's Congress adopted a new state constitution that emphasized the rule of law under which even party leaders are theoretically held accountable. Since 1979, when the drive to establish a functioning legal system began, more than 300 laws and regulations, most of them in the economic area, have been enacted.

With its entry into the World Trade Organization (WTO) in 2001, China agreed to lower tariffs and ease import and export restrictions for Chinese and foreign business people. This opens up new opportunities for U.S. industries and service providers, particularly in the banking, insurance, and telecommunications fields. However, hundreds of laws and regulations still need to be put into place, and enforcement of existing laws and regulations needs to be strengthened, before China can comply fully with WTO requirements.

**The USAID Program:** USAID's program is focused around two objectives: (1) improve China's legal infrastructure as it opens itself into more of a market economy, and (2) assist Tibetan communities to preserve their cultural traditions, promote sustainable development, and conserve the environment.

-- The first objective is being met through the China Rule of Law program that is introducing key members of the Chinese legal and judicial system to the constitutional principles that support the rule of law -- due process, transparency, and equal access to justice -- and teaches critical thinking and advocacy skills to support the application of those principles in the Chinese judicial system. In FY 2003 USAID will obligate \$2,000,000 in ESF funds from the Department of State's East Asian and Pacific Affairs Bureau (EAP) to implement ongoing programs to train judges, law professors, lawyers from minority (non-Han) groups, and other legal officials in the content and processes of international and U.S. constitutional law. The foci in FY 2003 will be on tort law reform to give private individuals a place to address their grievances, Internet and e-commerce regulation, and on strengthening health care regulation to address the growing HIV/AIDS epidemic.

-- In FY 2003, USAID will obligate \$3,000,000 to assist Tibetan communities in China. This program is in cooperation with EAP and the Special Coordinator for Tibetan Issues, and is implemented through NGOs headquartered outside China that can provide the Tibetan communities with access to financial, technical, marketing, environmental, and educational resources they need for equitable and sustainable development.

In FY 2004, USAID expects State's Bureau for Democracy, Human Rights and Labor (DRL) to manage this program.

**Other Program Elements:** State/DRL manages a number of activities that support the rule of law in China and complement USAID efforts. As part of its Greater Mekong HIV/AIDS strategy, USAID will be working on a limited scale with NGOs in two southern provinces in China, Guangxi and Yunnan. Over the past eight years USAID's American Schools and Hospitals Abroad (ASHA) program has supported the construction and equipment of the Center for American Studies (FUDAN). ASHA has also supported the Johns Hopkins Center for Chinese-American Studies in Nanjing and provided a grant to Project Hope to support training for the Shanghai Children's Medical Center.

**Other Donors:** China does not have a formal aid group. Important donors include Japan, Germany, and the United Kingdom. Sweden, the United Nations, Australia, Italy, New Zealand, and Canada also provide some funding. Multilateral donors include the World Bank, the EU, the Asian Development Bank, and the United Nations Development Program.

**China  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Economic Support Fund      | 0                 | 5,000             | 5,000                    | 0                  |
| <b>Total Program Funds</b> | <b>0</b>          | <b>5,000</b>      | <b>5,000</b>             | <b>0</b>           |

| STRATEGIC OBJECTIVE SUMMARY |   |       |       |   |
|-----------------------------|---|-------|-------|---|
| 435-003 Rule of Law         |   |       |       |   |
| ESF                         | 0 | 5,000 | 5,000 | 0 |

## East Timor

**The Development Challenge:** The people of East Timor (Democratica Republica de Timor-Leste) celebrated full independence on May 20, 2002, completing a rapid transition from UN administration to self-rule which included development of a constitution, election of President Xanana Gusmao, transformation of the Constituent Assembly to the National Parliament, and inauguration of the new Prime Minister and Cabinet of Ministers. The challenges of building a strong democracy and vibrant economy with fragile institutions and limited human capital remain daunting. The country was launched with high optimism for its future, fed in part by the remarkable progress since devastation wrought during its separation from Indonesia. Escalating expectations represent a potentially destabilizing factor in the political equation, as the December 2002 riots in Dili clearly illustrated.

East Timor begins with the advantage of being debt-free, but its resources are limited and its first three-year budget remains dependent on foreign assistance to meet current expenditure needs. The country has largely rehabilitated the infrastructure destroyed in September 1999 after the vote for independence, but remains one of the poorest countries in Asia. Per capita GDP is estimated at \$478 in 2001 and the departure of international personnel after independence is predicted to reduce the real GDP by an estimated one percent in 2002. Rural and urban poverty continue to be a major problem. Increasing urban unemployment, fed by migration from economically depressed rural areas, significantly contributes to urban unrest and social tensions.

U.S. foreign policy interests in East Timor focus on helping the Timorese transition to a stable democratic government and growing and open market economy. Normalizing East Timor's relationship with Indonesia, its closest neighbor and largest trading partner, and building new trade and investment ties within the region are key priorities. As one of the first and largest foreign aid providers during East Timor's transition period, the United States is recognized as a reliable, credible, and efficient source of outside advice and assistance by the Timorese. Projected funding levels through FY 2004 will enable the United States to continue its development support and central leadership role in East Timor.

**The USAID Program:** USAID will devote \$19 million ESF funding in FY 2003 and is requesting \$13.5 million in FY 2004 ESF to achieve two primary objectives: strengthening the economic recovery and supporting post-conflict democratic development. FY 2003 funds for the economic recovery program will be used to continue USAID's technical and training assistance to the coffee cooperative program, now working with over 20,000 families. The program has increased employment and household incomes from coffee, East Timor's primary cash and export commodity. This program also sustains a network of rural cooperative-linked health clinics providing basic health services to about 20 percent of the population. Other economic recovery programs include expanding agricultural diversification and technology transfer; strengthening microenterprise and small business development; and providing technical and capacity building assistance to advance key economic transition issues such as foreign investment, administration of Timor Sea oil and gas resources, and land reform.

FY 2003 funds will continue support for East Timor's democratic development by increasing public participation in national and local governance, strengthening independent media, supporting the development of political parties, strengthening civil society, and fostering civilian oversight of uniformed forces. The democracy program will also improve citizens' access to justice by strengthening the judiciary institutions, training judicial personnel, and expanding the reach of legal aid groups. Furthermore, USAID will support increasing citizens' knowledge of rights, responsibilities, and legal processes; and the strengthening of government and independent institutions, including new legislative and executive bodies, to implement democratic processes, adopt effective legislation, and deliver services to communities.

In FY 2003 and FY 2004, USAID will continue to contribute to the World Bank-administered Transitional Support Program, which supports East Timor's nascent governing structures and provides initial support for the implementation of the National Development Plan. FY 2004 funds will continue providing critical technical and advisory support and training assistance to programs enhancing the development of East Timor's democratic government and civil society, while simultaneously assisting with the development of

robust market and public institutions supporting the growth and development of the agricultural and business sectors. USAID's program also provides key support to NGOs and local communities building their strategic planning, financial management, and technical capacities to provide support and deliver services to rural areas.

**Other Program Elements:** A rule of law program, funded and managed by USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance, has provided support to the judiciary, particularly in regard to the establishment of the Serious Crimes Unit and training for judges, prosecutors and public defenders. These activities have end in FY 2002. USAID has begun a broader justice sector support to build on these initial activities.

**Other Donors:** Coordination among donors is excellent with twice-yearly conferences through May 2003. After that, the donor coordination conferences will be held annually. A donor coordination meetins is held monthly in Dili chaired by the Vice Minister of Finance and Planning. The United Nations Transitional Administration of East Timor (UNTAET) closed operations in May 2002 and put into place a much-reduced successor: the UN Mission of Support for East Timor (UNMISSET). UNMISSET remains engaged in the security sector and is providing personnel to fill 100 core stability advisor positions for the newly independent government. Donors support the World Bank-managed Transitional Support Program, which provides support to the East Timor national budget with benchmarks linked to the five-year National Development Plan. The International Monetary Fund, World Bank, and Asian Development Bank are engaged in the management of economic policy as well as the development of broad strategic objectives. In addition to the U.S., major bilateral donors include Japan, Portugal, and Australia.

**East Timor  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Economic Support Fund      | 24,945            | 25,000            | 19,000                   | 13,500             |
| <b>Total Program Funds</b> | <b>24,945</b>     | <b>25,000</b>     | <b>19,000</b>            | <b>13,500</b>      |

| STRATEGIC OBJECTIVE SUMMARY               |        |        |        |       |
|---|--------|--------|--------|-------|
| 472-001 Economic Revitalization           |        |        |        |       |
| ESF                                       | 13,603 | 11,500 | 9,000  | 6,000 |
| 472-003 Support for Democratic Transition |        |        |        |       |
| ESF                                       | 11,342 | 12,500 | 10,000 | 7,500 |
| 472-xxx ANE Regional HIV/AIDS program     |        |        |        |       |
| ESF                                       | 0      | 1,000  | 0      | 0     |

## Indonesia

**The Development Challenge:** Entering the fifth year of a comprehensive democratic transition and effort to recover from the Asian financial crisis, Indonesia is implementing a major transformation of its political and economic landscape while simultaneously addressing multiple crises - from terrorism and inter-ethnic, sectarian and separatist violence to endemic corruption and rising poverty. As the world's largest Muslim country, Indonesia plays an important role in U.S. Government foreign policy efforts to combat terrorism and maintain political and economic stability across Southeast Asia. Indonesia's importance also stems from its enormous natural resource base, rich biodiversity, and strategic location across key shipping lanes linking Europe, the Middle East, and Asia.

Indonesia is making important progress as the country begins to realize dividends from the stability brought about by the Megawati Government. A Constitutional amendment in 2002 revamped the electoral process allowing for direct election of the President and Vice President, provided for the removal of non-elected military appointees in Parliament, and created a new chamber for regional representatives. The Cessation of Hostilities Agreement in Aceh in December 2002 offers an opportunity to end decades of conflict, reduce threats to Indonesia's territorial integrity, and ease a threat to natural gas exports from the Arun facilities--all of which are major U.S. foreign policy goals.

In addition, an ambitious decentralization effort to transfer authorities and resources from the central to local governments has proceeded far more smoothly than anticipated. More than two million government workers have been transferred from central to local government rolls without a breakdown in government services. A vibrant civil society and media are pushing the reform process. Annual targets for bank and corporate debt restructuring have been met consistently and the reduction of massive energy subsidies is easing pressures on the national budget (although provoking considerable social and political reaction).

Still, Indonesia has tremendous work to do in the coming years to overcome the deeply entrenched legacy of 30 years of authoritarian military rule, to consolidate gains made in building democracy, and to complete reforms required for sustainable long-term economic growth. Corruption still permeates all levels of society, politics, and the economy, seriously undermining reform efforts; the lack of central cohesion after Suharto's fall in 1998 in some ways exacerbates the problem. Yet, the conviction of Tommy Suharto, the former president's son, marked a significant breakthrough for justice sector reform. Such progress, however, must be balanced against failures to move against other political and corporate criminals or to prosecute meaningfully those responsible for human rights abuses in East Timor, Papua, or Aceh.

Furthermore, major components of the political and economic reform agenda have bogged down in the National Parliament. Although the economy at the end of 2002 showed initial signs of improvement with a stronger rupiah and a bullish stock market, the final 2002 Gross Domestic Product will not exceed the 2001 growth rate of 3.5 percent due to the Bali bombings. The GDP will fall well below the 2002 forecasted five percent growth rate, the level necessary to reduce poverty and create sufficient jobs for new labor market entrants. Also, an unattractive legal and security climate has continued to discourage new investment and jeopardizes existing investments while major corporations reevaluate Indonesia's competitiveness. Rising unemployment to double digit levels has pushed many people below the poverty line. Not least, more than 1.3 million Indonesians remain displaced by ethnic, religious, and separatist violence. The national contraceptive prevalence rate has remained stable, yet declining government resources for health imperils many Indonesians. HIV/AIDS is spreading at an alarming rate among high-risk populations.

The terrorist bombing on Bali in October 2002 was a watershed event for Indonesia. The country, perceived as a reluctant partner in the global war on terrorism post-September 11, has begun to come to grips with the real threat that terrorism represents to its own future. The Government has shown an increased willingness, beginning with the issuance of a strong presidential decree on anti-terrorism, to confront the threat directly. The police have continued an aggressive investigation into the bombings on



Bali and in Makassar working closely with Australian and U.S. counterparts. Police have arrested a number of key figures with alleged links to terrorism.

The Government has intensified pressure on suspected terrorist groups, and shown a new willingness to cooperate with the international community on counter terrorism. It has increased attention to developing financial crimes countermeasures, particularly the terrorist financing components of the new anti-money laundering law. Muslim leadership in the country has moved from the sidelines to the front pages in calling for peace, tolerance and understanding as Indonesia grapples with the terrorism threat that is closer to home than previously acknowledged. The changes since October offer hope that the kind of partnership sought by the U.S. to achieve foreign policy objectives related to counter terrorism and regional stability can gradually be realized in Indonesia.

**The USAID Program:** The program focuses on 1) thwarting terrorist financing; 2) accelerating Indonesia's democratic transition; 3) promoting economic recovery and growth; 4) facilitating Indonesia's decentralization process; 5) reducing the threat of conflict in strategic areas of Indonesia; 6) strengthening natural resources management; and 7) improving the health of women and children. FY 2003 funding will be used to provide technical assistance and training to implement on-going programs addressing: terrorist financing; preparations for the 2004 national election; the peace process in Aceh; conflict prevention in Bali; civil society development and the rule of law; sound macroeconomic policy and reforms including energy; local government capacity to manage resources efficiently and deliver services to rural areas; conflict and the urgent needs of internally displaced persons and urban poor; community management of natural resources; and child survival, family planning, and HIV/AIDS. The Indonesia program includes four public-private alliances to work on illegal logging, cocoa production, clean air, and regional development in Papua.

**Other Program Elements:** USAID is implementing activities in Indonesia through global and regional programs in health (polio and tuberculosis), economic growth ("Encouraged Economic Growth" program) and environment (U.S.-Asia Environmental Partnership and East Asia and Pacific Environment Initiative). The USAID Association Liaison Office for University Cooperation in Development provides funding for partnerships between U.S. and Indonesian universities in the areas of civic education and integrated pest management. USAID's Food for Peace Office provides Title II food assistance and programs related to internally displaced persons (IDPs). Planned humanitarian assistance by USAID's Office of Foreign Disaster Assistance (OFDA) also supports return and resettlement of IDPs.

The State Department's East Asia and Pacific Women's Issues Fund continues to support anti-trafficking programs in Indonesia. USAID's democracy activities are closely integrated with State Department public diplomacy and police reform efforts.

**Other Donors:** The United States is the second largest bilateral donor in Indonesia behind Japan. Other major bilateral donors include the Netherlands, Australia, Germany, the United Kingdom, and Canada. Through flexible and responsive programming, USAID plays a leadership role among donors, most notably in thwarting terrorist financing, elections assistance, civil society development, decentralization, natural resources management, and health and humanitarian assistance. USAID works closely with the major multilateral donors: the World Bank, the Asian Development Bank (ADB), the International Monetary Fund (IMF), the European Union, and the United Nations (UN) agencies. The World Bank-chaired Consultative Group on Indonesia (CGI) coordinates donor assistance to Indonesia. The UN-led Partnership for Governance also coordinates donor interventions on civil society, corporate governance, anticorruption, decentralization, justice sector reform, and poverty reduction.

## Indonesia PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 19,580            | 35,568            | 32,568                   | 29,250             |
| Development Assistance                  | 51,483            | 38,704            | 38,704                   | 31,691             |
| Economic Support Fund                   | 49,890            | 50,000            | 60,000                   | 60,000             |
| PL 480 Title II                         | 12,144            | 5,670             | 10,245                   | 11,194             |
| <b>Total Program Funds</b>              | <b>133,097</b>    | <b>129,942</b>    | <b>141,517</b>           | <b>132,136</b>     |

| STRATEGIC OBJECTIVE SUMMARY                      |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>497-007 Democracy Reform</b>                  |        |        |        |        |
| DA   | 8,180  | 8,000  | 9,000  | 7,000  |
| ESF  | 18,080 | 15,000 | 28,000 | 27,500 |
| <b>497-008 Health, Population, and Nutrition</b> |        |        |        |        |
| CSH  | 19,580 | 35,568 | 32,568 | 29,250 |
| DA   | 9,678  | 0      | 0      | 0      |
| <b>497-009 Crisis Mitigation</b>                 |        |        |        |        |
| DA   | 3,506  | 4,000  | 4,500  | 5,250  |
| ESF  | 0      | 12,500 | 13,000 | 10,000 |
| <b>497-010 Strengthening Local Government</b>    |        |        |        |        |
| DA   | 9,496  | 7,451  | 6,910  | 5,450  |
| ESF  | 2,500  | 7,000  | 6,500  | 10,000 |
| <b>497-011 Promoting Economic Growth</b>         |        |        |        |        |
| DA   | 5,623  | 5,123  | 6,494  | 4,850  |
| ESF  | 11,827 | 14,000 | 11,000 | 11,000 |
| <b>497-012 Natural Resource Management</b>       |        |        |        |        |
| DA   | 10,500 | 10,500 | 9,300  | 6,141  |
| ESF  | 1,500  | 1,500  | 1,500  | 1,500  |
| <b>497-013 Energy Sector Reform</b>              |        |        |        |        |
| DA   | 4,500  | 3,630  | 2,000  | 2,000  |
| <b>497-XXX State Department programs</b>         |        |        |        |        |
| ESF  | 15,983 | 0      | 0      | 0      |
| <sup>1/</sup> 497-YYY ANE Regional US-AEP        |        |        |        |        |
| DA   | 0      | 0      | 500    | 1,000  |

<sup>1/</sup> USAID plans to obligate \$500,000 in FY 2003 and \$1,000,000 in FY 2004 under the regional U.S.-Asia Environmental Partnership (498-009) for activities in Indonesia.

## Laos

**The Development Challenge:** The Lao People's Democratic Republic (LPDR) is among the poorest, least developed countries in Asia. With an estimated Gross Domestic Product (GDP) of \$330 per capita in 2001, agriculture remains the main economic activity. Agriculture contributes 53 percent of GDP and employs over 85 percent of the labor force. GDP growth slowed slightly to 5.5 percent in 2001, compared to 5.9 percent in 2000. This performance is strong, considering the regional slowdown and the low level of growth in Thailand, which is Laos' principal trade partner.

The Asian Development Bank assesses the economic outlook for 2003 as positive, with a growth rate of about 6 percent driven by investments in hydropower and mining, if there is a global economic recovery. Sound fiscal management has curbed hyperinflation, which averaged over 100 percent in 1998/99 to 7.8 percent in 2001. The budget gap of 8 percent has been covered with grants and concessionary loans. Capital investment accounts for 65 percent of the total budget, with constrained spending in the social sectors and for maintenance and operation of existing assets. Officially classified as a highly indebted poor country, the Lao government does not seek debt relief, since half the debt is with the Russian Federation, which is not serviced and is carried on the books at an excessive exchange rate.

Social indicators are among the worst in the world for Laos' 5.6 million people: infant mortality is 93 per 1000 births, and life expectancy is about 54 years. The country's economy is hampered by inadequate infrastructure and deficient health and education services. The disparity in socioeconomic development between the lowland communities and upland areas is growing. Limited data show low HIV prevalence, with only 846 people tested positive as of 2001. However, as a land-locked country, Laos shares borders with countries that have high levels of HIV infections, such as China, Thailand, Burma, and Vietnam. The government acknowledges its susceptibility and has taken steps in coordination with non-government organizations to increase systematic and nationwide surveillance and interventions to prevent an HIV/AIDS epidemic.

The Government of the LPDR is among the few remaining official Communist regimes in the world. The National Assembly elections of February 2002 brought in a younger and better educated electorate which is expected to accelerate economic reforms required by a modernizing society and the transition from a centrally planned and controlled economy to a market economy. The government recognizes that it needs technical assistance, training, and donor and private investment to modernize the economy and to address critical health, education, and employment generation issues. With reforms moving relatively quickly in Vietnam, Laos may be encouraged to undertake the necessary reforms, including improving its human rights record, to attract additional support. Exposure to Thai broadcasting may also create greater incentives for the regime to undertake necessary reforms.

The long-term U.S. interest in Laos is to encourage transition to democratic governance with an improved human rights record and an open, market-based economy. The United States also has a humanitarian interest in addressing the effects of the country's extreme poverty by providing assistance to improve health and income generation in rural areas. The aim is to help the impoverished people of Laos without helping or lending credence to the one-party Communist regime of 28 years. The crop substitution programs, particularly those involving sericulture (silkworms), serve the dual purpose of poverty reduction and opium poppy eradication. U.S. national interests in Laos include three residual "heritage issues": reducing opium cultivation through law enforcement, crop substitution, and infrastructure development; finding the remains of American soldiers missing-in-action; and assisting in the removal of unexploded ordinance.

**The USAID Program:** USAID's program in Laos focuses on two objectives: (1) develop a viable economic alternative to opium production, and (2) maintain the low levels of HIV prevalence through monitoring and prevention programs.

The first objective supports the production and marketing of raw and processed silk as a viable economic alternative to opium production. This objective is being met through the Laos Economic Acceleration

Program for the Silk Sector (LEAPSS). LEAPSS operates in Xieng Khouang and Huaphan provinces, and provides technical assistance and training to improve the quality, quantity, and yield of cocoons and silk yarn production in the two targeted provinces. Key interventions focus on strengthening the capacity of local, provincial, and national institutions to support development of the private silk sector. The program will also expand access to silk and handicraft markets, both nationally and internationally, and will strengthen coordination among silk production groups. An integral part of the program is to enhance the participation of women at all levels of decision-making within villages and management or coordination of production groups.

**Other Program Elements:** USAID's second objective in Laos is to maintain the presently low levels of HIV/AIDS prevalence. USAID has supported limited HIV/AIDS activities in Laos since 1998 to strengthen local capacity to monitor the epidemic and the behaviors contributing to its spread. This objective is being met through the regional Stabilize Population Growth and Protect Human Health program (498-022). Increased funding has enabled USAID to expand activities to include improving market research and strategies for condom sales, developing sexually-transmitted disease prevention and treatment programs, and expanded surveillance and interventions with high-risk populations.

USAID supports four other activities in Laos through regional and global programs. With FY 2002 Regional Other Vulnerable Children Carry-over funds, USAID will design a program to address critical needs of poor, vulnerable children in FY 2003. The Leahy War Victims Fund supports the Laos War Victims Assistance program, which was initiated in 1990. This program has provided more than \$7.0 million since 1990 to support emergency care facilities, train emergency care staff, and to educate Laotian students about unexploded ordinances. The East Asia and Pacific Environmental Initiative supports a small community-based wildlife management program in Laos, which is implemented through Conservation International. USAID's worldwide human capacity development program trains physicians in the primary specialties of pediatrics and internal medicine to improve the institutional capacity in Laos. USAID's partner is Case Western University.

**Other Donors:** The World Bank and the Asian Development Bank focus on poverty reduction, agriculture, natural resources management, rural energy, environment, transportation, communications, and social infrastructure. They also provide assistance to the financial sector and state-owned enterprise reforms needed to create an enabling environment for private sector development. The main bilateral donors include Japan, Germany, Sweden, France, Australia, and Norway. Bilateral donor efforts focus primarily on education, health, rural development and environment. USAID coordinates assistance activities with other donors as appropriate.

## Laos PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 0                 | 1,000             | 1,000                    | 1,350              |
| Development Assistance                  | 0                 | 1,000             | 1,000                    | 0                  |
| PL 480 Title II                         | 0                 | 513               | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>0</b>          | <b>2,513</b>      | <b>2,000</b>             | <b>1,350</b>       |

| STRATEGIC OBJECTIVE SUMMARY              |   |       |       |       |
|--|---|-------|-------|-------|
| 439-004 Economic Development             |   |       |       |       |
| DA                                       | 0 | 1,000 | 1,000 | 0     |
| 439-005 HIV/AIDS                         |   |       |       |       |
| CSH                                      | 0 | 1,000 | 0     | 0     |
| 1/ 439-XXX ANE Regional HIV/AIDS Program |   |       |       |       |
| CSH                                      | 0 | 0     | 1,000 | 1,350 |

1/ USAID plans to obligate \$1,000,000 in FY 2003 and \$1,350,000 in FY 2004 under the regional Stabilize Population Growth and Protect Human Health program (498-022) for HIV/AIDS activities in Laos.

## Mongolia

**The Development Challenge:** Mongolia, a remote and sparsely populated country, provides an important and increasingly rare example in Central Asia of how to manage a difficult economic transition within a democratic political framework. It shares long land borders with a rapidly emerging China to the south and the resource-rich Siberian region of Russia to the north. Mongolia's success, though fragile, offers an important beacon of hope for other countries attempting to make the difficult but all-important transition from dictatorship to democracy.

Politically, Mongolia's transition to democracy is a remarkable achievement with ramifications that go well beyond its frontiers. No less than nine elections have been held over the last decade, three each at the local, parliamentary and presidential level. Governments have been elected to power in free and fair elections and, then, peacefully relinquished that power in response to subsequent elections. This record stands in stark contrasts to its five Central Asian neighbors, each of which is still governed by the same ruler who assumed power when those countries gained independence following the break-up of the Soviet Union more than ten years ago.

Economically, Mongolia's harsh climate, small market and lack of infrastructure present formidable challenges. However, here too the direction and pace of change has been encouraging. Well over 70 percent of the Mongolian economy is now in private hands, up from virtually nothing ten years ago. Total GDP is estimated at \$1 billion, or around \$450 for each of the 2.4 million people who live in the country. Mining, tourism, construction and light industry offer significant potential. The debt burden is a growing concern and will soon reach \$1 billion, equivalent to the country's annual GDP. Official economic growth rates have hovered at around one percent in recent years, partly on account of successive periods of drought and hard winter that have decimated Mongolia's important livestock sector. Some argue that the official figures do not adequately reflect Mongolia's thriving "underground" economy or the contributions made by a growing number of Mongolian workers in Korea, Taiwan and elsewhere who send funds to relatives back home.

U.S. interests in Mongolia stem largely from its strategic location; its important role in contributing to stability in a potentially volatile part of the world; and the strongly positive example it sets in promoting economic reform and democracy. A successful Mongolia has important and highly positive implications for a huge swath of neighboring Central Asian countries stretching from Kazakhstan to Afghanistan. Mongolia's strategic location between Russia and China, two traditional rivals that are also nuclear powers and important players on the global stage, further adds to its significance. Finally, the unusually positive relations that Mongolia maintains with both North and South Korea position Mongolia to make a positive and constructive contribution as a "role model" for North Korea when it eventually emerges from the isolation maintained over many decades.

**The USAID Program:** USAID-funded programs are tightly focused on two key objectives, namely building a market economy and consolidating a true democracy. Specific activities focused on civil society have important implications for economic growth. Similarly, programs that address economic concerns have a direct impact on Mongolian as a newly emerging democracy. Government as well as non-government institutions are heavily involved. Unlike some donors, USAID also works closely with Mongolia's private sector.

Judicial reform is the single largest program within USAID/Mongolia's democracy portfolio. Most importantly, the country's new civil and criminal codes need to be effectively implemented. Beyond that, USAID supports greater transparency and accountability in the judiciary, a prospect aided by a new initiative to automate courtrooms across the country. Other programs work to make parliament more transparent and political parties more effective in the lead-up to national elections in summer 2004.

Activities aimed at promoting sustained economic growth operate at both a policy and grassroots level. Interventions in the banking sector have been especially successful. As a result of USAID assistance, Mongolia's largest bank (Trade and Development Bank) was privatized. In addition, the bank with the

most extensive branch network (Agricultural Bank) now stands at the brink of privatization. Significant work is underway aimed at commercializing Mongolia's all-important energy sector. USAID also works directly with private Mongolian companies involved in tourism and cashmere production. Remaining activities focus on business development in rural Mongolia and in the growing number of "peri urban" districts growing up near Mongolia's urban centers as a result of migration from the countryside. Underlying all these programs is a strong interest in promoting transparency and ensuring that the Mongolian public has access to information about issues that are vital to the country's future.

**Other Program Elements:** On occasion, bilateral resources are supplemented by additional funding from USAID/Washington. For example, USAID/Mongolia routinely processes Washington-funded trainees to attend short-term courses at the U.S. Telecommunications Training Institute (USTTI). Similarly, a rural lending initiative that was launched with mission support and then merged with a UNDP-supported program to found the XacBank received more than a \$1 million under an competitive grants program managed out of Washington. Also, a new linkage involving Mongolia's Energy Regulatory Authority (ERA) and the Minnesota public utilities commission is funded out of global resources.

The USAID mission works closely with the Embassy country team to integrate foreign assistance programs with broader USG objectives.

**Other Donors:** The "alphabet soup" of foreign donors working in Mongolia partly reflects the relative success that the country has enjoyed in recent years, especially in terms of its ability to effect both economic and political reforms simultaneously. Efforts to strengthen coordination have improved in recent years, though regrettably duplication and overlap sometimes occur.

The Asian Development Bank (ADB) is the single largest multilateral donor, followed by the World Bank. Other multilateral donors include the European Union and various United Nations agencies. The European Bank for Reconstruction and Development (EBRD) is launching its first technical assistance program, one that focuses heavily on commercialization and the private sector. There are indications that the EBRD will eventually launch a lending program as well.

Japan is Mongolia's major bilateral source of loan as well as grant assistance. Programs cover a wide range of areas, including infrastructure and education. The U.S. ranks a distant second in terms of its development assistance, followed by a German aid effort that focuses on conservation and renewable energy. Many other donors also offer more limited support to Mongolia, including the Netherlands (environment and rural development), Australia (scholarships), Canada (urban and rural development), India (information technology), Russia (humanitarian aid), China (housing) and Korea (health).

Finally, non-governmental organizations (NGOs) such as the Soros Foundation and World Vision make useful contributions to Mongolia, each managing annual development programs valued at approximately \$3 million. Numerous other NGOs from the U.S., Japan, Europe and elsewhere also provide important support, especially in the social sectors.

## Mongolia PROGRAM SUMMARY

(In thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Economic Support Fund      | 11,974            | 12,000            | 12,000                   | 10,000             |
| <b>Total Program Funds</b> | <b>11,974</b>     | <b>12,000</b>     | <b>12,000</b>            | <b>10,000</b>      |

| STRATEGIC OBJECTIVE SUMMARY   |       |       |       |       |
|-------------------------------|-------|-------|-------|-------|
| 438-001 Economic Growth       |       |       |       |       |
| ESF                           | 8,974 | 8,000 | 8,500 | 7,300 |
| 438-002 Democratic Transition |       |       |       |       |
| ESF                           | 3,000 | 4,000 | 3,500 | 2,700 |



## Philippines

**The Development Challenge:** Corruption and conflict continue to impede the Philippines' economic and social development. Forty-six percent of the country's population lives on \$2/day or less, and per capita income growth between 1975 and 2001 was 86 percent -- a fraction of its neighbors: Indonesia registered 423 percent, Thailand 261 percent, Malaysia 169 percent, and China 235 percent. The Philippines continues to suffer some of the worst effects of underdevelopment: a 2.36 percent rate of population growth; destructive exploitation of natural resources, including the Philippines' unique marine and terrestrial biodiversity; and vulnerability to political instability, including nationwide armed conflict by the communist NPA (declared a terrorist organization by the U.S. in 2002) and separatist violence in Muslim Mindanao. Nevertheless, the Philippines has maintained its democratic institutions and its market-based economic system, as well as its historic ties with the United States. The country made some important strides forward in 2002 and President Gloria Macapagal-Arroyo provided strong and consistent support for President Bush's efforts on the global war on terrorism.

**The USAID Program:** USAID/Philippines' assistance is organized around four strategic areas: Muslim separatist conflict in Mindanao; corruption and poor economic governance; damaging mismanagement of the Philippines' unique natural resources; and the impacts on health and economic growth of the high number of unwanted pregnancies, the recent resurgence of tuberculosis, and potential vulnerability to HIV/AIDS. Reducing corruption and mismanagement through decentralization, private-sector involvement, and administrative reform are cross-cutting approaches for all areas. Assistance in all four areas has particularly been increased in Mindanao since the resurgence of fighting there in early 2000 and the events of 9/11.

USAID has an exceptionally close working relationship with both local and national figures working to manage the long-running Muslim separatist conflict in Mindanao and the Sulu Archipelago. The Governor of the Autonomous Region in Muslim Mindanao (the ARMM) has said "While everyone makes promises, USAID is the one who delivers." USAID's assistance, which started after the Peace Agreement of 1996, will, by its conclusion, have reached virtually every one of the 25,000 ex-combatants of the Moro National Liberation Front (MNLF) who needed assistance to reintegrate themselves into the peacetime economy. USAID works with MNLF officials to identify appropriate beneficiaries and to put directly into their hands the tools, training, and inputs they need to raise enough seaweed, corn, and rice to support their families. As a result, the MNLF Vice-Chairman explained that the MNLF's ex-combatants stayed aloof from the hostilities in 2000 because "Now we have something to lose." The State Department is distributing a video presentation of this program worldwide as a model for U.S. relations with the Islamic community.

As the MNLF Vice-Chairman's remarks indicate, economic conditions are a fundamental factor in conflict in the Philippines. In addition to assistance to re-integrate ex-combatants, USAID addresses economic growth and job creation in Mindanao in other ways. Microfinance field programs are achieving dramatic successes using local resources and a new model of management-based micro-lending, winning awards in the U.S. and attracting international attention. Commodity development programs and working through private producers' association have increased farmer incomes by successfully moving them into new value-added crops. Programs to strengthen economic governance are helping communities increase forest and coastal zone productivity.

The relationship between the U.S. and the Muslim community in Mindanao was strengthened by the social sensitivity, as well as the military effectiveness, of U.S. troops during the joint training exercises in 2002. USAID plans to continue and expand community infrastructure construction to complement the facilities put in place by the U.S. armed forces in 2002 and will begin a program to strengthen the seriously deteriorated schooling system in the ARMM for children whose only alternative is often foreign-subsidized Islamic schools. USAID is also stepping up health, environmental, and energy programs in the conflict-affected areas.

Nationally, the continued failure of the Philippine economy to attain the success achieved elsewhere in the region has turned the spotlight onto governance factors and corruption, especially after former

President Estrada's downfall in 2000-01. USAID's anti-corruption assistance focuses on revenue administration, government procurement, and judicial strengthening. USAID has been the principal source of technical assistance to reformist Commissioners of Internal Revenue appointed under President Arroyo, helping them to address a preoccupying downturn in revenues in 2002, through an unprecedented series of enforcement actions, as well as a major institutional restructuring proposal now being debated in the Philippine Congress. In addition, a major reform of Philippine government procurement rules was kicked off in January 2002, when President Arroyo signed into law a new Procurement Code developed with USAID's assistance. Estimates that government spending is inflated by as much as 20 percent, or roughly \$2 billion a year, due to procurement irregularities, show the very substantial scope for potential savings.

Governance is especially weak in regulation of public utilities, including telecommunications, ports, and airlines, where USAID supports both governmental and non-governmental stakeholders in reform efforts. USAID provides critical technical assistance for an energy-sector reform program that may be a make-or-break initiative for an economy confronted with high electricity prices, looming power shortages, and investor skepticism. USAID also assists reforms that are vital to the transition to less-polluting and renewable sources of energy and improved air quality, including the promotion of natural gas vehicles for the transportation sector. USAID increasingly approaches environmental management, in Mindanao and nationally, as a governance issue. Assistance emphasizes strengthening transparency and accountability in local governance and natural resource use rights (often vested in communities) to create incentive-compatible management systems for vulnerable natural resources.

USAID's assistance for health recognizes the Government's devolution of its health services to local government levels for family planning, immunization programs, TB and malaria management, and micronutrient supplementation. USAID also focuses on stimulating the private sector to play a greater part in improving access to quality health services for those who can afford to pay, even in non-traditional areas such as family planning and tuberculosis management, thus relieving the public sector of the burden. This program seeks ways of financing health care through internal mechanisms in the country, thus reducing the country's long-term donor dependency.

**Other Program Elements:** USDA's \$40 million Title-I loan program for the Philippines was supplemented by an \$8.3 million grant under Section 416(b) in FY 2002. Local-currency proceeds of market sales provide budget support to the GRP, part of which has been directed to agricultural development. USAID/Washington assistance to agricultural research at the International Rice Research Institute has been substantially reduced, but co-financing with the mission of microfinance assistance continues. A new agreement under the Tropical Forestry Conservation Act will provide budgetary support to civil society groups to conserve highly threatened tropical forests. The ongoing regional U.S. Asia Environmental Partnership (USAEP) funds technical assistance, training, and exchanges to support the improved management of toxic and hazardous wastes, and the integrated management of solid wastes. The Department of State, Treasury, Justice, and Energy provide training and technical assistance in important areas like tax administration, privatization of the energy sector, and control of money laundering.

**Other Donors:** The major donors to the Philippines are the Japan Bank for International Cooperation, the Asian Development Bank, and the World Bank. These institutions finance infrastructure development and sector policy programs. USAID collaborates closely with ADB and World Bank staff on sectoral policy in energy, basic grains, bank and non-bank financial regulation, and expenditure management. The IMF has a small but influential technical-assistance program that includes tax administration, one through which USAID and the Embassy maintain an active dialogue. The UNDP has been active in Mindanao in coordinating assistance of other donors who complement USAID's programs, and the Japanese are now coordinating their Mindanao planning with USAID. Bilateral assistance from Australia and Canada includes an emphasis on corruption and governance that complements USAID's. Other bilateral donors with substantial programs, including Germany and other EU members, emphasize direct assistance to small enterprises and small farmers.

## Philippines PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 9,450             | 25,599            | 24,550                   | 22,000             |
| Development Assistance                  | 30,334            | 24,456            | 26,609                   | 23,068             |
| Economic Support Fund                   | 7,202             | 21,000            | 20,000                   | 20,000             |
| Supplemental-ESF                        | 0                 | 12,000            | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>46,986</b>     | <b>83,055</b>     | <b>71,159</b>            | <b>65,068</b>      |

| STRATEGIC OBJECTIVE SUMMARY                              |        |        |        |        |
|--|--------|--------|--------|--------|
| 492-001 Mindanao   |        |        |        |        |
| DA   | 200    | 0      | 0      | 0      |
| 492-002 Economic Governance                              |        |        |        |        |
| DA   | 6,402  | 5,592  | 9,192  | 8,708  |
| ESF  | 3,991  | 10,000 | 5,000  | 5,000  |
| 492-003 Family Planning and Health                       |        |        |        |        |
| CSH  | 4,500  | 13,685 | 24,550 | 22,000 |
| DA   | 17,865 | 0      | 0      | 0      |
| ESF  | 0      | 4,000  | 0      | 0      |
| 492-004 Environment and Energy                           |        |        |        |        |
| DA   | 4,367  | 13,664 | 13,167 | 10,360 |
| 492-007 Reduce HIV/AIDS and Selected Infectious Diseases |        |        |        |        |
| CSH  | 4,950  | 0      | 0      | 0      |
| 492-010 Conflict Resolution in Mindanao                  |        |        |        |        |
| DA   | 1,500  | 5,200  | 3,750  | 3,000  |
| ESF  | 3,211  | 19,000 | 15,000 | 15,000 |
| 1/ 492-XXX ANE Regional US-AEP                           |        |        |        |        |
| DA   | 0      | 0      | 500    | 1,000  |
| TRANSFER   |        |        |        |        |
| CSH  | 0      | 11,914 | 0      | 0      |

492-010 includes \$10M of the FY 2002 Supplemental - ESF.

492-003 includes \$2M of the FY 2002 Supplemental - ESF.

<sup>1/</sup> USAID plans to obligate \$500,000 in FY 2003 and \$1,000,000 in FY 2004 under the regional U.S.-Asia Environmental Partnership (498-009) for activities in Philippines.

## Thailand

**The Development Challenge:** The United States and Thailand have a long history of cooperation on economic and social development issues. The United States has important political, economic, strategic, and security interests in Thailand. As a stable democracy in a tumultuous region, Thailand serves as both a model for development and democratization and a useful base of operations for USAID programs and activities in Southeast Asia. In addition, Thailand plays a valuable role as a responsible regional actor.

USAID formally ended its bilateral assistance program in September 1995 and closed its Regional Support Mission in Bangkok in September 1996. Since then USAID has managed discrete activities through regional programs in democracy and governance, environment, and HIV/AIDS. These activities were managed by USAID/Washington with support from USAID/Cambodia. Given the continued expansion of programs in the greater Mekong subregion, USAID has decided to re-establish a Regional Development Office (RDO) in Bangkok that will support and oversee this growing portfolio.

The 1997-1998 Asian financial crisis exposed the weaknesses of Thailand's economic systems, and resulted in the near collapse of the country's financial and capital markets, forcing thousands of companies to close, throwing millions out of work, and causing a significant drop in government revenues. Devaluation of country's currency stimulated exports in 1999 and 2000, enabling Thailand to contain inflation and restore some jobs, but also to delay needed fundamental economic governance reforms. Reliance on exports for growth also made Thailand more vulnerable to the worldwide economic slowdowns now being experienced in the U.S., Europe, and Japan.

Thailand's growing economy has contributed to rapid urban growth and industrialization, challenging national and local government's ability to respond to economic and health impacts associated with worsening air and water quality in most urban centers. Poor air quality and contaminated water supplies, and the impact of poor or non-existent solid waste management threaten the health and economic well-being of the Thai people and Thailand's long-term economic growth.

After being the epicenter of the HIV/AIDS epidemic in Asia for many years, Thailand's aggressive campaign to address the disease has resulted in a stabilizing of epidemic in recent years. However, the national adult prevalence rate of 2 percent remains among the highest in Asia, and about 750,000 Thai people are currently infected with HIV. In addition, the 1997-1998 Asian financial crisis resulted in decreased spending on public health in Thailand and also contributed to migration and population displacement in the region. As a result, poor and mobile populations experienced decreased access to healthcare services and information while behaviors favoring HIV transmission (e.g., sex work) increased. These events not only affected the HIV/AIDS epidemic in Thailand, but also the economic and political migrants/refugees that come to Thailand from Burma, Cambodia, China, Laos, and Vietnam. Since HIV/AIDS predominately affects the core part of the labor force (i.e. 15-45 age group), this disease has a direct impact on Thailand's and the region's economic and social development.

USAID regional programs provide Thailand with the technical support to continue economic governance reforms, improve environmental management practiced by Thai municipalities and industries, and limit the impact of HIV/AIDS and other infectious diseases on Thailand's people and economy and on the mobile migrant populations that fill many of the low-skill jobs. With migrant laborers playing a significant role in the economic development of Southeast Asia, their health and well-being is critical to development across the region.

**The USAID Program:** USAID does not have a bilateral program in Thailand. All current and planned activities are funded and notified under regional programs.

**Other Program Elements:** USAID has three regional programs that support activities in Thailand - the US-Asian Environmental Partnership Program (498-009), Stabilize Population Growth and Protect Human

Health (498-022), and Encourage Economic Growth (498-023). Plans and anticipated results are reported separately under each program.

**Other Donors:** World Bank, The Asian Development Bank, Japan International Cooperation Agency, the European Union, Australia, Sweden, Germany, World Health Organization/UNAIDS/other UN Agencies, and U.S. Department of Health and Human Services.

## Thailand PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 0                 | 1,000             | 1,000                    | 3,000              |
| Development Assistance                  | 0                 | 750               | 2,250                    | 750                |
| <b>Total Program Funds</b>              | <b>0</b>          | <b>1,750</b>      | <b>3,250</b>             | <b>3,750</b>       |

### STRATEGIC OBJECTIVE SUMMARY

|   |   |       |       |       |
|---|---|-------|-------|-------|
| 1/ 493-WWW ANE Regional Encourage Economic Growth |   |       |       |       |
| DA  | 0 | 0     | 1,500 | 0     |
| 2/ 493-XXX ANE Regional US-AEP                    |   |       |       |       |
| DA  | 0 | 750   | 750   | 750   |
| 3/ 493-YYY ANE Regional HIV/AIDS Program          |   |       |       |       |
| CSH   | 0 | 1,000 | 1,000 | 3,000 |

1/ USAID plans to obligate \$1,500,000 in FY 2004 under the regional Encourage Economic Growth program (498-023) for activities in Thailand.

2/ USAID plans to obligate \$750,000 in FY 2003 and \$750,000 in FY 2004 under the regional U.S.-Asia Environmental Partnership (498-009) for activities in Thailand.

3/ USAID plans to obligate \$1,000,000 in FY 2003 and \$3,000,000 in FY 2004 under the regional Stabilize Population Growth and Protect Human Health program (498-022) for HIV/AIDS activities in Thailand.

## Vietnam

**The Development Challenge:** Vietnam is a low-income country in transition from a centrally-planned to a market-oriented economy. After a decade of reform, Vietnam has achieved remarkable progress in both social and economic spheres. Unfortunately, although the "internal drivers" of development have been strengthened, the global context has worsened, threatening Vietnam's economic goals of faster growth and poverty reduction, as well as other development targets. Despite some fairly notable improvements to the Foreign Direct Investment (FDI) legal regime, FDI flows to the country have slowed significantly in recent years. The road to integration into the global economy, including the accession to the World Trade Organization (WTO), also poses numerous challenges for Vietnam. The emerging private sector has seen robust growth for the last two years, however, the business environment for its operation is not conducive to healthy competition and equity. Slow progress in restructuring of state-owned enterprises (SOEs) has impeded the liberalization process and threatens the growth of the private sector. The legal framework and administrative structure inherited from the central planning economy are not well adapted to the market-oriented economy. Weak competitiveness of the economy, a high population growth rate, poverty and underemployment are significant barriers to sustainable growth and development. Even though reforms have led to sharp reductions (33 percent) in poverty over the last ten years, sustainability of such gains is not assured. The number of very poor households in Vietnam in early 2001 still accounted for over 17 percent (or 2.8 million) of the population. Most of the poor live in rural areas, where natural disasters such as floods and droughts occur frequently and cause severe damage. The gap between rural and urban areas is likely to increase, as is the gap between those who benefit from economic growth and globalization and those who are left behind. HIV/AIDS has appeared in all 61 provinces and cities of Vietnam. Over the last ten years, the number of reported HIV/AIDS cases rose at 7 percent per annum. More than 50,000 people had been detected to be infected with HIV in the country as of mid-2002. The World Health Organization (WHO) estimates that the prevalence of HIV/AIDS is around 0.29 percent among adults.

U.S. national interests in Vietnam are to: maintain Vietnamese cooperation on POW/MIA accounting and freedom of emigration; encourage compliance with international standards of human rights and the rule of law; support economic reform and opportunities for U.S. companies; and promote regional stability. Economic and social development will help create a more prosperous and confident Vietnam that is prepared to play an increasing role in the regional and international community.

**The USAID Program:** USAID will obligate \$12,456,000 (DA and CSH) in FY 2003 and \$11,200,000 (DA and CSH) for FY 2004. USAID provides assistance to Vietnam to enhance the environment for trade, investment, and private sector growth; to increase access to services for vulnerable groups; and to improve urban and industrial environmental management. In helping the Government of Vietnam liberalize its economy and deepen its trade and investment reforms, USAID helps assure Vietnam's execution of its commitments under the Bilateral Trade Agreement (BTA), strengthens the Vietnamese private sector, and assists Vietnam in meeting some of the requirements for accession into the WTO. New health efforts are expected to begin in FY 2003 for ethnic minority children in the Central Highlands. This effort is in addition to the other humanitarian, health, and disaster assistance provided through USAID's regional and global programs.

**Other Program Elements:** USAID's Bureau for Democracy, Conflict Prevention, and Humanitarian Assistance provides assistance to improve access to services for selected vulnerable groups through the Leahy War Victims Fund and the Displaced Children and Orphans Fund. The Regional HIV/AIDS and Infectious Disease program helps Vietnam to strengthen its capacity to address diseases such as HIV/AIDS, tuberculosis, and malaria through surveillance, behavioral change, training, research, and community-based care and support. Finally, USAID provides rehabilitation services to women and children rescued from trafficking with State/EAP Women's Fund support.

**Other Donors:** Cumulative donor pledges during 1993-2001 amounted to nearly \$20 billion. Japan remained the largest donor in 2001 despite a significant decline in disbursements, followed by the World Bank, Asian Development Bank, and the IMF. Japan continued to boost financial assistance for large

scale transport and power projects, private sector promotion, state-owned enterprises reform, training, health and economic management. World Bank allocated most of its resources to infrastructure and rural development programs, modernizing the banking system, and reform of state-owned enterprises. The Asian Development Bank focuses its assistance to infrastructure projects including transport, industrial reform, energy, and financial sector programs to encourage stronger private sector development, greater enterprise efficiency and rural development. The United Nations Children's Fund (UNICEF), United Nations Development Program (UNDP), United Nations Fund for Population Activities (UNFPA), and the World Health Organization (WHO) support health activities, disaster preparedness, institutional development, education, and rural development. Other major bilateral donors include France, Denmark, South Korea, Sweden, the United Kingdom, the Netherlands, Australia, Germany, which direct their assistance mainly to human resource and social development, health, and natural resource management. Major donors involved in the health sector include UNAIDS, the World Bank, Asian Development Bank, the Netherlands, Sweden, and Australia.



## Vietnam PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 2,494             | 4,106             | 4,006                    | 7,200              |
| Development Assistance                  | 2,999             | 6,950             | 8,450                    | 4,000              |
| <b>Total Program Funds</b>              | <b>5,493</b>      | <b>11,056</b>     | <b>12,456</b>            | <b>11,200</b>      |

### STRATEGIC OBJECTIVE SUMMARY

|  |       |       |       |       |
|--|-------|-------|-------|-------|
| 440-006 Trade and Investment   |       |       |       |       |
| DA   | 2,999 | 5,450 | 5,950 | 3,000 |
| 440-007 Assistance to Vulnerable Groups  |       |       |       |       |
| CSH  | 2,494 | 4,106 | 506   | 1,200 |
| DA   | 0     | 1,500 | 1,500 | 0     |
| 1/ 440-XXX 498-009 U.S. - Asia Environmental Partnership (US-AEP)                    |       |       |       |       |
| DA   | 0     | 0     | 1,000 | 1,000 |
| 2/ 440-YYY 498-022 ANE Regional Stabilize Population Growth and Protect Human Health |       |       |       |       |
| CSH  | 0     | 0     | 3,500 | 6,000 |

1/ USAID plans to obligate \$1,000,000 in FY 2003 and \$1,000,000 in FY 2004 under the regional U.S.-Asia Environmental Partnership (498-009) for activities in Vietnam.

2/ USAID plans to obligate \$3,500,000 in FY 2003 and \$6,000,000 in FY 2004 under the regional Stabilize Population Growth and Protect Human Health program (498-022) for HIV/AIDS activities in Vietnam.

## Afghanistan

**The Development Challenge:** Afghanistan is beginning the slow process of rebuilding from twenty years of conflict and disinvestment. The combination of the Soviet invasion, years of internecine fighting, and the rule of the Taliban has devastated the country. Approximately half of Afghanistan's 26.8 million people live in absolute poverty. The key institutions of state, such as the central bank, treasury, tax collection, the customs services, civil service, and the judiciary are weak or missing. Fifty percent of the people are unemployed, 70 percent are illiterate, and much of the country's infrastructure has been destroyed. Although no current or reliable statistics are available, it is generally agreed that the health and nutritional status of the Afghans is the worst in Asia and among the worst in the world. Life expectancy is 44 years for women and 43 years for men. One in four infants dies before their first birthday. The average maternal mortality ratio is 1,600 maternal deaths per 100,000 live births, one of the highest in the world. The poor health situation has an important negative impact on the economic productivity of the population, and the capacity for long-term growth and development. This particularly affects women, as many are unable to work outside the home due to high fertility rates, poor health, depleted nutritional status, and cultural barriers. With the help of the international community the leadership of Afghanistan is trying to regain its national footing and establish political as well as economic stability.

**The USAID Program:** Because of the urgency of needs and the fragile nature of the Afghan government, the proposed program focuses on the delivery of resources to the Afghan people for an immediate and tangible impact on their lives. The program is flexibly designed to facilitate maximum responsiveness to the emerging executive, legislative, and judicial governance structures in Afghanistan. In doing so, USAID Afghanistan's program directly supports the USG objective of promoting a rapid reconstruction and recovery effort that improves the living conditions of the population.

The program will be carried out through a number of implementation mechanisms, which will be specified as activities move into final design stage. USAID expects that NGOs, U.S. land grant universities, and international organizations will implement a substantial part of the program, along with private sector contractors.

USAID intends to concentrate resources in an evolving manner on those geographic areas where there is the greatest receptivity to change, where needs are greatest, and where the commitment of authorities to working with national structures can be tested, keeping in mind the need for ethnic balance.

Gender considerations are taken into account throughout the proposed portfolio. Rather than supporting a number of gender-specific projects, all activities will be reviewed to ensure gender sensitivity and appropriateness and, thereby, mainstream gender issues. Every effort will be made not to marginalize women by relegating them to "women's programming". However, USAID will support certain areas of critical need such as maternal health, accelerated education to meet gaps in women and girl's education, women's centers, and inclusion of women in cash for work activities. Moreover, media campaigns will address women's participation in democracy and governance and knowledge of their human and gender rights.

The proposed program is based on several critical assumptions; if these conditions do not prevail, USAID may not achieve the ambitious goals outlined. Among the key assumptions are:

- that continued progress will be made in restoring security and the rule of law;
- that agricultural conditions do not deteriorate further;
- that the Transitional Administration will continue to look towards private sector and market-oriented solutions to the country's problems; and
- that USAID officials will be able to travel in a timely and secure manner throughout program areas.

**Other Program Elements:** With USAID's Mission to Afghanistan now a year old, in FY 2003 only a small portion of the USAID Afghanistan program remains funded or managed by either the ANE Bureau or one of the pillar bureaus. The Office of Foreign Disaster Assistance has programmed \$15 million in

International Disaster Assistance (IDA) funds to continue its humanitarian support for refugees, internally displaced persons, and other disenfranchised segments of the Afghan population and to cover some of Afghanistan's emergency winter needs. Furthermore, \$10.5 million has been programmed to continue the implementation of quick impact projects by the Office of Transition Initiatives. The Support of Democracy Initiative (SDI) is implemented through two components, one an Indefinite Quantity Contract (IQC) task order and the second a buy-in to the Consortium for Elections and Political Process Strengthening (CEPPS), both managed by the Economic Growth, Agriculture and Trade (EGAT) bureau. In addition, \$40 million in P.L. 480 will be contributed to the World Food Program.

**Other Donors:** Efforts at donor coordination in Afghanistan are ubiquitous, but the real test is what gets delivered on the ground. The Government maintains an inventory of donor-funded activities through the Afghan Assistance Coordination Agency, which lists projects rather than outlining unmet needs. While the Government has published its National Development Framework, a strategic document guiding the country's rehabilitation, it does not reach down to address implementation at project level.

For the proposed strategy to succeed, USAID will need to improve coordination with other donors. As many of them open resident offices in Afghanistan, long delays in making commitments or following through on implementation may decrease. Nevertheless, USAID staff will have to invest considerable management time to mobilize other donors to provide investments that will complement USAID's proposed program.

## Afghanistan PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 0                 | 4,000             | TBD                      | 21,000             |
| Development Assistance                  | 0                 | 10,701            | TBD                      | 150,000            |
| Economic Support Fund                   | 0                 | 17,250            | TBD                      | 150,000            |
| Supplemental-ESF                        | 0                 | 88,000            | TBD                      | 0                  |
| PL 480 Title II                         | 29,294            | 159,472           | TBD                      | 0                  |
| <b>Total Program Funds</b>              | <b>29,294</b>     | <b>279,423</b>    | <b>TBD</b>               | <b>321,000</b>     |

| STRATEGIC OBJECTIVE SUMMARY  |   |         |     |         |
|--|---|---------|-----|---------|
| <b>306-001 Agriculture</b>   |   |         |     |         |
| DA   | 0 | 9,985   | TBD | 42,359  |
| <b>306-002 Basic Education and Health</b>                          |   |         |     |         |
| CSH  | 0 | 4,000   | TBD | 21,000  |
| DA   | 0 | 0       | TBD | 19,293  |
| <b>306-003 Infrastructure, Economic Governance &amp; Democracy</b> |   |         |     |         |
| DA   | 0 | 716     | TBD | 88,348  |
| ESF  | 0 | 105,250 | TBD | 150,000 |

306-003 includes \$88 M of the FY 2002 Supplemental - ESF.

## Bangladesh

**The Development Challenge:** Bangladesh is recognized for its considerable progress over the last 20 years in poverty reduction, family planning, agriculture, food security, increased gender equality in education, rural electrification and disaster response. Rates of economic growth have also been respectable, averaging 5-6 percent since the early 1990s. Nonetheless, Bangladesh remains one of the poorest, most crowded and disaster-prone countries in the world. Poverty remains widespread: approximately 67 million out of 133 million Bangladeshis live in poverty and more than 32 million live in extreme poverty. Problems related to governance, particularly with reference to the effectiveness and accountability of key public institutions, reduce the prospects for continued economic growth. Malnutrition levels are high, large numbers of people lack basic services, lawlessness and corruption are widespread, and human rights protections, especially for the poor, remain weak.

The World Bank estimates that per capita GDP in 2001 was approximately \$380 with GDP growth per capita averaging approximately 3-4 percent annually since 1990. Domestic public debt rose to 15 percent of GDP in 2001, up from 13 percent the previous year. The burden of domestic interest payments increased to 14 percent of budget revenue. (The new Bangladesh Nationalist Party-led coalition Government is, however, showing increased fiscal discipline and improvements are expected.) A relatively small proportion of the Government's debt, approximately \$30 million, is owed to the U.S. Government. Additional concessional loans from the IMF and World Bank may be forthcoming. Drawing on a broad consultative process, the Government has drafted an interim Poverty Reduction Strategy (iPRSP) called "A National Strategy for Economic Growth and Poverty Reduction." After being reviewed by the international donor community, it was forwarded to the IMF and World Bank for approval. If approved, the iPRSP could trigger additional concessional lending to Bangladesh in the near future.

One of the U.S. Government's top priorities in Bangladesh is building broad support for the international war on terrorism. Bangladesh is one of a handful of moderate, democratic Islamic nations in the world today, and is an ally in efforts to combat terrorism. Promotion of democracy is the most important U.S. objective in Bangladesh, since achieving all other goals depends upon the existence of a strong democratic system of government. Promotion of economic growth, including education, is another core objective, because democracy can only flourish if Bangladesh's economy develops and living standards are raised. In addition, the need to combat HIV/AIDS has recently been added as a high level U.S. interest because the country appears to be on the brink of a serious HIV/AIDS outbreak. While HIV/AIDS prevalence is low today, Bangladesh shares most of the characteristics of high prevalence countries and action is needed now to avoid the politically, socially and economically destabilizing affects of a widespread epidemic.

**The USAID Program:** USAID's program pursues objectives in population and health, economic growth, environment, energy, food security and disaster mitigation, as well as democracy and governance. In addition, the Mission is launching a new education objective during fiscal year 2003. Collectively, these efforts seek to reduce poverty in Bangladesh through sustained economic growth and good governance.

USAID's health objective seeks to reduce population growth and fertility while continuing to improve children's health and stopping the spread of infectious diseases, including HIV/AIDS. The small enterprise/agribusiness objective promotes economic growth and combats poverty by expanding opportunities for agribusiness and small business in domestic and higher value export markets. Important natural resource management and biodiversity conservation problems are addressed under the environmental objective, which seeks to improve the management of open water resources and conserve remaining tropical forests. USAID's energy objective supports privatization and efficient development of Bangladesh's energy sector. Under its food security and disaster preparedness objective, USAID helps to ensure that those living in extreme poverty benefit from economic growth. (Activities under this objective also include financing for a new, three-year program to study the feasibility of tapping deep aquifers underlying most of Bangladesh for arsenic free water, as well as work on the epidemiology of arsenicosis.) USAID's democracy and governance objective seeks to build demand for good governance by focusing on local government and parliamentary development as well as human rights, anti-trafficking

efforts and protecting the rights of women and children. Activities under USAID's new education objective will focus on promoting school readiness and seek to introduce innovative learning opportunities in school, after school and at home that will improve basic education.

USAID's program in Bangladesh is distinguished by its efforts to reach out to all levels of Bangladeshi society. The Mission has developed an outreach program that attempts to show Bangladeshis how USAID's activities have a direct impact on the lives and well being of everyone, especially the poor. In telling USAID's story, generally in Bangla, staff and partners exchange ideas with the audience on family, community and broader society. While the encouraging results of these outreach activities are still preliminary, the Mission firmly believes that a fuller understanding of U.S. assistance among Bangladeshis serves not only USAID's development objectives but also broader American interests. USAID's program is also distinguished by the fact that, in contrast to other donors, its assistance is channeled principally through non-governmental organizations. Nonetheless, USAID works closely with Government of Bangladesh and other donors to plan and coordinate the delivery of development assistance.

**Other Program Elements:** USAID/Bangladesh relies on field support from USAID pillar bureaus to implement many of its programs. Field support from: (1) the Bureau for Global Health provides essential support in contraceptive procurement; (2) the Bureau of Economic Growth, Agricultural and Trade supports the work of the Global Trade and Technology Network in Bangladesh, home gardening and biosafety activities, and three partnerships under the University Linkages Project; and (3) the Bureau of Democracy, Conflict and Humanitarian Assistance (DCHA) supports child labor prevention and labor union development activities. In addition, the Office of Private and Voluntary Cooperation within DCHA manages approximately ten activities concerned with child survival, cooperative development, Farmer to Farmer outreach, and private voluntary organization support in Bangladesh. USAID also supports the work of an advisor from the U.S. Department of the Treasury to improve banking oversight, as well as work by the U.S. Geological Survey addressing the problem of arsenic in ground water and deep-water aquifers. The Mission has recently given its concurrence for an initiative supported by the Leahy War Victims Fund to help strengthen a center for torture survivors in Bangladesh and participates in the Energy and Equity components of the South Asian Regional Initiative. P.L. 480 Title II funds in Bangladesh are fully integrated into the Mission's food security and disaster assistance objective and support a variety of programs aimed at improving food security and preventing and mitigating disasters.

**Other Donors:** USAID participates actively in local donor coordination meetings, chairing a number of sector-specific subcommittees. In terms of program resources, the largest donors to Bangladesh are, in order, the World Bank, Japan, the Asian Development Bank (ADB), the United Kingdom, the United States, the European Union (EU), and the United Nations. The World Bank program emphasizes health and education, rural development, and private sector development. Japan has large programs in rural development, health and education, infrastructure and disaster prevention. The ADB is devoting substantial resources to the education, energy, finance/industry and governance. The United Kingdom, through its Department for International Development (DFID), has focused its program on population and health, education, governance, public administration, rural development and roads.

USAID works closely with other donors in the fields of population and health (UNFPA, UNICEF, and the World Bank), economic growth (DFID, Switzerland, the ADB and the EU), energy (Japan, the Kuwait Fund, and the ADB), food security (World Food Program, the EU and the Canadian International Development Organization, CIDA) and democracy and governance (DFID, World Bank, International Organization for Migration and CIDA).

## Bangladesh PROGRAM SUMMARY

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 15,500            | 39,950            | 33,700                   | 32,000             |
| Development Assistance                  | 42,050            | 21,670            | 24,720                   | 18,850             |
| Economic Support Fund                   | 0                 | 3,000             | 7,000                    | 6,000              |
| PL 480 Title II                         | 67,658            | 23,974            | 45,083                   | 45,445             |
| <b>Total Program Funds</b>              | <b>125,208</b>    | <b>88,594</b>     | <b>110,503</b>           | <b>102,295</b>     |

### STRATEGIC OBJECTIVE SUMMARY

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>388-001 Integrated Family Planning and Health</b> |        |        |        |        |
| CSH  | 14,000 | 39,950 | 33,700 | 32,000 |
| DA   | 26,000 | 0      | 0      | 0      |
| <b>388-005 Private Enterprise Development</b>        |        |        |        |        |
| DA   | 5,700  | 4,800  | 5,600  | 4,500  |
| ESF  | 0      | 0      | 1,500  | 1,000  |
| <b>388-006 Environment</b>                           |        |        |        |        |
| DA   | 1,800  | 2,900  | 2,700  | 2,500  |
| ESF  | 0      | 0      | 500    | 500    |
| <b>388-007 Bilateral Energy</b>                      |        |        |        |        |
| DA   | 2,500  | 4,770  | 5,470  | 3,500  |
| ESF  | 0      | 1,500  | 1,500  | 1,500  |
| <b>388-008 Food Security and Disaster Management</b> |        |        |        |        |
| DA   | 3,050  | 3,700  | 2,600  | 2,100  |
| ESF  | 0      | 500    | 1,500  | 1,500  |
| PL 480   | 0      | 23,974 | 10,000 | 45,000 |
| <b>388-009 Democracy and Governance</b>              |        |        |        |        |
| CSH  | 1,500  | 0      | 0      | 0      |
| DA   | 3,000  | 5,500  | 6,000  | 3,250  |
| <b>388-010 Education</b>                             |        |        |        |        |
| DA   | 0      | 0      | 2,350  | 3,000  |
| ESF  | 0      | 0      | 2,000  | 1,500  |
| <b>TRANSFER</b>                                      |        |        |        |        |
| ESF  | 0      | 1,000  | 0      | 0      |

## India

**The Development Challenge:** India is the world's largest democracy and is home to over one billion people, roughly one-sixth of the world's population. Approximately, 82 percent of India's people are Hindu, but it is also the home of the world's second largest Muslim population (over 120 million).

More than 300 million Indians live in abject poverty -- more than all the poor in Africa and Latin America combined -- resulting in India being the country with the world's largest concentration of desperately poor people. India will overtake China as the world's most populous country by 2050. If current population growth rates are not reduced, India will reach two billion people by 2070. India has almost four million people infected by HIV/AIDS. The U.S. National Intelligence Council projects that India could have as many as 25 million people infected by 2010, if more aggressive steps to combat the disease are not taken. More than half of the country's children are malnourished. Thirty percent of the world's births occur in India and result in 20 percent of the world's maternal deaths and 20 percent of the world's child deaths. Forty-two of every 1,000 girl children, compared to 29 boy children, die before reaching the age of five. More than two million Indian children die every year from preventable or curable diseases.

Fewer than half of Indian women are literate. Despite extensive constitutional and statutory safeguards, large sections of the Indian polity remain disadvantaged in their quest for equitable treatment under the judicial system. Human rights abuses are often generated by intense social tensions that disproportionately touch women, the poor, religious minorities, and other disadvantaged groups like 'dalits'. Discrimination against women remains entrenched in India. Deep-rooted cultural beliefs and traditional practices deprive women of education, health care and nutrition. Violence against women is widespread, and includes infanticide, child abuse and rapes.

Compounding these serious problems in health and education is India's lack of financial viability in the power sector. Significant power shortages plague the economy due to the lack of cost-recovery by utilities, and the subsequent inability of utilities to provide reliable, high quality power. The result is widespread financial insolvency of both the utilities, and the state governments that are forced to bail them out, significantly contributing to increasing levels of state fiscal deficits. The World Bank estimates that current losses in the Indian power sector amount to approximately \$5 billion per year and are growing rapidly.

The USAID program addresses many of the challenges, and in so doing advances four U.S. national interests: (1) economic prosperity achieved through opening markets; (2) global issues of population growth, infectious diseases, and climate change; (3) development and democracy concerns of alleviating poverty, reducing malnutrition, and improving the status of women; and (4) humanitarian response by saving lives and reducing suffering associated with disasters. India has the potential to be a catalyst for economic growth and development in an unstable region, and is a key U.S. ally in the war on terrorism.

**The USAID Program:** The Program Data Sheets provided below describe a set of investments in five new objectives for which USAID is requesting FY 2003 and FY 2004 funds. These objectives concentrate on: (a) Economic Growth - targeting increased transparency and efficiency in the mobilization and allocation of resources; (b) Health - targeting improved overall health with a greater integration of food assistance, and reduced fertility; (c) Disaster Management Support - targeting reduced vulnerability to disasters for marginalized people; (d) Environmental Protection - targeting improved access to clean energy and water; the reduction of public subsidies through improved cost recovery; promoting more efficient technology and management; and (e) Education/Equity - targeting improved access to elementary education, justice and other social and economic services for vulnerable groups, especially women and children.

**Other Program Elements:** In addition to the bilateral program, the Asia and Near East Bureau's (ANE) South Asia Regional Initiative/Energy (SARI/Energy) program encourages regional cooperation in energy development and the eventual trade in clean energy resources among South Asian countries. ANE's Improved South Asia Regional Stability through Democracy and Human Rights program funds efforts to



combat abusive child labor practices and improve women's microfinance services. The United States-Asia Environmental Partnership promotes the adoption of clean and efficient technologies, policies, and practices to support the positive relationship between economic growth and environmental protection in India. The Bureau for Global Health has an activity in India to reduce fertility through voluntary practices. USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance's activities in India promote child survival, reduce the spread of HIV, treat victims of torture and violence, help electric cooperatives meet growing service needs, increase food quality and quantity, and demonstrate U.S. educational and medical technologies and practices.

**Other Donors:** The United States is the third largest bilateral donor to India, after Japan and the United Kingdom. Six multilateral and 13 bilateral donors provide economic assistance to India. USAID collaborates with other donors on economic growth, reproductive health, HIV/AIDS and other infectious diseases, air pollution control, urban environmental infrastructure, and women's empowerment.

## India PROGRAM SUMMARY

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 24,593            | 41,678            | 40,785                   | 40,800             |
| Development Assistance                  | 28,805            | 29,200            | 34,400                   | 27,100             |
| Economic Support Fund                   | 4,989             | 7,000             | 25,000                   | 20,000             |
| PL 480 Title II                         | 78,289            | 93,679            | 91,288                   | 45,000             |
| <b>Total Program Funds</b>              | <b>136,676</b>    | <b>171,557</b>    | <b>191,473</b>           | <b>132,900</b>     |

| STRATEGIC OBJECTIVE SUMMARY                          |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>386-002 Reproductive Health in North India</b>    |        |        |        |        |
| CSH  | 0      | 11,900 | 0      | 0      |
| DA   | 15,905 | 0      | 0      | 0      |
| <b>386-003 Improved Child Survival</b>               |        |        |        |        |
| CSH  | 4,300  | 8,000  | 0      | 0      |
| PL 480   | 78,064 | 99,042 | 0      | 0      |
| <b>386-004 Environmental Protection</b>              |        |        |        |        |
| DA   | 8,288  | 13,348 | 0      | 0      |
| ESF  | 0      | 2,994  | 0      | 0      |
| <b>386-007 Reduce Infectious Diseases</b>            |        |        |        |        |
| CSH  | 17,593 | 21,778 | 0      | 0      |
| <b>386-009 Women and Girls Service Networks</b>      |        |        |        |        |
| CSH  | 700    | 0      | 0      | 0      |
| DA   | 0      | 2,958  | 0      | 0      |
| <b>386-011 Governance</b>                            |        |        |        |        |
| DA   | 3,616  | 11,522 | 0      | 0      |
| ESF  | 4,989  | 2,506  | 0      | 0      |
| <b>386-012 Vulnerable Groups</b>                     |        |        |        |        |
| CSH  | 2,000  | 0      | 0      | 0      |
| DA   | 996    | 1,372  | 0      | 0      |
| ESF  | 0      | 1,500  | 0      | 0      |
| <b>386-013 Economic Growth</b>                       |        |        |        |        |
| DA   | 0      | 0      | 12,692 | 9,400  |
| ESF  | 0      | 0      | 3,000  | 2,700  |
| <b>386-014 Improved Health and Reduced Fertility</b> |        |        |        |        |
| CSH  | 0      | 0      | 40,785 | 40,800 |
| PL 480   | 0      | 0      | 91,288 | 45,000 |
| <b>386-015 Disaster Management Support</b>           |        |        |        |        |
| DA   | 0      | 0      | 2,800  | 2,000  |
| ESF  | 0      | 0      | 2,500  | 2,300  |
| <b>386-016 Environmental Protection</b>              |        |        |        |        |
| DA   | 0      | 0      | 10,900 | 10,000 |
| ESF  | 0      | 0      | 10,000 | 7,500  |
| <b>386-017 Education/Equity</b>                      |        |        |        |        |
| DA   | 0      | 0      | 7,508  | 4,700  |
| ESF  | 0      | 0      | 9,500  | 7,500  |
| <sup>1/</sup> 386-XXX ANE Regional US-AEP            |        |        |        |        |
| DA   | 0      | 0      | 500    | 1,000  |

<sup>1/</sup> USAID plans to obligate \$500,000 in FY 2003 and \$1,000,000 in FY 2004 under the regional U.S.-Asia Environmental Partnership (498-009) for activities in India.

## Nepal

**The Development Challenge:** In the last 50 years, Nepal has transformed itself from an isolated medieval kingdom to a constitutional monarchy. Progress has been made in many areas, e.g. significant decreases in child mortality and fertility rates, and substantial gains in literacy and food security. Poor governance and corruption, its forbidding terrain and lack of infrastructure all contribute to its development gains being unevenly distributed -- leading to wide disparities across regions, ethnic groups, and between rural and urban populations. For example, overall the average life expectancy has increased to 59 years. However, life expectancy in Kathmandu is over 70 years, while it is only 34 years in the very poor district of Mugu.

Nepal remains one of the poorest countries in the world, with an annual per capita income of \$220. Over 80 percent of its people are subsistence farmers. In chronic food-deficit areas, seasonal migration for employment is the only way for a family to survive. Its social indicators still are some of the lowest in the world. Nepal is one of only two countries worldwide where female life expectancy is below that for men, reflecting deep-rooted cultural and social biases. The World Bank reports that literacy rates are 54 percent nationwide, but only 24 percent for women, and 18 percent for lower caste groups. Nepal's population is projected to double in 24 years. One of eleven children dies before they reach their fifth birthday -- and the vast majority of these children die within their first year. Moreover, Nepal has serious HIV/AIDS epidemic; some 14 new cases are reported every day. If not addressed immediately, HIV/AIDS will significantly affect economic development.

The Maoist insurgency, which began in 1996 as a result of a political party being excluded from the political process and taking up arms, has found fertile ground largely in response to Nepal's poverty, exclusion, and poor governance. Shortly after entering into peace negotiations in late 2001, the Maoists withdrew from those negotiations and attacked the Royal Nepal Army (RNA). This forced the Government of Nepal (GON) to declare a State of Emergency. Since that time, the insurgency has intensified; roughly 5,000 of the total estimated 7,000 deaths have occurred within the past year. While the GON controls all 75 district centers, the Maoists now basically control seven of Nepal's 75 districts. In these districts, they have declared people's governments, established people's courts, and control basic health and education services. Maoists have a significant presence in 17 additional districts and have carried out violent activities in 74 out of 75 districts. Their initial pro-people approach, which won the Maoists converts among the disenfranchised of Nepal, has transformed into a campaign of violence, lawlessness, intimidation, and destruction.

The U.S. has an interest in an economically and politically stable multi-party democracy in Nepal. Nepal serves as a buffer between the world's two most populous nations in a volatile region. By supporting efforts to resolve the Maoist insurgency and addressing the underlying causes of poverty, inequality, and poor governance in Nepal, the U.S. is making an important contribution to fighting terrorism, promoting regional stability, and lessening the likelihood of a humanitarian crisis.

**The USAID Program:** The principal objectives of the USAID program are to improve primary health care, curb population growth, expand economic development, promote the expansion of environmentally friendly hydropower, improve democracy and governance, and promote the building of peace. To pursue these obligations, USAID request \$37.696 million in FY 2003 and \$38.811 million in FY 2004. While all components of the USAID program supports improved governance and mitigation of the root causes and major effects of the Maoist insurgency, USAID proposes to program some \$13.5 million in FY 2003 and \$15.1 million in FY 2004 to respond directly to the current challenges.

**Other Program Elements:** In addition to the efforts described in the Program Data Sheets, other USAID regional and central programs are providing assistance to Nepal. USAID's South Asian Regional Initiative (SARI) is actively involved in regional cooperation in energy and in efforts to eliminate trafficking of women and children. USAID's Regional Urban Development Office (based in New Delhi) is assisting the city of Kathmandu in improving procedures for waste management, with a particular focus on safe disposal of medical waste. USAID/Washington has provided support for non-governmental programs that

promote the conservation of biodiversity and sustainable use of Nepal's natural resources, and expand the availability of business support services and new technologies to poor farmers. USAID's Office of Foreign Disaster Assistance (OFDA) Asian Regional Office is enhancing medical first response, search and rescue and hospital preparedness capacities of emergency responder agencies; reducing the potential for earthquake damage and injury in Kathmandu Valley; enhancing regional cooperation between countries in the Hindu Kush Himalayan region for the exchange of flood information and data; developing adaptive strategies for flood and drought mitigation to enable basic and tangible reduction in vulnerability; and conducting training for NGOs.

**Other Donors:** Donor coordination in Nepal is good. Donors provided roughly \$100 million in grants and \$140 million in loans in calendar year 2002. The United States is the second largest bilateral donor (after Japan) in terms of funds disbursed. Other major bilateral donors and their principal areas of focus include Denmark (education, decentralization, governance, and environment), the United Kingdom [UK] (governance, rural development, health, and HIV/AIDS), Germany (rural and urban development and health), Switzerland (roads and rural infrastructure and technical training), Norway (hydropower, water, governance, and human rights), Netherlands (community development), Finland (environment and rural water), and Canada (civil society, environment, and gender).

The major multilateral donors include the United Nations Development Programme [UNDP] (local planning and governance, urban infrastructure, rural energy, and HIV/AIDS), the Asian Development Bank (governance, education, water, agriculture, and roads), the World Bank (education, roads, water, telecommunications, financial sector reform, and health sector reform), the European Union [EU] (urban development and education), and the World Food Program (food for work). Other multilateral agencies such as UNICEF, UNFPA, UNAIDS and ILO are also active in Nepal.

Multi-donor partnerships have contributed to closer donor coordination efforts, particularly in the areas of health and HIV/AIDS (with USAID in a leading role), local governance strengthening, rural infrastructure, basic education, and eco-tourism. The UK's Department for International Development [DFID] and German [GTZ] aid agencies are working closely with USAID in the health sector to address the immediate needs of Nepalese families in conflict-affected areas. USAID and the Japan International Cooperation Agency [JICA] are closely collaborating in maternal and child Health, HIV/AIDS, and tuberculosis (TB). DFID is providing funding to USAID's peace building activities. USAID also is funding a rural 'green roads' sub-project in collaboration with the EU under its peace building program; an additional five income generating activities are planned for implementation beginning in January 2003 in collaboration with the EU.

**Nepal  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 9,250             | 20,000            | 20,449                   | 18,500             |
| Development Assistance                  | 12,158            | 7,597             | 11,247                   | 14,311             |
| Economic Support Fund                   | 0                 | 3,000             | 6,000                    | 6,000              |
| PL 480 Title II                         | 0                 | 2,352             | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>21,408</b>     | <b>32,949</b>     | <b>37,696</b>            | <b>38,811</b>      |

| STRATEGIC OBJECTIVE SUMMARY                                 |       |        |        |        |
|---|-------|--------|--------|--------|
| <b>367-001 Sustainable Forest and Agricultural Products</b> |       |        |        |        |
| DA  | 0     | 0      | 1,500  | 3,000  |
| <b>367-002 Health and Family Planning</b>                   |       |        |        |        |
| CSH   | 9,250 | 20,000 | 20,449 | 18,500 |
| DA  | 6,500 | 0      | 0      | 0      |
| <b>367-004 Hydropower</b>                                   |       |        |        |        |
| DA  | 185   | 0      | 0      | 0      |
| <b>367-006 Hydropower Development</b>                       |       |        |        |        |
| DA  | 2,318 | 2,200  | 2,200  | 2,200  |
| <b>367-007 Governance</b>                                   |       |        |        |        |
| DA  | 2,855 | 3,647  | 5,300  | 5,587  |
| ESF   | 0     | 750    | 600    | 1,000  |
| <b>367-008 Ending Conflict and Expanding Democracy</b>      |       |        |        |        |
| DA  | 300   | 1,750  | 2,247  | 3,524  |
| ESF   | 0     | 2,250  | 5,400  | 5,000  |

## Pakistan

**The Development Challenge:** Pakistan poses one of the Agency's most daunting development challenges. A country historically beset since independence with widespread poverty and weak governance structures, it now faces additional burdens related to the war on terrorism in Afghanistan.

The U.S. has a compelling national interest in Pakistan's success as a nation. Substantial USG efforts are focused in the short run on maintaining political stability throughout the country and in assisting the Government of Pakistan (GOP) in the international campaign against terrorism. A critical partner in these efforts, USAID remains focused on the longer-term objective of strengthening Pakistan as a development partner, addressing fundamental economic and social weaknesses, and launching the country on a stable developmental course. Although frequently obscured by the focus on terrorism, the government of President Musharraf is making serious efforts to correct Pakistan's social inequities, devolve political and economic authority to the provinces; and raise basic health and education indicators.

Pakistan may finally have begun pulling itself out of the economic nosedive it has endured since the early 1990s. Since 1999, the Musharraf regime has mobilized strong support from the World Bank and the Asian Development Bank, and succeeded in significantly redressing much of the economic management picture. Unfortunately, over the last decade, the country's huge military expenditures have combined with poor economic performance and the government's consistently inadequate investment in basic education and health (the "social gap") to swell the ranks of the nation's poor. The key challenge for USAID and other bilateral donors is therefore to help the roughly 48 million Pakistanis whose incomes and livelihoods place them below the poverty line. They represent 33 percent of Pakistan's 146 million people. They are both urban and rural, and inhabit all four provinces.

A review of Pakistan's indicators for literacy, enrollment and retention all show an education system in dire need. A recent widely accepted report on education in south Asia estimates the literacy rate at 38 percent, with 50 percent male literacy and 24 percent female literacy. The report states that female literacy in Baluchistan is only 1.7 percent. Thirty-seven percent of boys and 55 percent of girls of primary age are not in school. There is a 70 percent dropout rate in the first five years. The average number of years of schooling in Pakistan is 1.9 years, compared to the 3.9-year average for developing countries. An analytical study concluded that per capita GDP in 1985 would have been 25 percent higher if Pakistan had had Indonesia's primary school enrollment rate in 1960.

Pakistan's major health indicators also demonstrate large unmet needs. The total fertility rate is 4.8, contraceptive prevalence is only 28 percent, and the population growth rate is 2.2 percent per year (compared with India's 1.7 percent). Estimated infant mortality is 85 per 1000 live births, under five mortality is 103 per 1000 live births, and maternal mortality is 533 per 100,000. Immunization rates are low with less than 60 percent of one-year olds fully immunized. Twenty-six percent of children under five are moderately to severely underweight; only 1 percent of young children receive vitamin A supplementation; and only 19 percent of households use iodized salt.

Pakistan is currently beset by multiple and severe democracy and governance (DG) problems. It scores low on all five key elements of democracy. Rule of law is more of a slogan than a reality, with Pakistan being one of the world's leaders on corruption indices. Political inclusion is undermined by ethno-linguistic cleavages which are reinforced by differential access to power, but the most marked inclusion problem is due to widespread poverty, which marginalizes the bulk of the population from active participation in national politics. This is augmented by severe patterns of discrimination against women that marginalize their participation in the political process. The shortcomings in regards to good governance are manifested in extraordinary weak performance in the delivery of public services, such as education and health.

**The USAID Program:** USAID plans to obligate \$50,000,000 DA and \$200,000,000 ESF in Pakistan in FY 2003 and requests \$75,000,000 DA and \$200,000,000 ESF in FY 2004.

The emphasis is on implementation, and the first sector targeted is education. The high foreign policy visibility of the Pakistan program has made a rapid startup critical. Despite the daunting security situation posed by periodic outbursts of anti-Americanism, the USAID mission has crafted effective ways of working with local institutions and governmental partners to support the GOP's goals. In the course of a year, the mission has opened in Islamabad; secured office space in the Embassy compound; recruited and placed its direct-hire and contract personnel; and launched a major initiative in education.

The USAID program is designed to focus on four objectives over a five-year period: providing knowledge, training and infrastructure for education; improving the health of vulnerable populations; strengthening democracy and accountability in the public sector; and increasing economic opportunities for the poor.

The first large team of educational contractors has arrived and is already at work. They have put into motion education programs that encourage policies to improve the quality of teaching and school administration, working directly with the GOP and through partner organizations. USAID also supports health programs and policies aimed at expanding and improving preventive health care for mothers, children and families using community-based delivery models such as the Lady Health Workers. Two planned activities currently in the procurement stage will focus on health and democracy and governance. In FY 2003, the program will expand to include new initiatives in the areas of democracy and governance and economic growth.

**Other Program Elements:** In addition to its programs in basic education, democracy, economic growth, and health, USAID provided a cash transfer of \$600,000,000 in FY 2002 to the Government of Pakistan from funds made available under the Emergency Supplemental Appropriations Act (P.L. 107-38).

**Other Donors:** Donor coordination is strong, thanks in part to a new and innovative mechanism in which donors work together to develop joint sector concept papers in certain areas. Each donor subsequently selects a portion of the portfolio for funding. Key partners are the UK's DFID for health and legislative strengthening; the Asian Development Bank for microfinance and access to justice; and the Canadian CIDA for education.

## Pakistan PROGRAM SUMMARY

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 0                 | 5,000             | 12,500                   | 25,000             |
| Development Assistance                  | 0                 | 10,000            | 37,500                   | 50,000             |
| Economic Support Fund                   | 0                 | 9,500             | 200,000                  | 200,000            |
| Supplemental-ESF                        | 0                 | 15,000            | 0                        | 0                  |
| Emergency Response Fund                 | 0                 | 600,000           | 0                        | 0                  |
| PL 480 Title II                         | 1,855             | 5,134             | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>1,855</b>      | <b>644,634</b>    | <b>250,000</b>           | <b>275,000</b>     |

| STRATEGIC OBJECTIVE SUMMARY                   |   |         |         |         |
|---|---|---------|---------|---------|
| <b>391-003 Primary Education and Literacy</b> |   |         |         |         |
| DA  | 0 | 10,000  | 21,500  | 24,000  |
| ESF   | 0 | 5,000   | 0       | 0       |
| <b>391-004 Democracy and Governance</b>       |   |         |         |         |
| DA  | 0 | 0       | 10,000  | 11,500  |
| ESF   | 0 | 2,000   | 0       | 0       |
| <b>391-005 Emergency Economic Assistance</b>  |   |         |         |         |
| ESF   | 0 | 617,500 | 200,000 | 200,000 |
| <b>391-006 Economic Growth</b>                |   |         |         |         |
| DA  | 0 | 0       | 6,000   | 14,500  |
| <b>391-007 Basic Health</b>                   |   |         |         |         |
| CSH   | 0 | 5,000   | 12,500  | 25,000  |

391-005 includes \$15M of the FY 2002 Supplemental - ESF.

391-005 includes \$600M of the Emergency Response Fund - ESF.



## Sri Lanka

**The Development Challenge:** After two decades of war that has short-circuited development and torn apart the nation's social fabric, Sri Lanka finds itself with a pivotal opportunity to achieve sustainable peace. The change of administration in December 2001 put the sidetracked search for a negotiated settlement back on course: A ceasefire agreement between the new Government and the Liberation Tigers of Tamil Eelam (LTTE) was signed in February 2002, and formal talks began in September 2002. Throughout the process, both parties to the conflict have demonstrated willingness to take risks and make compromises. A key factor in bringing them to the negotiating table - severely depleted economic resources - figures to be a continuing post-conflict constraint. Substantial international assistance will be required to meet the enormous reconstruction, rehabilitation and reconciliation needs.

The short-term focus of support must be on the war-ravaged North and East, to which more than ¼ of an estimated 800,000 internally displaced persons (IDPs) have returned. The successful reintegration of IDPs and an estimated 85,000 refugees from India into communities of origin and resettlement villages will require significant human and material resources. Priority tasks include eliminating the danger of landmines; rebuilding homes, schools and hospitals; rehabilitating water and sanitation infrastructure; and providing sustainable livelihoods.

Despite the enormity and urgency of needs in the North and East, peace dividends must be perceived as benefiting all Sri Lankans in order to have universal investment in the ongoing process. This will require economic and social development island-wide, along with a viable devolution arrangement that meets the aspirations of all groups within the nation's pluralistic society. Having learned from post-independence history that high unemployment is likely to result in social unrest, the Government seeks to better align the supply of adequately trained labor with the demands of a modernizing and increasingly outward-looking job market. The need for job creation - particularly for youth -- will be critical during the next few years.

The Government is committed to facilitating private sector-led growth. Energized by a year of peace, the trade-based economy has bounced back slowly in 2002 after the 1.4-percent contraction in 2001, the first since independence in 1948. An end to drought-induced power cuts, the ceasefire agreement and economic reform efforts are key factors contributing to a projected growth rate of 3 percent in 2002. Spending is required island-wide to renovate and construct essential infrastructure, create 2 million jobs and provide social services to address poverty. The GSL's ability to respond is severely constrained, however, by the continued high cost of maintaining its security forces, which accounts for 16 percent of government spending, and the burden of servicing a \$1.5 billion debt, which is equivalent to 104 percent of GDP and accounts for more than 30 percent of government expenditures in interest payments alone.

With a per-capita income of \$823 (GNP), life expectancy of 72.1 years, infant mortality of 17 per 1,000 live births, and adult literacy rate of 92.6 percent, Sri Lanka ranks 89th of 173 countries on the latest UNDP Human Development Index. The country's high social indicators relative to the rest of South Asia and most of the developing world mask, however, the reality of life in conflict-affected areas and the full impact of 20 years of war. This is because reliable data from the North and much of the East have been unavailable since 1990.

**The USAID Program:** USAID will devote \$6.05 million in DA and CSH funds and \$4 million in ESF to its FY 2003 program and requests \$5.5 million DA and CSH and \$14 million ESF for FY 2004. Assistance will continue to refocus in response to challenges and opportunities arising from the peace process. At the same time, the overarching goal of the USAID program in Sri Lanka remains sustainable, broad-based human development through economic growth. This is to be achieved through programs and activities in support of:

- increased economic competitiveness in the global marketplace;
- good governance, active civil participation and respect for human rights;
- improved social and economic integration for disadvantaged groups, with special focus on the disabled, war-affected children and victims of violence; and

-- rapid, flexible response to rehabilitation, reconstruction and reconciliation needs.

The first three above-mentioned are Strategic Objectives (SOs) identified in USAID's 2001-2005 Country Development Strategy. The specific activities to be funded by FY 2003 and FY 2004 appropriations under these SOs are described in more detail in the attached program Data Sheets. Congressionally earmarked funds support the bulk of activities under SO 3, addressing integration for disadvantaged groups through Leahy War Victims, Displaced Children and Orphans, and Victims of Torture funding. After consultation with USAID/Washington, the Victims of Torture funding was shifted in August 2002 from the Democracy and Governance to the Humanitarian Assistance program in order to better reflect its congressional mandate.

The Special Objective, "Promoting the Benefits of Peace," addresses emerging opportunities and challenges in an evolving post-conflict environment, responding to Government requests and short-term, urgent needs identified in several recent assessments conducted with support from Washington. It allows USAID to access flexible funds to support initiatives sustaining the peace process and complementing the Mission's long-term Country Development Strategy, under revision, as well as the Government's vision for broad-based, sustainable human development. These programs will bridge the gap to FY 2004, when additional ESF becomes available.

**Other Program Elements:** Two regional projects support USAID's economic growth and competitiveness thrust through transfer of expertise and technology and increased cooperation among stakeholders. US-AEP will continue to focus on policy and technology transfer related to urban waste and environmental management. SARI/Energy is helping the Government to broaden participation and improve management of the energy sector, providing a cleaner, less expensive and higher quality energy supply to business and industry.

Development Assistance from USAID/Washington supports a four-year study by Family Health International to compare the success, safety and surgical difficulties of two vasectomy techniques (through mid-2003). Other centrally funded programs operational in FY 2002 included support for the re-greening of Sri Lanka through an analog forestry project that assisted small-holder farmers in moving towards high-value, certified environmentally friendly products (completed in 2002), and assistance to the Salesian Missions, a U.S. private voluntary organization, to provide vocational education training in non-traditional fields for young women (ongoing through 2006).

**Other Donors:** Japan was Sri Lanka's biggest donor at the end of 2001, followed by the Asian Development Bank and the World Bank, according to the latest available figures from the Government. Other major sources of overseas development assistance to Sri Lanka include Germany, China and the U.S., the sixth-largest donor overall.

The United States remains the leading donor in its support for economic growth through private-sector development, complimented by Germany, Norway, Sweden and the European Union. Multilateral donors such as the World Bank, Asian Development Bank and International Monetary Fund focus primarily on macroeconomic interventions. Though all donors provide some form of humanitarian assistance as a part of their portfolios, the U.S. continues at the forefront in its extensive support for the provision of civilian prosthetics, orthotics and wheeled mobility devices. Due to tremendous needs, assistance for children affected by conflict is widespread, and support for victims of torture is a growing area of interest. USAID is coordinating and collaborating with other donors in both areas.

## Sri Lanka PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 300               | 300               | 300                      | 500                |
| Development Assistance                  | 3,399             | 5,150             | 5,750                    | 5,000              |
| Economic Support Fund                   | 0                 | 3,000             | 4,000                    | 14,000             |
| PL 480 Title II                         | 0                 | 1,325             | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>3,699</b>      | <b>9,775</b>      | <b>10,050</b>            | <b>19,500</b>      |

### STRATEGIC OBJECTIVE SUMMARY

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>383-003 Humanitarian Assistance</b>  |       |       |       |       |
| CSH                                     | 300   | 300   | 300   | 500   |
| DA                                      | 400   | 1,900 | 500   | 0     |
| ESF                                     | 0     | 200   | 0     | 1,000 |
| <b>383-004 Competitiveness</b>          |       |       |       |       |
| DA                                      | 2,999 | 3,250 | 3,000 | 4,250 |
| ESF                                     | 0     | 0     | 2,000 | 3,000 |
| <b>383-005 Democracy and Governance</b> |       |       |       |       |
| DA                                      | 0     | 0     | 2,000 | 500   |
| ESF                                     | 0     | 2,800 | 0     | 4,000 |
| <b>1/ 383-XXX ANE Regional US-AEP</b>   |       |       |       |       |
| DA                                      | 0     | 0     | 250   | 250   |
| <b>383-YYY Transition Initiatives</b>   |       |       |       |       |
| ESF                                     | 0     | 0     | 2,000 | 6,000 |

<sup>1/</sup> USAID plans to obligate \$250,000 in FY 2003 and \$250,000 in FY 2004 under the regional U.S.-Asia Environmental Partnership (498-009) for activities in Sri Lanka.

## Egypt

**The Development Challenge:** Egypt, a strong moderating force in the Middle East, has long been an important ally of the United States. Egypt and the United States share strategic interests that include the achievement of stability and peace in the region. The historic and continuing bilateral relationship that the U.S. has with Egypt serves the national security interests of both countries. The United States promotes economic prosperity in Egypt through assisting the country's ongoing, but as yet incomplete, transition from a state-controlled economy to a free market-oriented one. A key U.S. goal is for Egypt to become a fully integrated and competitive participant in the global economy. The Administration's recently announced Middle East Partnership Initiative (MEPI) supports this goal through a stronger focus on activities in economic growth and private sector development, education, civil society, and women's empowerment.

The greatest threat to domestic stability in Egypt results from popular frustration with the country's economic performance and lack of economic opportunity. Approximately one-third of Egypt's 68 million people live below the poverty line, despite a per capita GDP of almost \$1250. Officially, unemployment rates rose from 7.9 percent in 1999/2000 to 9 percent in 2001/2002; independent estimates, however, place the real extent of unemployment at somewhere between twelve and twenty-five percent of the labor force.

The government recognizes that it needs increased investment, both foreign and domestic, to provide jobs for the estimated 600,000 to 700,000 new job entrants each year. The government took a series of steps during the 1990's to improve the investment climate and increase the private sector's share in the economy. Reform efforts have lagged in recent years as the economy has slowed and suffered external shocks. Notable existing problems include cumbersome customs and business registration processes, a growing fiscal deficit, a foreign exchange regime not conducive to commercial activity, excessive bureaucracy, lagging privatization (particularly in the financial sector), lack of transparency, and an education system that does not produce an adequately prepared workforce with skills for the 21st century.

Nevertheless, the government took several key reform steps during 2002, passing an intellectual property rights law, Egypt's first money laundering law, and export promotion legislation. The 2002/03 parliamentary session is expected to discuss a number of additional reform measures including new labor, antitrust, tax, and banking legislation, and possibly customs reform. The government also has committed to addressing the exchange rate and fiscal deficit, but there have been few real signs of progress on these issues. At its September 2002 congress, the ruling National Democratic party adopted a platform that called for educational, fiscal, monetary, and public participation reforms.

Egypt's economy continued to experience low growth through the first half of 2002. There have been some signs of recovery in the second half, driven particularly by tourism, but the economic mood remains cautious because of the uncertain policy environment and regional tensions.

U.S. national interests in Egypt hinge upon a strong bilateral relationship with Egypt to form an effective partnership to combat terrorism, resolve regional conflicts and promote regional peace, ensure domestic and regional stability and security, and promote economic growth and development.

**The USAID Program:** USAID/Egypt is on a downward glide path by which its budget will shrink by \$40 million per year through FY 2008 when it plateaus at \$415 million. The program data sheets below cover the current seven strategic objectives for USAID's Egypt program. The current program focuses first on accelerating economic growth, which is essential to strengthening Egypt as a stable and prosperous U.S. ally. Three strategic objectives emphasize the creation of private sector jobs: (1) strengthen the trade and investment environment; (2) develop competitiveness skills; and (3) increase access to sustainable utility services. Four strategic objectives target the enhancement of the human and natural resource base: (1) upgrade natural resource management; (2) provide health services; (3) strengthen governance and participation; and (4) improve basic education. A comprehensive review of the program initiated in mid-2002 aims at ensuring that the program is fully consistent with the priorities established under the

Administrator's Middle East Partnership Initiative. Both on-going and new activities under each of these objectives, will receive FY 2003 and FY 2004 funds. The program data sheets provide details on these programs. In response to Egypt's development needs and MEPI objectives, special programs in three areas will begin in FY2003 and continue in FY 2004 and beyond, if authorized by Congress. First, the program will establish an enterprise fund to provide both debt and equity financing to medium-sized Egyptian firms to support private sector development. Second, to broaden educational opportunities, the basic education program will expand significantly to spread the benefits of community-based education reform to selected areas in both southern Egypt and poorer areas of Cairo. Adult literacy programs will be designed, and scholarships will be increased for rural girls who would otherwise not be able to attend school. In addition, the mission plans to design a new scholarship program to develop Egypt's future leaders in all areas. Third, to strengthen civil society and the rule of law, the governance and participation program will significantly expand to provide for the training of journalists and judges, increased support to non-governmental organizations, and programs to increase transparency and participation in government. In addition, there will be increased attention to incorporating components which focus on women into ongoing and planned programs in all sectors.

The Department of State and USAID are conducting a joint review of the overall strategic direction of the USAID/Egypt portfolio and its specific programs in order to bring them in line with the goals and objectives of the Middle East Partnership Initiative. Those regional priorities include: economic reform and private sector development, increasing educational opportunity, strengthening civil society and the rule of law, and increasing the participation of women in economic and political life. This review will ultimately entail some changes in the programs, projects, and activities described in this Budget Justification. After completion of the joint review, USAID will notify the Congress through established procedures prior to obligating funds for any revised efforts.

**Other Program Elements:** Supplementary USAID-funded programs contribute to the achievement of the overall development goals pursued in USAID's Egypt strategy. ACDI/VOCA, using funding from the central Economic Growth, Agricultural, and Trade Development (EGAT) office, implements a three-year, \$1.39 million project under the Dairy Directive Program. This project increases the availability of safe, hygienic processed dairy products in six governorates as a means to decrease the rate of malnutrition and infant/child mortality in Egypt. Also using EGAT resources, the Walla Walla Community College and the Al-Azhar University are developing agricultural technician training programs to increase sustainable agricultural production.

**Other Donors:** Two key, common areas of interest among bilateral and multilateral donors are: the need for a comprehensive action program to fight poverty, with special emphasis on women and children; and the need to further reform the macroeconomic and enabling environment. These two areas were consistently mentioned by donors in their statements at the February 2002 Consultative Group (CG) meeting. The U.S. and European Union are the largest providers of foreign assistance to Egypt. Other major donors, in descending order of resource levels include Japan, Germany, the Arab Fund, Islamic Development Bank, and the African Development Bank. USAID collaborates with other donors on all technical areas under its strategic program through regular donor subgroup meetings or other venues.

## Egypt PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Economic Support Fund      | 693,471           | 655,000           | 615,000                  | 575,000            |
| PL 480 Title II            | 323               | 3,839             | 0                        | 0                  |
| <b>Total Program Funds</b> | <b>693,794</b>    | <b>658,839</b>    | <b>615,000</b>           | <b>575,000</b>     |

| STRATEGIC OBJECTIVE SUMMARY                                 |         |         |         |         |
|---|---------|---------|---------|---------|
| <b>263-016 Creating Jobs through Trade and Investment</b>   |         |         |         |         |
| ESF   | 440,796 | 498,800 | 491,000 | 440,400 |
| <b>263-017 Workforce Development</b>                        |         |         |         |         |
| ESF   | 65,000  | 19,010  | 22,000  | 22,000  |
| <b>263-018 Infrastructure</b>                               |         |         |         |         |
| ESF   | 53,803  | 0       | 0       | 13,000  |
| <b>263-019 Environment and Natural Resources Management</b> |         |         |         |         |
| ESF   | 40,780  | 48,480  | 13,050  | 12,940  |
| <b>263-020 Healthier, Planned Families</b>                  |         |         |         |         |
| ESF   | 58,100  | 46,490  | 38,900  | 33,000  |
| <b>263-021 Democracy and Governance</b>                     |         |         |         |         |
| ESF   | 11,092  | 9,420   | 16,040  | 20,160  |
| <b>263-022 Improved Basic Education</b>                     |         |         |         |         |
| ESF   | 23,900  | 32,800  | 34,010  | 33,500  |

## Israel

**The Development Challenge:** Israel has long been a strong ally of the United States. Israel strongly condemned the September 11 attacks on the United States, and the close bilateral relationship that the United States has with Israel serves the national security interests of both countries. The Government of Israel's (GOI) political and economic stability continues to be a cornerstone of U.S. foreign policy in the Middle East.

The fundamental U.S. objective of the U.S. cash transfer to Israel is to reduce Israel's balance-of-payment pressures as it continues to pursue the economic reforms required for financial stability and structural adjustments needed for sustainable growth. U.S. assistance provides Israel the funds it needs to promote economic reforms. Though the U.S. cash transfer is not conditioned on economic policy reform, the U.S. continues to encourage Israeli efforts to reduce government spending and deficits.

Since 1990, Israel's economy has become increasingly sophisticated and technologically advanced. In FY 1999, Congress began a reduction of the economic assistance earmark in recognition of this progress.

Israel's economic boom in the 1990s was based on a thriving high-tech sector, sharply increased investment by venture capital firms, the opening of new markets to Israeli exports, and record levels of tourism. The downturn in the global economy, problems in the high tech sector and the worsening security situation in Israel have led to growing unemployment and declining tax revenues. In addition to the obvious effect on tourism, the violence has had a strong impact on foreign investment and overall economic confidence. Israel has now endured nearly two years of economic recession. GDP contracted by 0.5 percent in 2001, and a large contraction is expected for 2002.

**The USAID Program:** The United States, acting through USAID, will provide Economic Support Funds (ESF) to Israel in FY 2003 and FY 2004 through a combination of cash transfer and assistance for anti-terrorism activities. The cash transfer funds will be used by Israel primarily for repayment of debt to the United States, including re-financed Foreign Military Sales debt, and purchases of goods and services from the United States. The U.S. will continue to encourage Israel to reduce government spending and deficits, to improve tax and public wage structures, to increase privatization, to reform labor markets, and to continue to liberalize its trade regime. The anti-terrorism funds will be used to provide defensive, non-lethal assistance to counter terrorism activities.

**Other Program Elements:** In addition to the cash transfer to Israel, there are a number of programs that involve Israel that are managed by USAID's Bureau for Economic Growth, Agriculture and Trade. The Cooperative Development Research (CDR) Program is a peer-reviewed, competitive grants program. It funds the collaborative research of scientists from Israel and the U.S. working with their counterparts in developing countries throughout the world on topics relevant to the needs of the developing countries. The Middle East Regional Cooperation (MERC) Program is a competitive grants program supporting joint research projects between Arab and Israeli scientists on topics relevant to the development of the Middle East region. Both MERC and CDR are open to a wide variety of technical topics and institutions. CDR and MERC are presently funding nearly 100 separate grants, including projects on water resource management for agricultural and other uses, development of new crops, protection against agricultural pests, protection of the environment, development of aquatic resources, and the study of diseases and other health threats common to many developing countries. The Cooperative Development Program (CDP) is a core grant to Israel's Ministry of Foreign Affairs to partially fund the State of Israel's own foreign assistance program to developing countries, which is primarily a training program but also includes the demonstration of Israeli technology with development applications.

**Other Donors:** The United States is the largest bilateral donor to Israel.

**Israel  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Economic Support Fund      | 838,152           | 720,000           | 800,000                  | 480,000            |
| <b>Total Program Funds</b> | <b>838,152</b>    | <b>720,000</b>    | <b>800,000</b>           | <b>480,000</b>     |

| STRATEGIC OBJECTIVE SUMMARY  |         |         |         |         |
|------------------------------|---------|---------|---------|---------|
| 271-001 Israel Cash Transfer |         |         |         |         |
| ESF                          | 838,152 | 720,000 | 600,000 | 480,000 |
| 271-YYY Anti-Terrorism       |         |         |         |         |
| ESF                          |         |         | 200,000 |         |



## Jordan

**The Development Challenge:** Jordan plays a pivotal role in Middle East regional stability, combating terrorism, and serving as a model of reform. This role is being strengthened by His Majesty's challenge to the government to rapidly spread the benefits of economic reform and growth more broadly within the society. The Jordanian economy is highly vulnerable to regional and global political and economic shocks. The effects of September 11th, and instability in the region have negatively affected Jordan's ability to overcome the many development challenges it faces.

The Government of Jordan's (GOJ) program of far-reaching economic and social transformation continues for a second year. The program is a multi-faceted plan to accelerate the national social and economic transformation, and is based on an aggressive growth budget over the next three years. This plan coincides with many of the goals and objectives of the Administration's recently announced Middle East Partnership Initiative (MEPI), which include: economic reform and private sector development, increasing educational opportunities, strengthening civil society and the rule of law, and expanding the participation of women in economic and political life. USAID is well positioned to assist in this ambitious undertaking and to support Jordan as a key ally and development partner through its efforts to improve the quality of life of families and communities, water resources, and economic opportunities for Jordanians.

Poverty, ignorance and the lack of a political voice can all contribute to the growth of radical fundamentalists who could represent a threat to secular democratic nations. The GOJ has long advocated for programs targeting populations of young people at-risk as essential to creating a bulwark against terrorism. For this reason, USAID will ensure that life-skills training reaches disaffected youth. Health, education and well-being programs must be targeted towards women. The GOJ's steady drive to increase accountability and transparency in government must be encouraged. The growing role of NGOs and political parties in Jordanian public life is also vital to the health of the constitutional monarchy.

The population of Jordan is 5.2 million. This is over nine times the population in 1952 when U.S. economic assistance to Jordan began. While the total fertility rate has declined from 7.3 children per family in 1976 to 3.6 in 2002, the current natural rate of increase is 2.3 percent, with a total population growth rate of 2.8 percent. This will lead to a doubling of the population by about 2027. This population momentum poses severe demands on Jordan's limited water resources and is a key factor in the current high rates of unemployment and under-employment.

Jordan is one of the ten most water deprived countries on earth. Jordan needs to do whatever it can to effectively and efficiently use the water resources it has. Ninety percent of Jordan receives less than eight inches of rain annually. Of that, more than 90 percent is lost to evaporation. Drought conditions for the past four years have left in the reservoirs, which should contain 186 mcm of water, with only 71 mcm. Water is scarce in the entire region and will continue to be a critical issue for peace and economic development for decades to come.

In 2003, there will be 46,000 new entrants to the work force. With unemployment currently at 15 percent and rising since last year, and with "under-employment" adding perhaps another 10 percent, there are few employment opportunities for these new entrants without faster economic growth and labor market reforms. In addition, employment opportunities in the Persian Gulf region have not returned to their pre-Persian Gulf war levels, thereby placing a greater strain on the domestic employment market. With 60 percent of Jordan's population currently under age 25, the situation will only worsen.

**The USAID Program:** Through FY 2002, USAID's program focused on three strategic objectives: Improved Water Resources Management; Improved Access to and Quality of Reproductive and Primary Health Care; and Increased Economic Opportunities for Jordanians. In September, FY 2002, USAID approved the expansion and re-naming of the health SO to "Improved Quality of Life of Jordanian Families and Communities" and extended it to December 31, 2003, with a further extension to be proposed under a new Country Strategy that will run from FY 2004-FY 2009. This expanded SO

addresses education, youth and civil society in addition to family health. The Mission's new strategy will be based on the goals and objectives of the MEPI. Subject to the analyses required for the new strategy and the Agency's approval, USAID/Jordan does not plan to add any new strategic objectives. Rather, the scope of the Quality of Life SO will be expanded to include education, civil society, good governance, rule of law, reaching out to women, especially in rural and impoverished areas, and other elements in society whose health and quality of life needs are currently not being adequately met. Additionally, USAID expects to add one component to the Economic Opportunities Strategic Objective to track rural development and poverty statistics. USAID/Jordan will work with the Department of State, Jordanian counterparts, and USAID/ Washington to develop the new strategy, and to put into place the appropriate management mechanisms.

The Department of State and USAID are conducting a joint review of the overall strategic direction of the USAID/Jordan portfolio and its specific programs in order to bring them in line with the goals and objectives of the Middle East Partnership Initiative. Those regional priorities include: economic reform and private sector development, increasing educational opportunity, strengthening civil society and the rule of law, and increasing the participation of women in economic and political life. This review may ultimately entail significant changes in the level of funding of the programs, projects, and activities described in this budget justification. After completion of the joint review USAID will notify the Congress through established procedures prior to obligating funds for any revised efforts.

**Other Program Elements:** There are three programs not managed by the Mission, but to which USAID/Jordan contributes: USAID/Jordan provides some field management and review for the Middle East Regional Cooperation (MERC) and the U.S.-Israel Cooperative Development Research (CDR) initiatives funded and managed by the Bureau for Economic Growth, Agriculture, and Trade (EGAT). The majority of the MERC and CDR projects in Jordan are in environmental protection, health, water and agriculture. The project life ranges from 3 to 5 years. Examples include the "Red Sea Marine Peace Park" (protecting the coral reefs), "Water Quality Along the Jordan River", "Migrating Birds Know No Boundaries", "Development of Regional Viral Indexing", "The Certification Program for Plant Propagation Materials in the Middle East", and "The Jordanian-Israeli Business Cooperation program". To date, approximately 45 projects have involved both Jordanian and Israeli partners, with a total funding level (all partners included) of almost \$33.7 million. Two of the projects for the FY 2002 cycle have been approved so far, with the remaining projects still under review. Jordan's portion for both the approved projects and those under consideration is approximately \$1 million. In addition, USAID helped the Embassy program the equivalent of \$26 million in local currency proceeds from the sale of 100,000 tons of 416(b) wheat in FY 2001. The entire \$26 million will be allocated to projects within the GOJ's Social and Economic Transformation Plan.

**Other Donors:** Jordan received \$471 million in grant assistance during calendar year 2002. The United States Government provided 61 percent of the grant assistance, followed by the European Union at 22 percent, the Japanese Government at seven percent, the German Government at four percent, the Spanish Government at two percent and the Government of Saudi Arabia at two percent. The remaining two percent was provided by Canada, Norway, the World Bank, the Arab Fund and the Islamic Development Bank combined.

Jordan also received a total of \$184 million in bilateral and multilateral loans. The bulk of the loans were from the World Bank, which provided 68 percent of the total, followed by the German Government at thirteen percent, the Spanish and Swiss Governments each at nine percent and Government of Norway at one percent. Donor coordination in Jordan is strong at the technical level. A recent Ministry of Planning donor coordination initiative will likely improve donor coordination at the macro level. The European Union's and Japan's main area of assistance focus is balance of payments support. The German Government has historically focused on the water sector while the World Bank recently re-directed its loan funding toward public sector reform and education.

**Jordan  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Economic Support Fund      | 149,670           | 150,000           | 250,000                  | 250,000            |
| Supplemental-ESF           | 0                 | 100,000           | 0                        | 0                  |
| <b>Total Program Funds</b> | <b>149,670</b>    | <b>250,000</b>    | <b>250,000</b>           | <b>250,000</b>     |

| STRATEGIC OBJECTIVE SUMMARY                         |        |         |         |         |
|---|--------|---------|---------|---------|
| <b>278-002 Water Resources Management</b>           |        |         |         |         |
| ESF   | 43,845 | 45,000  | 47,000  | 50,000  |
| <b>278-003 Reproductive and Primary Health Care</b> |        |         |         |         |
| ESF   | 17,938 | 18,000  | 28,000  | 50,000  |
| <b>278-005 Broad-based Economic Growth</b>          |        |         |         |         |
| ESF   | 87,887 | 187,000 | 175,000 | 150,000 |

278-005 includes \$100 M of the FY 2002 Supplemental - ESF.

## Lebanon

**The Development Challenge:** Lebanon is still recovering from its sixteen-year civil war and making slow progress toward rebuilding its civil institutions, reestablishing the rule of law, and implementing economic reform. The United States has a strong interest in promoting a stable, independent, democratic, and economically strong Lebanon at peace with Israel and its neighboring states.

**The USAID Program:** Following a near termination of U.S. development assistance to Lebanon, the USG decided to revive its bilateral assistance program in 1997. Much of it was a reaction to the Israeli occupation and continued conflict in South Lebanon, as well as the widening and very apparent social and economic disparities. There was also growing recognition of Lebanon's role in building regional economic cooperation and achieving Middle East peace. USAID put in place a five-year \$60 million strategy aimed at: revitalizing and expanding economic opportunities in rural areas, through small-scale infrastructure and income-generating activities; promoting democracy and good governance, building capacity of local municipalities to plan and manage resources efficiently and transparently; and improving environmental practices, particularly community-based approaches that promote sustainable agriculture and environmental health. Over time four other activities were added: a WTO accession program to encourage trade and investment, globalization, and broad-based policy and legislative reform; an "industry cluster" program, to identify and promote productive sectors for investment; a water resource management program, to make agriculture more productive and ensure that water pricing is efficient and equitable; and a landmine action program, to make all Lebanese aware of hazardous areas and assist survivors in productive enterprises. USAID also benefited from an extra \$30 million in proceeds of USDA surplus commodity sales.

Today, it is clear that the strategy was sound and tailor-made to USAID's strengths. Indeed, USAID has built a reputation as one of the top donor programs in Lebanon, viewed by many as one of the most responsive, expansive, resilient, targeted, high-performing, and quick-disbursing - though far from the largest. This is attributable to USAID's purpose -- promoting equitable, sustainable development in Lebanon over the long-term; products -- demand-driven, people-focused, affordable, effective, appropriate, visible and accomplishable in the short-term; its partners -- PVOs, NGOs, foundations, universities, business associations, and corporations -- who together, often in partnership with the public sector, form a multi-faceted, highly talented, experienced group capable of navigating effectively at the highest governmental, corporate, and diplomatic levels, as well as at the community level; and its procedures -- user-friendly, promoting extensive collaboration with all relevant public and private entities.

Most important are the significant achievements produced by these "4 Ps," which include improving living standards among the rural poor; stimulating economic policy reform and growth-oriented industry clusters; supporting Lebanon's accession to the WTO to improve its ability to compete in world markets; strengthening municipal governance; promoting advocacy among NGOs and civil society organizations; improving environmental practices and technologies for environmental health; raising awareness of landmines and helping mine survivors and their families rebuild productive lives; and strengthening Lebanon's American educational institutions. The program has also created important spread effects with other donors and USAID programs. With a budget averaging \$15 million a year for the first three years, USAID leveraged \$60 million of World Bank and European Union funding for rural development activities modeled on its Rural Community Development Cluster (RCDC) program, bringing economic opportunities and services to disadvantaged communities often in conflict or post-conflict settings. The RCDC has been adopted and adapted by USAID in the former Republic of Yugoslavia, the West Bank/Gaza, and Jordan.

USAID's intention over the next three years (2003-2005) is to build on its current success, melding elements of the existing strategy into one that conforms to the goals and objectives of the Administration's Middle East Partnership Initiative (MEPI). This strategy will fuse expansion with integration by targeting value-added and growth-oriented sectors, geographic areas, and reforms; and promote economic and political governance, environmental health, and safety and security in ways that enhance Lebanon's overall well-being, as well as its competitiveness as a regional and global economic force.

To meet this challenge, USAID/Lebanon, in close collaboration with the USAID/Washington, Embassy and State Department colleagues, and with extensive input from a host of local experts and partners, selected six strategic areas for this next phase. Namely:

- Expanding economic opportunities -- in productive sectors and "growth poles"
- Accelerating economic reform -- through World Trade Organization membership
- Strengthening foundations for governance -- with municipalities and civil society
- Improving environment policies and practices -- for water management and sanitation
- Promoting mine awareness and victims' assistance -- for residents in South Lebanon
- Strengthening American Educational Institutions -- as key development partners

These are grounded in six anchors:

- A transition -- from alleviating poverty to creating economic opportunity
- A focus - on strengthening growth areas, both geographic and productive
- A link - between the rural and urban, inland and coastal
- An emphasis - on governance, reform, and sustainability
- An added value - from synergies within the program
- A reliance -- on new partnerships and models for economic growth

The Department of State and USAID plan to conduct a joint review of the overall strategic direction of the USAID/Lebanon portfolio and its specific programs in order to bring them in line with the goals and objectives of the Middle East Partnership Initiative. Those regional priorities include: economic reform and private sector development, increasing educational opportunity, strengthening civil society and the rule of law, and increasing the participation of women in economic and political life. This review will ultimately entail significant changes in the level of funding of the programs, projects, and activities described in this Budget Justification. After completion of the joint review, USAID will notify the Congress through established procedures prior to obligating funds for any revised efforts.

**Other Program Elements:** Lebanon benefits from the Leahy War Victims Fund for a number of mine action activities, chief of which is a "Resource Cooperative" aimed at creating economic opportunities for mine-injured survivors and their families in the district of Jezzine, Lebanon's most heavily-mined and casualty-afflicted area.

**Other Donors:** The most recent UNDP reports list Arab countries as the main source of Lebanon's external funding, led by the Kuwait Fund for Arab Economic Development (transport infrastructure); the Arab Fund for Economic and Social Development (human resource development, energy); the United Arab Emirates (demining); Saudi Arabia (infrastructure, social services); and the Islamic Development Bank (infrastructure). Also active are the World Bank (broad-based development), the European Union (training, development administration, rural development, trade), France (technical cooperation, training), U.N. organizations (broad-based development), Italy (agriculture, infrastructure, water), Canada (development administration, economic management), Japan (water) and Norway (technical cooperation, social services). Bilateral assistance accounts for 55 percent of disbursements, multilateral 38 percent, and NGOs 7 percent. USAID assistance, ranked approximately tenth in resources, is among the top three donors in aggregate spending. USAID's main donor partners are the World Bank, EU and UNDP for rural development and environmental activities; the EU, and UNDP for administrative reform and municipal development; the EU for trade (Euro-Med and WTO agreements); and France for water resource management.

**Lebanon  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Development Assistance     | 600               | 600               | 500                      | 500                |
| Economic Support Fund      | 34,923            | 35,000            | 32,000                   | 32,000             |
| <b>Total Program Funds</b> | <b>35,523</b>     | <b>35,600</b>     | <b>32,500</b>            | <b>32,500</b>      |

| STRATEGIC OBJECTIVE SUMMARY                                       |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>268-001 Economic Development</b>                               |        |        |        |        |
| DA  | 0      | 0      | 500    | 500    |
| ESF   | 22,964 | 23,000 | 20,000 | 20,000 |
| <b>268-002 Promoting Democracy and Good Governance</b>            |        |        |        |        |
| ESF   | 5,481  | 7,000  | 7,000  | 7,000  |
| <b>268-005 Improving the Environment and Preventing Landmines</b> |        |        |        |        |
| DA  | 600    | 600    | 0      | 0      |
| ESF   | 6,478  | 5,000  | 5,000  | 5,000  |

## Morocco

**The Development Challenge:** Morocco has made great gains in recent years, but still faces formidable challenges. Among the most important are rising poverty, due to high levels of unemployment and a labor pool largely unprepared for today's and tomorrow's job market, and a citizenry appreciative of democratic reforms and improved governance but striving for more. This thirst is driven by the fact that Morocco's social indicators belie its lower middle-income ranking. Compared to other countries in the region, Morocco's Human Development Index (calculated by the United Nations) places Morocco closer to a low-income country (like Bangladesh) than a middle-income country (like Jordan).

Macroeconomic indicators (inflation, fiscal deficit, and foreign exchange reserves) remain excellent, despite the external shocks and low economic growth. Economic liberalization has been slow but steady, with some impressive success in telecommunications. Democracy has progressed since 1999, with fair and transparent national elections for the first time since Morocco's independence. Even more notable, these September 2002 elections increased the female membership of Parliament from one percent to ten percent, the highest percentage in the Middle East.

However the advance of democracy is offset by continuing lack of economic opportunities. Those who are employed are frequently underemployed, with university graduates being the most affected group. The search for economic opportunity drives rural dwellers to the urban shantytowns. Those lucky enough to have marketable skills head for Europe or North America through whatever means possible.

Despite macroeconomic stability and progress on economic reforms, poverty continues to grow. This growth is partially due to a poorly-performing economy which is overly dependent on rain-fed agriculture. Recurrent droughts force many people from rural to urban areas. Here, they swell the ranks of the unemployed and put greater stress on already overwhelmed public services, including education, health, housing, and transportation. For example, although the government uses more than 25 percent of its annual budget on education, the illiteracy rate is one of the highest in the Middle East, the quality of education is poor, and vocational training is not targeted to priority needs of the workplace. Thus, Moroccan citizens are not receiving the services they need, and Morocco's work force is lacking the skills needed to compete in the global economy.

**The USAID Program:** To help Morocco address its development challenges, USAID/Morocco's program currently implements two key strategic objectives linked to and focused on the two fundamental resource issues for Morocco's economy: 1) Increasing opportunities for domestic and foreign investment, and 2) Improving water resources management. Three special objectives address key long-term issues of health, education and democracy: 1) Promoting sustainable population, health and nutrition programs; 2) Increasing basic education attainment for girls in rural areas; and 3) Increased capability and active participation of civil society in support of citizen's rights. Particular attention is given to gender and public-private partnerships to maximize synergies across sectors.

The Department of State and USAID are conducting a joint review of the overall strategic direction of the USAID/Morocco ESF portfolio and its specific programs in order to bring them in line with the goals and objectives of the Middle East Partnership Initiative (MEPI). Those regional priorities include: economic reform and private sector development, increasing educational opportunity, strengthening civil society and the rule of law, and increasing the participation of women in economic and political life. This review will ultimately entail significant changes in the level of funding of ESF programs, projects, and activities described in this Budget Justification. After completion of the joint review USAID will notify the Congress through established procedures prior to obligating funds for any revised efforts.

In parallel, USAID/Morocco is designing a new strategic plan, which is to start in FY 2004. This strategic plan will address the new international (post-9/11) and bilateral (free trade agreement) challenges. The new strategy will focus on building sustainable economic growth activities in three mutually reinforcing areas: increasing economic opportunities for all Moroccans through the engine of free trade and

investment; relevant workforce preparation for the new Moroccan economy; and responsiveness of government to the priorities of its citizens.

**Other Program Elements:** Currently, six Development Credit Authority (DCA) guarantee facilities have been negotiated. These have leveraged the local currency equivalent of \$17 million. The total premium (subsidy) cost for these DCA facilities is \$577,000 leveraging nearly 30 times the cost. A seventh deal is pending receipt of \$170,000 in DCA carryover funding for a \$3 million facility to finance wastewater treatment plants. The seven activities are projected to directly benefit 16,500 families, 60 communities, and four small cities.

The regional U.S. North Africa Economic Partnership (USNAEP) also has activities in Morocco. USAID assists the Ministry of Tourism, regional tourism associations, private operators and small business/service providers catering to tourists to improve the attractiveness of existing rural and/or ecology tourism sites, link them with other major Moroccan tourist destinations like Fez, Marrakech, and Agadir, and market such sites to international customers.

**Other Donors:** In 2000, official donor assistance (ODA) to Morocco totaled about \$419 million in loans and grants, equivalent to about 1.3% of the GDP. The largest multilateral donor programs are those of the European Union, the World Bank, and the African Development Bank. With regard to bilateral donors, U.S. assistance ranked fifth (about 8 percent of total bilateral ODA) over the 1998-2000 period, after France (49 percent), Japan (21 percent), Germany (12 percent) and Spain (8 percent).

Despite the modesty of its funding, USAID continues to play a far more significant role than its program size indicates. For many Moroccan officials and citizens, USAID remains the donor of preference. USAID/Morocco develops partnerships with other donors and non-governmental organizations, including local foundations, to create complimentary programs. In recent years, two Moroccan social development institutions became significant supporters of local development programs and USAID/Morocco was successful in partnering with them, leveraging more than \$5 million in additional resources for micro-credit and soil erosion prevention.

USAID and other donor strategies focus primarily on community development, decentralization, small and medium enterprises, agriculture and water issues, and policy reforms to improve the investment environment. The French Development Agency funds projects in rural development and potable water, with strong emphasis on participatory community development. German aid is mainly directed to potable water and environmental management. The UNDP implements integrated, crosscutting initiatives including environmental management, governance, poverty, social sectors, and gender issues. The World Bank and African Development Bank loans finance infrastructure and macroeconomic structural reforms.



## Morocco PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 4,902             | 4,600             | 0                        | 0                  |
| Development Assistance                  | 5,685             | 5,766             | 6,713                    | 5,400              |
| PL 480 Title II                         | 591               | 0                 | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>11,178</b>     | <b>10,366</b>     | <b>6,713</b>             | <b>5,400</b>       |

| STRATEGIC OBJECTIVE SUMMARY                      |       |       |       |       |
|--|-------|-------|-------|-------|
| 608-005 Expanded Business Opportunities          |       |       |       |       |
| DA   | 2,685 | 2,038 | 2,891 | 0     |
| 608-006 Environment for Sustainable Development  |       |       |       |       |
| DA   | 1,000 | 2,300 | 2,294 | 0     |
| 608-007 Health Improvements for Women & Children |       |       |       |       |
| CSH  | 3,414 | 4,600 | 0     | 0     |
| DA   | 2,000 | 0     | 0     | 0     |
| 608-008 Keeping Girls in School                  |       |       |       |       |
| CSH  | 1,488 | 0     | 0     | 0     |
| DA   | 0     | 1,428 | 1,528 | 0     |
| 608-011 Trade and Investment                     |       |       |       |       |
| DA   | 0     | 0     | 0     | 5,400 |

## West Bank and Gaza

**The Development Challenge:** As seen daily in the news, the conflict in the West Bank and Gaza remains volatile and unpredictable. Already on the decline, the economic and health situation of the Palestinian population took a rapid turn for the worse in April 2002, after a series of terrorist incidents in Israel resulted in retaliatory military action in several West Bank cities and towns. Tens of thousands of Palestinians were cut off from food supplies, medical care, employment and essential services, as closures became more permanent.

Unemployment has increased to more than 50 percent. Some 70 percent of the people in the West Bank and Gaza are living under the official poverty rate of \$2 per day, almost double the percentage reported in last year's Annual Report. A USAID-funded Rapid Nutritional Assessment exposed alarming rates of acute and chronic malnutrition among Palestinian women and children. Palestinian families, meanwhile, report a 51.9 percent decrease in the amount of food they consume and approximately 50 percent of the population require external food assistance to help meet their daily caloric intake.

The incidence of low birth weight has increased, while births attended by skilled health workers have decreased. The incidence of diarrhea is growing due to poor water quality and risk of disease outbreaks remains high because national immunization schedules have been interrupted by curfews, closures, and electricity outages. And, preliminary findings of a USAID-funded Birzeit University survey confirm that the exposure to death, injury, and violence in all its forms plus widespread deprivation are leaving psychological scars, especially among Palestinian children.

The most important challenge that USAID confronts is meeting the immediate and on-going emergency humanitarian needs of Palestinians while not losing focus on medium to long term development goals. Some 73 percent of the Mission's obligations during the last two years were for activities that address urgent and critical needs. As explained in two recent UN reports, the humanitarian situation, deriving principally from the continuation of curfews and closures, is mainly a political problem. Given the continued political stalemate, and the growing humanitarian crisis, USAID anticipates providing vital emergency and humanitarian assistance for at least another 12-18 months. At the same time, USAID is pursuing a robust medium to longer term development program focused on private sector revitalization, political and economic reform consistent with the policy priorities of the administration, and water infrastructure to meet this basic human need. Despite the difficulties, significant results continue to be achieved in all areas.

**The USAID Program:** The Program Data Sheets cover the six strategic objectives for which USAID is requesting funds. The most costly objectives are increasing water resources and community services, both of which respond directly to problems faced by ordinary Palestinians. The other objectives contain both emergency response and longer-term development components. The Mission will use FY 2003 and FY 2004 funds to implement projects to: ensure efficient development of the private sector, develop new water resources, improve democracy, governance, and the rule of law, increase access for mothers and children to higher quality health care, deliver emergency humanitarian assistance to combat malnutrition, provide basic community services, and ensure access to higher education and training for a broad range of Palestinians. Working closely with State Department and other international donors, USAID has expanded support for major Palestinian reform programs and continues to play a significant role in reform efforts.

Despite the violence and other challenges associated with the situation, the Mission has achieved meaningful results during the past year, has helped avoid a more serious humanitarian crisis from emerging, and has laid the basis for the advancement of important U.S. foreign policy goals such as promoting stability in the region. Because of close cooperation with implementing partners (mostly U.S. Private and Voluntary Organizations (U.S. PVO), and U.S. companies) and intensive coordination with the Israeli government, USAID's strategic focus has been maintained and oversight responsibilities have been uncompromised.

The Department of State and USAID plan to conduct a joint review of the overall strategic direction of the USAID/West Bank/Gaza portfolio and its specific programs in order to ensure that USG funds are most effectively used to encourage Palestinian reform. This review will ultimately entail significant changes in the level of funding of the programs, projects, and activities described in this Budget Justification. After completion of the joint review, USAID will notify Congress through established procedures prior to obligating funds for any revised efforts.

**Other Program Elements:** At this time, there are no other programs active in the West Bank and Gaza managed by the Pillar nor Regional Bureaus. All programs are funded through the West Bank and Gaza Mission, and are detailed in this Annual Report.

**Other Donors:** Following a drastic decline in domestic revenue collections (from \$973 million in 2000 to \$250 million in 2002) the Palestinian Authority (PA) has relied on the Arab world and the European Union (EU) for budgetary support. These two donor sources have made combined contributions of nearly one billion dollars over the past two years. Smaller contributions to the PA budget have also been made by the World Bank and Norway. Overall donor funding to the West Bank and Gaza has increased dramatically since the beginning of the Intifada (commitments have doubled from \$973 million in 2000 to an estimated \$2 billion in 2002), with the bulk of the increase going to budgetary support for the PA and humanitarian/emergency relief efforts. USAID's principal donor partners are the EU (emergency response, private sector revitalization, reform of PA institutions, infrastructure projects and Israeli interactions) and the United Nations (employment generation, micro-credit, food assistance). Donor coordination in the West Bank and Gaza is highly developed, with several layers of donor coordination mechanisms. A Task Force on Project Implementation, which includes representatives from USAID, the European Union, the United Nations and the World Bank, works closely with Israeli government officials to facilitate project implementation and field access for the delivery of humanitarian and emergency assistance. The Ad Hoc Liaison Committee (AHLC) is a forum which brings together top level decision makers from all of the key donor organizations who meet regularly to discuss broad policy issues. In 2002, to respond to the unfolding humanitarian crisis, the donors formed the Humanitarian Task Force for Emergency Needs (HFTEN), which provides continual monitoring and analysis of the situation for the benefit of donors, the Palestinians and the Israelis. In July 2002, the Quartet (U.S., EU, UN, Russia) formed the International Task Force on Reform to coordinate donor assistance and monitor progress on Palestinian civil reforms.

## West Bank and Gaza PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Economic Support Fund      | 84,813            | 72,000            | 75,000                   | 75,000             |
| <b>Total Program Funds</b> | <b>84,813</b>     | <b>72,000</b>     | <b>75,000</b>            | <b>75,000</b>      |

| STRATEGIC OBJECTIVE SUMMARY                  |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>294-001 Private Sector Development</b>    |        |        |        |        |
| ESF  | 3,752  | 13,601 | 10,000 | 10,000 |
| <b>294-002 Water Resources Development</b>   |        |        |        |        |
| ESF  | 60,384 | 27,725 | 30,100 | 50,036 |
| <b>294-003 Democracy and Governance</b>      |        |        |        |        |
| ESF  | 10,580 | 11,375 | 10,150 | 9,996  |
| <b>294-005 Higher Education and Training</b> |        |        |        |        |
| ESF  | 5,007  | 205    | 2,812  | 2,968  |
| <b>294-007 Family Health</b>                 |        |        |        |        |
| ESF  | 5,090  | 1,369  | 21,300 | 1,250  |
| <b>294-008 Community Services Program</b>    |        |        |        |        |
| ESF  | 0      | 17,725 | 638    | 750    |

## Yemen

**The Development Challenge:** Since unification in May 1990 of the Yemen Arab Republic (North) and the People's Democratic Republic of Yemen (South), and despite facing a subsequent civil war and a declining economy in the mid-1990s, over the past five years Yemen has made progress in both democratic and economic reform. It has established a basic legal and constitutional framework, developed foundations for its governmental and political institutions, and encouraged a nascent civil society through multiparty elections of a parliament and local councils. However, compared to other Middle East and North Africa ANE countries, Yemen has:

- the highest under 5 mortality rate (76 per 1000 live births) and the lowest life expectancy (56 years);
- the highest illiteracy rate (55 percent) and the lowest rate of girl's enrolment in elementary school (44 percent); and
- the lowest Gross National Income per Capita (US\$370)

According to the World Bank, GDP grew at nearly six percent per year during the 1990s, and exceeded the average growth rates for other low-income countries in the Middle East and North Africa. Most of this growth can be explained by transient growth in oil production, which is expected to begin declining next year. In spite of the country's impressive growth rates, overall impact on per capita incomes was dampened by population growth of approximately four percent per year during the same period.

In the near term, the U.S. will continue expanding its engagement and support for the Government of Yemen given its support in the war on terrorism and our improved understanding that countries with weak economies in which large segments of the population have only limited access to social services and economic opportunities provide fertile ground for furthering terrorist objectives.

**The USAID Program:** In response to US foreign policy priorities and interests, USAID re-engaged in Yemen in 2002 after a seven year hiatus, and will reopen an office in Sanaa in 2003. The Yemen program's objective is to help develop a healthy and educated population with access to diverse economic opportunities. The program focuses on three interlinked program areas: (1) improving literacy and access to quality education, especially for girls; (2) expanding economic opportunities and capacity to generate income; and (3) improve the delivery of quality reproductive health services. The program will concentrate activities in five governates - Marib, Sa'ada, Shabwa, Amran, and Al Jawf.

The State Department and USAID are conducting a joint review of the overall strategic direction of the USAID/Yemen portfolio and its specific programs in order to bring them in line with goals and objectives of the Middle East Partnership Initiative (MEPI). This review will ultimately entail significant changes in the level of funding of the programs, projects, and activities described in this Budget Justification. After completion of the joint review, USAID will notify Congress through established procedures prior to obligating funds for any revised efforts.

**Other Program Elements:** Although USAID closed its Mission to Yemen in the mid-1990s, the U.S. Government remained one of Yemen's largest bilateral donors by virtue of 416 (b) food aid programs administered by the US Department of Agriculture. In addition, USAID provided limited support for Yemen's democratic reform process.

**Other Donors:** Working with the World Bank and the IMF on donor coordination, the Yemen government created a number of funds to help with its decentralization program. These funds include the Social Fund for Development, the Social Welfare Fund, and the Public Works Program. Of these, the Social Fund is of most interest to USAID. Created in June 1997, the Social Fund for Development is a demand-driven program financing development projects supported by a number of donors. It aims to reduce poverty in Yemen by improving living conditions and providing income generation opportunities to the poor in rural and urban communities. To date, the fund has received a total resource commitment of \$81 million and has supported more than 1,000 projects, including improvement of community social and education

facilities, microfinance and income generating activities, and capacity building of operational partners including NGOs, the World Bank and the IMF.

In addition to the above funds, the World Bank's current program focuses on the health sector and on providing food to children, upgrading urban water supply and sanitation services in densely populated communities, privatization, macroeconomic reforms, legal and judicial development in support of the economy, and the expansion of microfinance networks.

Arab Bilateral and Multilateral Funds commit approximately \$200 million per year. Saudi Arabia recently signed a \$340 million soft loan and the Islamic Bank is reportedly negotiating a \$55 million soft loan for education and sanitation and water projects. Other soft loan projects with Kuwait and the Arab Fund for Economic and Social Affairs include the rehabilitation of the Sana'a Airport (\$97 million) and a road link with Oman.

The European Union focuses its approximately 20 million Euro per year assistance program on enhancing food security through strengthening agriculture, improving the management of water resources, and promoting export diversification. In its most recently drafted country strategy for Yemen, 2002-2006, the EU identified four areas of focus: W.T.O. accession, food security, poverty reduction, and civil society.

Other European bilateral donors include Germany (whose Euro 24 million annual program focuses on health, water and education), the Dutch (whose Euro 30 million annual program focuses on these same sectors plus agriculture); and Italy, France, and the United Kingdom, which provide Euro 2 -5 million each in annual assistance for small projects in health, cultural preservation, and improved tax collection and customs services.

United Nations. The average annual commitment, provided largely through the United Nations Development Program (UNDP) and the World Food Programme (WFP), is approximately \$40 million.

**Yemen  
PROGRAM SUMMARY**

(in thousands of dollars)

| <b>Accounts</b>            | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|----------------------------|---------------------------|---------------------------|----------------------------------|----------------------------|
| Economic Support Fund      | 3,991                     | 5,000                     | 10,000                           | 15,000                     |
| Supplemental-ESF           | 0                         | 3,000                     | 0                                | 0                          |
| PL 480 Title II            | 0                         | 395                       | 0                                | 0                          |
| <b>Total Program Funds</b> | <b>3,991</b>              | <b>8,395</b>              | <b>10,000</b>                    | <b>15,000</b>              |

| <b>STRATEGIC OBJECTIVE SUMMARY</b>                  |       |       |        |        |
|---|-------|-------|--------|--------|
| <b>279-004 Community-based Health and Education</b> |       |       |        |        |
| ESF   | 3,991 | 8,000 | 10,000 | 15,000 |

279-004 includes \$3M of the FY 2002 Supplemental-ESF.

## ANE Regional

**The Development Challenge:** Growing political instability and the spread of terrorism, combined with the existing development problems that plague this most populated region of world (continued high population growth rates, slow economic growth, weak governance systems, human rights violations, growing food insecurity and water scarcity, continued environmental degradation, and the rapid spread of HIV/AIDS and other infectious diseases) provide a highly challenging environment to carry out development programs.

**The USAID Program:** USAID has seven regional programs operating in the ANE region. These programs support key US foreign policy objectives including the war against terrorism, stopping the spread of HIV/AIDS, improving trade and investment, and halting environmental degradation. Development Assistance and Child Survival funding for ANE sponsored regional programs was reduced from \$73.0 million in FY 2003 to \$40.6 million in FY 2004 in order to sustain funding for key bilateral programs. ESF funding for these USAID-managed regional programs also was reduced from \$20.0 million to \$9.0 million for these same years, although State-managed regional programs increased from \$51.3 million to \$173.8 million, respectively. In spite this reduced funding, these programs continue to provide key support that gives USAID the flexibility to address transnational issues (disease and environmental degradation) and facilitate the exchange of information and ideas between countries. The following regional programs are discussed in greater detail in the attached Program Data Sheets.

**Program Development and Learning (PD&L).** Funds will support the development and refinement of new strategies for country and regional programs, and forward-looking analyses that identify emerging development problems and opportunities in the region. The program also supports planning, analysis, program assessments and evaluations, as well as Agency compliance with reporting and public information needs.

**US-Asia Environmental Partnership (USAEP).** USAEP operates in six countries in Asia (Indonesia, Philippines, Vietnam, Thailand, India and Sri Lanka). Program activities engage the US Government, academic, business, and professional communities in addressing the environmental challenges of rapid industrial and urban growth in Asia. The management of this program is being shifted to USAID's new Regional Development Office in Bangkok, and country programs are being focused to more explicitly support USAID's bilateral objectives in each country.

**Stabilize Population Growth and Protect Human Health.** This program supports USAID's regional HIV/AIDS and infectious-disease activities in Vietnam, Laos, China, Thailand, and Burma. The program also supports research and analyses across the region where lessons can be learned that will inform other country programs. The program will continue to expand sub-regional coordination of surveillance, monitor drug resistance, and prevent and treat tuberculosis and malaria. The management of this program is being shifted to USAID's new Regional Development Office in Bangkok in FY 2003

**The South Asia Regional Democracy program.** Funds support activities to reduce the trafficking of women and children, and improve governance and human rights in South Asia.

**Middle East Regional Democracy program.** FY 2003 funds support democratization efforts in the Middle East and North Africa, and provide technical assistance, training, and other support in the following areas: strengthening civil society, rule of law, judicial reform, and the development of more representative governments. Various elements of this program are expected to continue in the New Middle East Partnership Initiative in FY 2004.

**Encourage Economic Growth program.** This program supports regional energy cooperation and the eventual trade in clean energy resources in South Asia and will initiate a new program element in FY 2004 to support activities focused on improving governance in East Asia.



East Asia Regional Democracy program. This program supports rule of law activities in China and provides funding to organizations helping to maintain Tibetan culture.

**Other Program Elements:** None

**Other Donors:** USAID coordinates with other donors in the region for its regional activities. The HIV/AIDS and environment activities have especially benefited under regional partnerships with multilateral and bilateral donors. This close coordination has bolstered results for USAID objectives in the region. The principal partner donors are the World Bank, the Asian Development Bank, the European Union, Japan, and several UN agencies. Coordination is initiated at both the country and regional levels.

## ANE Regional PROGRAM SUMMARY

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 13,044            | 16,227            | 17,742                   | 14,418             |
| Development Assistance                  | 44,301            | 46,769            | 55,305                   | 26,218             |
| Economic Support Fund                   | 114,079           | 72,250            | 71,250                   | 182,750            |
| Supplemental-ESF                        | 0                 | 20,000            | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>171,424</b>    | <b>155,246</b>    | <b>144,297</b>           | <b>223,386</b>     |

### STRATEGIC OBJECTIVE SUMMARY

|   |        |        |        |         |
|---|--------|--------|--------|---------|
| 498-007 Program Development and Learning                |        |        |        |         |
| CSH   | 1,535  | 8,450  | 5,939  | 1,885   |
| DA  | 12,376 | 25,797 | 36,783 | 9,348   |
| 1/ 498-009 United States-Asia Environmental Partnership |        |        |        |         |
| DA  | 14,878 | 10,000 | 8,000  | 4,800   |
| 498-012 Middle East Regional Democracy Fund             |        |        |        |         |
| ESF   | 3,991  | 6,525  | 5,000  | 0       |
| 2/ 498-022 Regional HIV/AIDS and Infectious Diseases    |        |        |        |         |
| CSH   | 11,237 | 7,777  | 11,803 | 12,533  |
| 3/ 498-023 Encourage Economic Growth                    |        |        |        |         |
| DA  | 14,547 | 9,600  | 9,600  | 8,500   |
| ESF   | 10,620 | 4,000  | 4,000  | 0       |
| 498-024 Sustainable Environment                         |        |        |        |         |
| DA  | 500    | 0      | 0      | 0       |
| ESF   | 4,680  | 3,500  | 0      | 0       |
| 498-036 East Asia Regional Democracy Fund               |        |        |        |         |
| DA  | 0      | 100    | 0      | 0       |
| ESF   | 6,341  | 9,000  | 9,000  | 7,000   |
| 498-037 South Asia Regional Democracy                   |        |        |        |         |
| CSH   | 272    | 0      | 0      | 0       |
| DA  | 2,000  | 1,272  | 922    | 3,570   |
| ESF   | 10,477 | 3,500  | 2,000  | 2,000   |
| 498-xxx Department of State Programs                    |        |        |        |         |
| ESF   | 77,970 | 65,725 | 51,250 | 173,750 |

498-012 includes \$1.5M of the FY 2002 Supplemental- ESF - for the Middle East Partnership Initiative.

498-XXX includes \$18.5M of the FY 2002 Supplemental - ESF- for the Middle East Partnership Initiative.

1/ Excludes funds (all years) shown under the following country programs: India, Indonesia, Philippines, Sri Lanka, Thailand and Vietnam.

2/ Excludes funds (all years) shown under the following country programs: Burma, Laos, Thailand and Vietnam.

3/ Excludes FY 2002 funds shown under Thailand.

## EUROPE AND EURASIA

### DEVELOPMENT CHALLENGE

#### *The Foreign Policy Context*

The United States seeks cooperative relations with Europe and Eurasia (E&E) countries<sup>1</sup> in fighting international terrorism, opening markets, and tackling cross-border issues such as the spread of HIV/AIDS and trafficking in persons. Regional stability in Southeast Europe and the Eurasia sub-regions remain one of the underlying principles of USAID engagement in this part of the world.

The Central Asian Republics and the Caucasus countries are U.S. allies in the global war on terrorism and, as such, will continue to receive significant resources in FY 2004 to promote domestic stability, economic growth, and democracy. Bolstering the independence and transition of all Eurasian countries is also based on the premise that a prosperous and stable neighborhood will reinforce Russia's growing relationship to the Euro-Atlantic community and improve U.S. economic opportunity in that part of the world, including commercial access to oil and gas reserves.

The European transition countries are preparing for membership in regional institutions such as the North Atlantic Treaty Organization (NATO). Three countries (Hungary, Poland, and the Czech Republic) gained entry to NATO in 1999. Seven more (Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, Slovenia) are poised to enter by the end of 2004. The European countries are also working toward meeting the requisite criteria for accession to the European Union, in part with USAID assistance.

Foreign policy priorities are influencing USAID's funding levels and role in the region. Continued progress in reforms in some of the Southeast Europe countries will permit significant cuts over the next several years. As the U.S. Government leaves this sub-region, it will look increasingly to the Europeans to support the integration of Southeast Europe into regional institutions. In Eurasia, funding has increased for the Central Asian Republics, partially as a result of their support for the war on terror. Levels for Russia will decline as the U.S.-Russian partnership in global matters continues to mature and economic assistance becomes less central to Russian and U.S. objectives. The high levels allocated to Ukraine during the 1990s will continue to decrease as a result of disappointing political developments in that country and in preparation for eventual closeout.

#### *Transition Status and Obstacles*

Extraordinary changes have occurred since the post-communist transition to market democracy began in 1989. Region-wide, the private sector now accounts for 62% of Gross Domestic Product (GDP) and Freedom House ranks 12 of the 27 former authoritarian states as free and 9 as partly free. Since 2000, the region has recorded positive economic growth, despite a downturn in the global economy.

Nevertheless, progress across the region has been uneven. The following graph compares the advancement of E&E countries in democratic and economic reforms. The northern tier countries are the transition leaders. They are integrating into international markets and organizations and

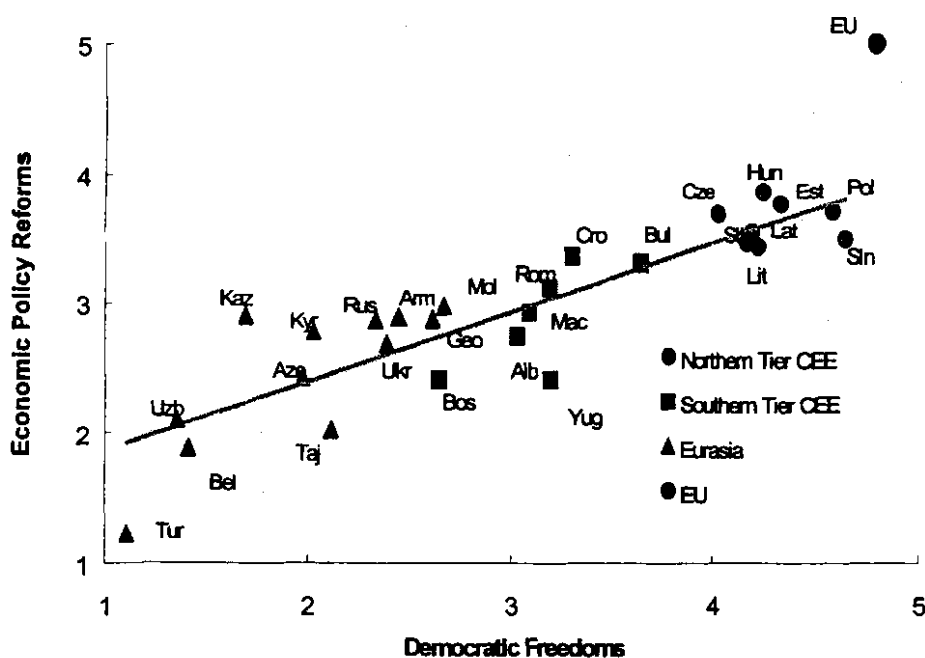
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<sup>1</sup> The transition countries of Europe are in two geographical zones. The northern tier includes Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, and Slovakia. Southeast Europe includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia and Montenegro, and the Province of Kosovo. The transition countries of Eurasia include the Russian Federation; Ukraine, Belarus, and Moldova; the Caucasus countries of Armenia, Azerbaijan, and Georgia; and the Central Asian Republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. USAID also provides economic support assistance to Ireland, Cyprus, and Turkey.

no longer require USAID bilateral assistance, although they still face challenges related to EU accession.

In Southeast Europe, reconstruction of war torn areas is near completion following a decade of ethnic violence. With some exceptions, these countries now appear to be following the transition path charted by the northern tier, although they are well behind the reform targets achieved by the northern tier countries when they graduated from USAID assistance. Weak labor markets in general, combined with large youth populations and poor human capital in select countries, pose special challenges. Corruption remains an issue across the sub-region. Frozen, but unresolved ethnic clashes could easily re-emerge without mechanisms for inter-ethnic understanding and cooperation, particularly given the scheduled decline in donor assistance to these countries.

**Economic Policy Reforms and Democratic Freedoms  
In Central & Eastern Europe and Eurasia: 2002**



Ratings of democratic freedoms are from Freedom House, Nations in Transit 2002 (2002) which cover events through December 2001 and are updated through 2002 by Freedom House, Freedom in the World 2002 (December 2002). Economic policy reform ratings are from EBRD, Transition Report 2002 (November 2002), and cover events through September 2002. Ratings are based on a 1 to 5 scale, with 5 representing most advanced.

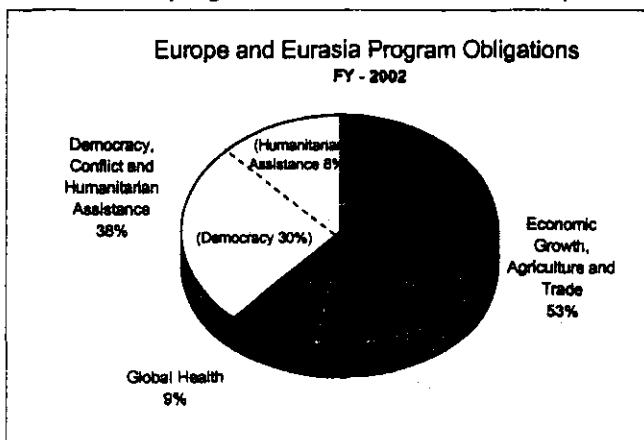
In Eurasia, the picture is more complex. While economic growth for the sub-region has been positive, social conditions are dismal and trends in democratic freedoms are unfavorable. Despite policy reform progress in some of the largest economies (such as Russia, Azerbaijan, Kazakhstan) income inequality is increasing and long-term growth does not yet appear sustainable. Eurasian economies are highly dependent on primary commodities and Russia dominates the economic links within the sub-region. Depletion in human capital is a major concern given the decades-long deterioration of health and education systems. Lackluster reform in several countries has increased their economic and political isolation. With widespread corruption and an incomplete reform process, public trust in government and private institutions continues to deteriorate.

## ***E&E Strategy and Linkages to USAID's Four Pillars***

The E&E strategy, both regional and bilateral, focuses on three core areas: economic restructuring and growth, democracy and governance, and the social dimensions of transition. In addition, USAID develops cross-sector approaches to address critical obstacles and changing circumstances in the region. During FY 2003 – FY 2004, these include: raising the profile of values inherent in transition programs; systematically addressing conflict and corruption in program analysis and design; and further developing social sector initiatives to broaden the benefits of reform and thereby sustain public support for it.

To be successful, reform efforts must be grounded in essential values. Such values require citizens to exercise civic and moral responsibility and to demand protection of inalienable human rights. When embraced, these values insist on an equitable and fair market economy, and help overcome the irrational passions, hatred, and bitterness which ignite and fuel conflict. With eight Muslim-dominated countries in the region and strong Muslim minorities in several other countries, USAID will promote opportunities to positively engage Islam and bridge the growing divide between Islamic and Western society. Successful economic and political reforms will help eliminate fertile soil for Islamic radicalism, as will dialogue which makes clear that the Islamic traditions in Central Asia and the Balkans are not consistent with political and radical Islam. The E&E strategy also provides an integrated approach to combating corruption, looking at the key elements of transparency, accountability, awareness, prevention, and enforcement across the program portfolio.

**Economic Growth, Agriculture and Trade:** About 53% of USAID E&E resources were targeted to economic and related reforms during FY 2002. The program's focus is on the development of market systems, and performance in this area is strong. Fifteen of the 27 countries have achieved full membership in the World Trade Organization. In addition, per capita foreign investment flows have improved overall, although they have been 10 times higher in the European northern tier than in Eurasia. Land reform continues to make a significant contribution to agricultural development in the E&E region and agribusiness development is becoming more prominent in countries possessing a comparative advantage in agriculture.



An emerging theme in the economic growth area is increased competitiveness, in which macroeconomic reforms and microeconomic foundations for business growth are pragmatically developed and linked to local markets. The economic rubric also includes activities related to anti-corruption and business ethics as well as programs aimed at mitigating the adverse impacts of transition. These programs include, for example, social insurance reform, employment generation, and education reform.

**Democracy, Conflict Prevention and Humanitarian Assistance:** About 38% of USAID resources to the region were allocated to this pillar during FY 2002. The E&E strategy focuses on the development of full democracies rooted in the rule of law and based on elections, constitutionalism, a vibrant civic culture, guaranteed human rights, religious freedom, independent and responsible press, and limited government responding to the will of the people. USAID integrates conflict prevention modules into strategies for at-risk countries, such as Macedonia, Georgia, and the republics of Central Asia.

**Global Health:** In FY 2002, about 9% of USAID resources were allocated to health priorities in the region, including HIV/AIDS, infectious disease control, and maternal-child health. According to UN statistics, the steepest rise in new HIV infections worldwide took place in the former Soviet Union, most of it linked to intravenous drug use. The introduction of community-based, primary health care practices has upgraded the clinical skills of family physicians, achieved cost-efficiencies, saved lives, and reduced the number of abortions.

**Public-private Alliances:** Currently, public-private alliances operating in the region include Enterprise Funds, the American International Health Alliance, the Baltic American Partnership Fund, the Balkan Children and Youth Foundation, and a new initiative with the German Marshall Fund to support democracy and governance in Southeast Europe. Building on these experiences, USAID will continue to develop new ways to engage present and potential partners.

### ***External Debt***

Trends in external debt have varied widely in the transition region. Overall levels, while increasing, remain below those found in most developing countries. Total debt was roughly 142% of exports in the transition region in 2001; in the developing countries in 2000, it was 173%. Some transition countries have successfully reduced debt burdens, including Yugoslavia, Russia, and Ukraine in 2001. Nevertheless, external debt remains an issue even for some of the more advanced transition countries. Four of the ten European countries exceeded the Maastricht debt ceiling of 60% of GDP in 2001: Bulgaria (76%); Latvia (71%); Hungary (69%); and Estonia (61%). Of greatest concern, however, are high debt burdens of five relatively poor Eurasian countries: Kyrgyzstan; Georgia; Tajikistan; Armenia; and Moldova. Kyrgyzstan's debt burden is highest (2001 external debt is 288% of exports; debt service is 29% of exports). Debt service is also high in Tajikistan (22%) and Moldova (20%). Total external debt as a percent of exports in Georgia and Armenia is close to levels in Kyrgyzstan.

### **PROGRAM AND MANAGEMENT CHALLENGES**

In light of shifting foreign policy goals and funding trends, USAID must find ways to maximize the impact of the E&E program while systematically planning for graduation and closeout of targeted bilateral programs. In Southeast Europe, Croatia and Bulgaria are on a glide path for graduation and, in Eurasia, strategies for the graduation in several years of Russia and Ukraine will be developed and implemented. Of greatest concern is the slow pace of democratization in Eurasia. In fully functioning democracies, citizens will demand and work on the changes needed to expand economic opportunity and well-being. Where democratic processes and institutions remain fragile, reversals in the transition process are possible.

Lower resource levels in FY 2004 and beyond require considerable adjustments to USAID's regional and bilateral transition programs. Given the need to accelerate reform progress in Eurasia, especially on the democracy front, USAID will develop strategies to preserve reform gains as well as promote continuing progress toward broad-based economic growth, democratic culture, and good governance. The need for innovative post-presence initiatives will be explored for countries targeted for graduation or closeout, in order to safeguard the U.S. assistance investment already made. These initiatives may include wrap-up activities that complete work already underway, legacy mechanisms (such as endowments, local institutions, etc.) that can carry assistance into the future without relying on a local USAID mission, and instruments for humanitarian relief in event of emergencies.

Funding increases in Central Asia pose a different challenge. There USAID is managing a greater magnitude of assistance resources with limited staff who manage activities in five countries. The program challenge is to continue pressing for progress in democracy and human rights within the context of high budget levels resulting from their cooperation in the war on terror.

## **OTHER DONORS**

Principal partners include the European Union's programs for technical assistance to transition countries in Europe (PHARE) and Eurasia (TACIS), the World Bank, European Bank for Reconstruction and Development (EBRD), European bilateral donors, and Japan. Based on the latest available information for official development assistance, the United States stands out as the largest bilateral donor in Eurasia, followed by Japan and Germany. USAID also collaborates with the Asian Development Bank on activities in the Central Asian Republics. In Europe, the European Union is the largest donor, with a contribution about three times that of the United States. The U.S. has been the single largest bilateral donor to Europe countries, followed by Germany, France, Austria, and the Netherlands. In 2003, policy dialogue with European donors and the European Union regarding assistance to Southeast Europe will be a foreign policy priority for the U.S. Government.

## **FY 2004 PROGRAM**

The FREEDOM Support Act (FSA) request level for Eurasia totals \$576 million to fund programs of USAID and other agencies supporting economic and democratic transition and the war on terrorism. This represents a reduction of nearly 10% from FY 2003, after accounting for the separate FY 2004 appropriation for Economic and Cultural Affairs under the U.S. Department of State.

The Assistance for Eastern Europe and the Baltic States Act (AEEB) request level totals \$435 million, a reduction of 12% from FY 2003.

Under the Agency's Economic Growth, Agriculture and Trade area, USAID proposes \$157.3 million under AEEB and \$311.4 million under FSA to foster the emergence of competitive, market-oriented economies in which the majority of economic resources is privately owned and managed. USAID programs will emphasize competitiveness, assistance to small and medium enterprises, agribusiness development, anti-corruption initiatives, and social reform. Energy and environment programs are also included under this rubric. In addition, \$200 million in Economic Support Funds (ESF) is proposed to Turkey for debt servicing in support of its economic recovery.

Under the Agency's Democracy, Conflict and Humanitarian Assistance area, USAID proposes \$262.9 million in AEEB funds and \$197.7 million under FSA to support transparent and accountable governance, the rule of law, and the empowerment of citizens through democratic political processes, civil society, freedom of information, and human rights. Funds will also promote inter-ethnic dialogue and cooperation, and, as needed, facilitate the transition from emergency relief to more traditional development programs in times of crisis. USAID proposes \$12.5 million in ESF for Ireland and \$7.5 million in ESF for Cyprus to promote reconciliation and conflict resolution.

Under the Agency's Global Health area, USAID proposes \$14.9 million in AEEB funds and \$66.9 million under FSA to fight the spread of infectious diseases, including HIV/AIDS and tuberculosis, and improve primary health care practice, with a special focus on mothers and children.

Proposed AEEB and FSA funding under the economic growth and democracy and conflict prevention areas include other USG agencies participating in technical cooperation programs through inter-agency transfers from USAID, such as the Environmental Protection Agency and the Departments of State, Justice, Energy, Treasury, Agriculture, and Commerce.

The E&E bureau is requesting \$10.4 million in non-emergency P.L. 480 funds in the FY 2004 request year for Tajikistan.

**Europe and Eurasia  
PROGRAM SUMMARY**

(In thousands of dollars)

| <b>Accounts</b>                           | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|---|---------------------------|---------------------------|----------------------------------|----------------------------|
| Asst. for E. Europe and the Baltic States | 598,679                   | 621,000                   | 495,000                          | 435,000                    |
| Supplemental - AEEB                       | 75,659                    | 0                         | 0                                | 0                          |
| Child Survival and Health Programs Fund   | 6,782                     | 131                       | 0                                | 0                          |
| Economic Support Fund                     | 44,901                    | 45,000                    | 44,000                           | 220,000                    |
| Supplemental - ESF                        | 0                         | 200,000                   | 0                                | 0                          |
| FREEDOM Support Act                       | 808,218                   | 784,000                   | 755,000                          | 576,000                    |
| Emergency Response Fund - FSA/NIS         | 0                         | 64,000                    | 0                                | 0                          |
| Supplemental - FSA/NIS                    | 0                         | 110,000                   | 0                                | 0                          |
| PL 480 Title II                           | 59,057                    | 31,115                    | 0                                | 10,400                     |
| <b>Total Program Funds</b>                | <b>1,593,296</b>          | <b>1,855,246</b>          | <b>1,294,000</b>                 | <b>1,241,400</b>           |

Assistant Administrator,  
Kent R. Hill



**Europe  
PROGRAM SUMMARY**

(In thousands of dollars)

| Country / Fund Account                    | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| <b>Albania</b>                            |                   |                   |                          |                    |
| Asst. for E. Europe and the Baltic States | 35,255            | 35,250            | 28,000                   | 28,000             |
| <b>Total Albania</b>                      | <b>35,255</b>     | <b>35,250</b>     | <b>28,000</b>            | <b>28,000</b>      |
| <b>Bosnia and Herzegovina</b>             |                   |                   |                          |                    |
| Asst. for E. Europe and the Baltic States | 79,924            | 65,005            | 50,000                   | 44,000             |
| <b>Total Bosnia and Herzegovina</b>       | <b>79,924</b>     | <b>65,005</b>     | <b>50,000</b>            | <b>44,000</b>      |
| <b>Bulgaria</b>                           |                   |                   |                          |                    |
| Asst. for E. Europe and the Baltic States | 35,123            | 34,100            | 28,000                   | 27,000             |
| <b>Total Bulgaria</b>                     | <b>35,123</b>     | <b>34,100</b>     | <b>28,000</b>            | <b>27,000</b>      |
| <b>Croatia</b>                            |                   |                   |                          |                    |
| Asst. for E. Europe and the Baltic States | 30,032            | 44,000            | 30,000                   | 25,000             |
| Supplemental - AEEB                       | 14,593            | 0                 | 0                        | 0                  |
| <b>Total Croatia</b>                      | <b>44,625</b>     | <b>44,000</b>     | <b>30,000</b>            | <b>25,000</b>      |
| <b>Cyprus</b>                             |                   |                   |                          |                    |
| Economic Support Fund                     | 14,967            | 15,000            | 15,000                   | 7,500              |
| <b>Total Cyprus</b>                       | <b>14,967</b>     | <b>15,000</b>     | <b>15,000</b>            | <b>7,500</b>       |
| <b>Europe Regional</b>                    |                   |                   |                          |                    |
| Asst. for E. Europe and the Baltic States | 86,081            | 74,139            | 60,000                   | 52,000             |
| Child Survival and Disease Programs Fund  | 770               | 0                 | 0                        | 0                  |
| <b>Total Europe Regional</b>              | <b>86,851</b>     | <b>74,139</b>     | <b>60,000</b>            | <b>52,000</b>      |
| <b>Ireland</b>                            |                   |                   |                          |                    |
| Economic Support Fund                     | 29,934            | 30,000            | 29,000                   | 12,500             |
| <b>Total Ireland</b>                      | <b>29,934</b>     | <b>30,000</b>     | <b>29,000</b>            | <b>12,500</b>      |
| <b>Kosovo</b>                             |                   |                   |                          |                    |
| Asst. for E. Europe and the Baltic States | 149,670           | 118,000           | 85,000                   | 80,000             |
| Child Survival and Health Programs Fund   | 0                 | 131               | 0                        | 0                  |
| <b>Total Kosovo</b>                       | <b>149,670</b>    | <b>118,131</b>    | <b>85,000</b>            | <b>80,000</b>      |
| <b>Macedonia (FYROM)</b>                  |                   |                   |                          |                    |
| Asst. for E. Europe and the Baltic States | 33,126            | 49,506            | 50,000                   | 39,000             |
| <b>Total Macedonia</b>                    | <b>33,126</b>     | <b>49,506</b>     | <b>50,000</b>            | <b>39,000</b>      |
| <b>Montenegro</b>                         |                   |                   |                          |                    |
| Asst. for E. Europe and the Baltic States | 54,878            | 60,000            | 25,000                   | 18,000             |
| Supplemental - AEEB                       | 17,462            | 0                 | 0                        | 0                  |
| <b>Total Montenegro</b>                   | <b>72,340</b>     | <b>60,000</b>     | <b>25,000</b>            | <b>18,000</b>      |
| <b>Romania</b>                            |                   |                   |                          |                    |
| Asst. for E. Europe and the Baltic States | 38,414            | 36,000            | 29,000                   | 27,000             |
| <b>Total Romania</b>                      | <b>38,414</b>     | <b>36,000</b>     | <b>29,000</b>            | <b>27,000</b>      |
| <b>Serbia</b>                             |                   |                   |                          |                    |
| Asst. for E. Europe and the Baltic States | 56,176            | 105,000           | 110,000                  | 95,000             |
| Supplemental - AEEB                       | 43,640            | 0                 | 0                        | 0                  |
| PL 480 Title II                           | 33,978            | 1,738             | 0                        | 0                  |
| <b>Total Serbia</b>                       | <b>133,758</b>    | <b>106,738</b>    | <b>110,000</b>           | <b>95,000</b>      |
| <b>Turkey</b>                             |                   |                   |                          |                    |
| Economic Support Fund                     | 0                 | 0                 | 0                        | 200,000            |
| Supplemental - ESF                        | 0                 | 200,000           | 0                        | 0                  |
| <b>Total Turkey</b>                       | <b>0</b>          | <b>200,000</b>    | <b>0</b>                 | <b>200,000</b>     |
| <b>Total Program Funds</b>                | <b>753,987</b>    | <b>867,869</b>    | <b>539,000</b>           | <b>655,000</b>     |

**Europe  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Asst. for E. Europe and the Baltic States | 598,679           | 621,000           | 495,000                  | 435,000            |
| Supplemental - AEEB                       | 75,659            | 0                 | 0                        | 0                  |
| Child Survival and Health Programs Fund   | 770               | 131               | 0                        | 0                  |
| Economic Support Fund                     | 44,901            | 45,000            | 44,000                   | 220,000            |
| Supplemental - ESF                        | 0                 | 200,000           | 0                        | 0                  |
| PL 480 Title II                           | 33,978            | 1,738             | 0                        | 0                  |
| <b>Total Program Funds</b>                | <b>753,987</b>    | <b>867,869</b>    | <b>539,000</b>           | <b>655,000</b>     |

Acting Deputy Assistant Administrator,  
Paula Feeney

**Eurasia  
PROGRAM SUMMARY**

(In thousands of dollars)

| Country / Fund Account                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| <b>Armenia</b>                          |                   |                   |                          |                    |
| FREEDOM Support Act                     | 90,811            | 90,200            | 70,000                   | 49,500             |
| PL 480 Title II                         | 742               | 911               | 0                        | 0                  |
| Total Armenia                           | 91,553            | 91,111            | 70,000                   | 49,500             |
| <b>Azerbaijan</b>                       |                   |                   |                          |                    |
| FREEDOM Support Act                     | 36,350            | 43,510            | 46,000                   | 41,500             |
| PL 480 Title II                         | 2,501             | 2,239             | 0                        | 0                  |
| Total Azerbaijan                        | 38,851            | 45,749            | 46,000                   | 41,500             |
| <b>Belarus</b>                          |                   |                   |                          |                    |
| FREEDOM Support Act                     | 11,879            | 10,572            | 9,500                    | 8,000              |
| Total Belarus                           | 11,879            | 10,572            | 9,500                    | 8,000              |
| <b>Central Asia Regional</b>            |                   |                   |                          |                    |
| FREEDOM Support Act                     | 7,567             | 7,850             | 9,000                    | 6,000              |
| Emergency Response Fund - FSA/NIS       | 0                 | 6,000             | 0                        | 0                  |
| Total Central Asia Regional             | 7,567             | 13,850            | 9,000                    | 6,000              |
| <b>Eurasia Regional</b>                 |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 550               | 0                 | 0                        | 0                  |
| FREEDOM Support Act                     | 55,254            | 54,831            | 58,000                   | 49,000             |
| Total Eurasia Regional                  | 55,804            | 54,831            | 58,000                   | 49,000             |
| <b>Georgia</b>                          |                   |                   |                          |                    |
| FREEDOM Support Act                     | 95,361            | 89,807            | 87,000                   | 75,000             |
| PL 480 Title II                         | 9,205             | 0                 | 0                        | 0                  |
| Total Georgia                           | 104,566           | 89,807            | 87,000                   | 75,000             |
| <b>Kazakhstan</b>                       |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 200               | 0                 | 0                        | 0                  |
| FREEDOM Support Act                     | 48,596            | 45,815            | 43,000                   | 32,000             |
| Supplemental - FSA/NIS                  | 0                 | 1,500             | 0                        | 0                  |
| Total Kazakhstan                        | 48,796            | 47,315            | 43,000                   | 32,000             |
| <b>Kyrgyzstan</b>                       |                   |                   |                          |                    |
| FREEDOM Support Act                     | 32,594            | 35,489            | 36,000                   | 40,000             |
| Emergency Response Fund - FSA/NIS       | 0                 | 3,500             | 0                        | 0                  |
| Supplemental - FSA/NIS                  | 0                 | 33,000            | 0                        | 0                  |
| Total Kyrgyzstan                        | 32,594            | 71,989            | 36,000                   | 40,000             |
| <b>Moldova</b>                          |                   |                   |                          |                    |
| FREEDOM Support Act                     | 45,072            | 35,946            | 32,500                   | 23,000             |
| Total Moldova                           | 45,072            | 35,946            | 32,500                   | 23,000             |
| <b>Russia</b>                           |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 3,543             | 0                 | 0                        | 0                  |
| FREEDOM Support Act                     | 163,477           | 159,083           | 148,000                  | 73,000             |
| Total Russia                            | 167,020           | 159,083           | 148,000                  | 73,000             |
| <b>Tajikistan</b>                       |                   |                   |                          |                    |
| FREEDOM Support Act                     | 16,805            | 19,372            | 22,500                   | 35,000             |
| Supplemental - FSA/NIS                  | 0                 | 37,000            | 0                        | 0                  |
| PL 480 Title II                         | 12,631            | 26,227            | 0                        | 10,400             |
| Total Tajikistan                        | 29,436            | 82,599            | 22,500                   | 45,400             |
| <b>Turkmenistan</b>                     |                   |                   |                          |                    |
| FREEDOM Support Act                     | 6,145             | 7,398             | 7,000                    | 8,000              |
| Supplemental - FSA/NIS                  | 0                 | 4,000             | 0                        | 0                  |
| Total Turkmenistan                      | 6,145             | 11,398            | 7,000                    | 8,000              |

**Eurasia  
PROGRAM SUMMARY**

(in thousands of dollars)

| Country / Fund Account                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| <b>Ukraine</b>                          |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 1,019             | 0                 | 0                        | 0                  |
| FREEDOM Support Act                     | 172,997           | 154,937           | 155,000                  | 94,000             |
| <b>Total Ukraine</b>                    | <b>174,016</b>    | <b>154,937</b>    | <b>155,000</b>           | <b>94,000</b>      |
| <b>Uzbekistan</b>                       |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 700               | 0                 | 0                        | 0                  |
| FREEDOM Support Act                     | 25,310            | 29,190            | 31,500                   | 42,000             |
| Emergency Response Fund - FSA/NIS       | 0                 | 54,500            | 0                        | 0                  |
| Supplemental - FSA/NIS                  | 0                 | 34,500            | 0                        | 0                  |
| <b>Total Uzbekistan</b>                 | <b>26,010</b>     | <b>118,190</b>    | <b>31,500</b>            | <b>42,000</b>      |
| <b>Total Program Funds</b>              | <b>839,309</b>    | <b>987,377</b>    | <b>755,000</b>           | <b>576,000</b>     |

## Albania

**The Development Challenge:** In the last decade, Albania has been making the transition from 46 years of communism to multiparty democracy and a liberal economic system. Impeding Albania's democratic and economic development is the legacy of communism, crushing poverty, failed institutions, a weak rule of law, poor social conditions, and a large out-migration of people seeking jobs.

In terms of poverty, Albania remains the poorest Eastern European country and ranks 85th out of 162 countries on the 2001 Human Development Index. In absolute terms, 46.6% of all Albanians are below the poverty line of \$2 per capita per day, while 17.4% are below the poverty line of \$1 per capita per day. Poverty is most pervasive in rural areas where 53% of Albania's population resides, and four out of five poor Albanians reside.

The economy is and will remain dominated in the short to mid-term by the agricultural sector, which accounted for 60% of GDP in 1950 and 53% in 2001. Approximately two-thirds of all workers are employed in the agriculture sector. Albania's balance of trade is heavily weighted toward imports due to growing domestic demand for foreign goods as well as large increases in electricity imports. Exports are declining because of a steady contraction in industrial production from antiquated equipment and a lack of private investment. The European Bank for Reconstruction and Development (EBRD) projects that per capita foreign direct investment will only be \$66 in 2002. Finally, as of 2001, the registered unemployment rate was 14.4%.

**The USAID Program:** The USAID program in Albania supports economic growth and modernization of the agricultural sector, democratic development, and social stability. USAID's objectives support the U.S. interests identified in the U.S. Strategic Plan for International Affairs: promoting broad-based economic growth, increasing foreign governments' adherence to democratic practices and respect for human rights, protecting human health, and ensuring that local and regional instabilities do not threaten the security and well-being of the United States and its allies.

The Program Data Sheets provided below cover the six strategic objectives for which USAID is requesting funds. They concentrate on the following three general development topics:

- 1) economic growth and agricultural sector development by increasing private investment, improving the availability of credit to entrepreneurs, and strengthening the banking system;
- 2) democratic reform to support civil society by increasing citizen awareness of public issues, assisting in elections, strengthening legal institutions, and supporting the GOA decentralization program; and
- 3) health reform to improve primary health care by developing and implementing quality primary health care models, strengthening management capacity at the primary health care level, and encouraging community participation to ensure better health care for Albanians.

**Other Program Elements:** USAID also provides assistance for Albania through numerous programs that do not draw on bilateral funding. Regionally-funded activities in Albania include: support for NGOs which monitor government accountability; support for NGOs working on anti-corruption, advocacy and information sharing via the Organization for Economic Cooperation and Development's Anti-Corruption Network; provision of training for journalists, labor leaders, health professionals, bankers, and other professionals; and a group of energy activities that seek greater efficiency in power generation and distribution, as well as management of energy resources.

**Other Donors:** Cooperation between USAID and other donor organizations active in Albania is strong and growing. The United States is Albania's third largest bilateral donor, after Italy and Greece. Other major contributors include Germany, the World Bank (WB), International Monetary Fund (IMF), European Union (EU), European Investment Bank, European Bank for Reconstruction and Development (EBRD), Open Society Foundation, United Nations Development Program (UNDP), Food and Agriculture

Organization (FAO), and International Fund for Agricultural Development (IFAD). Key elements of donor support focus on democratization and institutional development, with an emphasis on the judiciary, political cooperation, media, local government, and civil service reform.

**Albania**  
**PROGRAM SUMMARY**  
(In thousands of dollars)

| Accounts                                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Asst. for E. Europe and the Baltic States | 35,255            | 35,250            | 28,000                   | 28,000             |
| <b>Total Program Funds</b>                | <b>35,255</b>     | <b>35,250</b>     | <b>28,000</b>            | <b>28,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |        |        |       |       |
|--|--------|--------|-------|-------|
| <b>182-0130 Economic Restructuring and Agriculture Development</b> |        |        |       |       |
| AEBB   | 13,810 | 12,250 | 5,763 | 6,528 |
| <b>182-0140 Financial Sector</b>                                   |        |        |       |       |
| AEBB   | 1,272  | 0      | 0     | 0     |
| <b>182-0210 Civil Society</b>                                      |        |        |       |       |
| AEBB   | 4,549  | 5,171  | 4,327 | 4,327 |
| <b>182-0220 Rule of Law</b>  |        |        |       |       |
| AEBB   | 550    | 2,479  | 2,280 | 2,280 |
| <b>182-0230 Local Government</b>                                   |        |        |       |       |
| AEBB   | 1,501  | 0      | 0     | 0     |
| <b>182-0320 Health Sector Improvement</b>                          |        |        |       |       |
| AEBB   | 4,125  | 3,775  | 3,000 | 3,000 |
| <b>182-0410 Special Initiatives</b>                                |        |        |       |       |
| AEBB   | 1,991  | 2,900  | 3,720 | 2,500 |
| <b>182-0420 Cross-Cutting Programs</b>                             |        |        |       |       |
| AEBB   | 1,750  | 2,465  | 2,500 | 2,955 |
| <b>TRANSFER</b>  |        |        |       |       |
| AEBB   | 5,707  | 6,210  | 6,410 | 6,410 |

Mission Director,  
Harry Birmholz

## **Bosnia and Herzegovina**

**The Development Challenge:** Seven years after the end of the war, Bosnia-Herzegovina (BiH) is still struggling to overcome the political, economic and societal effects of the conflict. After two years of moderate--but ineffectual rule, many voters stayed home on election day. Although the nationalist parties lost ground in numbers of voters (compared to prior elections), the citizens who went to the polls in October 2002 put the hard-line parties back in power at the State level and in both entities. As these are the same nationalist parties that drove BiH into the war, the task of promoting cooperation and reduction of political and administrative barriers among the entities may become more challenging in the near future. It is not yet clear how the shift back to nationalism will affect the high number of minority refugees who are continuing the return to their pre-war homes. In the first nine months of 2002, over 80,000 minority returns were recorded throughout the country. Many of these returns are taking place in areas such as Srebrenica, where some of the worst wartime atrocities took place. On the economic front, BiH also faces unique challenges. Unlike many other former communist countries in the region, BiH never experienced an economic collapse until the advent of war. As a consequence, policymakers often look back to the pre-war years as a model for economic transformation rather than embracing market-driven reforms. Official figures for unemployment hover at 40%. However, some experts think the true figure is closer to 25% due to the large grey economy, which has played a vital role in keeping the country afloat and avoiding civil unrest. Most observers, however, feel that BiH is far enough along in its transition to a market economy that the grey economy has outlived its usefulness--especially since its negative effects include erosion of the government's tax base, preventing it from providing needed public services. Bureaucratic barriers to starting new businesses are so cumbersome that the Office of the High Representative (OHR) recently created a taskforce to find ways to lessen the administrative burdens. Corruption is also a problem. According to Human Rights Watch, trafficking in women and children continues to flourish. It is estimated that over 2,000 victims have been trafficked into BiH.

U.S. foreign policy priorities in BiH include: fighting corruption, terrorism, organized crime--including human trafficking; building a viable and democratic criminal justice system; building effective and integrated state-level law enforcement institutions; developing a state-level unified military eligible for membership in NATO's Partnership for Peace program; accelerating BiH's progress toward transition to a market economy; and promoting democratic institutions capable of successfully resolving political disputes, particularly those arising from ethnic differences.

**The USAID Program:** The U.S. assistance program strives for a stable Bosnia-Herzegovina with a functioning and dynamic free market economy and a democratic society. The Data Sheets provided below cover the three strategic objectives for which USAID is requesting funds. Since its inception in 1995, USAID's program portfolio in BiH has shifted focus from an emergency assistance program designed to restore basic living conditions and enable the restart of economic activities, to one with the following three strategic objectives: 1) accelerated development of the private sector (by supporting macroeconomic reforms, sound fiscal policies, and a viable banking system); 2) a more participatory, inclusive democratic society (by fostering a professional, independent judiciary, independent media, free and fair elections, a responsive and transparent government, and citizen advocacy coming from a robust civil society); and 3) sustainable minority returns (through the provision of community based infrastructure and services).

On the economic front, among the new programs to be established in FY 2003 are: 1) Targeted assistance to provide comprehensive technical and financial assistance to key industries that offer BiH the greatest opportunity for growth; and 2) Technical assistance to establish commercial sections in the courts, and to train judges, appraisers, lawyers and trustees in improved mechanisms to expedite commercial legal disputes.

USAID-sponsored courses dealing with credit risk and consumer lending are also helping banks to increase their lending significantly. A comprehensive assessment of banking needs directed USAID to support the creation of a movable property collateral registry which will further lift constraints to lending.



Refugee returns will be facilitated by USAID through the year with the repair of community-level infrastructure as well as provision of small income generation grants and loans to returnees.

In the fall of 2002, USAID entered into a contract for a new three-year activity that will address administrative obstacles to the rule of law at the municipal and cantonal levels, thereby providing crucial assistance in an area of reform otherwise neglected by the international community in BiH. Rule of law will also be strengthened in FY 2003 as ABA-CEELI continues to work on major reforms such as developing the bar, working with OHR on legal reforms and promoting legal advocacy.

In FY 2003, USAID plans to target resources towards assisting vulnerable segments of society. These efforts will be based on USAID's support in 2002 for a UNICEF-led assessment of children at risk in BiH. The assessment helped build the capacity of local partners in conducting participatory research with children and will be followed by a series of action plans to address the findings. USAID/BiH, through the International Organization for Migration (IOM) is providing support for safe houses that provide housing and medical care for trafficked women. The effort has assisted over 400 women to date.

In FY 2003, USAID will also continue to complement its three strategic objectives by sponsoring participant training for decision makers throughout the country. Previous training topics have ranged from international accounting standards to multiethnic governance to legislative drafting. The training strengthens the knowledge and skills of BiH professionals by offering an opportunity to examine U.S. models and approaches. Competitively selected participants are those with decision-making roles in their organizations who will have an immediate and substantial impact on effecting change in Bosnia and Herzegovina.

**Other Program Elements:** USAID/BiH currently manages or funds all of its ongoing programs.

**Other Donors:** The World Bank and European Union (EU) are the two largest donor institutions in BiH, with the U.S. being the largest bi-lateral donor. Other significant contributors include the German, Swedish, Dutch and Japanese governments, as well as the European Bank for Reconstruction and Development (ERBD). USAID works closely with the German, Swedish, and Dutch governments which support minority returns through housing reconstruction in areas when USAID funds infrastructure. USAID has worked closely with the World Bank in the water sector, and the EU has played a major role in reforming water laws and policies on the entity level. USAID also has close collaboration with other major donors in the World Bank Power III project. Partners in this project include the Spanish, Italians, Norwegians, Japanese, Canadians, and EBRD. On the economic front, USAID works closely with the European Commission, the World Bank, and the German assistance agency Society for Technical Cooperation (GTZ) in carrying out its activities. Rule of Law activities are coordinated closely with the Office of the High Representative (OHR).

**Bosnia and Herzegovina  
PROGRAM SUMMARY**

(In thousands of dollars)

| <b>Accounts</b>                           | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|---|---------------------------|---------------------------|----------------------------------|----------------------------|
| Asst. for E. Europe and the Baltic States | 79,924                    | 65,005                    | 50,000                           | 44,000                     |
| <b>Total Program Funds</b>                | <b>79,924</b>             | <b>65,005</b>             | <b>50,000</b>                    | <b>44,000</b>              |

**STRATEGIC OBJECTIVE SUMMARY**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>168-0130 Economic Restructuring</b>                    |        |        |        |        |
| AEEB  | 10,667 | 18,297 | 10,158 | 13,207 |
| <b>168-0210 Multi-Ethnic Democratic Society</b>           |        |        |        |        |
| AEEB  | 7,232  | 16,739 | 11,624 | 9,709  |
| <b>168-0310 Reduced Human Suffering and Crises Impact</b> |        |        |        |        |
| AEEB  | 41,455 | 0      | 0      | 0      |
| <b>168-0311 Minority Returns</b>                          |        |        |        |        |
| AEEB  | 1,054  | 11,783 | 8,273  | 3,184  |
| <b>TRANSFER</b>   |        |        |        |        |
| AEEB  | 19,516 | 18,186 | 19,945 | 17,900 |

Mission Director,  
Howard Sumka

## Bulgaria

**The Development Challenge:** The transition from communism has been slow and troubled in Bulgaria. Despite the exceptional progress of the past five years, the country remains very poor by any European standard. Macroeconomic stability and democratic politics have not transformed yet into tangible economic and social improvements. Bulgarians are frustrated and angered by the influence of organized crime and endemic corruption. In a nut shell, democracy and market economy in Bulgaria are stuck in their adolescence.

The invitation to join NATO extended to the country on November 21, 2002 and the Roadmap for EU accession released by the Union in December are the two key events that will shape the development environment in the next 4-5 years. Acting already as a "de facto ally", Bulgaria becomes even more important as an anchor of stability in the region and as a development model for its neighbors. By virtue of its geographic position the country has an important role in preventing gray arms transfers, supporting the war on terrorism, and in countering significant international criminal activities including trafficking in people, drugs and weapons. The growing international importance of Bulgaria to U.S. national interests makes it crucial for them to address development constraints while proving the country as a reliable NATO partner.

Within this international context, several alarming political trends have characterized Bulgaria for the past two years: a growing gap between popular expectations and the political elite's agenda, plunging trust in the public institutions, and general disengagement from public life. In addition to this mounting political apathy, the ruling majority is further troubled by internal disagreement and poor coordination among the state institutions. Major deficiencies in enforcing the rule of law exacerbate this plummeting public trust in the state institutions. The Bulgarian judiciary remains weak, poorly administered, under-funded, and low in morale. Crime and corruption continue to be major problems, with excessive discretionary power at all levels, over-bureaucratized and ineffective administrative systems, legislative gaps, weak law enforcement, and insufficiently developed oversight mechanisms. With regard to local governance, the significant policy advances in fiscal decentralization made during the past year remain to be translated into specific legislative measures and state budgets. While the Bulgarian Government remains committed to the reform, the pace is still slow. The upcoming municipal elections in late 2003 may further delay the process.

In economic terms, Bulgaria has managed to sustain solid macroeconomic performance and sound fiscal policies. Bulgaria has enjoyed sustained 4% average real GDP growth for five consecutive years. Annual cumulative inflation declined from 579% in 1997 to 2.5% as of November 2002. Despite these favorable macroeconomic trends, overall annual economic growth for 1990-2000 is still negative. Foreign direct investment in FY 2002 was disappointingly low, marking a 37% decrease relative to the same period in FY 2001. Though improving, the overall business climate is hindered by frequent changes in the legislative framework, excessive regulation, poor contract enforcement, lack of transparency, and other administrative barriers. Access to credit for the private sector, especially SMEs, is still low; and the capital market underdeveloped. On the external market, the economy's competitiveness remains relatively low, regardless of the EU's decision to recognize Bulgaria as a functioning market economy, albeit with reservations. While second stage economic reforms continue, the restructuring of key large-scale industries remains incomplete.

With a minimum monthly wage of \$50, an average working salary of \$134, and an average pension of \$50, Bulgaria has the lowest income level in Central and Eastern Europe. Although poverty has slightly decreased in the past years, GDP per capita is only one-half the Central European average and merely one-fourth of the EU average. Unemployment, officially estimated at 17%, is among the highest of all transition countries, with long-term joblessness accounting for 60% of the registered unemployed. Every third unemployed is a young person and every fifth is aged over fifty. This dramatic deterioration of the living standards has disproportionately affected certain vulnerable groups like the elderly, children, minorities, and women, while the existing social assistance system has failed to adequately respond to

their needs. Regional disparities are growing and the demographic decline exacerbating, as a result of declining birth rates, rising mortality, and continuing emigration.

National security is the overriding U.S. national interest in Bulgaria, embodied in the goals of counterterrorism, regional stability, international crime and drugs, economic prosperity and security, and democracy and human rights.

**The USAID Program:** Members of United States government agencies conducted a review of the USG assistance program to Bulgaria in Washington on December 12-13, 2002. The interagency group agreed upon assistance priorities, time frame and funding levels for SEED programs. It was agreed that Bulgaria would graduate from the SEED assistance in 2007, with the last year of funding in FY 2006, in expectation that Bulgaria will achieve its development goals and be invited to join the European Union then. The interagency group concluded that steady SEED assistance through FY 2006 (\$28 million/year) could raise Bulgaria's ability to sustain reforms and overcome pervasive corruption and serious gaps in law enforcement. The U.S. government's top priorities include: (1) rule of law, crime and anti-corruption; (2) economic growth and job creation; and (3) strengthening local government. Assistance in these areas is important to U.S. interests and will be tightly conditioned in order to further speed the pace of the reforms and guarantee the Government of Bulgaria's support. Selected lower priority programs like pension and health reforms will continue to preserve the investment to date. Modest assistance to disadvantaged minorities will be provided as well. USAID/Bulgaria is working on its recommendations for a graduation strategy that will restructure and re-package current activities and will consider the launching of new ones to address the agreed upon priorities. The document will be ready for review and approval in the spring of 2003. Meanwhile, the Mission is already reshaping its program to address the three top priorities, as defined during the December review. The Program Data Sheets follow the structure of the current strategic document and cover the seven strategic objectives for which USAID is requesting FY 2003 and FY 2004 funds. Nevertheless, the funding levels of the specific program categories address the newly defined and agreed upon USG assistance priorities in Bulgaria.

In FY2003 and FY2004, USAID will address deficiencies in the rule of law area by continuing its efforts to modernize the Bulgarian court administration, improve the professionalism of the judiciary, and increase the transparency of the public administration through enhancing the internal controls and investigative capacity within the central government. The Mission will seek to improve the Bulgarian business climate, boost economic growth, and contribute to job creation by improving the legal/regulatory environment, enhancing the competitiveness of priority industry clusters, facilitating trade, providing access to credit, and supporting public-private dialogue on strategies for private enterprise growth, leading to job creation and improved living standards in the country. USAID will launch a new program in FY 2003 that will assist the establishment of a sound energy legal framework and regulatory system. Recognizing the importance of fiscal and administrative decentralization, USAID will promote the adoption of a favorable framework providing local governments with the authority to match responsibilities. The Mission will also assist in the establishment of financial tools, resources and practices for the creation of a sound municipal finance base, while continuing to build the capacity of local administrations. To mitigate the adverse social impact of transition, the Mission will continue to support crucial reforms in the areas of labor market efficiency, healthcare financing, pension reform, and inclusion of vulnerable groups. FY2003 funds will be used to implement ongoing programs in rule of law, economic and democratic development, local government, environment and social sector as described in the FY2003 Congressional Budget Justification but under a different SO structure. USAID also intends to use FY2003 funds to carry out certain new activities in response to changing circumstances.

**Other Program Elements:** In addition to the resources requested in the Program Data Sheets the country will benefit from two programs managed by the EGAT Bureau. First, Bulgarian experts will participate in 10 long-term academic and four short-term programs in U.S. universities and over 100 trainees will attend short-term in-country trainings under the Eastern and Central Europe Scholarship Program. Second, the work under the Rule of Law Assessment program managed by the DCHA Bureau will help the Mission to fine tune its rule of law portfolio to better address the needs of the country. Representatives from Bulgaria will also participate in several E&E managed initiatives: the Regional Infrastructure Program for Water and Transportation; the Energy Regulators Regional Association; Balkan

Regional Electricity Markets; E&E Environmental Partnerships, to mention some of them. In addition, Bulgaria will be actively involved in a number of regional initiatives. The American University in Bulgaria continues to receive USG support.

**Other Donors:** The EU is the largest multilateral donor, offering nearly \$300 million per year for assistance via three pre-accession instruments: PHARE (institutions building, regulatory infrastructure development, and economic/social cohesion), SAPARD (agricultural and rural development), and ISPA (environment and transport infrastructure). The EU Accession Roadmap proposed this year envisions progressive increase in assistance towards 2006. Given that increased funding is subject to the country's absorptive capacity, Bulgaria might not be able to take full advantage of this opportunity. World Bank assistance to Bulgaria has been set at \$750 million for 2002 - 2005. It is expected that the first Program Adjustment Loan (PAL 1) will be approved in 2003, aimed to advance the structural, regulatory and institutional reform in the real sector. UNDP centers its Country Cooperation Framework on good governance, job creation, information technology, and environmental protection.

USAID is among the leading bilateral donors in Bulgaria, co-chairing the GOB-established donor coordination group on business environment. The Mission participates in all other topical working groups. Other major bilateral donors include the Swiss Government (natural resources management, social services, SMEs); Dutch Government (agriculture, industry and technology, energy and environment, transport and infrastructure, civil society); German Government (agriculture, SMEs); Japanese Government (infrastructure development), and the British Know-How Fund (public sector, civil society, financial markets, social welfare). While most bilateral donors have not officially tied their support to Bulgaria's EU accession date, their timing and priorities are in line with the major accession requirements.

**Bulgaria  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Asst. for E. Europe and the Baltic States | 35,123            | 34,100            | 28,000                   | 28,000             |
| <b>Total Program Funds</b>                | <b>35,123</b>     | <b>34,100</b>     | <b>28,000</b>            | <b>28,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>183-0130 Private Sector Development</b>                            |       |       |       |       |
| AEEB  | 5,675 | 7,575 | 7,500 | 7,430 |
| <b>183-0140 Financial Sector Development</b>                          |       |       |       |       |
| AEEB  | 9,123 | 5,100 | 2,960 | 2,950 |
| <b>183-0210 Vibrant Civil Society</b>                                 |       |       |       |       |
| AEEB  | 5,230 | 3,700 | 3,750 | 4,000 |
| <b>183-0220 Rule of Law</b>   |       |       |       |       |
| AEEB  | 2,315 | 4,000 | 3,200 | 3,500 |
| <b>183-0230 Local Gov't Strengthening &amp; Municipal Development</b> |       |       |       |       |
| AEEB  | 4,255 | 3,675 | 3,100 | 2,950 |
| <b>183-0410 Special Initiatives</b>                                   |       |       |       |       |
| AEEB  | 1,950 | 2,520 | 620   | 300   |
| <b>183-0420 Cross-Cutting Programs</b>                                |       |       |       |       |
| AEEB  | 3,150 | 3,325 | 1,700 | 1,700 |
| <b>TRANSFER</b>   |       |       |       |       |
| AEEB  | 3,425 | 4,205 | 5,170 | 5,170 |

Mission Director,  
Debra McFarland

## Croatia

**The Development Challenge:** Croatia began its transition to democracy and a market-oriented economy in January 2000, with the election of a coalition of democratic parties to Parliament. A successful transition is important to the key U.S. foreign policy goals of achieving stability in the Balkans and managing transnational threats.

Croatia has made significant, but uneven progress, and has not yet fully consolidated democratic institutions or successfully integrated into Euro-Atlantic institutions. Until recently, the Croatian government had stayed the course toward justice on war crimes and renewal of economic ties and other forms of cooperation with former Yugoslav partners. The Croatian government's hesitance to come into compliance with its obligation to cooperate with the International Criminal Tribunal for the former Yugoslavia (ICTY) when presented with an indictment for former Chief of General Staff Bobetko demonstrates that while the current government has made a serious start on the reform process, those reforms are not irreversible. The moral suasion of the international community, especially the United States, continues to be critical for encouraging Croatia to meet its Dayton and Erdut commitments, including cooperation with the war crimes tribunal in The Hague.

United States Government assistance, the primary source of technical advice to the Government of Croatia (GOC) on economic reform and strengthening of democratic institutions, continues to influence and leverage commitments that further U.S. national interests - including the development of a free market-oriented economy, fully reformed democratic institutions, cooperation on war crimes prosecution, and closer association to the European Union (EU) and other Western institutions. Staying the course in USAID support for these processes will be essential to helping Croatia weather not only the typical "transition backlash", but also a detectable resurgence of nationalist sentiment.

The issue of minority returns to Croatia remains a major concern, with the momentum of the immediate post-2000 election period lost. The number of returns in 2002 was roughly equal to 2001, but remains down from 2000 levels by 25 percent. Few Croatian Serbs are benefiting from GOC assistance in resolving accommodation and property issues. While neighbor-to-neighbor relations at the local level continue to improve gradually, problems with property restitution, lack of access to reconstruction assistance, and the absence of economic opportunity still have a negative impact on the return process.

While the GOC has made progress on achieving macroeconomic stability, the economy continues to perform below potential. Croatia is still plagued by a high unemployment rate (16%) and low competitive capacity in international markets. The modest progress the government made over the last two years in reducing the fiscal deficit could be threatened by upcoming elections. In order for this progress to translate into faster economic growth and eventually lower unemployment, the government must accelerate privatization, reduce bureaucracy, and lower taxes. Furthermore, there is a need for increased efforts against corruption through more effective application of the rule of law, particularly improvements in the court system.

**The USAID Program:** The USAID assistance program is aimed at helping Croatia to continue progress toward a prominent place within the community of democratic and market-oriented nations and to become a force for stability, peace, cooperation and prosperity throughout Southeast Europe. Stronger economic and political institutions and social stability in Croatia will further peace and stability throughout the region. USAID's assistance program is structured around four programmatic areas designed to assist Croatia in accomplishing these goals, including: 1) growth of a dynamic and competitive private sector, 2) more effective citizen participation and improved governance, 3) accelerated return and sustainable reintegration of war-affected populations, and 4) mitigation of adverse social conditions and trends.

USAID-funded economic activities address privatization, enterprise promotion, international competitiveness, and energy restructuring. In early FY 2003, USAID will launch a market linkages program focused on 1) developing Croatia's agribusiness sector, consisting mostly of small and medium enterprises (SMEs), and 2) establishing domestic linkages among producer organizations, processors and

markets. USAID democratization efforts will continue to support NGO capacity building, political parties and elections, and local government reform. Assistance to further the return and reintegration of war-affected populations will continue through two programs involving infrastructure reconstruction and economic revitalization of war-affected regions. As the infrastructure component of USAID's refugee return and reintegration program ends in early FY 2004, a concerted effort will ensue on revitalizing the economies of the war-affected regions to encourage sustainable returns of young, economically active families. A market-based New Housing Solutions program through a Development Credit Authority agreement with a local Croatian Bank funded in FY 2002 will be launched in early FY 2003. USAID's social transition program addressing 1) pension reform, 2) the promotion of democratic labor organizations, 3) tripartite dialogue on social issues among labor, business and government, and 4) efforts to increase public awareness in human trafficking and HIV/AIDS will continue to be supported in FY 2003.

**Other Program Elements:** USAID's Regional Infrastructure Program (RIP) provides assistance to targeted Croatian cities in developing private sector participation in the provision of local utility services, with the prospects of attracting private investment in order to finance required capital improvements to local infrastructure such as water facilities. Also, USAID's EcoLinks Program, the Eurasian-American Partnership for Environmentally Sustainable Economies, links businesses, local governments and associations in Croatia with counterparts in the U.S. or other countries in the region to promote market-based solutions to environmental problems.

**Other Donors:** The United States and the European Union (EU) are the principle bilateral donors in Croatia. The EU recently launched its multi-year, broad-based Community Assistance for Reconstruction, Development, and Stabilization (CARDS) assistance program. The IMF and the World Bank are the primary multilateral lenders. USAID/Croatia works closely with other donors in the development and implementation of activities, especially the World Bank, the United Nations High Commissioner for Refugees (UNHCR) and the EU. USAID is implementing a technical assistance project closely linked to a World Bank automation project on commercial law reform that aims to improve the efficiency of the commercial court system, which is consistently cited by the private sector as a significant impediment to doing business. Pension reform is another area of USAID-World Bank cooperation. USAID coordinates democracy and refugee reintegration assistance with the European Union, UNHCR, the Council of Europe, Office of Security & Cooperation in Europe, and other bilateral donors, including the British, Norwegian, Dutch, German, Swedish and Canadian governments as well as with the State Department's Bureau for Population, Refugees and Migration. USAID-EU coordination on refugee return programs extends to the local level, where EU-funded housing reconstruction and USAID-financed infrastructure and economic development activities serve the same communities. Major private donors include the Open Society Institute and the C.S. Mott Foundation.



**Croatia  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Asst. for E. Europe and the Baltic States | 30,032            | 44,000            | 30,000                   | 25,000             |
| Supplemental - AEEB                       | 14,593            | 0                 | 0                        | 0                  |
| <b>Total Program Funds</b>                | <b>44,625</b>     | <b>44,000</b>     | <b>30,000</b>            | <b>25,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |        |        |        |       |
|--|--------|--------|--------|-------|
| <b>160-0130 Growth of a Dynamic &amp; Competitive Private Sector</b>   |        |        |        |       |
| AEEB   | 15,300 | 14,350 | 11,085 | 9,185 |
| <b>160-0210 Citizen Participation &amp; Improved Governance</b>        |        |        |        |       |
| AEEB   | 10,550 | 8,059  | 5,140  | 5,015 |
| <b>160-0310 Return &amp; Reintegration of War-Affected Populations</b> |        |        |        |       |
| AEEB   | 10,131 | 12,450 | 5,835  | 5,015 |
| <b>160-0340 Mitigation of Adverse Social Conditions &amp; Trends</b>   |        |        |        |       |
| AEEB   | 2,659  | 3,150  | 3,105  | 2,605 |
| <b>160-0420 Cross-Cutting Programs</b>                                 |        |        |        |       |
| AEEB   | 985    | 950    | 685    | 700   |
| <b>TRANSFER</b>  |        |        |        |       |
| AEEB   | 5,000  | 5,041  | 4,150  | 2,480 |

SO 160-0130 includes \$5,300 of FY 2001 Supplemental - AEEB.

SO 160-0210 includes \$2,500 of FY 2001 Supplemental - AEEB.

SO 160-0310 includes \$4,166 of FY 2001 Supplemental - AEEB.

SO 160-0340 includes \$1,575 of FY 2001 Supplemental - AEEB.

SO 160-0420 includes \$452 of FY 2001 Supplemental - AEEB.

TRANSFER includes \$600 of FY 2001 Supplemental - AEEB.

Mission Director,  
William Jeffers

## Cyprus

**The Development Challenge:** Following the provision of humanitarian relief assistance after the events of 1974, USAID shifted its program emphasis to bicommunal multi-sector development activities, structured to engage individuals and organizations from both Greek Cypriot and Turkish Cypriot communities. USAID assistance is designed to increase multi-sectoral contact between the two communities in order to improve cooperation between individuals and organizations from the two sides and, ultimately, reduce tensions.

There is both a physical and economic division between the two communities. While the GDP per capita is approximately \$16,400 on the Greek Cypriot side, it is only approximately \$5,263 on the Turkish Cypriot side. During the last two years, the continuing depreciation of the Turkish Lira and Turkey's growing economic problems exacerbated economic hardships in the Turkish Cypriot community. An economic austerity package in the North led to strikes and public protests, and the failure of several banks reinforced the climate of economic deterioration. The disenchantment of the Turkish Cypriot community is reflected in an ongoing process of emigration--including many of the young--and a resulting brain drain.

Facilitating a resolution to the Cyprus dispute--to defuse tensions between NATO allies Greece and Turkey and promote stability in the Eastern Mediterranean--remains a key priority of U.S. foreign policy. The United States supports the ongoing mission of the good offices of the UN Secretary General to achieve a just and lasting settlement that protects the legitimate interests of both Greek Cypriots and Turkish Cypriots.

**The USAID Program:** The annual Congressional appropriations language on Cyprus reflects Congress' objectives: "...reunification of the island and ... reduce tensions and promote peace and cooperation between the two communities on Cyprus." The USAID approach supports Congress' objectives by focusing on increasing and strengthening cooperation and mutual tolerance between Greek Cypriots and Turkish Cypriots and provides initiatives that support a comprehensive settlement. The resulting cooperative relationships and activities are expected to strengthen each side's ability to compromise on a just and lasting settlement, provide opportunities for multi-sectoral contacts to increase the number of stakeholders in a solution, and promote tolerance and mutual understanding in support of a comprehensive settlement. USAID's grant to the United Nations Development Programme (UNDP) for the Bicommunal Development Program funds technical assistance, commodities and training/workshops related to agriculture, education, participant training, civil society/non-governmental organization (NGO) strengthening, information technology, communication, and telecommunications. Other activities involve public infrastructure, environmental management, public health, economic development, urban renewal, and historic restoration and preservation. The program has fostered cooperation despite an unevenly enforced prohibition on bicommunal meetings by the Turkish Cypriot leadership. According to the UNDP Annual Report (October, 2002), there were over 155 bicommunal meetings in 2001, and substantially more in 2002, as compared with twenty recorded bicommunal meetings in 1997, just before the prohibition. There are approximately 50 ongoing activities with the authorities of the two Cypriot communities, with 60 more initiatives being implemented via NGOs in both communities.

The Program Data Sheet provides additional detail on the program for which USAID is requesting funds during FY 2003 and FY 2004. These funds are implemented through a major grant to the United Nations Development Programme (UNDP) for the Bicommunal Development Programme, and other agencies' activities including the U.S. State Department's Cyprus-America Scholarship Program (CASP, implemented by the Cyprus Fulbright Commission); the Bicommunal Support Program (implemented by the U.S. Embassy in Cyprus); and the U.S. Department of Interior's U.S. Geological Survey for the Bicommunal Data Base for Water Management.

In case of actual political settlement, the program would support the terms of the approved peace agreement in priority strategic areas and be dedicated to the success and viability of the UN-brokered agreement between the two communities.

**Other Program Elements: None.**

**Other Donors:** The United States is the principal donor supporting bicomunal activities in Cyprus. The European Union (EU) and, separately, a number of European countries, including Germany, Norway, Slovakia, and the Czech Republic, are funding bicommunally-oriented initiatives focused on civil society, urban restoration, women, political parties, entrepreneurs, journalists, and labor unions. As Cyprus advances towards EU membership, it is expected that the EU, which is the largest overall donor to Cyprus, will also become the largest donor to bicomunal programs.

**Cyprus  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Economic Support Fund      | 14,967            | 15,000            | 15,000                   | 7,500              |
| <b>Total Program Funds</b> | <b>14,967</b>     | <b>15,000</b>     | <b>15,000</b>            | <b>7,500</b>       |

**STRATEGIC OBJECTIVE SUMMARY**

|                                    |        |        |        |       |
|------------------------------------|--------|--------|--------|-------|
| 233-0410 Cyprus Bicommunal Program |        |        |        |       |
| ESF                                | 14,967 | 15,000 | 15,000 | 7,500 |

## Ireland

**The Development Challenge:** Tremendous changes have taken place since the 1998 approval of the Good Friday Agreement (GFA) by an overwhelming majority of the populations in Northern Ireland and the Republic of Ireland. After general acceptance of the GFA and various ceasefires by paramilitary organizations, Northern Ireland has experienced economic renewal. Nonetheless, political stability is still not fully realized and remains a key objective of U.S. policy towards Northern Ireland. Sectarian confrontation within Northern Ireland, or more commonly, isolation or voluntary segregation between the unionist and nationalist communities, remains a challenge to building a diverse society founded on tolerance, equal rights, and a commitment to nonviolent political means.

Support for cross-community reconciliation has long been the focus of U. S. assistance to Northern Ireland and the six border counties of the Republic of Ireland: Donegal, Sligo, Leitrim, Cavan, Monaghan, and Louth. The U.S. Government makes significant contributions to the peace process through the International Fund for Ireland and the Walsh Visa Program as described below and in the Program Data Sheets.

**The USAID Program: International Fund for Ireland:** As the major donor to the International Fund for Ireland (IFI), the United States provides assistance for economic redevelopment and cross-community reconciliation throughout Northern Ireland and the border counties.

The objectives of the IFI are to promote economic and social advancement, and encourage contact, dialogue, and reconciliation between nationalist and unionist communities. The IFI has been instrumental in providing new investment that creates jobs and reconstructs disadvantaged areas. Reconciliation projects have fostered various cross-community exchanges involving youth and community leaders. Fund policy requires that all projects benefit both nationalist and unionist communities, and that the implementing organization include members of the two communities. Through this policy, the IFI has been successful in encouraging communities to take ownership of projects. The jobs and social stability that have resulted from the U.S. contribution to IFI are tangible expressions of U.S. policy in Northern Ireland.

The Irish Peace Process Cultural and Training Program Act of 1998, also known as the Walsh Visa Program, provides employment and job training for young people who are residents of Northern Ireland or one of the six border counties of the Republic of Ireland. The Walsh Visa Program supports economic regeneration as well as peace and reconciliation in these areas. After the participants complete a training program, they are hired by a Walsh employer in the United States for up to 36 months. The last round of participants will arrive in the United States in 2003; the program sunsets in 2006 when these final Walsh participants depart.

**Other Program Elements:** None.

**Other Donors:** IFI activities are financed through international contributions from the United States, European Union, Canada, New Zealand, and Australia. Each of the donors sends a non-voting observer to IFI Board meetings. In 2002, the United States was the largest donor to the fund, providing approximately 50 percent of total donor funding for the year.

**Ireland  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Economic Support Fund      | 29,934            | 30,000            | 29,000                   | 12,500             |
| <b>Total Program Funds</b> | <b>29,934</b>     | <b>30,000</b>     | <b>29,000</b>            | <b>12,500</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

| 190-0410 Int. Fund for Ireland and Walsh Visa Program |        |        |        |        |
|---|--------|--------|--------|--------|
| ESF   | 29,934 | 30,000 | 29,000 | 12,500 |
|   |        |        |        |        |

Note: The Ireland funds include the Walsh Visa Program at the following levels: FY 2001 - \$4,989; FY 2002 - \$5,000; FY 2003 - \$4,000; and FY 2004 - \$4,000.

## Kosovo

**The Development Challenge:** International assistance and the energy and determination of the Kosovars have succeeded in improving living conditions for most of the population and in getting the province back to near normal conditions. The reconstruction and emergency phase has passed. With this passing, however, comes a new set of challenges. The three foremost challenges are strengthening Kosovar institutions, building a sustainable and growing economy that creates jobs, and developing a harmonious multi-ethnic society. These challenges require a reasonable period of time and sufficient resources to meet them and are thus compounded by a shift in donor attention, reflected in the significant decrease in donor resource levels projected for FY 2003 and beyond. Only three years after a devastating war and decades of economic decline, much remains to be done to bring stability and sustainable economic opportunities to this part of the Balkans.

The process of building the elements of a democracy, the institutions for running a government, and the bases for a sound economy have begun. A government composed of Kosovars, the Provisional Institutions of Self-Government (PISG), was created by United Nations Mission in Kosovo (UNMIK), which administers the province under a United Nations resolution. A multi-party, multi-ethnic assembly is in place and functioning productively. There are increasing visible signs of growing ethnic tolerance. However, ethnic tensions still dwell shallowly below the surface and the reintegration of ethnic minorities is still a work in progress. On the economic front, Kosovo appears to have made a remarkable rebound. However, the recovery is still in its nascent stage, and is hampered by structural limitations, and could prove to be very transitory. There is almost no productive industry and most enterprise is based on trade, which in turn is reliant on diaspora capital and the benefits of a large international presence. Unemployment, once estimated at more than 70% immediately after the war, now hovers in the 45% to 55% range, though very recent estimates suggest it could be as low as 25% to 30%. With the youngest population in Europe, such severe unemployment may will not allow Kosovo to become a secure society and may trigger renewed conflict. In 2003, assistance levels from the donor community are expected to drop substantially while at the same time Kosovo lacks the legal status to enable it to begin tapping international capital markets or IFI loans. Its current legal status also has a significant negative impact on its ability to export and attract foreign direct investment, leaving Kosovo economically disadvantaged.

The US foreign policy priorities in Kosovo are to create a safe and secure multi-ethnic society that has strong economic linkages within the region. The U.S. Mission has provided the impetus for the deep reforms that have occurred and for "Kosovarization" of local institutions. Although accomplishments have been impressive in three short years, a secure and stable society does not yet exist. The international community, including the United States, needs to stay the course to ensure that a stable democracy and functional economy are established.

**The USAID Program:** The Data Sheets provided below cover the three core and two supporting strategic objectives for which USAID is requesting FY 2003 and FY 2004 funds. These objectives concentrate on establishing a sound economic framework that facilitates development of a private sector-led economy, creating accountable and transparent governance, and restoring normalcy in living standards and opportunities within Kosovo's communities. Within these objectives, USAID assistance will revolve around three broad themes: building functional Kosovar institutions, creating jobs, and mobilizing communities so that basic services are provided through democratic and transparent means. FY 2003 funds will be used to implement ongoing programs. USAID is currently developing a new strategic plan that will become effective beginning in FY 2004. It is expected that FY 2004 will see a continuation of programs focusing on economic recovery, with a shifting emphasis from economic policy to private sector development. In the democracy area, establishment of rule of law and a vibrant civil society will continue to be emphasized. Moving from the recovery years into a more intense development setting, and building on the gains made in developing a sound intergovernmental finance system and a functioning municipal certification program, the "return to normalcy" objective will move into one with a more direct focus on governance and development at the local level.

**Other Program Elements: None**

**Other Donors:** The European Commission, through the European Agency for Reconstruction (EAR), has been the largest donor to date, with activities in reconstruction, public administration reform, decentralization, judiciary, customs and taxation, energy, environmental management, economic development, minorities and returns, rural development, civil society, and university education. Other major donors and their principal areas of focus include: Germany (energy, water and wastewater, transport, private sector development); Canada (public administration, public health, education, media, disability); Sweden (agriculture, infrastructure, public services, environmental protection, returnees, youth, anti-trafficking, civil society); Switzerland (energy, business development, agriculture, infrastructure, public services, environmental protection, vocational education); the United Kingdom (civil society, access to justice, privatization, customs, fiscal policy, health, social policy, public administration); and UNDP (security, job creation and minority programming, and local development). The U.S. is working closely with the European Union (EU) to transfer ever-increasing responsibility. However, it will take time (and greater EU resources) before the EU has the capacity to assume leadership.



**Kosovo  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Asst. for E. Europe and the Baltic States | 149,670           | 118,000           | 85,000                   | 79,000             |
| Child Survival and Health Programs Fund   | 0                 | 131               | 0                        | 0                  |
| <b>Total Program Funds</b>                | <b>149,670</b>    | <b>118,131</b>    | <b>85,000</b>            | <b>79,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>167-0130 Private Enterprise Growth</b>              |        |        |        |        |
| AEEB   | 26,100 | 24,300 | 16,150 | 14,200 |
| <b>167-0210 Accountable and Transparent Governance</b> |        |        |        |        |
| AEEB   | 6,199  | 8,750  | 8,950  | 7,950  |
| <b>167-0310 Community Development</b>                  |        |        |        |        |
| AEEB   | 19,401 | 11,900 | 4,400  | 5,100  |
| <b>167-0410 Special Initiatives</b>                    |        |        |        |        |
| AEEB   | 11,300 | 750    | 2,250  | 0      |
| CSH  | 0      | 131    | 0      | 0      |
| <b>167-0420 Cross-Cutting Programs</b>                 |        |        |        |        |
| AEEB   | 1,800  | 1,900  | 850    | 1,150  |
| <b>TRANSFER</b>  |        |        |        |        |
| AEEB   | 84,870 | 70,400 | 52,400 | 50,600 |

Mission Director,  
Dale Pfeiffer

## Former Yugoslav Republic of Macedonia

**The Development Challenge:** Macedonia has the challenge of making the political and economic reforms required for European integration and better lives for its citizens. It must also provide a more secure and stable environment free from conflict. The spring 2001 crisis between ethnic Macedonians and ethnic Albanians still has lingering effects on the country. Passing the Law on Local Self Government and conducting peaceful and fair parliamentary elections in September 2002 were two significant steps toward furthering the peace process and stability. While substantial progress was made this past year in implementing the Framework Agreement, the peace accord that brought the conflict to an end, ethnic tension still exists. Sporadic ethnic-inspired acts of violence still occur. Certain Framework Agreement provisions, such as minority rights, have not yet been implemented. Patronage and corruption have obstructed transparency and accountability in the political system. Furthermore, civil society is not sufficiently developed to exert significant influence over the actions of neither political players nor function proactively to meet citizens' needs. Lastly, the judiciary remains financially dependent on the executive branch and does not exert adequate checks and balances in the system. The Macedonian Government must also address a number of serious economic issues. In 2002, the Macedonian economy experienced only a very modest recovery from the decline of the previous year. The unemployment rate is over 30% and, for those who are employed, salaries in real terms remain well below their levels in the early 1990s. Even though the financial system remains stable and regained citizens' confidence, it still fails to provide the necessary capital for expansion of the private sector. One positive development was Macedonia's integration into the global economy when it completed the protocol for accession into the World Trade Organization in September 2002. The next challenge is ratification and implementation.

Macedonia remains one of the poorest of the successor states of the former Socialist Federal Republic of Yugoslavia. In 2001, the year that the inter-ethnic conflict broke out, real GDP fell by 4.1%, but is expected to grow in 2002. External debt as of August 2002 was about 40.4% of GDP. A new Stand-By Agreement remains to be negotiated with the International Monetary Fund.

Key U.S. national interests in Macedonia include national and regional stability, economic prosperity, and democratization. Macedonia can also be a key partner in combating organized crime and extremists in the region.

**The USAID Program:** As a result of the USAID strategy approved in 2001, programs are directed at fundamental causes of potential conflict in Macedonia. Some of the conflict triggers targeted by the USAID program are: high unemployment, a struggling economy, limited opportunities for inter-ethnic cooperation and understanding, lack of minority participation in the public sector, a weak civil society, and an over-dependence upon the government's patronage system for jobs and business opportunities. The new multi-ethnic coalition government that was elected in September 2002 has a broad mandate from Macedonia's citizens. The government is committed to implementing the Framework Agreement and to economic and political reforms. The USAID program is aimed at addressing the main challenges that Macedonia faces. FY 2003 funds will be used to implement the ongoing program as described in the FY 2003 Congressional Budget Justification. FY 2003 funds will also be used to carry out a more comprehensive program in information technology. The principal strategic objectives are to: accelerate private sector growth, improve the legitimacy of democratic institutions, mitigate the adverse social impacts, and train key leaders and decision makers in areas which support the program. In the economic growth sector, activities include increased competitiveness, financial sector reform, WTO accession, corporate governance and improving the enabling environment for investment, and energy privatization. Democracy activities include building on the successful passage of key laws in the Framework Agreement, continuing to assist in drafting and implementing other provisions, decentralization of government, legal reform and community development. In response to the worsened social condition of Macedonia, USAID is addressing workforce problems by creating labor force demand through local economic development as well as addressing labor policy changes required at the national and local levels. Lastly, to improve the human capital of the country, USAID is modernizing the education system by introducing critical thinking and interactive teaching methodologies and by ensuring that primary and secondary students have access to technology. This, in turn, will contribute to a better trained workforce.

Details of the specific program to be funded by FY 2003 and FY 2004 funds are described in the Program Data Sheets.

**Other Program Elements:** The Democracy Conflict and Humanitarian Assistance Bureau's Office of Transition Initiatives (OTI), through its Confidence Building Initiative, has successfully and substantially contributed to U.S. Government efforts to build inter-ethnic cooperation and create a supportive environment for the Framework Agreement's implementation. OTI provided over 300 grants valued at \$6.7 million to 77 of Macedonia's most vulnerable communities to support local initiatives; strengthened the capacity, responsiveness and accountability of local government; and increased availability and access to balanced information and diverse points of view.

The Europe and Eurasia Bureau is funding three projects from the Europe regional budget in Macedonia. The Strengthening the Youth Sector and Building Capacity in the Balkans Program provides exchange programs and grants for non-governmental organizations supporting youth in South Eastern Europe countries. In these exchanges, they share information and technical expertise on civil society's role in improving employment, technology, non-formal education, health, civic education, and democracy building. Another project is the EcoLinks Partnership Grants Program that strengthens the capacity of businesses and municipalities in the region to develop and implement market-based solutions to urban and industrial environmental problems. An energy project has also assisted the GOM in passing the Energy Law that allows for establishing a regulatory agency, which will also be aided in its formative stages. The project assists Macedonia in its participation in developing a regional energy strategy.

**Other Donors:** USAID works closely with other donors on issues of particular interest to the U.S. Government such as decentralization, development of small and medium size enterprises, reforms in education, financial and pension systems. The United States and the European Union (EU) are the largest donors in Macedonia. The European Agency for Reconstruction (the EU's development arm) focuses on good governance, institution building, rule of law, market economy development, environment, infrastructure, social development, and civil society strengthening. The Dutch government is the third largest donor, providing balance of payment assistance, support to the education, agriculture and public finance reforms; and assistance for development of a civic society and respect for human rights. Macedonia also receives assistance from German, British, and Swedish governments.

**Macedonia  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Asst. for E. Europe and the Baltic States | 33,126            | 49,506            | 50,000                   | 39,000             |
| <b>Total Program Funds</b>                | <b>33,126</b>     | <b>49,506</b>     | <b>50,000</b>            | <b>39,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>165-0130 Economic Growth</b>                 |        |        |        |        |
| AEEB  | 7,866  | 13,800 | 12,505 | 10,588 |
| <b>165-0200 Democracy and Governance Reform</b> |        |        |        |        |
| AEEB  | 0      | 12,770 | 15,845 | 12,434 |
| <b>165-0210 Civil Society</b>                   |        |        |        |        |
| AEEB  | 4,485  | 0      | 0      | 0      |
| <b>165-0230 Local Government</b>                |        |        |        |        |
| AEEB  | 2,083  | 0      | 0      | 0      |
| <b>165-0340 Social Transition</b>               |        |        |        |        |
| AEEB  | 281    | 7,105  | 6,730  | 8,028  |
| <b>165-0410 Special Initiatives</b>             |        |        |        |        |
| AEEB  | 10,500 | 5,120  | 4,560  | 100    |
| <b>165-0420 Cross-Cutting Programs</b>          |        |        |        |        |
| AEEB  | 3,271  | 4,300  | 4,410  | 3,200  |
| <b>TRANSFER</b>                                 |        |        |        |        |
| AEEB  | 4,640  | 6,411  | 5,950  | 4,650  |

Mission Director,  
Richard Goldman

## Montenegro

**The Development Challenge:** While Montenegro appears to now be emerging from the political and social instability that disrupted the economy for more than a decade, much remains to be done. GDP remains near 1990 levels (about \$1.3 billion.) Unemployment, once adjusted for the informal market, is steady at 17%. The average recorded wage in the formal sector is under \$200. Inflation in 2001 was 25%. International trade, excluding Serbia, yielded a deficit of \$400 million that same year. And, if arrears accumulation is considered, the government deficit for 2001 is \$90 million. Furthermore, foreign investors have not been active in Montenegro, awaiting political stabilization and implementation of new legislation relevant to business. Even then, Montenegro may have difficulty competing with other countries in the region given, among other things, its small market size, lack of infrastructure, electricity shortages, and labor rigidities. In brief, more work remains to be done in areas such as fiscal planning and control, financial sector development and regulation, restructuring of the energy sector, privatization, completion of reforms in the business regulatory environment, private sector investment and growth, judicial reform, independent media, decentralization, health, and infrastructure. Finally, reforms must take account of both the legal framework and the building of sustainable institutions. More government action is needed to help insure that economic reforms are complemented by attention to the social consequences of those reforms. Safety-net issues such as the pension and health care systems could negatively affect public support for reform. Popular perceptions regarding the government's performance in managing political, economic and social transition are essential for continued citizen support for reform. However, polling data indicate that the public at large is increasingly dissatisfied with the pace of economic transition. It is crucial that the government enjoy wide public support for the democratic transition, which can only be ensured by a transparent reform process, and closer cooperation with civil society.

**The USAID Program:** The USAID program directly advances a number of U.S. International Affairs Strategic Goals including regional stability, economic development, open markets, global growth and stability, democracy and human rights and environmental improvement. In terms of overall USAID pillars, the strategy directly pursues goals of broad-based economic growth, human capacity development, sustained environmental protection, and strengthened democracy and good governance.

The USAID program directly addresses the development challenges indicated above and recently announced USG foreign policy objectives to address the "inability of new democracies to control borders, to promote the rule of law and to respond to the needs and insecurities of their citizens." The three Strategic Objectives for the Montenegro program -- accelerated development and growth of private enterprise (SO 170-0130); more effective, responsive and accountable democratic institutions (SO 170-0200); and increased, better-informed citizen participation in political and economic decision-making (SO 170-0210) - are supported by a focused program of assistance. They aim to help broaden the base of individual, community and private involvement in the economic and political systems of Montenegro. The impact of this program will provide for greater economic and political empowerment of citizens, a legal and policy environment that encourages transparent and accountable processes, democratic and open institutions that serve citizen needs, a competitive market economy and a more independent judiciary. Two activities being administered by the International Office for Migration were undertaken in FY 2002 to combat trafficking, including a public awareness campaign targeting young women and girls (TV video spot, radio jingle, posters, bus tickets, and sugar packages) and technical assistance to a shelter for victims of trafficking called the Women's Safe House.

The basic institutions of government are in place, but capacity is lacking in areas related to a modern market economy. This is particularly noted in some regulatory institutions, and in some sub-units of the Ministry of Finance, particularly those relating to control over public finances and tax administration.

**Other Program Elements:** Through the Bureau for Europe and Eurasia's regional energy program, USAID has been supporting regional integration of utility markets, in which Montenegrin officials participate. Plans for the future include working with two programs of the Bureau for Economic Growth,

Agriculture, and Trade (EGAT), the Development Credit Authority and the Financial Services Volunteer Corps.

The U.S. Department of Agriculture maintained a program for the provision of animal feeds to Montenegrin farmers that ended in FY 2002. The Department of Treasury, utilizing funds transferred from USAID, maintains a treasury advisor, working mainly on budget preparation.

**Other Donors:** Following several years in which USAID was the dominant donor in Montenegro, other donors have become increasingly important and coordination between them and USAID/Montenegro is close on several fronts. In the energy sector USAID will be sharing responsibilities for restructuring the state power company Elektroprivreda Crna Gora with the European Agency for Reconstruction (EAR) and the World Bank. The establishment of the independent regulator for the energy sector will be shared with the British Department for International Development (DFID). USAID also closely coordinates with the EAR on implementation of a value-added tax in the customs service and on development and implementation of the treasury system. EAR has also taken over the role of developing the next phase of the business registry. The German development assistance bank (KfW) has recently provided a line of credit to Opportunity Bank, which was established in Montenegro with USAID support. With the end of USAID budget support, the World Bank begins its support and the International Monetary Fund will assist with monetary stabilization.

**Montenegro  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Asst. for E. Europe and the Baltic States | 54,878            | 60,000            | 25,000                   | 18,000             |
| Supplemental - AEEB                       | 17,462            | 0                 | 0                        | 0                  |
| <b>Total Program Funds</b>                | <b>72,340</b>     | <b>60,000</b>     | <b>25,000</b>            | <b>18,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |        |        |       |       |
|--|--------|--------|-------|-------|
| <b>170-0130 Economic Reform, Restructuring and Policy</b>  |        |        |       |       |
| AEEB   | 26,785 | 12,843 | 7,900 | 4,608 |
| <b>170-0200 Democratic Transitions</b>                     |        |        |       |       |
| AEEB   | 0      | 0      | 5,571 | 5,232 |
| <b>170-0210 Local Governance and Community Development</b> |        |        |       |       |
| AEEB   | 12,000 | 23,977 | 6,619 | 5,280 |
| <b>170-0410 Special Initiatives</b>                        |        |        |       |       |
| AEEB   | 29,900 | 15,000 | 0     | 0     |
| <b>170-0420 Cross-Cutting Programs</b>                     |        |        |       |       |
| AEEB   | 1,000  | 2,000  | 2,000 | 1,500 |
| <b>TRANSFER</b>  |        |        |       |       |
| AEEB   | 2,655  | 6,180  | 2,910 | 1,380 |

SO 170-0130 includes \$2,462 of FY 2001 Supplemental - AEEB.

SO 170-0410 includes \$14,900 of FY 2001 Supplemental - AEEB.

TRANSFER includes \$100 of FY 2001 Supplemental - AEEB.

Mission Director,  
Spike Stephenson

## Romania

**The Development Challenge:** Romania is a pro-Western transitional democracy, seeking to build democratic institutions and a market-based economy. Romania's overall economic, political and social reform process has not been as robust as most transition countries in Central and South East Europe. Despite progress particularly over the past five years, additional investments of billions of dollars will be required to bring infrastructure and services up to Western standards.

Since taking office in December, 2000, the Government of Romania (GOR) has carried out political and economic reforms that had been on hold since the 1989 revolution. Political life is dominated by the Social Democratic Party (PSD), which pursues a legislative agenda of continued political and economic reform to succeed in Romania's long-held hope for eventual membership in NATO and the European Union (EU). However, this single party domination is evidence that true democratic reform has not occurred yet. With decentralization to the local level, Romania's democratic fragility is evidenced by hundreds of mayors from opposition parties migrating to the PSD in order to ensure political and resource support.

Poor economic performance is attributed to the country's inability to make the full transition from a State enterprise-dominated economy to one led by the private sector. Accelerating private sector growth and increasing civil society participation in the reform process represent the greatest potential for more equitable economic development, job expansion and a better standard of life for ordinary Romanians, especially the rural poor.

**The USAID Program:** USAID focuses its resources in three areas:

- 1) supporting a market-driven environment to accelerate private sector growth;
- 2) fostering local democratic governance & civil society participation; and,
- 3) improving child welfare and women's health services.

Moreover, USAID programs promote transparency and accountability as the primary anti-corruption strategy across all program activities, including agriculture, privatization, health, child welfare, local government, capital markets and the financial sector. For example, through USAID's banking supervision program implemented by KPMG/Barents, the Central Bank made a series of positive steps to enhance oversight of private banks. As a result, the Bank was able to identify corrupt practices at a large investment bank and greatly reduce the magnitude of a major banking scandal -- resulting in increased transparency, along with greater investor and consumer confidence.

USAID programs at the local level strive to foster increased community spirit, promote the concept of volunteerism, and increase the capacity of ordinary citizens to identify and resolve community issues. For instance, during the past fiscal year, USAID-funded community activities improved citizen participation in local public life through the formation of community development teams, community fora, and the mobilization of volunteers. More than 500 volunteers participated in community projects and over 700 citizens participated in various community consultation meetings. Partnerships proved to be effective mechanisms for building local capacity through skills-transfer and creative adaptation of successful U.S. models. Local non-governmental organizations (NGOs) enhanced their service delivery capacity and sustainability

**Other Program Elements:** None to report.

**Other Donors:** The simultaneous goals of creating a free market and a democratic polity out of State socialism remain monumental, requiring financial support and sustained, strategic technical assistance. Over the past decade, USAID's programs have not represented big money in Romania. The World Bank, the EU and the International Financial Institutions (IFIs) do. But USAID has provided highly valued technical assistance and continues to leverage funding from international donors in areas ranging from labor redeployment programs to assistance to rural farmers.



USAID works closely with the EU, the World Bank (WB) and other bilateral donors to better ensure that programs that it supports are sustainable. During FY 2002, the World Bank pledged \$1.5 billion in assistance to Romania over a five-year period and the EU has committed over \$600 million per annum to support overall reform and pre-accession requirements.

USAID/Romania activities in support of accelerated private sector growth and improved democratic governance work in conjunction with a variety of international donor organizations, such as the WB, European Bank for Reconstruction and Development (EBRD), and EU. Total assistance levels are significant, but the Romanian experience has shown an inability to effectively absorb some donor funds. In this context, donor coordination is critical to achieving results in the private sector strategy.

Coordination with other donors in child welfare and women's reproductive health is critical to achieving the results laid out in USAID's social sector strategy, and USAID has taken a leadership role in focusing donors on common goals on several fronts. This is especially true in child welfare, where the donors' joint efforts fostered an accelerated reform agenda. The lead donors in this sector are unified in their approach and include the EU, United Nations International Emergency Children's Fund, WB, USAID and the United Kingdom's assistance entity (DFID).

Improved coordination and leveraging between our program activities with those of other donors has already translated into tangible impact and results. For instance, during FY 2002, USAID activities that support economic growth leveraged more than \$100 million in additional funding from the international donor community.

**Romania  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Asst. for E. Europe and the Baltic States | 38,414            | 36,000            | 29,000                   | 28,000             |
| <b>Total Program Funds</b>                | <b>38,414</b>     | <b>36,000</b>     | <b>29,000</b>            | <b>28,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>186-0130 Expanding the Market-Driven Private Sector</b>       |        |        |        |        |
| AEEB   | 10,054 | 15,355 | 11,650 | 10,000 |
| <b>186-0140 Financial Sector</b>                                 |        |        |        |        |
| AEEB   | 2,115  | 0      | 0      | 0      |
| <b>186-0150 Energy</b>   |        |        |        |        |
| AEEB   | 1,185  | 0      | 0      | 0      |
| <b>186-0160 Environment</b>                                      |        |        |        |        |
| AEEB   | 1,427  | 0      | 0      | 0      |
| <b>186-0210 Improved Local Governance</b>                        |        |        |        |        |
| AEEB   | 3,346  | 0      | 0      | 0      |
| <b>186-0230 Improved Local Democratic Governance</b>             |        |        |        |        |
| AEEB   | 2,715  | 9,163  | 7,500  | 9,500  |
| <b>186-0320 Sustainability of Social Benefits &amp; Services</b> |        |        |        |        |
| AEEB   | 8,267  | 0      | 0      | 0      |
| <b>186-0340 Child Welfare and Women's Health Care Reform</b>     |        |        |        |        |
| AEEB   | 0      | 6,874  | 7,050  | 5,700  |
| <b>186-0420 Cross-Cutting Programs</b>                           |        |        |        |        |
| AEEB   | 6,275  | 8      | 0      | 0      |
| <b>TRANSFER</b>  |        |        |        |        |
| AEEB   | 3,030  | 4,600  | 2,800  | 2,800  |

Mission Director,  
Denny Robertson

## Serbia

**The Development Challenge:** In some respects, FY 2002 saw a consolidation of the gains made by democratic authorities in the state union of Serbia and Montenegro and in its two constituent republics. While political and economic reforms continued in numerous areas, political infighting between Serbia's ruling Democratic Opposition of Serbia Coalition (DOS -- led by Serbian Premier Zoran Djindjic) and the Democratic Party of Serbia (DSS -- led by Vojislav Kostunica) intensified throughout the period and placed ongoing reforms at risk.

Serbia continued to make significant progress on an ambitious economic reform program in 2002, but the economy remains weak and vulnerable to reform delays and external shocks. Per capita GDP remains less than half of the 1989 level, unemployment is near 30 percent, trade deficits are growing and industrial production has only recently begun to improve. The economy is expected to grow by four percent in 2002. Serbia and Montenegro will need to register stronger GDP growth over the next several years in order to meet domestic and external obligations.

The key economic achievement of 2002 was strengthening basic macroeconomic stability. Continued tight fiscal and monetary policy succeeded in further reducing inflation in Serbia from 38 percent in 2001 to an expected 15.5 percent for 2002. During this period, the National Bank of Yugoslavia (now renamed the National Bank of Serbia) was able to keep the exchange rate of the Dinar virtually fixed against the Euro, providing citizens with a welcome measure of stability following years of hyper-inflation. The benefits for average citizens of lower inflation and a stable currency, however, have largely been offset by the burden of higher costs for utilities and other basic goods following price liberalization. Progress on economic reforms was hampered during the year by disputes and uncertainties in the political environment.

Economic reform is at a critical juncture of moving from macro-economic stabilization to addressing the micro-economic deficiencies typical of a transition economy. Fragile economic gains are heavily dependent on continued donor support, uncertain privatization revenues, as well as a political and social environment supportive of continued fiscal discipline and significant recovery of productive and export capacity. High public expectations for a quick economic turnaround following the Fall 2000 ouster of Milosevic and removal of international sanctions were not met, and increasing demands for wage increases and more attention to the social costs of transition are putting heavy pressure on already overextended budgets.

The key challenges ahead are preservation and consolidation of macro-economic gains through fiscal discipline and prudent monetary policy, and accelerated reform of the real sector to increase industrial output and employment. Large, socially-owned enterprises must be restructured and privatized or closed. Further bank restructuring and regulatory strengthening is needed to increase public confidence and get credit flowing. Institutional strengthening is needed to give ministries the capacity and personnel to ensure effective implementation of numerous new laws and regulations. Legal and judicial reform is needed to create a transparent and predictable environment conducive to new business growth.

**The USAID Program:** The Administration will use \$110 million in FY 2003 AEEB funds to support the program in Serbia, not including the UN-administered Province of Kosovo--which is addressed separately in the Congressional Budget Justification. Activities, summarized below, will be carried out through three Strategic Objectives rather than the four used in the Serbia program in FY 2002. USAID's Office of Transition Initiatives has closed out its resources and many of its programs are now supported through the Community Revitalization through Democratic Action (CRDA) program. In addition, P.L. 480 resources will continue to address the humanitarian assistance needs of refugees, internally displaced persons, and vulnerable groups such as pensioners, persons with disabilities, and children in institutions.

USAID will continue to support the participation of citizens in political and economic decision making during FY 2004. USAID will expand the number of communities with committees that promote inter-ethnic decision making on local infrastructure and economic projects. A new rule-of-law program is

envisioned that will provide additional underpinning to supporting human rights, political reform, fair laws, and judicial reform. Assistance will continue to increase the openness and managerial capacity of local government personnel and systems. Political sector development will help ensure open, free and fair elections, and to increase transparency, accountability and effective legislative and public administration. Efforts to grow and improve civil society organizations devoted to human rights, peaceful civic action, and a free and democratic labor movement will be funded. Support to improve the sustainability and content of objective, independent media will continue as will the media small grants program. Under cross-cutting initiatives, funding will support program development, evaluations, and audits.

In addition to the resources requested in the Program Data Sheets, the mission manages the Health and Population Women Wellness program through its CRDA grantees. This activity has begun with an education and information campaign at the community level to help identify specific interventions through CRDA in family planning and women's health.

**Other Program Elements:** USAID will work in conjunction with U.S. Treasury advisors to advance the policy and economic framework for sustainable economic growth and the emergence of a viable private sector. The Department of Treasury advisors will complement USAID's economic reform program and focus on financial crime investigation, tax implementation, budget and banking reforms. The Department of State will support Public Diplomacy and similar high priority programs, such as policy reform and training. USDA will continue activities in agricultural policy reform and regulatory assistance. Department of Commerce and U.S. Trade and Development Agency programs aimed at commercial law and trade development will be funded through the AEEB regional budget. The Department of State will also provide AEEB regional funds to the Bureau for International Narcotics and Law Enforcement (INL) to provide police training, law enforcement assistance, and anti-trafficking support in Serbia.

**Other Donors:** USAID will work with the Governments of the Republic of Serbia and the Government of the newly established state union of Serbia and Montenegro, to coordinate support with the World Bank, the International Monetary Fund and other international financial institutions to identify areas of structural reform where U.S. Government resources can be best utilized and leveraged. Prior to Serbia and Montenegro's movement toward a transparent democracy, donor support consisted mainly of humanitarian assistance through the United Nations (UN) system. Since then, virtually the entire international community has undertaken steps to establish programs. The European Union's (EU) European Agency for Reconstruction (EAR) and European governments were the first to respond to new opportunities in Serbia and Montenegro. It is anticipated that the EU's 180 million EURO emergency program, which includes fuel and schools for democracy programs, will be fully disbursed by the spring or early summer. EAR's 143 million EURO 2001 program will support energy (spare parts, generation and distribution), agriculture (fertilized, animal feed and technical assistance), private enterprise (small and medium enterprise training and credit), health (pharmaceuticals and monitoring) and policy (advice on legal reform and World Trade Organization accession). Canada and Japan also have provided assistance. The Federal Republic of Yugoslavia, now reconstituted as Serbia and Montenegro, has rejoined the International Monetary Fund. The European Bank for Reconstruction and Development (EBRD) is preparing its investment plans and recently opened a new Micro Finance Bank. The economic assistance program of the United States should drop from second to about the fourth largest in dollar terms once the programs of European and international finance institutions get underway.

**Serbia  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Asst. for E. Europe and the Baltic States | 56,176            | 105,000           | 110,000                  | 95,000             |
| Supplemental - AEEB                       | 43,604            | 0                 | 0                        | 0                  |
| PL 480 Title II                           | 33,978            | 1,738             | 0                        | 0                  |
| <b>Total Program Funds</b>                | <b>133,758</b>    | <b>106,738</b>    | <b>110,000</b>           | <b>95,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>169-0130 Economic Reform, Restructuring and Policy</b> |        |        |        |        |
| AEEB  | 7,750  | 15,500 | 27,000 | 17,000 |
| <b>169-0200 Democracy and Governance</b>                  |        |        |        |        |
| AEEB  | 0      | 0      | 11,500 | 15,000 |
| <b>169-0210 Civil Society and Local Governance</b>        |        |        |        |        |
| AEEB  | 32,135 | 52,452 | 51,749 | 45,000 |
| <b>169-0230 Local Government</b>                          |        |        |        |        |
| AEEB  | 8,000  | 0      | 0      | 0      |
| <b>169-0310 Humanitarian Assistance</b>                   |        |        |        |        |
| AEEB  | 10,450 | 0      | 0      | 0      |
| <b>169-0410 Special Initiatives</b>                       |        |        |        |        |
| AEEB  | 30,890 | 4,990  | 0      | 0      |
| <b>169-0420 Cross-Cutting Programs</b>                    |        |        |        |        |
| AEEB  | 1,000  | 2,618  | 3,000  | 3,000  |
| <b>TRANSFER</b>   |        |        |        |        |
| AEEB  | 9,555  | 29,440 | 16,751 | 15,000 |

SO 169-0130 includes \$4,750 of FY 2001 Supplemental - AEEB.  
 SO 169-0210 includes \$10,584 of FY 2001 Supplemental - AEEB.  
 SO 169-0230 includes \$8,000 of FY 2001 Supplemental - AEEB.  
 SO 169-0410 includes \$15,000 of FY 2001 Supplemental - AEEB.  
 TRANSFER includes \$5,270 of FY 2001 Supplemental - AEEB.

Mission Director,  
Spike Stephenson

## Turkey

**The Development Challenge:** In the aftermath of September 11, 2001, the United States recognized Turkey as a critical ally in the global war on terrorism. Turkey was among the first countries to demonstrate strong support for Operation Enduring Freedom (OEF), granting overflights and the use of its airbases, and offering 90 Special Operations Forces troops. Turkey permitted the U.S. military to use Incirlik Airbase for several of the most sensitive OEF-related missions. Turkey was one of the first countries to provide troops (267) for Phase I of the International Security Assistance Force (ISAF) in Afghanistan, and assumed the leadership of ISAF on June 20, 2002, for a six-month period that was extended by two months. Turkey now has a complement of approximately 1,400 personnel in Afghanistan. The primacy of Turkey's role as a front-line ally is expected to assume even greater prominence and urgency as the global war on terrorism continues.

Turkey began a series of reforms in the 1980s designed to shift its economy to a more private-sector, market-based model. However, successive governments were repeatedly challenged in their efforts, such that by 2001, the Government of Turkey (GOT) struggled with a serious financial crisis and stalled reforms. A severe currency devaluation, precipitous losses on the country's stock market, and rising interest rates gave grounds for concern about economic stability throughout the region. In early 2002, thanks in part to IMF assistance, reforms began to show results. However, the economy still remains weak. Turkey continues to have substantial debt servicing requirements in the near term. The government must maintain sound economic policies and institute further reform, in order to win market confidence and create an internationally competitive economy. Further, Turkey's economic sustainability is crucial in order for it to fulfill the broad and key role of critical ally to the U.S. and of a strategically-located partner in the global war against terrorism.

**The USAID Program:** While USAID closed its Mission in Turkey in 1976, USAID continued to provide assistance to Turkey for discrete issues, including immediate humanitarian and disaster mitigation needs after serious earthquakes there in 1999, and support to Turkey's family planning and reproductive health program until spring 2002.

In 2002, the United States gave \$200,000,000 in Economic Support Funds (ESF) provided by the 2002 Supplemental Appropriations Act for Further Recovery From and Response To Terrorist Attacks on the United States (P.L.107-206), to offset the economic stress in Turkey that resulted from Turkey's support for combating international terrorism. U.S. grant funds were used to service Turkey's debts to the United States and to international financial institutions, and to thereby aid its economic recovery.

The United States seeks the GOT's continued support in the ongoing war on terrorism. However, the GOT is concerned by the potential damage to its fragile economy. Accordingly, \$200 million in ESF is requested for FY 2004 to mitigate potential economic loss to Turkey for its continued support of the U.S. The Program Data Sheet provided below gives greater detail on the cash transfer program for which USAID is requesting funds in FY 2004.

**Other Program Elements:** None.

**Other Donors:** The United States is the principal donor of support funds to Turkey, with assistance meant to compensate this important ally for the economic costs of its participation in the global war on terrorism at a time of general economic hardship in Turkey. Other major donors to Turkey include the EU and World Bank. Turkey has also received large scale lending from the IMF to address its economic difficulties.

**Turkey  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| Economic Support Fund      | 0                 | 0                 | 0                        | 200,000            |
| Supplemental - ESF         | 0                 | 200,000           | 0                        | 0                  |
| <b>Total Program Funds</b> | <b>0</b>          | <b>200,000</b>    | <b>0</b>                 | <b>200,000</b>     |

**STRATEGIC OBJECTIVE SUMMARY**

|                                |   |         |   |         |
|--------------------------------|---|---------|---|---------|
| 277-0410 Cash Transfer Program |   |         |   |         |
| ESF                            | 0 | 200,000 | 0 | 200,000 |

SO 277-0410 includes \$200,000 of FY 2002 Supplemental - ESF.

## Europe Regional

**The Development Challenge:** The northern tier countries are the transition leaders. They are integrating into international markets and organizations and no longer require bilateral USAID assistance, although they still face challenges related to accession to the European Union (EU).

In Southeast Europe, reconstruction of war torn areas is near completion following a decade of ethnic violence. With some exceptions, these countries now appear to be following the transition path charted by the northern tier, although they are well behind the reform targets achieved by the northern tier countries when they graduated from USAID assistance. Weak labor markets in general, combined with large youth populations and poor human capital in select countries, pose special challenges. Corruption remains an issue across the sub-region. Unresolved ethnic clashes lay below the surface and could easily re-emerge without institutional mechanisms for inter-ethnic understanding and cooperation, particularly given the scheduled decline in donor assistance to these countries. Broad access to the benefits of reform is essential to mitigate the risk of further conflict and to offset the debilitating impact of corruption.

All of the European transition countries aspire to membership in regional organizations such as the North Atlantic Treaty Organization (NATO) and the EU. While the countries presently targeted for EU accession will gain immediate benefits, there may be a cost to those not yet ready for membership (e.g., Macedonia, Albania, Kosovo, Serbia, Montenegro, Bosnia, and possibly Croatia). These countries are small and poorly integrated among each other. The challenge in the short-run is to minimize any backsliding that might occur as the price of exclusion.

**The USAID Program:** The regional program in Europe is carried out through program support objectives in economic growth, democracy and governance, social transition, and cross-cutting initiatives. USAID's strategy for regional assistance is to target multi-country and region-wide interventions that support the achievement of bilateral assistance objectives but cannot be easily funded through individual country budgets.

Regional activities in Europe address cross-border issues (such as energy infrastructure), promote dialogue and networking between countries on transition themes of common concern (local government networking), support regional professional organizations in targeted sectors (international accounting standards), fund directives and special initiatives not covered by country budgets (human trafficking), and achieve cost savings through regional training events and conferences and specialized technical assistance in emerging priority areas (values and youth).

In Southeast Europe, USAID continues to focus on reducing ethnic tension, supporting democratic processes, furthering economic reforms, and promoting regional cooperation and the speedy integration of transition countries into Europe proper. Regional programs are designed to establish common standards and practices across the region in a variety of sectors, including trade and customs, health, labor, energy, and the environment. This strategy is intended to facilitate economic relationships among neighbors, reinforce stability, attract foreign investment and increase competitiveness in international markets. As Southeast Europe begins to prepare for graduation from USAID bilateral assistance, the United States looks to the Europeans to continue to support the integration of these countries into regional institutions.

The overall decline in resource levels in FY 2004 requires substantial adjustments to the regional program. Funding will end in FY 2003 for almost all programs directed toward the European northern tier as well as the region-wide environmental partnerships program, ECOLINKS. At the same time, new priorities in human trafficking and values will receive support under cross-cutting initiatives.

During the next fiscal year, USAID will approach completion of its work related to the Stability Pact. Activities under the economic growth area will include those directed at increased competitiveness, accounting reform, and energy cooperation and trade. Regional activities under the democracy and



governance rubric will continue to support civil society and conflict prevention, the rule of law and judicial strengthening, and local government development. Activities under social transition will encompass efforts directed at populations at risk such as the Roma minority, youth, and those exposed to infectious diseases such as HIV/AIDS and tuberculosis. This rubric will also address health promotion and access issues through medical partnerships and select social safety net issues.

Cross-cutting programs will support two new initiatives: one to raise the profile of the values and ethics inherent in a successful transition to market-oriented democracy; and the other to tackle the increase in human trafficking. The cross-cutting category will also include activities for anti-corruption, conflict mitigation, participant training, and program evaluation, assessment and support needs.

**Other Program Elements:** The Europe regional program complements bilateral assistance programs and does not contain other program elements of its own.

**Other Donors:** Other donors are reflected in the country overviews of the bilateral programs supported by these program objectives.

**Europe Regional  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Asst. for E. Europe and the Baltic States | 86,081            | 74,139            | 60,000                   | 51,000             |
| Child Survival and Health Programs Fund   | 770               | 0                 | 0                        | 0                  |
| <b>Total Program Funds</b>                | <b>86,851</b>     | <b>74,139</b>     | <b>60,000</b>            | <b>51,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>180-0110 Privatization</b>                                 |        |        |        |        |
| AEEB  | 502    | 0      | 0      | 0      |
| <b>180-0120 Fiscal Reform</b>                                 |        |        |        |        |
| AEEB  | 219    | 733    | 248    | 621    |
| <b>180-0130 Private Enterprise Development</b>                |        |        |        |        |
| AEEB  | 4,591  | 1,258  | 1,968  | 553    |
| <b>180-0140 Strengthening the Financial Sector</b>            |        |        |        |        |
| AEEB  | 4,268  | 1,312  | 694    | 826    |
| <b>180-0150 Sustainable Energy Systems</b>                    |        |        |        |        |
| AEEB  | 6,721  | 6,044  | 3,363  | 4,140  |
| <b>180-0160 Better Environmental Management</b>               |        |        |        |        |
| AEEB  | 8,010  | 5,244  | 2,861  | 1,133  |
| <b>180-0210 Civil Society</b>                                 |        |        |        |        |
| AEEB  | 3,648  | 2,875  | 3,150  | 1,597  |
| <b>180-0220 Rule of Law</b>                                   |        |        |        |        |
| AEEB  | 2,282  | 898    | 862    | 728    |
| <b>180-0230 Local Government and Urban Development</b>        |        |        |        |        |
| AEEB  | 962    | 981    | 508    | 327    |
| <b>180-0310 Strengthened Humanitarian Responses to Crises</b> |        |        |        |        |
| AEEB  | 155    | 110    | 0      | 0      |
| <b>180-0320 Health Promotion and Care</b>                     |        |        |        |        |
| AEEB  | 1,754  | 2,984  | 2,516  | 2,855  |
| CSH   | 770    | 0      | 0      | 0      |
| <b>180-0340 Social Sector Reform</b>                          |        |        |        |        |
| AEEB  | 1,867  | 720    | 232    | 150    |
| <b>180-0410 Special Initiatives</b>                           |        |        |        |        |
| AEEB  | 3,676  | 3,445  | 0      | 0      |
| <b>180-0420 Cross-Cutting Programs</b>                        |        |        |        |        |
| AEEB  | 5,024  | 4,510  | 4,808  | 5,070  |
| <b>TRANSFER</b>   |        |        |        |        |
| AEEB  | 42,404 | 43,049 | 38,790 | 33,000 |

Acting Deputy Assistant Administrator,  
Paula Feeney

**Eurasia  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 6,012             | 0                 | 0                        | 0                  |
| FREEDOM Support Act                     | 808,218           | 784,000           | 755,000                  | 576,000            |
| Emergency Response Fund - FSA/NIS       | 0                 | 64,000            | 0                        | 0                  |
| Supplemental - FSA/NIS                  | 0                 | 110,000           | 0                        | 0                  |
| PL 480 Title II                         | 25,079            | 29,377            | 0                        | 10,400             |
| <b>Total Program Funds</b>              | <b>839,309</b>    | <b>987,377</b>    | <b>755,000</b>           | <b>586,400</b>     |

Deputy Assistant Administrator,  
Gloria Steele

## Armenia

**The Development Challenge:** Armenia's socio-economic and democratic transition has been hampered by the legacy of central planning, severe economic shocks arising from the collapse of the USSR, and reluctance of national decision makers to undertake critical reforms to restructure the economy. In the political sphere, flawed presidential elections in 1996 and 1998 contributed to widespread public cynicism. Government of Armenia (GOAM) inability to address many key social safety net issues and a lack of citizen involvement in the policy dialogue process have sustained this cynicism. The key political party in the coalition that supports the president won a large majority of the October 2002 local government elections, and opposition leaders have accused this party of numerous, widespread election irregularities. An additional impediment to Armenia's emergence as a free market democracy has been the ongoing conflict with Azerbaijan over the predominantly ethnic Armenian enclave of Nagorno-Karabakh (NK). As a result of this conflict, Azerbaijan and Turkey imposed blockades across the borders they share with Armenia. The blockades have produced regional isolation, and this has significantly affected Armenia's economic development, since Turkey and Azerbaijan offer important trade routes and should be significant trade partners. Successful resolution of the situation would allow the reopening of trade routes, making Armenia more attractive to potential investors.

Government data show an increase of 11 percent in gross domestic product (GDP) for the first nine months of 2002, with an especially large increase in construction and manufacturing sectors. By the end of 2002, Armenia's inflation rate was well below the three percent target. Exports are growing rapidly and the external deficit should narrow significantly. The trade deficit for January - September 2002 contracted by 16.1% compared with the same period the previous year, amounting to but \$318.9 million. Official unemployment decreased from 10.9% in 2000 to 10.1% in 2001 and 9.5% (January - September 2002) in 2002, although these figures do not include underemployment and are widely thought to underestimate the actual level, estimated at triple the official figure. Despite the steady macroeconomic progress reflected in consistently high growth and low inflation rates, the standard of living for Armenians in poverty is not improving. Fifty one percent of Armenians live below the poverty line, with 16% considered extremely poor and spending less than \$22 a month.

The issue of corruption is one of the most acute problems in Armenia. There is an imbalance of power between the three branches of government resulting from a lack of effective checks and balances, leading to Executive Branch domination. This is compounded by a fusion of political and economic power within the Executive Branch that blurs the line between public and private sectors, enabling the widespread corruption evident in Armenia today.

Since its independence, Armenia has emerged as a strategically important country in the Caucasus, and its progress towards becoming a stable, European-oriented, democratic country with a transparent, market-based economy is important to U.S. security and economic interests in the region. In addition, a settlement of the NK conflict and a rapprochement between Armenia and Turkey are both important U.S. foreign policy goals. U.S. ties to Armenia are many and varied, ranging from the cultural bond of the large Armenian-American Diaspora community to diverse personal connections, commercial interests, and broader political relationships.

**The USAID Program:** USAID assistance focuses on: restructuring the economy, developing the private sector, reforming the energy sector to promote economic and environmental efficiency, strengthening democratic governance, improving social welfare and health systems, and reducing the number of families living in temporary shelters as a result of the 1988 earthquake. USAID's cross-cutting program supports efforts under these program areas, including a human capacity development activity, a regional program on water management issues, and a grants program to promote economic growth, good governance, civil society, and the media. USAID has provided some humanitarian assistance, primarily targeting the most vulnerable populations and the victims of the 1988 earthquake. While USAID's assistance has contributed to the legislative framework necessary for a democratic, law-based, market economy, the implementing institutions still lack the capacity to carry out and enforce their mandates.

Therefore, much work remains to be done in order to help Armenia achieve prosperity for many of its citizens.

**Other Program Elements:** In addition to the FSA-funded elements of the bilateral program described in this document, USAID is carrying out a farmer-to-farmer assistance program in Armenia that provides short-term, U.S. volunteer technical assistance to increase farming and agribusiness productivity and incomes.

**Other Donors:** The United States is the largest bilateral donor. The second largest bilateral donor is Germany (private sector, small and micro enterprise development, export promotion, infrastructure development, public administration, and education). Other bilateral donors include France (education and culture), United Kingdom (public sector reform, civil society, and support for the national census), the Netherlands (agribusiness), Japan (private sector development and technical assistance), and Italy (health and culture). The largest multilateral donor is the World Bank (WB) (natural resource management and poverty reduction, foreign investment and export promotion, information technologies, economic infrastructure, education, health, social sector, agricultural reform, municipal development, transport, and judicial reform). WB and USAID activities complement each other's efforts in most sectors – particularly social, judicial reform, and information technologies development. Other multilateral donors include (a) the International Monetary Fund (macroeconomic policy); (b) the United Nations network of agencies - United Nations Development Program (poverty reduction, democracy and governance, post-crisis management, infrastructure, and information technologies), United Nations High Commission for Refugees (refugee support), United Nations International Children's Emergency Fund (health and education), World Food Program and World Health Organization; (c) European Union (civil society, social sectors, energy, education, private sector development, land titling and registration, agriculture, statistics and transport); and (d) European Bank for Reconstruction and Development (enterprise credit and energy). Most donors participate in formal monthly donors' meetings, co-chaired by the WB, UNDP and USAID. Over 20 sector-specific theme groups meet periodically as well, reporting critical technical and policy information to the donor coordination group. There are also several Armenian Diaspora donors, the largest of which is the Lincy Foundation (road network, Yerevan public works restoration and improvements, tourism, and earthquake recovery). The Soros Foundation is also active in Armenia (civil society, education, public health, culture, media, and judicial reform).

**Armenia  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| FREEDOM Support Act        | 90,811            | 90,200            | 70,000                   | 49,500             |
| PL 480 Title II            | 742               | 911               | 0                        | 0                  |
| <b>Total Program Funds</b> | <b>91,553</b>     | <b>91,111</b>     | <b>70,000</b>            | <b>49,500</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>111-0130 Economic Restructuring</b>           |        |        |        |        |
| FSA  | 15,350 | 15,800 | 14,306 | 12,162 |
| <b>111-0150 Energy Sector Reform</b>             |        |        |        |        |
| FSA  | 6,000  | 2,600  | 6,524  | 5,725  |
| <b>111-0160 Water Management</b>                 |        |        |        |        |
| FSA  | 500    | 2,400  | 2,190  | 2,170  |
| <b>111-0210 Democracy and Governance</b>         |        |        |        |        |
| FSA  | 9,475  | 9,450  | 6,757  | 8,100  |
| <b>111-0340 Social and Health Sectors</b>        |        |        |        |        |
| FSA  | 14,472 | 15,471 | 9,973  | 7,858  |
| <b>111-0411 Earthquake Zone Recovery Program</b> |        |        |        |        |
| FSA  | 6,950  | 5,113  | 2,563  | 0      |
| <b>111-0420 Cross-Cutting Programs</b>           |        |        |        |        |
| FSA  | 5,444  | 4,882  | 4,287  | 3,405  |
| <b>TRANSFER</b>                                  |        |        |        |        |
| FSA  | 32,620 | 34,484 | 23,400 | 12,080 |

Mission Director,  
Keith Simmons

## Azerbaijan

**The Development Challenge:** In the ten years since regaining independence, Azerbaijan has made only an incomplete transition to a democratic polity and a market economy. The democratic process is nominally in place, but supporting traditions and institutions are still in a developmental phase. The governance process is still authoritarian, but not oppressive by regional standards. The country has been unable to take advantage of its substantial petroleum resource base, and some 60% of Azerbaijanis live below the poverty line. The dispute with Armenia over the Nagorno-Karabakh enclave remains unresolved. As a result, about 20% of Azerbaijan is occupied by Armenians and some 800,000 Azerbaijanis are refugees or internally displaced.

Important U.S. interests are at stake. The Azerbaijani citizenry is favorably disposed towards Americans, and the government has strongly supported U.S. anti-terrorism initiatives. Secular Islam prevails, roughly similar to that of the Turks to whom ethnic Azeris are related. However, serious humanitarian, development, and democracy issues exist. Lastly, petroleum resources in Azerbaijan and the Caspian Sea Basin region are of geo-strategic significance.

On the positive side, there are encouraging signs. Rich agricultural resources, petroleum reserves, a well-educated population, and relative political stability augur well. Properly used, petroleum funds can finance Azerbaijan's development. Short-term external assistance needs are considerable, particularly with respect to refugee and displaced populations. However, in the medium-term, if the country's economic potential can be activated, ample public sector resources and strong economic opportunities can facilitate solutions to social problems and provide an economic underpinning to a viable democracy. More negatively, poor political or economic systems could negate the country's potential oil wealth, fomenting internal unrest and inciting outside actors. Although progress has been slow, the government is increasingly receptive to policy initiatives and institutional development supportive of democracy and market economics. An effective USAID program is essential to help guide the political and economic transition currently in process, and clearly serves a wide spectrum of U.S. interests.

**The USAID Program:** The USAID Program concentrates on three areas - humanitarian assistance, economic development, and democracy. The humanitarian program element targets displaced populations and affected communities. Health services and other assistance are provided, and community self-help is promoted. Economic assistance is directed at the development of market institutions, credit access, business services, helping to restructure private sector operations, especially in the agricultural sector, and competitiveness. Following the waiver of Section 907, USAID has been increasingly active in promoting sound economic and regulatory policy, and market-friendly economic governance institutions. An efficient free market-oriented economic structure will not only advance current economic opportunities but also position the country to make good use of large anticipated petroleum revenues. Lastly, USAID programs promote democratic processes and the rule of law, focusing on civil institutions and public advocacy, the professional development of lawyers and judges, strengthening independent, competent media professionals and outlets, political party development, and electoral process. In all program areas, progress has been steady, and targets have been met or exceeded. USAID's strategy envisions an increasing shift of program resources from humanitarian activities to democratic process and economic development.

**Other Program Elements:** The country program receives important support from global and regional USAID programs. A regional Caucasus farmer-to-farmer program funded through P.L. 480 proceeds operates in Azerbaijan. The program provides short-term technical assistance to increase farm and agribusiness productivity and incomes.

**Other Donors:** Recognizing the need, the political context, and the opportunities present the International Monetary Fund (IMF), International Bank for Reconstruction and Development (IBRD), EU, and UN all have a program presence in Azerbaijan. The donor programs tend to be small. Donor coordination seems to work reasonably well, although at an informal level. The USAID banking system reform activity, for example, is integral to larger IBRD and IMF programs. The IMF and IBRD also have a major poverty

reduction activity under design. A number of European countries and international humanitarian agencies have been active in refugee and displaced persons relief. The EU is active in a multiplicity of economic areas including agriculture and environmental programs. The United Nations Development Program has a wide range of small programs - e.g., conflict mitigation, environmental, and poverty alleviation activities.



**Azerbaijan  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| FREEDOM Support Act        | 36,350            | 43,510            | 46,000                   | 41,500             |
| PL 480 Title II            | 2,501             | 2,239             | 0                        | 0                  |
| <b>Total Program Funds</b> | <b>38,851</b>     | <b>45,749</b>     | <b>46,000</b>            | <b>41,500</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>112-0130 Development of Small and Medium Enterprises</b> |        |        |        |        |
| FSA   | 8,200  | 10,300 | 13,800 | 14,100 |
| <b>112-0210 Civil Society</b>                               |        |        |        |        |
| FSA   | 5,129  | 5,500  | 6,000  | 6,000  |
| <b>112-0310 Humanitarian Assistance</b>                     |        |        |        |        |
| FSA   | 9,170  | 8,900  | 7,500  | 8,890  |
| <b>112-0420 Cross-Cutting Programs</b>                      |        |        |        |        |
| FSA   | 3,500  | 3,494  | 5,750  | 5,200  |
| <b>TRANSFER</b>   |        |        |        |        |
| FSA   | 10,351 | 15,316 | 12,950 | 7,310  |

Mission Director,  
Michael Farbman

## Belarus

**The Development Challenge:** Belarus is one of the most backward and repressive countries of the former Soviet Union and Freedom House classifies it as "a consolidated autocracy." After a hopeful start at the beginning of its first decade of independence, Belarus has, for the past eight years, moved in the opposite direction and become significantly less free than neighboring countries. The 2000 Parliamentary and 2001 Presidential elections were so egregiously flawed that the international community did not recognize the results. The state resorts to an authoritarian government and isolationism, threatening and eroding democratic institutions by suppressing dissent and controlling access to information. According to the 2002 United Nations Development Program (UNDP) Human Development Index Report, most indicators of progress towards democracy for Belarus are lower than for the majority of the Eurasia states (especially the indicator of civil liberties). A European Parliamentary delegation visiting Belarus in November 2002, noted the lack of progress towards democracy since the 2001 presidential elections. The Belarusian government's decision to discontinue the work of the Organization for Security and Cooperation in Europe (OSCE) Advisory Monitoring Group has strained the country's relations with European and American powers, and prompted the European Union (EU) and United States Government (USG) decision to impose a visa ban on the Belarusian leader and seven top government officials in December 2002.

After the Presidential election of 2001, the government increased its interference in the activities of trade unions, pro-democracy political parties, NGOs, and independent media, harassing and intimidating their leaders. Polish, Lithuanian, Latvian, and even Russian national legislators formed official Belarus Working Groups or held hearings on Belarusian issues to highlight their concern over increasing restrictions on freedom (e.g., religion and speech) and other human rights. This indicates the new political reality for Belarus; its current policies are leading to further isolation from the neighboring countries that are consolidating democratic pluralism and forming regional alliances.

On the economic front, the state continues to resist reforms. The Heritage Foundation ranks Belarus 151 out of 156 countries in economic freedom. Economic mismanagement has caused a dramatic increase in stocks of unsold goods, which currently stand at 60% of the average monthly output. The industrial base has become obsolete, and more than 40% of the industrial enterprises work at a loss. The ability of firms to remain liquid is further constrained by mandated wage increases and the inability to release surplus personnel. Arrears are rising for both wage and tax payments. Payments to the state social security fund are declining, resulting in arrears in pension payments. In some cases, banks have been "directed" to lend to illiquid enterprises to permit them to pay wages and social security taxes.

**The U.S. national interests:** Belarus remains the last "authoritarian regime" in Europe, but has the potential to become a democratic and economically developed country and join its neighbors in transition to democratic pluralism. The U.S. has a vital national interest in a prosperous, free, and peaceful Europe which must include a stable, democratic, and market-oriented Belarus. After the first round of integration, the EU will become contiguous with Belarus, leaving it potentially vulnerable to political and economic instability across the border. The U.S. foreign policy priorities in Belarus are to help foster a political and economic environment which is more democratic and in harmony with the region, through its work to strengthen civil society, political process, and the independent media.

**The USAID Program:** Given the existing environment in Belarus, USAID's FY2003-2005 Assistance Strategy takes a long-term perspective and continues to prepare the soil for democracy so that when real reform comes, it might take root. This strategic plan aims to engage diverse and as yet under-empowered elements of Belarusian society, including independent media, non-governmental organizations (NGOs) and pro-democracy groups, under a common overall goal reflected in the single Strategic Objective: "Increased citizen participation in democratic practices." This goal coincides with the Agency's objective for "better informed citizen participation in political and economic decision-making" within the Democracy, Conflict and Humanitarian Assistance Pillar.

The Program Data Sheets cover the single strategic objective for which USAID is requesting FY 2003 and FY 2004 funds. This objective concentrates on activities that foster citizens' participation in democratic practices.

**Other Program Elements:** In addition to the resources requested in the Program Data Sheets, CNFA, centrally funded, implements the West NIS Agribusiness Volunteer Program in Belarus. The objectives are to strengthen the ability of private farmer associations to improve the incomes and businesses of their members, to develop private agribusinesses, and to stimulate the development of entrepreneurial initiatives within former collective farms.

**Other Donors:** The USG is the largest donor in Belarus, working almost exclusively with the structures of civil society through the Small Grants Program of the Democracy Commission, the National Endowment for Democracy, and other agencies. USAID has taken the lead in donor coordination and its technical assistance was increasingly matched by other donors' financial support, or by implementing joint projects in the areas of independent media development, political process strengthening, civil society development, and civil society legal defense capacity building.

The German federal government had been one of the largest bilateral donors in the country in the economic sphere through its Transform Program, active since 1993. However, it recently curtailed its technical assistance program that supported civil society and the development of bilateral micro-level contacts. The Swedish International Development Agency provides support to civil society, small and medium business and business associations, independent media, local self-governance, and land reform. The British Department for International Development provides limited funding to projects in the fields of democratization, good governance, human rights, and the environment. The Canadian International Development Agency has supported efforts to promote economic reform in Belarus by working with independent think tanks, business associations, and the private sector.

Multilateral donors include the World Bank, whose 2002-2004 Country Assistance Strategy for Belarus envisions a loan to the GOB for tackling relevant economic and social issues (e.g., TB/AIDS, the Chernobyl disaster, the environment, a Social Investment Fund). The International Monetary Fund completed its monitoring program in 2002 and is negotiating further involvement with the country. The European Bank for Reconstruction and Development (EBRD) has a limited portfolio of successful investment in the private sector. The EU TACIS Program was established to contribute to structural reform and modernization in areas key to transition and currently focuses on civil society strengthening initiatives. Its 2003 budget is higher than in previous years and targeted to projects that combat human trafficking, illegal drugs, and money laundering. The United Nations (UNDP) has a small grants program that offers support to CSOs in various spheres, though mainly in social services, health, and the environment. Various private organizations provide small grants for the development of civil society organizations, independent media, and pro-democracy political parties.

**Belarus  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| FREEDOM Support Act        | 11,879            | 10,572            | 9,500                    | 8,000              |
| <b>Total Program Funds</b> | <b>11,879</b>     | <b>10,572</b>     | <b>9,500</b>             | <b>8,000</b>       |

**STRATEGIC OBJECTIVE SUMMARY**

| 113-0210 Citizen Participation in Democratic Practices |       |       |       |       |
|--|-------|-------|-------|-------|
| FSA  | 4,856 | 4,998 | 3,900 | 5,080 |

| TRANSFER |       |       |       |       |
|----------|-------|-------|-------|-------|
| FSA      | 7,023 | 5,574 | 5,600 | 2,920 |

Mission Director,  
Christopher Crowley

## Georgia

**The Development Challenge:** Despite a period of limited development progress following the political and social turbulence of the 1990s, Georgia continues to be plagued by a centralized, executive-dominated authority, rampant corruption, and unresolved territorial conflicts, which obstruct attempts to improve the country's overall development. A weak government unable or unwilling to implement laws and regulations throughout the country inhibits the ability of the state to govern and undermines serious political reform efforts. The arbitrary application of taxes and a large shadow economy hamper economic development by depriving the government of much-needed tax revenue. Economic conditions are deteriorating with 51.1% of the population below the poverty line and 23.6% unemployment. Georgians are also faced with a decline in the quality of basic social services such as health and education. The energy sector is paralyzed by improper diversions of cash and electricity, inefficiency, non-payment for about 80% of the energy consumed, and heavy dependence on external sources of energy. Georgia's internal security is strained. The situation is highlighted by the unresolved territorial conflicts with Abkhazia and South Ossetia that displaced 250,000 persons. Strained relations with Russia regarding the Chechen segment of the border and the existence of Russian military bases in Georgia continue to fuel insecurities.

The annual growth rate rose to 4.5% in 2001, and slightly declined to 4.2% in 2002. Fiscal performance remains one of Georgia's most intractable problems, with tax revenues remaining amongst the lowest in the region. The country's foreign debt is large (about 51% of GDP) owing to the weakness of fiscal performance and to high trade and current account deficits. The overall investment climate (both domestic and foreign) is impaired by pervasive corruption, Georgia's poor fiscal situation, and uneven application of laws.

Georgia's development as a stable, democratic country, increasingly integrated into the global economy, remains a key U.S. national interest at this crossroads linking Russia, Iran and Turkey. The U.S. government finances programs that support stable and secure regional partners, economic growth, democracy-building, and counterterrorism.

**The USAID Program:** The Program Data Sheets that follow cover five strategic objectives for which USAID is requesting FY 2003 and FY 2004 funds. These five objectives concentrate on: energy sector reform; economic growth (agriculture, banking and financial sector reforms, and private sector development); democracy and governance (improving electoral processes, promoting efficient and responsive local governance, civil society, legal reforms, independent media); humanitarian assistance, community development and health; and human resources development. FY 2003 funds will be used to implement the current programs in agriculture, micro-finance, banking sector reforms, improving the tax administration, energy sector reforms, strengthening electoral processes, improving local government management, rule of law, community development, health and humanitarian relief and human resources development. Most of these programs have cross-sectoral support. USAID also will use FY 2003 funds to start three new activities in energy security, agricultural business development, and micro-finance to consolidate major gains accomplished by previous activities. In addition, USAID intends to use FY 2003 funds to start other new activities that have been identified for inclusion in the new Strategic Plan (FY 2004-2008). Increased programmatic emphasis will be put on anti-corruption activities, support for upcoming Parliamentary and Presidential elections in 2003 and 2005, respectively, and community development in potential conflict areas.

**Other Program Elements:** A regional Caucasus farmer-to-farmer program funded through P.L. 480 proceeds operates in Georgia. The program provides short-term technical assistance to farmers on problems relating to production, appropriate processing technology, and business planning and management.

**Other Donors:** Major donors in Georgia are the World Bank, the IMF, the United States, the Government of Germany, UNDP, the European Bank for Reconstruction and Development (EBRD), and the European Union (EU). Donor coordination has been satisfactory in poverty reduction, economic growth, free-and-

fair elections, banking sector reform, energy security, and health care reform. The Mission is working to improve donor coordination in land reform, tax policy, agriculture, and disaster assistance. The World Bank supports projects in energy (including electricity and oil transportation), municipal infrastructure, and institution building. These programs complement several elements of USAID's programs. Similarly, EBRD programs in banking, small and medium sized enterprises, micro-finance, and in the energy sector complement USAID activities in these areas. The EU activities support institutional, legal, and administrative reform, food security, health care, border guards, and transport infrastructure. UNDP programs complement the USAID programs supporting poverty reduction, democracy, and capacity-building of government institutions.

**Georgia  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| FREEDOM Support Act        | 95,361            | 89,807            | 87,000                   | 75,000             |
| PL 480 Title II            | 9,205             | 0                 | 0                        | 0                  |
| <b>Total Program Funds</b> | <b>104,566</b>    | <b>89,807</b>     | <b>87,000</b>            | <b>75,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>114-0130 Increased Economic Growth</b> |        |        |        |        |
| FSA                                       | 14,353 | 14,700 | 14,700 | 14,000 |
| <b>114-0150 Energy and Environment</b>    |        |        |        |        |
| FSA                                       | 21,650 | 13,496 | 8,850  | 9,000  |
| <b>114-0220 Rule of Law</b>               |        |        |        |        |
| FSA                                       | 870    | 3,206  | 4,025  | 4,500  |
| <b>114-0230 Good Local Governance</b>     |        |        |        |        |
| FSA                                       | 3,866  | 7,805  | 5,375  | 6,000  |
| <b>114-0310 Reduced Human Suffering</b>   |        |        |        |        |
| FSA                                       | 7,572  | 11,908 | 10,250 | 10,500 |
| <b>114-0420 Cross-Cutting Programs</b>    |        |        |        |        |
| FSA                                       | 4,770  | 3,678  | 8,650  | 6,700  |
| <b>TRANSFER</b>                           |        |        |        |        |
| FSA                                       | 42,280 | 35,014 | 35,150 | 24,300 |

Mission Director,  
Michael Farbman

## Kazakhstan

**The Development Challenge:** Despite substantial reform in eleven years of independence, Kazakhstan's authoritarianism and corruption, wasteful services and energy practices, and disdain for civic action and an independent media are still evident. Continued government attempts to control and stifle independent media and political groups indicate a reluctance to embrace basic civil liberties. The environment for independent media and opposition parties worsened over the past year, as the Government of Kazakhstan (GOK) introduced more restrictive laws on political parties and broadcast media. According to Freedom House, Kazakhstan remains "not free," and Transparency International reports that this corrupt country has grown even more corrupt in the past year. Recent political shifts led to the removal of some key reformers from the government and imprisonment of some opposition leaders. These arrests and restrictive new laws on registering political parties have significantly reduced political openness that emerged in late 2001, which appeared to signal an increase in public debate on issues such as corruption, media, electoral reform and decentralization.

At the same time, Kazakhstan has made significant economic progress since independence, well surpassing many other former Soviet countries in macro-economic reform. With a per capita GDP of close to \$1,400, 12% GDP growth in 2001, solid fiscal management, privatization of state-owned enterprises, and growing pension funds and bond and mortgage markets, Kazakhstan is the wealthiest of the Central Asian republics. Avoiding adverse macro-economic consequences from concentration on the oil sector is a major economic policy concern, but there are signs that the GOK has embarked on an industrial policy designed to diversify the economy away from overdependence on oil by developing Kazakhstan's light industry and small business sector. The 2001 opening of the Caspian Consortium pipeline, from western Kazakhstan's Tengiz oilfield to the Black Sea, substantially raised Kazakhstan's export capacity. Kazakhstan correspondingly increased its sales of oil on international (non-Commonwealth of Independent States) markets, where prices are much higher, contributing to strong economic performance in 2001-2002. However, the economy remains dominated by oligarchic interests, and income and social disparities are large and growing, with nearly 30% of the population living below the poverty line. The official unemployment rate is near 10%, but the real figure may be as high as 30%. HIV/AIDS in particular is rising dramatically among high-risk groups, including drug users. Over 5% of the intravenous drug-using population is infected, indicating a concentrated HIV epidemic. Kazakhstan's infant mortality rate in 2002 is estimated to be 58.95 deaths per every 1,000 live births. Tuberculosis mortality rates dropped 12.4% in the last reporting period, and inoculations against Hepatitis B have brought its incidence to zero among young children. By comparison, the incidence of these diseases beyond childhood is still well above international norms.

Due to its tremendous oil and gas resources, size, and strategic location, Kazakhstan continues to be a key U.S. partner. The United States' National Energy Plan specifically identifies Kazakhstan's Kashagan field as, potentially, one of the most important petroleum reservoirs to begin development in the last thirty years. Kazakhstan's leading economic and political position in the region gives it an important role in the ongoing war on terrorism.

**The USAID Program:** To meet these challenges, USAID assistance to Kazakhstan will expand opportunities for citizens to participate in civil society and the market economy and move toward stronger protection of human rights. The Program Data Sheets provided below cover the five objectives for which USAID is requesting funds for Kazakhstan: small enterprise and trade, primary health care, democratic culture and institutions, management of energy and water resources, and cross-cutting programs, including conflict prevention. Through its participant training program, USAID annually trains about 1,500 Kazakhstani citizens in business and finance skills, democratic reform, and primary health care. USAID supports both policy reform and legal development on the national level, while focusing its programs on selected localities and sub-regions, to ensure demonstrable results in such a vast country.

FY 2003 funds will be used to implement the program planned and described in the FY 2003 Congressional Budget Justification. Important cross-cutting objectives are conflict mitigation (through media, education, and community development), youth and education, gender, and anti-corruption and



rule of law. Recognizing longer-term objectives, the cross-cutting nature of decentralization and the need to streamline management, in FY 2003, USAID's local government activities will be combined with the broader democratic objective. Local government initiatives continue as a means of strengthening democratic culture, social services, and small enterprise, rather than as an end in itself. USAID's fiscal reform objective will be combined with the broader objective for improved environment for small and medium enterprise development. Fiscal and tax reform activities will be integrated into this objective.

**SUPPLEMENTAL AND PERFORMANCE FUNDS:** Armed with an increased overall budget due to supplemental and performance funds, USAID quickly expanded and initiated activities in democracy promotion, economic reform, and conflict mitigation. Supplemental funds allowed USAID to deepen its support of democratic activists in Kazakhstan's politically repressive environment. In particular, USAID expanded political party training to include a full-time in-country trainer and increased resources to bolster our civic advocacy and education efforts. Supplemental funds also reinforced a newly-focused and expanded judicial and legal reform program. The next phase of USAID's local government assistance, which focuses on creating a constituency for decentralization, also benefited from additional supplemental resources. Supplemental funding enabled USAID to focus on reducing the threat of extremism and ethnic- or resource-based conflicts in Central Asia; the Community Action Investment Project (CAIP) is the centerpiece of this conflict mitigation initiative. CAIP activities are focused on southern Kazakhstan near the Uzbekistan border to help communities identify and solve basic community problems and to address local conflicts before they become dangerous. USAID used FY 2002 performance funds to expand the small and medium enterprise (SME) program through the newly formed U.S.-Kazakhstan Business Development Partnership (also known as the Houston Initiative). In particular, USAID initiated a cooperative agreement with the European Bank for Reconstruction and Development (EBRD) to increase access to capital through a local bank lending program, and also supported the start-up of the Small Enterprise Assistance Fund's efforts to provide additional capital through equity, debt, and leasing. A small portion of performance funds also contributed to USAID's economics and business education program to continue training professors in modern economics and business practices.

**Other Program Elements:** In addition, USAID supports institutional partnerships that build lasting relationships in energy, health, and governance between the U.S. and Kazakhstan. USAID uses several centrally-managed programs, including the agreement with the Centers for Disease Control, Monitoring and Evaluation to Assess and Use Results (MEASURE)/Evaluation, and the Ecolinks environmental partnership program. The Farmer-to-Farmer Program complements other USAID agricultural enterprise activities in Kazakhstan. The Eurasia Foundation has an active small grants program in small business, local government, and civil society. The Departments of Commerce, Defense, Energy, Agriculture, and State also manage programs complementary to USAID field activities in various sectors.

**Other Donors:** The EBRD, European Union - Technical Assistance for the Commonwealth of Independent States (EU-TACIS), the Asian Development Bank (ADB), and the World Bank (WB) are active in Kazakhstan. They provide resources to promote and support the development of SMEs; build public infrastructures; and modernize Kazakhstan's tax and treasury systems. The Soros Foundation/Open Society Institute (Soros/OSI), German government, United Nations Development Program (UNDP) and Israeli government complement the multi-lateral programs in SME development. UNDP, Soros/OSI, EU-TACIS, and the Organization for Security and Cooperation in Europe support initiatives in democracy and governance. The Government of Kazakhstan has cancelled the World Bank Health Loan. Without these funds, future activities of Britain's Department for International Development (DFID) in family medicine training are in question. The UN agencies - UNAIDS, United Nations Children's Fund (UNICEF), and the World Health Organization - have important health programs and are collaborating actively with (and are funded by) USAID. The ADB is becoming more involved in the health sector, including a major regional project on iodine deficiency and anemia. The WB, Swiss government, ADB, and the Canadian International Development Agency support activities to improve natural resources management.

**Kazakhstan  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 200               | 0                 | 0                        | 0                  |
| FREEDOM Support Act                     | 48,596            | 45,815            | 43,000                   | 32,000             |
| Supplemental - FSA/NIS                  | 0                 | 1,500             | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>48,796</b>     | <b>47,315</b>     | <b>43,000</b>            | <b>32,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>115-0120 Tax and Budget Policy</b>                           |        |        |        |        |
| FSA   | 2,400  | 1,455  | 0      | 0      |
| <b>115-0131 Small and Medium Sized Enterprise Program</b>       |        |        |        |        |
| FSA   | 12,000 | 11,695 | 13,680 | 11,415 |
| <b>115-0161 Energy and Water</b>                                |        |        |        |        |
| FSA   | 2,700  | 2,700  | 2,450  | 2,421  |
| <b>115-0211 Strengthened Democratic Culture</b>                 |        |        |        |        |
| FSA   | 3,900  | 6,000  | 5,750  | 4,713  |
| <b>115-0230 More Effective and Accountable Local Governance</b> |        |        |        |        |
| FSA   | 1,800  | 0      | 0      | 0      |
| <b>115-0240 Conflict Prevention</b>                             |        |        |        |        |
| FSA   | 0      | 0      | 0      | 519    |
| <b>115-0320 Health and Population</b>                           |        |        |        |        |
| CSH   | 200    | 0      | 0      | 0      |
| FSA   | 6,200  | 6,000  | 6,500  | 5,707  |
| <b>115-0420 Cross-Cutting Programs</b>                          |        |        |        |        |
| FSA   | 3,067  | 3,491  | 3,970  | 2,705  |
| <b>TRANSFER</b>   |        |        |        |        |
| FSA   | 16,529 | 15,974 | 10,650 | 4,520  |

SO 115-0211 includes \$1,000 of FY 2002 Supplemental - FSA/NIS.

TRANSFER includes \$500 of FY 2002 Supplemental - FSA/NIS.

Mission Director,  
George DeKun

## Kyrgyzstan

**The Development Challenge:** Kyrgyzstan has been the most open, progressive, and cooperative of the Central Asian republics even with a tumultuous year in 2002. Kyrgyzstan leads the region in health care reform and in actively addressing new health issues, such as HIV/AIDS, in an open and direct manner. However, government supplied social services, critical to maintaining public support for reform, are still inadequate. Widespread poverty, pervasive corruption, and limited prospects for economic growth will continue to negatively affect all social programs and development. The implementation of a transparent national test for all students seeking a government university scholarship is a bright spot in education reform and the reduction of corrupt practices. Civil society in Kyrgyzstan is more developed than in other Central Asian countries, although the Freedom House rating is likely to drop to "not free" in 2002 from the 2001 rating of "partly free," and the civil liberties rating is likely to decline from 5 to 6 (with 7 representing the lowest degree of freedom). Nevertheless, non-governmental organizations (NGOs), civic organizations, and media are increasingly able to influence government policy and legislation. Parliament is increasingly active and responsive and provides a check on government control. Positive signs of macro-economic stabilization continue with tax collections increasing by 12.8% for the period January-August 2002. Inflation dropped from 8% in 2001 to 2% for the period January-September 2002. The latest GOK figures indicate a decline in poverty from 52% to 47.6% in 2001. However, industrial output fell by 13% and GDP declined by 2.6% in 2002 due to an accident in July 2002 at the country's flagship gold venture which affected gold production and exports. Limited access to trade routes, in part brought about by vested interests that threw roadblocks in front of efforts to reduce trade barriers, a heavy burden of external debt (\$1.5 billion), a weak bank sector, as well as corrupt courts overturning two bank closures, all threaten economic and political reform and limit growth. Poverty and limited opportunities particularly jeopardize stability in the south where isolation, difficult borders, lack of investment, and ethnic differences are problems. Kyrgyzstan's location at the headwaters of major river systems in Central Asia enable it to affect irrigation, electricity generation, and the environment in the downstream countries of Central Asia. All of these challenges, along with an essentially closed border with Uzbekistan, are potential sources of conflict that could threaten regional stability and U.S. economic and political interests in Central Asia.

Kyrgyzstan has remained a stalwart friend of the United States and a firm ally in the war on terrorism. Kyrgyzstan's support in the form of the vital coalition airbase in Manas and associated over-flight rights were essential to allied successes in Afghanistan, and Kyrgyzstan continues to be a strong strategic partner to the U.S. and others. Kyrgyzstan's reform agenda directly advances U.S. national interests in ensuring stability by promoting economic and democratic reform.

**The USAID Program:** The U.S. assistance program in Kyrgyzstan aims to strengthen democratic culture, support private sector economic development, promote rational and effective management of water, and increase the availability of higher quality primary health care. These mutually reinforcing objectives help establish the environment necessary for democracy and markets to flourish, which will thereby promote internal stability and greater prosperity. USAID programs build on Kyrgyzstan's cooperativeness, relatively open civil society, and economic and health reforms to meet the challenges of continuing oligarchy, corruption, debt burden, lack of trade, broad poverty, and weak governance.

The Program Data Sheets cover five strategic objectives and two special objectives for which USAID is requesting funds. The five objectives promote reforms that foster the growth of small and medium enterprises, promote civil society and expand access to information, improve primary health care and prevent infectious disease, encourage better use of the region's water and energy resources, and address other cross cutting issues within the region. Two proposed special objectives, made possible through supplemental funding, will support reforms in basic education and prevent conflict. Given the focus on Central Asia since the war on terrorism, the new special objective for conflict prevention will expand and adjust USAID's on-going conflict prevention efforts to better respond to broader U.S. objectives in the region. FY 2003 funds will be used to implement the program as currently planned and previously described in the FY 2002 Congressional Budget Justification, including cross-cutting objectives in youth, gender, anti-corruption, and rule of law. USAID will continue to emphasize conflict prevention

through media, education, agro-enterprise growth and community development, especially in the southern portion of the country. In FY 2003, USAID's local government activities will be combined into the broader democracy objective to streamline management and our activities to increase the soundness of fiscal and budget policies will be integrated into our strategic objective on improving the environment for small and medium enterprises. With additional resources from FY 2002 supplemental appropriations, new initiatives in basic education, malaria control, local government, fiscal and banking reform, and agribusiness will begin in FY 2003. Specific activities to be funded by FY 2003 and FY 2004 appropriations are described in the Program Data Sheets that follow.

**SUPPLEMENTAL FUNDS:** Supplemental funding enabled expansion by nearly 60% of USAID activities in Kyrgyzstan. USAID expanded programs that support broad-based economic and democratic development, with an overall objective of reducing the potential for conflict and extremism in the region. Our small and medium enterprise program (SME) placed heavier emphasis on developing a sound environment for micro-financial institutions and on providing greater access to credit. Increased support for the Osh Agri-business Initiative will increase competitiveness of firms in the volatile Ferghana Valley by helping products enter regional and international markets. USAID supports citizen participation by bolstering parliamentary and civic advocacy programs, in addition to increased support for a legal reform program. USAID created the Community Action Investment Project, the centerpiece of the USG's conflict prevention efforts in Central Asia, to reduce the threat of extremism and ethnic- or resource-based conflicts. USAID also began a basic education program and supported an endowment for the American University of Central Asia, funded jointly with the Soros Foundation. Supplemental funds will fund a desperately needed malaria control program and extend health reform, especially in the south, through direct support of two national NGOs.

**Other Program Elements:** Partnerships, training and exchanges remain an important component of U.S. assistance. USAID's participant training project trained over 2,000 Kyrgyzstani citizens in SME development, fiscal and tax reform, higher education, NGO development and advocacy and management and technical training for health work in FY 2002. USAID supports a number of U.S.-Kyrgyzstani institutional partnerships that seek to build lasting relationships. The Farmer-to-Farmer Program is active in Kyrgyzstan. The Eurasia Foundation has an active small grants program, which complements the USAID programs in education, small business, local government, and civil society. The Departments of Commerce, Defense, and State also manage programs complementary to USAID field activities in various sectors.

**Other Donors:** Kyrgyzstan's largest donors are the Asian Development Bank (roads, agriculture, education, health, and corporate governance) and the World Bank (irrigation, agriculture, health, and micro-credit). Other bilateral donors besides the United States include the British (DFID), the Swiss and German governments and the European Union (TACIS). DFID and TACIS have increased their programs in response to the events of September 11. TACIS has a major food security program that provides budget support. DFID is supporting land reform, water and sanitation, health, and irrigation. Land reform is also being promoted by the United States, Swiss, and World Bank. The United States, Asian Development Bank, International Monetary Fund, and World Bank are cooperating on banking reform. Nearly all the major donors are involved in small/medium enterprise development. The World Health Organization and the U.S., Swiss, German, British, and Japanese governments jointly support health activities. The United Nations High Commissioner for Refugees (UNHCR), Soros, and the EU co-fund civil society support centers, along with USAID. The Swiss and German governments are working in the area of natural resources management.

**Kyrgyzstan  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                          | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|-----------------------------------|-------------------|-------------------|--------------------------|--------------------|
| FREEDOM Support Act               | 32,594            | 35,489            | 36,000                   | 40,000             |
| Emergency Response Fund - FSA/NIS | 0                 | 3,500             | 0                        | 0                  |
| Supplemental - FSA/NIS            | 0                 | 33,000            | 0                        | 0                  |
| <b>Total Program Funds</b>        | <b>32,594</b>     | <b>71,989</b>     | <b>36,000</b>            | <b>40,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |       |        |        |        |
|---|-------|--------|--------|--------|
| <b>116-0120 Tax and Budget Policy</b>                           |       |        |        |        |
| FSA   | 2,300 | 850    | 0      | 0      |
| <b>116-0131 Small and Medium Enterprises</b>                    |       |        |        |        |
| FSA   | 7,700 | 15,450 | 11,735 | 13,640 |
| <b>116-0161 Energy and Water</b>                                |       |        |        |        |
| FSA   | 1,000 | 1,700  | 1,700  | 2,010  |
| <b>116-0211 Democratic Culture and Institutions</b>             |       |        |        |        |
| FSA   | 3,350 | 7,025  | 5,600  | 6,621  |
| <b>116-0230 More Effective and Accountable Local Governance</b> |       |        |        |        |
| FSA   | 1,700 | 0      | 0      | 0      |
| <b>116-0240 Conflict Prevention</b>                             |       |        |        |        |
| FSA   | 0     | 0      | 0      | 668    |
| <b>116-0320 Health and Population</b>                           |       |        |        |        |
| FSA   | 2,800 | 4,500  | 5,458  | 6,217  |
| <b>116-0340 Strengthened Basic Education Sector</b>             |       |        |        |        |
| FSA   | 0     | 0      | 0      | 492    |
| <b>116-0420 Cross-Cutting Programs</b>                          |       |        |        |        |
| FSA   | 5,268 | 12,578 | 3,107  | 2,392  |
| <b>TRANSFER</b>   |       |        |        |        |
| FSA   | 8,476 | 29,886 | 8,400  | 7,960  |

SO 116-0131 includes \$5,500 of FY 2002 Supplemental - FSA/NIS.

SO 116-0161 includes \$200 of FY 2002 Supplemental - FSA/NIS.

SO 116-0211 includes \$2,325 of FY 2002 Supplemental - FSA/NIS.

SO 116-0320 includes \$1,500 of FY 2002 Supplemental - FSA/NIS.

SO 116-0420 includes \$8,230 of FY 2002 Supplemental - FSA/NIS.

TRANSFER includes \$3,500 of Emergency Response Fund - FSA/NIS and \$15,245 of FY 2002 Supplemental - FSA/NIS.

Mission Director,  
George Deikun

## Moldova

**The Development Challenge:** The key challenge for achieving economic growth is the fact that Moldova remains one of the poorest countries in the region. In 2001, per capita gross domestic product (GDP) was estimated at \$400 and poverty rates at 55%-70% of the total population. Over 70% of the poor live in rural areas, and only 8% live in large cities. Some 800,000 Moldovans have left the country, most of them coming from the countryside. Moldova's financial fragility makes it strongly dependent on external financing and/or debt rescheduling. In the mid-1990s, Moldova made considerable progress in democratization and economic development, particularly in reforming the agricultural sector. While this transformation has generally continued on track and most of the population maintains support for the reform process, it has imposed many hardships on the Moldovan people. This led to popular dissatisfaction with the previous government, and to the victory of the Communist Party in the February 2001 elections.

After initial concerns about Communist Party rhetoric and a number of anti-reform measures taken by the Government of Moldova (GOM), USAID and the U.S. Embassy have been encouraged by the government's efforts to maintain a strong working relationship with the USG. The GOM has continued to make progress on economic and market reform and has committed to improve relations with the International Monetary Fund (IMF) and the World Bank. In spite of some difficulties in mid-summer 2002, the GOM received \$10 million in assistance from the World Bank and approximately \$12.5 million from the IMF in FY 2002.

According to World Bank statistics, Moldova experienced the largest decline in GDP of any country in Europe and Central Asia. In 1999, Moldova's annual GDP per capita of \$370 was less than a quarter of its 1990 level. However, a reversal of this downward trend started in 2000 and progress has continued. Led by positive growth in agricultural production, Moldova will record its third consecutive year of positive GDP growth in 2002, with year-end real GDP growth predicted at 6%. Projections for future years give hope that economic growth will continue in the agriculture sector. Agriculture and small and medium-sized enterprise (SME) projects supported by USAID are improving the living standards of people in rural Moldova. Business associations that are being developed with assistance from USAID are providing nascent advocacy and other services to their members. Their activities are consistent with the development of a more active civil society in Moldova. Agriculture is the mainstay of the economy. Nearly 50% of Moldovan GDP, 40% of employment and 65% of exports is related to agriculture (if agribusiness is included). More than half of the country's population lives in rural areas and makes its living from agriculture related activities. USAID's strategy therefore concentrates on job creation, income generation, and economic opportunity in rural Moldova. USAID encourages growth through investment in agribusiness and improving the environment for private enterprise.

**The USAID Program:** The Program Data Sheets provided below cover the three objectives for which USAID is requesting funds in FY 2003 and FY 2004. These three objectives concentrate on: supporting private enterprise growth to create jobs and generate income; developing effective, responsive, and accountable democratic institutions by strengthening local government autonomy and civil society; and helping create a social safety net to reach vulnerable groups.

USAID will expand its involvement in the agriculture sector to increase jobs, income, and economic opportunities. An Anti-Trafficking Program will be developed in 2003 and will be closely integrated with these existing rural economic and agriculture development programs. The sense of personal powerlessness that exists among a large portion of the population is due to the lack of economic opportunity that plagues much of rural Moldova. This is a major factor in the vulnerability of young women who are being trafficked. This program will provide potential trafficking victims with real economic opportunities and jobs, and help them develop a tangible stake in their community.

A new Citizen Participation Program is planned that will help to ensure continued public support for economic and political reform by helping people to make a tangible and positive improvement in their

lives. This program will be focused on producing real and rapid results in communities across Moldova by demonstrating the effectiveness of citizen participation and democratic action.

The health delivery system in Moldova continues to crumble in the face of an epidemic of tuberculosis and other infectious diseases. To mitigate this crisis, USAID will strengthen the diagnosis and treatment of tuberculosis in Moldova, and consider options to expand to other health sector assistance activities that will address additional infectious diseases after FY 2004.

During FY 2003, all activities under SO 1.2, "Increased Soundness of Fiscal Policies and Fiscal Management Practices," will be completed as USAID shifts its emphasis toward job creation and income generation in rural Moldova. Though this phase-out of fiscal policy reform activities is consistent with the schedule proposed in the approved strategy, substantially fewer funds were expended in this sector than originally proposed.

USAID will continue expending funds already appropriated for Utility Regulatory Cooperation (National Association of Regulatory Utility Commissioners), and the Municipal Network for Energy Efficiency (Alliance to Save Energy).

**Other Program Elements:** USAID/Washington manages several activities including the Farmer-to-Farmer Agribusiness Volunteer Program (Citizens Network for Foreign Affairs), a loan portfolio guarantee program, a food industry development program (Louisiana State University), and customs information, trade and transport, and energy programs.

The Bureau for Economic Growth, Agriculture, and Trade manages the Loan Portfolio Guarantee (LPG) program, which assists micro-enterprises and small businesses on the basis of a risk-sharing arrangement. This project started in July 2000 with three Moldovan financial institutions. USAID is guaranteeing 50% of the collateral requested by the banks. During the first two years of this program, nearly 600 loans have been made in the SME sector, totaling \$5 million. The U.S. Department of Agriculture administers a commodity monetization program that provides agricultural land mortgage loans. Mortgage loans under this program, working through three financial institutions, total about \$1million.

**Other Donors:** Donor coordination is maintained through occasional meetings of all bilateral and multilateral donors at which the U.S. Ambassador and the USAID Country Program Coordinator represent the United States. The United States is the only major bilateral donor. However, Germany, the Netherlands, Japan, Great Britain, and Sweden all have small bilateral programs. Further, the Soros Foundation and several other private organizations run development programs in Moldova. In addition to U.S. bilateral assistance, the other major players are the multilateral donors composed of the International Monetary Fund (economic policy), World Bank (economic policy, social investment fund, micro-projects at the village level, and energy), European Union-Technical Assistance to the Commonwealth of Independent States (agricultural sector), and the International Fund for Agriculture Development (agricultural sector). The United Nations Development Program provides support for a number of separate activities.

**Moldova  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| FREEDOM Support Act        | 45,072            | 35,946            | 32,500                   | 23,000             |
| <b>Total Program Funds</b> | <b>45,072</b>     | <b>35,946</b>     | <b>32,500</b>            | <b>23,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>117-0120 Fiscal and Financial Reforms</b>   |        |        |        |        |
| FSA  | 3,400  | 1,751  | 0      | 0      |
| <b>117-0131 Private Enterprise Development</b> |        |        |        |        |
| FSA  | 8,875  | 13,900 | 18,400 | 13,301 |
| <b>117-0230 Democratic Transition</b>          |        |        |        |        |
| FSA  | 3,100  | 6,366  | 4,000  | 4,466  |
| <b>117-0340 Social Transition</b>              |        |        |        |        |
| FSA  | 4,190  | 3,913  | 2,000  | 2,914  |
| <b>TRANSFER</b>                                |        |        |        |        |
| FSA  | 25,507 | 10,016 | 8,100  | 2,320  |

Mission Director,  
Christopher Crowley



## Russia

**The Development Challenge:** Russia's progress in making the transition to a market-oriented democracy is a mixed picture. While the country has made impressive economic reform gains since the 1998 financial crisis, the economy is overly dependent on extractive industries, democratization trends have been stagnating at best, and key social indicators are troublesome.

Over the past five years, Russia's economy has been expanding by at least 4% annually. However, Gross Domestic Product (GDP) levels remain well below pre-transition levels, with current GDP in Russia representing roughly 65% of 1989 GDP. More significantly, the current growth rate of the economy may not be sustainable since it results in part from high oil prices and a decrease in competitiveness due to ruble appreciation following the late 1998 devaluation. In addition, administrative barriers and the lack of a fully functioning banking system continue to retard business growth and investment policies in general require significant improvement. Nevertheless, momentum continued for advancing the reforms needed for WTO accession, combating money laundering, and promoting small business development. Implementation and monitoring of these reforms at the national level and across Russia's 89 administrative regions remains a daunting task.

The slow pace of democratization is a major concern. Human rights abuses, particularly in Chechnya, religious intolerance toward non-Orthodox faiths, and efforts to clamp down on the independent media particularly following the hostage crisis in Moscow in October, are evidence of a continuing struggle between proponents of broad participation in Russian society and the government's pursuit of managed-democracy. Civil society in general remains weak even as some non-governmental organizations improve their capacity and opportunities for networking and participation in decision-making. Nevertheless, NGOs face government pressure, particularly ones that champion causes unpopular with Russian officials. In major advances, jury trials are being introduced nation-wide and, for the first time, the judiciary reported widely on ethical violations committed by judges and the disciplinary actions taken. Also encouraging is a presidential commission which is defining the division of responsibility and authority among federal, regional, and local governments. This work could have a far-reaching impact on the challenges of democratic governance in Russia by addressing structure and power relationships between different levels of government and a range of issues from intergovernmental finance to the delivery of communal services to mineral extraction.

On the socio-economic front, the drop in the poverty rate since 1998 suggests that some of the macroeconomic gains are filtering down to Russia's population, although income inequality remains very high and the deterioration of human capital is alarming. Life expectancy continues its decades-long decline, and child malnutrition rates are very high compared to those in Central and Eastern Europe. Secondary school enrollments have also declined since the start of the transition. Russian government adoption of international protocols for treating tuberculosis, including multi-drug-resistant strains, is a major step forward in combating that epidemic. However, with the fastest rate of increase in HIV infection in the world, the HIV/AIDS pandemic in Russia -is posing a serious threat to the country's future.

The United States has overriding interests in cooperating with Russia on critical national security issues, including the global war on terrorism, nonproliferation of weapons of mass destruction, and the future of NATO. As the dominant presence in Eurasia, it is within U.S. interests to see Russia complete a successful transition to market-based democracy. A prosperous Russia -- based on democratic principles and broad-based economic growth -- promotes regional stability, expands opportunities for U.S. trade and investment, and reinforces Russia's growing relationship to the Euro-Atlantic community. Developing and sustaining alliances with the people and institutions of Russia makes it easier to address cross-border threats, such as the spread of HIV/AIDS.

**The USAID Program:** USAID's assistance goal is to work in partnership with Russians to build a market-oriented and socially-responsible democracy through the adoption of democratic norms, free-market mechanisms, and modern approaches to public health and child welfare. The USAID program

emphasizes a Russian-led transition process ("Russianization") and U.S.-Russian partnerships at many levels. Anti-corruption, conflict prevention, gender, and youth are themes which cut across the portfolio.

Under the economic rubric, USAID's current program is supporting development and implementation of targeted market-oriented reforms, expanding the small and medium-size business sector as the future engine of growth in the Russian economy, and improving environmental resources management. In the democracy area, USAID activities focus on broadening participation of men and women in Russian society, improving legal systems and building confidence in the rule of law, and strengthening local governance to be more responsive and accountable. Under the health rubric, USAID is launching a new initiative, Healthy Russia 2020, which will serve as the cornerstone of the health program. Activities are aimed at adapting and using the best international practices in health care, infectious disease control, child welfare, and reproductive health. Under program support and special initiatives, USAID provides financial support for the U.S.-Russia Investment Fund, the Eurasia Foundation, partnership programs in the Volga Federal District and the Russian Far East, participant training, and program development and monitoring. Virtually all of USAID's assistance is managed by non-governmental and private sector organizations, and only a small portion directly benefits the Russian government.

Current budget projections for FY 2004 reflect a one-third cut in resources to USAID's Russia program. As a result, USAID is preparing a graduation strategy for its FREEDOM Support Act (FSA) assistance to Russia. Among other priorities, USAID's strategy will focus on how best to consolidate assistance gains and support the continuing evolution of Russia's transition, including the sustainability of key Russian partner institutions that will continue some of the work now supported by USAID.

The FY 2004 budget reductions will affect programs in both FY 2003 and FY 2004. Given progress in economic reforms, USAID funding for economic growth activities will likely be cut back. Assistance for democracy and governance will also decline. The democracy and health portfolios will probably be the most prominent in the final stages of the USAID program leading up to graduation. Clearly, however, a 30% cut in budget will require USAID to exit certain sectors and activities more rapidly than otherwise would have been the case. Final decisions on which sectors to exit from first will be made only after an interagency graduation strategy has been adopted.

**Other Program Elements:** Non-bilateral resources include U.S.-Russian health and environmental partnerships; donated medical equipment; regional programs to combat tuberculosis and HIV/AIDS and to promote international accounting standards; farmer-to-farmer advisors; and small business loan guarantees. USAID also coordinates closely with other USG agencies working in Russia, especially in supporting of Department of Energy programs in "nuclear cities" and in maximizing synergies with public affairs activities.

**Other Donors:** The United States is the largest bilateral donor to Russia. Other major donors include the European Union (legal, civil service, fiscal, banking, and social reform); Italy (agriculture, urban development, market economy); Germany (education, health, environment, and economic infrastructure); the United Kingdom (economic policy reform, participatory government, civil society, the rule of law, health, and enterprise development); Sweden (common security; integration in Europe; civil society, including legal system, independent mass media, and equality between the sexes; socially sustainable economic transition, including health and public administration; environment; trade and investment into the Baltic Sea Region); Norway (environment, including nuclear safety and energy issues; economic development); France (economic and social infrastructure); Finland (economic transition, environment, health, culture); and Canada (transition to a market-based economy, democratic development, environment, indigenous people, trade and investment links). Private foundations also play an important role in Russia, particularly in the areas of civil society and health.

**Russia  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 3,543             | 0                 | 0                        | 0                  |
| FREEDOM Support Act                     | 163,477           | 159,083           | 148,000                  | 73,000             |
| <b>Total Program Funds</b>              | <b>167,020</b>    | <b>159,083</b>    | <b>148,000</b>           | <b>73,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>118-0130 Private Enterprise Growth and Development</b>          |        |        |        |        |
| FSA  | 10,360 | 0      | 0      | 0      |
| <b>118-0131 Small Business Development</b>                         |        |        |        |        |
| FSA  | 0      | 11,497 | 10,165 | 6,200  |
| <b>118-0140 Market-Oriented Economic Infrastructure</b>            |        |        |        |        |
| FSA  | 8,948  | 0      | 0      | 0      |
| <b>118-0141 Economic Policy Reform</b>                             |        |        |        |        |
| FSA  | 0      | 6,343  | 5,850  | 3,800  |
| <b>118-0160 Increased Environmental Management Capacity to Sup</b> |        |        |        |        |
| FSA  | 6,980  | 0      | 0      | 0      |
| <b>118-0161 Environment</b>  |        |        |        |        |
| FSA  | 0      | 6,800  | 6,400  | 1,590  |
| <b>118-0210 Increased, Better Informed Citizens' Participation</b> |        |        |        |        |
| FSA  | 13,123 | 0      | 0      | 0      |
| <b>118-0211 More Open, Participatory Society</b>                   |        |        |        |        |
| FSA  | 0      | 12,749 | 13,792 | 11,090 |
| <b>118-0220 Strengthened Rule of Law and Respect for Human Rig</b> |        |        |        |        |
| FSA  | 2,978  | 0      | 0      | 0      |
| <b>118-0221 Legal Systems Strengthened</b>                         |        |        |        |        |
| FSA  | 0      | 4,604  | 4,048  | 2,285  |
| <b>118-0231 Improved Local Governance and Economic Development</b> |        |        |        |        |
| FSA  | 0      | 3,220  | 3,742  | 2,450  |
| <b>118-0320 Improved Effectiveness of Selected Social Benefits</b> |        |        |        |        |
| CSH  | 3,543  | 0      | 0      | 0      |
| FSA  | 14,879 | 0      | 0      | 0      |
| <b>118-0321 Health and Child Welfare</b>                           |        |        |        |        |
| FSA  | 0      | 13,615 | 15,250 | 14,500 |
| <b>118-0410 Special Initiatives</b>                                |        |        |        |        |
| FSA  | 25,000 | 20,000 | 20,000 | 10,000 |
| <b>118-0420 Cross-Cutting Programs</b>                             |        |        |        |        |
| FSA  | 14,176 | 14,572 | 14,325 | 8,885  |
| <b>TRANSFER</b>  |        |        |        |        |
| FSA  | 67,055 | 65,683 | 54,430 | 12,200 |

Mission Director,  
Carol Peasley

## Tajikistan

**The Development Challenge:** The war in Afghanistan and the on-going war on terrorism have placed Tajikistan in the spotlight as a key U.S. ally in this isolated region of the world. Long noted as the poorest country to gain independence from the former Soviet Union, Tajikistan is using increased donor assistance to address the pressing needs of its people. According to World Bank estimates, Tajikistan's total external debt is slightly over \$1.02 billion or 100% of GDP. While economic growth in 2001 was 10.2% and has held steady at 8.9% for the first nine months of 2002, 80% of the population still lives below the poverty line, with 18.6% of urban and 23.4% of rural population in extreme poverty. A recent national nutritional assessment found that 17.3% of children under five suffer from acute malnutrition, 4.2% from severe malnutrition and 37.9% showing chronic malnutrition. The agricultural sector, which employs over 60% of the population, is seriously constrained by the country's deteriorated irrigation infrastructure, a poorly executed program of land privatization, and a lack of quality inputs and financial capital for farmers. Thus far, the government has not been able to establish the rule of law sufficiently to attract the domestic and foreign investment needed to spur economic growth. Although the threat of international terrorism was diminished due to the involvement of Operation Enduring Freedom in the region, narcotics trafficking remained a significant problem, as heroin producers in Afghanistan used Tajikistan as a primary transit route for exports to the rest of the Soviet Union and Europe. Neighboring Uzbekistan continued to severely restrict movement across its common border, effectively shutting off much of Tajikistan's international trade. Despite the problems it faces, the Government of Tajikistan appears energized by increased support from the donor community and is moving on a broad front to make the reforms needed to complete the transition to a market economy. This includes legislative and regulatory reforms aimed at overhauling banking supervision, tax administration, commercial law codes, the judiciary, and health care provision and financing.

This reform agenda directly advances U.S. national interests in Tajikistan to stem drug trafficking and promote political and social stability through democratic and economic reform, improved quality of life, and productive capacity of people.

**The USAID Program:** The Program Data Sheets provided below cover five strategic objectives and two special objectives for which USAID is requesting funds. These five objectives promote reforms and training that foster the growth of small and medium enterprises, promote civil society and expand access to information, improve primary health care and prevent infectious disease, and encourage better use of the region's water and energy resources. Two proposed special objectives, made possible through supplemental funding, will support conflict prevention and reforms in basic education. Given the focus on Central Asia since the war on terrorism, the new special objective for conflict prevention will pull together USAID's on-going conflict prevention activities in order to highlight their contribution to broader U.S. objectives in the region. FY 2003 funds will be used to implement the program as currently planned and previously described in the FY 2002 Congressional Budget Justification, including cross-cutting objectives in youth, gender, anti-corruption, and rule of law. With the additional resources made available for Tajikistan in the FY 2002 supplemental appropriations, several new initiatives will be coming on-line this year, including a Central Asia Microfinance Alliance to increase microfinance lending in the region, a bank and tax/fiscal reform project, a local government program, a large maternal and child health care project, and new activities to address HIV/AIDS and drug abuse. Specific activities to be funded by FY 2003 and FY 2004 appropriations are described in the Program Data Sheets that follow.

Due to the war on terrorism and the potential for extremism and conflict in Central Asia, supplemental funding more than doubled U.S. assistance in FY 2002. USAID quickly responded to increased funding under a short time frame by expanding and initiating activities in Tajikistan in all sectors. USAID took advantage of the window of opportunity to begin implementing programs critical to economic reform. By the end of the fiscal year, for example, USAID began new activities to support fiscal reform, banking supervision, and microfinance development, in addition to expanding a number of ongoing activities, including accession to the World Trade Organization (WTO) and identifying and removing investment constraints. USAID also used supplemental funds to restore primary irrigation infrastructure; the delivery system under repair serves an area of approximately 20,000 hectares, with 60,000 beneficiaries. USAID

dedicated more resources to political party building and media programs, introduced a new democratic education activity, and reinforced an ongoing civic education program. A new local government initiative was also launched, and a newly-focused and expanded judicial and legal reform program will build on successes with the judiciary through USAID's commercial law program. In health, supplemental funds received in September will accelerate development of reforms, improve care of pregnant and delivering women and their newborns, prevent an increase in the drug use that is expected to fuel a rise in HIV infection, start condom social marketing to protect people vulnerable to HIV, and support a Demographic and Health Survey to measure the health status of Tajikistan citizens and prioritize future health programming. Finally, USAID used supplemental funding to reduce the threat of extremism and ethnic- or resource-based conflicts in Central Asia by working to strengthen local communities and to initiate a basic education program that will improve in-service teacher training, the quality and relevancy of curriculum, and school infrastructure, while increasing parent and community involvement in schools.

**Other Program Elements:** With funding from USAID's Child Survival Matching Grant program, we anticipate continuing a very successful primary and reproductive health care activity in the isolated and under-served Penjikent District, which is cut off from the rest of Tajikistan by the closed Uzbekistan border to the east and mountain passes to the north and south that are closed six months out of the year. The Farmer-to-Farmer Program financed through P.L. 480 and managed by the Office of Private and Voluntary Cooperation is active in Tajikistan. USAID's Office of Foreign Disaster Assistance (OFDA) funded three programs this past year: a food security program for drought-affected population, an emergency seed and fertilizer project for drought-affected farmers, and an assistance program for Afghan internally displaced people (IDPs) stranded on the Pyanj Islands in the neutral territory on the Tajik-Afghan border. OFDA is also undertaking a new regional earthquake preparedness project that will target Dushanbe, Tajikistan; Almaty, Kazakhstan; and Tashkent, Uzbekistan. The Departments of Commerce, Defense, Agriculture, and State (particularly through its Public Diplomacy portfolio) also manage programs complementary to USAID field activities in various sectors.

**Other Donors:** The United States Government is the largest bilateral donor, providing assistance through USAID, the State Department, USDA, and others. The second largest bilateral donor is Japan, which provides assistance for rehabilitation of the agricultural sector, and food security and poverty reduction programs through international NGOs, many of which are also USAID partners. The European Union supports a number of humanitarian programs through the Humanitarian Affairs Office ECHO and will soon begin implementation of a new Euro10 million, 2-3 year development program through Europaid. The EU may also undertake a new Euro10 million food security program. Other bilateral donors include Switzerland, Germany, Denmark, Canada, Norway, Austria, Sweden, and the United Kingdom. The long-established Swiss program is closely coordinated with the USAID effort, particularly in the areas of regional water programs, World Trade Organization accession, and judicial reform. Similarly, USAID has worked in close partnership with the ECHO humanitarian assistance program. The largest non-state donor is the Aga Khan Development Network which supports a number of economic development activities throughout the country. Multilateral donors include the World Bank (health reform, private sector development), the Asian Development Bank (ADB) (social service sector rehabilitation, transportation, irrigation, hydroelectric generation), Islamic Development Bank (road construction, energy sector rehabilitation, school and irrigation rehabilitation), and the European Bank for Reconstruction and Development (EBRD) (telecommunications and airport navigation). USAID works closely with the ADB and the World Bank in a number of areas, but particularly in microfinance, irrigation rehabilitation, and health care reform, and now in basic education. USAID, the ADB, the EBRD successfully negotiated a new Power Trade Relations Agreement between the governments of Tajikistan and Uzbekistan, a key condition to an ADB loan. Implementation of the agreement will reduce electricity costs, improve the use of the region's water resources, and help reduce the potential for conflict over water and energy resources.

**Tajikistan  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| FREEDOM Support Act        | 16,805            | 19,372            | 22,500                   | 35,000             |
| Supplemental - FSA/NIS     | 0                 | 37,000            | 0                        | 0                  |
| PL 480 Title II            | 12,631            | 26,227            | 0                        | 10,400             |
| <b>Total Program Funds</b> | <b>29,436</b>     | <b>82,599</b>     | <b>22,500</b>            | <b>45,400</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |       |        |       |       |
|---|-------|--------|-------|-------|
| <b>119-0131 Small and Medium Sized Enterprises</b>  |       |        |       |       |
| FSA   | 2,000 | 8,950  | 5,090 | 8,149 |
| <b>119-0161 Water and Energy</b>                    |       |        |       |       |
| FSA   | 2,530 | 5,350  | 1,400 | 2,398 |
| <b>119-0211 Democratic Culture and Institutions</b> |       |        |       |       |
| FSA   | 3,150 | 4,500  | 3,495 | 5,845 |
| <b>119-0240 Conflict Prevention</b>                 |       |        |       |       |
| FSA   | 0     | 0      | 0     | 5,139 |
| <b>119-0320 Health and Population</b>               |       |        |       |       |
| FSA   | 1,500 | 7,250  | 3,450 | 5,910 |
| <b>119-0340 Strengthened Basic Education Sector</b> |       |        |       |       |
| FSA   | 0     | 0      | 0     | 2,495 |
| <b>119-0420 Cross-Cutting Programs</b>              |       |        |       |       |
| FSA   | 5,050 | 14,448 | 4,415 | 2,484 |
| <b>TRANSFER</b>                                     |       |        |       |       |
| FSA   | 2,575 | 15,874 | 4,650 | 4,780 |

SO 119-0131 includes \$8,250 of FY 2002 Supplemental - FSA/NIS.

SO 119-0161 includes \$4,250 of FY 2002 Supplemental - FSA/NIS.

SO 119-0211 includes \$2,000 of FY 2002 Supplemental - FSA/NIS.

SO 119-0320 includes \$4,750 of FY 2002 Supplemental - FSA/NIS.

SO 119-0420 includes \$8,750 of FY 2002 Supplemental - FSA/NIS.

TRANSFER includes \$11,000 of FY 2002 Supplemental - FSA/NIS.

Mission Director,  
George Deikun

## Turkmenistan

**The Development Challenge:** The lack of political or economic reform in Turkmenistan makes it difficult for international development agencies and organizations to achieve meaningful, large-scale successes. President Niyazov's cult of personality is pervasive. As a show of his dominance over the country, he renamed the months of the year after national heroes, including himself, his mother and his spiritual guidebook - the Ruhnama. The government controls the judiciary and all media, including the Internet, and allows few civil society groups to officially register as NGOs. Budget cuts have caused a precipitous decline in education. The mandatory number of years of schooling is down to nine years (from 11 years), and children spend a part of each day working in cotton fields. Over the year, little progress was made to liberalize the economy, and a disastrously low cotton harvest is likely to cause more economic problems in 2003. The government remains unwilling to allow free market growth, and a lack of access to capital prohibits businesses from prospering and offering greater employment opportunities. An estimated 58% of the population lives below the poverty line. Unemployment, which especially affects the growing young adult population, is estimated to be 50%. According to the results of the 2000 Turkmenistan Demographic and Health Survey, Turkmenistan has the second highest infant mortality rate in Central Asia, with 74 deaths per every 1,000 live births. The same survey found that 47% of women and 36% of children are anemic. The tuberculosis (TB) situation in Turkmenistan is serious. Since 1995, the rate of TB reported cases has increased by 61% (from 43.3 per 100,000 in 1995 to 114.2 in 2001), and the mortality rate has nearly doubled (from 13 deaths per 100,000 in 1995 to 22.9 deaths in 2001). Even these figures underestimate the true magnitude of TB infection, as government statistics are unreliable. Although state of health care is poor, the government's willingness to initiate health care reform is the only bright spot in a country characterized by patronage and corruption, suspicion of civic action and the media, state-control over and distortion of the economy, and unsustainable water use. Arid Turkmenistan has very limited water resources and is entirely dependent on flows from upstream countries to meet its water resources requirements. Unconcerned with the need for sustainable water policies, the Turkmen government has decided to create a massive lake at a cost of \$1 billion, while at the same time allowing the Karakum Irrigation Canal, which provides all the potable water to Turkmenistan's largest city and capital, Ashgabat, to sustain 60% water loss yearly due to extensive evaporation and leakage.

Turkmenistan has supported the war on terrorism by allowing USG and international assistance to flow across its borders to Afghanistan. Access to this essential route has been key to transporting food aid and other humanitarian assistance.

**The USAID Program:** To meet the challenges we face in Turkmenistan, USAID has targeted assistance to expand opportunities for citizens to participate, to increase their livelihoods, and to improve their quality of life. The Program Data Sheets provided below cover five strategic objectives and two special objectives for which USAID is requesting funds. These five objectives promote reforms and training that foster the growth of small and medium enterprises, promote civil society and expand access to information, improve primary health care and prevent infectious disease, encourage better use of the region's water and energy resources, and address other cross cutting issues within the region. Two proposed special objectives, made possible through supplemental funding, will support reforms in basic education and conflict prevention. Given the focus on Central Asia since the war on terrorism, the new special objective for conflict prevention will pull together USAID's on-going conflict prevention activities in order to highlight their contribution to broader U.S. objectives in the region. FY 2003 funds will be used to implement the program as currently planned and previously described in the FY 2002 Congressional Budget Justification, including cross-cutting objectives in youth, gender, anti-corruption, and rule of law. With additional resources made available for Turkmenistan in the FY 2002 supplemental appropriations, a maternal and child health care project and expansion of the current civil society program are also underway. Specific activities to be funded by FY 2003 and FY 2004 appropriations are described in the Program Data Sheets that follow.

Supplemental funds provided USAID with a strategic opportunity to implement targeted initiatives to fill key gaps in the existing USAID program. New programs, funded with the supplemental, include expansion of the current civil society program, a maternal/child health program, and a much-needed basic

education program. USAID is bolstering the NGO development program through additional resources for community development grants. In health, supplemental funds will be used to improve care of pregnant and delivering women and their newborns. Supplemental funds were also used to begin a program in Turkmenistan's education sector.

**Other Program Elements:** In addition to the country-specific program, with regional funds, USAID trained about 800 Turkmenistani citizens in economic and business education, NGO-sector development, and primary health care in FY 2002. The Office of Foreign Disaster Assistance had a presence in Turkmenistan during half of FY 2002. The Farmer-to-Farmer Program, also well accepted and very active in Turkmenistan, is financed through P.L. 480 and managed by USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance. Eurasia Foundation maintains a presence in Turkmenistan and distributed seven grants in FY 2002. The Departments of State and Defense also manage programs complementary to USAID's field activities.

**Other Donors:** Lending by the World Bank has been limited due to an unresolved negative pledge. The European Union-Technical Assistance to the Commonwealth of Independent States (EU-TACIS) continues to support improved agriculture production and processing, energy, private sector development, financial institutions capacity building, and higher education reform. The United Nations Children's Fund assists with maternal and child health care. The United Nations Development Program supports economic reform and management, the health and education sectors, and environmental protection. The aforementioned agencies all face similar implementation issues. Other donors include United Kingdom Department for International Development (DFID), the Organization for Security and Cooperation in Europe (OSCE), the United Nations High Commissioner for Refugees (UNHCR), the Asian Development Bank (ADB), and the European Bank for Reconstruction and Development (EBRD).



**Turkmenistan  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                   | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|----------------------------|-------------------|-------------------|--------------------------|--------------------|
| FREEDOM Support Act        | 6,145             | 7,398             | 7,000                    | 8,000              |
| Supplemental - FSA/NIS     | 0                 | 4,000             | 0                        | 0                  |
| <b>Total Program Funds</b> | <b>6,145</b>      | <b>11,398</b>     | <b>7,000</b>             | <b>8,000</b>       |

**STRATEGIC OBJECTIVE SUMMARY**

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>120-0131 Small and Medium Sized Enterprises</b>  |       |       |       |       |
| FSA   | 750   | 600   | 645   | 782   |
| <b>120-0161 Energy and Water</b>                    |       |       |       |       |
| FSA   | 400   | 400   | 400   | 473   |
| <b>120-0211 Democratic Culture and Institutions</b> |       |       |       |       |
| FSA   | 650   | 1,100 | 1,100 | 1,124 |
| <b>120-0240 Conflict Prevention</b>                 |       |       |       |       |
| FSA   | 0     | 0     | 0     | 355   |
| <b>120-0320 Health and Population</b>               |       |       |       |       |
| FSA   | 900   | 1,500 | 1,185 | 1,419 |
| <b>120-0340 Strengthened Basic Education Sector</b> |       |       |       |       |
| FSA   | 0     | 0     | 0     | 168   |
| <b>120-0420 Cross-Cutting Programs</b>              |       |       |       |       |
| FSA   | 315   | 1,297 | 670   | 429   |
| <b>TRANSFER</b>                                     |       |       |       |       |
| FSA   | 3,130 | 6,501 | 3,000 | 3,270 |

SO 120-0211 includes \$100 of FY 2002 Supplemental - FSA/NIS.

SO 120-0320 includes \$300 of FY 2002 Supplemental - FSA/NIS.

SO 120-0420 includes \$500 of FY 2002 Supplemental - FSA/NIS.

TRANSFER includes \$3,100 of FY 2002 Supplemental - FSA/NIS.

Mission Director,  
George Deikun

## Ukraine

**The Development Challenge:** Ukraine remains critical to United States foreign policy objectives due to its strategic position between Europe and Eurasia and its importance for regional stability. Following a particularly difficult transition period from 1991 to 1999, Ukraine has advanced in its transition, particularly in the economic arena. Its progress in establishing a legal and regulatory environment conducive to private sector growth and the creation of a viable market economy is clearly evident. Less certain is whether Ukraine is making as much progress as it could in establishing sound democratic institutions and practices. While there are promising signs of reform in local government, parliament, and the judiciary, corruption and unequal enforcement of the rule of law cast serious shadows over Ukraine's democratic transition. The media, civil society organizations, political parties and other civic associations are still in a nascent stage of development and many social service providers retain inefficient Soviet-era structures that are unable to meet the needs of the general population.

Political developments in Ukraine in 2002 were uneven. The Organization for Security and Cooperation in Europe (OSCE) viewed parliamentary elections in March 2002 as an improvement over the previous elections, but cited administrative abuses and unequal access to the media as a problem. Since the parliamentary elections, there have been widespread reports of media censorship and increased pressure on parliamentary deputies to join a pro-presidential voting bloc. In addition, following the authentication of a recording in which President Kuchma is heard approving the clandestine sale of the "Kolchuga" early warning systems to Iraq, the U.S. Government instituted a temporary pause in new obligations of FREEDOM Support Act (FSA) assistance benefiting the central government of Ukraine.

The last three years have seen a remarkable turnaround in macro-economic stability and economic growth. Following nine years of contraction in real gross domestic product (GDP), real economic growth was 5.8% in 2000, 9.1% in 2001, and is estimated at 4.4% for 2002. Inflation for 2001 was only 6.5%, and at only 2.4% for 2002, compared to 25.3% for 2000, 27.3% in 1999, and 2,400% at its height in 1995.

However, at the end of 2002 the fiscal situation showed signs of deteriorating. The central government's deficit, originally forecast at 0.7% of GDP, will more likely be around 2.7%. Because of a shortfall in taxation and privatization revenues, the Government of Ukraine (GOU) had to sharply curtail spending and ask Parliament to approve an increase in the fiscal year 2002 budgetary debt ceiling by an additional HRV 2.5 billion, which the banking system is unable to absorb.

The GOU's options for securing financing from international markets appears limited. In November, it did manage to raise a net \$220 million in European markets, though it had hoped to raise more. The government has \$1.6 billion in debt servicing due during the first half of 2003, and must raise an additional \$600 million if it is to meet its objectives for increasing the level of foreign exchange reserves. Presently, foreign exchange reserves stand at \$4.3 billion and are considered minimally adequate for an open economy where trade accounts for 53% of GDP. Until recently, major international credit rating agencies had been upgrading the GOU's international credit rating. However, at end-2002, that trend had been reversed.

The GOU is also having problems with international financial institutions (IFIs). In August 2002, the International Monetary Fund (IMF) announced that it would allow its Extended Financing Facility (EFF) with Ukraine to expire, without disbursing the final \$550 million tranche. The World Bank is currently withholding disbursement of \$250 million under its Programmatic Adjustment Loan (PAL), while continuing its investment lending program, and the European Bank for Reconstruction and Development (EBRD) is withholding disbursement of a \$100 million energy sector loan. The IFIs have indicated that suspensions will continue unless there are reforms in taxation (especially reduction in tax exemptions), the energy sector (including cost recovery and privatization), social sector, and monetary and banking policy. The broader concern is that lack of movement on policy reform will halt Ukraine's economic recovery.

In November, President Kuchma appointed a regional governor loyal to the President as Prime Minister. While his nomination was approved by a slight majority in the Parliament, it remains to be seen if significant progress on reforms will be made.

In short, at the end of 2002, political and economic uncertainties plagued Ukraine.

**The USAID Program:** The overarching goal of the USAID's Strategy for Ukraine is to "improve the economic and social well being of all Ukrainians within a framework of democratic governance." Analysis shows that for this goal to be achieved, improvements are needed in the following five areas: investment climate; growth of small and medium enterprises (SMEs) and agriculture; engagement of Ukrainians in building their democracy and economy; the effectiveness and accountability of government institutions; and delivery of social services. There are also two special objectives which address environmental protection and several programs that support the Poland-America-Ukraine-Cooperation Initiative, Mission participant training, and a partnership to revitalize the Kharkiv Oblast economy.

Activities under the new strategy build on previous program successes in furthering the reform process. In banking supervision, USAID succeeded in creating a respected supervisory institution. However, the rapidly growing banking sector now requires supervision through more sophisticated techniques such as risk-based internal controls. Similarly, USAID succeeded under the previous strategy in obtaining parliamentary and presidential approval of a Land Code. Assistance in implementing the land titling provisions of the law is now required to make private ownership of land a reality for Ukrainians. A new activity proposed by the Mission is support for agribusiness marketing, in part to acknowledge the strides Ukraine has made in reforming its agricultural policies, and the resultant high level of growth in that sector. The program will continue to strengthen basic institutions of civil society to help them survive in a difficult environment.

The decline in funding in FY 2004 is intended as a first step toward the phase-out of FSA assistance to Ukraine in coming years. As part of a broader U.S. Government effort, USAID will develop a multi-year plan that leaves behind a legacy of sustainable institutions that can continue to promote civil society development and economic growth.

**Other Program Elements:** The Ukraine program receives support from a regional grant for mother-to-child transmission of HIV/AIDS. Other health program-related support is provided through a World Health Organization grant for tuberculosis control, and the policy project for reproductive health. The Mission participates through a buy-in to the centrally-managed Eurasia Foundation for its economics education program and for small research grants. Other centrally-managed activities include the E&E Bureau Utility Partnership and the National Association of Utilities Commissioners.

**Other Donors:** The largest donor is the EBRD with a diversified portfolio in enterprise development, privatization, financial sector assistance, infrastructure, and energy. The World Bank ranks second, with its portfolio concentrated in public sector management, community development, institutional development, and rural finance. USAID is Ukraine's largest bilateral donor, followed by the European Union-Technical Assistance for the Commonwealth of Independent States (EU-TACIS) Program, which is concentrated in institutional, legal, and administrative reforms; economic reform and private sector development; and the social consequences of transition. Germany and Canada provide assistance in SME development, agriculture, and the energy and social sectors. Critical cooperation links are with the EU and Germany for the energy sector, the World Bank and the EU-TACIS for policy reform and the social sectors, the EBRD for SME development, and Canada, Germany and the EU-TACIS for agriculture.

**Ukraine  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 1,019             | 0                 | 0                        | 0                  |
| FREEDOM Support Act                     | 172,997           | 154,937           | 155,000                  | 94,000             |
| <b>Total Program Funds</b>              | <b>174,016</b>    | <b>154,937</b>    | <b>155,000</b>           | <b>94,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>121-0120 Support to Economic and Fiscal Reform</b>         |        |        |        |        |
| FSA   | 3,094  | 3,670  | 0      | 0      |
| <b>121-0130 Growth and Development of Private Enterprises</b> |        |        |        |        |
| FSA   | 35,225 | 29,069 | 0      | 0      |
| <b>121-0132 Small and Medium Enterprise and Agriculture</b>   |        |        |        |        |
| FSA   | 0      | 0      | 21,761 | 20,790 |
| <b>121-0140 Reform of Financial Sector and Commercial Law</b> |        |        |        |        |
| FSA   | 4,715  | 3,000  | 0      | 0      |
| <b>121-0141 Improved Investment Climate</b>                   |        |        |        |        |
| FSA   | 0      | 0      | 10,290 | 4,991  |
| <b>121-0150 Energy</b>  |        |        |        |        |
| FSA   | 3,984  | 3,475  | 0      | 0      |
| <b>121-0160 Environment</b>                                   |        |        |        |        |
| FSA   | 1,760  | 1,645  | 0      | 0      |
| <b>121-0210 Civil Society</b>                                 |        |        |        |        |
| FSA   | 7,892  | 7,368  | 0      | 0      |
| <b>121-0213 Strengthening Citizen Participation</b>           |        |        |        |        |
| FSA   | 0      | 0      | 13,919 | 13,803 |
| <b>121-0220 Rule of Law</b>                                   |        |        |        |        |
| FSA   | 2,181  | 1,169  | 0      | 0      |
| <b>121-0224 Good Governance</b>                               |        |        |        |        |
| FSA   | 0      | 0      | 9,004  | 8,117  |
| <b>121-0230 Municipal/Local Government Development</b>        |        |        |        |        |
| FSA   | 4,459  | 4,954  | 0      | 0      |
| <b>121-0320 Health</b>  |        |        |        |        |
| CSH   | 1,019  | 0      | 0      | 0      |
| FSA   | 6,095  | 5,496  | 0      | 0      |
| <b>121-0325 Social Protection and Health</b>                  |        |        |        |        |
| FSA   | 0      | 0      | 12,594 | 10,075 |
| <b>121-0340 Social Protection</b>                             |        |        |        |        |
| FSA   | 2,635  | 2,500  | 0      | 0      |
| <b>121-0410 Special Initiatives</b>                           |        |        |        |        |
| FSA   | 12,000 | 12,000 | 0      | 0      |
| <b>121-0416 Environment</b>                                   |        |        |        |        |
| FSA   | 0      | 0      | 1,113  | 474    |
| <b>121-0420 Cross-Cutting Programs</b>                        |        |        |        |        |
| FSA   | 13,202 | 11,860 | 0      | 0      |
| <b>121-0427 Program Support Initiatives</b>                   |        |        |        |        |
| FSA   | 0      | 0      | 6,779  | 5,000  |
| <b>TRANSFER</b>   |        |        |        |        |
| FSA   | 75,755 | 68,731 | 79,540 | 30,750 |

## Uzbekistan

**The Development Challenge:** While the Government of Uzbekistan (GOU) has committed to key economic and democratic reforms, there has been only modest progress. Governance is autocratic and human rights abuses persist, despite some recent positive steps. Corruption is endemic. With Uzbekistan's proximity to volatile southern neighbors, and with an under-employed and impoverished population, there is growing pressure for the GOU to institute genuine reform. Despite claims of 4.5% GDP growth in 2001, the government's unwillingness to implement market-oriented reforms has constrained economic growth. The government lacks a full understanding of market economics and makes bad policy decisions that stifle economic development, maintain avenues for corruption, and fail to foster a business environment that will attract foreign direct and domestic investment. The state-controlled banking system, a virtual absence of non-bank credit institutions, and lack of investment capital have produced underdeveloped financial intermediation, preventing entrepreneurs from accessing financing to expand their businesses and create jobs. Inefficient state-owned enterprises control the preponderant part of the nation's economy. Unemployment is high and growing. Nearly one third of Uzbeks live below the national poverty line. Poverty and official indifference to hardship are fueling social tensions. Barriers to trade and cross-border transit reinforce a sense of isolation among the Uzbeks. At current growth rates of 2.3-3% per annum, Uzbekistan's population of approximately 25 million is expected to double over the next 50 years, placing greater pressure on Uzbekistan's health care system to satisfy the demand for services. Drug policy remains a problem area with adverse consequences for the treatment of infectious and other diseases. Preventable acute respiratory diseases, diarrhea, and inadequate nutrition spur infant mortality - measured at 44 per 1,000 live births. Poor water management due to excessive use of inefficient irrigation systems has contributed to the shrinking of the Aral Sea, contaminated underground potable water supplies, and increased salinity of the soil. The GOU needs to establish viable private farms and ensure that the water and land that farmers rely on for their livelihood is protected from further degradation. The continued GOU enforcement of growing cotton and lack of agricultural diversification cause both environmental and economic problems.

At the same time, it is important that the United States maintain engagement with Uzbekistan because following the September 11 terrorist attacks on the United States, Uzbekistan emerged as an important U.S. partner in the war on terrorism - a relationship reinforced at the March 2002 meeting in Washington, D.C. between President Bush and Uzbek President Karimov. With a large and growing population, a potential for strong economic growth, and an important geo-strategic location, Uzbekistan's economic and democratic development remains central to the future prosperity and stability of the region.

**The USAID Program:** The enhanced USG commitment to Central Asia following the September 2001 terrorist attacks on the United States transformed USAID's ability to respond to the development challenges outlined above. Through a robust increase in funding, enabling new initiatives in conflict prevention and education, USAID is expanding economic opportunities, fostering democratic values and practices, and supporting natural resource management and improved health care services. The Program Data Sheets provided below cover the four objectives for which USAID is requesting funds: primary health care, natural resource management, democratic culture, and small enterprise and macro-economic reform, with cross cutting objectives in conflict prevention, youth and education, gender, anti-corruption, and rule of law. Specific activities to be funded in FY 2003 and FY 2004 are described in greater detail in the Program Data Sheets.

Supplemental funding nearly tripled U.S. assistance to Uzbekistan in FY 2002. By the end of the fiscal year, USAID had expanded its economic reform portfolio to include fiscal reform, banking supervision, and microfinance and credit union development. USAID also used supplemental funding to significantly broaden the scope of programs in the water sector. Working in close collaboration with Uzbek officials, the water program consists of five activities that directly build upon and expand previous successful efforts and together address a range of transboundary water, irrigation network management, and on-farm water management activities of high priority to Uzbek counterpart institutions. Supplemental funds allowed USAID to expand into more hard-hitting democracy areas such as support for human rights defenders and civic advocacy. USAID plans to launch new initiatives in judicial reform, local government,

and civic education. Additionally, supplemental funds bolstered existing legal and media reform activities. Supplemental funds are being used to further strengthen tuberculosis control, initiate a blood safety program, develop HIV/AIDS surveillance, prevent an increase in the drug use that is fueling the HIV epidemic, improve care of pregnant and delivering women and their newborns, start much needed educational programs for health managers, and prevent border community conflict through sports activities. Supplemental funding enabled USAID to focus on reducing the threat of extremism and ethnic- or resource-based conflicts. Conflict prevention activities consist of community action programs, targeted where risks of communal or religious conflicts are greatest, and designed to increase citizen participation in community decision-making and local government, and contribute to mitigating sources of conflict by promoting economic recovery and inter-ethnic cooperation. The Community Action Investment Program is the centerpiece of this conflict prevention initiative. Supplemental funding also allowed USAID to begin a program in the education sector.

Uzbekistan has resisted significant macro-economic reforms, particularly currency convertibility, decontrolling cotton prices, and liberalizing access to cash. Following the government's closer engagement with the USG after September 11, USAID seized the opportunity to engage the GOU on key reform issues. While policy responses from the GOU have been mixed, the USG is taking advantage of the window of opportunity to provide targeted policy support assistance. The U.S. Department of Treasury is providing advisors to advance treasury, debt, tax and banking reform, while USAID will provide complementary support in fiscal, banking, and trade reform. Assistance will also strengthen policy think tanks' capacity to conduct compelling policy analyses and to communicate findings effectively to policy makers. This program of targeted assistance is just getting underway. If successful, these programs, with adequate policy reform, could have a major impact on the future of Uzbekistan's economic development, and it will also be likely that long term support would be required to institutionalize the reforms.

**Other Program Elements:** USAID also supports institutional partnerships that seek to build lasting relationships between the United States and Uzbekistan. USAID utilizes several pillar burreau-managed programs, including an agreement with the Centers for Disease Control and the Monitoring and Evaluation to Assess and Use Results (MEASURE)/Evaluation Program. The Farmer-to-Farmer program managed by USAID's Bureau for Democracy, Conflict and Humanitarian Assistance is also active. The Departments of Commerce, Defense, Energy, Agriculture, and State also manage programs complementary to USAID field activities in diverse sectors. The Eurasia Foundation has an active small grants program in education, small business, local government and civil society, which reinforces USAID's strategic objectives.

**Other Donors:** Due to supplemental funding, USAID is the largest bilateral donor, and the third largest overall donor to Uzbekistan. The largest overall donor is the Asian Development Bank (ADB), followed by the European Bank for Reconstruction and Development (EBRD). The World Bank (WB) is the fourth largest donor, followed by the Government of Japan (including the Japanese International Cooperation Agency, the Japanese Bank for International Cooperation, and the Japan External Trade Organization), and the Government of China. Other important bilateral donors include the Government of Switzerland and the Government of Germany (through the German Society for Technical Cooperation). Other important multilateral donors include the United Nations Development Program and the European Union. USAID continues to strengthen its ties with these and other donors through joint activities and coordination. The government and donor community is currently engaged in a joint national effort to reform primary health care by improving the quality of management and service delivery. USAID is coordinating with the WB on accounting reform and treasury system reform activities. USAID has a cooperative agreement with the International Finance Corporation to develop the legislative framework for microfinance. USAID assistance to credit unions is coordinated with the ADB, and the EBRD is providing business advisory services. In natural resources management, USAID activities are complemented by WB and ADB loans to support improved management of agriculture and water.

**Uzbekistan  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 700               | 0                 | 0                        | 0                  |
| FREEDOM Support Act                     | 25,310            | 29,190            | 31,500                   | 42,000             |
| Emergency Response Fund - FSA/NIS       | 0                 | 54,500            | 0                        | 0                  |
| Supplemental - FSA/NIS                  | 0                 | 34,500            | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>26,010</b>     | <b>118,190</b>    | <b>31,500</b>            | <b>42,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>122-0131 Small and Medium Sized Enterprises</b>  |        |        |        |        |
| FSA   | 2,100  | 8,000  | 5,149  | 6,086  |
| <b>122-0161 Energy and Water</b>                    |        |        |        |        |
| FSA   | 1,750  | 21,050 | 1,889  | 3,476  |
| <b>122-0211 Democratic Culture and Institutions</b> |        |        |        |        |
| FSA   | 2,950  | 8,440  | 4,270  | 7,216  |
| <b>122-0240 Conflict Prevention</b>                 |        |        |        |        |
| FSA   | 0      | 0      | 0      | 302    |
| <b>122-0320 Health and Population</b>               |        |        |        |        |
| CSH   | 700    | 0      | 0      | 0      |
| FSA   | 5,500  | 19,000 | 5,256  | 8,163  |
| <b>122-0340 Strengthened Basic Education Sector</b> |        |        |        |        |
| FSA   | 0      | 0      | 0      | 575    |
| <b>122-0420 Cross-Cutting Programs</b>              |        |        |        |        |
| FSA   | 2,598  | 14,242 | 3,236  | 3,222  |
| <b>TRANSFER</b>                                     |        |        |        |        |
| FSA   | 10,412 | 47,458 | 11,700 | 12,960 |

SO 122-0131 includes \$5,900 of FY 2002 Supplemental - FSA/NIS.

SO 122-0161 includes \$18,000 of Emergency Response Fund - FSA/NIS and \$1,350 of FY 2002 Supplemental - FSA/NIS.

SO 122-0211 includes \$4,440 of FY 2002 Supplemental - FSA/NIS.

SO 122-0320 includes \$15,000 of Emergency Response Fund - FSA/NIS.

SO 122-0420 includes \$4,000 of Emergency Response Fund - FSA/NIS and \$7,500 of FY 2002 Supplemental - FSA/NIS.

TRANSFER includes \$17,500 of Emergency Response Fund - FSA/NIS and \$15,310 of FY 2002 Supplemental - FSA/NIS.

Mission Director,  
George Deikun

## Central Asia Regional

**The Development Challenge:** The U.S. has strong national interests in Central Asia. The countries of Central Asia are critical allies in the war on terrorism and could help diversify world energy supplies. Thus regional stability and development in this critical region are important to U.S. national interests.

The regional nature of Central Asia's development challenges requires coordinated and integrated assistance from USAID. Several regional issues pose particular challenges. All countries in the region have a vital stake in improving regional management of water resources, which are absolutely essential to the agricultural sector and energy supply sector, not to mention the ecological problems posed by the disappearing Aral Sea. Health issues are rapidly becoming regional in nature. Infectious diseases, and the incidence of tuberculosis, HIV/AIDS, and drug use, have increased dramatically in all countries in Central Asia, and a failure to prevent the spread of malaria from Afghanistan to Tajikistan has now resulted in a malaria problem that has already grown into a regional threat. While there is variation across the countries of Central Asia, democracy, human rights and independent media benefit from a regionally coordinated approach since authoritarian governance is pervasive in all countries. The basic education system in all countries has suffered dramatic setbacks since independence, with deteriorating quality and reduced resources. Regional trade is essential to the region's overall economic development, and many barriers remain to overcome the difficulties, especially for small and medium enterprises. Risks of regional conflict also poses serious challenges. The stresses on individual communities produced by these challenges and the need for employment to satisfy growing populations, who are divided by artificial national borders, create a ripe environment for conflict.

**The USAID Program:** To meet these challenges, the goals of USAID in Central Asia are to promote regional stability through economic growth and democratic development, which provides opportunities for citizens to participate and to improve their livelihoods and quality of life. USAID's regional objectives parallel and support the specific country objectives. In FY 2002, USAID's program included water management, media and information, infectious disease control, regional trade, and conflict prevention. USAID also expanded its cross-cutting initiative in conflict prevention through community development and explored opportunities in higher education, anti-corruption, and rule of law.

In water management, the shared use of water for irrigation, livelihoods, and electricity generation are difficult challenges for the Central Asian Republics. Because of this, USAID focuses on improving the management of regional water and energy resources. The major components of this program are training for water, energy, and meteorological officials and managers; installation of sustainable, affordable system models that demonstrate new and more efficient technology and management techniques; improvement and strengthening of regional and international water and energy agreements; and building public commitment to sustainable natural resource management policies and practices.

In economic and financial development, USAID supports economic reform, including accession to the WTO in all countries of the region, except Turkmenistan. USAID's efforts to increase access to business information, knowledge and skills have made substantial progress. The legal and regulatory framework for micro-finance has also been improved in Uzbekistan and Tajikistan through sharing of best practices from more mature programs in Kyrgyzstan and Kazakhstan. Regional funding for the expansion of micro-finance activities in Tajikistan and Uzbekistan was particularly productive. In a six-month period approximately 740 loans have been made (70% were women recipients), and the repayment rate has been 100 percent.

The U.S. government interest in human rights and combatting the growth of criminal activity are key aspects of our democracy programs. Regional funds also supported the production and broadcasting of the television program, Open Asia. In a region characterized by inter-ethnic conflict, Open Asia promotes improved inter-ethnic and inter-state relations, dialogue and understanding. The program is generally well-received throughout the region, though it is still controversial in some more conservative areas. Regional funds were also used to assess the opportunities to promote religious tolerance to help guide program development.



Regional funding complemented country specific funding for several projects in HIV/AIDS and tuberculosis as well as activities that benefit women and children.

The cross-cutting regional program includes the Community Action Investment Program (CAIP), which is helping to prevent potential sources of conflict by improving community participation in social infrastructure projects in targeted communities throughout Central Asia. Community action programs, begun in the summer of 2002, are targeted where risks of communal or ethnic conflicts are greatest. CAIP is designed to increase citizen participation in community decision-making and local government, and to mitigate conflict by promoting economic recovery and inter-ethnic cooperation.

The Program Data Sheets provided below cover five strategic objectives and one special objective for which USAID is requesting regional funds. These five objectives promote reforms and training that foster the growth of small and medium enterprises, promote civil society and expand access to information, improve primary health care and prevent infectious disease, encourage better use of the region's water and energy resources, and address other cross cutting issues within the region. Given the focus on Central Asia since the war on terrorism, the new special objective for conflict prevention will pull together USAID's on-going conflict prevention activities in order to highlight their contribution to broader U.S. objectives in the region. FY 2003 funds will be used to implement the program as currently planned and previously described in the FY 2002 Congressional Budget Justification, including cross-cutting objectives in youth, gender, anti-corruption and rule of law. Regional resources will complement country resources to allow for multi-country expansion of activities supporting regional objectives. Specific activities to be funded by FY 2003 and FY 2004 appropriations are described in the Program Data Sheets that follow.

**Supplemental Funds:** Regional supplemental funds were quickly obligated for the initial start up of conflict prevention activities in all five Central Asian countries, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. This allowed USAID to focus on reducing the threat of extremism and ethnic and/or resource based conflicts. The Community Action Investment Project, begun in the last half of FY 2002 is the centerpiece of this conflict prevention program. The Peaceful Communities Initiative, started with performance funds in early FY 2002, is the forerunner of our conflict program. These two activities are the principal interventions of USAID's conflict program. Activities have begun in more than 140 communities with more than 160,000 people benefitting from assistance. Regional supplemental funds also were essential for the expansion of micro-finance activities in Tajikistan and Uzbekistan. In 2002, in a six-month period, approximately 750 loans were made; 70% of the loan recipients were women. To date, there is a 100% repayment rate.

**Other Program Elements:** Other USAID funding sources, which complement and reinforce the inputs of regional funding, are directed at country specific programs. These activities are addressed in individual country reports.

**Other Donors:** Donor relations are detailed in individual country summaries. We work closely with bilateral and multi-lateral organizations to address country specific and regional issues. The World Bank, the European Bank for Reconstruction and Development and the Asian Development Bank are important regional partners, particularly in water, energy, education and trade.

**Central Asia Regional  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                          | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|-----------------------------------|-------------------|-------------------|--------------------------|--------------------|
| FREEDOM Support Act               | 7,567             | 7,850             | 9,000                    | 6,000              |
| Emergency Response Fund - FSA/NIS | 0                 | 6,000             | 0                        | 0                  |
| <b>Total Program Funds</b>        | <b>7,567</b>      | <b>13,850</b>     | <b>9,000</b>             | <b>6,000</b>       |

**STRATEGIC OBJECTIVE SUMMARY**

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>176-0131 Small and Medium Sized Enterprise Program</b> |       |       |       |       |
| FSA   | 500   | 1,000 | 1,050 | 814   |
| <b>176-0161 Water and Energy</b>                          |       |       |       |       |
| FSA   | 4,000 | 3,500 | 3,150 | 2,783 |
| <b>176-0211 Democratic Culture and Institutions</b>       |       |       |       |       |
| FSA   | 0     | 500   | 550   | 407   |
| <b>176-0240 Conflict Prevention</b>                       |       |       |       |       |
| FSA   | 0     | 0     | 0     | 341   |
| <b>176-0320 Health and Population</b>                     |       |       |       |       |
| FSA   | 967   | 1,000 | 1,050 | 814   |
| <b>176-0420 Cross-Cutting Programs</b>                    |       |       |       |       |
| FSA   | 0     | 7,000 | 2,300 | 341   |
| <b>TRANSFER</b>   |       |       |       |       |
| FSA   | 2,100 | 850   | 900   | 500   |

SO 176-0420 includes \$6,000 of Emergency Response Fund - FSA/NIS.

Mission Director,  
George Daikun

## **Eurasia Regional**

**The Development Challenge:** The transition picture in Eurasia is complex. While economic growth for the sub-region has been positive, the pace of democracy building is slow and social conditions are dismal. Over the last several years, progress in economic policy reform has improved in a number of countries, including Russia, Ukraine, Armenia, Azerbaijan, Kazakhstan, and Kyrgyzstan. However, income inequality and poverty are increasing and long-term growth does not yet appear sustainable.

Eurasian economies are highly dependent on primary commodities and remain relatively autarchic, with few trade and investment ties to countries outside the sub-region. Depletion in human capital is a major concern given the decade-long deterioration of health and education systems. Lackluster reform in a few countries (e.g., Turkmenistan, Uzbekistan, Belarus, and Tajikistan) has maintained their economic and political isolation from global organizations. Authoritarian rule remains the norm in the majority of Eurasian countries. With widespread corruption and an incomplete reform process, public trust in government and private institutions continues to deteriorate throughout the sub-region.

Fundamental challenges in Eurasia include: 1) rampant corruption; 2) weak or non-existent legal infrastructure including inconsistent application of the rule of law; 3) non-competitive industries; 4) inefficient financial systems; 5) lack of a stable environment for private investment; 6) an inefficient market development in energy; 7) weak local governments; 8) overextended and inefficient health systems; and 9) increasing upward trends in HIV/AIDS and human trafficking.

USAID's challenge in Eurasia is to accelerate and broaden the reform process while adjusting to substantial shifts in funding levels. U.S. assistance budgets for Russia and Ukraine are targeted to decline as we develop strategies to phase out or graduate their FSA assistance, while leaving behind a legacy of sustainable institutions that will continue to promote civil society development and economic growth. The Central Asian Republics and Caucasus countries will continue to receive significant resources in the near term to promote domestic stability, economic growth, democracy, and regional stability.

**The USAID Program:** The regional program in Eurasia is carried out through program support objectives in economic growth, democracy and governance, social transition, and cross-cutting initiatives. USAID's strategy for regional assistance is to target multi-country and region-wide interventions that support the achievement of bilateral assistance objectives but cannot be easily funded through individual country budgets. Regional activities in Eurasia address cross-border issues (such as infectious disease control), promote dialogue and networking between countries on problems and transition themes of common concern, support regional professional organizations in targeted sectors, fund directives and special initiatives not covered by country budgets, and achieve cost savings through regional training events and conferences and specialized technical assistance in emerging priority areas.

Activities under the economic growth area will include those directed at increased competitiveness, accounting reform, and agro industry development. This rubric will also include technical assistance in energy, whose complex issues are closely intertwined with the politics of the region. Funding for the environmental partnerships program, ECOLINKS, will end in FY 2003 and no regional support is proposed in privatization.

Under the democracy and governance rubric, USAID will continue to support regional activities in civil society, rule of law and judicial strengthening, and local government. Activities under social transition encompass efforts directed at infectious disease control including HIV/AIDS, health promotion and improved health access through medical partnerships, and select social safety net issues. No regional support is proposed for humanitarian assistance.

Cross-cutting programs will support a new initiative to raise the profile of the values and ethics inherent in a successful transition to democracy, open markets, and broad-based economic growth. The cross-

cutting category also includes activities which address the debilitating problems of corruption and conflict. In addition, it funds participant training and program evaluation, assessments, and support needs.

**Other Program Elements:** The Eurasia regional program complements bilateral assistance programs and does not contain other program elements of its own.

**Other Donors:** Other donors are reflected in the country overviews of the bilateral programs supported by these program support objectives.

**Eurasia Regional  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 550               | 0                 | 0                        | 0                  |
| FREEDOM Support Act                     | 55,254            | 54,831            | 58,000                   | 49,000             |
| <b>Total Program Funds</b>              | <b>55,804</b>     | <b>54,831</b>     | <b>58,000</b>            | <b>49,000</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>110-0120 Fiscal Reform</b>                                 |       |       |       |       |
| FSA   | 1,383 | 835   | 351   | 721   |
| <b>110-0130 Private Enterprise Development</b>                |       |       |       |       |
| FSA   | 1,602 | 1,056 | 557   | 553   |
| <b>110-0140 Strengthening the Financial Sector</b>            |       |       |       |       |
| FSA   | 1,392 | 500   | 402   | 826   |
| <b>110-0150 Sustainable Energy Systems</b>                    |       |       |       |       |
| FSA   | 822   | 774   | 1,458 | 1,240 |
| <b>110-0160 Better Environmental Management</b>               |       |       |       |       |
| FSA   | 2,166 | 1,453 | 391   | 632   |
| <b>110-0210 Civil Society</b>                                 |       |       |       |       |
| FSA   | 772   | 825   | 571   | 473   |
| <b>110-0220 Rule of Law</b>                                   |       |       |       |       |
| FSA   | 927   | 1,050 | 1,410 | 1,326 |
| <b>110-0230 Local Government and Urban Development</b>        |       |       |       |       |
| FSA   | 724   | 1,048 | 508   | 327   |
| <b>110-0310 Strengthened Humanitarian Responses to Crises</b> |       |       |       |       |
| FSA   | 219   | 58    | 0     | 0     |
| <b>110-0320 Health Promotion and Care</b>                     |       |       |       |       |
| CSH   | 550   | 0     | 0     | 0     |
| FSA   | 3,946 | 4,667 | 5,640 | 4,505 |
| <b>110-0340 Social Sector Reform</b>                          |       |       |       |       |
| FSA   | 571   | 510   | 340   | 200   |
| <b>110-0410 Special Initiatives</b>                           |       |       |       |       |
| FSA   | 100   | 0     | 0     | 0     |
| <b>110-0420 Cross-Cutting Programs</b>                        |       |       |       |       |
| FSA   | 5,507 | 5,340 | 6,372 | 4,127 |
| <b>123-0310 Strengthened Humanitarian Responses to Crises</b> |       |       |       |       |
| FSA   | 4,000 | 2,000 | 2,000 | 2,000 |

|                 |        |        |        |        |
|-----------------|--------|--------|--------|--------|
| <b>TRANSFER</b> |        |        |        |        |
| FSA             | 31,123 | 34,715 | 38,000 | 32,070 |

Deputy Assistant Administrator,  
Gloria Steele

## LATIN AMERICA AND THE CARIBBEAN

**The Development Challenge:** Over the past several years, the Latin America and Caribbean (LAC) region, encompassing Central and South America and the Caribbean, has faced increasing development challenges that threaten the national security and economy of the United States. Contracting economic growth rates, extensive poverty, unemployment, skewed income distribution, crime and lawlessness, a thriving narcotics industry and a deteriorating natural resource base continue to undermine the stability of the region. The risks of HIV/AIDS and drug-resistant tuberculosis on our borders also threaten the population of the United States. Civil unrest due to poor economic conditions threatens countries in Central and South America while political instability in Colombia, Venezuela, and Haiti continues unabated. In the recent past, natural disasters have struck LAC with a vengeance with the Central America and the Caribbean sub-regions particularly hard hit.

According to the World Bank and the UN Economic Commission for Latin America and the Caribbean (ECLAC) the region's GDP has shrunk by approximately 0.8% in 2002, the worst economic performance since 1983. Inflation has edged up after eight years of steady decline. Mediocre economic performance has caused per capita income in LAC countries to decline significantly since 1998 while poverty has increased. Roughly 44% of Latin Americans are now poorer—up from 40% in 1999, while 20% suffer extreme poverty. Unemployment has risen to more than 9%, higher than the 1980s level. These woes have brought discontent and political turbulence, raising questions about the health of democracy in the region, investment priorities, social sector policies, and the benefits of a decade of liberal reforms.

In 2002 Argentina defaulted on its public debt repayment. Political conflict over the policies of President Chavez has seriously shaken Venezuela's economy, while drug-financed violence and drug trafficking continue to threaten Colombia's economy. Widespread corruption and poverty in Nicaragua is presenting the newly elected Bolanos administration with severe political challenges, as well. Due to decades of poor governance and dysfunctional institutions, Haiti continues to threaten regional stability on the island of Hispaniola serving an important launching pad for illegal migration to the Dominican Republic, the Bahamas, and the United States.

In 2001 external debt servicing in LAC accounted for a greater share of LAC countries' income and GDP compared to 2000. Data is not yet available for 2002, but it appears that the continuing hemispheric-wide economic downturn has reduced overall output, with Argentina, Uruguay and Venezuela experiencing a decline of 10%. The newly elected Presidents of Brazil and Ecuador are saddled with external debts equivalent to 60% and 80% of their countries' GNP respectively. For the entire LAC region, total debt service as a percentage of Gross National Income (GNI) approximated 8% in 2000, with Central America carrying a slightly higher debt burden at 8.4% of GNI and South America and the Caribbean at 8.1% and 7.6%. LAC's economy overall is expected to recover slightly in 2003. According to the regional forecast, the Argentine economy has "hit bottom" and is expected to grow about 2% in 2003. However, outputs in the economies of Uruguay, Venezuela and Paraguay will continue to contract. Chile, Mexico, Peru, and the Dominican Republic are expected to top the growth league in 2003 with expansion of 3% or more, assuming that the slowdown in the United States abates and strong growth resumes.

It is important not to portray the region in a single minded negative light. Positive forces are aligning as the democratic leaders of the Hemisphere have unanimously agreed to work toward the 2005 culmination of the Free Trade Area of the Americas (FTAA) agreement and Central America's leaders respond to President Bush's proposal to explore a sub-regional free trade agreement. It is encouraging that Mexico continues to reap the benefits of the North American Free Trade Agreement (NAFTA) and is forging ahead with economic liberalization. Similarly, Peru's economy grew by 4.5%, and Chile signed bilateral trade agreements with the European Union and the United States. President Bush has made the conclusion of the FTAA and Central America Free Trade Agreement (CAFTA) agreements the highest priority for the region and USAID's role is pivotal in meeting this presidential mandate. Trade and investment are essential

to economic growth *and* poverty reduction. Without an increase in trade and investment, the region's substantial development gains will be put at risk, and hemispheric stability could be threatened. The region's close proximity and ties with the United States, its leaders' commitment to free trade, and the President's trade initiatives underscore the importance of moving ahead at this time.

Continuing to view progress across the LAC region through an optimistic lens, the countries of the region have proclaimed their commitment to good governance through the Inter-American Democratic Charter and the Inter-American Convention Against Corruption of the Organization of American States (OAS). Nicaragua is striving to curb government corruption and other countries, such as Mexico, have also made important commitments to reduce official corruption. Elections conducted in Jamaica, Brazil, Colombia, Bolivia, and Ecuador were all judged to be free and fair.

While support for democracy remains solid in LAC, popular disillusionment is growing with those governments that cannot reduce poverty, corruption, crime, and violence. USAID must increase support for democracy in the LAC region. Good governance and an enabling environment that includes the rule of law are pre-conditions for the expansion of trade and economic growth. Although giant strides have been made (with the exception of Cuba every country in the Hemisphere has a democratic, constitutionally-installed government), many of these democracies remain fragile, and must make a concerted effort to reinforce the institutional building blocks of democracy. As more LAC countries face economic difficulties such as those experienced by Argentina, they have tended to shun free market reforms. This trend is unfortunate since a major cause of these problems has been the countries' own failure to eliminate inefficient systems that in turn hinder free market reforms.

An independent, efficient, and transparent judiciary is not only fundamental for a functioning democracy but also a prerequisite for increased external investment. USAID continues to support a broad range of institution-building efforts to strengthen judicial systems, the rule of law, and local governments; and to demonstrate that responsible regimes can deliver benefits to their citizens. Increased crime and violence is consistently ranked as citizens' primary concern next to unemployment. The rise of violence in Jamaica has become so paralyzing to the tourist driven economy that the private sector and civil society are joining to help combat this at the community level. Continued violence and drug trafficking in Colombia and organized crime syndicates operating in other LAC countries continue to pose a serious threat to regional stability and the fight against corruption.

In health, there has been significant progress in raising vaccination coverage, reducing or eliminating major childhood illnesses such as measles, and improving access to primary education. Also, because of USAID assistance, affected countries are more willing to discuss the HIV/AIDS problem. Thus, the social stigma attached to the disease is rapidly dissipating and prevention campaigns hold greater promise for lowering the incidence of the disease. At the same time, the Caribbean has the second highest rate of HIV/AIDS in the world, after sub-Saharan Africa. While steady progress is being made in lowering maternal mortality, and in applying proven cost-effective protocols for combating malaria, tuberculosis and other infectious diseases, rates remain unacceptably high and new strains of the causative organisms are increasingly resistant to treatment. Because diseases do not respect geographic boundaries, and due to the high numbers of legal as well as illegal immigrants traveling to the United States, USAID assistance to the LAC countries at the policy, institutional, and technical levels is considered critical to the health and security of the United States.

In education, the quality and relevance of primary and secondary schooling remain major problems. The proportion of students who complete secondary school is low, and those who do finish, lack adequate skills to compete in the workplace, creating a drag on the region's economies and its global competitiveness. USAID education and training programs aim to improve the poor state of public education systems where the majority of youth attend weak and

under-funded public schools and fail to acquire basic skills in mathematics, language, and science.

In the environment, quality of life is directly linked to the quality of the air we breathe and the water that flows in our rivers and streams. Widespread degradation leads to increased vulnerability to disasters and health problems, and conflicts over natural resources. This degradation is evident in the deterioration of many coastal reefs and the loss of productivity of many watersheds. The vast repository of flora and fauna that characterizes the LAC region must be well managed; otherwise potentially valuable organisms that may hold the secret for treating and curing important diseases may become lost forever.

**The USAID Program:** USAID understands that sustained development depends on market-based economies, sound monetary and fiscal policies, and freer trade. We are convinced that overall, our efforts in LAC are resulting in improving the enabling environment for positive and peaceful changes. But, we are mindful of the critical need to continue these efforts and build on our experiences in order to encourage further economic development in its many forms and processes. U.S. foreign policy priorities in the Western Hemisphere include strengthening democratic processes, promoting equitable trade-led economic growth, reducing poverty and fostering cooperation on issues such as drug trafficking and crime, and environmental protection. To address the myriad challenges in the LAC region, the United States is strongly committed to helping build an entire hemisphere that lives in liberty and trades in freedom. The overarching goals of the FY 2004 assistance program are increasing trade and investment and supporting fragile democratic institutions. Initiatives that build trade capacity, address systemic corruption, and broaden education for competitiveness will position the nations of the region to make extraordinary progress. In FY 2004, USAID will augment ongoing support for programs that are unique for advancing sub-regional development. At the same time, USAID will maintain and in some instances increase country-specific support levels for programs and initiatives that support economic growth, and further promote partnerships under the Global Development Alliance.

The regional proximity of LAC and close social and cultural ties with the United States, the commitment of regional leaders to enter into the FTAA by 2005, and President Bush's offer to explore a free trade agreement with Central America are key factors pointing to the substantial potential for increased trade and investment. In a global economy, trade and investment are the twin engines of economic growth and play an essential role in reducing poverty. Increased trade and investment in Latin America and the Caribbean, where economic growth rates were anemic in the 1990s and continue to lag, is particularly vital. USAID activities will continue to build trade-negotiating capacity, promote competitiveness, develop markets, and provide assistance for business development. Programs will assist with complying with the "rules of trade" such as sanitary/phytosanitary measures, customs reform, and Intellectual Property Rights. Support for legal, policy, and regulatory reforms will improve the climate for trade and investment. Recognizing that remittances constitute a potentially large source of development finance, USAID will continue to support and implement mechanisms for remittance transfer with lower transfer costs. Innovative development finance will continue, including the use of remittances. Assistance will expand in the area of commercial/contract law, and property rights. LAC will continue to build on its successful efforts with promoting rural economic diversification and competitiveness, including non-traditional agricultural exports and access to specialty coffee markets. Business development and marketing services will help small and medium farmers and rural enterprises improve competitiveness and tap new markets.

USAID assistance has catalyzed progress on many environmental fronts. Assistance to Mexico has resulted in greater institutional capacity for managing forest fires which have threatened large areas along the border with the United States in the past. In Bolivia and Brazil, USAID support has led to the sustainable management of millions of acres of tropical forests for manufacturing environmentally certified hardwood products and as a source of renewable energy. This has led to increased private investment in the sector and created many jobs. Environmental audits supported by USAID have led many LAC countries to adopt policies and procedures to maintain



the integrity of their coastal resources and thus retain their competitiveness as prime tourist destinations. Despite successes in introducing new technologies for clean production in industry and improved management practices, the environment in LAC suffers from accelerating rates of degradation. USAID will continue to assist countries to manage climatic and environmental risks and protect the gains from trade-led growth. Programs will include disaster management and mitigation, watershed management, coral reef protection, and forest fire prevention and control.

In South America, USAID has added a trade emphasis to the Andean Regional Initiative (ARI). USAID initiated trade capacity building activities in FY 2002 and is expanding the program for trade in the sub-region in FY 2003. USAID succeeded in establishing trade linkages between small agricultural producers and buyers. Product quality and availability has improved, new economic opportunities were identified for exploiting sub-regional competitive advantages, and greater financial intermediation has been achieved. During 2002, USAID's support for rural income generation helped 17,000 Colombian families reject involvement in the illegal production of coca and poppy and produce licit marketable crops, from passion fruit to hearts of palm. To further consolidate microfinance lending, and improve supervision and regulation of institutions, USAID supported regional workshops that gathered bank supervisors from all over South America to share their respective policies and regulatory frameworks. Such efforts build on previous USAID programs to increase access of small business people to financial markets. The results have been impressive. In Ecuador, USAID support to the Superintendency of Banks resulted in a new microfinance regulatory framework, and after six months of support, the number of small businesses served by Ecuadorian financial institutions increased by 25%. Together, these efforts directly support the broader U.S. foreign policy goals of enhancing political stability, addressing widespread poverty, consolidating gains in democratic institution-building, trade expansion and employment creation, and improved natural resources management.

In Central America and Mexico, USAID will continue the Opportunity Alliance (formerly the Partnership for Prosperity), emphasizing trade-led rural competitiveness through diversification and penetrating agricultural niche markets. The alliance was initiated in FY 2002, in response to the protracted drought, collapse of coffee prices and retrenchment of seasonal agricultural workers. The sub-region must overcome an economic downturn and the after effects of major natural disasters, and address environmental risks. An estimated 52% of the population, more than 14 million people, is poor and chronically food-insecure in Guatemala, Nicaragua, El Salvador, and Honduras. USAID activities in FY 2003 and FY 2004 will continue to support democratic governance, trade and employment creation, agricultural production, sound environmental management, and training.

For the Caribbean, USAID has added a trade component to its Third Border Initiative (TBI) efforts to strengthen trade capacity, and competitiveness of Caribbean countries. It will build on modest trade activities underway for several years in the sub-region, characterized by small island economies lacking income diversification. When launched in 2002, TBI aimed to strengthen political, economic and security ties with the Caribbean. The majority of interventions and bulk of funding thus far have supported USAID's HIV/AIDS program. With additional funding in FY 2004, TBI will provide trade negotiation-related support and training to assist governments, civil society, and the productive sectors to better understand and prepare for global and regional trade. Also, the program will support competitiveness and diversification efforts using approaches that respond to market forces in order for small producers to establish business links and market arrangements.

For Cuba, in accordance with the President's Initiative for a New Cuba announced in his landmark speech of May 20, 2002, USAID will expand its assistance to bring Cuba into the Hemisphere's community of democracies and generate rapid and peaceful change within Cuba. The additional support will enable American nongovernmental groups to facilitate meaningful humanitarian assistance and democratic outreach to the Cuban people, build Cuba's independent civil institutions, and establish scholarships in the US for Cuban born students and professionals.

The underlying dynamics of democratic progress are still holding in Latin America. Hemispheric commitment remains high, with the creation of the OAS Democracy Charter and agreement to an

ambitious democratic reform agenda at each Summit of the Hemisphere's leaders. So far, democratic systems have persisted even in the face of severe economic crisis and very weak governance—indeed, even in situations with virtually no effective governance. The political crises of Colombia, Venezuela, Argentina, Ecuador, Nicaragua, and Peru—all very different—have not yet caused permanent ruptures in democratic practices. They nonetheless demonstrate the fragility of institutions, and the need to strengthen the building blocks of democracy if the progress of the past two decades is not to be undone. USAID support under the Democracy, Conflict, and Humanitarian Assistance pillar will reinforce linkages between good governance and the rule of law, with economic growth and trade. Markets and trade are the most powerful tools for stimulating economic development and investment flows. USAID will emphasize administration of justice, commercial and contracts law, property rights, and related legal and regulatory reform. Anti-corruption strategies will emphasize prevention as part of attacking weak governance, the justice system, political institutions, and public sector management and transparency. Higher levels of corruption are associated with lower growth and lower levels of per capita income. Since corruption increases the cost of doing business, failure to act will seriously threaten the benefits likely to accrue through the FTAA. Corruption also diverts resources away from service provision and limits economic opportunity for the poor. Thus it is also a major contributor to the failure of expectations and popular dissatisfaction that, as in the recent case of Argentina, can put democratic governments at risk. Strengthening local governments is also fundamental to USAID support.

In the area of conflict, USAID will continue to emphasize programs that de-escalate violence in Colombia and promote a basis for lasting peace; prevent spillover threats by drug-induced violence along its northern border with Panama and its southern border with Ecuador; cement border agreements such as those between Peru and Ecuador; mitigate border and bi-national tensions such as those between Haiti and the Dominican Republic; bring to a completion efforts to support the peace processes in Central America; and address problems with personal security and criminality, often linked with political actors. Important community policing efforts will continue in El Salvador and Jamaica, and possibly Colombia, Guyana, and Peru.

In education, USAID will continue to provide support for improving the environment for education reform, enhance the skills of teachers and administrators, and improve the relevance and skills of the workforce. USAID will also continue support to the newly launched sub-regional programs under the Centers of Excellence for Teacher Training (CETT) initiative announced by Presidential Bush in April 2001. Established in Peru, Honduras, and Jamaica, the three sub-regional training facilities will improve the cadre of teachers in 23 LAC countries and advance education policy reform in key countries. Advancements at the secondary level and in faculty and workforce training will improve the quality of instruction, increase worker productivity, and help youths prepare for entering the workforce. In addition to the CETT Presidential Initiative USAID will dedicate resources to continuing specific successful primary education programs, education sector policy reform efforts, literacy programs for disadvantaged youths, and work force development. In particular, USAID's Training, Internships, Exchanges, and Scholarships (TIES) program in Mexico will promote an enhanced capacity of Mexican scholars and institutions to respond to the objectives and strategies of NAFTA and the Partnership for Prosperity, which defines the emerging U.S.-Mexico Common Development Agenda.

Improving health is an excellent development investment, especially in the LAC region, where there are functioning institutions with which to work, and where assistance benefits from economies of scale due to linguistic and cultural cohesion. Under the Global Health pillar, special attention will continue to focus on the prevention of HIV/AIDS and other infectious diseases. Due to the increasing pace of migration and travel between the United States and LAC countries, infectious disease issues, including HIV/AIDS, are of special concern to USAID. To combat HIV/AIDS, major funding will be allocated to the LAC countries at greatest risk, Honduras, Dominican Republic, Haiti, and Brazil. Funding is also included for Mexico, Guyana, Jamaica, Bolivia, and the two regional programs in Central America and the Caribbean. Programs will continue to combat infectious diseases, most notably tuberculosis in Mexico, the Malaria Amazon Basin Initiative, and anti-microbial resistance. Support will also be provided to maternal health,

child survival, and reproductive health activities through increased access to selected services; increased efficiency and equity of basic health services, especially at decentralized levels; and reforms related to decentralization, strengthening of health care, and setting quality standards. Support for critical food security interventions will target geographic areas of greatest malnutrition and poverty, particularly in Central America.

USAID has succeeded in establishing public-private alliances, demonstrating the powerful effect of leveraging private sector resources. USAID will expand its existing alliances in LAC including the specialty coffee programs and coral reef conservation programs in Central America, the Certified Forests and International Markets Alliance, and remittance activities. USAID will also continue to explore a wider circle of partners who are willing to cooperate in risk sharing.

**Program and Management Challenges:** USAID seeks to place the highest importance on management efficiency. In the LAC region, USAID has embarked on a series of mission management assessments which are attempting to examine mission portfolio management and structure so as to identify best practices and efficiency, and thus maximize program impact in a constantly shifting mix of development challenges. These assessments take a multi-disciplinary approach in reviewing a variety of factors, including strategic focus, organization structure, portfolio management, and staffing size and mix. These assessments provide a more complete picture for basing decisions on appropriate staff size and OE levels. The urgency of finding more efficient ways to deliver foreign assistance is due both to the multiple pressures on the Agency's OE budget and the need to staff up in priority areas, such as HIV/AIDS, trade, and expanding programs like Mexico and Colombia. To date, these assessments have identified economies of scale that can be achieved through managing selected programs or functions at the sub-regional (rather than the bilateral) level. In specific missions, the findings have informed senior USAID management decisions on how best to reduce vulnerabilities, increase efficiencies, and set program implementation mechanisms to best utilize available OE and staffing resources.

**Other Donors:** In the Andean countries where combating illegal drug production is a top priority, the United States is the largest bilateral donor with \$611 million followed by Japan, at \$246 million. However, in the two non-Andean countries assisted by USAID, Brazil and Paraguay, Japan is the largest donor at \$263 million followed by Germany at \$51 million. In Central America including Mexico, the United States was the largest donor at \$459 million followed by Spain at \$493 million. In the Caribbean the United States is the largest donor at \$109 million followed by the EU at \$80 million. All figures are for 2001. USAID continues to collaborate with other prominent donors including the Inter-American Development Bank (IDB), the World Bank (WB), the Pan American Health Organization (PAHO), and the Organization of American States (OAS).

**FY 2004 Program:** USAID FY 2004 resources requested for the LAC region total \$839,768,000. Of this amount, \$244,862,000 is Development Assistance (DA), \$148,572,000 is Child Survival and Health (CSH), \$86,000,000 is Economic Support Funds (ESF), \$259,400,000 is Andean Counterdrug Initiative (ACI), and \$100,934,000 is P.L. 480 Title II.

**Latin America and Caribbean  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Andean Counterdrug Initiative           | 25,750            | 210,500           | 278,000                  | 259,400            |
| Child Survival and Health Programs Fund | 98,743            | 144,815           | 148,520                  | 148,572            |
| Development Assistance                  | 225,515           | 220,241           | 268,485                  | 244,862            |
| Development Credit Authority            | 0                 | 785               | 0                        | 0                  |
| Economic Support Fund                   | 120,239           | 166,500           | 96,000                   | 86,000             |
| PL 480 Title II                         | 112,732           | 124,333           | 102,520                  | 100,934            |
| <b>Total Program Funds</b>              | <b>582,979</b>    | <b>867,174</b>    | <b>893,525</b>           | <b>839,768</b>     |

**Latin America and Caribbean  
PROGRAM SUMMARY**

(in thousands of dollars)

| Country / Fund Account                        | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| <b>Bolivia</b>                                |                   |                   |                          |                    |
| Andean Counterdrug Initiative                 | 0                 | 39,600            | 42,000                   | 42,000             |
| Child Survival and Health Programs Fund       | 6,598             | 19,690            | 18,513                   | 14,402             |
| Development Assistance                        | 25,098            | 12,853            | 12,230                   | 11,380             |
| Economic Support Fund                         | 1,995             | 10,000            | 10,000                   | 8,000              |
| PL 480 Title II                               | 15,918            | 19,566            | 21,525                   | 21,655             |
| <b>Total Bolivia</b>                          | <b>49,609</b>     | <b>101,709</b>    | <b>104,268</b>           | <b>97,437</b>      |
| <b>Brazil</b>                                 |                   |                   |                          |                    |
| Child Survival and Health Programs Fund       | 7,883             | 9,150             | 11,821                   | 12,011             |
| Development Assistance                        | 7,318             | 4,799             | 6,680                    | 8,222              |
| <b>Total Brazil</b>                           | <b>15,201</b>     | <b>13,949</b>     | <b>18,501</b>            | <b>20,233</b>      |
| <b>Caribbean Regional Program</b>             |                   |                   |                          |                    |
| Child Survival and Health Programs Fund       | 1,497             | 3,550             | 4,688                    | 6,532              |
| Development Assistance                        | 0                 | 0                 | 9,000                    | 3,480              |
| Economic Support Fund                         | 6,985             | 10,800            | 3,000                    | 9,000              |
| <b>Total Caribbean Regional Program</b>       | <b>8,482</b>      | <b>14,350</b>     | <b>16,688</b>            | <b>19,012</b>      |
| <b>Central America Regional Program</b>       |                   |                   |                          |                    |
| Child Survival and Health Programs Fund       | 3,692             | 4,000             | 5,412                    | 7,628              |
| Development Assistance                        | 9,030             | 15,792            | 19,142                   | 17,231             |
| <b>Total Central America Regional Program</b> | <b>12,722</b>     | <b>19,792</b>     | <b>24,554</b>            | <b>24,859</b>      |
| <b>Colombia</b>                               |                   |                   |                          |                    |
| Andean Counterdrug Initiative                 | 0                 | 93,400            | 151,000                  | 150,000            |
| <b>Total Colombia</b>                         | <b>0</b>          | <b>93,400</b>     | <b>151,000</b>           | <b>150,000</b>     |
| <b>Cuba</b>                                   |                   |                   |                          |                    |
| Economic Support Fund                         | 4,989             | 5,000             | 6,000                    | 7,000              |
| <b>Total Cuba</b>                             | <b>4,989</b>      | <b>5,000</b>      | <b>6,000</b>             | <b>7,000</b>       |
| <b>Dominican Republic</b>                     |                   |                   |                          |                    |
| Child Survival and Health Programs Fund       | 6,385             | 9,532             | 11,409                   | 13,110             |
| Development Assistance                        | 8,800             | 6,450             | 8,000                    | 10,600             |
| Economic Support Fund                         | 3,482             | 2,300             | 3,500                    | 3,000              |
| PL 480 Title II                               | 1,525             | 0                 | 0                        | 0                  |
| <b>Total Dominican Republic</b>               | <b>20,202</b>     | <b>18,282</b>     | <b>22,909</b>            | <b>26,710</b>      |
| <b>Ecuador</b>                                |                   |                   |                          |                    |
| Andean Counterdrug Initiative                 | 0                 | 10,000            | 16,000                   | 15,000             |
| Child Survival and Health Programs Fund       | 0                 | 0                 | 0                        | 300                |
| Development Assistance                        | 8,184             | 6,840             | 7,130                    | 7,130              |
| Development Credit Authority                  | 0                 | 198               | 0                        | 0                  |
| Economic Support Fund                         | 8,984             | 17,250            | 22,250                   | 16,250             |
| PL 480 Title II                               | 0                 | 1,530             | 0                        | 0                  |
| <b>Total Ecuador</b>                          | <b>17,168</b>     | <b>35,818</b>     | <b>45,380</b>            | <b>38,680</b>      |
| <b>El Salvador</b>                            |                   |                   |                          |                    |
| Child Survival and Health Programs Fund       | 14,557            | 15,653            | 9,636                    | 6,334              |
| Development Assistance                        | 31,807            | 45,640            | 24,096                   | 28,712             |
| Economic Support Fund                         | 4,989             | 25,200            | 0                        | 0                  |
| PL 480 Title II                               | 1,458             | 0                 | 0                        | 0                  |
| <b>Total El Salvador</b>                      | <b>52,811</b>     | <b>86,493</b>     | <b>33,732</b>            | <b>35,046</b>      |

| Country / Fund Account                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| <b>Guatemala</b>                        |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 6,905             | 15,700            | 11,739                   | 10,250             |
| Development Assistance                  | 16,937            | 12,320            | 14,960                   | 10,700             |
| Economic Support Fund                   | 13,969            | 10,000            | 7,500                    | 5,000              |
| PL 480 Title II                         | 15,174            | 21,502            | 18,013                   | 18,030             |
| <b>Total Guatemala</b>                  | <b>52,985</b>     | <b>59,522</b>     | <b>52,212</b>            | <b>44,980</b>      |
| <b>Guyana</b>                           |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 798               | 1,000             | 1,000                    | 2,000              |
| Development Assistance                  | 3,800             | 3,100             | 2,180                    | 2,750              |
| <b>Total Guyana</b>                     | <b>4,598</b>      | <b>4,100</b>      | <b>3,180</b>             | <b>4,750</b>       |
| <b>Haiti</b>                            |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 0                 | 638               | 14,000                   | 21,826             |
| Development Assistance                  | 0                 | 250               | 11,000                   | 7,150              |
| Economic Support Fund                   | 46,894            | 30,000            | 0                        | 0                  |
| PL 480 Title II                         | 23,193            | 23,128            | 22,375                   | 23,847             |
| <b>Total Haiti</b>                      | <b>70,087</b>     | <b>54,016</b>     | <b>47,375</b>            | <b>52,823</b>      |
| <b>Honduras</b>                         |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 8,936             | 13,177            | 12,561                   | 13,861             |
| Development Assistance                  | 16,789            | 15,430            | 22,530                   | 22,226             |
| Development Credit Authority            | 0                 | 298               | 0                        | 0                  |
| Economic Support Fund                   | 998               | 1,000             | 0                        | 0                  |
| PL 480 Title II                         | 5,104             | 6,436             | 5,191                    | 5,365              |
| <b>Total Honduras</b>                   | <b>31,827</b>     | <b>36,341</b>     | <b>40,282</b>            | <b>41,452</b>      |
| <b>Jamaica</b>                          |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 4,116             | 3,121             | 3,070                    | 3,407              |
| Development Assistance                  | 7,685             | 9,471             | 13,710                   | 13,060             |
| Economic Support Fund                   | 1,497             | 1,532             | 0                        | 0                  |
| <b>Total Jamaica</b>                    | <b>13,298</b>     | <b>14,124</b>     | <b>16,780</b>            | <b>16,467</b>      |
| <b>LAC Regional</b>                     |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 14,780            | 9,434             | 6,813                    | 5,169              |
| Development Assistance                  | 27,284            | 39,910            | 53,462                   | 38,338             |
| Economic Support Fund                   | 7,584             | 16,163            | 12,500                   | 7,500              |
| <b>Total LAC Regional</b>               | <b>49,648</b>     | <b>65,507</b>     | <b>72,775</b>            | <b>51,007</b>      |
| <b>Mexico</b>                           |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 5,987             | 5,509             | 6,200                    | 4,976              |
| Development Assistance                  | 7,885             | 7,715             | 12,165                   | 12,265             |
| Economic Support Fund                   | 6,178             | 10,000            | 12,000                   | 12,000             |
| <b>Total Mexico</b>                     | <b>20,050</b>     | <b>23,224</b>     | <b>30,365</b>            | <b>29,241</b>      |
| <b>Nicaragua</b>                        |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 7,006             | 8,470             | 7,606                    | 6,855              |
| Development Assistance                  | 16,390            | 16,802            | 19,730                   | 24,152             |
| Development Credit Authority            | 0                 | 158               | 0                        | 0                  |
| Economic Support Fund                   | 1,499             | 2,800             | 0                        | 0                  |
| PL 480 Title II                         | 7,807             | 15,136            | 10,363                   | 10,565             |
| <b>Total Nicaragua</b>                  | <b>32,702</b>     | <b>43,166</b>     | <b>37,699</b>            | <b>41,572</b>      |
| <b>Panama</b>                           |                   |                   |                          |                    |
| Development Assistance                  | 3,700             | 4,500             | 7,000                    | 5,750              |
| Economic Support Fund                   | 998               | 4,205             | 3,500                    | 3,500              |
| <b>Total Panama</b>                     | <b>4,698</b>      | <b>8,705</b>      | <b>10,500</b>            | <b>9,250</b>       |

| Country / Fund Account                  | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| <b>Paraguay</b>                         |                   |                   |                          |                    |
| Child Survival and Health Programs Fund | 0                 | 2,525             | 2,025                    | 2,025              |
| Development Assistance                  | 6,320             | 3,600             | 4,600                    | 4,000              |
| Economic Support Fund                   | 3,492             | 3,500             | 3,500                    | 3,500              |
| <b>Total Paraguay</b>                   | <b>9,812</b>      | <b>9,625</b>      | <b>10,125</b>            | <b>9,525</b>       |
| <b>Peru</b>                             |                   |                   |                          |                    |
| Andean Counterdrug Initiative           | 25,750            | 62,500            | 69,000                   | 50,000             |
| Child Survival and Health Programs Fund | 9,603             | 23,666            | 22,027                   | 16,732             |
| Development Assistance                  | 28,488            | 14,969            | 17,870                   | 15,316             |
| Development Credit Authority            | 0                 | 131               | 0                        | 0                  |
| Economic Support Fund                   | 5,696             | 16,750            | 12,250                   | 11,250             |
| PL 480 Title II                         | 42,553            | 37,035            | 25,053                   | 20,472             |
| <b>Total Peru</b>                       | <b>112,080</b>    | <b>155,051</b>    | <b>146,200</b>           | <b>113,770</b>     |
| <b>South America Regional</b>           |                   |                   |                          |                    |
| Andean Counterdrug Initiative           | 0                 | 5,000             | 0                        | 2,400              |
| Child Survival and Health Programs Fund | 0                 | 0                 | 0                        | 1,154              |
| Development Assistance                  | 0                 | 0                 | 0                        | 2,400              |
| <b>Total South America Regional</b>     | <b>0</b>          | <b>5,000</b>      | <b>0</b>                 | <b>5,954</b>       |
| <b>Total Program Funds</b>              | <b>582,979</b>    | <b>867,174</b>    | <b>890,525</b>           | <b>839,768</b>     |

## Bolivia

**The Development Challenge:** In recent decades, Bolivia has made significant progress in overcoming its long history of political and economic instability. Among the gains are 20 uninterrupted years of democracy and 17 years of far-reaching and fundamental economic reforms. USAID has directly supported this process through its assistance program and continuous policy dialogue. In spite of this progress, significant levels of poverty and social exclusion remain. Currently, about 58% of the Bolivian population lives in poverty, and 24% lives in extreme poverty. Rural poverty remains over 80%. Economic growth and job creation are lagging due to, among other things, limited financial intermediation, poor productive infrastructure, lack of access to technology and markets, and low levels of education. The economic crisis has been exacerbated by problems in neighboring Argentina and Brazil, which have had a spill-over effect on the Bolivian economy. The crisis and its attendant problems are becoming a threat to the democratic process and economic stability that Bolivia has been trying to maintain for the past two decades. Despite important progress in social indicators, Bolivia still has the second highest level of infant, child and maternal mortality in the hemisphere. Land tenure and water rights are becoming the most contentious issues in rural areas, occasionally leading to deadly violence. Illegal coca replanting is a constant threat to the successful implementation of Bolivia's anti-narcotics strategy. These issues require continuing attention to inhibit the resurgence of major social and political conflict within Bolivia.

U.S. foreign policy priorities in Bolivia emphasize supporting Bolivian democracy and counter-narcotics efforts. A stable democracy is a necessary condition for continued success in combating narcotics production and trafficking. Bolivia is also a committed U.S. ally in the war on terrorism.

**The USAID Program:** The Data Sheets provided below cover the six strategic objectives for which USAID is requesting funds. These objectives concentrate on improving the responsiveness and transparency of local governance and the justice system, increasing economic opportunities for poor rural populations through business development and trade, improving health practices and services, sustainably managing natural resources and biodiversity, promotion of licit income alternatives for rural farm families to reduce excess coca production, and increasing confidence in democratic institutions and methods of conflict resolution. USAID intends to implement activities under a new strategic objective in the area of democratic governance that will replace the current democracy and governance program. The Data Sheets describe in more detail the specific new activities to be funded by FY 2004 appropriations. USAID will use \$8.45 million of the FY 2004 budget request to fund the new strategic objective in the area of democratic governance, and the remaining amount for ongoing efforts.

**Other Program Elements:** USAID's Office of Private and Voluntary Cooperation supports ongoing child survival projects implemented by three U.S. Private and Voluntary Organizations (PVOs) under the Democracy, Conflict Resolution and Humanitarian Assistance Bureau. These PVOs are Medical Care Development International, Save the Children, and the International Eye Foundation. All projects are in under-served rural areas of Bolivia where child health is at greatest risk. Also under this Bureau is a political party training activity implemented by the National Democratic Institute. Under the Economic Growth, Trade, and Agriculture (EGAT) Bureau, various grants support U.S. non-governmental organizations to expand financial services in Bolivia, as well as a P.L. 480 program to transfer technical skills to Bolivian farmers. EGAT also provides funding to ALFALIT for an adult literacy program. The Center for Excellence in Teacher Training, managed by the Latin America and Caribbean Bureau's Office of Regional Sustainable Development and USAID/Peru provides teacher training.

**Other Donors:** Donor coordination is strong in Bolivia, with the participation of eight multilateral and 15 bilateral donors. Thirteen of the bilateral donors are DAC (Paris Club) members. The United States and Japan are the largest bilateral donors. The donors' assistance is organized around the Bolivian Poverty Reduction Strategy Paper and the Government of Bolivia's Plan of Action. USAID is an active player in donor coordination and will continue to take a leadership role in the Alternative Development Donor Group. Spain, the United Nations Drug Control Program, and the European Union are active members of this group.



**Bolivia  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Andean Counterdrug Initiative           | 0                 | 39,600            | 42,000                   | 42,000             |
| Child Survival and Health Programs Fund | 6,598             | 19,690            | 18,513                   | 14,402             |
| Development Assistance                  | 25,098            | 12,853            | 12,230                   | 11,380             |
| Economic Support Fund                   | 1,995             | 10,000            | 10,000                   | 8,000              |
| PL 480 Title II                         | 15,918            | 19,566            | 21,525                   | 21,655             |
| <b>Total Program Funds</b>              | <b>49,609</b>     | <b>101,709</b>    | <b>104,268</b>           | <b>97,437</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>511-001 Democracy</b>                             |        |        |        |        |
| ACI  | 0      | 4,000  | 3,500  | 0      |
| DA   | 2,850  | 2,500  | 2,500  | 0      |
| ESF  | 1,995  | 4,000  | 3,500  | 0      |
| <b>511-002 Increased Economic Opportunities</b>      |        |        |        |        |
| DA   | 3,576  | 3,500  | 4,650  | 4,550  |
| ESF  | 0      | 5,000  | 5,500  | 4,800  |
| PL 480   | 6,367  | 8,556  | 8,610  | 8,655  |
| <b>511-003 Improved Health</b>                       |        |        |        |        |
| CSH  | 6,598  | 19,690 | 18,513 | 14,402 |
| DA   | 13,271 | 0      | 0      | 0      |
| PL 480   | 9,551  | 11,010 | 12,915 | 13,000 |
| <b>511-004 Natural Resources Sustainably Managed</b> |        |        |        |        |
| DA   | 5,401  | 6,853  | 5,080  | 5,080  |
| ESF  | 0      | 1,000  | 1,000  | 0      |
| <b>511-005 Alternative Development</b>               |        |        |        |        |
| ACI  | 0      | 35,600 | 38,500 | 38,500 |
| <b>511-XXX Democracy</b>                             |        |        |        |        |
| ACI  | 0      | 0      | 0      | 3,500  |
| DA   | 0      | 0      | 0      | 1,750  |
| ESF  | 0      | 0      | 0      | 3,200  |

## Brazil

**The Development Challenge:** Although Brazil is the 12th largest economy in the world, its development challenges are equally large in scale. Total foreign debt stood at \$213 billion in December of 2002, with the government share totaling 58% of GDP, while inflation reached double digits for the first time since 1995. Out of a total population of over 170 million, an estimated 53 million Brazilians live in poverty, and 25 million people lack access to the national power grid. Moreover, 15% of the population is illiterate, and 57% of all HIV/AIDS cases in South America are found in Brazil. Environmental degradation and deforestation continue to occur at alarming rates; Brazil is the fifth largest green house gas contributor in the world. During the 1990s, great progress was made in consolidating democratic reform, and in implementing policies that produced relative economic stability after years of rampant inflation. Recent years, however, have been marked by unprecedented unemployment and little or no economic growth, leading to public demands for increased government attention to deteriorating socio-economic conditions. Against this backdrop, Luis Inacio Lula da Silva was elected President in November of 2002 with an unprecedented 60% of the popular vote, and a resounding mandate to fight poverty, create new jobs, and expand social sector programs. Achieving success on these fronts while maintaining sound fiscal and monetary policies will present an enormous challenge for the new government.

Shared democratic values and continued reforms supportive of economic growth and expanded trade and investment have provided the foundation for an increasingly close U.S.-Brazilian partnership in recent years. The overriding U.S. national interest is to support and help guide the continuation of this process under the new administration of President Luis Inacio Lula da Silva in order to ensure continued fiscal responsibility and renewed economic growth, the promotion of hemispheric integration, investment liberalization and free trade, as well as effective collaboration on transnational issues such as trafficking in drugs and persons, the war on terrorism, HIV/AIDS prevention, and environmental protection.

**The USAID Program:** USAID is helping Brazil to enhance its role as a hemispheric leader and dependable partner in addressing regional and global issues of mutual concern as well as its efforts to address serious domestic socioeconomic problems. USAID has begun to implement its new FY 2003 - FY 2008 strategy. The Data Sheets provided below cover five strategic objectives for which USAID is requesting funds. The first three objectives address major areas of global concern such as the protection of Brazil's environment and unique biodiversity, the reduction of greenhouse gas emissions, the promotion of renewable energy, and reduced transmission of infectious diseases, particularly HIV/AIDS and tuberculosis. The fourth objective focuses on employment preparation and training programs for disadvantaged youth in market-driven areas such as information and communication technology. The fifth objective will promote Brazilian participation in the Free Trade Areas of the Americas (FTAA) initiative and facilitate expanded opportunities for small and medium size enterprises in trade-led economic growth.

USAID does not provide funding directly to the Government of Brazil (GOB), but rather works through U.S.-based non-governmental organizations (NGOs), U.S. private contractors, and other U.S. Government agencies, most of which have established effective partnerships with local organizations. USAID coordinates very closely with the GOB in program design and implementation to ensure that the programs designed complement and contribute to national development priorities and initiatives. USAID also plays a significant role in bringing together the GOB, NGOs, and other international donors in strategic partnerships that have resulted in shared development agendas and a high degree of collaboration.

Given Brazil's size and the magnitude of its development challenges, USAID efforts are concentrated in the geographic areas with the greatest socio-economic needs. The program focuses on interventions that strengthen and expand the capacity of NGOs and local communities, and on the implementation of pilot activities that develop new methodologies and/or leverage additional participation and funding.

**Other Program Elements:** In addition to the resources requested in the Data Sheets, USAID's Office of Regional Sustainable Development manages a number of sector programs that have activities in Brazil or

include Brazilian participation. In the area of trade, USAID is supporting exchanges, workshops, and civil society outreach efforts to foster greater Brazilian support for the FTAA agreement. In the environment, the Parks in Peril program contributes to National Park conservation activities. Additionally, under the democracy and governance program, Brazilians have participated in cross border conferences and exchanges in the areas of justice reform, human rights and civil society strengthening.

USAID's Office of Global Development Alliance manages a youth employment activity in Sao Paulo, Brazil, implemented by the International Youth Foundation. USAID's Office of Global Health has contributed to a program that conducts field research on HIV/AIDS, sexually transmitted infections, and tuberculosis, and provides related management training. Finally, the South American Regional Program manages a malaria surveillance, detection, and treatment activity in the Brazilian Amazon region.

**Other Donors:** USAID plays an active role in facilitating donor coordination through periodic roundtable discussions and by hosting annual sector-specific meetings that bring together USAID-funded partners, government representatives, and other donor organizations for technical discussions and to enhance coordination. Traditionally, the largest donors in Brazil have been the World Bank, the Inter-American Development Bank (IDB), the European Union (EU), and USAID, followed by United Kingdom's Division for International Development (DFID), the German Agency for Technical Cooperation (GTZ), U.N. Development Program (UNDP), the Canadian Government, and U.N. Children's Fund (UNICEF).

There are many bilateral and multilateral donors assisting Brazil in the environment sector. These major donors focus includes the following areas: World Bank (forest preservation); IDB (ecotourism, sustainable economic forestry development); GTZ (biodiversity, forestry preservation); DFID (poverty alleviation, natural resource management); and the Netherlands (sustainable forest management). Although USAID coordinate with all these donors but works most closely with the World Bank and the Dutch. In the health sector, there are several donors that have HIV/AIDS and TB programs, e.g. the World Bank, the U.N. AIDS Program (UNAIDS), EU, U.N. Population Fund (UNFPA), and the Pan-American Health Organization (PAHO). The major donors in the energy sector are the World Bank (carbon credit program); IDB (equity investments in small enterprises); and UNDP (environmental management, energy development). USAID collaborates with UNDP, IDB, and the World Bank in the energy sector on renewable energy and energy efficiency, while the Japanese International Cooperation Agency (JICA) and DFID share USAID's interest in promoting clean energy production in rural areas. In the area of at-risk youth employment, USAID collaborates with European NGOs, the World Children's Fund, Save the Children, the Italian Government, the International Labor Organization (ILO), and the World Bank.

**Brazil**  
**PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 7,883             | 9,150             | 11,821                   | 12,011             |
| Development Assistance                  | 7,318             | 4,799             | 6,680                    | 8,222              |
| <b>Total Program Funds</b>              | <b>15,201</b>     | <b>13,949</b>     | <b>18,501</b>            | <b>20,233</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |       |       |        |        |
|--|-------|-------|--------|--------|
| <b>512-001 Environment Program</b>                     |       |       |        |        |
| DA   | 4,950 | 3,349 | 0      | 0      |
| <b>512-002 Clean and Efficient Energy Program</b>      |       |       |        |        |
| DA   | 2,368 | 1,000 | 0      | 0      |
| <b>512-003 HIV/AIDS and TB Program</b>                 |       |       |        |        |
| CSH  | 6,164 | 7,700 | 0      | 0      |
| <b>512-005 At-Risk Youth Program</b>                   |       |       |        |        |
| CSH  | 1,719 | 1,450 | 0      | 0      |
| DA   | 0     | 450   | 0      | 0      |
| <b>512-007 Infectious Diseases Program</b>             |       |       |        |        |
| CSH  | 0     | 0     | 10,921 | 11,111 |
| <b>512-008 Environment Program</b>                     |       |       |        |        |
| DA   | 0     | 0     | 5,260  | 5,222  |
| <b>512-009 Energy Program</b>                          |       |       |        |        |
| DA   | 0     | 0     | 1,400  | 1,400  |
| <b>512-010 At-Risk Youth Program</b>                   |       |       |        |        |
| CSH  | 0     | 0     | 900    | 900    |
| DA   | 0     | 0     | 0      | 600    |
| <b>512-011 FTAA Promotion and SME Trade-Led Growth</b> |       |       |        |        |
| DA   | 0     | 0     | 0      | 1,000  |

## Colombia

**The Development Challenge:** Colombia faces crises on many fronts: at the center is a dearth of state presence in an estimated 40% of the country's territory or in nearly half of its 1,079 municipalities. This has contributed to the strengthening of the illicit drug trade and guerrilla groups. The inability of the Government of Colombia to stem the growth of both the drug trade and the guerrilla armies, in part, has led to the emergence of sizeable paramilitary forces that are violently consolidating and competing for land and coveted drug trafficking routes. As a result, violence, forced displacement, and human rights abuses in Colombia abound. Concurrently, drug production in the country continues at high levels and direct involvement of these terrorist groups in the narcotics trade has made the internal conflict increasingly complex. Equally distressing, Colombia faces grave income disparities, growing poverty, and inadequate government social services. It is estimated that over half of the population lives below the poverty line and World Bank studies calculate that Colombia will require sustained economic growth of four percent through 2010 to reduce poverty to the levels recorded in 1995. This daunting challenge is exacerbated by declining foreign direct investment due to security concerns and declining international prices affecting traditional exports such as coffee. In the midst of these challenges, Colombia's democratically elected government, and its newly elected president, are fighting to preserve and strengthen its democracy and institutions.

USAID efforts support U.S. national interests and foreign policy goals for democracy, humanitarian response, law enforcement, and regional peace and stability. The United States has a vested interest in curbing the huge flow of illicit drugs from Colombia to the United States. The United States also has a stake in helping to ensure that Colombia's democratic institutions are strengthened, as these are essential for progress on trade, regional security, counter-narcotics efforts, human rights, and other related concerns. Colombia's internal conflict has the potential to destabilize a number of countries in the region if there is spill over of drug production and/or guerrilla activities into neighboring countries with already fragile democracies.

**The USAID Program:** The Data Sheets provide the details of the three objectives for which USAID is requesting FY 2003 and FY 2004 funds. These three objectives concentrate on stemming the flow of illegal drugs into the United States by encouraging small farmers to join the legal economy through alternative crops and infrastructure projects; promoting more responsive, participatory and accountable democracy; and relieving the plight of over two million Colombian refugees. FY 2003 and FY 2004 funds will be used to implement the ongoing programs of alternative development, democracy and internally displaced persons.

**Other Program Elements:** Under the bilateral program, USAID will assist the Government of Colombia in the management of a \$45 million environmental fund created under the Enterprise for the Americas Initiative, which forgives foreign debt in exchange for environmental and child protection initiatives. In addition to the bilateral program, USAID is implementing activities in Colombia through centrally and regionally managed programs in democracy (civil society strengthening), environment (Parks in Peril), and health (Amazon Malaria Initiative).

**Other Donors:** The Inter-American Development Bank, World Bank, Andean Development Corporation and the Latin America Reserve Fund combined have committed \$4.2 billion since 2000 to strengthen the Colombian social safety net. The European Union has pledged roughly \$116 million through 2006 to support the peace process. United Nations agencies provide approximately \$15 million annually in socioeconomic development support. Bilateral donors, led by Spain and Japan, have pledged approximately \$200 million over 2000-2003.

The European Center for International Strategic Thinking (CEPEI) is taking the lead in coordinating donor activities and relations in Colombia. CEPEI will hold dialogues with all major donors in an effort to better leverage resources and maximize the impact of foreign aid.

**Colombia  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                      | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|-------------------------------|-------------------|-------------------|--------------------------|--------------------|
| Andean Counterdrug Initiative | 0                 | 93,400            | 151,000                  | 150,000            |
| <b>Total Program Funds</b>    | <b>0</b>          | <b>93,400</b>     | <b>151,000</b>           | <b>150,000</b>     |

**STRATEGIC OBJECTIVE SUMMARY**

|   |   |        |        |        |
|---|---|--------|--------|--------|
| <b>514-007 Democracy</b>                    |   |        |        |        |
| ACI   | 0 | 22,000 | 32,000 | 25,000 |
| <b>514-008 Alternative Development</b>      |   |        |        |        |
| ACI   | 0 | 49,400 | 69,000 | 82,000 |
| <b>514-009 Internally Displaced Persons</b> |   |        |        |        |
| ACI   | 0 | 22,000 | 50,000 | 43,000 |

## Cuba

**The Development Challenge:** Cuba is one of the most economically and politically repressed countries in the world. The Heritage Foundation's 2003 Index of Economic Freedom, released November 12, 2002, places Cuba 155th among the 156 countries--just above North Korea--at the bottom of all "economically repressed regimes" in the world. Freedom House lists the Cuban Government among the 11 "most repressive regimes" in the world, with failing scores on political rights and civil liberties. The reasons are apparent. The Cuban Government violates fundamental human rights and directly controls mass media, trade unions, universities, and all formal economic activity. The Government tries to censor all independent sources of information reaching the Cuban people. The Government jams foreign radio broadcasts, controls internet access, censors or bans foreign books, newspapers and magazines, and forbids importation of videocassettes and videocassette recorders.

During 2002, the Cuban Government increased its repression of human rights groups, independent journalists, and other peaceful democratic activists. Ten to twenty year prison sentences can be imposed on any Cuban receiving or disseminating prohibited information, printed material, or engaging in any activity deemed as aiding U.S. policy towards Cuba. In the economic arena, the Government's punitive taxation and harassment of self-employed people continue to reduce their numbers. At the end of 2001, the official Government of Cuba (GOC) Annual Statistics reported issuing 109,562 licenses for self-employment compared to 210,000 licensed issued in 1997. In 2002, the GOC stopped issuing new licenses.

Peaceful transition to democracy is the principal U.S. foreign policy interest in Cuba. The country remains on the list of terrorist countries compiled by the U.S. Department of State. The U.S. Government firmly believes the best path to promoting a peaceful transition to democracy for Cuba lies in continuing a multi-faceted approach: comprehensive economic sanctions; outreach to the Cuban people; promotion and protection of human rights; multilateral efforts to press for democracy; and migration accords to promote safe, orderly and legal migration.

**The USAID Program:** In support of peaceful transition to democracy, the USAID program focuses on development of civil society through information dissemination. In 1996, USAID awarded its first grant aimed at promoting a democratic transition in Cuba. The grant was awarded under the Cuban Democracy Act of 1992 which authorizes the U.S. Government to provide assistance "...through appropriate nongovernmental organizations, for the support of individuals and organizations to promote nonviolent democratic change in Cuba." The Cuban Liberty and Solidarity (LIBERTAD) Act of 1996 further elaborates the types of assistance and support the President is authorized to provide. Assistance is aimed at individuals and independent nongovernmental organizations (NGOs) to support democracy-building efforts for Cuba. Authorized assistance includes: published and informational matter (e.g. books, videos, and cassettes) on democracy, human rights and market economies; humanitarian assistance to victims of political repression, and their families; support for democratic and human rights groups in Cuba; and support for visits by and permanent deployment of independent international human rights monitors in Cuba.

USAID requests FY 2003 and FY 2004 funds under its single objective, "Civil Society Developed through Information Dissemination", described in more detail in the Program Data Sheets below. The focus is on information dissemination to foster democratic progress and the development of civil society. The program provides support to U.S. nongovernmental organizations (NGOs) and individuals, and encourages them to undertake humanitarian, information-sharing, and civil society-building activities in Cuba with private funds, subject to applicable U.S. Treasury and Commerce Department regulations. Dozens of NGOs have engaged in such activities over the past several years. Licensed humanitarian goods alone, from private sources, total millions of dollars. The intent of USAID funding is to support activities for which adequate private resources are not presently available.

FY 2003 funds will support ten current grants and five new ones. As described in the FY 2003 Congressional Budget Justification, USAID support will increase the flow of accurate information on democracy, human rights, and free enterprise to, from, and within Cuba. It will encourage development of independent civil society and provide humanitarian assistance to political prisoners, their families, and other victims of repression.

**Other Program Elements:** None.

**Other Donors:** The Roman Catholic Church provides assistance to CARITAS Cubana, one of the few independent Cuban nongovernmental organizations. In 2000, Canada, China, Russia, the European Union, Japan, and the United Nations Development Program delivered more than \$90 million in economic and humanitarian aid to Cuban government organizations.



**Cuba  
PROGRAM SUMMARY**

(In thousands of dollars)

| <b>Accounts</b>            | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|----------------------------|---------------------------|---------------------------|----------------------------------|----------------------------|
| Economic Support Fund      | 4,989                     | 5,000                     | 6,000                            | 7,000                      |
| <b>Total Program Funds</b> | <b>4,989</b>              | <b>5,000</b>              | <b>6,000</b>                     | <b>7,000</b>               |

**STRATEGIC OBJECTIVE SUMMARY**

| <b>516-001 Civil Society Developed</b> |       |       |       |       |
|--|-------|-------|-------|-------|
| ESF                                    | 4,763 | 5,000 | 6,000 | 7,000 |

| <b>TRANSFER</b> |     |   |   |   |
|-----------------|-----|---|---|---|
| ESF             | 226 | 0 | 0 | 0 |

## **Dominican Republic**

**The Development Challenge:** The Dominican Republic's greatest development challenges stem from the relatively large segment of the population that has not equitably shared in recent economic prosperity. The country's most pressing issues include the fragility of its democratic institutions, including unfinished justice and electoral reforms; continued abuse of human rights and weak public security; and a large social investment gap, particularly in education, health, basic services, housing and pensions. A large number of illegal Haitian immigrants; weak rural productive infrastructure; and the need to quickly learn to compete in the global economy are also risking development gains. A growing population, increased economic activity with inadequate environmental protection and natural disasters continue to strain the environment and natural resources, affecting sectors traditionally employing the Dominican poor, tourism and agriculture.

**Economic Context:** Despite growth rates that raised the standard of living and increased the average per capita income to \$2,405 for 2001, severe income inequality persists: nearly 2.7 million Dominicans (32% of the population) live below the poverty line. Sixteen percent of the labor force is unemployed. Some sectors responsible for past growth are mature (tourism), face loss of competitiveness (free trade zones), or are not making competitive adjustments (manufacturing, agriculture). Weak public institutions, high levels of corruption, and high transaction costs also limit the economy's competitiveness by sending discouraging signals to investors. Finally, the degradation of the country's beaches, rivers, aquifers and forests further threatens the sustainability of economic growth. The country's external debt in December 2001, \$4,137 billion, with debt servicing absorbing approximately 22% of the government's budget revenue, is owed primarily to multilateral institutions. The Dominican Republic, a World Trade Organization (WTO) member and signatory to several regional trade agreements, is committed to the goal of a Free Trade of the Americas Agreement by 2005.

**Social Indicators:** The Dominican Republic's total fertility rate is below the Latin American and Caribbean average, but maternal mortality remains a problem. Although over 96% of births are attended by trained professionals, the maternal mortality rate is between 110 and 140 deaths per hundred thousand live births. The infant mortality rate, estimated at 49 per thousand, has been steadily decreasing. Only 18% of the population is covered by some type of health insurance. There is a high prevalence of HIV/AIDS of approximately 2.5% of the adult population. Finally, basic education seriously lags behind countries with similar economies, and equity and quality are still challenges, particularly for children in rural areas. The Dominican Republic also hosts a large number of very poor illegal Haitian immigrants that add to the country's poverty burden and further strain already inadequate health and education services.

**Political Context:** Although advances have been made in democracy through effective and broad-based civic society participation, citizens, especially the poor, are not satisfied with the benefits it has delivered. The rule of law remains weak and the justice system requires further reform before it can effectively protect the rights of all citizens. Despite five successive free and fair elections, the political system and parties continue to reflect traditional authoritarian, paternalistic and fatalistic attitudes. Officials and major public figures are generally not held accountable for even the most egregious disrespect for laws and due process.

**U.S. National Interests** in the Dominican Republic include ensuring economic prosperity and security in this U.S. strategic partner with strong economic, diplomatic and cultural ties to the U.S and important links to other Caribbean and Latin American countries. The U.S. is also interested in seeing the Dominican Republic attain robust democratic institutions where rule of law and respect for human rights predominate, develop efficient security forces that are full partners with U.S. efforts to safeguard homeland security, maintain regional stability, deter illegal immigration, curb international crime, and safeguard the well being of U.S. citizens.

**The USAID Program:** USAID's objectives - economic growth, democracy, and health - are designed to sustain economic growth and increase economic opportunities for poor Dominicans, strengthen participatory democracy and improve the health of vulnerable groups in the Dominican Republic. The

economic growth portfolio concentrates on institutional changes, policy reforms and public-private partnerships that will help expand job creation and income opportunities, expand trade and investment, improve environmental protection, and improve educational opportunities. Through technical assistance to key government institutions, coupled with support to sustain dynamic participation of civic action groups, USAID's program will foster continued democratic progress through development and enforcement of the rule of law, political and electoral reform and anti-corruption systems. In addition to working with the Dominican government to carry-out an ambitious health sector reform and tuberculosis detection( TB) and control program, the health portfolio will work through both the public sector and non-governmental organizations (NGOs) to deliver improved access and higher quality health care for poor Dominican women and children, as well as education and services to prevent the spread of HIV/AIDS particularly vertical transmission (mother to child).

**Other Program Elements:** In addition to the bilateral program, USAID works with other initiatives in democracy, economic growth, health, education, environment, and disaster mitigation. These activities include participation in the U.S. Presidential Initiative "Centers for Excellence in Teacher Training" and regional USAID basic education activities; in a regional project for quality coffee cultivation, production and marketing in Central America and the Caribbean, and a regional Parks-in-Peril program with The Nature Conservancy. USAID also has an energy regulatory partnership with the U.S. Energy Association (USEA), and a power sector assessment underway, managed through USAID's Economic Growth, Agriculture and Trade pillar bureau. USAID's Office of U.S. Foreign Disaster Assistance is working on disaster mitigation. USAID's Central America Regional Program implements labor-related trade policy initiatives. U.S. Center for Disease Control implements regional health activities. USAID's Office of Regional Sustainable Development manages a regional accountability and anti-corruption program which implements municipal and civil society anti-corruption activities. USAID's multi-sector Cooperative Association of States for Scholarship (CASS) program with Georgetown University provides training for Dominican participants.

**Other Donors:** : Donor coordination in the Dominican Republic is good. Development assistance to the Dominican Republic in calendar year 2001 totaled \$318 million. The United States is the largest bilateral donor (\$31 million), followed by Japan (agriculture, education, health and urban infrastructure), Venezuela (energy, transportation, water and urban infrastructure), and Germany (education and environment). Multilateral donors include the Inter-American Development Bank (the largest donor overall) and the World Bank (the two banks together provide \$199 million for balance of payments support, a national highway project, and a Hurricane Georges Disaster Management Project), the European Union, and the full complement of United Nations agencies.

**Dominican Republic  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 6,385             | 9,532             | 11,409                   | 13,110             |
| Development Assistance                  | 8,800             | 6,450             | 8,000                    | 10,600             |
| Economic Support Fund                   | 3,492             | 2,300             | 3,500                    | 3,000              |
| PL 480 Title II                         | 1,525             | 0                 | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>20,202</b>     | <b>18,282</b>     | <b>22,909</b>            | <b>26,710</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |       |       |        |        |
|---|-------|-------|--------|--------|
| <b>517-002 Basic Health Care</b>                                |       |       |        |        |
| CSH   | 5,885 | 1,932 | 0      | 0      |
| DA  | 3,800 | 0     | 0      | 0      |
| <b>517-003 Democracy Consolidation and Better Governance</b>    |       |       |        |        |
| DA  | 3,400 | 700   | 0      | 0      |
| ESF   | 3,492 | 0     | 0      | 0      |
| <b>517-007 Policy Reform</b>                                    |       |       |        |        |
| CSH   | 500   | 0     | 0      | 0      |
| DA  | 1,600 | 575   | 0      | 0      |
| ESF   | 0     | 600   | 0      | 0      |
| <b>517-008 Economic Growth</b>                                  |       |       |        |        |
| DA  | 0     | 2,375 | 6,000  | 7,200  |
| <b>517-009 Consolidating Democracy and Improving Governance</b> |       |       |        |        |
| DA  | 0     | 2,800 | 2,000  | 3,400  |
| ESF   | 0     | 1,700 | 3,500  | 3,000  |
| <b>517-010 Health</b>   |       |       |        |        |
| CSH   | 0     | 7,600 | 11,409 | 13,110 |

## Ecuador

**The Development Challenge:** Situated in the heart of Latin American's most conflicted region, Ecuador's importance to U.S. interests far outstrips its size. In addition to democracy, economic development, and promoting open markets, U.S. foreign policy priorities in Ecuador include regional stability and fighting narcotics trafficking and terrorism. A democratic, prosperous, and secure Ecuador can play a key role in stabilizing the northern Andes and curbing the spread of narco-terrorism and violence. Many factors, however, will shape and challenge the future of Ecuador.

While the 2002 elections were praised by all observers as the freest and fairest in Ecuador's history, President Gutierrez took office in January 2003 amidst deteriorating social and economic circumstances. The new Government of Ecuador (GOE) faces alarmingly low levels of support and confidence in democracy, troubling macro-economic indicators, and the need to rationalize the country's dollarization model through fiscal responsibility and reform. With an external debt that amounts to 80% of the country's \$20.6 billion gross domestic product (GDP) and a poverty rate of over 60%, experts agree that Ecuador's solution rests in austere fiscal policy. At the same time, Gutierrez has committed his government to significantly increasing spending on social sector programs. Gutierrez' immediate challenge, therefore, will be to reassure the international financial institutions that he is a responsible fiscal manager without unleashing the social unrest that is latent among the population at large. A further challenge for the new GOE is the coca/cocaine industry (and its related narco-terrorist elements) in Colombia, which continues to impinge upon Ecuador's impoverished northern provinces, creating displaced persons, as well as asylum seekers and refugees from Colombia. Additionally, Ecuador's biodiversity continues to be under threat, as a result of social and economic pressures. Ecuador's deforestation rate is the second highest in South America and its over-fishing rate continues to be alarming. Highlighting the population's dissatisfaction with the present social and economic system, emigration numbers increased sharply in 2002. Ecuador continues to be the largest regional source of illegal immigrants to the United States. As a result, the country's unemployment rate has fallen to a deceptive 9.4% as compared to last year's 11%.

**The USAID Program:** USAID's development program in Ecuador continues to respond to the many challenges confronting the country today. USAID is requesting funds for five major program areas: democracy, poverty reduction, environment, and Ecuador's northern and southern borders. USAID is providing critical help to make democratic institutions more transparent, accountable, and inclusive while encouraging consensus building vis-a-vis national policy issues. Through its Poverty Reduction Program, USAID will continue to expand access to microfinance services and provide technical assistance to support macroeconomic policy reform. Targeted efforts are underway through USAID's Environmental Program to reduce resource-based conflicts and support the sustainable use and conservation of Ecuador's globally significant and economically important biological resources. USAID will continue to support the Government of Ecuador to mitigate the spillover threats from the civil conflict in neighboring Colombia, through support for social infrastructure, local government and community strengthening, and job creation in Ecuador's northern border. USAID's Southern Border Integration Program continues to help consolidate the Ecuador-Peru peace process by providing assistance to one of the poorest regions of the country, which unfortunately plays an important role in the illegal movement of drugs and precursor chemicals. By targeting assistance toward the country's fragile economy, its political system and its most vulnerable regions, USAID's program is assisting Ecuador to meet development challenges and enhance the country's economic and social stability.

**Other Program Elements:** In addition to resources requested in the attached Data Sheets, USAID's centrally-funded Living Landscapes Program provides assistance through the Wildlife Conservation Society to conserve the biodiversity of the Greater Yasuni-Napo Moist Forest Landscape Conservation Area in the Ecuadorian Amazon. This program is working with indigenous groups, public- and private-sector stakeholders (including local oil companies), and NGO partners to develop a strategy to improve management of the protected areas and surrounding biological resources. The Washington-managed Collaborative Research Support Program (CRSP) brings the expertise of several U.S. universities to Ecuador to reduce the very high levels of pesticides now used on target crops and to improve crop yields.

The National Endowment for Democracy has supported research and dialogues on civil-military relations in Ecuador. In addition, the Washington- managed "Making Cities Work" project, which is jointly funded by the Mission and the Global Health Pillar Bureau in USAID Washington, supports research on the decentralization of health services to Ecuadorian municipalities. Agreement between USAID and the General Secretariat of the Andean Community (CAN) has also paved the way for collaboration in the areas of Free Trade Area of the Americas/World Trade Organization customs and related measures, competition policy, and sanitary/phytosanitary measures and food safety.

**Other Donors:** USAID coordinates with many bilateral and multi-lateral institutions at "roundtable" discussions organized by the Government of Ecuador's Ministry of Foreign Affairs. This coordination mechanism is in its incipient stages and is serving to eliminate operational constraints common to donors. A web page consolidating all international cooperation has also been designed and is functioning. In 2001, Ecuador received \$953 million in international cooperation, of which 24% was in grant assistance and 76 in loans. As compared to last year (2000), this signals an 89% increase in grant assistance to Ecuador. In 2001, the United States accounted for 48% of the grant assistance to Ecuador and ranked as the top donor, followed by the European Union and Japan. Sectors that have benefited the most from other donor assistance have been Regional Development (40% of the total), Social Development (13% of the total), Agriculture, Silviculture and Fisheries (7% of the total), Health (6% of the total), and Natural Resources (6.0% of the total). Of this assistance, 70% was concentrated on the development of local and rural areas. Loans to Ecuador totaled \$725 million. The Andean Development Corporation (CAF) ranks first with 45% of the total followed by the Inter-American Development Bank (IDB) and the World Bank (WB).

USAID coordinates with the CAF, IDB, IMF and World Bank in the area of macroeconomic policy reform. For debt restructuring, USAID is the lead coordinator among the most influential donors (International Monetary Fund, World Bank, Inter-American Development Bank, Andean Development Corporation). Consequently, this very successful donor coordination experience has set the tone for similar efforts across the gamut of macroeconomic initiatives in which USAID will be involved in the future. Under the same program a committee for the coordination of microfinance activities has been consolidated with all the active players in this area, and USAID has been forming a similar group in the areas of competitiveness, and trade capacity building, together with the IDB and the World Bank. USAID will continue to build upon its donor coordination initiatives, particularly as it awaits definition of the new Government's development agenda and international cooperation plans.

**Ecuador  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Andean Counterdrug Initiative           | 0                 | 10,000            | 16,000                   | 15,000             |
| Child Survival and Health Programs Fund | 0                 | 0                 | 0                        | 300                |
| Development Assistance                  | 8,184             | 6,840             | 7,130                    | 7,130              |
| Development Credit Authority            | 0                 | 198               | 0                        | 0                  |
| Economic Support Fund                   | 8,984             | 17,250            | 22,250                   | 16,250             |
| PL 480 Title II                         | 0                 | 1,530             | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>17,168</b>     | <b>35,818</b>     | <b>45,380</b>            | <b>38,680</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |       |        |        |        |
|---|-------|--------|--------|--------|
| <b>518-001 Biodiversity Conservation</b>                      |       |        |        |        |
| DA  | 4,637 | 5,375  | 5,100  | 5,000  |
| ESF   | 0     | 2,000  | 2,000  | 1,000  |
| <b>518-002 Family Planning/Maternal Child Health Services</b> |       |        |        |        |
| CSH   | 0     | 0      | 0      | 300    |
| DA  | 1,247 | 0      | 0      | 0      |
| <b>518-011 Southern Border Integration</b>                    |       |        |        |        |
| ESF   | 3,493 | 2,250  | 2,250  | 2,250  |
| <b>518-012 Democracy and Conflict Prevention</b>              |       |        |        |        |
| DA  | 600   | 85     | 0      | 100    |
| ESF   | 3,500 | 8,000  | 10,000 | 8,000  |
| <b>518-013 Northern Border Development Program</b>            |       |        |        |        |
| ACI   | 0     | 10,000 | 16,000 | 15,000 |
| <b>518-014 Poverty Reduction</b>                              |       |        |        |        |
| DA  | 1,700 | 1,380  | 2,030  | 2,030  |
| DCA   | 0     | 198    | 0      | 0      |
| ESF   | 1,991 | 5,000  | 8,000  | 5,000  |

## El Salvador

**The Development Challenge:** El Salvador has made significant progress in increasing political, economic, and social stability since the signing of the Peace Accords in 1992, despite the devastating effects of Hurricane Mitch in 1998 and two massive earthquakes in 2001. In the last decade, there have been free and fair presidential and municipal elections, with high expectations that these will continue. The annual rate of economic growth has averaged two percent over the last two years, above many countries in the Latin America and Caribbean region. Nonetheless, El Salvador still suffers from endemic poverty in rural areas, where more than 50% of the population lives below the poverty line, 27% are illiterate, and around 60% lack access to water piped into the home. A stagnant agricultural sector and a crisis in the coffee market have only exacerbated the situation. Security issues in urban and rural areas and low citizen confidence in the justice system compound the poverty problem. With a murder rate second only to Colombia, El Salvador has one of the highest crime rates in the western hemisphere. It is believed that crime and violence have contributed to depressed domestic and foreign investment below levels sufficient for economic growth and employment to keep pace with population growth. The need to finance reconstruction after the earthquakes contributed to a rise in the total debt burden by eight percentage points in the last two years to approximately 39% of GDP.

Despite the bleakness of some economic indicators, overall prospects are positive. El Salvador continues to reform and open its economy, leading to low inflation and continued growth. Remittances from Salvadorans living abroad pumped around \$2 billion into the economy this year. The country has made substantive progress in the national reconstruction effort while, at the same time, successfully dollarizing its economy. Despite frustrations with polarization in the political system, the political reforms brought by the Peace Accords are permanent and functioning, and democracy in El Salvador does not appear to be at risk. The Government of El Salvador, with four other Central American countries, recently entered into negotiations with the United States on a U.S.-Central America Free Trade Agreement (CAFTA).

The United States has multiple national interests in El Salvador. The political and economic liberalization the United States encouraged, and the country adopted, has made El Salvador a model for other developing countries in the region. The United States is El Salvador's most important trading partner, absorbing 60% of its exports and providing more than 50% of its imports. Approximately two million Salvadorans reside in the United States, many of them illegally. USAID assistance will play a critical role in responding to the historic opportunity that CAFTA presents and addressing the dramatic drop in coffee prices. Through a Presidential Initiative - the Opportunity Alliance - USAID is working in close collaboration with Central American partners to tackle their key constraints to competitiveness by building trade capacity, diversifying the rural economy, and improving disaster preparedness and environmental management. By promoting prosperity in El Salvador in tandem with USAID's new Opportunity Alliance in Central America and Mexico, the United States can help reduce the flow of economic migrants and El Salvador's vulnerability to narcotics abuse and trafficking.

**The USAID Program:** USAID requests funds for its four core strategic objectives: 1) expanding economic opportunities for rural poor families; 2) promoting democracy and good governance; 3) improving the health of rural Salvadorans; and 4) increasing rural household access to clean water. In response to the 2001 earthquakes, USAID is implementing a high-profile earthquake reconstruction program which is financing the reconstruction of community infrastructure, housing, and municipal centers, promoting economic revitalization of the rural economy, and implementing critical disaster mitigation activities. The overall goal of USAID's assistance program in El Salvador is reduction of rural poverty with a focus on women, youth, and children. USAID will implement programs that promote access to microfinance, agricultural production, and marketing services, construction of small-scale productive infrastructure such as roads and bridges, and quality early childhood and primary education services. USAID plans to expand its program to help El Salvador prepare for CAFTA. USAID fosters democratic progress by encouraging citizen participation in local and national level government and works to strengthen the rule of law by improving court administration and training judges, prosecutors, and public defenders. USAID plans to expand its program in transparency and anticorruption. USAID activities in the health sector will help to reduce child mortality, strengthen and expand reproductive health care and family planning, and



help prevent the spread of HIV/AIDS, tuberculosis, and dengue. Through improvements in watershed management and construction of rural water distribution systems, USAID will help rural residents increase their access to safe drinking water. Specific activities funded by FY 2003 and FY 2004 appropriations are described in the Data Sheets for the four core programs.

**Other Program Elements:** Through its Regional Central American Program, USAID will help develop a regulatory framework and tariff system for improved management of the country's electrical system and implement environmental conservation activities that promote improved solid waste management. USAID will also assist El Salvador with trade capacity building related to CAFTA, and provide assistance to improve the production, processing, and marketing of high-quality specialty coffees grown by small and medium-scale coffee producers. USAID will also work with HIV/AIDS high-risk populations to control and prevent the spread of HIV/AIDS through condom marketing and behavioral change interventions at the community level.

USAID's Global Health Bureau supports the expansion of reproductive health care for adolescents through a local NGO, the Salvadoran Demographic Association. USAID's Economic Growth, Agriculture and Trade bureau is working with a local NGO to provide for water quality testing in rural areas. Through its farmer-to-farmer program, the Office of Private and Voluntary Cooperation (DCHA/PVC) funds short-term U.S. volunteers to provide technical assistance to increase farm and agribusiness productivity and incomes.

**Other Donors:** The United States remains the largest bilateral donor in El Salvador, followed by the European Union, Japan, Germany and Spain. However, the greatest share of economic development assistance for El Salvador (41%) comes from multilateral lending institutions, led by the Inter-American Development Bank (earthquake reconstruction, infrastructure, legislative and judicial strengthening, microfinance, agribusiness, local governance, and education), the World Bank (earthquake reconstruction, education, health infrastructure) and the Central American Bank for Economic Integration (rural development, earthquake-related infrastructure reconstruction). Active multilateral donors include: the European Union (earthquake reconstruction), World Food Program (health), United Nations Children's Fund (health), United Nations Development Program (rule of law), and the Pan American Health Organization (health). Among the bilateral donors, Japan works on earthquake reconstruction, education, and the agriculture sector, Germany works on health and local governance, and Spain works on earthquake reconstruction and judicial strengthening.

**El Salvador  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 14,557            | 15,653            | 9,636                    | 6,334              |
| Development Assistance                  | 31,807            | 45,640            | 24,096                   | 28,712             |
| Economic Support Fund                   | 4,989             | 25,200            | 0                        | 0                  |
| PL 480 Title II                         | 1,458             | 0                 | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>52,811</b>     | <b>86,493</b>     | <b>33,732</b>            | <b>35,046</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |        |        |         |        |
|---|--------|--------|---------|--------|
| <b>519-001 Economic Growth, Agriculture and Education</b>       |        |        |         |        |
| CSH   | 700    | 0      | 0       | 0      |
| DA  | 6,779  | 6,830  | 15,993  | 18,743 |
| <b>519-002 Democratic Consolidation and Governance</b>          |        |        |         |        |
| DA  | 4,400  | 3,450  | 4,000   | 5,469  |
| ESF   | 1,489  | 200    | 0       | 0      |
| <b>519-003 Health of Women and Children</b>                     |        |        |         |        |
| CSH   | 6,814  | 9,353  | 9,636   | 6,334  |
| DA  | 3,991  | 0      | 0       | 0      |
| <b>519-004 Clean Water Access</b>                               |        |        |         |        |
| DA  | 3,189  | 3,200  | 4,103   | 4,500  |
| <b>519-008</b>  |        |        |         |        |
| CSH   | 7,043  | 6,300  | 0       | 0      |
| DA  | 13,448 | 32,160 | 0       | 0      |
| ESF   | 3,500  | 25,000 | 0       | 0      |
| <b>598-021 Special Development Activities in the LAC Region</b> |        |        |         |        |
| DA  | 0      | 0      | (1,625) | 0      |

## Guatemala

**The Development Challenge:** Guatemala is working to position itself for a potential Central America Free Trade Agreement while still recuperating from its 36-year civil war. Its \$20.6 billion economy and population of 12 million are the largest in Central America, and it has the third most unequal distribution of income in the world. Despite a per capita income of \$1,670, its lower-middle income classification is deceiving, masking extreme inequalities between an urban, largely ladino (nonindigenous) population and a rural, indigenous population. Although poverty has fallen over the past decade, over half (57%) of its population lives in poverty, and nearly 20% of its people are extremely poor. Guatemala ranks among the worst in the region for life expectancy, infant mortality (39 per 1,000 live births), maternal mortality (153 per 100,000 live births), and chronic malnutrition (49%), and lags behind other countries in the hemisphere in terms of educational access, investment, and literacy. Guatemala's complex topography, as well as its cultural and linguistic diversity, complicates efforts to expand education and health services, and contributes to an extremely low rate of labor productivity. Agriculture, which employs the majority of the poor, was particularly hard hit from the combined impacts of the worldwide economic downturn, drought, and the lowest coffee prices in 30 years.

Although 15 years have passed since the return to democratic rule, Guatemala's democracy and key institutions (the Congress, judicial system, and local governments) remain fragile and are far too easily hijacked by persons or interest groups for private gain. Common crime is rampant, and corruption is endemic, fueled by increased money laundering, drug trafficking, and smuggling of illegal aliens. Guatemala is classified as noncooperative for money laundering by the Financial Action Task Force on Money Laundering, and continues to serve as the region's main transit point for illegal migrants and narcotics en route to the United States. Although progress has been made in implementing many of the 1996 Peace Accord commitments, the pace of reform has faltered over the past two years and families once optimistic about the prosperity that peace might offer are decidedly more pessimistic about their income and safety. Unfortunately, in the absence of an effective judicial system, the legacies of its civil war, as well as ethnic and social tensions, offer ample kindling for conflict that is increasingly expressed through violent acts such as lynching.

The negotiation of a free trade agreement with the United States provides an incentive and urgency to address these key development challenges. Guatemala's rich natural resource base and location on Mexico's southern border position the country to benefit significantly from an expansion of trade both within the region and with the United States and Mexico. The United States is Guatemala's most important trading partner, accounting for 36% of Guatemalan exports and providing 40% of its imports. Other U.S. national interests in Guatemala include the containment of illegal migration, organized crime and narcotrafficking, and strengthening of democracy, fulfillment of the Peace Accords, and free and fair national elections in 2003 leading to a peaceful transition in power. Strengthening Guatemala's weak governmental institutions and fostering broad-based economic growth are essential to effective collaboration in containing illegal migration, combating organized crime and drug trafficking, and addressing other potential threats to homeland security.

USAID assistance will play a critical role in responding to the historic opportunity that the Central American Free Trade Agreement (CAFTA) presents and to address the dramatic drop in coffee prices. Through a Presidential Initiative—the Opportunity Alliance—USAID is working in close collaboration with Central American partners to tackle their key constraints to competitiveness, by building trade capacity, diversifying the rural economy, and improving disaster preparedness and environmental management.

**The USAID Program:** The Program Data Sheets provided below cover the six ongoing objectives for which USAID is requesting FY 2003 funds. FY 2003 will be the last year of funding for these six objectives. These objectives support institutional changes that reinforce democracy and the rule of law, improve the quality of basic education, improve the health and welfare of rural women and children, increase rural incomes and food security, improve natural resource management and conservation of biodiversity, and support implementation of the Peace Accords. USAID also intends to use FY 2003 funds to carry out certain new activities in support of the Opportunity Alliance, as well as to respond to changing

circumstances. FY 2004 funding is requested for the three new objectives under a new strategy for FYs 2004-2008 which is being developed. They are described in the Program Data Sheets.

**Other Program Elements:** In addition to the resources requested in the Program Data Sheets, USAID's Central America Regional Program provides technical assistance and training to strengthen Guatemala's understanding of trade issues, to control and contain HIV/AIDS, and to promote rural diversification and support environmental conservation and clean production in priority cross-border areas. USAID's Office of Regional Sustainable Development within the Latin America and Caribbean Bureau (LAC/RSD) manages several democracy and governance activities that provide technical assistance, training, and membership to regional networks of nongovernmental organizations (NGOs), human rights ombudsmen, and municipalities. In addition, LAC/RSD through the Parks in Peril program, supports clean production and activities to preserve biological diversity; a health NGO strengthening program of AmeriCares; and several activities to increase access and the quality of primary education, including the Program for Educational Reform in the Americas with the Inter-American Dialogue, the Cooperative Association of States for Scholarships, the Civic Engagement for Education Reform in Central America program, and the Centers for Excellence in Teacher Training to be established in Honduras in collaboration with the University of the Valley in Guatemala.

The Bureau for Democracy, Conflict and Humanitarian Assistance runs the Matching Grant Program, in cooperation with participating U.S. private voluntary organizations, that leverages financial resources to improve primary health care, evaluate institutional strengthening of nonprofit housing organizations, and alleviate poverty through microenterprise development. The Global Health Bureau's Child Survival Program funds activities that provide technical assistance to reduce infant, child and maternal mortality and morbidity. The Bureau for Economic Growth, Agriculture, and Trade (EGAT) manages Partnerships for Food Industry Development, which is assisting fruit and vegetable producers to meet developed market requirements for their products. EGAT also funds the Farmer-to-Farmer Program, which provides short-term, U.S. volunteer technical assistance to increase farm and agribusiness productivity. Finally, EGAT runs the Integrated Pest Management/Collaborative Research Support Program, which is reducing pesticide residues on horticultural export crops.

**Other Donors:** USAID has been successful in encouraging other donors to build upon its pioneering demonstration activities in education and health, and has played a pivotal role in the Consultative Group on Guatemala, which involves all the major donors. Overall development assistance to Guatemala totals about \$968 million per year, excluding debt relief. The United States and Japan are Guatemala's first and second largest bilateral partners. Other major bilateral donors (listed in order of program size) and their principal areas of focus include Germany (education and health), Canada (rural development), and Netherlands (Peace Accords implementation and the environment).

Multilateral donors, listed in order of the size of their program, include the Inter-American Development Bank (infrastructure, social sectors, and financial reform); the World Bank (financial reform and physical infrastructure); the Central American Bank of Economic Integration (infrastructure); the European Union (Peace Accords implementation and decentralization); and the United Nations system/agencies, including the World Food Program, the United Nations Development Program, the United Nations Children's Fund, the World Health Organization, and the Food and Agriculture Organization.

**Guatemala  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 6,905             | 15,700            | 11,739                   | 10,250             |
| Development Assistance                  | 16,937            | 12,320            | 14,960                   | 10,700             |
| Economic Support Fund                   | 13,969            | 10,000            | 7,500                    | 5,000              |
| PL 480 Title II                         | 15,174            | 21,502            | 18,013                   | 19,030             |
| <b>Total Program Funds</b>              | <b>52,985</b>     | <b>59,522</b>     | <b>52,212</b>            | <b>44,980</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>520-001 Democracy</b>   |        |        |        |        |
| DA   | 2,850  | 2,000  | 2,200  | 0      |
| ESF  | 0      | 1,000  | 0      | 0      |
| <b>520-002 Better Educated Rural Society</b>                     |        |        |        |        |
| CSH  | 2,529  | 0      | 0      | 0      |
| DA   | 0      | 2,750  | 3,750  | 0      |
| <b>520-003 Better Health for Women and Children</b>              |        |        |        |        |
| CSH  | 4,376  | 15,700 | 11,739 | 0      |
| DA   | 5,737  | 0      | 0      | 0      |
| <b>520-004 Increased Rural Incomes</b>                           |        |        |        |        |
| DA   | 4,780  | 3,500  | 5,500  | 0      |
| PL 480   | 15,174 | 0      | 18,013 | 10,000 |
| <b>520-005 Natural Resource Management</b>                       |        |        |        |        |
| DA   | 3,570  | 4,070  | 3,510  | 0      |
| <b>520-006 Support the Implementation of the Peace Accords</b>   |        |        |        |        |
| ESF  | 13,969 | 9,000  | 7,500  | 0      |
| <b>520-xxx Democracy</b>   |        |        |        |        |
| DA   | 0      | 0      | 0      | 1,800  |
| ESF  | 0      | 0      | 0      | 5,000  |
| <b>520-yyy Health and Education</b>                              |        |        |        |        |
| CSH  | 0      | 0      | 0      | 10,250 |
| DA   | 0      | 0      | 0      | 2,900  |
| PL 480   | 0      | 0      | 0      | 9,030  |
| <b>520-zzz Increased Rural Incomes</b>                           |        |        |        |        |
| DA   | 0      | 0      | 0      | 6,000  |
| <b>598-021 Special Development Initiatives in the LAC Region</b> |        |        |        |        |
| DA   | 0      | 0      | (700)  | 0      |

## Guyana

**The Development Challenge:** Guyana remains one of the western hemisphere's poorest nations; 35% of its populace lives below the poverty line, with 19% living under conditions of extreme poverty. Per capita GDP was estimated in 2001 at \$740, while external debt amounted to \$1.2 billion. Annual debt servicing is projected to absorb 27% of the Government of Guyana's (GOG) 2002 revenues. To reduce this burden and help to make Guyana's debt sustainable without compromising poverty-reducing growth, relief is being provided under the enhanced Heavily Indebted Poor Country Initiative (E-HIPC).

Health indicators are similarly discouraging. The infant mortality rate stands at 57 per 1,000 and the maternal mortality rate at 188 per 100,000. In 1999, less than half of Guyana's residents had access to potable water. The incidence rates of communicable vector-borne diseases are comparatively high. Moreover, the incidence of HIV/AIDS and sexually transmitted infections (STIs) is alarmingly high, with HIV prevalence among the sexually active populace estimated at 5-6%, second highest in the Latin American and Caribbean region. Out-migration exacerbates the impact of morbidity and mortality, and in recent years Guyana reported negative population growth.

Guyana's nascent democracy is troubled and its governance weak, undermining its capacity to effectively address social and economic challenges. Following 28 years of oppressive authoritarian rule, Guyana began consolidating its democratic institutions in 1992. Between 1992 and 1997 the Government of Guyana (GOG) achieved substantial progress resulting from implementing democracy-building activities, as well as promoting and implementing macroeconomic policy reform. Real gross domestic product (GDP) grew at an average annual rate of 7.3%, exports increased, and external public debt declined. However, contention surrounding the 1997 Presidential election, and inter-ethnic tensions raised by the three-year legal challenge to overturn the results, slowed the pace of economic growth and democratic reform. Annual GDP growth between 1998 and 2001 averaged less than 0.5% (in two of these years, the figure was negative) and the prospects for 2002 are similarly weak, estimated at 1%. Fortunately, by mid-2002, the GOG had expressed a renewed commitment to the trade and investment policy reforms needed to spur growth.

Fresh elections, aimed at resolving questions about the 1997 outcome, were held in March 2001. As in the past, episodes of political violence between Afro-Guyanese supporters of the People's National Congress/Reform (PNC/R) and Indo-Guyanese supporters of the People's Progressive Party/Civic (PPP/C) marked the process. However, unlike the past, the newly-elected PPP/C government, under President Bharrat Jagdeo, sought to quell post-election unrest by identifying common ground upon which to engage the Opposition, and its leader, Hugh Desmond Hoyte (President from 1985 to 1992), in reform-oriented dialogue. Inter-party task force committees, established mid-2001 to consider pressing national and international issues, initially made encouraging progress, particularly in the area of democratic decentralization and local government reform. However, after failing to see tangible results emanating from the task force proposals, dialogue was suspended in March 2002 when the Opposition PNC/R walked out of Parliament. Many important aspects of governance have now been cast into limbo.

The breakdown in political dialogue was accompanied by an increase in lawlessness and banditry, and by mid-year the nation's crime wave, much of it related to drug trafficking, had reached epidemic proportions, undermining political stability and deterring investment. A group from civil society (Bar Association, Private Sector and Labor Unions) calling themselves the "Social Partners Initiative" initially concentrated on mediating the political crisis and re-starting the dialogue process. However, as the crime situation worsened, the Social Partners turned their efforts toward building a consensus strategy to address the nation's crime problems. Meanwhile, the United States, United Kingdom and Canada also enlisted the services of Commonwealth Mediator to facilitate re-engagement between the political party leaders. Growing impatient at the slow pace of consultations to improve the nation's security situation, a group from the private sector called for and successfully carried out a two-day national business shutdown. As the political parties edged closer to re-initiating the dialogue process, the leader of the opposition died unexpectedly on December 22, 2002. His death and the process of selecting his successor, will undoubtedly further delay the restoration of political stability.

U.S. national interests in Guyana are to strengthen democracy, alleviate poverty, and stem the spread of HIV/AIDS. In addition, because Guyana is the headquarters of the Caribbean Community (CARICOM), the GOG's continued commitment to liberalizing trade is critical to the achievement of trade agreements, including the Central America Free Trade Agreement (CAFTA) and the Free Trade of the Americas Agreement (FTAA).

**The USAID Program:** The Program Data Sheets provided below cover the three objectives for which USAID/Guyana is requesting FY 2003 and FY 2004 funds. USAID's goal is to increase broad-based participation in the economy and democratic processes. In economic growth, USAID seeks to improve the climate for private investment by increasing capacity to implement economic policy, strengthening private sector capacity to influence economic policy, and increasing services in support of small and micro enterprises. In democracy, USAID is supporting more responsive and participatory governance and rule of law by means of a broad-based approach encompassing legislative processes, elections, civil society, the justice system (civil and criminal), as well as local governance. Given the alarmingly high incidence of HIV/AIDS, USAID is working to increase prevention efforts and slow the rate of new infections by catalyzing local NGOs to plan and implement youth-focused prevention activities. In addition, funding is provided for basic care and support services by faith-based organizations to persons infected with and affected by HIV/AIDS. FY 2003 funds will be used to implement ongoing program activities in economic growth, democracy and HIV/AIDS prevention as described in the FY 2003 Congressional Budget Justification, and serve as a bridge to a revised country strategy to be submitted by late 2003. The specific activities to be funded by FY 2003 appropriations are described in more detail in the following Program Data Sheets. The activities to be funded by the FY 2004 appropriation will be designed over the next several months under a new country strategy in direct response to the country's changing circumstances. A recently approved strategy Concept Paper has already identified HIV/AIDS, conflict management, and trade and investment policy as areas falling within the Mission's manageable interest and comparative advantage.

**Other Program Elements:** In addition to the bilateral program, USAID's Global Environment Office manages a program aimed at addressing environmental planning issues in Guyana's Kanuku mountain region. USAID's Housing and Urban Development Office also provides assistance to Guyana's second largest city, New Amsterdam, under the Making Cities Work Program. USAID's Partners of the Americas program supports a Dairy Development project aimed at increasing the nutritional level of Guyanese children. The local Guyana Partners of the Americas chapter (twinned with Mississippi) is engaged in a Farmer to Farmer Program under which fruit and vegetable husbandry and aquaculture projects are being implemented. Finally, under USAID's University linkage program for historically disadvantaged institutions, Clark University and the University of Guyana have been working together to implement a conflict management program aimed, primarily, at developing mediation skills among a cadre of upcoming professionals.

**Other Donors:** Donor coordination is good, and USAID has continued to play a pivotal role in the Democracy and Governance donor thematic group, the Poverty Reduction group and the AIDS group. In great part through USAID leadership, donors are now united around persuading the GOG to make needed economic policy reforms. The United States and the United Kingdom are Guyana's first and second largest bilateral partners. The United Kingdom provides technical assistance mainly in the education, forestry and water sectors. The United Kingdom also funds programs aimed at improving the administration of justice and upgrading management skills in the Police and Prison services. Other major bilateral donors and their principal areas of focus include Canada (non-governmental organizations) and Japan (HIV/AIDS). Multilateral donors include the United Nations agencies, the European Union (infrastructure and economic growth activities), and the Inter-American Development Bank (IDB) (infrastructure). The United Nations Development Program provides support for poverty alleviation and rural development, constitutional reform, and elections, with funding from the United Kingdom, European Union and the IDB.

**Guyana  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 798               | 1,000             | 1,000                    | 2,000              |
| Development Assistance                  | 3,800             | 3,100             | 2,180                    | 2,750              |
| <b>Total Program Funds</b>              | <b>4,598</b>      | <b>4,100</b>      | <b>3,180</b>             | <b>4,750</b>       |

**STRATEGIC OBJECTIVE SUMMARY**

|  |       |       |       |       |
|--|-------|-------|-------|-------|
| 504-001 Economic Growth and Opportunity            |       |       |       |       |
| DA   | 2,000 | 1,600 | 836   | 1,000 |
| 504-003 Prevent the Spread of HIV/AIDS Among Youth |       |       |       |       |
| CSH  | 798   | 1,000 | 1,000 | 2,000 |
| 504-004 Governance and Rule of Law                 |       |       |       |       |
| DA   | 1,800 | 1,500 | 1,344 | 1,750 |



## Haiti

**The Development Challenge:** With annual per capita income of less than \$400 and an average life expectancy of 53, Haiti is the poorest country in the Western Hemisphere. Eighty out of 1,000 Haitian children never see their first birthday, and nearly half the population cannot read. As much as 80 percent of the population lives in poverty. The problems are compounded by a heavily eroded natural resource base and the spread of HIV/AIDS, which now afflicts more than 5% of the population. There are already some 163,000 AIDS orphans in the country.

The challenge has been exacerbated by political and economic upheaval tied to flawed parliamentary elections held in the summer of 2000. The political stalemate has dragged on for more than two years now, with growing civil unrest and a severe deterioration in the country's economic and security situation. Investment has been discouraged by a lack of confidence in both the political process and the ability of the state to uphold the rule of law. Human rights abuses and intimidation of the press have become routine, and a climate of impunity reigns. Prolonged drought in the country's northwest has added to the misery, and resulted in additional pressure for illegal migration, including to the United States.

Deteriorating conditions have led a number of international donors and financial institutions to either reduce their programs sharply (European Union, Inter-American Development Bank, bilaterals) or close them down altogether (World Bank), leaving USAID as the largest single donor, particularly in health. In September 2002, the Organization of American States (OAS), via resolution 822, imposed a number of stringent governance improvement requirements, but at the same time called for normalization of relations between Haiti and the international financial institutions. However, there are still formidable technical requirements that the Government of Haiti (GOH) must meet before new loans can be approved, including the payment of accumulated arrears, of which more than \$20 million is owed to the Inter-American Development Bank (IDB) alone.

The country's direction now depends on whether the government can establish a climate for free and fair elections in 2003 and secure the participation of Haiti's opposition parties, many of which boycotted the election of President Aristide in November 2000. In the meantime, USAID will continue with the programs described below, which are designed to meet the population's essential humanitarian needs, generate employment in a difficult economic environment, and strengthen civil society's ability to resist growing authoritarianism and lawlessness. U.S. interests in Haiti are to decrease narcotics trafficking, strengthen democracy, provide humanitarian assistance, and stem the flow of illegal migrants.

**The USAID Program:** USAID's program in Haiti has shifted away from support to government programs and toward direct involvement at the grass roots using local non-governmental organizations. In the place of previous programs aimed at strengthening the country's police and judiciary, for example, newer programs channel resources to private health care providers, farmer groups and agricultural exporters, private entities in the micro-enterprise sector, and local democracy and human rights groups. However, USAID still maintains some assistance to public institutions in the health sector, and is currently expanding this cooperation in HIV/AIDS, providing training, technical assistance, and certain supplies such as medicines and contraceptives.

In economic growth, USAID is fostering the production and export of high-value fruit and tree crops, yielding significant increases in household income for small farmers. Last year, these programs resulted in revenue improvements averaging more than 10% for about 35,000 farmers for targeted crops. In urban areas, USAID helped establish a viable and increasingly self-sustainable micro-lending industry. USAID is building on that base, which now numbers more than 70,000 micro-borrowers in USAID-supported microfinance institutions, to spread coverage in Haiti's vibrant, informal economy.

In democracy, USAID is providing critical training and other assistance, including some commodities, to civil society organizations, the independent media, and political parties. In FY 2002, USAID imported more than \$500,000 in equipment for approximately 40 independent community radio outlets scattered throughout Haiti. The equipment will be used this year to broadcast civic education messages being

developed under the same activity. In addition, programs to strengthen political parties will soon be getting underway in earnest. USAID is building coalitions for judicial reform and human rights among Haiti's many business associations, religious organizations and labor unions. All of these activities are designed to help Haitian society withstand increasing authoritarianism and lawlessness and demand greater accountability and better performance by the Haitian Government.

In health, USAID is seeking to broaden the impact of its current network of 26 local NGO service providers, which are reaching nearly 2.5 million people. Through the development of public-private partnerships and with additional CSH resources, USAID will expand coverage for maternal health, child health, family planning, and HIV/AIDS prevention in the coming year to reach an even larger proportion of the Haitian population. This expansion would also help establish common standards and protocols for use in both the public and the private sector.

In primary education, USAID has just concluded an activity focused on increasing pass rates in math and Creole using a "cluster school" approach. A new phase of the program is being designed to focus on "distance learning" using radio broadcasts, including from the community radio stations supported under the independent media program described above.

The P.L. 480 Title II food program is another key element of USAID's support for humanitarian needs in Haiti. Some food is distributed outright, formerly through school feeding programs but now principally through maternal-child health facilities located mainly in remote areas. This has been an important shift in the program, one that has ensured that U.S. food aid is reaching the neediest and most vulnerable Haitians, i.e., rural children under five and nursing and/or pregnant mothers. The bulk of the Title II food commodities is sold to local millers and the proceeds used to finance projects in health care (including assistance to orphans), primary education, and food production. These programs are managed by USAID's P.L. 480 cooperating sponsors, CARE International, Catholic Relief Services, Save the Children, and World Vision.

**Other Program Elements:** In addition to the bilateral program, USAID assistance includes scholarships, child survival and health, HIV/AIDS prevention, and remittance programs. Haiti is one of three countries in the Caribbean region receiving support under USAID's Cooperative Association of States for Scholarship (CASS) program. Managed out of the Bureau of Economic Growth, Agriculture and Trade (EGAT), this program provides annual funding for 30-40 Haitian students (at approximately \$38,000 each for two years) to attend long-term training programs in a variety of academic disciplines at U.S. universities. Another \$2.5 million is provided by USAID's Bureau for Global Health to fund Child Survival and Health grants to improve access to and use of health services and promote social marketing of basic health products. The U.S. Centers for Disease Control and USAID's Caribbean Regional AIDS Program also provide about \$1.5 million annually in complementary funding for HIV/AIDS prevention and care in Haiti. USAID/Washington recently awarded a \$100,000 grant to the Pan American Development Foundation (PADF) for a remittances program with a U.S.-based Diaspora umbrella outreach group, the National Organization for the Advancement of Haitians (NOAH). NOAH will receive remittances from U.S.-based Haitian "home town associations," which will then turn them over to PADF for the production of high value fruit trees on degraded hillsides in rural areas of Haiti. NOAH is providing a matching grant of \$50,000 for this program. This program complements a USAID/Haiti matching grant program, also with PADF, that leverages contributions from the Haitian Diaspora through cooperation with a private Haitian transfer company located in the United States.

**Other Donors:** External donor assistance to Haiti dropped another 17% percent last year to about \$142 million (vs. \$357 million in FY 1999 and \$160 million in FY 2001). The United States provided more than a third of this, followed by the United Nations agencies, Taiwan and Canada. The health sector receives most of the aid, with a particular focus on HIV/AIDS, followed by education and humanitarian assistance. A full program of assistance from the international financial institutions (IFIs) could be resumed, in the event that the GOH makes significant progress meeting the conditions of OAS Resolution 822, concludes a Staff-Monitored Program with the International Monetary Fund, and clears its arrears to the IDB, and subsequently to the World Bank. If these events take place, more than \$800 million in additional IFI assistance could flow between now and 2006.

**Haiti**  
**PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 0                 | 638               | 14,000                   | 21,826             |
| Development Assistance                  | 0                 | 250               | 11,000                   | 7,150              |
| Economic Support Fund                   | 46,894            | 30,000            | 0                        | 0                  |
| PL 480 Title II                         | 23,193            | 23,128            | 22,375                   | 23,847             |
| <b>Total Program Funds</b>              | <b>70,087</b>     | <b>54,016</b>     | <b>47,375</b>            | <b>52,823</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| <b>521-001 Economic Growth</b>          |        |        |        |        |
| DA                                      | 0      | 0      | 6,500  | 1,750  |
| ESF                                     | 9,704  | 6,464  | 0      | 0      |
| <b>521-002 Environment</b>              |        |        |        |        |
| ESF                                     | 3,596  | 0      | 0      | 0      |
| <b>521-003 Health Systems</b>           |        |        |        |        |
| CSH                                     | 0      | 638    | 14,000 | 21,826 |
| DA                                      | 0      | 0      | 200    | 0      |
| ESF                                     | 20,300 | 18,536 | 0      | 0      |
| PL 480                                  | 10,837 | 0      | 0      | 0      |
| <b>521-004 Education</b>                |        |        |        |        |
| DA                                      | 0      | 0      | 2,300  | 2,500  |
| ESF                                     | 4,275  | 2,500  | 0      | 0      |
| PL 480                                  | 12,356 | 0      | 0      | 0      |
| <b>521-005 Democracy and Governance</b> |        |        |        |        |
| DA                                      | 0      | 250    | 2,000  | 2,900  |
| ESF                                     | 8,794  | 2,500  | 0      | 0      |
| <b>521-009 Hurricane Recovery</b>       |        |        |        |        |
| ESF                                     | 125    | 0      | 0      | 0      |
| <b>TRANSFER</b>                         |        |        |        |        |
| ESF                                     | 100    | 0      | 0      | 0      |

## Honduras

**The Development Challenge:** Honduras' political and economic transformation is impeded by a narrow economic base, concentrated ownership of assets, limited foreign and domestic investment, corruption, high population growth, and low human capacity levels. A weak judiciary has limited ability to protect civil and commercial rights or cope with high crime rates and human rights violations. Honduras' social indicators are among the worst in the hemisphere with 79% of the population living in poverty, an annual population growth rate of 2.6%, an infant mortality rate of 34 per 1,000, high prevalence of HIV/AIDS (1.9% of the adult population and 50% of the reported AIDS cases in Central America), chronic malnutrition (33% of children under 5 years), average adult education levels of 5.3 years, and rapid deterioration of water and forest resources. Honduras' development progress is frequently disrupted by severe droughts and floods. Failed social systems coupled with extreme weather events and exogenous world economic shocks prevent Honduras from breaking the poverty cycle and achieving broad-based economic growth.

The World Bank estimates that Honduras' per capita gross domestic product (GDP) in 2001 was around \$942. External debt in December 2001 was \$4.3 billion, approximately 70% of annual GDP. The Government of Honduras (GOH) has not had to service its debt owed to the Paris Club countries since March 1999 due to a three-year debt service moratorium and debt relief in the wake of Hurricane Mitch. The Paris Club extended this moratorium through 2002, but may end it in 2003, particularly in light of the recent International Monetary Fund (IMF) decision to declare Honduras off track with its Poverty Reduction Growth Facility program.

The GOH realizes that the country must become more competitive to attract investment, spur growth, and generate revenue to provide quality social services such as schools, hospitals, public health clinics, water systems, and a fair judicial system. In 2002 the government formed a Presidential Competitiveness Commission and developed a national trade strategy to prepare for the Central America Free Trade Agreement (CAFTA) and examine results of World Trade Organization accession.

U.S. national interests in Honduras include: 1) increasing trade and investment; 2) reducing the flow of illegal immigrants; 3) broadening citizen support for democracy; and 4) implementing reforms of civilian-controlled military, police, and legal institutions to help protect U.S. investments and reduce the impact of international crime, terrorism, and illicit narcotics activities. USAID assistance will play a critical role in responding to the historic opportunity presented by CAFTA and addressing the dramatic drop in coffee prices. Through a Presidential Initiative - the Opportunity Alliance - USAID will work with the private sector and international financial institutions to strengthen the competitiveness of Central American rural economies and generate new business and investment through trade capacity building, rural diversification, and vulnerability management. Activities in Honduras that contribute to Opportunity Alliance include: agricultural sector diversification and increasing nontraditional agricultural exports; technical assistance in the trade and investment policy arena; technical assistance and logistical support to the Honduran government to maintain flood and drought warning systems; and assistance to the government and private sector for forest and water resource management.

**The USAID Program:** FY 2003 will be a transition year for the USAID mission in Honduras as it completes the implementation of its current strategic plan and begins implementation of a proposed new strategy. Accordingly, USAID is submitting two sets of data sheets for most objectives. One set reflects remaining obligations to complete the current strategic plan, and the other set reflects new obligations to be made once the Agency approves the new strategic plan (anticipated in May 2003).

The data sheets provided below include the current objectives: 1) Economic Reactivation Meeting the Needs of the Poor; 2) Sustainable Improvements in Family Health; 3) Strengthened Rule of Law and Respect for Human Rights; 4) Improved Opportunity to Obtain Basic Education and Vocational Skills; and 5) More Responsive and Effective Municipal Government. With the exception of the health objective, which was fully redesigned and extended through December 2005, the last year of funding for these objectives is FY 2003. The additional data sheets reflect the proposed new strategic plan which

objectives include: 1) Competitive Market-Led Growth Improved in Targeted Areas; 2) Integrated Resource Management in Targeted Areas of Economic and Environmental Significance Improved; 3) Key Democratic Institutions Strengthened; and 4) Better Educated Honduran Workforce.

**Other Program Elements:** With funding from the Central America Regional Program (G-CAP), analysts and administrators are being trained in trade, labor, and energy policies to prepare for Honduran integration into hemispheric markets. G-CAP's regional coffee program responds to the immediate coffee crisis. G-CAP's regional environmental program focuses on border areas and supports implementation of the Central America - U.S. Joint Accord (CONCAUSA) commitment to biodiversity conservation, environmental legislation, sound use of energy, and sustainable economic development. G-CAP's regional HIV/AIDS program increases the capacity of local organizations to deliver HIV/AIDS services and information in Honduras and throughout the region. Honduras has also benefited from programs managed by USAID's Office of Regional Sustainable Development (LAC/RSD) to strengthen regional mechanisms to promote human rights, fortify government accountability, and promote decentralization and local governance. Through its farmer-to-farmer program, the Office of Private and Voluntary Cooperation (DCHA/PVC) funds short-term, U.S. volunteer technical assistance to increase farm and agribusiness productivity and incomes.

Honduras is serving as the regional coordinating mission for implementation of President Bush's Center of Excellence for Teacher Training (CETT) Initiative. CETT is designed to improve teacher training and address school underachievement and illiteracy by improving primary school reading instruction for students in disadvantaged communities or populations in Central America. Honduras also participates in the Cooperative Association of States for Scholarships (CASS) program, managed regionally by LAC/RSD. CASS supports scholarships for students who travel to the United States to participate in one- or two-year academic programs tailored to meet the development needs of participants' respective countries, as well as their languages and cultural backgrounds. The program targets socioeconomically disadvantaged scholars, women, and other previously excluded groups who have demonstrated leadership potential in both their communities and places of employment. Finally, USAID is implementing a pilot activity in Honduras to address child labor practices.

**Other Donors:** Donor coordination has been excellent, especially since Hurricane Mitch and the formation of the Group of 15 (G-15) to monitor the GOH's reconstruction and transformation program. USAID has played a key role in assisting the G-15 efforts at the level of ambassadors and representatives, directors of the bilateral and multilateral development agencies, and other groups to closely coordinate with the government and civil society. Overall development assistance disbursed to Honduras totaled about \$200 million in 2002, excluding debt relief. The United States, Japan, and Sweden are the largest bilateral donors, while Spain provides a large amount of its bilateral assistance in loans. Non-U.S. bilateral donors and their principal areas of focus include: Japan (public infrastructure and agriculture), Sweden (statistics, justice and human rights, and social programs); Spain (judicial reform and decentralization), Germany (agriculture and education); Canada (forestry and rural development), United Kingdom (rural development), Italy (irrigation), the Netherlands (rural development and housing), and Switzerland (rural water projects). Multilateral donors include the Inter-American Development Bank with a very diversified portfolio of projects valued at \$460 million over three years, the World Bank (education, land tenancy, and health), the IMF, the European Union (rural water infrastructure and food security), and United Nations agencies (United Nations Development Program, Food and Agriculture Organization, World Food Program, United Nations Children's Fund, and International Fund for Agricultural Development). With funding from bilateral donors, the United Nations Development Program has developed the Forum to Strengthen Democracy in Honduras, which works closely with civil society, political party leaders, and donors, and supports coordination of the national HIV/AIDS program. Additionally, Honduras successfully secured \$42 million for a five-year AIDS, tuberculosis, and malaria program from the newly established United Nations Global Fund.

**Honduras  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 8,936             | 13,177            | 12,561                   | 13,861             |
| Development Assistance                  | 16,789            | 15,430            | 22,530                   | 22,226             |
| Development Credit Authority            | 0                 | 298               | 0                        | 0                  |
| Economic Support Fund                   | 998               | 1,000             | 0                        | 0                  |
| PL 480 Title II                         | 5,104             | 6,436             | 5,191                    | 5,365              |
| <b>Total Program Funds</b>              | <b>31,827</b>     | <b>36,341</b>     | <b>40,282</b>            | <b>41,452</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |       |        |        |        |
|--|-------|--------|--------|--------|
| <b>522-001 Economic Reactivation Meeting Needs of the Poor</b> |       |        |        |        |
| DA   | 4,240 | 3,730  | 5,000  | 0      |
| <b>522-002 Effective and Sustainable Water Management</b>      |       |        |        |        |
| DA   | 3,691 | 2,800  | 0      | 0      |
| <b>522-003 Sustainable Improvements in Family Health</b>       |       |        |        |        |
| CSH  | 5,642 | 13,177 | 12,561 | 13,861 |
| DA   | 5,138 | 0      | 0      | 0      |
| PL 480   | 5,104 | 6,436  | 5,191  | 5,365  |
| <b>522-004 Rule of Law &amp; Respect for Human Rights</b>      |       |        |        |        |
| DA   | 1,900 | 2,400  | 3,100  | 0      |
| ESF  | 998   | 1,000  | 0      | 0      |
| <b>522-006 Basic Education and Skills Training</b>             |       |        |        |        |
| CSH  | 3,294 | 0      | 0      | 0      |
| DA   | 0     | 3,500  | 3,250  | 0      |
| <b>522-007 Municipal Development Project</b>                   |       |        |        |        |
| DA   | 1,820 | 3,000  | 1,000  | 0      |
| DCA  | 0     | 298    | 0      | 0      |
| <b>522-aaa Economic Growth</b>                                 |       |        |        |        |
| DA   | 0     | 0      | 3,830  | 8,976  |
| <b>522-bbb Integrated Resource Management</b>                  |       |        |        |        |
| DA   | 0     | 0      | 2,600  | 2,600  |
| <b>522-ddd Improved Democracy and Governance</b>               |       |        |        |        |
| DA   | 0     | 0      | 2,000  | 5,850  |
| <b>522-eee Education</b>                                       |       |        |        |        |
| DA   | 0     | 0      | 1,750  | 4,800  |

## Jamaica

**The Development Challenge:** Jamaica's main development challenge lies in addressing the prevailing factors that have contributed to successive years of poor economic performance and a deteriorating social climate. In spite of registering modest growth of 1.74% in 2001, compared to stagnant and negative growth during the previous decade, the Jamaican economy still struggles to achieve a credible turnaround. The government had projected a 2002 - 2003 growth rate of 2% to 3%; however this projection is now in jeopardy. The fiscal deficit is 8.4% of GDP (significantly below the previously projected 4.4%) and public debt increased 8.3% in 2002. The public debt is now 141% of GDP, up from 134% recorded in March 2002, and over 64% of the budget now goes towards debt servicing. This deterioration in the fiscal budget is not surprising given the fact that general elections were held in October 2002 and the polls had long predicted a close race between the two major parties, prompting significantly increased spending on the part of the ruling party. Inflation at the end of November 2002 was 6.7% compared to a target of 7% for the full year and interest rates, after a steady decline, have begun to inch upwards registering 26.13%.

The state of the economy has left the social sector reeling. Unemployment is hovering at around 15% and extraordinary numbers of young men drop out of school and seek survival through crime and illegal drug trade. The business community cites high levels of crime and violence as the primary deterrent to investment and job creation. With more than 1,000 murders in 2002, Jamaica's murder rate now ranks third highest in the world. The government's tight budget leaves very little for the education and health sectors, which require urgent attention. Approximately 40% of primary students in the public school system failed the grade four literacy test in 2001. An estimated 1.6% of the population is living with HIV/AIDS and the number infected continues to rise, especially among adolescents aged 15 through 19.

Although some progress has been made to remove impediments to growth in the business sector, firms continue to face outdated regulations and banking processes and public sector inefficiencies. These obstacles are coupled with judicial system inefficiencies which adversely affect respect for human rights and the rule of law. At the same time, improper resource management by major industries in the tourism, bauxite, and agriculture sectors threatens the natural resource base upon which these same industries depend.

USAID's program is designed to address these issues over the medium term and contribute to advancement of U.S. foreign policy by promoting economic and social stability through increased production and trade, reduced transshipment of drugs, improved governance and public sector transparency, and increased protection of the fragile environment, all of which contribute to increased citizen security for both U.S. and Jamaican citizens.

**The USAID Program:** USAID's program in Jamaica seeks to: 1) address deficiencies in the small, medium, and microenterprise business sectors; 2) encourage sustainable improvement in Jamaica's key natural resources; 3) improve reproductive health of youth in Jamaica through a comprehensive and multisectoral approach; 4) improve the numeracy and literacy skills of Jamaican youth using innovative approaches; 5) promote good governance as a way of improving citizen security; and 6) bring about a reduction in unemployment and crime in two inner-city communities.

USAID is responding to the high crime rate in Jamaica by initiating a community policing program in the inner cities to support model police stations and train police officers in advanced community policing techniques. This is one component in a three-part, high-visibility, politically sensitive democracy and governance program which was approved in 2001. Despite the relatively short time that the program has been in existence, a number of important interventions have been initiated and are quickly taking root.

USAID is working closely with the government and non-governmental organizations (NGOs), as well as the private sector to achieve its objectives. The government, NGOs, private sector and other groups have demonstrated strong commitments to the program but are hampered by several constraints including limited technical capabilities sub-standard business practices, stifling government bureaucracies, gaps in

policy frameworks, and inadequate public education programs. USAID is consequently working on strengthening the capacity of these organizations to facilitate more effective results in joint initiatives.

FY 2003 funds will be used to implement the programs outlined in this Congressional Budget Justification. The specific on-going programs to be funded by FY 2003 and 2004 appropriations are described in more detail in the following Data Sheets.

**Other Program Elements:** In addition to the bilateral program, USAID is carrying out other regionally-managed activities in Jamaica. Disaster mitigation activities reduce risk and loss from natural hazards and help establish an effective framework for disaster management in the region. USAID continues to build the capacity of the Jamaican trade ministry to analyze, negotiate, and implement regional and worldwide trade agreements and related agricultural import customs requirements. In addition, USAID is supporting agricultural research initiatives and the expansion of the Jamaica Rural Agricultural Development Authority to assist local producers in jointly marketing organically grown produce, thus improving farming technology and preserving the country's existing natural resources.

In FY 2003, the USAID office in Jamaica will take over management of a new regional teacher training program, the Caribbean Center of Excellence for Teacher Training (CETT) which is an initiative of President Bush. CETT focuses on improving teacher and school administrator quality, and the quality of early instruction in the classroom, especially for teachers who work in disadvantaged communities.

USAID has an active Denton Amendment program in Jamaica which facilitates the arrival of approximately 30 to 40 humanitarian freight shipments per year from NGOs in the United States. Shipments are transported on U.S. military flights to Jamaica where USAID provides programmatic and logistical support to the U.S. NGO partners. Additionally, USAID supports U.S. NGO Food for the Poor's participation in the U.S. Government's excess property program. With USAID approval and assistance, Food for the Poor coordinates the shipment and distribution of humanitarian commodities to Jamaica and other countries in the region.

**Other Donors:** The Inter-American Development Bank (IDB) is the largest contributor of multilateral assistance in Jamaica. The IDB is working to establish a National Solid Waste Management Authority and system for Jamaica, assisting the Ministry of Health to identify and design new tools for controlling the spread of HIV/AIDS, and funding projects related to agricultural services, poverty alleviation, security and justice, primary education, parish infrastructure development, and social infrastructure, as well as direct budget support. Other multilateral lenders and donors are: the World Bank (education, poverty eradication, public sector and financial reform, and export development); the European Union (poverty alleviation and infrastructure development); the Caribbean Development Bank (fiscal reform, poverty alleviation, institutional strengthening, tourism, infrastructure development, and agricultural development); and the United Nations Development Program (sustainable job growth and promotion of innovative and competitive export opportunities). Major bilateral donors include the United Kingdom (education, poverty reduction, good governance, and a debt relief facility); Canada (economic competitiveness, environmental management, governance, poverty alleviation, and early childhood education); and Japan (infrastructural and cultural projects).



**Jamaica  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 4,116             | 3,121             | 3,070                    | 3,407              |
| Development Assistance                  | 7,685             | 9,471             | 13,710                   | 13,060             |
| Economic Support Fund                   | 1,497             | 1,532             | 0                        | 0                  |
| <b>Total Program Funds</b>              | <b>13,298</b>     | <b>14,124</b>     | <b>16,780</b>            | <b>16,467</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |       |       |       |       |
|--|-------|-------|-------|-------|
| <b>532-002 Sustainable Improvement of Natural Resources</b>      |       |       |       |       |
| DA   | 2,989 | 3,203 | 3,642 | 3,392 |
| <b>532-003 Improved Reproductive Health</b>                      |       |       |       |       |
| CSH  | 1,247 | 3,121 | 3,070 | 3,407 |
| DA   | 1,896 | 0     | 0     | 0     |
| <b>532-004 Improving Education Quality in Jamaica</b>            |       |       |       |       |
| CSH  | 2,869 | 0     | 0     | 0     |
| DA   | 100   | 3,678 | 4,678 | 4,578 |
| <b>532-006 Enhancing Business Development in Jamaica</b>         |       |       |       |       |
| DA   | 2,200 | 2,090 | 2,590 | 2,590 |
| <b>532-007 Peace and Prosperity in Inner City Communities</b>    |       |       |       |       |
| DA   | 500   | 500   | 0     | 0     |
| ESF  | 500   | 500   | 0     | 0     |
| <b>532-008 Strengthening Democracy and Governance in Jamaica</b> |       |       |       |       |
| DA   | 0     | 0     | 2,800 | 2,500 |
| ESF  | 997   | 1,032 | 0     | 0     |
| <b>598-021 Special Development Opportunities</b>                 |       |       |       |       |
| DA   | 0     | 0     | (200) | 0     |

## Mexico

**The Development Challenge:** Since the activation of the North American Free Trade Agreement (NAFTA) in 1994, Mexico has become the second largest trading partner of the United States, and is among the top ten export markets for 43 U.S. states. In 2001, it was ranked as the 9th largest economy in the world. As announced by President Bush in 2001 and reiterated in early May 2002: "This is a recognition that the United States has no more important relationship in the world than the one we have with Mexico....Good neighbors work together and benefit from each other's successes."

Not all Mexicans are reaping the benefits that this extensive trade, international visibility, and close U.S. partnership might offer. In 2002, although the Government of Mexico estimated gross domestic product (GDP) per capita at \$6,400, about 53% of all Mexicans--over 50 million people--had an annual income of less than about \$1,440, and 23.3% of all Mexicans--over 22 million people--had an annual income of less than \$720. By comparison, the GDP per capita in Guatemala (population 13 million) in the same period was \$1,642, and in Honduras (population 6.2 million) was \$920.

The election of President Vicente Fox in July 2000 heralded a new era for Mexico, ending 71 years of one-party rule. Since taking office, the Fox Administration has initiated a number of promising programs to reduce poverty, improve accountable governance, protect natural resources, and expand the benefits of trade to more Mexicans.

**The USAID Program:** USAID's program is designed to help the United States and Mexico collaboratively address shared problems and issues. A common development agenda is emerging that includes promoting environmental protection, alternative energy and ecotourism; improving public administration, transparency and accountability; broadening microfinance and remittance utilization; preventing infectious diseases; increasing agricultural production; and furthering competitiveness. Fiscal years 2003 and 2004 are transition years for the USAID program in Mexico, as it moves into a new strategic plan period. About half of requested FY 2003 funds will support completion of activities under the current strategy, which covers six objectives: adoption of more democratic processes, biodiversity conservation, clean energy and production, tuberculosis prevention and control, HIV/AIDS prevention, and access to microfinance. FY 2003 funds will also be used to continue United States-Mexico joint scholarship and training programs under a new educational exchange and scholarship objective begun in FY 2002. These objectives were described in the FY 2003 Congressional Budget Justification. The remaining requested FY 2003 funds, and all but \$1,100,000 of requested FY 2004 funds, will be used to initiate a new six-year strategy that builds on successes to date and addresses new challenges and opportunities. The proposed new strategy has five areas of focus: environment, accountable governance, infectious disease prevention and control, microfinance and remittances, and educational exchange and scholarships. Each strategic objective is discussed below in greater detail in the Data Sheets.

The proposed USAID program contributes significantly to the bilateral Bush-Fox "Partnership for Prosperity" to stimulate private investment. USAID's scholarship and exchange program will enhance the capacity of higher education institutions in the United States and Mexico to examine development problems. In FY 2002, the first 18 university partnerships were approved for funding, and during FY 2003 partnership institutions in nine U.S. and 10 Mexican states will begin to address a wide range of issues, including transborder administration and governance, small business development, and water conservation in Northeastern Mexico. USAID's microfinance program will work with private banks and associations to facilitate lower-cost remittance transfers from the United States to Mexico and to encourage savings and investment by Mexicans in both countries. With the impetus of a new \$100 million fund managed by the U.S. Export-Import Bank, USAID's environmental partners are collaborating with private commercial operators to initiate projects for renewable energy, water supply, and waste management. Areas of collaboration include prevention of tuberculosis and HIV/AIDS, streamlining government, promotion of renewable energy, and protection of natural resources.

**Other Program Elements:** The USAID Office in Mexico will continue to collaborate closely with USAID's Central American Programs Office in Guatemala (G-CAP) in activities designed to protect the

MesoAmerican (Mexico and Central America) Reef and the MesoAmerican Biological Corridor, as well as to control wildfires in the region. In the new strategy, this collaboration will contribute to achievement of several objectives under a Presidential Initiative-the Opportunity Alliance-which addresses key constraints to competitiveness, including diversification of the rural economy and improved disaster and environmental vulnerability management. USAID's planned work on decreasing the cost of remittance transfers from the United States to Mexico will contribute to the Opportunity Alliance objective of increasing access to assets by underserved populations. During FY 2003 USAID will develop modalities for Mexico's participation in the Central American Scholarship Program managed by Georgetown University.

USAID's Economic Growth, Agriculture and Trade Bureau implements activities in microfinance covering almost 500,000 borrowers in several Mexican states, and is active in environmental management, including a new effort in timber certification and promotion of large-scale grid-connected renewable energy. The Democracy, Conflict and Humanitarian Assistance Bureau is supporting work of nongovernmental organizations to promote human rights, and its American Schools and Hospitals Abroad program is supporting the University of the Americas in Puebla. USAID's Global Health Pillar Bureau is undertaking a pilot project to demonstrate how HIV/AIDS-related stigma and discrimination can be reduced through careful analysis and replicable interventions, and is completing a study on the cost of HIV/AIDS treatment. All of these USAID pillar bureau activities are undertaken in close coordination with USAID/Mexico activities, thus increasing overall impact.

**Other Donors:** The World Bank and the Inter-American Development Bank (IDB) are by far the leading development assistance organizations in Mexico. The World Bank's portfolio in Mexico in 2002 comprised about 28 active projects with approximately \$5.2 billion in net commitments and an undisbursed balance of around \$2.8 billion. The program has five areas of focus: macroeconomic stability through budget and tax reform; enhancing competitiveness through infrastructure, financial reform, agricultural productivity, and integration of more small and medium sized firms into the new economy; developing human capacity through education and health; creating environmental sustainability; and building more efficient, accountable, and transparent government. IDB lending to Mexico totaled \$1.4 billion in 2000, and \$1.1 billion in 2001 through approximately 30 projects centered around four themes: social sector modernization, economic integration through NAFTA and Plan Puebla-Panama, modernization of the state, and lowering barriers that limit the competitiveness. The North American Development Bank (NADBank) is providing an estimated \$350 million to the border states (4 U.S., 6 Mexican) for water, solid waste, and wastewater infrastructure development, including technical assistance on rates and management issues. NADBank efforts have been slow in starting but should begin to improve water quality and use in the border states in the coming years.

Japan has historically been the largest bilateral donor and is collaborating with USAID in several activities related to environment and HIV/AIDS. Smaller bilateral donors include the British Department for International Development (environment), Spain (microfinance, and environment), and France (environment).

The United Nations (UN) group is represented by 18 organizations in Mexico. Among the UN organizations with which USAID collaborates most closely are the Pan American Health Organization, the United Nations Development Program, the United Nations Environment Program, the United Nations Fund for Population, UN-AIDS, and UNICEF. Areas of collaboration include prevention of tuberculosis and HIV/AIDS, streamlining government, promotion of renewable energy, and protection of natural resources.

**Mexico  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 5,987             | 5,509             | 6,200                    | 4,976              |
| Development Assistance                  | 7,885             | 7,715             | 12,165                   | 12,265             |
| Economic Support Fund                   | 6,178             | 10,000            | 12,000                   | 12,000             |
| <b>Total Program Funds</b>              | <b>20,050</b>     | <b>23,224</b>     | <b>30,365</b>            | <b>29,241</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |       |       |       |       |
|--|-------|-------|-------|-------|
| <b>523-002 HIV/AIDS</b>  |       |       |       |       |
| CSH  | 1,996 | 1,500 | 900   | 0     |
| <b>523-003 Democratic Processes</b>                              |       |       |       |       |
| DA   | 700   | 700   | 1,700 | 0     |
| ESF  | 6,178 | 9,000 | 6,000 | 0     |
| <b>523-006 Environmental Conservation</b>                        |       |       |       |       |
| DA   | 4,764 | 4,565 | 1,200 | 0     |
| <b>523-007 Energy Conservation and Pollution Reduction</b>       |       |       |       |       |
| DA   | 1,421 | 1,750 | 800   | 0     |
| <b>523-008 Tuberculosis Control</b>                              |       |       |       |       |
| CSH  | 3,991 | 4,009 | 4,000 | 1,676 |
| <b>523-009 Microenterprise</b>                                   |       |       |       |       |
| DA   | 1,000 | 700   | 900   | 100   |
| <b>523-010 Training, Internships, Education and Scholarships</b> |       |       |       |       |
| DA   | 0     | 0     | 3,000 | 3,500 |
| ESF  | 0     | 1,000 | 2,000 | 3,500 |
| <b>523-AAA Environment</b>                                       |       |       |       |       |
| DA   | 0     | 0     | 4,565 | 5,265 |
| <b>523-BBB Democratic Access</b>                                 |       |       |       |       |
| DA   | 0     | 0     | 0     | 800   |
| ESF  | 0     | 0     | 4,000 | 8,500 |
| <b>523-CCC Infectious Diseases</b>                               |       |       |       |       |
| CSH  | 0     | 0     | 1,300 | 3,300 |
| <b>523-DDD Access to Financial Services</b>                      |       |       |       |       |
| DA   | 0     | 0     | 0     | 2,600 |

## Nicaragua

**The Development Challenge:** Nicaragua's per capita Gross Domestic Product (GDP) is the second lowest in the Western Hemisphere at approximately \$500, and real economic growth has declined from 7.4% in 1999 to 1% in 2002. About half the population lives in poverty, unemployment and underemployment are close to 50%, and income distribution is one of the most unequal in the world. At the end of 2002, combined foreign and internal debt was more than three times Nicaragua's GDP, choking public finances and hindering possibilities for economic growth. In addition, Nicaragua is prone to natural disasters including floods, droughts, earthquakes, volcanic eruptions and hurricanes. Impoverished Nicaragua has a limited capacity to respond to and recover from these disasters.

Despite poor economic performance, Nicaragua achieved remarkable progress in key social sectors with the help of USAID. The 2001 Demographic and Health Survey showed major reductions in Nicaragua's *infant and child mortality rates, total fertility rates and chronic malnutrition*. USAID contributed to these achievements by providing a large part of the modern contraceptives used in Nicaragua, equipping an expanded immunization program and funding nongovernmental organization (NGO) efforts to prevent childhood malnutrition in high-risk areas. USAID's basic education program has spurred the Government of Nicaragua's reforms of primary education and generated a plan to replicate USAID's model schools nationwide with funding from the World Bank's Education-for-all Fast Track Initiative. These accomplishments are significant but fragile, and Nicaragua still faces tremendous challenges in the health and education sectors. While more than 90% of children aged seven to 12 now attend primary school, less than 50% of those aged 13 to 18 attend secondary school, a condition which must improve significantly to achieve economic growth. Even though fertility has declined, population growth rates remain among the highest in Latin America, due to continually high adolescent pregnancy rates and the population's very young age distribution (45% of Nicaraguans are under 25). Nicaragua's challenge is to make these important yet vulnerable gains sustainable, and to improve both quality and access to education and health services.

Although Nicaragua has made progress in fostering democracy, including holding technically fair elections and a relatively free press, more progress needs to be made to fully consolidate democracy. Institutional weaknesses are evident throughout the government, particularly in the highly inefficient justice system, which is only now improving with the enactment of a new Criminal Procedures Code, adopted with USAID support. Corruption remains widespread, though with the indictment of former President Aleman, corrupt officials are on notice that no one is above the law.

With Nicaragua's approaching entry into the Central American Free Trade Agreement (CAFTA) and eventual entry into the Free Trade Area of the Americas (FTAA), the United States has a strategic interest in helping Nicaragua become a viable trading partner, one that effectively opposes international terrorism and narcotrafficking. Through a Presidential Initiative--the Opportunity Alliance--USAID is working in close collaboration with Central American partners to tackle their key constraints to competitiveness, by building trade capacity, diversifying the rural economy, and improving disaster preparedness and environmental management. The challenges of reducing poverty, increasing economic growth, strengthening democracy, and improving human capital investments will require a major commitment from Nicaragua and the international donor community. Strategic partnerships with U.S. private sector entities and international financial institutions formed under the Opportunity Alliance will also provide a major impulse to renewed Nicaraguan growth through trade.

**The USAID Program:** FY 2003 is a transition year for USAID in Nicaragua as it implements its current strategic plan and designs its new strategy for FY 2004 through FY 2008. Accordingly, USAID is submitting two sets of data sheets. One set reflects remaining obligations to complete the current strategic plan in FY 2003 and the other set reflects obligations to be made once the new strategic plan is launched in FY 2004. The data sheets for FY 2003 include the following objectives: 1) *Strengthening Democracy*; 2) *Sustainable Economic Growth*; and 3) *Improved Health and Education*. The data sheets for the new strategy include: 1) *Justice Reform and Institutional Strengthening*; 2) *Trade and Agricultural Diversification*; and 3) *Human Investment*.

In its new strategy, USAID will capitalize on the President's Opportunity Alliance initiative to support Nicaraguan efforts to reduce poverty while preparing the country to participate in CAFTA and eventually the FTAA. The new strategy will focus on promoting free trade and economic growth, improving social services, and strengthening democracy and good governance.

USAID will help to increase Nicaragua's capacity to participate in free trade in the Americas, and help small agricultural producers become more competitive by encouraging diversification, increasing productivity, linking producers to domestic and international markets and using natural resources sustainably. Economic development projects will help stem the flow of economic migrants from rural areas and reduce the country's vulnerability to narcotics abuse and trafficking.

Establishing a credible, equitable, and efficient judicial system based on rule of law is a key component of encouraging productive investment in Nicaragua. Accordingly, USAID will continue its efforts in legal code reform, including assistance in drafting, enacting, and implementing modern codes, and in strengthening judicial sector institutions. USAID will also help create and strengthen new mechanisms for improving governance, including monitoring government accountability and transparency.

Laying the foundation for a healthy, well-educated workforce is also necessary to increase productivity. USAID continues to support programs promoting healthy children, family planning, and primary education. Family planning is essential to keeping population growth from impeding economic growth, and keeping HIV/AIDS from becoming an epidemic is vital to preserving a healthy workforce. USAID will focus on improving governance in these sectors, as well.

**Other Program Elements:** In addition to programs managed in Nicaragua, USAID implements activities managed regionally by the Latin American and Caribbean Bureau including civil society and local government strengthening, human rights and rule of law, anti-trafficking, municipal development, trade capacity and market development, park conservation, cleaner production, and education reform. The Bureau for Economic Growth, Agriculture and Trade supports activities to strengthen the dairy industry and, through a matching grant, micro enterprise activities. USAID's Global Health Bureau manages child survival programs and provides loans for private sector family health clinics. USAID's Central American Regional Program based in Guatemala manages activities in trade capacity building, HIV/AIDS prevention, and natural resources management in Nicaragua. The Central American Mitigation Initiative, managed by USAID's Office of Foreign Disaster Assistance, funds activities that reduce the impact of natural disasters. USAID in Nicaragua will work with other USAID implementing offices to focus activities during the implementation of the new country strategy.

**Other Donors:** Total donor support in grants and loans for Nicaragua was estimated at \$494 million in 2001, about 19% of GDP. Nicaragua's largest donor is Japan, providing 14% of all assistance, primarily for infrastructure projects. The United States is the second largest donor providing 12% of total assistance. Other major bilateral donors include Sweden, Denmark, Germany, Spain, and Taiwan. The Danish and German governments support environmental conservation and the Swedes and other Nordic donors support decentralized delivery of primary health care. Other donors active in Nicaragua include the Inter-American Development Bank, the World Bank, the European Union, the World Food Programme, and the United Nations Development Program. USAID works collaboratively with these donors to support transparency in government procurement; effective financial management; stronger municipal governments; new agricultural technologies; trade capacity; reforms in health, education and justice sectors; and relief in emergency situations.

**Nicaragua  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 7,006             | 8,470             | 7,606                    | 6,855              |
| Development Assistance                  | 16,390            | 16,602            | 19,730                   | 24,152             |
| Development Credit Authority            | 0                 | 158               | 0                        | 0                  |
| Economic Support Fund                   | 1,499             | 2,800             | 0                        | 0                  |
| PL 480 Title II                         | 7,807             | 15,136            | 10,363                   | 10,565             |
| <b>Total Program Funds</b>              | <b>32,702</b>     | <b>43,166</b>     | <b>37,699</b>            | <b>41,572</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |       |       |         |        |
|---|-------|-------|---------|--------|
| <b>524-001 Strengthening Democracy</b>                        |       |       |         |        |
| DA  | 3,350 | 4,022 | 4,510   | 0      |
| ESF   | 1,499 | 2,300 | 0       | 0      |
| <b>524-002 Sustainable Economic Growth</b>                    |       |       |         |        |
| DA  | 9,049 | 9,930 | 12,520  | 0      |
| DCA   | 0     | 158   | 0       | 0      |
| ESF   | 0     | 500   | 0       | 0      |
| PL 480  | 2,925 | 5,450 | 5,788   | 0      |
| <b>524-003 Improved Health and Education</b>                  |       |       |         |        |
| CSH   | 7,006 | 8,470 | 7,606   | 0      |
| DA  | 3,991 | 2,650 | 2,700   | 0      |
| PL 480  | 2,700 | 9,686 | 4,575   | 0      |
| <b>524-XXX Justice Reform and Institutional Strengthening</b> |       |       |         |        |
| DA  | 0     | 0     | 0       | 6,750  |
| <b>524-YYY Trade and Agricultural Diversification</b>         |       |       |         |        |
| DA  | 0     | 0     | 0       | 14,102 |
| PL 480  | 0     | 0     | 0       | 5,830  |
| <b>524-ZZZ Human Investments</b>                              |       |       |         |        |
| CSH   | 0     | 0     | 0       | 6,855  |
| DA  | 0     | 0     | 0       | 3,300  |
| PL 480  | 0     | 0     | 0       | 4,735  |
| <b>598-021 Special Development Opportunities</b>              |       |       |         |        |
| DA  | 0     | 0     | (3,990) | 0      |

## Panama

**The Development Challenge:** Panama is characterized by a dual socioeconomic structure consisting of a modern service and commercial sector and a traditional rural sector. Key social indicators in terms of health and education are relatively better than most Central American and Caribbean countries. However, these mask significant inequalities, considering that Panama has one of the most unequal distributions of income in the Western Hemisphere.

The overall performance of the Panamanian economy is closely linked to the Panama Canal and the Panama Canal Watershed (PCW). Following the United States turnover of the Panama Canal on December 31, 1999, Panama assumed full responsibility for canal operations. A key factor for ensuring continued effective operation of the Panama Canal is the availability of sufficient water to operate the locks system. This water supply is provided by a rain-fed 326,000-hectare watershed, which contains five rivers and two man-made lakes that store the water for canal operations. During the past 50 years, massive deforestation has reduced the forest cover in the Panama Canal Watershed and in the process eroded its river valleys and lakeshores. Increasing rates of population migration into the watershed, with concomitant urbanization and increased economic activities, threatens the Canal's environmental sustainability. As a result, the watershed is increasingly vulnerable to agricultural and industrial pollution, siltation, and sedimentation, resulting in reduction of water storage capacity of the lakes that serve as the water source for the canal.

The organization of Panama's judicial system is complex, involves numerous players and is beset with many problems. Poor people lack adequate access to legal services, and the vast majority of people in prison are indigent and more apt to stay locked up. Corruption is pervasive among the three branches of government and is grudgingly accepted by many in the Panamanian private sector as a cost of doing business. The lack of adequately trained prosecutors and police investigators leads to inept criminal investigations that can take 24 months before indictment. Foreign investors perceive the legal system as working to the benefit of insiders. The judicial system is viewed as slow and cumbersome due to substantial civil and commercial case backlogs.

With escalating violence in Colombia, Panama faces a strong possibility of increasing flows of displaced persons across its border. In the vulnerable Darien region, which borders Colombia, an influx of refugees increases the risk of social, economic, and political upheaval. The corrupting influence of the narcotics trade undermines local institutions, spawns violence and lawlessness, distorts the economy, and discourages legitimate investments.

It is in the United States national interest to ensure that Panama develops the capacity to manage and protect the watershed of this vital international waterway on a sustainable basis. An effectively operating Canal facilitates world maritime commerce and also ensures rapid transit of U.S. warships between oceans. Combating corruption can help increase investor confidence in Panama and help attract more foreign direct investment. Improved development and alternative sources of income in the Darien Province can help stem the flow of illicit drugs into the United States.

**The USAID Program:** The USAID/Panama country assistance program focuses primarily on ensuring effective protection and management of the Panama Canal Watershed. The Panama Canal is vital for U.S. commercial and military strategic interests. Approximately 14% of United States ocean-going trade and a significant amount of world trade and cargo pass through the Canal. The protection of the watershed's natural environment is necessary to safeguard the fresh water resources required for the canal's continuous operation. USAID's assistance program also seeks to develop momentum towards substantial improvement in the criminal and commercial justice systems of Panama. A democratic, transparent, and stable Panama will help ensure fair treatment of U.S. citizens and businesses in Panamanian commercial and criminal courts. Finally, USAID/Panama recently initiated efforts in support of the Andean Regional Initiative to create a buffer against the spillover effects from the Colombian conflict into Panama's Darien Province. This effort is focused on providing technical assistance, training,



and commodities to selected Darien communities for small self-help community development infrastructure, increased economic productivity, and a more effective local government in the area.

**Other Program Elements:** The USAID Central American Regional Mission in Guatemala manages programs, mainly through technical assistance and training that support increased Central American participation in global markets, improved environmental management in the Mesoamerican Biological Corridor, and enhanced capacity in Central America and Panama to respond to the HIV/AIDS crisis. In addition to the activities described in the Program Data Sheets, USAID's Office of Human Rights within the Latin America and Caribbean Bureau manages two programs designed to reinforce regional trends that deepen democracy in Latin America and the Caribbean. One program provides training and provides funding for studies, seminars, and special conferences to support indigenous institutions that promote and protect human rights. The other program provides training and technical assistance to increase citizen participation and strengthen civil society organizations and networks.

Panama is also participating in the Regional Quality Coffee Program aimed at increasing the competitiveness and sustainability of quality coffee. The program will provide short-term technical assistance to enable small producers in three important regions near the Costa Rican border and a large, very poor indigenous community, to offer consistent quantities of high quality Panamanian coffee for domestic and export markets. The program improves business practices and provides market linkages to strengthen this important industry in Panama.

**Other Donors:** USAID continues as the major donor active in the PCW region. The Government of Japan (GOJ) under the Common Agenda provides assistance to the Government of Panama (GOP) and nongovernmental organizations (NGOs) in the PCW that is complementary to, and coordinated with, USAID's effort. The GOJ has supported the establishment of a training center in the PCW area that provides environmental education and awareness training in forestry and agro forestry techniques. The GOJ is also providing technical assistance to a number of pilot communities in the PCW related to improved environmentally friendly agricultural production.

The Inter-American Development Bank (IDB) is assisting the GOP to strengthen its institutional management and implementation mechanisms in support of community environmental mitigation efforts, with particular focus in the PCW. The IDB is also supporting the conversion of destructive agricultural practices to environmentally friendly productive activities in the PCW. In addition, the IDB is supporting the GOP in the implementation of an integrated development program in the Darien Province with important environmental elements. Finally, the IDB is the lead donor supporting a major GOP effort in the improvement of the criminal justice system.

The Food and Agriculture Organization (FAO) of the United Nations is assisting the Ministry of Agricultural Development in its implementation of land use changes in the rural Eastern Region of the PCW and to measure the socioeconomic impacts of these changes. Emphasis is on community participation and on environmental and socioeconomic sustainability. This effort is expected to lead to the development of a longer-term effort (about 20 years) with possible funding from the World Bank. Also, the International Fund for Agricultural Development (IFAD) of the UN is supporting a sustainable rural development effort in the Darien Province with emphasis on the indigenous communities in the area. The USAID effort to strengthen selected communities in Darien will complement both the IDB and UN programs.

The European Union is supporting a modest program aimed at assisting the GOP to implement a program of free legal services for poor pretrial detainees.

**Panama  
PROGRAM SUMMARY**

(In thousands of dollars)

| <b>Accounts</b>            | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|----------------------------|---------------------------|---------------------------|----------------------------------|----------------------------|
| Development Assistance     | 3,700                     | 4,500                     | 7,000                            | 5,750                      |
| Economic Support Fund      | 998                       | 4,205                     | 3,500                            | 3,500                      |
| <b>Total Program Funds</b> | <b>4,698</b>              | <b>8,705</b>              | <b>10,500</b>                    | <b>9,250</b>               |

**STRATEGIC OBJECTIVE SUMMARY**

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>525-004 Protection of the Panama Canal Watershed</b> |       |       |       |       |
| DA  | 3,700 | 4,181 | 7,000 | 5,750 |
| <b>525-005 Judicial Reforms</b>                         |       |       |       |       |
| ESF   | 998   | 1,205 | 500   | 3,500 |
| <b>525-006 Rural Community Development</b>              |       |       |       |       |
| ESF   | 0     | 3,000 | 3,000 | 0     |
| <b>TRANSFER</b>   |       |       |       |       |
| DA  | 0     | 319   | 0     | 0     |

## Paraguay

**The Development Challenge:** Consolidating democracy is the primary U.S. national interest in Paraguay. During the past year Paraguay has been a valuable U.S. ally in the war on terrorism. Since the fall of Paraguay's dictatorship 13 years ago, the country has adopted a new constitution, established freedom of expression, developed a transparent and free electoral process, improved the judicial system to permit public scrutiny of legal cases, and defended democratic institutions in the face of severe challenges. These challenges have included several coup attempts, the assassination of a vice president, the resignation of one president, and impeachment proceedings against the current president.

Serious problems persist despite efforts to reduce poverty, decrease corruption, address environmental degradation, and provide effective basic services to Paraguay's citizens. During 2002, the country experienced its sixth consecutive year of declining per capita income and increasing poverty, especially in rural areas. The value of Paraguayan currency continues to depreciate significantly against the dollar (by approximately 100% during the past two years) and perceptions of corruption are the highest in Latin America. Paraguay's external debt is approximately \$2.2 billion, over 40% of gross domestic product. While Paraguay has historically pursued conservative macroeconomic policies, the economic tribulations of Brazil and Argentina (Paraguay's two most important trading partners) and weak political will have combined to produce worsening levels of budget deficits, expedient short term borrowing, and rising inflation rates.

Very high fertility rates contribute to poverty, and better reproductive health services are needed. 30% of the population does not have regular access to health services and those services that are available are often of a very low quality. Many citizens also lack access to other basic services, such as education, potable water, sewerage systems, solid waste collection, and basic infrastructure. The national government is increasingly hard pressed to adequately provide these services, and some local governments are struggling to compensate for these deficiencies.

Paraguay's fragile democracy is further threatened by unsustainable exploitation of land, water, and wildlife resources. The depletion of Paraguay's rich endowment of natural resources severely threatens economic growth. Timber reserves have been exhausted. The once rich topsoil of the eastern border region (largely uncultivated until the 1970s) is now considered to be severely eroded.

At a minimum, Paraguayan democracy must be able to demonstrate an ability to improve economic conditions, ensure the provision of basic services to its citizens, and reduce crime and corruption. If democracy does not provide hope for the future, there is a real possibility that people will lose faith in this fledgling democracy and select another form of government. This is reflected in recent survey findings of the Latinobarometro poll indicating that Paraguayans were the least satisfied in all of Latin America with the way democracy works.

**The USAID Program:** The Data Sheets provide details on the four objectives for which USAID is requesting funds. These four objectives concentrate on strengthening local government and civil society; protecting the environment through better management of globally important ecoregions; decentralizing and expanding access to quality reproductive health services and reducing maternal mortality; and increasing incomes in rural areas.

**Other Program Elements:** USAID's Office of U.S. Foreign Disaster Assistance assists a network of Paraguayan organizations that coordinate efforts in disaster preparedness, emergency training and disaster relief activities. The Global Development Alliance Office awarded a grant to the International Youth Foundation that includes Paraguay as one of the countries in which the program will create jobs for young people. The Latin America and Caribbean Bureau's Office of Regional Sustainable Development manages activities to increase citizen participation, strengthen civil society organizations and promote human rights in Paraguay.

**Other Donors:** USAID has been instrumental in organizing a previously disjointed donor community and has been quite successful in having other donors build upon its pioneering activities. Donor coordination at a sectoral level in Paraguay is improving. USAID organized donor coordination activities related to decentralization, judicial reform, environment, and health and is participating in donor programs related to competitiveness and adolescents.

Japan is Paraguay's largest bilateral donor, followed by the United States, Germany and Spain. The major bilateral donors and their interests are: Japan (agriculture and health), Germany (state reform and natural resources) and Spain (education and cultural support). The Inter-American Development Bank, the World Bank, the European Union, various United Nations agencies, the Global Environmental Facility and the Pan-American Health Organization are major multilateral contributors.

**Paraguay  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 0                 | 2,525             | 2,025                    | 2,025              |
| Development Assistance                  | 6,320             | 3,600             | 4,600                    | 4,000              |
| Economic Support Fund                   | 3,492             | 3,500             | 3,500                    | 3,500              |
| <b>Total Program Funds</b>              | <b>9,812</b>      | <b>9,625</b>      | <b>10,125</b>            | <b>9,525</b>       |

**STRATEGIC OBJECTIVE SUMMARY**

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>526-004 Democracy &amp; Governance</b> |       |       |       |       |
| DA  | 2,850 | 2,600 | 2,600 | 2,000 |
| ESF                                       | 3,492 | 3,500 | 3,500 | 3,500 |
| <b>526-005 Environment</b>                |       |       |       |       |
| DA  | 1,000 | 1,000 | 1,000 | 1,000 |
| <b>526-006 Reproductive Health</b>        |       |       |       |       |
| CSH                                       | 0     | 2,525 | 2,025 | 2,025 |
| DA  | 2,470 | 0     | 0     | 0     |
| <b>526-007 Economic Growth</b>            |       |       |       |       |
| DA  | 0     | 0     | 1,000 | 1,000 |

## Peru

**The Development Challenge:** Throughout the 1990's, Peru made significant progress in combating terrorism, reducing the production of coca, stabilizing its economy, and improving social services. However, the government of President Fujimori collapsed under the weight of corruption, authoritarian rule, an economic downturn and discredited elections. Following President Fujimori's resignation in disgrace in November 2000, a transitional government took measures to begin to stabilize the political and social environment in Peru, including conducting open and fair Presidential and Congressional elections. Since assuming power in July 2001, the Government of President Alejandro Toledo has made a commitment to re-establish the country's democracy and promote a market-based economy that will provide benefits to all of Peru's citizens.

However, Peru's path towards sustainable economic and democratic development remains precarious. The current situation is characterized by a declining trend in annual per capita income (at approximately \$2,100, Peru's current per capita gross domestic product (GDP) in real terms is similar to that in 1967); a ballooning debt servicing requirement (estimated to reach 4% of GDP in 2004), high combined unemployment/underemployment rates (app. 8% / 52%); and unequal income distribution and endemic poverty (about 55% live below the poverty line and 24% live in extreme poverty). Peru also faces inadequate social service delivery-especially in rural areas (40% of children under age five in rural areas are chronically malnourished and nearly 25% of women in rural sierra and jungle areas are illiterate); rampant corruption and weak governmental institutions; and resurgent political terrorism and narco-trafficking, which undermine social and political stability. In addition, Peru's tropical forests, which are the fourth largest in the world, are increasingly threatened by shifting migration patterns, unsustainable logging and forest product extraction, and the destructive impact of coca production/processing.

Peru stands at a critical juncture in its history: in order to live up to the very high expectations that greeted the Toledo government, Peru must address the significant obstacles cited above by exploiting its competitive advantages and market opportunities. While overall economic performance in 2002 was generally positive (growth is expected to be approximately 4.8%, which would represent the highest growth rate in Latin America and the most significant growth in Peru since 1997), the government remains politically weak and social discontent prevails. To move forward, Peru must take full advantage of the recent extension and expansion of tariff-free entry of Peruvian products to the U.S. market under the Andean Trade Promotion and Drug Eradication Act (APTDEA) and the planned establishment of the Free Trade Area of the Americas (FTAA) to stimulate economic growth and reduce poverty levels. Likewise, Peru must successfully conclude its decentralization process-which is now in full march, including the recent election of new regional and local authorities-to facilitate the dispersion of economic activity and more representative and effective governance throughout the country. Within this context, the Embassy's Mission Program Plan establishes that the overriding U.S. national interest in Peru is to help consolidate the country's democracy. Other U.S. Government (USG) interests in Peru include the elimination of coca cultivation, strengthening law enforcement and judicial institutions, opening markets, and reducing poverty.

**The USAID Program:** USAID works as an integral part of the USG Country Team in Peru, and collaborates with Peruvian partners, other donors, non-governmental organizations, and the private sector, to help Peru achieve a secure, democratic and prosperous future for its citizens. USAID will facilitate both Peru's international and national integration, thereby contributing to the goals of good governance, security and prosperity. Sustainable progress towards these goals requires increased public and private investment in social and economic infrastructure. The attached Data Sheets outline how USAID will use FY 2003 and FY 2004 funding to promote a more efficient and competitive enabling environment for trade and investment by encouraging systemic reforms through democratic institutions that will lead to the expansion of sustainable opportunities for employment, higher incomes, and improved quality of life for all Peruvians. Across its various management/programmatic units, USAID's interventions will all contribute in some measure to establishing the democratic, social, and economic governance conditions that will attract investment. Only through such an engagement will USAID be able to influence the extent to which the country integrates into the world economy, formalizes its internal

economic elements, reduces poverty, and incorporates marginalized groups into the nation-state and society. In addition, in recognition of both program imperatives and resource limitations, USAID will also support complementary "on-the-ground" activities (e.g. demonstrating innovations in service delivery, business and economic development, and environmental management) in certain geographic areas that have been prone to conflict. These areas include: (a) the Peru-Ecuador border region, to help ensure a lasting peace between the two countries (based on the USG's pledge of financial support for the 1999 Peru-Ecuador Peace Accords) and (b) the coca-growing regions, to combat the flow of illicit narcotics to the United States and to ensure that these areas are no longer a breeding ground for crime, terrorism, and social unrest. The USAID "geographic focus area" in Peru comprises the departments of Ayacucho, Cusco, Ucayali, Huanuco, Junin, Pasco, and San Martin.

In addition to the Data Sheets for USAID's seven bilateral objectives in Peru (democracy/governance, economic growth, health, environment, alternative development, education and Peru-Ecuador Border Program), a Data Sheet is provided for a new regional initiative designed to facilitate the participation of the Andean countries (Bolivia, Colombia, Ecuador, Peru and Venezuela) in the Free Trade Area of the Americas and the implementation of rules of trade emerging from the FTAA negotiations and other related structures (e.g., World Trade Organization). Furthermore, discrete regional education and health initiatives are mentioned within the Data Sheets for those sectors.

**Other Program Elements:** In addition to resources requested in the attached Data Sheets, a variety of USAID centrally-funded activities are implemented in Peru. In the democracy area, centrally-funded programs support assistance to strengthen regional mechanisms to promote human rights and rule of law, civil society and educational reform. In the health sector, Washington-based activities support maternal and child care, nutrition and malaria control. Central funds also support credit and small business development programs, as well as activities to alleviate the effects of poverty on women and children.

**Other Donors:** Official international technical cooperation to Peru for 2001 was over \$661 million, which includes bilateral and multilateral assistance and loans. The United States is the largest bilateral donor. Other donors include Germany (in agriculture, democracy health, education and microenterprise), Spain (microenterprise and environment), Japan (agriculture and microenterprise), Canada (democracy, economic growth, and education) and Great Britain (democracy, health, and education). Major multilateral donors include the United Nations, the Inter-American Development Bank, the World Bank, the Andean Development Corporation, and the European Community. In recent years, the Government of Peru's (GOP's) donor coordination structures and functions have done little to facilitate overall planning of donor assistance around a comprehensive consensus on national priorities. While the new GOP appears to be working towards this end, at the sectoral level donor assistance has been fairly well organized through various working groups focused on gender, education, good governance, counternarcotics, health, environment and poverty reduction.

**Peru  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Andean Counterdrug Initiative           | 25,750            | 62,500            | 69,000                   | 50,000             |
| Child Survival and Health Programs Fund | 9,603             | 23,666            | 22,027                   | 16,732             |
| Development Assistance                  | 28,488            | 14,969            | 17,870                   | 15,316             |
| Development Credit Authority            | 0                 | 131               | 0                        | 0                  |
| Economic Support Fund                   | 5,696             | 16,750            | 12,250                   | 11,250             |
| PL 480 Title II                         | 42,553            | 37,035            | 25,053                   | 20,472             |
| <b>Total Program Funds</b>              | <b>112,090</b>    | <b>155,051</b>    | <b>146,200</b>           | <b>113,770</b>     |

**STRATEGIC OBJECTIVE SUMMARY**

|  |        |        |         |        |
|--|--------|--------|---------|--------|
| <b>527-001 Citizens involved in democratic processes</b> |        |        |         |        |
| DA   | 2,844  | 0      | 0       | 0      |
| ESF  | 2,003  | 0      | 0       | 0      |
| <b>527-002 Increased incomes of the poor</b>             |        |        |         |        |
| DA   | 7,345  | 0      | 0       | 0      |
| PL 480   | 42,553 | 0      | 0       | 0      |
| <b>527-003 Health and Family Planning</b>                |        |        |         |        |
| CSH  | 8,505  | 0      | 0       | 0      |
| DA   | 14,218 | 0      | 0       | 0      |
| <b>527-004 Improved environmental management</b>         |        |        |         |        |
| DA   | 4,081  | 0      | 0       | 0      |
| <b>527-005 Reduced illicit coca production</b>           |        |        |         |        |
| ACI  | 25,750 | 0      | 0       | 0      |
| <b>527-006 Basic Education</b>                           |        |        |         |        |
| CSH  | 1,098  | 0      | 0       | 0      |
| DA   | 0      | 2,000  | 2,424   | 2,424  |
| <b>527-008 Peru-Ecuador Border Region Development</b>    |        |        |         |        |
| ESF  | 3,493  | 2,250  | 2,250   | 2,250  |
| <b>527-009 Democratic Strengthening</b>                  |        |        |         |        |
| DA   | 0      | 2,322  | 3,026   | 1,672  |
| ESF  | 0      | 14,500 | 10,000  | 9,000  |
| <b>527-010 Poverty Reduction</b>                         |        |        |         |        |
| DA   | 0      | 5,920  | 8,120   | 6,920  |
| DCA  | 0      | 58     | 0       | 0      |
| PL 480   | 0      | 37,035 | 25,053  | 20,472 |
| <b>527-011 Improved Health for Peruvians</b>             |        |        |         |        |
| CSH  | 0      | 23,666 | 22,027  | 16,732 |
| <b>527-012 Environment and Natural Resources</b>         |        |        |         |        |
| DA   | 0      | 4,727  | 4,300   | 4,300  |
| DCA  | 0      | 73     | 0       | 0      |
| <b>527-013 Alternative Development Program</b>           |        |        |         |        |
| ACI  | 0      | 62,500 | 69,000  | 50,000 |
| <b>598-023 Education and Training (CETT)</b>             |        |        |         |        |
| DA   | 0      | 0      | (1,000) | 0      |



| Strategic Objective / Account | FY 2001 Actual | FY 2002 Actual | FY 2003 Prior Request | FY 2004 Request |
|-------------------------------|----------------|----------------|-----------------------|-----------------|
| TRANSFER                      |                |                |                       |                 |
| ESF                           | 200            | 0              | 0                     | 0               |

## **Caribbean Regional Program**

**The Development Challenge:** Caribbean countries face numerous challenges including declining revenue from their traditional mainstay crops (sugar and bananas); the gradual removal of preferential market agreements previously upheld by their former colonial governments; the use of obsolete and outdated methods and equipment in key commercial, industrial, and support service areas; vulnerability to certain natural disasters including earthquakes, hurricanes and volcanic eruptions; increased drug trafficking and money laundering through the region; and more recently the rapid spread of the HIV/AIDS virus. The Caribbean region now has the second highest HIV/AIDS prevalence rate in the world, registering 2.2% at the end of 2001. According to the Caribbean Development Bank's 2001 Annual Report, 13 of the 17 Caribbean states recorded declining levels of economic performance in 2001, compared to 10 in 2000. Six countries registered outright negative growth and of the four that recorded increases, three were under two percent. These countries are still reeling from the effects of the September 2001 terrorist attacks, which further exacerbated the situation by triggering a dramatic fall-off in tourist arrivals immediately after the event.

USAID has worked closely with its Caribbean partners to develop the Third Border Initiative (TBI), a Presidential initiative launched in 2002. TBI is designed to address constraints to competitiveness in the region through teacher training, business scholarships, HIV/AIDS prevention, disaster mitigation, enhancement of security for tourism, and preparation for the Free Trade Area of the Americas (FTAA). These objectives coincide with U.S. foreign policy interests in the region -- promoting free trade and economic development, safeguarding the natural environment, and enhancing justice and security. The Caribbean Regional Program, centered on the TBI, is geared toward preparing governments and private entrepreneurs in major sectors of the Caribbean economies to compete effectively in the FTAA (expected to enter into force in 2005), meet World Trade Organization requirements, and more effectively reduce major threats to stability in the region. Priority areas include liberalization of key telecommunications and financial sectors, improved environmental management by the major productive sectors, especially tourism, increased efficiencies in the justice system, and mobilization of governments and NGOs to fight against the spread of HIV/AIDS.

**The USAID Program:** Through a combination of technical assistance and training in both the public and private sectors, USAID's Caribbean Regional Program is: 1) improving the business environment in the Caribbean by helping the private sector diversify and produce goods and services compliant with international standards and developing more open and transparent legal and regulatory structures in the commercial sector; 2) promoting more responsible environmental practices; 3) increasing the effectiveness and efficiency of legal systems in the Caribbean; and 4) enhancing the region's ability to respond to the HIV/AIDS crisis. Implementation of the Administration's Third Border Initiative, particularly trade development and HIV/AIDS prevention, is a prime focus of the Caribbean Regional Program. Activities funded by FY 2003 and FY 2004 appropriations are described in the Data Sheets below.

USAID is working closely with regional governments and nongovernmental organizations (NGOs), as well as the private sector, to achieve these objectives. These groups have demonstrated strong commitment to the program but are hampered by limited human resources, sub-standard business practices, stifling government bureaucracies, gaps in policy frameworks and inadequate public education programs. USAID's efforts to strengthen the capacity of these organizations are beginning to pay off.

**Other Program Elements:** USAID's Office of Foreign Disaster Assistance is carrying out disaster mitigation activities to reduce risk and losses from natural hazard impacts, educate the public on such hazards, and establish an effective framework for disaster management in the region. The Office of Regional Sustainable Development in the Latin America and Caribbean Bureau (LAC/RSD) is funding hemisphere-wide capacity building efforts in the areas of trade and economic growth. USAID's Economic Growth, Agriculture, and Trade Bureau is supporting loan programs targeted at micro- and small enterprises, and assisting in environmental management initiatives.

**Other Donors:** There is strong donor coordination in the Caribbean region. The International Monetary Fund, the United Nations Development Program, the Canadian International Development Agency (CIDA), the European Union (EU), the Inter-American Development Bank (IDB), the United Kingdom's Department for International Development (DFID), and USAID have pooled resources to address the urgent and demanding need for fiscal and monetary reform by establishing the Caribbean Regional Technical Assistance Center. Donor coordination also continues in the area of HIV/AIDS where USAID, CIDA, the German development agency, EU, DFID, and the Pan American Health Organization are partnering to help the Caribbean Epidemiology Center implement its HIV/AIDS strategic plan for its 22 member countries. USAID's work in the Caribbean is complemented by the World Bank and the IDB in telecommunications, and CIDA in the area of judicial reform in the Resident Magistrate Courts. The Organization of American States and CIDA support small hotel programs. CIDA and the IDB also have programs in trade reform and integration.

**Caribbean Regional Program  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 1,497             | 3,550             | 4,688                    | 6,532              |
| Development Assistance                  | 0                 | 0                 | 9,000                    | 3,480              |
| Economic Support Fund                   | 6,985             | 10,800            | 3,000                    | 9,000              |
| <b>Total Program Funds</b>              | <b>8,482</b>      | <b>14,350</b>     | <b>16,688</b>            | <b>19,012</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|  |       |       |         |       |
|--|-------|-------|---------|-------|
| <b>538-004 Competitiveness in the Caribbean</b>  |       |       |         |       |
| DA   | 0     | 0     | 5,000   | 2,905 |
| ESF  | 2,500 | 4,600 | 1,000   | 6,075 |
| <b>538-005 Improved Environmental Management</b> |       |       |         |       |
| DA   | 0     | 0     | 3,000   | 0     |
| ESF  | 2,500 | 3,300 | 0       | 2,500 |
| <b>538-006 Rule of Law</b>                       |       |       |         |       |
| DA   | 0     | 0     | 1,000   | 575   |
| ESF  | 1,985 | 1,000 | 0       | 425   |
| <b>538-008 HIV/AIDS</b>                          |       |       |         |       |
| CSH  | 1,497 | 3,550 | 4,688   | 6,532 |
| ESF  | 0     | 1,900 | 2,000   | 0     |
| <b>598-023 Education and Training (CETT)</b>     |       |       |         |       |
| DA   | 0     | 0     | (1,000) | 0     |

## Central America Regional Program

**The Development Challenge:** Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua are striving to position themselves for a potential Central America Free Trade Agreement (CAFTA) while still recuperating from decades of civil conflict and sluggish economic growth. Four out of the five countries experienced a series of military-controlled regimes and over a quarter of a million lives were lost in civil conflict during the 1980s. Peace gradually came after the end of the Cold War in 1989. Central America's \$60 billion economy and population of 35 million make it the seventh largest Latin American economy. The region remains overly dependent on traditional agricultural commodities. Although during the 1990s the average GDP growth rate was around 4%, this rate failed to significantly reduce unemployment. The economic situation is now worsening, due to the combined economic fall-out from the decline in coffee prices and slowdown in the U.S. economy. As a result, Central America has relied on the "escape valve" of migration to the United States. In the aftermath of 9/11, the region faces increased migration barriers due to heightened U.S. border security. The region is facing a social "pressure cooker" crisis caused by deteriorating economic conditions and the tightening of the migration escape valve. Symptoms of this social crisis include increases in chronic malnutrition, violence, and organized criminal activities such as narcotrafficking, alien smuggling and crime.

The incidence of poverty in Central America is high and growing, with one-third of its population (as high as 45% in Honduras) living on less than \$2 a day. With the severe droughts and contraction of the coffee industry, the prospects for the near term remain grim. In addition 29% of the population is illiterate. These bleak standards include an abysmal rate of infant mortality (the infant mortality rate is 28 per 1,000 live births) and persistent chronic malnutrition among children. Central America has the worst primary school repetition and completion rates in Latin America, which threatens the region's competitiveness. A quarter or more of the region's children enrolled in first grade fail to reach second grade.

Central America is threatened by the emerging HIV/AIDS epidemic. Conservative estimates indicate that there are currently more than 175,000 infected individuals, the majority of whom are unaware of their condition and unable to take measures to prevent future transmission. While the epidemic began among homosexual and bisexual men, there has been a steady increase among women. As HIV/AIDS becomes established in the heterosexual population, vertical transmission (from mother to unborn/newborn child) is clearly increasing. AIDS is already the leading cause of death of women of reproductive age in Honduras and is the leading single cause of death in adults 20-49 in Panama. In other countries it is one of the main causes of admittance to hospitals. The region's future economic development is threatened since the costs of AIDS-related morbidity and mortality tax both human and financial resources. The deleterious effects of HIV/AIDS on the economy include decreased worker productivity, increased medical care costs, an increased number of orphans, and a shrinking labor force.

Living standards within the region are being affected by environmental degradation. Forests are essential to the region, providing water for industry, towns, and surrounding ecosystems. These forests serve as refuges for endangered species, marginalized by the destruction of nearby ecosystems. Regional forests, coastal areas and wetlands are increasingly under pressure from human population growth, road building, and the conversion of land for grazing and agriculture. In many areas, hunting, fishing, tourism and the extraction of wood for timber, fuel and non-wood products have reached unsustainable levels, causing irreversible damage.

The rapidly growing U.S. Hispanic population (13% of the total population) has become the largest U.S. minority group, which increasingly influences U.S. foreign policy interests. Over 35 million Americans speak Spanish at home, and more than half of all documented and undocumented immigrants are Hispanic. Five percent of the documented U.S. Hispanic population is from Central America, and four out of the leading ten source countries for U.S. undocumented immigrants are from the region. This combined population of documented and undocumented residents in the United States sends \$4 billion of annual remittances that are essential for sustaining the region's economies.

U.S. national interests in Central America include trade, democracy, and the containment of illegal migration, organized crime and narco-trafficking. Trade is currently at the top of the region's political agenda. The United States expects to negotiate a Central American Free Trade Agreement with the region, which will serve as a vital step toward completion of the Free Trade Agreement of the Americas by 2005. Since 1990, trade between the five countries and the United States has nearly tripled. The United States is Central America's most important trading partner, accounting for 43% of Central American exports and providing 41% of its imports. The estimated U.S. private investment in the region is around \$1 billion, and is anticipated to substantially increase under CAFTA. The free trade agreement is expected to reinforce the region's integration process and help maintain stability while assisting the region to turn around its faltering economies. U.S. assistance will play a critical role in addressing the challenge of successfully implementing CAFTA by engaging the region's governments and civil society, and ultimately will support the creation of an integrated Central American economy.

A continuing challenge is the persistence of organized crime. The Mesoamerican corridor (i.e. Central America and Mexico) is a main conduit for illegal migrants and narcotics, and is recognized as the preferred transshipment route for alien smuggling and up to 70% of illicit South American narcotic shipments to the United States. Weak governments in the region could imperil U.S. efforts to contain illegal migration, HIV/AIDS, organized crime, and other potential threats to homeland security.

**The USAID Program:** USAID assistance will play a critical role in responding to the historic opportunity that CAFTA presents and to address the dramatic drop in coffee prices. Through a Presidential Initiative—the Opportunity Alliance—USAID is working in close collaboration with Central American partners to tackle their key constraints to competitiveness, by building trade capacity, diversifying the rural economy, and improving disaster preparedness and environmental management. FY 2003 funds will be used to implement the ongoing programs described in the FY 2003 Congressional Budget Justification, and to carry out certain new activities in support of the Opportunity Alliance, including trade capacity building and public-private alliances that target small farmers and farm laborers affected by the coffee crisis. The Program Data Sheets provided below cover the four objectives for which USAID is requesting FY 2003 and FY 2004 funds. These objectives will strengthen regional economic integration by promoting open trade and investment policies, diversify rural economies, contain and control HIV/AIDS, and promote environmental management and disaster prevention. The programs to be funded by FY 2003 and FY 2004 appropriations are described in more detail in the following Program Data Sheets.

**Other Program Elements:** In addition to the resources requested in the Program Data Sheets, USAID's Office of Regional Sustainable Development within the Latin America and Caribbean Bureau (LAC/RSD) manages activities that provide technical assistance, training and membership in regional networks. Democracy and governance activities involve the Inter-American Democracy Network, the Inter-American Institute of Human Rights, the Justice Studies Center of the Americas, the Federation of Municipalities of Central America and the International City/County Management Association. LAC/RSD also manages environmental activities on Cleaner Production (PA Consulting) as well as Parks in Peril (The Nature Conservancy). The Bureau for Democracy, Conflict and Humanitarian Assistance runs the Matching Grant Program, which through U.S. private voluntary organizations leverages financial resources to improve primary health care, evaluate nonprofit housing organizations, and alleviate poverty through microenterprise development. The Bureau for Economic Growth, Agriculture, and Trade funds the Farmer-to-Farmer Program to provide short-term, U.S. volunteer technical assistance to increase agribusiness productivity. Finally, the Global Health Bureau's Child Survival Program funds activities that provide technical assistance to reduce infant, child and maternal mortality and morbidity.

**Other Donors:** USAID has been successful in encouraging other donors to support its regional efforts in trade capacity building and HIV/AIDS control. Overall development assistance to the region totals around \$1.8 billion per year, excluding debt relief. The United States and Canada are the region's first and second largest bilateral partners, followed by Japan, the Netherlands and Germany. Multilateral donor support is led by the Inter-American Development Bank, followed by the Central American Bank of Economic Integration, the World Bank, and the European Union.

**Central America Regional Program  
PROGRAM SUMMARY**

(In thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 3,692             | 4,000             | 5,412                    | 7,628              |
| Development Assistance                  | 9,030             | 15,792            | 19,142                   | 17,231             |
| <b>Total Program Funds</b>              | <b>12,722</b>     | <b>19,792</b>     | <b>24,554</b>            | <b>24,859</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |       |       |         |       |
|---|-------|-------|---------|-------|
| <b>596-001 Increased Access to Global Markets</b>             |       |       |         |       |
| DA  | 2,400 | 0     | 0       | 0     |
| <b>596-003 Addressing HIV/AIDS Crisis</b>                     |       |       |         |       |
| CSH   | 1,120 | 0     | 0       | 0     |
| <b>596-005 Regional Trade and Investment</b>                  |       |       |         |       |
| DA  | 600   | 2,800 | 7,300   | 7,616 |
| <b>596-006 Central America Regional Environment Program</b>   |       |       |         |       |
| DA  | 6,030 | 6,842 | 10,742  | 6,365 |
| <b>596-007 Municipal Finance *</b>                            |       |       |         |       |
| DA  | 0     | 0     | 800     | 0     |
| <b>596-008 Regional HIV-AIDS</b>                              |       |       |         |       |
| CSH   | 2,572 | 4,000 | 5,412   | 7,628 |
| DA  | 0     | 150   | 0       | 0     |
| <b>596-009 Increased Diversification of the Rural Economy</b> |       |       |         |       |
| DA  | 0     | 6,000 | 300     | 3,250 |
| <b>598-021 Special Development Opportunities</b>              |       |       |         |       |
| DA  | 0     | 0     | (7,200) | 0     |
| <b>598-023 Education and Training (CETT)</b>                  |       |       |         |       |
| DA  | 0     | 0     | (1,000) | 0     |

\* Program Non-start in FY 2003. Funds will be re-programmed and separately notified.

**South America Regional  
PROGRAM SUMMARY**

(In thousands of dollars)

| <b>Accounts</b>                         | <b>FY 2001<br/>Actual</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Prior Request</b> | <b>FY 2004<br/>Request</b> |
|---|---------------------------|---------------------------|----------------------------------|----------------------------|
| Andean Counterdrug Initiative           | 0                         | 5,000                     | 0                                | 2,400                      |
| Child Survival and Health Programs Fund | 0                         | 0                         | 0                                | 1,154                      |
| Development Assistance                  | 0                         | 0                         | 0                                | 2,400                      |
| <b>Total Program Funds</b>              | <b>0</b>                  | <b>5,000</b>              | <b>0</b>                         | <b>5,954</b>               |

**STRATEGIC OBJECTIVE SUMMARY**

|  |   |       |   |       |
|--|---|-------|---|-------|
| <b>530-001 Andean Trade Capacity Building</b>    |   |       |   |       |
| ACI  | 0 | 5,000 | 0 | 2,400 |
| DA   | 0 | 0     | 0 | 2,400 |
| <b>530-XXXX Reduction of Infectious Diseases</b> |   |       |   |       |
| CSH  | 0 | 0     | 0 | 1,154 |



## Data Sheet

|                                     |                                  |
|-------------------------------------|----------------------------------|
| <b>USAID Mission:</b>               | South America Regional           |
| <b>Program Title:</b>               | Reduction of Infectious Diseases |
| <b>Pillar:</b>                      | Global Health                    |
| <b>Strategic Objective:</b>         | 530-XXXX                         |
| <b>Status:</b>                      | New                              |
| <b>Proposed FY 2003 Obligation:</b> | \$0                              |
| <b>Prior Year Unobligated:</b>      | \$0                              |
| <b>Proposed FY 2004 Obligation:</b> | \$1,154,000 CSH                  |
| <b>Year of Initial Obligation:</b>  | FY 2003                          |
| <b>Estimated Completion Date:</b>   |                                  |

**Summary:** In collaboration with USAID/Peru and USAID/Bolivia, USAID will train and supervise surveillance site personnel, perform drug efficacy studies to use in updating drug protocols for maximum effectiveness in reducing malaria, conduct operations research on effectiveness of malaria control measures, and expand the database of region-specific materials on malaria control and prevention.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

Amazon Malaria initiative. The Amazon Malaria Initiative (AMI) will assist countries to analyze drug resistance, study findings, and implement new treatment guidelines; train program managers; begin adaptation of vector control interventions to the Amazon; and continue to implement malaria surveillance activities. Methods and approaches will be adapted to strengthen health reform outcomes; collect, synthesize, and disseminate country experiences and best practices; monitor the outcomes and processes of health sector reform; and conduct South-South (intra-regional) exchanges. This activity is being transferred from the LAC Regional Program to the South America Regional Program. The program is included in 598-003 in the FY 2003 Planned Level.

#### **FY 2004 Program:**

The results realized from FY 2003 activities will be analyzed and programs will focus depending on the findings.

**Performance and Results:** This program will begin in FY 2003. Performance indicators will be developed as part of the S.O. design process.

## LAC Regional

**The Development Challenge:** Over the past several years, the Latin America and Caribbean (LAC) region has faced increasing development challenges that threaten the national security of the United States. Insufficient economic growth rates, growing unemployment, extensive poverty and skewed income distribution continue to undermine the economic and political stability of the region. The risks of HIV/AIDS and drug-resistant tuberculosis on our borders also threaten the population of the U. S. Civil unrest due to poor economic conditions threatens countries in Central and South America while political instability in Colombia, Venezuela and Haiti continues unabated. U.S. national interests in the LAC region include strengthening democratic processes, promoting equitable trade-led economic growth and reducing poverty.

Overall economic growth rates for the LAC region in 2002 are estimated to be three percent (World Bank), but this rosy figure (which some economists dispute) masks major discrepancies between countries. The economic woes that hit Argentina in 2001 have continued throughout 2002 causing it to default recently on a World Bank loan, thereby reducing its access to necessary international financing. As more LAC countries face economic difficulties, they have tended to eschew free market reforms promoted by the U. S. and the multilateral development banks. This is unfortunate, since a major cause of these problems has been the countries' own failure to eliminate inefficient systems that in turn hinder free market reform. This is a major concern as the U.S. pursues signing the Free Trade Agreement of the Americas (FTAA) by January 2005. On the positive side, despite serious economic problems in Central America brought on by a prolonged drought and the global coffee crisis, the five countries have begun to negotiate a U.S.-Central America Free Trade Agreement (CAFTA) to be completed by December 2003.

While support for democracy remains solid in LAC, disillusionment is growing with governments that cannot reduce poverty, corruption, crime and violence. USAID continues to support a broad range of institution-building efforts to strengthen judicial systems, the rule of law and local governments, and demonstrate that accountable governments can deliver benefits to the people. Nicaragua is striving to curb government corruption and other countries, such as Mexico, have also made important commitments to reduce official corruption. Elections conducted in Jamaica, Brazil, Colombia, Bolivia and Ecuador were all judged to be free and fair. Unfortunately, continued violence and drug trafficking in Colombia and organized crime syndicates operating in other LAC countries continue to pose a serious threat to regional stability.

In the social sectors, there has been significant success in raising vaccination coverage, reducing or eliminating major childhood illnesses such as measles, and improving access to primary education. At the same time, the Caribbean has the second highest rate of HIV/AIDS in the world, maternal mortality rates remain unacceptably high and malaria and other infectious diseases are increasingly resistant to treatment. In education, the quality and relevance of primary and secondary schooling remain major problems. The number of students who complete secondary school is low compared to the number in Asian countries, and those who do finish lack adequate skills to compete in the workplace, creating a drag on the region's economies and global competitiveness.

Despite successes in introducing new technologies for clean production in industry and improved practices in park and protected areas management, the environment in LAC suffers from accelerating rates of severe degradation. This degradation is evident in the death of many coastal reefs, eroded watersheds and polluted water, and it results in increased vulnerability to disasters and health problems, conflicts over natural resources and reduced economic opportunities.

The Summit of the Americas continues to influence the U.S. foreign policy agenda in LAC and the LAC Regional program. It has catalyzed the forging of a vision for regional development among the countries of the hemisphere. USAID has taken the lead in developing initiatives related to strengthening local government, property registration and teacher training, and has shaped the agenda actively across other sectors.

**The USAID Program:** The Program Data Sheets provided below cover the eight objectives for which USAID is requesting FY 2003 and FY 2004 funds. These eight objectives focus on supporting the FTAA through regional trade capacity building and improving market access, strengthening democratic institutions and processes, improving the quality of education, protecting the region's biodiversity, supporting new environmental technologies and partnerships, improving the health status of the region's population and advancing development cooperation opportunities in the hemisphere. The FY 2003 funds will be used to implement the above programs as described in the FY 2003 Congressional Budget Justification; however, existing trade capacity building and market access activities are being merged into one strategic objective. In addition, FY 2004 resources will be used to initiate a follow-on program in health. The specific activities to be funded by FY 2003 and FY 2004 appropriations are described in more detail in the Program Data Sheets. USAID will use \$5,027,000 of the FY 2004 budget request to fund a new health objective while the remaining amount will fund ongoing efforts.

**Other Program Elements:** The LAC Regional program has been instrumental in developing several alliances and partnerships to benefit multiple countries in LAC. These include public-private partnerships to address the coffee crisis in Central America, to protect the Meso-American coral reef, to develop the certified timber industry in selected countries, and to use remittances to promote increased access of the poor to financial services.

**Other Donors:** The U.S. is the largest provider of Official Development Assistance among all bilateral donors in the LAC region. Other major donors include the European Union, Japan, the Netherlands and Germany. Coordination with the World Bank, the Inter-American Development Bank (IDB), the Organization of American States (OAS), the Pan American Health Organization (PAHO) and other regional and international organizations is excellent and helps USAID to promote U.S. foreign policy interests in the region, influence development policy and shape the direction of other donor's programs. USAID also collaborates extensively with other U.S. agencies including the Departments of State, Justice, Agriculture, Education and Health and Human Services as well as the U.S. Trade Representative, the Environmental Protection Agency and others. In the economic growth area, USAID, the IDB, the OAS and the Economic Commission for Latin America and the Caribbean (ECLAC) are collaborating to help Central American countries identify their trade capacity needs in preparation for the CAFTA. In the environment, USAID has partnered with the United Nations (UN) Foundation and various environmental NGOs and private industry to protect the Meso-American coral reef. In education, USAID is developing a public-private partnership to support the Presidential Summit Initiative, the Centers of Excellence for Teacher Training. USAID continues to collaborate with the World Bank, IDB, OAS, PAHO and the UN to support the Inter-American Coalition for the Prevention of Violence in the Americas to promote national strategies to combat crime and violence. USAID works closely with PAHO, as well as the IDB and World Bank, to implement its health initiatives.

**LAC Regional  
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts                                | FY 2001<br>Actual | FY 2002<br>Actual | FY 2003<br>Prior Request | FY 2004<br>Request |
|---|-------------------|-------------------|--------------------------|--------------------|
| Child Survival and Health Programs Fund | 14,780            | 9,434             | 6,813                    | 5,189              |
| Development Assistance                  | 27,284            | 39,910            | 53,462                   | 38,338             |
| Economic Support Fund                   | 7,584             | 18,183            | 12,500                   | 7,500              |
| <b>Total Program Funds</b>              | <b>49,648</b>     | <b>65,507</b>     | <b>72,775</b>            | <b>51,007</b>      |

**STRATEGIC OBJECTIVE SUMMARY**

|   |       |        |        |        |
|---|-------|--------|--------|--------|
| <b>598-003 Health Priorities</b>                    |       |        |        |        |
| CSH   | 8,467 | 8,434  | 6,412  | 0      |
| DA  | 698   | 0      | 0      | 0      |
| <b>598-005 Regional Democracy Initiatives</b>       |       |        |        |        |
| DA  | 5,000 | 4,500  | 5,100  | 4,025  |
| ESF   | 6,985 | 4,163  | 11,500 | 7,500  |
| <b>598-006 Leadership Training</b>                  |       |        |        |        |
| CSH   | 4,000 | 1,000  | 0      | 0      |
| DA  | 6,000 | 9,000  | 0      | 0      |
| <b>598-017 Market Access</b>                        |       |        |        |        |
| DA  | 5,000 | 3,150  | 3,300  | 4,400  |
| ESF   | 0     | 0      | 1,000  | 0      |
| <b>598-018 U.S.-LAC Environmental Partnership</b>   |       |        |        |        |
| DA  | 949   | 895    | 500    | 500    |
| <b>598-019 Participation in FTAA Process</b>        |       |        |        |        |
| DA  | 1,000 | 1,030  | 0      | 0      |
| <b>598-020 Program Development and Learning</b>     |       |        |        |        |
| CSH   | 23    | 0      | 401    | 32     |
| DA  | 116   | 2,021  | 2,027  | 2,123  |
| ESF   | 216   | 0      | 0      | 0      |
| <b>598-021 Special Development Opportunities</b>    |       |        |        |        |
| CSH   | 0     | 0      | 0      | 110    |
| DA  | 5,689 | 3,759  | 24,000 | 7,835  |
| <b>598-022 Conservation of Biological Resources</b> |       |        |        |        |
| DA  | 2,832 | 7,200  | 4,480  | 4,500  |
| <b>598-023 Education and Training Improvement</b>   |       |        |        |        |
| CSH   | 2,290 | 0      | 0      | 0      |
| DA  | 0     | 8,355  | 14,055 | 14,955 |
| ESF   | 0     | 12,000 | 0      | 0      |
| <b>598-zzz Health Advancement</b>                   |       |        |        |        |
| CSH   | 0     | 0      | 0      | 5,027  |
| <b>TRANSFER</b>                                     |       |        |        |        |
| ESF   | 383   | 0      | 0      | 0      |
| <b>519-003 Health of Women and Children</b>         |       |        |        |        |
| CSH   | 0     | 0      | (625)  | 0      |

## GLOSSARY OF TERMS

The glossary defines legislative, administrative, programming and budget terms referred to in this budget justification. Frequently used abbreviations are included.

**Accrual:** An estimate of cost that has been incurred but not yet paid by the Agency. An accrual is calculated for a specific agreement. It helps provide current information on the financial status of an activity and program.

**Activity:** A set of actions through which inputs such as commodities, technical assistance and training are mobilized to produce specific outputs such as vaccinations given, schools built, and micro-enterprise loans issued. Activities are undertaken to achieve "strategic," "special," or "strategic support" objectives that have been formally approved and notified to Congress.

**Agency Strategic Plan:** The Agency's overall plan for providing development assistance. The strategic plan articulates the Agency's mission, goals, objective, and program approaches. The Agency strategic plan is coordinated with, and reflects the priorities of, U.S. Government international affairs agencies.

**Agreement:** An agreement is the formal mutual consent of two or more parties. The Agency employs a variety of agreements to formally record understandings with other parties, including grant agreements, cooperative agreements, strategic objective agreements, memoranda of understanding, interagency agreements, contracts, and limited scope grant agreements. In most cases, the agreement identifies the results to be achieved, respective roles and contributions to resource requirements in pursuit of a shared objective within a given timeframe.

**Annual Performance Plan:** The Agency's annual performance plan (APP) summarizes the Agency's performance plans for the same year as the budget request year (e.g., FY 2004). It is organized by the Agency goals outlined in the Agency strategic plan. The annual performance plan is a required document under the Government Performance and Results Act. In contrast, the annual budget justification, formerly titled the Congressional Presentation, is organized by specific countries, regions, or global programs. The budget justification contains the plans for each Agency operating unit.

**Annual Performance Report:** The Agency's annual performance report (APR) synthesizes the Agency program performance for the year ending the past September (e.g., FY 2002). It reports by Agency goal against the Agency's FY 2002 annual performance plan that was prepared and submitted to Congress in 2000. The annual performance plan is a required document under the Government Performance and Results Act. In contrast, the annual budget justification, formerly titled the Congressional presentation, is organized by the operating, or management, units in countries, regions, or Washington. The budget justification reports on the performance of each program managed by each Agency operating unit.

**Annual Report:** The document that is reviewed internally and submitted to USAID headquarters by the field or Washington operating unit on an annual basis. The Annual Report is used to produce several other Agency reports.

**Actual Year:** Last completed fiscal year; in this case, FY 2002.

**Appropriation:** An act of Congress permitting Federal agencies to incur obligations for specified purposes, e.g., Foreign Assistance and Related Programs Appropriation Act, 2003.

**Appropriation Accounts:** The separate accounts for which specific dollar amounts are authorized and appropriated.

**Authorization:** Substantive legislation which establishes legal operation of a Federal program, either indefinitely or for a specific period, and sanctions particular program funding levels, e.g., the Foreign Assistance Act of 1961, as amended (FAA).

**Bilateral Assistance:** Economic assistance provided by the United States directly to a country or through regional programs to benefit one or more countries indirectly. (USAID Child Survival and Health Programs Fund, Development Assistance, Economic Support Fund, Assistance for Eastern Europe and the Baltic States, Assistance for the Independent States of the former Soviet Union, and most P.L. 480 food aid are among the U.S. bilateral programs. Others include Peace Corps and International Narcotics Control.)

**Budget Authority:** Authority provided to the U.S. Government by law to enter into obligations that result in outlays or government funds.

**Budget Justification:** The presentation to the Congress that justifies USAID's budget request and provides information on the programs, objectives, and results. Formerly, referred to as the Congressional Presentation (CP).

**Budget Year:** Year of budget consideration; in this case, FY 2003.

**Child Survival and Health Programs Fund:** An appropriation account (formerly Child Survival and Diseases Program Fund) for funding child survival, assistance to combat HIV/AIDS and other infectious diseases, and family planning activities.

**Consortium Grant:** A grant to consortia of private and voluntary organizations (PVO) to enable a group of PVOs with similar interests to exchange information and program experiences and to collaborate in programs, thereby avoiding duplication.

**Continuing Resolution:** A joint resolution passed to provide stop-gap funding for agencies or departments whose regular appropriations bills have not been passed by the Congress by the beginning of the fiscal year.

**Cooperative Development Organization (CDO):** A business voluntarily owned and controlled by its users and operated for their benefit.

**Deobligation:** Unexpended funds obligated for a specific activity that are subsequently withdrawn, following a determination that they are not required for that activity.

**Development Assistance:** Assistance under Chapters 1 and 10 of the Foreign Assistance Act primarily designed to promote economic growth and equitable distribution of its benefits.

**Development Assistance Committee (DAC):** A specialized committee of the Organization for Economic Cooperation and Development (OECD). The purpose of the DAC is to increase total resources made available to developing countries. Member countries jointly review the amount and nature of their contributions to bilateral and multilateral aid programs in the developing countries. DAC members are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States, and the Commission of the European Economic Communities.

**Development Fund for Africa (DFA):** The Development Fund for Africa (Chapter 10 of the Foreign Assistance Act), relating to the authorization of long-term development assistance for sub-Saharan Africa, was added to the FAA by the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1991 (P.L. 101-513).

**Development Loan:** Development assistance which must be repaid, usually a long-term, low-interest loan repayable in U.S. dollars.

**Development Program Grant (DPG):** A grant to assist a private and voluntary organization to strengthen its ability to be an effective development agency.

**Disbursement:** Actual payment made for a product, service or other performance, pursuant to the terms of an agreement.

**Economic Assistance:** Bilateral and multilateral foreign assistance designed primarily to benefit the recipient country's economy. Military assistance, Export-Import Bank activities, Overseas Private Investment Corporation programs and Commodity Credit Corporation short-term credit sales, which have primary purposes other than economic development, are not included in this category.

**Economic Support Fund:** An appropriation account for funding economic assistance to countries based on considerations of special economic, political or security needs and U.S. interests. It took the place of Security Supporting Assistance, as provided in Section 10(b)(6) of the International Security Assistance Act of 1978 (92 STAT 735).

**Expenditure:** As reported in this document, represents the total value of goods and services received, disbursement for which may not have been made. A disbursement, also referred to as an actual expenditure or outlay, represents funds paid from the U.S. Treasury.

**Fiscal Year:** Yearly accounting period, without regard to its relationship to a calendar year. (The fiscal year for the U.S. Government begins October 1 and ends September 30.)

**Foreign Assistance Act (FAA):** The Foreign Assistance Act of 1961, as amended (USAID's Present authorizing legislation).

**Foreign Assistance and Related Programs Appropriation Act:** The Appropriation Act for a particular year for economic (except P.L. 480 food aid) and military assistance and Export-Import Bank.

**FREEDOM Support Act (FSA):** The Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (FREEDOM Support Act, P.L. 102-511) authorizes assistance to the Independent States of the former Soviet Union (referred to as Eurasia).

**Functional Assistance:** Development Assistance funded from the Development Assistance, Child Survival and Health Programs Fund, and Development Credit Programs appropriation accounts and authorized from one of the following eight authorization accounts: (1) Agriculture, Rural Development and Nutrition; (2) Population Planning; (3) Health; (4) Child Survival; (5) AIDS Prevention and Control; (6) Education and Human Resources Development; (7) Private Sector, Environment and Energy; and (8) Science and Technology.

**Global Program or Activity:** A global program or activity refers to a USAID program or activity that takes place across various regions (i.e., trans-regional in nature). This type of program is most often managed by a central operating bureau such as Democracy, Conflict, and Humanitarian Assistance; Economic Growth, Agriculture, and Trade; and Global Health.

**Goal:** A long-term development result in a specific area to which USAID programs contribute and which has been identified as a specific goal by the Agency.

**Government Performance and Results Act (GPRA):** The Government Performance and Results Act of 1993 (P.L. 103-62) provides for the establishment of strategic planning and performance management in the Federal Government.

**Grant:** Assistance to an organization to carry out its activities as opposed to the acquisition of services for USAID or a host country which need not be repaid. (Term also describes a funding instrument for programs of an institution or organizations, e.g., International Executive Service Corps or an international agricultural research center.)

**Gross Domestic Product (GDP):** Measures the market value of total output of final goods and services produced within a country's territory, regardless of the ownership of the factors of production involved, i.e., local or foreign, during a given time period, usually a year. Earnings from capital invested abroad (mostly interest and dividend receipts) are not counted, while earnings on capital owned by foreigners but located in the country in question are included. The GDP differs from the GNP in that the former excludes net factor income from abroad.

**Gross National Product (GNP):** Measures the market value of total output of final goods and services produced by a nation's factors of production, regardless of location of those factors, i.e., in the country or abroad, during a given time period, usually a year. Earnings from capital owned by nationals but located abroad (mostly interest and dividend receipts) are included, while earnings in the country by factors owned by foreigners are excluded.

**Host Country:** A country in which the USAID sponsoring unit is operating.

**Input:** A resource, operating expense or program funded, that is used to create an output.

**Intermediate Result:** The most important results that must occur in order to achieve a strategic objective; a cluster or summary of results used in summarizing the results framework.

**International Financial Institution (IFI):** Currently known as a multilateral development bank (MDB), a multilateral lending institution that provides resources for development. These institutions, or banks, include the following; Asian Development Bank (ADB) and Fund (ADF), African Development Bank (AFDB) and Fund (AFDF), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB), International Bank for Reconstruction and Development (IBRD, or the "World Bank"), International Finance Corporation (IFC), International Development Association (IDA), Middle East Development Bank (MEDB), and North American Development Bank (NADB).

**Joint Planning:** A process by which an operating unit actively engages and consults with other relevant and interested USAID offices in an open and transparent manner. This may occur through participation on teams or through other forms of consultation.

**Life of Strategic Objective:** The approved time for a strategic objective, that can be amended at any time. While formal approval is within the overall operating unit's strategic plan, a strategic objective may not necessarily begin and end when a plan begins and ends. No activity helping to achieve a result for a given strategic objective can be implemented beyond that strategic objective's life.

**Limited Scope Grant Agreement:** This agreement is similar to the strategic objective agreement, but is shorter in length. It is used for obligating funds for a small activity or intervention, e.g., participant training or program development and support.

**Loan:** Assistance which must be repaid. Repayment terms for development loans under Development Assistance and the Economic Support Fund are established by USAID in accordance with the Foreign Assistance Act of 1961, as amended (FAA), and the current Foreign Assistance and Related Programs Appropriation Act.

**Manageable Interest:** That which is within USAID's reasonable control, within the context of contracts and grants. That which is in the strategic objective team's reasonable influence, in the context of the strategic objective team including partners.



**Management Services Grant:** A grant to a private and voluntary organization (PVO) which in turn provides management or program support services (e.g., clearinghouse, accounting assistance, evaluation) to other PVOs.

**Mission:** The ultimate purpose of the Agency's programs. It is the unique contribution of USAID to U.S. national interests. There is one Agency mission.

**Multilateral Assistance:** Assistance which the United States provides to less or least developed countries (LDC) through multilateral development banks, the United Nations agencies, and other international organizations with development purposes.

**Multilateral Development Bank (MDB):** See international financial institutions.

**National Interest:** A political and strategic interest of the United States that guides the identification of recipients of foreign assistance and the fundamental characteristics of development assistance.

**New Directions:** Legislation enacted in 1973 requiring USAID to focus more of its efforts on helping the poor majority in developing countries.

**Nongovernmental Organization (NGO):** An organization, organized either formally or informally, that is independent of government.

**Non-Presence Country:** A country where USAID-funded activities take place but where U.S. direct-hire staff are not present to manage or monitor these activities. Note that some non-presence countries may have other USAID employees, such as foreign service nationals or U.S. personal service contractors, present.

**Non-Project Assistance:** Program or commodity loans or grants that provide budget or balance-of-payments support to another country. Such assistance is usually funded under the Economic Support Fund or Development Fund for Africa.

**Obligation:** Legal commitment of funds through such mechanisms as signed agreements between the U.S. Government and host governments, contracts and grants to organizations, and purchase orders.

**Objective:** A significant development result that contributes to the achievement of an Agency goal. Several Agency objectives contribute to each Agency goal. An Agency objective provides a general framework for more detailed planning that occurs for a specific country and regional program.

**Ocean Freight Reimbursement:** Reimburses private and voluntary organizations (PVO) for up to one-half of their cost in shipping equipment and commodities overseas in support of their development programs.

**Official Development Assistance (ODA):** Assistance on concessional terms (with a grant element of at least 25%), provided by member countries of the Development Assistance Committee to promote economic development in developing countries.

**Operating Expenses:** Those appropriated funds used to pay salaries, benefits, travel, and all support costs of direct-hire personnel. The "cost of doing business."

**Operating Unit:** An agency field mission or Washington office or higher level organizational unit that expends program or operating expense funds to achieve a strategic or special objective, and that has a clearly defined set of responsibilities focused on the development and execution of a strategic plan.

**Operational Year:** Fiscal year in progress (current year), presently FY 2003.

**Operational Program Grant (OPG):** A grant to private and voluntary organizations to carry out specific programs.

**Organization for Economic Cooperation and Development (OECD):** Organization of donor countries that promotes policies designed to stimulate economic growth and development of less developed countries. OECD member countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

**Outlay:** Cash disbursement from the Treasury.

**Output:** A tangible immediate and intended product or consequence of an activity. Examples of outputs include personnel trained, people fed, analyses prepared, vaccinations given, policies recommended, technical assistance delivered, better technologies developed, and new construction completed.

**Parameter:** A given framework or condition within which decision making takes place, i.e., Agency goals, earmarks, legislation, etc.

**Parameter-setting:** A process by which a parameter is agreed upon and used to define limits, constraints and options for the development or revision of a strategic plan.

**Participant:** USAID-sponsored, less developed country (LDC) national being trained outside his or her own country.

**Peacekeeping Operations:** The program authorized and appropriated for a special type of economic assistance for peacekeeping operations and other programs carried out in furtherance of the national interests of the United States.

**Performance Indicator:** Particular characteristic or dimension used to measure intended changes defined by an organizational unit's results framework. Performance indicators are used to observe progress and to measure actual results compared to expected results. The indicators are usually expressed in quantifiable terms, and should be objective and measurable (numeric values, percentages, scores and indices).

**Performance Plan:** The performance plan identifies annual performance benchmarks of the operating unit. Meeting benchmarks, or the planned levels of achievement for a given year, are considered important steps toward ultimately achieving the ten-year performance goals identified in the Strategic Plan.

**Performance Target:** The specific and intended result to be achieved within an explicit timeframe and against which actual results are compared and assessed. In addition to final targets, interim targets also may be defined.

**Pillar:** USAID's new strategic orientation involves four pillars. The first, the Global Development Alliance (GDA), represents a change in the way USAID implements assistance; USAID will serve as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporations, the higher education community, and nongovernmental organizations in support of shared objectives overseas. USAID has aggregated its current and new mutually reinforcing programs and activities into three program pillars to utilize resources more effectively and to describe its programs more clearly. The three program pillars are Democracy, Conflict, and Humanitarian Assistance; Economic Growth, Agriculture, and Trade; and Global Health.

**Pipeline:** The difference between obligations and expenditures.

**P.L. 480:** The Agricultural Trade Development and Assistance Act of 1954, as amended, which governs administration of the U.S. Food for Peace program. (Term is often used to describe food aid.)

**President's Budget:** Budget for a particular fiscal year transmitted to Congress by the President in accordance with the Budget and Accounting Act of 1921, as amended.

**Private and Voluntary Organization (PVO):** A non-profit, tax-exempt and nongovernmental organization established and governed by a group of private citizens whose purpose is to engage in voluntary charitable and development assistance operations overseas.

**Program:** A coordinated set of USAID-financed activities directed toward specific goals. For example, maternal and child health, nutrition, education and family planning activities designed to promote the spacing of children may comprise a program to reduce infant deaths.

**Program Approach:** A tactic identified by the Agency as commonly used to achieve a particular objective. Several program approaches are associated with each Agency objective.

**Project:** A structured undertaking (often involving considerable money, personnel and equipment) of limited duration that is developed through various bureaucratic, analytical, and approval processes in order to achieve a tangible objective (e.g., a school construction project, an adult literacy project). A project should be considered as one of several types of activities that contribute to a given result or set of results. (See Activity.)

**Reimbursement:** Collection of funds for services provided to recipients outside the USAID.

**Reobligation:** Obligation of an amount that had been obligated and deobligated in prior transactions.

**Result:** A significant, intended and measurable change in the condition of a customer, or a change in the host country, institution or other entity that will affect the customer directly or indirectly.

**Results Framework:** The results framework explains how the strategic objective is to be achieved, including those results that are necessary and sufficient, as well as their causal relationships and underlying assumptions.

**Results Package:** A collection of activities, including staff and partner involvement, necessary and sufficient to achieve one or more results in a results framework.

**Results Review and Resource Request (R4):** This document has been replaced by the Annual Report.

**Special Objective:** The result of an activity or activities which do not qualify as a strategic objective, but support other U.S. Government assistance objectives. A special objective is expected to be small in scope relative to the portfolio as a whole.

**Stakeholder:** An individual or group who has an interest in and influences USAID activities, programs and objectives.

**Strategic Framework:** A graphical or narrative representation of the Agency's strategic plan. The framework is a tool for communicating the Agency's development strategy. The framework also establishes an organizing basis for measuring, analyzing, and reporting results of Agency programs.

**Strategic Objective:** The most ambitious result that an Agency operational unit, along with its partners, can materially affect, and for which it is willing to be held accountable within the time period of the strategic objective.

**Strategic Plan:** The framework which an operating unit uses to articulate the organization's priorities, to manage for results, and to tie the organization's results to the customer and beneficiary. The strategic plan is a comprehensive plan that includes the limitation of strategic objectives and a description of how resources will be deployed to accomplish the objectives. A strategic plan is prepared for each portfolio whether it is managed at a country, regional, or central level.

**Support for East European Democracy (SEED) Act:** The Support for East European Democracy Act of 1989 (P.L. 101-179) authorizes assistance to Eastern Europe.

**Sustainable Development:** Economic and social growth that does not exhaust a country's resources; that does not damage the economic, cultural or natural environment; that creates incomes and enterprises; and that builds indigenous institutions.

**Target:** See Performance Target.

## BUDGET JUSTIFICATION TERMS

**All Spigots Table:** Table that shows U.S. economic and military assistance levels from all International Affairs (Function 150) sources, broken out by program, region and country. The State Department Budget Justification contains the International Affairs "all spigots" tables. The USAID Budget Justification "all spigots" tables show USAID-managed assistance levels only (Child Survival and Health Programs Fund, Development Assistance, Economic Support Funds, Assistance for Eastern Europe and the Baltic States, Assistance to the Independent States of the former Soviet Union, Economic Support Fund, and P.L. 480).

**Congressional Presentation:** Now called Budget Justification to the Congress.

**Green Book:** This publication is entitled U.S. Overseas Loans and Grants and Assistance from International Organizations. The data, that is grouped by country and geographic region, includes assistance from USAID, military assistance, P.L. 480, Export-Import Bank, etc. from 1945 to the last completed fiscal year, in this case FY 2002. This publication is released shortly after the Budget Justification is presented to the Congress.

**Program Summary Table:** The table found at the end of each region, country and central program narrative contained in the Budget Justification document. This table summarizes the budget levels for the prior two fiscal years (i.e., FY 2001 and FY 2002), current year (i.e., FY 2003), and budget year (i.e., FY 2004) by type of assistance (i.e., by accounts).

**Strategic Objective Summary Table:** The table found at the end of each region, country and central program narrative contained in this Budget Justification document. The table summarizes budget levels for the prior two fiscal years (i.e., FY 2001 and FY 2002), current year (i.e., FY 2003), and budget year (i.e., FY 2004) for the strategic objectives by type of assistance (i.e., by accounts).

## ABBREVIATIONS AND ACRONYMS

|           |   |
|-----------|---|
| A&A       | Acquisition and Assistance  |
| AACD      | Activity Assistance Completion Date                               |
| AAD       | Activity Approval Document  |
| AAEF      | Albanian-American Enterprise Fund                                 |
| AAFLI     | Asian-American Free Labor Institute                               |
| AAUJ      | Arab American University in Jenin                                 |
| ABA       | American Bar Association  |
| ABC       | Abstinence, Being, Faithful, Condom Provision Approach            |
| ABEL      | Advancing Basic Education and Literacy                            |
| ACDI      | Agriculture Cooperation Development International                 |
| ACDI      | Agricultural Cooperative Development Institute                    |
| ACI       | Andean Counterdrug Initiative                                     |
| ACILS     | American Center for International Labor Solidarity                |
| ACLEDA    | Association of Cambodian Local Economic Development               |
| ADB       | Asian Development Bank  |
| ADEA      | Association for the Development of Education in Africa            |
| ADEX      | Exporters' Association (Peru)                                     |
| ADF       | African Development Foundation                                    |
| ADP       | Automated Data Processing   |
| ADR       | Alternative Dispute Resolution                                    |
| ADS       | Automated Directives System                                       |
| AED       | Academy for Educational Development                               |
| AEEB      | Assistance to Eastern Europe and the Baltics                      |
| AELGA     | Africa Emergency Locust/Grasshopper Assistance                    |
| AERA      | Accelerating Economic Recovery in Asia                            |
| AFDB      | African Development Bank  |
| AFDF      | Africa Development Fund   |
| AG        | Attorney General  |
| AGEXPRONT | Nontraditional Exporters' Guild (Guatemala)                       |
| AGILE     | Accelerated Growth, Investment, and Liberalization with Equity    |
| AGOA      | Africa Growth and Opportunities Act                               |
| AIDS      | Acquired Immune Deficiency Syndrome                               |
| AIDSCAP   | Acquired Immunodeficiency Syndrome Control and Prevention Project |
| AIFLD     | American Institute for Free Labor Development                     |
| AIHA      | American International Health Alliance                            |
| ALGAS     | Asia Least Cost Greenhouse Gas Abatement Strategy                 |
| ALO       | Association Liaison Office  |
| AMC       | Ahmedabad Municipal Corporation                                   |
| AMIR      | Access to Micro-Finance and Implementation of Policy Reform       |
| ANACAFE   | Guatemala' National Coffee Association                            |
| ANDA      | El Salvador Water Authority                                       |
| ANE       | Asia and Near East  |
| ANERA     | American Near East Refugee Aid                                    |
| AOJ       | Administration of Justice   |
| AOJS      | Administration of Justice Support                                 |
| APAC      | AIDS Prevention and Control                                       |
| APEC      | Asia-Pacific Economic Cooperation                                 |
| APEDA     | Agricultural Products Export Development Authority                |

|          |   |
|----------|---|
| APR      | Agricultural Policy Reform  |
| APRP     | Agricultural Policy Reform Program  |
| AREP     | Accelerated Reform for Enterprise Promotion   |
| ARI      | Acute Respiratory Infection   |
| ASEAN    | Association of Southeast Asian Nations  |
| ASHA     | American Schools and Hospitals Abroad   |
| ATFL     | American Task Force in Lebanon  |
| ATI      | Appropriate Technology International  |
| ATRIP    | Africa Trade and Investment Program   |
| AUB      | American University of Beirut   |
| AUSAID   | Australia Agency for International Development  |
| AVRDC    | Asian Vegetable Research and Development Center   |
| AVSC     | Access for Voluntary Surgical Contraceptive   |
| AWACS    | AID Worldwide Accounting and Control System   |
|          |   |
| BAPPENAS | Indonesia National Planning Agency  |
| BARC     | Bangladesh Agricultural Research Council  |
| BASIC    | Basic Support for Institutionalized Child Support   |
| BBSA     | Basic Business Skill Acquisition  |
| BCN      | Biodiversity Conservation Network   |
| BHR      | Bureau for Humanitarian Response (now Bureau for Democracy, Conflict and Humanitarian Assistance) |
| BIGUF    | Bangladesh Independent Garment Workers Union Federation   |
| BOD      | Biochemical Oxygen Demand   |
| BOOT     | Build-Own-Operate-Transfer  |
| BOT      | Build-Operate-Transfer  |
| BRAC     | Bangladesh Rural Advancement Committee  |
| BTEC     | Business Transformation Executive Committee   |
|          |   |
| CA       | Cooperating Agency  |
| CAAEF    | Central Asian – American Enterprise Fund  |
| CABEI    | Central American Bank for Economic Integration  |
| CAC      | Community Access Center   |
| CACEDERF | Central America and Caribbean Emergency Disaster Relief Fund                                      |
| CAFTA    | Central America Free Trade Agreement  |
| CAI      | Creative Associates Incorporated  |
| CAIC     | Caribbean Association of Industry and Commerce  |
| CAIP     | Cairo Air Improvement Project   |
| CAMP     | Coastal Aquifer Management Program  |
| CAP      | Counterpart Alliance for Partnership Program  |
| CAPAS    | Central American Protected Areas System   |
| CAPEL    | Center for the Promotion of Electoral Assistance  |
| CARE     | Cooperative for Assistance and Relief Everywhere, Inc.  |
| CAREC    | Caribbean Epidemiology Center   |
| CARICOM  | Caribbean Community   |
| CARPE    | Central African Regional Program for the Environment  |
| CATIE    | Center for Tropical Agriculture Investigations and Studies  |
| CBFRM    | Community-based Forest Resource Management  |
| CBJ      | Congressional Budget Justification  |
| CBNRM    | Community-based Natural Resource Management   |

|           |   |
|-----------|---|
| CBO       | Community-Based Organization  |
| CBSL      | Central Bank of Sri Lanka   |
| CCA       | Clinger–Cohan Act   |
| CCAD      | Central American Commission for Environment and Development                             |
| CCM       | Country Coordinating Mechanism  |
| CCP       | Code of Criminal Procedures   |
| CCT       | Cooperative Coffee Timor  |
| CDC       | Centers for Disease Control and Prevention  |
| CDIE      | Center for Development Information and Evaluation                                       |
| CDP       | Cambodian Defenders Project   |
| CECI      | Canadian Center for International Studies and Cooperation                               |
| CEDPA     | Center for Development and Population Activities  |
| CEE       | Central and Eastern Europe  |
| CEELI     | Central and East European Law Institute   |
| CEP       | Community Empowerment Program   |
| CEPAL     | Economic Commission for Latin America   |
| CEPPS     | Consortium for Elections and Political Process  |
| CERTI     | Complex Emergency Response and Transition Initiative                                    |
| CETT      | Centers of Excellence in Teacher Training Initiative in Latin America and the Caribbean |
| CEWARN    | Conflict Early Warning Network  |
| CFET      | Consolidated Fund for East Timor  |
| CFO       | Chief Financial Officer   |
| CG        | Consultative Group  |
| CGIAR     | Consultative Group for International Agricultural Research                              |
| CHF       | Cooperative Housing Foundation  |
| CIDA      | Canadian International Development Agency   |
| CIF       | Capital Investment Fund   |
| CIFOR     | Center for International Forestry Research  |
| CILSS     | Permanent Interstate Committee for the Control of Drought in the Sahel                  |
| CIMMY     | International Maize and Wheat Improvement Center  |
| CIP       | Commodity Import Program  |
| CIT       | Communities in Transition   |
| CITES     | Convention of International Trade in Endangered Species                                 |
| CLD       | Consortium for Legislative Development  |
| CLD/SUNY  | Center for Legislative Development, State University of New York/Albany                 |
| CLDP      | Commercial Law Development Program  |
| CLUSA     | Cooperative League of the United States of America                                      |
| CMR       | Child Mortality Rate  |
| CMS       | Commercial Markets Strategy   |
| CNG       | Compressed Natural Gas  |
| CO2       | Carbon Dioxide  |
| COE       | Council of Europe   |
| COEN      | El Salvador Disaster Preparedness Organization  |
| COMESA    | Common Market for Eastern and Southern Africa   |
| COMURES   | Corporation of Municipalities in El Salvador  |
| CONRED    | National Disaster Coordinating Committee (Guatemala)                                    |
| CONTIERRA | Land Conflict Resolution Commission (Guatemala)   |
| COP       | Community of Practice   |
| COTS      | Commercial off the Shelf  |
| CP        | Congressional Presentation (now Congressional Budget Justification)                     |

|       |   |
|-------|---|
| CPP   | Comprehensive Post Partum Center                                |
| CPR   | Contraceptive Prevalence Rate                                   |
| CRM   | Coastal Resources Management                                    |
| CRS   | Catholic Relief Services  |
| CRSP  | Collaborative Research Support Program                          |
| CSD   | Child Survival and Diseases Fund                                |
| CSD   | Commission on Sustainable Development                           |
| CSE   | Colombo Stock Exchange  |
| CSG   | Council of State Governments                                    |
| CSH   | Child Survival and Health Fund                                  |
| CSM   | Contraceptive Social Marketing                                  |
| CSO   | Civil Society Organization                                      |
| CSW   | Commercial Sex Workers  |
| CT    | Cash Transfer   |
| CVA   | Conflict Vulnerability Assessment                               |
| CWS   | Church World Services   |
| CY    | Calendar Year   |
| CYP   | Couple-Years' Protection  |
| DA    | Development Assistance  |
| DAC   | Development Assistance Committee                                |
| DAF   | Development Assistance Fund                                     |
| DAI   | Development Alternatives Incorporated                           |
| DAP   | Development Activity Proposal                                   |
| DART  | Disaster Assistance Response Team                               |
| DAVIS | Universities of Florida and California                          |
| DBO   | Design-Build-Operate  |
| DCA   | Development Credit Authority                                    |
| DCHA  | Democracy, Conflict and Humanitarian Assistance Bureau          |
| DCOF  | Displaced Children and Orphans Fund                             |
| DCP   | Development Credit Program                                      |
| DEVTA | Deworming and Enhanced Vitamin A                                |
| DFA   | Development Fund for Africa                                     |
| DFID  | Department for International Development, United Kingdom        |
| DG    | Democracy and Governance  |
| DHHS  | Department of Health and Human Services                         |
| DHRF  | Democracy and Human Rights Fund                                 |
| DHS   | Demographic Health Survey                                       |
| DIET  | District Institute of Education and Training                    |
| DIMS  | Democratic Indicators Monitoring Survey                         |
| DOD   | Department of Defense, U.S. Government                          |
| DOE   | Department of Energy, U.S. Government                           |
| DOH   | Department of Health, U.S. Government                           |
| DOJ   | Department of Justice, U.S. Government                          |
| DOP   | Declaration of Principles on Interim Self-Governing Arrangement |
| DOS   | Department of State   |
| DOT   | Department of Treasury, U.S. Government                         |
| DOTS  | Directly Observed Therapy Short Course                          |
| DP    | Democracy Partnership   |
| DPEP  | District Primary Education Program                              |



|          |   |
|----------|---|
| DPT      | Diphtheria, Pertussis and Tetanus                           |
| DPT3     | Diphtheria, Pertussis, Tetanus Immunization Series          |
| DRG      | Diagnostic -Related Group                                   |
| DRP      | Demobilization and Rehabilitation Program (World Bank)      |
| DSP      | Development Support Program                                 |
| DVS      | Democratic Values Survey                                    |
| EA       | Environmental Assessment                                    |
| EAC      | East African Community                                      |
| EAGER    | Equity and Growth through Economic Research                 |
| EAI      | Enterprise for the Americas Initiative                      |
| EAP      | Environmental Action Plan                                   |
| EAPEI    | East Asia and Pacific Environmental Initiative              |
| EBRD     | European Bank for Reconstruction and Development            |
| EC       | European Community  |
| ECEP     | Energy Conservation and Environment Project                 |
| ECHO     | European Commission Humanitarian Organization               |
| ECLAC    | Economic Commission for Latin America and the Caribbean     |
| ECOMOG   | Economic Community of West African States Monitoring Group  |
| ECOWAS   | Economic Community of West African States                   |
| ECU      | European Currency Unit                                      |
| EDDI     | Education for Development and Democracy Initiative          |
| EE       | Europe and Eurasia  |
| EE       | Emergency and Evacuation                                    |
| EEAA     | Egyptian Environmental Affairs Agency                       |
| EEDC     | Economic Entrepreneurial Development Center                 |
| EEHC     | Electricity Holding Company                                 |
| EEPP     | Egypt Environmental Policy Program                          |
| EG       | Economic Growth   |
| EGAT     | Economic Growth, Agriculture and Trade                      |
| EIA      | Environmental Impact Assessment                             |
| EIB      | European Investment Bank                                    |
| EMED     | Entrepreneur Management and Executive Development           |
| EMPS     | Environment Managed for Prosperity and Sustainability       |
| ENI      | Europe and New Independent States (now Europe and Eurasia)  |
| ENR      | Environment and Natural Resources                           |
| EPA      | Environmental Protection Agency, U.S. Government            |
| EPI      | Expanded Program of Immunization                            |
| EPRA     | Economic Policy Resource Center                             |
| EPSP     | Economic Policy Support Project                             |
| ERF      | Emergency Response Fund                                     |
| ESAF     | Extended Structural Adjustment Facility (IMF)               |
| ESCOs    | Energy Service Companies                                    |
| ESEG     | Energy Security for Economic Growth                         |
| ESF      | Economic Support Fund                                       |
| ETU      | Egyptian Technology University                              |
| EU       | European Union  |
| EU/PHARE | European Union – Poland, Hungary, Albania, Romania, Estonia |
| FAO      | Food and Agriculture Organization (United Nations)          |

|         |  |
|---------|--|
| FAR     | Fixed Amount Reimbursable  |
| FDA     | Food and Drug Administration, U.S. Government  |
| FDI     | Foreign Direct Investment  |
| FEMA    | Federal Emergency Management Agency, U.S. Government   |
| FEWS    | Famine Early Warning System  |
| FFMIA   | Federal Financial Management Improvement Act   |
| FFP     | Food for Peace   |
| FFW     | Food for Work  |
| FH      | Freedom House  |
| FH/FNN  | Freedom House/National Forum Foundation  |
| FIAS    | Foreign Investment Advisory Service  |
| FICCI   | Federation of Indian Chambers of Commerce and Industry   |
| FINCA   | Foundation for International Community Assistance  |
| FLAG    | Firm Level Assistance Group  |
| FMIP    | Financial Management Improvement Act   |
| FORWARD | Fostering Resolution of Water Resources Disputes   |
| FP      | Family Planning  |
| FREEDOM | Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (FREEDOM Support Act)                        |
| FRM     | Forest Resources Management  |
| FSA     | FREEDOM Support Act  |
| FSI     | Financial Systems Integration  |
| FSO     | Foreign Service Officer  |
| FSVC    | Financial Services Volunteer Corps   |
| FTA     | Federal Trade Agreement  |
| FTAA    | Free Trade Area of the Americas  |
| FTF     | Farmer to Farmer Program   |
| FWWB    | Friends of Women's World Banking   |
| FY      | Fiscal Year  |
| G-8     | Group of Eight (leading industrialized nations consisting of Canada, France, Germany, Italy, Japan, United Kingdom, and United States) |
| GAIN    | Global Alliance for Improved Nutrition   |
| GAO     | General Accounting Office  |
| GAVI    | Global Alliance for Vaccines and Immunization  |
| GATT    | General Agreement on Tariffs and Trade   |
| GCA     | Global Coalition for Africa  |
| GCC     | Global Climate Change  |
| GDA     | Global Development Alliance  |
| GDP     | Gross Domestic Product   |
| GEF     | Global Environment Facility  |
| GESAMP  | Group of Experts on the Scientific Aspects of Marine Environmental Protection  |
| GESI    | Global Environmental Sanitation Initiative   |
| GH      | Global Health  |
| GHAI    | Greater Horn of Africa Initiative  |
| GHG     | Greenhouse Gas   |
| GIE     | Gaza Industrial Estate   |
| GIN     | Greening of Industry Network   |
| GIS     | Geographic Information System  |
| GLI     | Great Lakes Initiative   |

|        |   |
|--------|---|
| GLJI   | Great Lakes Justice Initiative  |
| GNP    | Gross National Product  |
| GPA    | Global Program of Action for the Protection of the Marine Environment from Landing-based Activities |
| GPRA   | Government Performance and Results Act (P.L. 103-62)  |
| GREGI  | Gobi Regional Growth Initiative   |
| GSA    | General Services Administration   |
| GSP    | General System of Preference  |
| GSU    | Georgia State University  |
| GTN    | Global Technology Network   |
| GTZ    | German Agency for Technical Cooperation   |
|        |   |
| HA     | Hectare   |
| HBCUs  | Historically Black Colleges and Universities  |
| HCC    | Historical Clarification Commission   |
| HG     | Housing Guaranty  |
| HIID   | Harvard Institute of International Development  |
| HIPC   | Heavily Indebted Poor Countries   |
| HIV    | Human Immunodeficiency Virus  |
| HKI    | Helen Keller International  |
| HMHC   | Health Maintenance and Health Care  |
| HMO    | Health Maintenance Organization   |
| HPSP   | Health Policy Support Program   |
| HRC    | Human Rights Commission   |
|        |   |
| IACCC  | Inter-Agency Climate Change Committee   |
| IADN   | Inter-American Democracy Network  |
| IAF    | Inter-American Development Foundation   |
| IARC   | International Agricultural Research Center  |
| IAS    | International Accounting Standards  |
| IAVI   | International AIDS Vaccine Initiative   |
| IBRA   | Indonesian Bank Restructuring Agency  |
| IBRD   | International Bank for Reconstruction and Development (World Bank)                                  |
| IBTC   | International Business and Technical Consultants  |
| ICASS  | International Cooperative Administrative Support Services   |
| ICDDR  | International Center for Diarrheal Disease Research   |
| ICDS   | Integrated Child Development Services   |
| ICICI  | Industrial Credit and Investment Corporation of India   |
| ICITAP | International Criminal Investigation and Training Assistance Program                                |
| ICLARM | International Center for Living Aquatic Resources Management  |
| ICNL   | International Center for Not-For-Profit Law   |
| ICRC   | International Committee of the Red Cross  |
| ICZM   | Integrated Coastal Zone Management  |
| ID     | Infectious Diseases   |
| IDA    | International Development Association   |
| IDA    | International Disaster Assistance   |
| IDB    | Inter-American Development Bank   |
| IDE    | International Development Enterprises   |
| IDEE   | Institution for Democracy in Eastern Europe   |
| IDP    | Internally Displaced People   |

|           |   |
|-----------|---|
| IDSR      | Integrated Disease Surveillance and Response  |
| IEC       | Information, Education and Communication  |
| IESC      | International Executive Service Corps   |
| IFAD      | International Fund for Agricultural Development                                       |
| IFC       | International Finance Corporation   |
| IFDC      | International Fertilizer Development Center   |
| IFES      | International Foundation for Electoral Systems  |
| IFESH     | International Foundation for Education and Self Help                                  |
| IFI       | International Financial Institute   |
| IFOR      | Implementation Force (NATO)   |
| IFPRI     | International Food Policy Research Institute  |
| IFPS      | Innovations in Family Planning Services   |
| IFRC      | International Federation of the Red Cross   |
| IG        | Inspector General   |
| IHE-Delft | International Institute for Infrastructural, Hydraulic, and Environmental Engineering |
| IHRIG     | International Human Rights Law Group  |
| IIDH      | Inter-American Institute of Human Rights  |
| ILO       | International Labor Organization  |
| IMCI      | Integrated Management of Childhood Illnesses  |
| IMET      | International Military Education and Training   |
| IMF       | International Monetary Fund   |
| IMR       | Infant Mortality Rate   |
| IMT       | Irrigation Management Transfer  |
| INAS      | Morocco's School of Public Health   |
| INC       | International Narcotics Control (State Department)                                    |
| INCLEN    | International Clinical Epidemiology Network   |
| INDRA     | Indonesia Debt Restructuring Agency   |
| INL       | International Narcotics and Law Enforcement (State Department)                        |
| IOM       | International Organization for Migration  |
| IPEC      | International Program on the Elimination of Child Labor                               |
| IPO       | International Public Organization   |
| IPPF      | International Planned Parenthood Federation   |
| IPR       | Intellectual Property Rights  |
| IQC       | Indefinite Quantity Contract  |
| IR        | Intermediate Result   |
| IRDP      | Integrated Rural Development Program  |
| IREX      | International Research and Exchanges Board  |
| IRI       | International Republican Institute  |
| IRIS      | Institutional Reform and the Informal Sector  |
| IRIS      | Center for Institutional Reform in the Informal Sector                                |
| IRM       | Information Resource Management   |
| ISA       | Initiative for Southern Africa  |
| ISAR      | Institute on Soviet - American Relations  |
| ISBO      | Institutional Strengthening for Business Opportunities                                |
| ISO       | International Export Standard   |
| IT        | Information Technology  |
| ITSH      | Internal Transport, Shipping and Handling   |
| IUD       | Inter-Uterine Device  |
| IVCHS     | Improved Village and Community Health Service Program                                 |

|                 |   |
|-----------------|---|
| <b>IVS</b>      | <b>International Voluntary Services</b>                           |
| <b>JAFPP</b>    | <b>Jordan Association of Family Planning</b>                      |
| <b>JFMIP</b>    | <b>Joint Financial Management Improvement Program</b>             |
| <b>JHPIEGO</b>  | <b>Johns Hopkins Program Providing Reproductive Health</b>        |
| <b>JHU/PCS</b>  | <b>Johns Hopkins University/Population Communication Services</b> |
| <b>JICA</b>     | <b>Japanese International Cooperation Agency</b>                  |
| <b>JSI</b>      | <b>John Snow Incorporation</b>                                    |
| <b>JUSBP</b>    | <b>Jordan U.S. Business Partnership</b>                           |
| <b>JVA</b>      | <b>Jordan Valley Authority</b>                                    |
| <b>JWC</b>      | <b>Joint Water Committee</b>                                      |
| <b>KG</b>       | <b>Kilogram</b>   |
| <b>KHANA</b>    | <b>Khmer HIV/AIDS Alliance</b>                                    |
| <b>LAC</b>      | <b>Latin America and the Caribbean</b>                            |
| <b>LAF</b>      | <b>Lebanese Armed Forces</b>                                      |
| <b>LAU</b>      | <b>Lebanese American University</b>                               |
| <b>LC</b>       | <b>Local Currency</b>   |
| <b>LE</b>       | <b>Egyptian Pound</b>   |
| <b>LEB</b>      | <b>Locally Elected Body</b>                                       |
| <b>LG</b>       | <b>Local Government</b>   |
| <b>LGU</b>      | <b>Local Government Unit</b>                                      |
| <b>LMI</b>      | <b>Lower-Middle-Income</b>  |
| <b>LTTE</b>     | <b>Liberation Tigers of Tamil Elam</b>                            |
| <b>MACS</b>     | <b>Mission Accounting and Control System</b>                      |
| <b>MAFF</b>     | <b>Ministry of Agriculture Forestry and Fisheries</b>             |
| <b>MAI</b>      | <b>Multilateral Assistance Initiative</b>                         |
| <b>MAP</b>      | <b>Market Access Program</b>                                      |
| <b>MAP</b>      | <b>Morocco Agribusiness Promotion</b>                             |
| <b>MBA</b>      | <b>Masters of Business Administration</b>                         |
| <b>MBIT</b>     | <b>Masters of Business in Information Technology</b>              |
| <b>MCA</b>      | <b>Millennium Challenge Account</b>                               |
| <b>MCEI</b>     | <b>Municipal Coastal Environmental Initiative</b>                 |
| <b>MCH</b>      | <b>Maternal and Child Health</b>                                  |
| <b>MCM</b>      | <b>Million Cubic Meters</b>                                       |
| <b>MDB</b>      | <b>Multilateral Development Bank</b>                              |
| <b>ME&amp;A</b> | <b>Mendez-England and Associates</b>                              |
| <b>MEA</b>      | <b>Middle East and North Africa</b>                               |
| <b>MEG</b>      | <b>Morocco Education for Girls</b>                                |
| <b>MEPI</b>     | <b>Middle East Partnership Initiative</b>                         |
| <b>MERC</b>     | <b>Middle East Regional Cooperation</b>                           |
| <b>MES</b>      | <b>Mongolian Energy Sector Project</b>                            |
| <b>MFA</b>      | <b>Microenterprise Finance</b>                                    |
| <b>MFI</b>      | <b>Microfinance Institution</b>                                   |
| <b>MHO</b>      | <b>Mutual health organizations</b>                                |
| <b>MILGP</b>    | <b>Military Group</b>   |
| <b>MINUGUA</b>  | <b>United Nations Verification Mission for Guatemala</b>          |
| <b>MIS</b>      | <b>Management Information System</b>                              |

|         |   |
|---------|---|
| MMR     | Maternal Mortality Rate                               |
| MNE     | Ministry of National Education                        |
| MNLF    | Moro National Liberation Front                        |
| MOA     | Ministry of Agriculture                               |
| MOE     | Ministry of Education                                 |
| MOE     | Ministry of Environment                               |
| MOEYS   | Ministry of Education, Youth and Sports               |
| MOF     | Minister of Finance                                   |
| MOH     | Ministry of Health                                    |
| MOHHC   | Ministry of Health and Health Care                    |
| MOHP    | Ministry of Health and Population                     |
| MOJ     | Ministry of Justice                                   |
| MOLG    | Ministry of Local Government                          |
| MOMRA   | Ministry of Municipal and Rural Affairs               |
| MOPH    | Ministry of Public Health                             |
| MOST    | Micronutrient Operational Strategies and Technologies |
| MP      | Members of Parliament                                 |
| MPF     | Multiproject Financing Facility                       |
| MPM     | Management Policy and Metrics                         |
| MPP     | Mission Performance Plan                              |
| MPRP    | Mongolian People's Revolutionary Party                |
| MSE     | Micro and Small Enterprises                           |
| MSED    | Micro and Small Enterprise Development                |
| MSH     | Management Sciences for Health                        |
| MSI     | Management Education for Girls                        |
| MT      | Metric Tons   |
| MTCT    | Maternal-to-Child Transmission                        |
| MTT     | Mobile Task Team                                      |
| MVCS    | Most Valuable Companies                               |
| MW      | Megawatt  |
| MWI     | Ministry of Water and Irrigation                      |
| NA      | Not applicable, or Not Available                      |
| NACP    | National AIDS Control Program                         |
| NAMRU-3 | Naval Medical Research Unit                           |
| NAPA    | National Academy for Public Administration            |
| NAS     | Narcotic Affairs Section (State Department)           |
| NASA    | National Aeronautics and Space Administration         |
| NASDA   | National Association of State Development Agencies    |
| NATO    | North Atlantic Treaty Organization                    |
| NBG     | National Bank of Georgia                              |
| NCBA    | National Cooperative Business Association             |
| NCJS    | National Center for Judicial Studies                  |
| NDI     | National Democratic Institute                         |
| NEAP    | National Environmental Action Plan                    |
| NED     | New Enterprise Development                            |
| NED     | National Endowment for Democracy                      |
| NEP     | New Entry Professional                                |
| NEPAD   | New Partnership for Africa's Development              |

|       |   |
|-------|---|
| NET   | NIS Exchanges and Training Project                                |
| NFALP | Non-Formal and Adult Literacy Program                             |
| NFC   | National Finance Center   |
| NGO   | Non-Governmental Organization                                     |
| NIDS  | National Immunization Days  |
| NIH   | National Institutes of Health                                     |
| NIS   | New Independent States of the former Soviet Union                 |
| NMS   | New Management System   |
| NOAA  | National Oceanic and Atmospheric Administration                   |
| NORAD | Norwegian Aid   |
| NPA   | Non-Project Assistance  |
| NPI   | New Partnership Initiative  |
| NPR   | National Performance Review                                       |
| NRECA | National Rural Electric Cooperative Administration                |
| NRM   | Natural Resources Management                                      |
| NTA   | New Transatlantic Agenda  |
| NTE   | Non-traditional Export  |
| NTFP  | Non-traditional Forest Products                                   |
| NWI   | Ministry of Water and Irrigation                                  |
| OAS   | Organization of American States                                   |
| OAU   | Organization of African Unity                                     |
| ODA   | Official Development Assistance                                   |
| OE    | Operation Expenses  |
| OECD  | Organization for Economic Cooperation and Development             |
| OECF  | Overseas Economic Cooperation Fund                                |
| OECS  | Organization of Eastern Caribbean States                          |
| OFDA  | Office of Foreign Disaster Assistance                             |
| OHCHR | Office of the High Commissioner for Human Rights (United Nations) |
| OIG   | Office of the Inspector General                                   |
| OMB   | Office of Management and Budget                                   |
| OPEC  | Organization of Petroleum Exporting Countries                     |
| OPIC  | Overseas Private Investment Corporation                           |
| OPV   | Oral Polio Vaccine  |
| ORS   | Oral Rehydration Salts  |
| ORS/T | Oral Rehydration Salts/Therapy                                    |
| ORT   | Oral Rehydration Therapy  |
| OSCE  | Organization for Security and Cooperation in Europe               |
| OTI   | Office of Transition Initiatives                                  |
| OVC   | Orphans and Vulnerable Children                                   |
| PA    | Palestinian Authority   |
| PACD  | Project Assistance Completion Date                                |
| PACT  | Private Agencies Collaborating Together                           |
| PACT  | Program for the Advancement of Commercial Technology              |
| PAHO  | Pan American Health Organization                                  |
| PART  | Program Assessment and Rating Tool                                |
| PASA  | Participating Agency Service Agreement                            |
| PATH  | Program for Appropriate Technologies in Health                    |
| PC    | Palestinian Council   |

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| PDF    | Power Development Fund   |
| PEDS   | Provincial Environment Departments                             |
| PERPP  | Public Enterprise Reform and Privatization Program             |
| PES    | Policy Environment Score                                       |
| PHC    | Primary Health Care  |
| PHCI   | Primary Health Care Initiative                                 |
| PHN    | Population, Health and Nutrition                               |
| PIEFZA | Palestinian Industrial and Free Zone Authority                 |
| PIL    | Public Interest Litigation                                     |
| PIP    | Parks in Peril   |
| PIPA   | Palestinian Investment and Promotion Agency                    |
| PK-3   | Third Generation Labor Intensive Works                         |
| PKSF   | Palli Karma Sahayak Foundation                                 |
| PL     | Public Law   |
| PLANTE | National Alternative Development Plan (Colombia)               |
| PLC    | Palestinian Legislative Council                                |
| PLN    | Indonesian National Electric Company                           |
| PLO    | Palestinian Liberation Organization                            |
| PMA    | Palestinian Monetary Authority                                 |
| PMA    | President's Management Agenda                                  |
| PMC    | Pune Municipal Corporation                                     |
| PMO    | Program Management Office                                      |
| PMTI   | Presidential Management Training Initiative                    |
| PNFPP  | Philippine National Family Planning Program                    |
| POP    | Persistent Organic Pollutant                                   |
| PPC    | Policy and Program Coordination                                |
| PPG7   | Pilot Program to Conserve the Brazilian Rainforest, Group of 7 |
| PREAL  | Program for Education Reform in the Americas                   |
| PRIME  | Program for Innovation in Microenterprise                      |
| PRIME  | Primary Providers' Training and Education in Reproductive      |
| PRM    | Population, Refugees, and Migration (State Department)         |
| PRSP   | Poverty Reduction Strategy Paper                               |
| PSC    | Personal Service Contract                                      |
| PSIP   | Procurement System Improvement Project                         |
| PSO    | Private Sector Organization                                    |
| PVC    | Private Voluntary Cooperation                                  |
| PVO    | Private and Voluntary Organization                             |
| PW     | Price-Waterhouse   |
| PWA    | Palestinian Water Authority                                    |
| PWC    | Price Waterhouse Coopers                                       |
| QCHT   | Quality Control of Health Technologies                         |
| QIZ    | Qualifying Industrial Zones                                    |
| RACHA  | Reproductive and Child Health Alliance                         |
| RCSA   | Regional Center for Southern Africa (USAID)                    |
| RCSP   | Rural Civil Society Program                                    |
| RDS    | Regional Development and Support                               |
| REDSO  | Regional Economic Development Support Office (USAID)           |
| RH     | Reproductive Health  |



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|--------------|--|
| <b>RHUDO</b> | <b>Regional Housing and Urban Development Office (USAID)</b>                           |
| <b>RIG</b>   | <b>Regional Inspector General (USAID)</b>  |
| <b>ROL</b>   | <b>Rule of Law</b>   |
| <b>ROT</b>   | <b>Rehabilitate-Operate-Transfer</b>   |
| <b>RRB</b>   | <b>Regional Rural Banks</b>  |
| <b>RSD</b>   | <b>Regional Sustainable Development Office (USAID)</b>                                 |
| <b>RTI</b>   | <b>Research Triangle Institute</b>   |
| <b>RTII</b>  | <b>Regional Trade and Investment Initiative</b>  |
| <b>SAARC</b> | <b>South Asian Association for Regional Cooperation</b>                                |
| <b>SADC</b>  | <b>Southern Africa Development Community</b>   |
| <b>SAEDF</b> | <b>Southern Africa Enterprise Development Fund</b>                                     |
| <b>SAGA</b>  | <b>Strategies and Analyses for Growth and Access</b>                                   |
| <b>SAGE</b>  | <b>Strategies for Advancing Girls Education</b>  |
| <b>SAI</b>   | <b>Special Assistance Initiative</b>   |
| <b>SARI</b>  | <b>South Asia Regional Initiative</b>  |
| <b>SCA</b>   | <b>Supreme Council for Antiquities</b>   |
| <b>SDF</b>   | <b>Special Development Fund</b>  |
| <b>SEBI</b>  | <b>Securities and Exchange Board of India</b>  |
| <b>SEC</b>   | <b>Securities and Exchange Commission</b>  |
| <b>SEED</b>  | <b>Support for East European Democracy</b>   |
| <b>SEI</b>   | <b>State Environmental Initiative</b>  |
| <b>SEP</b>   | <b>Senior Executive Program</b>  |
| <b>SET</b>   | <b>Supreme Electoral Tribunal</b>  |
| <b>SIWM</b>  | <b>Souss-Massa Integrated Water Resources</b>  |
| <b>SME</b>   | <b>Small and Medium-sized Enterprises</b>  |
| <b>SME</b>   | <b>Small- and Micro-enterprises</b>  |
| <b>SMME</b>  | <b>Small, Medium and Micro Enterprises</b>   |
| <b>SO</b>    | <b>Strategic Objective</b>   |
| <b>SOE</b>   | <b>State-Owned Enterprise</b>  |
| <b>SOW</b>   | <b>Scope of Work</b>   |
| <b>SPA</b>   | <b>Special Program of Assistance (for Africa)</b>                                      |
| <b>SPO</b>   | <b>Special Objective</b>   |
| <b>SPR</b>   | <b>Sector Policy Reform</b>  |
| <b>SPRP</b>  | <b>Sector Policy Reform Program</b>  |
| <b>SRII</b>  | <b>Standard Research Institute International</b>                                       |
| <b>SRP</b>   | <b>Sahel Regional Program</b>  |
| <b>SSH</b>   | <b>Special Self-Help Program</b>   |
| <b>SSMSC</b> | <b>Stock Market State Commission (Ukraine)</b>   |
| <b>STD</b>   | <b>Sexually Transmitted Disease</b>  |
| <b>STI</b>   | <b>Sexually Transmitted Infection</b>  |
| <b>TAACS</b> | <b>Technical Advisors for AIDS and Child Survival</b>                                  |
| <b>TACIS</b> | <b>Technical Assistance for the Commonwealth of Independent States, European Union</b> |
| <b>TAF</b>   | <b>The Asia Foundation</b>   |
| <b>TB</b>    | <b>Tuberculosis</b>  |
| <b>TBD</b>   | <b>To be Determined</b>  |
| <b>TDA</b>   | <b>Tourism Development Authority</b>   |

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| TFCA   | Tropical Forest Conservation Act                                 |
| TFET   | Trust Fund for East Timor  |
| TFR    | Total Fertility Rate   |
| TI     | Transition Initiatives   |
| TIFA   | Trade and Investment Framework                                   |
| TISS   | Tata Institute of Social Sciences                                |
| TN     | Tamil Nadu   |
| TNC    | The Nature Conservancy   |
| TR&D   | Tropical Research and Development                                |
| TRA    | Telecommunications Regulatory Agency                             |
| TRADE  | Trade for African Development and Enterprise Initiative          |
| TRM    | Tadla Resources Management                                       |
| TSG    | The Services Group   |
| UC     | Union Council  |
| UECP   | Urban Environmental Credit Program                               |
| UES    | Urban Environmental Services                                     |
| UK     | United Kingdom   |
| ULP    | University Linkages Project                                      |
| UMCOR  | Untied Methodist Committee on Relief                             |
| UN     | United Nations   |
| UNAIDS | United Nations Joint Program on HIV/AIDS                         |
| UNCHS  | United Nations Center for Human Settlements (Habitat)            |
| UNDB   | United Nations Development Bank                                  |
| UNDCP  | United Nations Drug Control Program                              |
| UNDP   | United Nation Development Program                                |
| UNECE  | United Nations Economic Commission for Europe                    |
| UNEP   | United Nations Environment Program                               |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNFCCC | United Nations Framework Convention on Climate Change            |
| UNFPA  | United Nations Population Fund                                   |
| UNGA   | United Nations General Assembly                                  |
| UNHCR  | United Nations High Commissioner for Refugees                    |
| UNHRC  | United Nations Human Rights Commission                           |
| UNICEF | United Nations Children's Fund                                   |
| UNOPS  | United Nations Operations Support                                |
| UNRWA  | United Nations Relief and Works Agency                           |
| UNTAET | United Nations Transitional Authority for East Timor             |
| UP     | Uttar Pradesh  |
| URC    | University Research Corporation                                  |
| US     | United States  |
| USACE  | United States Army Corps of Engineers                            |
| USAEP  | U.S.-Asia Environmental Partnership                              |
| USAID  | United States Agency for International Development               |
| USDA   | United States Department of Agriculture                          |
| USDH   | United States Direct Hire  |
| USEA   | United States Energy Association                                 |
| USF    | University of San Francisco                                      |
| USFDA  | U.S. Food and Drug Administration                                |

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| USG   | United States Government   |
| USIA  | United States Information Agency                                   |
| USIS  | United States Information Service                                  |
| USSR  | Union of Soviet Socialist Republics                                |
| USTR  | United States Trade Representative                                 |
| UTC   | United Technologies Corporation                                    |
| UZP   | Upazila Parishad   |
| VC    | Vulnerable Children  |
| VCT   | Voluntary Counseling and Testing                                   |
| VHS   | Voluntary Health Services  |
| VITA  | Volunteers in Technical Assistance                                 |
| VOA   | Voice of America   |
| VOCA  | Volunteers in Overseas Cooperative Assistance                      |
| VSC   | Voluntary Surgical Contraceptive                                   |
| WAEN  | West Africa Enterprise Network                                     |
| WAJ   | Water Authority of Jordan  |
| WARP  | West African Regional Program                                      |
| WB    | World Bank (International Bank for Reconstruction and Development) |
| WCC   | World Coast Conference   |
| WCF   | Working Capital Fund   |
| WFF   | World Wildlife Federation  |
| WFP   | World Food Program (United Nations)                                |
| WHO   | World Health Organization  |
| WID   | Women in Development   |
| WMO   | World Meteorological Organization                                  |
| WOCCU | World Council of Credit Unions                                     |
| WRS   | Water Resource Sustainability                                      |
| WSSCC | Water Supply and Sanitation Collaborative Council                  |
| WSSD  | World Summit on Sustainable Development                            |
| WTO   | World Trade Organization   |
| WWF   | World Wildlife Fund  |
| YMCA  | Young Men's Christian Association                                  |