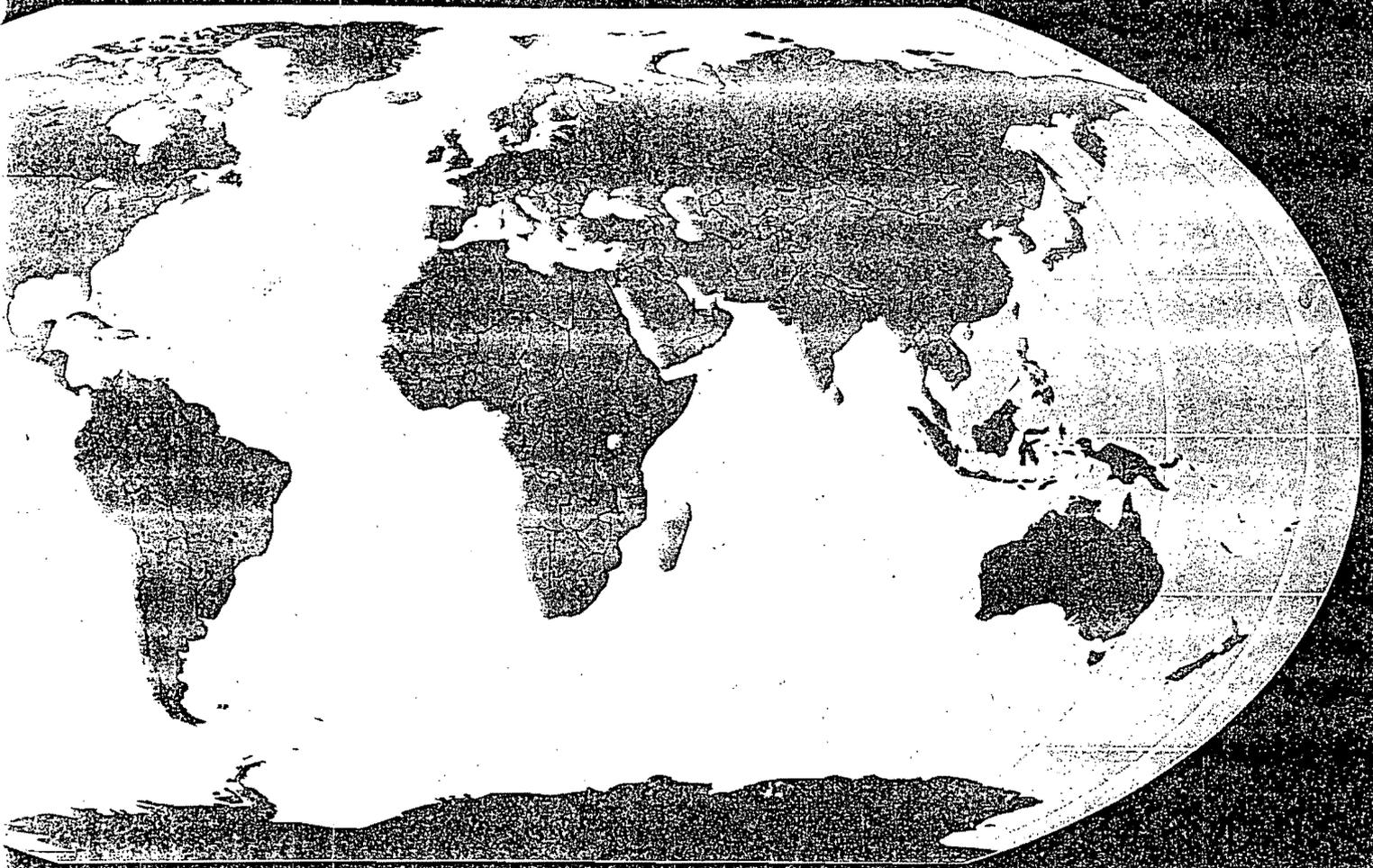




*Strategies for
Sustainable
Development*

March 1994



U.S. Agency for
International
Development

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U. S. AGENCY
FOR INTERNATIONAL
DEVELOPMENT

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Foreword

Rarely has history witnessed a time of such profound change in the lives of nations and peoples. A social, political, and economic metamorphosis is now under way throughout the world, and the United States has a unique opportunity to help shape the outcome. To help meet this challenge, the United States Agency for International Development has redefined its mission and charted a plan to achieve it.

The papers in this document present an integrated approach, define long-term objectives, specify their relevance to American interests, describe the ways in which those objectives will be pursued, and identify mechanisms to implement the plan and the standards to measure success. The United States and the people of the developing world have much at stake, and the challenges of development demand programs and methods that produce results.

Our work in the post-Cold War era will be guided by these papers. USAID is now drafting guidelines to implement each of the strategies in the field. We believe that the programs and projects that result will support development that is truly sustainable and will produce significant, measurable results.

These papers are the product of a great deal of work and wide consultations. We have conferred at length with Members of Congress and congressional staff, representatives of other U.S. Government agencies, members of the development community, and USAID's own development experts both here and abroad. This consultation process was another example of USAID's more open approach to its mission. I express my heartfelt thanks to all who participated.

As the Overview states: "Serious problems of development will yield to effective strategies." We remain convinced of the fundamental truth of this. We have entered an era fraught with difficulty and promise, and we hope these strategies will help the United States and the development community make the most of the opportunities before us.



J. Brian Atwood
Administrator
U.S. Agency for
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USAID's Strategy for Sustainable Development: An Overview

THE CHALLENGE

The United States Agency for International Development was created in 1961 with two purposes in mind: to respond to the threat of communism and to help poorer nations develop and progress. Both were legitimate strategic roles for the Agency; both were grounded in the belief that it was possible to defend our national interests while promoting our national values.

In these capacities, USAID helped the United States achieve critical objectives. It advanced a foreign policy that embodied a commitment to justice and liberty, a desire to bring the benefits of democracy to people throughout the world, a willingness to be a helpful neighbor, a humanitarian response to people in need, and a determination to lead. Over three decades, USAID achieved considerable success fulfilling these strategic mandates.

With the end of the Cold War, the international community can now view the challenge of development directly, free from the demands of superpower competition. The international community in general and the United States in particular have an historic opportunity: to serve our long-term national interests by applying our ideals, our sense of decency, and our humanitarian impulse to the repair of the world.

It is not wishful thinking to believe that we can constructively address the pollution of the seas and the air, overburdened cities, rural poverty,

economic migration, oppression of minorities and women, and ethnic and religious hostilities. On the contrary, the cost of not acting, of having to deal with the global impact of imploding societies and failed states, will be far greater than the cost of effective action. Investment in development is an investment in prevention.

Serious problems of development will yield to effective strategies: This is a lesson of the last 30 years. Many poor nations have experienced unparalleled economic growth during this time. Some have become predominantly middle-class societies; others are well along in similar transformations. In many nations, poverty has declined significantly. Foreign assistance has accomplished much: Vast resources and expertise have been invested to help poor countries develop, and millions of lives have been made better as a result.

Why then is the issue of development so urgent now? It is no exaggeration to suggest that the challenges we face constitute potential global threats to peace, stability, and the well-being of Americans and people throughout the world.

The threats come from a multitude of sources:

- The continuing poverty of a quarter of the world's people, leading to the hunger and malnutrition of millions and their desperate search for jobs and economic security.

- Population growth and rapid urbanization that outstrip the ability of nations to provide jobs, education, and other services to millions of new citizens.
- The widespread inability to read, write, and acquire the technical skills necessary to participate in modern society.
- New diseases and endemic ailments that overwhelm the health facilities of developing countries, disrupt societies, rob economies of their growth potential, and absorb scarce resources.
- Environmental damage, often arising from population pressures, that destroys land, sickens populations, blocks growth, and manifests itself on a regional and global scale.
- And finally, the threat comes from the absence of democracy, from anarchy, from the persistence of autocracy and oppression, from human rights abuses, and from the failure of new and fragile democracies to take hold and endure.

Americans cannot insulate themselves from these conditions. Pollution elsewhere poisons our atmosphere and our coastal waters and threatens the health of our people. Unsustainable population growth and spreading poverty can lead to mass migrations and social dislocations, feeding terrorism, crime, and conflict as desperate people with little to lose attempt to take what they want by force.

These threats pose a *strategic* challenge to the United States. If we do not address them now, we shall have to pay dearly to deal with them later.

To respond in a meaningful way, the United States must articulate a strategy for sustainable development. It must forge a partnership with the nations and the people it assists. It must focus on coun-

tries where its help is most needed and where it can make the most difference. It must make the most of limited financial resources and employ methods that promise the greatest impact. And the United States must bring all its resources to bear — not only its money, but its expertise, its values, its technology, and most of all, the involvement of ordinary Americans.

Effectively delivered, development assistance provides a powerful means to address, ameliorate, and even eliminate the problems of rapid population growth, environmental degradation, endemic poverty, debilitating hunger, mass migration, and anarchy. We cannot “develop” nations, but we can help them unleash their productive potential and deal effectively with the challenges of development. As President Clinton has affirmed, foreign assistance is a central component of effective foreign policy. Development cooperation is not just a tactic, but an integral part of our vision of how a community of nations, some rich and some poor, should function.

Because development assistance is designed to help other nations deal with the problems of national life peacefully and productively, our work is both altruistic and self-interested. Successful development creates new markets for our exports and promotes economic growth in the United States. America's poor increasingly benefit from development methods pioneered abroad, such as microenterprise and childhood nutrition interventions. Moreover, foreign assistance facilitates international cooperation on issues of global concern.

USAID lacks the resources to implement all the programs outlined in these papers, and budgetary pressures are forcing our nation to make hard choices among worthy investments. Yet we believe that those choices cannot be made unless the full extent of the threat is understood. These papers are both battle plans and advocacy docu-

ments. They articulate a strategic vision that will guide our work. They also are designed to focus attention within the Executive Branch, in Congress, among the American people, and within the donor community on the crucial role that promoting sustainable development must play in our foreign policy.

The current situation demands nothing less. It is unrealistic to expect that international conflict, oppression, and disorder can be eradicated. But it is not unrealistic to try to address those problems by providing nations, communities, and individuals with opportunities for development. The ultimate dividend should be nothing less than a more peaceful, more prosperous world.

OPERATIONAL APPROACHES

USAID recognizes that its success will be determined by the way it approaches its development mission and responds to urgent humanitarian needs. To meet the challenges of the post-Cold War world, USAID will employ certain operational methods in all its endeavors: support for sustainable and participatory development; an emphasis on partnerships; and the use of integrated approaches to promoting development.

Sustainable development is characterized by economic and social growth that does not exhaust the resources of a host country; that respects and safeguards the economic, cultural, and natural environment; that creates many incomes and chains of enterprises; that is nurtured by an enabling policy environment; and that builds indigenous institutions that involve and empower the citizenry. Development is "sustainable" when it permanently enhances the capacity of a society to improve its quality of life. Sustainable development enlarges the range of freedom and opportunity, not only day to day but generation to generation.

When sustainable development is the goal, the focus moves from projects to the web of human relations changed by those projects. Sustainable development requires investments in human capital — in the education, health, food security, and well-being of the population. Sustainable development sparks changes within society, from the distribution of power to the dissemination of technology. It continually challenges the status quo.

Sustainable development mandates **participation**. It must be based on the aspirations and experience of ordinary people, their notion of what problems should be addressed, and their consultations with government, development agencies, and among themselves. It must involve, respond to, and be accountable to the people who will live with the results of the development effort. It must help them build institutions of free discourse and inclusive decision-making.

Thus, the fundamental thrust of USAID's programs, whether in democracy building, environment, economic growth, or population and health, will aim at building indigenous capacity, enhancing participation, and encouraging accountability, transparency, decentralization, and the empowerment of communities and individuals. Our projects will involve and strengthen the elements of a self-sustaining, civic society: indigenous non-governmental organizations (NGOs), including private voluntary organizations (PVOs), productive associations, educational institutions, community groups, and local political institutions. This approach will make empowerment an integral part of the development process, and not just an end result.

Partnerships begin with collaboration between donors and host nations. Donors must recognize that development, in every sense, depends on the developing country itself. Donors *assist*. They can help, facilitate, even accelerate, but the major task must be carried out by the host nation, not

the donor. Sustainable development is built upon a sense of ownership and participation. It is not something that donors do for developing countries; it is something that donors help the people of developing countries do for themselves.

The notion of partnership imposes certain responsibilities on host governments. In determining where it will invest its resources, USAID will consider whether the host government permits development agencies and NGOs full access to the people; whether it invests its own resources in development; whether it encourages development through an enabling environment that comprises sound policies and responsive institutions; and whether it fosters local empowerment, particularly of women and members of minorities, as part of the development process.

An increasing portion of development work is being carried out by NGOs, including U.S.-based PVOs, indigenous NGOs, institutions of higher learning, and professional and academic groups. These organizations possess unique skills and contacts; they are USAID's natural partners in development and their work is reinforced by the private sector. Improved coordination with these agencies will permit USAID to do the things it does best and concentrate the skills of its employees where they are most needed.

USAID recognizes that the effectiveness of these organizations depends in large measure on their institutional autonomy. USAID cannot and should not micromanage these organizations. However, to ensure that programs achieve their objectives, USAID will insist upon a critical evaluation of project design, implementation capabilities, and past field performance. It will maintain oversight and communicate regularly once projects have commenced.

Donors must reinforce each other and coordinate at every stage of the development process.

USAID can improve its own effectiveness by cooperating with other donors in a multitude of ways, including: joint assessment of development problems and the threats they represent; cooperative planning and division of responsibility; allocation of resources to reinforce other development efforts; pooling of financial resources where possible and appropriate; sharing of technical resources and expertise; rapid transfer of information about methods and results; and collaboration and communication in the field and collectively with host governments.

Partnership also includes leveraging. In its narrowest sense, leveraging involves the pursuit of matching funds. Much of our leveraging work will continue to be done in coordination with multilateral development banks (MDBs). USAID also will encourage other donors to contribute to worthy projects and to become involved in areas that deserve support but where we lack funds to operate. The Agency will also encourage the active participation of private enterprise. A strategy for development should seek to increase the number and kind of participants in the development process, and efforts to this end are a legitimate part of USAID's mission.

Finally, USAID will use **integrated approaches and methods**.

Integration begins with policy. USAID conducts its programs under the direction and guidance of the Secretary of State and attaches the highest priority to coordinating its work with the needs and objectives of the Department of State and the U.S. Ambassador and the country team, wherever its missions operate.

The fundamental building block of USAID's programs will be integrated country strategies. These strategies will take into account the totality of development problems confronting the society. They will be developed in close cooperation with

host governments, local communities, and other donors and will consider how social, economic, political, and cultural factors combine to impede development. They will seek to identify root causes and the remedies that can address them. We intend to minimize so-called "stovepipe" projects and programs that operate without regard for other development efforts or larger objectives.

USAID will pay special attention to the role of women. In much of the world, women and girls are disproportionately poor, ill, and exploited. Of necessity, the development process must focus on their social, political, and economic empowerment. We will integrate the needs and participation of women into development programs and into the societal changes those programs are designed to achieve. Women represent an enormous source of untapped talent, especially in developing nations. The success of women — as workers, food producers, health providers and teachers of their children, as managers of natural resources, and as participants in a democratic society — is essential to successful development. A development process that fails to involve half of society is inherently unsustainable.

Development assistance must address the specific needs of women in developing nations: health, housing, education, equal access to productive resources and employment, participation in society, and empowerment. In their design and implementation, programs must take gender issues into account and pay particular attention to the needs of women in poverty. The ultimate success of our work will be determined by the impact it has upon the lives of the women and men it is designed to assist.

AREAS OF CONCENTRATION

The United States must commit itself to act, must act in concert with other donors, must act where

it can have maximum effect, and must draw on its strengths. These strengths determine where USAID will concentrate its resources.

USAID's programs will be undertaken in three types of countries:

- Countries where USAID will provide an integrated package of assistance — these will be termed sustainable development countries. Assistance to these countries will be based on an integrated country strategy that includes clearly defined program objectives and performance targets.
- Countries that have recently experienced a national crisis, a significant political transition, or a natural disaster, where timely assistance is needed to reinforce institutions and national order. These are classified as transitional countries.
- Countries where USAID's presence is limited, but where aid to non-governmental sectors may facilitate the emergence of a civic society, help alleviate repression, meet basic humanitarian needs, enhance food security, or influence a problem with regional or global implications. In such countries, USAID may operate from a central or regional base, may focus on policy and institutional changes in the public sector, or may support the work of U.S. or indigenous NGOs or institutions of higher education.

Within these nations, USAID will support programs in four areas that are fundamental to sustainable development: Population and Health, Broad-Based Economic Growth, Environment, and Democracy. Progress in any of these areas is beneficial to the others. This is especially true with rapid and unsustainable population growth, which consumes economic gains, deepens environmental destruction, and spreads poverty.

Problems of the environment, population, health, economic growth, and democracy also have a transnational impact. They require approaches that consider the global impact and that are not confined to individual states. Investments in these areas thus must be seen as primary prevention of the crises, deep-seated poverty, and despair that fuel civil unrest and international turmoil.

The United States in general and USAID in particular have extensive skills in each of these key areas. Moreover, USAID's partners in development — American PVOs, universities, and training organizations, and the American private sector — are particularly experienced in these areas.

Finally, solutions to these problems will help create self-sustaining, civic societies. Such solutions are characterized by local empowerment, the involvement of the recipients of aid in their own development, decentralization of decision-making, and the establishment of institutions of consensus-building and conflict resolution. They mandate the creation and involvement of indigenous NGOs — intermediary organizations that enhance popular participation, that deepen the benefits to society, and whose very existence can promote peaceful change. Such solutions are the essence of sustainable development.

USAID will continue to carry out its other traditional mandate: providing emergency humanitarian assistance and disaster relief with dollars, technical expertise, and food assistance. Emergency humanitarian assistance and disaster aid are integral to the process of promoting sustainable development. Emergency humanitarian assistance relieves suffering and stabilizes nations that have experienced natural disaster or famine. Typical humanitarian crises such as famine, civil conflict, and the inability to respond to natural disaster increasingly owe directly to failures of development. Emergency humanitarian assistance is a necessary, stop-gap

response that helps nations recover to the point where they can address the larger issues of development.

As part of its humanitarian assistance and disaster relief function, USAID will acquire the capability to respond rapidly to the needs of countries in crisis. This is particularly critical to USAID's long-term development mission. A gap in development assistance currently exists: Emergency relief helps nations that have suffered acute crisis or natural disaster; programs of sustainable development address the long-term needs of developing societies. But nations that are trying to emerge from crisis or make a transition from authoritarianism to democracy often have urgent, short-term political requirements that are not addressed by either traditional relief programs or programs of sustainable development.

USAID can help mitigate these problems in two ways:

First, by helping countries reestablish a degree of food self-reliance through the distribution of such things as tools, seeds, and other agricultural supplies essential to begin planting and to reinvigorate the agricultural sector.

Second, by helping to reinforce and rebuild institutions. The transition from disaster or civil conflict is itself a crisis. From the political point of view, it is best to address such crises early, before famine and social disorder perpetuate and the momentum of civil conflict becomes irresistible, and before the cost of reconstruction grows geometrically. From the developmental point of view, it is best to arrest conflict and buttress institutions before the social structure collapses and takes with it the coherent pieces of an economy and a civic society that could grow and modernize.

MEASURING RESULTS

The success of foreign assistance is determined by its impact upon developing nations. Inputs are meaningless without reference to effects.

With this in mind, USAID will measure its results by asking how projects and programs achieve discrete, agreed objectives. This is a demanding approach that forces everyone involved in the foreign assistance process to focus on how projects actually affect the way people live and to distinguish self-sustaining accomplishments from ephemeral ones.

This approach also forces people within USAID to work as a team in designing, implementing, and evaluating projects and programs. It obligates them to cooperate with contractors and grantees; with NGOs, universities, and colleges; with the private sector; with other donors; with multilateral institutions; with host governments; with local authorities; and most important of all, with the citizens of developing countries, the intended beneficiaries of these programs.

While no program can touch every aspect of life within a society, individual programs in each of USAID's areas of concentration need to be structured and implemented to produce affirmative answers to these kinds of questions:

Is the program consistent with the interests and values of the American people?

Does the program or project produce measurable, positive effects? Does it lower population growth rates, create jobs and incomes, augment food security, enhance public health, improve air and water purity, slow the loss of soil and soil fertility, arrest the loss of biodiversity, create indigenous democratic institutions?

Does it address the actual needs of the local people as they themselves define them? Does it consult local people to identify related problems and opportunities?

Does the program build indigenous capacities and permanently enhance the capacity of the society to improve the quality of life?

Does the program involve and empower the people who are supposed to benefit from it? Do they participate in planning, allocation of resources, selection of methods, management, oversight, and assessment of accomplishments? Does the program help create the institutions of a civic society? By its design and operation, does the program help establish and strengthen indigenous NGOs?

Does the program avoid duplication and incorporate lessons learned by the development community? Are the specific ways in which the program affects global and transnational problems shared locally, nationally, and regionally?

Does the program create economic opportunities for different groups in society? Does it generate economic opportunities for American business? Are USAID mechanisms used to identify and disseminate these opportunities to the agencies, companies, and individuals in the country, in the region, and in the United States who might benefit from them?

By applying standards such as these, USAID can ensure that its development programs help the United States respond to the strategic threat of failed development. These standards will shape USAID's approach to each of the areas of strategic concern, as is evident in the five accompanying papers. The value of these standards will be evident in the attitudes they affect within the Agency and the development community, in the development effort that ensues, and in the global improvement in the quality of life.



Protecting the Environment: USAID's Strategy

THE CHALLENGE

Environmental problems increasingly threaten the economic and political interests of the United States and the world at large. Both industrialized and developing nations contribute to the threat.

Human activities are disrupting the Earth's global life support systems — the atmosphere and the planet's wealth of biological resources. Atmospheric concentrations of greenhouse gases continue to rise, with potentially catastrophic consequences for the global climate. The loss of untold numbers of plant and animal species and their habitats impoverishes the natural world for future generations and eliminates raw materials for advances in medicine, agriculture, and other fields.

At the local level, environmental degradation poses a growing threat to the physical health and economic and social well-being of people throughout the world. Explosive and poorly managed urbanization has contributed significantly to air, water, and soil pollution worldwide. The erosion and degradation of soils, loss of fertility, deforestation, and desertification beset rural communities and undermine food production, cause malnutrition, and impel migration. Water shortages cause conflicts among industrial, agricultural, and household users within countries and among nations.

The impact on developing nations can be measured in graphic human and economic terms.

Widespread soil degradation is reducing the capacity of many countries, particularly in the tropics, to achieve food security. In Eastern Europe and the former Soviet Union, air-borne pollutants are the likely cause of high levels of morbidity and respiratory illnesses. Water pollution alone accounts for some 2 million preventable deaths and millions of illnesses each year. Environmental degradation can reduce national incomes by 5 percent or more.

America's own well-being is directly threatened by environmental degradation around the world. We cannot escape the effects of global climate change, biodiversity loss, and unsustainable resource depletion. The consequences of local environmental mismanagement — increasing poverty, social instability, wars over resources — endanger our political and economic interests. The quality of life for future generations of Americans will in no small measure be determined by the success or failure of our common stewardship of the planet's resources.

The scope of the problem is clear:

Environmental problems are caused by the way people use resources. Workable solutions must focus on how humans and their economic interests interact with the natural environment and its resources. They must address how people perceive the environment and how they utilize it; how they judge the costs of using resources; and how political, industrial, and agricultural processes either damage or protect the environment.

Environmental damage often is driven by poverty and food insecurity. These two factors deprive people of the possibility of making rational choices about how to use resources. They force individuals and communities to choose short-term exploitation over long-term management.

Environmental problems reflect the imperfections of private markets. Adam Smith's "invisible hand" is not always a "green" hand. Government policies often distort markets and encourage excessive exploitation of natural resources. Public interventions to correct market failures and eliminate market distortions often are necessary to protect the environment. Effective public institutions that create and monitor an environment favorable to sustainable resource use are critical. This, in turn, requires active public participation in the setting of standards, monitoring, and enforcement. Market-based approaches should be pursued wherever possible and appropriate; since solutions ultimately must make economic sense, regulatory institutions, the policy environment, and incentives must help define what is economically rational and what is not.

Environmental problems have systemic effects. The impact of most environmental problems is ultimately regional or global, so the solutions must transcend borders. Interventions produce the best results when they simultaneously address the problem locally, nationally, regionally, and globally.

Environmental damage often is irreversible. Thus, the need for action is urgent. Early intervention is critical to preventing the extinction of a species or limiting the impact of pollution on public health. Debates over ways to save biodiversity after the tropical forest is gone or how to clean up a river after children have been hurt are moot. Worse, the failure to act makes it more difficult to respond effectively to future environmental problems.

At the 1992 United Nations Conference on Environment and Development (UNCED), both rich and poor nations agreed that economic growth and environmental stewardship must both be pursued to avoid a catastrophic overload of the Earth's carrying capacity in the next century. Economic growth cannot be sustained if the natural resources that fuel that growth are irresponsibly depleted. Conversely, protection of the environment and careful stewardship of natural resources will not be possible where poverty is pervasive. This is the conundrum and the opportunity of sustainable development.

STRATEGIC GOALS AND AREAS OF CONCENTRATION

USAID will pursue two strategic goals:

- Reducing long-term threats to the global environment, particularly loss of biodiversity and climate change.
- Promoting sustainable economic growth locally, nationally, and regionally by addressing environmental, economic, and developmental practices that impede development and are unsustainable.

USAID will concentrate on the following kinds of problems:

Globally, it will focus on the growing sources and diminishing sinks of greenhouse gas emissions and on impoverishment of the planet's biological diversity at the genetic, species, and ecosystem levels.

Locally, it will focus on the abiding impairment of human health due to air, water, and soil contamination from industrial, agricultural, and household activity; unsustainable exploitation of forests, wetlands, coastal zones, coral reefs, and other ecosystems that provide vital ecological services;

degradation and depletion of water resources; unsustainable agricultural practices; inefficient and environmentally unsound energy production and use; inadequate management of household and municipal wastes in growing urban areas; regulatory, statutory, enforcement, and policy issues; and social and economic patterns, including the lack of local participation and empowerment, that contribute to the aforementioned problems or impede solutions.

OPERATIONAL APPROACHES

USAID will pursue an integrated approach to environmental issues as outlined in Agenda 21 of the UNCED (Earth Summit) guidelines for ecologically sustainable development. The causes of environmental degradation often are the result of underlying pressures of poverty and rapid population growth. Programs in every sphere of development — environment, economic growth, population and health, democracy — must be designed with conscious regard for their impact on the natural environment and their potential for improving environmental stewardship locally, nationally, regionally, and globally.

USAID will strengthen its institutional capacity to ensure that all Agency-supported efforts, whether projects or program-related investments, are environmentally sound. Where necessary, it will require mitigating measures or project redesign.

Solutions begin at the local level, even for environmental problems with global implications. Lack of education, antiquated and inappropriate technologies, the local regulatory environment, economic policy distortions, and the absence of economic and social incentives to protect the environment all contribute to the continuation of damaging practices. USAID's environmental assistance programs thus must empower individuals and communities

to act; they also must facilitate collaboration among government agencies, the private sector, and local groups. Such empowerment efforts must specifically reach out to include women and members of minority groups. Experience has shown, for example, that improving education for girls may be one of the most effective, long-term environmental policies in Africa and other parts of the developing world.

USAID will promote the involvement of citizens in identifying problem areas, suggesting and designing solutions, overseeing implementation, and evaluating results. USAID will actively support environmental initiatives by local governments, communities, and non-governmental organizations (NGOs) to help articulate local concerns and involve individuals and communities in decisions that affect the local and global environments.

Close coordination and communication with the host government are essential to all development work; they are especially critical here. Environmental projects invariably involve diverse political actors, economic forces, and social groups. USAID will work to create and strengthen consultative, management, review, regulatory, and monitoring capacities at the regional, national, and local levels, in order to avoid misunderstandings and build consensus about plans and action.

To sustain the environmental impact of its work, USAID will encourage the development of an institutional and policy capacity within recipient countries. This improved capacity will help facilitate the flow of information, encourage consultations in-country, support economically efficient and environmentally sound policies, and promote the development, transfer, and adoption of technologies that enhance environmentally sound growth. Since many environmental problems (and solutions) are regional in nature, USAID will encourage regional approaches, including ongoing

coordination, establishment of priorities, allocation of responsibilities, exchange of techniques, and sharing of technical resources.

USAID will coordinate its efforts with other members of the donor community. It will pursue partnerships with the U.S. and international environmental community of universities, private voluntary organizations (PVOs), professional and academic groups, scientific organizations, and the private sector to identify priority areas and appropriate methods, share responsibilities and technical resources, reinforce the efforts of other donors, and avoid duplication. Agency field missions will work to strengthen local markets for U.S. environmental technology services and equipment through capacity building, local environmental management, training, and dissemination of information.

PROGRAMS AND METHODS

USAID will focus on programs that address these issues and use these methods:

Global Issues: In the area of **climate change**, USAID will identify key developing and former Soviet bloc countries that are, or will become, significant contributors to global greenhouse gas emissions. USAID will work with these countries on a case-by-case basis to develop appropriate action plans to reduce sources and enhance sinks of greenhouse gas emissions, through activities consistent with local environmental and economic goals. As appropriate, efforts in this area will include energy efficiency improvements; expanded use of renewable energy technologies; limiting deforestation, the burning of forests and agricultural lands, and other carbon-emitting land-use changes; and introduction of new agricultural practices to reduce methane emissions.

USAID's approach to **biodiversity** will focus on promoting innovative approaches to the conservation and sustainable use of the planet's biological diversity at the genetic, species, and ecosystem levels. "Biodiversity" refers to the variability among living organisms from all sources, including terrestrial, marine, and other aquatic ecosystems, and among the ecological complexes of which they are part. This includes diversity within species, between species, and among ecosystems. We are only beginning to fully understand the economic value and biological underpinnings of biodiverse areas.

Protecting biodiversity is a complex and multifaceted challenge. It involves promoting sustainable economic uses of biological resources; strengthening systems of parks and protected areas, and supporting ex-situ efforts such as herbaria, gene banks, and zoos. Geographically, USAID will maintain a special focus on two types of areas: those richest in biodiversity and facing the greatest threat; and those that are least disturbed and present the greatest opportunity for long-term conservation. USAID also will support conservation and sustainable use of biological resources where this is judged to be a priority for sustainable development at the country level.

Substantively, USAID will focus on developing sustainable economic uses of biological resources; building local capacity for the management of biodiverse areas, including management of parks and protected areas; supporting innovative, non-governmental conservation and research programs; encouraging the involvement of indigenous peoples and local communities at every stage of decision-making; and facilitating the setting of conservation priorities that respect the rights of indigenous peoples at the local, national, and regional levels.

Country Issues: USAID's approach to national environmental problems will differ on a country-by-country basis, depending on a particular country's environmental priorities — as determined by the host government and local communities and citizens — and USAID's overall country program. All country strategies will include assessments of these elements:

Improving agricultural, industrial, and natural resource management practices that play a central role in environmental degradation. As appropriate, USAID-supported programs will target objectives such as:

- Conservation of soil and water through improved tilling practices, erosion planning and control, integrated pest management, reductions in the use of pesticides and in fertilizer and pesticide runoff, efficient design and management of irrigation systems, and protection of aquifers and integrated water resource planning and management.
- Reduction of industrial- and energy-related environmental degradation through the adoption of pollution prevention strategies and pollution control systems in industry, and through energy efficiency programs, renewable energy applications, fuel switching, and installation of environmental controls in the energy sector.
- Amelioration of rural and urban natural resource management problems and land-use problems through efforts to limit deforestation and promote reforestation; support for conservation and environmentally sustainable uses of forests, coastal zones, and other important ecosystems; and in urban areas, improved water resources management, land-use, sewage and waste disposal, and transportation planning.

Strengthening public policies and institutions to protect the environment. As appropriate, USAID will support such activities as:

- Reform of national economic policies, development strategies, and market mechanisms to end unintended or misguided environmental damage, promote conservation, and encourage sustainable resource management.
- Development of a comprehensive environmental policy framework, including laws, regulations, and standards at the national and local levels, as appropriate.
- Promotion of procedures for measuring, assessing, monitoring, and mitigating the environmental impact of economic growth.
- Improved enforcement of environmental laws and regulations through increased funding and technical training for regulatory agencies, enhanced public participation, and development of non-governmental advocacy groups.
- Creation or strengthening of competent environmental institutions within government, the private sector, the NGO community, and academia.
- Creation of environmental data bases and natural resource inventories.

Bilateral and multilateral interventions.

USAID also will work bilaterally and multilaterally, pursuing dialogues with governments on environmental issues, such as environmental regulations, natural resource usage, and energy pricing policies; dialogues with international agencies, especially agencies of the United Nations and international financial institutions, on the environmental impact of lending practices in developing

nations; and the design and implementation of innovative mechanisms to support environmental work, including the establishment of trust funds and endowments and the design and completion of debt swaps and debt forgiveness.

Environmental research and education. As resources permit, USAID will continue its support for applied research on key environmental issues; non-capital intensive elements of technology transfer, such as institutional cooperation, scientific exchanges, development of human resources, and policy development; and support for public education on issues affecting the environment.

MEASURING RESULTS

USAID will insist on measurable results from its programs. It is not enough to measure project inputs, funds spent, etc. The sole standard of success is the impact that programs have on host nations, their societies, and the lives of citizens. Detailed performance criteria for environmental activities will be developed in consultation with expert and interested outside parties. As appropriate, the following types of questions will be asked of environmental programs supported by USAID:

In the area of climate change: Are greenhouse gas emissions being reduced in countries that contribute most to the problem? Have these countries identified sources and sinks of emissions and implemented national action plans that address key sectors, e.g., energy, forestry, agriculture?

In the area of biodiversity: Have levels of biodiversity in key geographical areas been conserved? Have conservation plans and strategies been implemented for these areas, including provision for protection of parks and sensitive areas and support for sustainable economic activities for inhabitants of these areas and their buffer zones? Do these plans enjoy the support of local people, such that

they can be maintained over time? Have national and regional biodiversity strategies that address underlying social and economic forces been implemented, including both in-situ and ex-situ approaches? Have economic policy distortions that encourage excessive exploitation of critical habitats been reformed?

In countries where the concern is environmentally harmful agricultural practices:

Have agricultural activities in fragile lands been reduced? Has soil management improved, as demonstrated by better soil tillage and nutrient content and reduced soil erosion? Has the use of inappropriate pesticides been ended? Has pollution from chemical runoff been reduced? Have integrated pest management techniques been disseminated and adopted? Have government subsidies or other policies encouraging environmentally harmful agricultural practices been reformed? Has an indigenous research capacity committed to the development of environmentally sustainable agricultural technology been developed? Do local farmers, both male and female, benefit from this research and from permanent lines of communication with international agricultural experts and institutions?

In countries where the concern is environmentally harmful urbanization practices:

Have urban land-use plans been developed in consultation with affected businesses and communities and implemented? Have local governments adopted, implemented, and enforced integrated solid and liquid waste management programs? Are the levels of primary, secondary, and tertiary sewage treatment before discharge increasing?

In countries where the concern is environmentally harmful industrial and energy practices:

Have ambient levels of air and water pollution been reduced in target airsheds and water bodies? Have pollution-related public health conditions, including the incidence of lead- and

heavy metal-poisoning, improved? Have industries implemented pollution prevention and control strategies? Have government subsidies or other policies that encourage inefficient and environmentally harmful industrial practices or activities been reformed? Have policies for energy efficiency, renewable energy, and fuel switching been implemented? Have energy production facilities adopted appropriate environmental controls?

In countries where the concern is environmentally harmful natural resources management and land-use practices: Have rates of deforestation been reduced? Have subsidies or other policies that encourage deforestation been reformed? Have conservation strategies been implemented for watersheds, critical ecosystems, and habitats for rare, threatened, or endangered species? Have national forestry policies been reformed to discourage unsustainable forestry practices? Have rates of destruction for other critical ecosystems, e.g., wetlands, coral reefs, and coastal zones, been reduced?

In poorer countries where the concern is strengthening environmental policies and institutions: Have culturally appropriate incentives to encourage the conservation of resources been established? Has a comprehensive environmental policy framework been adopted? Have regulatory agencies been established and are they functioning effectively? Have local NGOs been created or strengthened and do they participate at all levels of environmental planning and monitoring? Has the environmental research capacity of indigenous institutions been enhanced?

In advanced developing countries and economies in transition where the concern is strengthening environmental policies and institutions: Are national economic development strategies consistent with environmental

goals? Has a comprehensive environmental policy framework been established that is appropriate to changing economic and social circumstances? Are regulatory institutions well funded, staffed, and trained? Do NGOs, including PVOs, academic research institutions, and community groups participate in all levels of environmental planning and monitoring?



Building Democracy: USAID's Strategy

THE CHALLENGE

People throughout the world have demonstrated by their own actions that freedom is a universal concept. Men and women have risked their lives for the proposition that freedom, human rights, and accountable government are not just the province of a few industrialized states. The influence of democratic ideas has never been greater.

Political openings during the past decade came as a result of concerted, often courageous, indigenous efforts to build democracy. Some autocrats conceded their failure at the ballot box; some simply resigned; some embraced reform. A number of nations pursued democracy as an alternative to civil war.

The democratic transitions of the last few years create the possibility of a more peaceful, more rational, and more productive world. At the same time, nascent democratic institutions and processes are strained by unrealistic expectations of immediate socioeconomic progress, and by the rekindling of old enmities, including religious, regional, and ethnic passions. Moreover, many new democracies need to expand and deepen the transition process beyond a periodic vote for national leadership. They need to institutionalize community participation at the local level and an accountable, transparent style of governance that can ensure citizens a modicum of control over their own lives.

The absence of democratic change is also a matter of concern. Autocracy survives in many parts of the world. Violations of human rights remain a

major problem in many countries. Every day — in fewer nations than a decade ago, but in too many nations nonetheless — people are victimized and denied any meaningful participation in decisions that affect their lives. As illegitimate governments crumble, violence and corruption by those acting under state authority frequently ensue.

Faltering democracies and persistent oppression pose serious threats to the security of the United States and other nations. Narco-terrorism, ethnic warfare, uncontrolled migration, and religious intolerance threaten the very notion of a world community and international peace.

Because democratic regimes contribute to peace and security in the world and because democracy and respect for human rights coincide with fundamental American values, the Clinton Administration has identified the promotion of democracy as a primary objective of U.S. foreign policy. Foreign assistance is a natural vehicle for achieving this goal.

In accordance with Administration policy and congressional mandate, USAID will decline to provide any form of assistance, except to meet humanitarian needs, to governments that engage in a consistent pattern of gross violations of internationally recognized human rights. Further, when allocating scarce development resources among countries, USAID will consider a government's human rights performance, including its willingness to permit the emergence and function-

ing of democratic institutions and independent political groups. At the same time, USAID will continue supporting human rights organizations and other groups that are struggling for political freedom in non-democratic societies.

Democratization is an essential part of sustainable development because it facilitates the protection of human rights, informed participation, and public sector accountability. USAID's success in the other core areas of sustainable development is inextricably related to democratization and good governance. Repression, exclusion of marginalized groups, human rights abuses, disregard for the rule of law, corruption, and autocracy are antithetical to development. Therefore, USAID has attached a high priority to strengthening democratic institutions and popular participation in decision-making.

Democracy's freedoms permit the formation of a wide range of non-governmental organizations throughout society, including community associations, service providers, unions, advocacy groups, and religious institutions. These private organizations often stimulate innovation in production and social services, confront corruption, advocate respect for human rights, and promote and defend democratic processes and institutions.

STRATEGIC GOALS AND AREAS OF CONCENTRATION

USAID's strategic objective is the transition to and consolidation of democratic regimes throughout the world — as an end in itself and because it is a critical element in promoting sustainable development. This objective is achieved through the establishment of democratic institutions, free and open markets, an informed and educated populace, a vibrant civic society, and a relationship between state and society that encourages pluralism, inclusion, and peaceful conflict resolution. The promo-

tion of democracy is a long-term process that will require sustained commitment and timely and politically adept interventions.

Local involvement is important in any kind of foreign assistance, but it is essential in democracy building. Local forces must provide the principal impetus for creating, nurturing, and sustaining an environment in which democracy can thrive. USAID's role is to stimulate and reinforce democratic elements at the city and community level.

USAID faces a twofold task: to help people make the transition to democracy from authoritarian rule and to facilitate the empowerment of individuals and communities in non-democratic societies, in order to create a climate conducive to sustainable development. USAID aims to accomplish this task not only through democracy-building programs, but also through economic and social development programs that mandate participation, transparency, and accountability.

USAID recognizes that there are many paths to democracy and many variations of governmental mechanisms based on historical, social, and cultural realities. However, all sustainable democracies share certain fundamental characteristics: respect for human and civil rights, peaceful competition for political power, free and fair elections, respect for the rule of law, accountable government, and an environment that encourages participation by all sectors of the population. USAID will emphasize these universal elements in implementing programs.

USAID's programs will focus on some of the following types of problems:

- Human rights abuses, arbitrary action by civilian governments and security forces, and impunity of government officials from the rule of law.
- Misperceptions about democracy and free-market capitalism.

- Lack of experience with democratic institutions.
- The absence or weakness of intermediary organizations, such as labor unions, business associations, media outlets, educational institutions, and civic groups.
- Nonexistent, ineffectual, or undemocratic political parties.
- Disenfranchisement of women, indigenous peoples, and minorities; ethnic divisions; and the reemergence of politics based on ethnic, national, and religious chauvinism.
- Absence of or failure to implement national charter documents — a constitution, a bill of rights, citizenship laws — that promote democratic practices.
- Powerless or poorly defined democratic institutions, including politicized or corrupt judiciaries that deny due process, overly centralized government institutions, and ineffective or unaccountable institutions of local government.
- Elected positions for which there is no meaningful competition.
- Tainted elections.
- The inability to resolve conflicts peacefully.

OPERATIONAL APPROACHES

Democracy programs are often undertaken in a dynamic political environment. They can be subject to significant time pressures. They are intensely scrutinized locally and internationally — especially when the United States is involved.

Given these realities, USAID must pay considerable attention to the political situation within a country and must work closely with other U.S. Government agencies, especially the Department of State, to devise and implement democracy programs. In particular, USAID field missions, in collaboration with U.S. Embassy personnel operating as part of a country team, must continue to monitor the political situation once programs are under way and must be prepared to respond to changing circumstances.

This is a particular challenge when decisions must be made about whether to withdraw from a country or suspend programs — for example, in a situation where human rights abuses are steadily increasing. Difficult decisions to suspend programs may have to be made; the amount of money already invested should not preclude such decisions.

Timing can be critical. One-time events, such as a transition election or the formation of a constituent assembly, can jumpstart the democratization process, even where conditions in the country are not propitious. USAID will develop the capability to respond rapidly to these opportunities. This will enable the Agency to quickly provide start-up funds for democracy-building activities where events warrant. Such assistance will demonstrate a U.S. commitment to the democratization process and encourage other donors to act in a similar fashion.

The United Nations, the Organization of American States, the Conference on Security and Cooperation in Europe, and other intergovernmental organizations are committed to assisting member states in responding to requests for assistance in the democratization process. USAID will coordinate with these organizations on planning and programming. Many of these organizations are enhancing their ability to support democracy building, and USAID will assist them in that endeavor.

The potential damage caused by conflicting signals emanating from the international community and the waste caused by duplication demand a high level of coordination among bilateral and multilateral donors through such mechanisms as the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) and in-country consultation. Coordination may include joint assessments of priorities, needs, and donor strengths; harmonizing of financial allocations; sharing of technical resources and expertise; rapid transfer of relevant information; consultation on program effectiveness; and ongoing reassessments of a dynamic political situation.

USAID recognizes the dilemma posed by providing direct democracy program assistance to regimes in which the commitment to democracy is weak or absent. To implement programs effectively in such an environment, USAID officials must reconcile host government sensitivities with the interests of democratic forces outside government, whose views must be solicited before assistance is provided. Moreover, in no circumstances will USAID provide assistance that legitimizes an entrenched, non-democratic regime or that supports a government where human rights abuses continue or are increasing.

USAID will develop programs in full consultation with local groups. Their active participation in the design and implementation of specific programs is vital to promoting a sustainable democratic polity.

In implementing programs, USAID will work closely with U.S.-based private voluntary organizations (PVOs), non-governmental organizations (NGOs), educational institutions, professional and academic associations, and private organizations that are committed to supporting democratic development abroad and that have experience working in this field. Their ties to indigenous

counterparts and their international credibility make these organizations valuable partners in democracy building.

USAID will ensure that its programs build upon, but do not duplicate, the important work undertaken by the National Endowment for Democracy. The Endowment provides early funding to support activities that stimulate momentum for democratic change in pre-transitional and emerging transitional environments. Its independence from the U.S. Government provides for flexibility in programming and in establishing partnerships.

USAID will encourage contractors, grantees, and other development partners to take an international approach to democracy promotion and enlist parliamentarians, local officials, judges, election administrators, and men and women with technical skills from throughout the world in program activities.

Internationalism conveys a fundamental lesson: Democracies support and assist each other. Experience has shown that nascent democrats are influenced by the insights and perspectives of people who have faced similar challenges, especially those from their own region.

USAID will concentrate on building local democratic capacities, rather than relying exclusively on the intermittent importation of outside experts. USAID programs should stress appropriate technologies that can be maintained locally without continuous international involvement.

USAID will conduct periodic, cross-regional reviews of democracy programs. These will help ensure that USAID, its contractors and grantees, other donors, and the international community share experiences and benefit from field experiences.

Finally, USAID recognizes that the lack of economic development impedes the consolidation of democratic institutions. Where governments commit themselves to democratization, USAID will endeavor to provide assistance to promote broad-based economic growth through direct USAID programs and will encourage other bilateral and multilateral donors to provide appropriate support.

PROGRAMS AND METHODS

The specific types of democracy programs undertaken or supported by USAID will depend upon the social, political, economic, and cultural realities of a country, including the initiatives taken by its citizens, and upon available resources. In sustainable development countries, and to a lesser extent, transition countries, democracy programs will form part of an integrated country plan, which will have both short-term and long-term objectives. In countries with limited USAID presence, democracy programs will focus on discrete objectives, e.g., supporting non-governmental organizations.

USAID's democracy programs will support:

Constitutional mechanisms, including technical and organizational assistance to constitutional conventions and constitution-makers.

Democratically elected legislatures, including programs to improve the material, technical, and decision-making capabilities of legislatures.

Legal systems, including independent judiciaries and civilian-controlled police, and alternative and informal mechanisms for resolving disputes.

Local government entities, particularly those that have recently acquired additional institutional authority and responsibilities.

Credible and effective elections, where voters have confidence in the process.

Local, national, regional, and international organizations that protect human rights, including the rights of workers, indigenous peoples, minorities, and women.

Trade unions, professional associations, women's groups, educational entities, and a wide range of indigenous NGOs, particularly those that are partners in development programs.

Political parties and other national mechanisms of political expression in a strictly non-partisan manner and, consistent with statutory limitations, in a manner that does not influence the outcome of an election.

Independent media outlets and groups formed to promote and protect freedom of expression.

Improved civil-military relations, including effective civilian control of the military establishment.

Institutions and organizations that increase government responsiveness and accountability at the national, state, and local levels.

Educational efforts for children and adults that reflect community participation, promote the development of local NGOs, and encourage tolerance within society.

Finally, as a natural complement to longer-term democracy-building efforts, USAID, in consultation with other U.S. Government agencies and with adequate human rights safeguards, will support programs in transition situations for the establishment of democratic political institutions and for the demobilization and retraining of soldiers and insurgents.

MEASURING RESULTS

Democracy building is inherently a long-term, cumulative process. The fruits of a particular effort frequently are not discernable for a considerable period of time. Breakthroughs sometimes are followed by sudden reversals that are beyond the control of external actors. Moreover, democratic progress is a complex process, making it difficult to pinpoint precise cause-and-effect relationships. Democratic progress also is defined by changes in perceptions and attitudes that are difficult to measure.

Notwithstanding these hurdles, USAID will assess results, rather than just count inputs and outputs, in order to incorporate lessons learned from past work into future programs. USAID will review individual democracy programs to determine whether they have met their original specific objectives, whether they were carried out in an efficient and professional manner, and whether they had unanticipated positive or negative effects. Democracy programs concentrated on particular areas, e.g., rule of law or electoral assistance, will be reviewed on a cross-regional basis to identify effective program designs and mechanisms for overcoming specific political, social, and cultural obstacles. Finally, programs that address other development issues will be reviewed to assess their impact on democratization objectives, in order to facilitate the successful integration of our efforts.

USAID will consider discrete standards in evaluating the performance of democracy programs, including transformed attitudes and perceptions and changes in process and behavior. Detailed performance criteria will be developed in consultation with expert and interested outside parties. As appropriate, the following types of questions will be asked in the context of evaluating USAID's democracy programs:

Are basic laws relating to human rights being enforced? Has there been a significant reduction in

the overall rate of human rights abuses in the country?

Is the electoral process honest, as judged by all parties or by experienced international observers? Are election laws the product of consensus? Are they fairly and universally enforced?

Do the institutions of a civic society take an increasingly active role in decision-making? Do they measurably influence policy outcomes? Do they involve broad sectors of society, including disenfranchised groups such as women, minorities, and indigenous peoples? Are mechanisms that mandate pluralism and protect minority opinions in place and functional?

Do institutions exist at both the national and local levels that are accountable, transparent, and accessible? Are institutions structured to provide individuals with access and recourse?

Is there evidence that the rule of law is increasingly respected and that disputes are resolved without violence? Are gender-inequitable laws being changed so that women share the same rights under the law as men? Do institutions and processes exist that provide democratic education?

USAID's emphasis on results should not discourage experimentation and innovation. International democracy is a laboratory in which individuals and nations are expected to both borrow ideas and apply new methods.

The political process, by definition, is never complete; even long-established democracies continuously reinvent themselves. However, democratization is ultimately an internally driven process. Sustainable democracy is a fact when indigenous forces within a society can maintain and strengthen democracy without external support. USAID's programs will aim at this outcome.

Stabilizing World Population Growth and Protecting Human Health: USAID's Strategy

THE CHALLENGE

Certain factors play a critical role in keeping nations poor: a lack of resources; limited educational opportunities; a dearth of skills; and economic, social, and political systems that impede broad-based growth. Rapid population growth and poor health are inextricably linked, and they make every one of these conditions worse.

Poor health conditions and rapid population growth are closely associated with low status and limited rights for women. Moreover, the lack of basic rights, high rates of unintended pregnancy, and lack of access to basic health and family planning services threaten the health of both women and children. Conversely, the expectation of infant and child mortality encourages people to have numerous children in order to ensure that a few survive. When access to information about nutrition and sanitation is poor and health care and family planning services are inadequate, the result is increased mortality that contributes to high rates of fertility.

Poor health conditions and rapid population growth obstruct rational planning by forcing the national discourse to focus on day-to-day survival. No other factors so limit the options and flexibility of developing nations. Rapid population growth renders inadequate any investment in schools, housing, food production capacity, and infrastructure. It challenges the ability of governments to provide even the most basic health and social services. When people are undernourished and

disease-prone, they cannot contribute to their own development.

As expanding populations demand an ever greater number of jobs, a climate is created where workers, especially women and minorities, are oppressed. The educational and economic framework gradually collapses from supporting too many people with too few resources.

The problems of population and health in the developing world are being aggravated by the spread of HIV/AIDS. This health crisis threatens to overwhelm already limited health facilities and consume resources needed for long-term investments, both human and financial.

By their nature and consequences, population and health are global issues. Population pressure puts increasing stress on the Earth's already fragile environment. The world's population will grow by almost 1 billion people over the next 10 years, despite the fact that fertility and growth rates have begun to drop in many countries due to efforts made over the past three decades. This translates into a net increase of more than 270,000 people every day — 95 percent of them in the developing world.

Actions taken this decade — especially the expansion of reproductive choice — will determine when the world's population will stabilize.

What is done, or not done, in the next decade will determine the economic, social, and political prospects for much of the world for the next century.

The high fertility rates associated with poverty and rapid population growth have implications for the individual and the family. Very early, multiple, closely spaced pregnancies drastically increase the health risks to women and their children, limit opportunities for women, and diminish the ability of families to invest in their children's education and health. Millions of unwanted births and the prevalence of abortion are evidence that many women lack adequate access to reproductive health services.

More than 500,000 women die each year because of preventable complications from pregnancy, abortion, and childbirth; over 35,000 children die each day, mostly from preventable causes, and mostly in the developing world. The HIV/AIDS epidemic continues to spread at the rate of approximately 5,000 new infections per day. These conditions impede sustainable development and are tragedies for individuals, families, communities, and nations.

Yet the population and health problems in the developing world can be addressed. With better access to family planning and health services, individuals can enhance their ability to affect and improve their own lives and the lives of their children. Moreover, by slowing the rate of population increase, societies can give themselves more time and better options.

Progress has been made. The delivery of child survival technologies, notably immunizations and oral rehydration therapy, has led to markedly lower child mortality. At the same time, fertility rates in most countries have been brought down by the increased use of contraception, decreased child mortality, expanded education (especially among females), and economic growth. USAID-supported population and health programs, conducted in close coop-

eration with concerned national governments, local and international private voluntary organizations (PVOs), other donors, and indigenous non-governmental organization (NGO) partners, have contributed significantly to this progress.

STRATEGIC GOALS AND AREAS OF CONCENTRATION

USAID's population and health goals are mutually reinforcing. Specifically, USAID will contribute to a cooperative global effort to stabilize world population growth and support women's reproductive rights. Consistent with U.N. projections, this effort should result in a total world population between 8 billion and 9 billion by the year 2025, and less than 10 billion by the year 2050, with very low growth thereafter. Over this decade, USAID also will contribute to a global health goal of halving current maternal mortality rates, reducing child mortality rates by one-third, and decreasing the rate of new HIV infections by 15 percent.

To achieve this, USAID will concentrate its population and health programs on two types of countries:

Countries that contribute the most to global population and health problems. Such countries have the following characteristics: childbearing by large numbers of very young and older women; many closely spaced births; high numbers of infant, child, and maternal deaths; high female illiteracy; large numbers of women with an articulated but unmet need for family planning services; and large numbers of persons infected with HIV, or growing rates of HIV infection.

Countries where population and health conditions impede sustainable development. Relevant characteristics of these countries include fertility and population growth rates that outstrip the country's ability to provide adequate food and

social services; growth rates that threaten the environment; significant reproductive health problems due to heavy reliance on unsafe abortions; health conditions that impede the ability of children to learn and the ability of adults to produce and participate; growing rates of HIV infection; and significant gender gaps in education.

OPERATIONAL APPROACHES

At the program level, USAID's operational approach will be founded on these principles and objectives:

- Promoting the rights of couples and individuals to determine freely and responsibly the number and spacing of their children.
- Improving individual health, with special attention to the reproductive health needs of women and adolescents and the general health needs of infants and children.
- Reducing population growth rates to levels consistent with sustainable development.
- Making programs responsive and accountable to the end-user.

USAID will collaborate with other donors, host country governments, development agencies, universities and academic organizations, the private sector, PVOs, and NGOs. Where appropriate, USAID will pursue and practice joint planning and allocation of resources, sharing of methods, and pooling of technical resources. This will extend from the institutional level to the field.

Working closely with host country governments and local communities, USAID will construct country strategies that address the core elements of sustainable development. The population and

health component of the country strategy will take into account the activities of other donors, development efforts in other sectors, and every element of USAID's population and health assistance in that country. These population and health strategy components will address how population growth problems can be solved in that country, how the country can acquire the independent ability to cope with its population and health problems, and how USAID's programs will help the country graduate from foreign assistance. These plans must take into account the quality and strength of the health infrastructure; the true access that citizens, especially women, have to health and family planning services; the situation regarding HIV/AIDS and sexually transmitted diseases; and the employment, education, and empowerment of women.

We will help the United States expand its leadership in the field of population and health. The United States already possesses an extensive network of specialized programs, institutions, and technical experts. USAID will rely on these resources and encourage their expanded use by the donor community and developing nations.

The Agency will operate both bilaterally and multilaterally. It will continue to work with and support the United Nations Population Fund (UNFPA), the International Planned Parenthood Federation (IPPF/London), the World Health Organization (WHO), the United Nations Development Program (UNDP), the United Nations Children's Fund (UNICEF), and the World Bank and other international financial institutions and their global population, health, research, and information activities. This will enhance USAID's ability to deal with the transnational effect of population and health problems while enabling USAID to share its resources with virtually all developing countries.

Population and health programs will be responsive to needs and problems as they are defined locally.

They will actively involve women clients, providers, and indigenous experts in the conception, design, operation, evolution, and evaluation of population and health programs. To be effective, programs must encourage the development and involvement of indigenous PVOs and NGOs.

We will emphasize the use of integrated approaches to expand reproductive choice and rights, help slow population growth, decrease maternal and child mortality, and reduce the spread of HIV/AIDS and other sexually transmitted diseases.

By "integrated approaches," USAID means that population programs should seek to provide individuals with access to a range of family planning methods; should integrate family planning programs, as appropriate, with services that enhance women's health and child well-being and survival, in order to enhance both the effectiveness and the acceptance of family planning services; should utilize family planning systems, as appropriate, to provide information and services that limit the spread of sexually transmitted diseases; and should emphasize the importance of providing education for girls and women. By addressing co-factors, and by implementing related programs at the same place and time, integrated approaches increase the impact and sustainability of population programs.

Integrated approaches can save resources. They also are important in addressing HIV/AIDS because this disease particularly afflicts the very people who are in their most economically productive years and who should be most active in the development process: the young, the well-educated, and people in urban centers. Care and treatment consume ever-larger portions of national resources. The progress of the disease destroys family structure and increases infant mortality and the failure of children to thrive. Limiting the spread of HIV/AIDS thus is an economical and essential investment in sustainable development.

Where appropriate, USAID will seek to integrate family planning programs with programs that enhance public health. For instance, barrier contraceptive methods, particularly condoms, are the most effective means of preventing the spread of AIDS and other sexually transmitted diseases. Similarly, mothers taking their children for immunizations may also wish to take advantage of family planning services.

Finally, USAID will emphasize the quality, continuity, availability, and technical standards of services. We will build on existing health and family planning programs, assets, and investments.

PROGRAMS AND METHODS

The types of programs USAID supports will vary with the particular needs of the individual country and the kind of approaches that local communities initiate and support. However, most of USAID's resources will be directed to the following areas:

Support for voluntary family planning systems, including facilities and institutions that provide information on family planning methods and distribute contraceptives. Self-sustaining family planning systems and services will remain the core of USAID's population programs. Over 100 million women in the developing world have an articulated but unmet need for family planning. Moreover, millions of young people will reach reproductive age in the near future, creating even greater demand for family planning services and imposing additional burdens on existing family planning systems. Providing information about and access to a wide range of appropriate family planning methods not only remains the most effective means of reducing population growth rates to levels consistent with sustainable development but also significantly improves the health of women and children.

Building the local capacity of self-sustaining family planning systems and services also requires support for training (including clinical training), management, logistics, other support systems, and access to technical information and technology.

Programs designed to affect popular attitudes toward family planning should address the needs and attitudes of men as well as women, emphasize free and informed choice, and assess the reasons why people participate or do not participate in programs. Targets or quotas for the recruitment of clients should not be imposed on family planning providers; over the long term, meeting the unmet need for information and services is the best way to achieve national demographic goals.

Reproductive health care, including prevention and control of sexually transmitted diseases, especially HIV/AIDS, and improved prenatal and delivery services. Contraception is but one element of reproductive health, and to be effective, population and health policies must address women's reproductive health needs throughout their lives.

The particular needs of adolescents and young adults, including easily accessible information, counseling, and services dealing with early sexual activity, the health and economic consequences of early childbearing and unsafe abortions, and prevention of sexually transmitted diseases, including HIV/AIDS. Enhancing the ability and freedom of adolescents and young adults to make informed choices about contraception and health is especially critical.

Infant and child health, particularly immunizations, diarrheal and respiratory disease control, and nutrition. Complete immunization coverage and good nutrition are among the most cost-effective preventive health strategies.

Education for girls and women, particularly at the primary and secondary school levels, and

basic literacy for adolescents and young women. This also correlates strongly with lower birth rates, improved child survival, and smaller desired family size.

USAID, its indigenous partners, contractors, and grantees will design programs with certain critical standards in mind to maximize their impact and to ensure the greatest return from the development funds invested:

Does the program contribute to achieving population growth rates that are in balance with available resources as measured at the global and national levels?

Does the program contribute to measurable improvements in immunization coverage; reductions in infant, child, and maternal mortality; and reductions in new HIV infections at the global and country levels?

Does the program address the attitudes as well as practices of both men and women? Does it enhance the capacity of local institutions, communities, and individuals to identify and solve health and family planning problems? Do programs and projects address issues of sustainability, especially the technical and managerial aspects?

Does the program take into account links between population and environment, health, working conditions, social mobility, and democratic governance?

Does the program contribute to greater participation by women in the work force? Does it address issues of increased empowerment of women?

MEASURING RESULTS

To measure progress toward its goals and the effectiveness of its population and health programs, USAID will evaluate results in terms of the following measures: reduced fertility; reduced infant and child mortality; reduced high-risk births; reduced maternal mortality; and slower growth (and eventual reduction) in the number of new AIDS cases.

Measures of success at the country level will vary. There will be many intermediate signs of progress, such as expanded access to, increased use of, and improved quality of family planning and reproductive health services; increased contraceptive prevalence and continuation; improved women's reproductive health; expanded immunization coverage; decreases in the incidence and severity of communicable diseases among children; lower malnutrition rates; equal access to health care by gender; and higher school enrollment ratios for girls.

Ultimately, the success of USAID's population and health strategy will be measured in terms of its contribution to expanding reproductive choice and rights, improving the health of women and children, reducing the spread of HIV/AIDS, and stabilizing world population at a level consistent with sustainable development.

Encouraging Broad-Based Economic Growth: USAID's Strategy

THE CHALLENGE

The world economy has grown by an average of 3.5 percent per year during the last quarter century. However, the pattern of growth has been uneven among countries and within countries. A significant number of developing nations have achieved broad-based economic growth and thereby reduced poverty substantially, but many others have not. A quarter of the world's people remain on the margin of survival, struggling with malnutrition, poor housing, illness, and unemployment. Poverty on this scale is a global problem that makes other global problems worse.

Economic stagnation and persistent poverty in developing countries directly affect the interests of the United States and other industrial nations. Developing countries that have achieved sustained economic growth and substantial reductions in poverty are the fastest-growing market for U.S. exports. But opportunities to expand into new markets cannot materialize where growth does not occur and where poverty limits the demand for goods and services.

Slow or inequitable growth and widespread poverty feed political instability and civil strife. They can drive economic migrations, as people flee economic hardship and political conflict for safer, more prosperous countries. They cause unplanned, unmanageable urbanization, as economic refugees flee rural areas for the city. They figure promi-

nently in environmental degradation. Moreover, privation, poor health, and illiteracy contribute to high fertility, rapid population growth, and food insecurity.

The keys to economic growth and reduced poverty are an appropriate policy environment, sound institutions, good governance, adequate investment and savings, the availability of appropriate productive technologies, and access by the population to adequate food, health care, education, and housing. But beyond these basic requirements, there is no single best way to promote economic growth. USAID believes that a strategy for economic growth should be shaped by strategic objectives, not specific methods. What then is USAID's vision of economic growth?

USAID will help developing nations permanently enhance their capacity to improve the quality of life. Our fundamental goal is to help individuals within those societies improve the quality of their own lives and share equitably in the benefits of economic growth. We will concentrate on helping nations remove the obstacles that interfere with their economic vitality. We will concentrate on helping people unleash their creative and productive energies. The inevitable result of these endeavors, we believe, will be broad-based and sustainable economic growth.

STRATEGIC GOALS AND AREAS OF CONCENTRATION

USAID aims at helping the people of developing nations become participants in the economic and political lives of their nations, thus creating markets and reducing global poverty. We believe we can measurably contribute to this by supporting policy reforms in key economic sectors; by strengthening economic and political institutions critical to good governance; by encouraging the effective functioning of markets; by investing in human resources, especially the education and health of people; and by aiding projects designed to promote sustainable growth.

USAID will promote broad-based, sustainable growth by addressing the factors that enhance the capacity for growth and by working to remove the obstacles that stand in the way of individual opportunity. In this context, USAID will concentrate its efforts in three areas:

Strengthening Markets: Healthy market economies offer the best prospects for sustained, broad-based growth, expanded individual opportunity, and reduced poverty. USAID will address policy and regulatory impediments to the development of local markets and exports. This would include the enabling environment of policies, regulations, and laws; this environment affects agriculture and commerce, especially small farms, microenterprises (including poverty lending), and small businesses. USAID will also address weak or absent institutions of a market economy; inadequate infrastructure (including markets, storage, and transport); and technical assistance for the privatization of state-owned enterprises.

Expanding Access and Opportunity: USAID will pay particular attention to expanding economic opportunities for the less-advantaged in developing countries by helping to promote microenterprises and small businesses; by focusing

on the development and delivery of technology, including agricultural technologies appropriate to small farmers; by enhancing food security at the household and community level; by increasing the access of women to employment, land, capital, and technology; and by supporting social sector development intended to enhance the well-being of poor and disadvantaged peoples.

Investing in People: Building human skills and capacities throughout a society is essential for sustained growth, poverty reduction, and improved quality of life. USAID will support programs that address inadequate health services, particularly in the area of basic, preventive, and reproductive health care; education systems, especially primary education for girls and women; technical and business skills and access to technology; and other related social services and institutions that facilitate broad-based participation, especially by women, indigenous peoples, and other disadvantaged groups.

OPERATIONAL APPROACHES

USAID's efforts to promote broad-based economic growth will be shaped by these thematic approaches:

Participation. Fundamental to broad-based economic growth is the widespread involvement of individuals in the economy and society at large. USAID programs will foster participation in this broader sense, ensuring that efforts to promote economic growth involve and enhance the prosperity of people throughout the productive sector, especially microentrepreneurs, small business owners, smallholders, and members of cooperatives.

Institutional Development. Development must rely on local capacities. Foreign donors can assist, but the fundamental burden rests with the people and institutions of developing countries. USAID seeks to strengthen public and private

institutions in developing countries, so that they can manage their own development process, consistent with the wishes and needs of their citizens. The objective should not simply be more institutions, but better institutions — legal codes that are more coherent; courts that can enforce their decisions; and bureaucracies that are more effective and more responsive to the individual.

Sustainability. USAID has an interest only in economic growth that is sustainable. Growth that occurs without regard for degradation of the natural resource base impoverishes future generations. Growth that depends on constant infusions of grants or subsidized financing from abroad is inherently unsustainable.

Sustainability entails transformations. It requires the transformation of the work force so that it is healthier, better educated, and more inclusive. Concomitantly, sustainability entails increases in productivity that do not rely on the increased exploitation of workers. Sustainability requires an indigenous capacity to generate technology appropriate to local needs, as well as policies and institutions that facilitate the transfer and adaptation of technology from abroad. In predominantly agrarian societies, sustainability entails the transformation of subsistence farming into an agriculture that can create surpluses and increase rural incomes. It depends upon a viable urban sector that can generate jobs, provide essential services, accommodate migration, and boost productivity. Most important of all, sustainability mandates the greater involvement of individuals and communities in the decisions that affect their well-being.

PROGRAMS AND METHODS

In planning and supporting programs, USAID will ask: What is needed to unleash the productive capacity of this society? To strengthen markets, invest in people, and expand access and opportunity, especially for the less advantaged, USAID will

support the following kinds of programs and methods:

In the Area of Strengthening Markets: The foundation of economic growth is a favorable policy and institutional environment. This creates and strengthens markets, which, in turn, increase efficiency, encourage broader participation, and reduce poverty. Few foreign assistance projects can achieve their goals in an unfavorable environment.

Our objective is to work with host country governments, local authorities, communities, individuals, and other donors to create an enabling environment, comprising policies and institutions, that systematically and consciously encourages both individual initiative and choice in the private sector. USAID's programs to strengthen markets will pay close attention to improved governance and local empowerment, because these factors, more than anything else, determine the success or failure of policy reforms and institutional investments.

USAID will assist host nations in building indigenous institutions and developing policies that promote openness to trade and investment, support agriculture and rural enterprise, strengthen infrastructure and delivery of services in cities, provide adequate incentives for exports, reinforce the effectiveness and transparency of fiscal and monetary policy and regulations, avoid inefficient import substitution and unwarranted protection, and strengthen the enabling environment for development of the private sector.

USAID's programs for policy, regulatory, and legal reforms will help governments address such areas as tariffs and other trade restrictions; tax codes; investment; privatization; pricing mechanisms; the informal sector in both rural and urban economies; financial markets and services; agricultural production, marketing, subsidies, and land tenure arrangements; labor laws and policies; formalized property rights, including intellectual property

rights and patents; contract and property law; and business regulations. Particularly at the macroeconomic level, USAID will coordinate closely with the reform programs of the World Bank and the International Monetary Fund. USAID will assist recipient governments in their efforts to formulate and implement adjustment policies that are consistent with the country's development and can be supported by its people.

The Agency will help to build institutions by addressing the restructuring and development of local, provincial, urban, and regional markets; reform of the education and health sectors; and reforms that encourage efficient private and public investments in infrastructure, especially capital projects such as roads, ports, housing, water supplies, sewage and waste systems, and electrical grids.

USAID will encourage the establishment of flourishing agricultural sectors by addressing policy issues, marketing factors, and technologies. Programs will focus on factors that are pivotal to agricultural success: market-oriented pricing and trading policies; access to inputs, such as seeds, fertilizer, credits, technologies, information, and land; access to domestic and export markets; and crop production and marketing choice. USAID will continue to support agricultural research — work that has had a global impact and is indispensable to developing new methods and technologies that enhance growth and productive employment opportunities.

In the Area of Expanding Access and Opportunity: Local groups and individuals must take part in identifying problem areas, suggesting solutions, planning and designing projects, organizing intermediary institutions, overseeing implementation, and evaluating successes and failures. This, in turn, requires a commitment to leveling the playing field and empowering individuals so that they can fully participate in the development of their nation.

This is especially true for people who are mired in extreme poverty. Their primary need is the wherewithal to acquire sufficient food, a modicum of assets, and access to markets so that they can join the productive economy. Microenterprise development, including poverty lending, can be an effective way to address this need—the overriding, daily concern of more than a billion people.

USAID's programs thus will emphasize microenterprise and small business development. Our microenterprise programs will address three elements that are critical to broad-based economic growth and participation: removing obstacles that impede the creation of new businesses that provide incomes; helping existing enterprises to expand; and supporting the transition of small businesses and microenterprises to the formal sector.

To help microenterprises and small businesses become established and grow, and to assist the poorest men and women to become economic participants, USAID will support programs to simplify regulatory procedures and increase access to markets and technology. We will work with national and local authorities and private groups to enhance access to capital through cooperatives, village and neighborhood banks, and other poverty lending institutions. To help poor individuals and communities accumulate assets, finance their own development, and lessen their dependence on external sources of capital, USAID will support the development of banks and other self-sustaining financial institutions, including credit unions, that service small savers and borrowers.

Finally, because the protection of human rights, including the rights of workers, is fundamental to sustainability, USAID will support programs that seek to expand and safeguard these basic rights. USAID programs to promote economic growth will take into account labor conditions and worker rights, especially those of women, the poor,

indigenous peoples, economic and political migrants, and those vulnerable to debt servitude and indentured labor.

In the Area of Investing in People: USAID believes that sustainable, broad-based development requires investing in people to improve their health and productivity, enhance their skills, protect their rights, and help them be full participants in society.

The acquisition of economically valuable skills plays a central role in the empowerment of individuals. Education increases social mobility and thus serves as a formidable mechanism of conflict resolution. Moreover, rising education levels are critical to democratic governance and peaceful political discourse. USAID's education programs will give particular emphasis to the quality and availability of primary education, especially for the poor, women and girls, and minorities. The Agency will also support targeted, market-oriented interventions, aimed at technical and vocational training; the freer flow of technology and technical information; and training in business skills.

Recent World Bank findings show that a package of basic health care services can dramatically enhance societal productivity, especially among the poor. Such services alleviate many curable but endemic and debilitating illnesses that prevent people from earning a living or participating in society. Thus, USAID will support the creation and improvement of systems that provide basic, reproductive, and preventive health care. USAID will also focus on maternal health; child survival, including nutrition, immunizations, and treatment of diarrheal diseases and acute respiratory infections; access to clean water; control and elimination of endemic tropical and infectious diseases; prevention of HIV/AIDS and other sexually transmitted diseases; and the training of professionals and technicians in basic, reproductive, and preventive health care.

MEASURING RESULTS

Programs will be designed to produce results that demonstrably affect and enhance the way people live. In their conception and implementation, programs to stimulate economic growth must benefit local populations. In evaluating the impact of programs, the overarching concern should be whether standards of living have improved and whether improvements have been manifested broadly within society. While no program can touch every aspect of economic life within a society, individual programs in each of the three areas of concentration need to be structured to produce affirmative answers to these kinds of questions:

Has the incidence of poverty declined? Have incomes and employment risen for the key groups that comprise the poor? Are countries better able to address poverty using their own resources?

Are employment, incomes, and productivity in the informal sector rising? Have a significant number of microenterprises expanded their scale of operations or made the transition to the formal sector? Have women, minorities, and indigenous peoples participated in this expansion?

Have agricultural incomes and disposable rural incomes improved? Have increases in agricultural incomes been spread broadly among the rural population? Do small farmers have increased access to improved seeds, farming methods, purchasing and marketing structures, technology that allows them to increase their productivity, and export markets? Have these improvements increased farm income?

Are markets working more efficiently, with increased levels of activity and broader participation?

Have governments implemented and maintained agreed sectoral reforms? Have those reforms had

the positive economic effects intended? Do the reforms enjoy sufficient public support so as to make them sustainable?

Has the quality of primary education improved? Has the number of children with access to primary education risen? Is the proportion of girls in primary schools increasing? Is the proportion of children of indigenous peoples in primary schools increasing?

Has the availability of capital to the poor increased? Are more community-based lending institutions operating? Has the number of small savings institutions, such as credit unions, increased? Has the ability of these institutions to attract deposits increased? Are they viable and sustainable?

Do indigenous non-governmental organizations, including labor unions, private voluntary organizations, cooperatives, and consultative planning councils, function in ways that empower the poorest people in society and enable them to participate in national economic and political life?

Has agricultural productivity increased? Have market prices for food remained stable or decreased? Do individuals and communities have greater access to food, either through increased production or easier acquisition through markets?

Have the flow and availability of technical and support services to small businesses and microenterprises improved, and have they had a measurable effect on productivity, job creation, and profitability?

Has public health improved? Are improvements evident among all sectors of society? Have these indicators improved: the rate of infant mortality? access to family planning services, including programs for prenatal care and maternal health? number of cases of communicable diseases? rate of

childhood inoculation? the rate of malnutrition among children? access to basic health care services? equal access to health care by gender? access to clean water?

By supporting programs that produce positive answers to questions like these, USAID can enhance the political and economic interests of the United States and materially assist the emergence of a more peaceful, more prosperous world.

Providing Humanitarian Assistance and Aiding Post-Crisis Transitions: USAID's Strategy

THE CHALLENGE

The United States has a long and generous tradition of providing assistance to the victims of man-made and natural disasters. Our nation has traditionally viewed humanitarian assistance as both an act of national conscience and an investment in the future. USAID thus was established as both a development agency and America's primary means of providing emergency relief overseas.

For Americans, humanitarian assistance is not an act of charity, but an integral part of our vision of how a community of nations, some fortunate and some troubled, should operate. USAID has earned a reputation for delivering relief to people in need quickly and effectively. The Agency has embodied the conviction that with time and a helping hand, even the most afflicted nation can become stable again and turn to the future with hope.

The end of the Cold War has created new challenges that test the capacity of USAID and the international community to provide relief. Even as superpower tensions have eased, religious and ethnic rivalries have sharpened. The sudden demise of the Soviet bloc left many fragile, internally conflicted states. A number of profoundly weak nations, particularly in Africa, have reached the point of terminal collapse. Other countries are struggling to implement fragile settlements to protracted internal wars.

Increasingly, tensions are exploding into armed conflict. Civilians have become primary targets, and thousands have been killed. Entire societies

have been devastated. Millions of people have been internally displaced or turned into refugees, with scant means of earning a living, and little hope of repatriation.

Traditional disaster relief has been affected by these events. Societal breakdowns increasingly impede the integrated responses that work best against drought and famine. In a nation divided by civil war, every act of charity may be politicized by one faction or another.

The disintegration of civil society, in and of itself, invites disaster: Rising disorder devastates the economy and skews the distribution of food, water, and essential goods and services. It destroys local institutions that people normally rely upon to organize a response. It makes small calamities more severe, and thus foments catastrophe.

The end of the Cold War has also created more so-called transitional situations — circumstances in which countries try to emerge from a national conflict, a significant political transition, or a natural disaster — where the timely provision of assistance can help revitalize society, reinforce institutions, and preserve national order. These countries have special needs that are not addressed by traditional disaster relief or long-term programs of sustainable development: the reintegration of dislocated populations, including demobilized soldiers; the restoration of elementary security and infrastructure; and the creation of political institutions. Transitional nations often are poised simulta-

neously for either growth or chaos. Given the opportunity and the risks — especially from the failure to act quickly and effectively — the donor community must try to respond.

USAID has learned four lessons in recent years that will guide our programs of humanitarian assistance:

Humanitarian relief and disaster planning are integral to sustainable development.

Manmade and natural disasters can wipe out years of development in a matter of minutes. The costs of clean-up, reconstruction, and adjustment associated with large-scale natural disasters can impose burdens on a national economy that persist for years. War, famine, and environmental damage can undermine development for decades to come.

Annual losses from natural disasters now equal the total of official development assistance, so investments in prevention and mitigation promise a significant financial and strategic return. By enhancing local capacities to deal with disasters, we can help developing nations strengthen their technical resources, their ability to plan for the future, and ultimately, their resilience.

Increasing attention must be given to preparation for manmade and natural disasters and to prevention or mitigation of their effects.

Local politics and government policies are the hidden components of all disasters, even natural ones, for they can ease the impact of calamity or make it worse. Prevention, especially of manmade disasters, requires attention to policy, planning, and strengthening local capacities. Disaster preparation also demands careful examination of relief efforts and recovery plans and the assumptions on which they are based — before disaster strikes.

The United States cannot bear the burden alone. It must collaborate with other donors and encourage them to contribute their share of the spiraling costs of relief. Multilateral leadership,

especially from the United Nations, is essential to resolve underlying conflicts peacefully and to prevent discord from turning into crisis and societal breakdown.

USAID's humanitarian activities mandate cooperation at home and abroad. The United States must use its resources carefully and forge partnerships with every potential provider and contributor of humanitarian assistance in the United States, in the international donor community, and in developing nations. USAID believes that indigenous non-governmental organizations (NGOs) and the local private sector are critical partners in formulating and implementing participatory, community-level programs for disaster prevention, mitigation, and reconstruction. In the aftermath of disaster, their involvement is essential to the restoration of infrastructure, social services, food security, and local political institutions. Moreover, longer-term rehabilitation and recovery programs to achieve sustainable growth at the national level must build upon grassroots activities that involve and empower local communities and individuals.

Humanitarian assistance is not an end in itself, but an integral part of an overall strategy for sustainable development. By helping nations acquire the means to plan for and respond to disasters, and by helping them return to the path of economic and social development, USAID can measurably contribute to a more peaceful and prosperous world.

STRATEGIC GOALS AND AREAS OF CONCENTRATION

USAID will provide humanitarian assistance that saves lives, reduces suffering, helps victims return to self-sufficiency, and reinforces democracy. We will aid people in need without regard to the politics of their government.

We will focus on these types of challenges:

- Disaster prevention, preparedness, and mitigation.
- Timely delivery of disaster relief and short-term rehabilitation supplies and services.
- Preservation of basic institutions of civil governance during disaster and crisis and support for new democratic institutions during periods of national transition.
- Building and reinforcement of local capacity to anticipate and deal with disasters and their aftermath.

OPERATIONAL APPROACHES

USAID will emphasize certain methodologies and operating styles as it provides humanitarian aid:

Coordination: The President has designated the USAID Administrator as his Special Coordinator for Disaster Assistance. As Special Coordinator, the Administrator organizes and oversees the response by agencies and departments of the U.S. Government to foreign disasters. He also coordinates American relief efforts with those of other nations and donors.

The humanitarian, political, and military responses undertaken by the United States must be cohesive and mutually reinforcing. USAID will attach the highest priority to ensuring that its activities contribute to the U.S. Government's policy objectives in the nation and region seeking assistance.

USAID will work closely with the Department of State and the Department of Defense to plan and implement relief operations, particularly the allocation of resources and the coordination of diplomatic and relief efforts.

The effectiveness of humanitarian assistance will be determined by the workings of an international relief system. USAID will help to strengthen the capacity of the United Nations to provide humanitarian relief and will coordinate closely with U.N. peacekeeping operations when they are involved in nations receiving humanitarian aid.

USAID will work with other departments and agencies of the U.S. Government; the United Nations and its agencies; multilateral development banks; other bilateral donors; international relief organizations; private voluntary organizations (PVOs), particularly those based in the United States and in recipient countries; cooperative development organizations; U.S. and foreign corporations; universities, colleges, and academic associations; business and trade associations, professional groups and groups whose members possess specific technical skills; and individual volunteers and activists to coordinate disaster planning, allocate resources and technical services, determine prepositioning of supplies, establish systems of transportation and delivery, and make in-situ assessments.

Coordination should include such things as enhanced cooperation with technical agencies of the U.S. Government that are skilled in the environmental and energy aspects of disaster management; closer ties to technical, medical, industrial, academic, and professional associations to facilitate donations of cash, supplies, and skilled labor; relationships with local and international businesses to utilize their facilities and community ties to plan for and coordinate responses to disasters; ties with academic institutions, in the United States and abroad, to train individuals and communities in disaster prevention, mitigation, and management; programs to develop local and national disaster plans; and establishment of advanced communication networks and the sharing of technical resources and information.

USAID has extensive experience providing humanitarian assistance and the expertise necessary to manage large, complex relief programs. USAID's field missions possess an understanding of the local environment that is essential to the success of these programs. Our capabilities will be further strengthened by close coordination with international and indigenous NGOs, our natural partners in development.

Rapid Response: USAID has developed and will maintain the capacity to begin delivering relief supplies and services within hours after the occurrence of a natural disaster. Working with PVOs and the U.N.'s World Food Program, USAID has also developed and will continue to maintain the ability to operate large-scale emergency feeding programs.

USAID is now developing the wherewithal to respond rapidly in countries undergoing crises and transition to new political and economic systems. These include failed and "teetering" states, those subject to internationally negotiated settlements of protracted wars, and newly independent and newly democratizing states.

Certain crises and transitions have urgent requirements that traditional programs of disaster relief, peacekeeping, and long-term development do not address. In many cases, intrinsically manageable crises have spiraled out of control, at great cost and suffering, because of the inability of the international system to fill this "gap" quickly. Our rapid response capability will enable us to assist governments in planning and assessing how to maintain basic governmental services and civil authority, restore essential infrastructure, and introduce political development programs in time to encourage democracy.

Integrated Approaches: Too often, the need for humanitarian assistance is the byproduct of poverty-related degradation of natural resources,

such as desertification or flooding due to deforestation, or the disintegration of food production systems and communal security nets. It is much cheaper to conserve existing economic assets and systems than it is to rebuild them.

Effective development programs provide an important buffer against natural disasters. USAID will assess all of its programs to ensure that they do not directly or indirectly contribute to manmade disasters or exacerbate natural disasters. USAID will encourage host governments and local participants to examine whether current economic practices contribute to cycles of crisis. USAID will support programs, especially those dealing with the environment and economic development, to strengthen the ability of society to weather disasters, respond effectively, and recuperate quickly. By emphasizing participatory development, the building of local capacity, and the acquisition of disaster management skills, USAID will enhance the ability of host countries to pursue sustainable development and to sustain that development even in the most difficult circumstances.

PROGRAMS AND METHODS

The types of humanitarian assistance USAID will provide will depend on the circumstances of each specific situation and each country. To ensure that the United States can respond effectively, USAID's resources will be allocated to the following programs:

Disaster preparedness, mitigation, and prevention. Preparedness activities will be concentrated in disaster-prone countries. These may include such programs as cyclone warning systems; volcano monitoring and evacuation plans; earthquake risk management; famine mitigation, including early warning, vulnerability mapping, and coping strategies; and professional training in disaster management. These programs will focus

on preventing and mitigating disasters through improved construction and siting practices; enhanced policies, regulation, and enforcement; modern industrial and environmental planning and safety procedures; and planned emergency responses and improved crisis coordination. USAID also will preposition relief stocks in strategic locations around the world.

Assessment of requirements. USAID will maintain its practice of assessing emergency conditions in order to identify relief needs and establish U.S. relief priorities. Such assessments may be performed by field missions or by USAID/Washington in close coordination with indigenous and international NGOs and international disaster experts. In some cases, specific assessments of food needs may be necessary.

Delivery of disaster relief, supplies, and services. Major disasters will normally require close coordination with other donors, especially the United Nations and its agencies, and other agencies of the U.S. Government. Indigenous, U.S., and international PVOs frequently will participate in the delivery of assistance. Early disaster relief may include feeding programs; disease control and emergency medical services, including immunizations, child survival interventions, and maternal and reproductive health care; emergency shelter; and restoration of communications, basic transportation, and financial services.

Disaster Assistance Response Teams. In selected cases involving especially serious emergencies, or situations where there is no on-site field presence, Disaster Assistance Response Teams (DARTs) will be used to assess needs. DARTs may also be used to coordinate USAID's response with other donors and the host government, to direct USAID relief efforts, and to strengthen communication and coordination among other agencies of the U.S. Government, such as the Department of Defense, as well as NGOs and other donors.

Crisis and transition assistance. USAID will concentrate on planning and coordinating programs that help nations return to the path of sustainable development. Specific actions will depend on the needs of the country and the contributions of other donors.

USAID will evaluate potential crises and transitions and may dispatch evaluation teams to provide on-site assessments of transition needs, resources, and capabilities. Other transition activities may include planning and assessing the need for aid for demobilization, training, and the social and economic reintegration of dislocated populations, especially women, children, internally displaced people, refugees, and former combatants; supporting the processes of political reconciliation; technical and logistical support for the drafting of new national charter documents; training to improve civil-military relations; assistance with judicial reform, the administration of justice, and the protection of human rights; help in organizing, conducting, and monitoring elections; reinforcement of national and communal institutions; providing short-term support to strengthen local NGOs; assisting other relief and development agencies in locating and utilizing services and resources; seeking matching funds and donations to leverage limited resources; and working closely with the Department of State and multilateral organizations to help ensure the safety of aid and relief workers.

Since the reestablishment of a degree of food security is an important step in the return to normality, USAID will assist nations that have just emerged from the most acute crisis phase to revive their agricultural production by providing seed, fertilizer, tools, and technical expertise. This will permit first- and second-year planting and help farmers and people returning to the farm to end their dependence on relief. Food aid itself can be an effective transition tool where, by use of monetization through the private sector, it is specifically targeted at restoring food markets that have been disrupted by crisis.

Finally, the development of enhanced technical capacities by PVOs and multilateral partners is critical to the delivery of humanitarian assistance. The increased capability of these organizations can only assist USAID's mission.

MEASURING RESULTS

The impact of humanitarian assistance cannot be measured *only* in terms of supplies shipped; the ultimate test comes from judging whether lives have been saved and communities revived. This is a complex and long-term process, and to find answers, four areas for assessing performance must be addressed:

First, the structure for responding to disasters and to the needs of countries in crisis and transition must be in place. Before crises occur, USAID, in close coordination with other agencies of the U.S. Government, multilateral agencies, PVOs, and local authorities, will ask:

Have supplies been stockpiled and service providers identified? Are supplies secure from loss and theft? When USAID moves to deliver goods and services, will they go to the right place in the right amount with the intended effect?

Have the prevention, mitigation, and preparedness activities of USAID anticipated needs and are they effective? Have local communities and businesses been enlisted for planning, prevention, and response? Do proposed shipments of supplies match and maximize local skills and capacities? In view of past disasters locally and regionally, are preparations commensurate with likely needs?

Are the partnerships and relations with the United Nations (including the World Food Program) and the PVOs understood by all? Are mechanisms in place to coordinate supplies, donations, and offers of skilled labor and ensure that they are delivered where and when they are needed?

Second, actual delivery of supplies and services must be timely and effective. During crises, USAID and its partners will ask:

Do disaster relief supplies and services reach their intended destination in time to make a difference? Are all forms of emergency relief supplies readily available and accessible to the intended beneficiaries, including women, children, the elderly, indigenous peoples, refugees, and members of minorities?

Do specific programs intended to save lives or reduce malnutrition, such as emergency feeding programs, have the intended impact?

Are profiteering and misuse effectively controlled? Are food and other relief supplies distributed so as not to discourage local production or distort local prices and markets?

Do programs of disease control and emergency medical services, including immunizations, child survival interventions, and maternal and reproductive health care, have access to necessary supplies and are they coordinated with food and nutrition interventions?

Third, in transitional and crisis situations, assistance must target the institutions and needs critical to the resumption of sustained development, civil life, and democratic governance. USAID and its partners will ask:

Has the response to countries in crisis and transition been appropriate to their needs, political situation, and indigenous capacities?

Have national and local political institutions been strengthened? Have key elements of the infrastructure, such as housing, communications, basic transportation, and financial services, been reinforced? Are the specific needs of internally displaced people and refugees being addressed?

Has food security increased throughout the country? Do farmers have greater access to seed, fertilizer, and appropriate technology? Has local food production increased significantly and/or are more people able to acquire the income needed to purchase food?

Has there been measurable progress toward national reconciliation and invigoration of the mechanisms of conflict resolution, as indicated by fair and open elections, constitutional conventions, new legal codes, reintegration of combatants, etc.? Is there evidence of decreased disorder in cities and in the countryside? Is there increased respect for human rights?

Fourth, follow-on mechanisms, after relief and rehabilitation, must be in place to help prevent cycles of crisis and to permit countries to cope with their own natural disasters and political crises. After the crisis stage has passed, USAID and its partners will ask:

Is USAID, in coordination with local authorities and communities, PVOs, and multilateral institutions, developing and implementing long-term development programs that measurably enhance the ability of countries to anticipate and manage natural disasters? Are the economic, political, environmental, social, and institutional causes of manmade disasters being addressed?

Have countries in crisis and transition made measurable progress toward a political and economic transformation?

Humanitarian assistance activities ultimately must be measured by simple, yet profound standards: Do these activities prevent human misery that is avoidable? Do they provide relief for human misery that is not? Does this assistance help countries that have suffered natural or manmade disasters and crises return to the path of sustainable development?

THE SECRETARY OF STATE
WASHINGTON

June 4, 1999

MEMORANDUM FOR ADMINISTRATOR ATWOOD
United States Agency for International Development

FROM: Madeleine K. Albright *mk*

SUBJECT: **The State-USAID Relationship**

As I wrote you on February 2, I very much welcome the closer relationship State and USAID are creating. You and I and our staffs have engaged in productive dialogue on how to structure it. The Foreign Affairs Reform and Restructuring Act of 1998 along with the new Executive Order and Delegation of Authority provide a sound basis on which to build the new relationship.

We have agreed that our goals should be to ensure:

- high priority for sustainable development, humanitarian, and other economic assistance missions, as key parts of U.S. foreign policy;
- effective implementation of programs to carry out these missions;
- clear delegation of responsibility and authority to USAID for the management of development and other economic assistance programs, with strong accountability;
- efficient and effective management operations; and
- maximum coherence and coordination in working with other USG agencies, donors, and multilateral institutions.

Consistent with the Act, USAID is an independent statutory agency with a separate appropriation. The Administrator is under the direct authority and foreign policy guidance of the Secretary of State. As you and I

have agreed, the Administrator creates development policy, implements development and other economic assistance programs, and manages and administers them. The Secretary reviews USAID's strategic plan and annual performance plan, annual budget submission and appeals, and allocations and reprogrammings of development and other economic assistance that are significant in terms of policy or money.

In this context, the Secretary delegates or redelegates to the Administrator the functions and authorities needed to carry out USAID's mission. These include authorities to: receive apportionments for development and other economic assistance appropriations; create policies for and implement development and other economic assistance programs; and manage and administer these programs, including requisite personnel authorities. State's NIS and SEED assistance Coordinators will continue their current functions under legislative mandates and executive charters.

You and I have further agreed to additional and strengthened mechanisms that will promote a closer State-USAID relationship:

Field Coordination. Close field coordination is a basic building block in the State-USAID relationship. USAID missions participate in preparing Mission Performance Plans (MPPs). Chiefs of Mission clear USAID country strategic plans (CSPs) and assessments of program performance and requests for resources (R-4s), the main elements of which are reflected in MPPs. The principal USAID official at a post is accountable to USAID/Washington but is also, as a member of the country team, subject to the responsibility of the Chief of Mission for the direction, coordination, and supervision of executive branch employees, in accordance with the Foreign Service Act.

Planning and Budgeting Coordination. USAID participates in developing the International Affairs Strategic Plan, and State participates in preparing USAID's Agency Strategic Plan. State reviews R-4 guidance to the field prior to issuance and ensures its consistency with State's guidance for preparing MPPs, which USAID participates in developing. USAID consults with State in

preparing its Annual Performance Plan and Report. Within State, S/RPP will lead on broad coordination issues with USAID. I understand that within USAID, PPC and M will have the lead on these issues.

Bureau Coordination. State bureaus participate in USAID annual reviews of CSPs and R-4s and consult on development of Bureau Budget Submissions (BBSs). USAID participates in State reviews of MPPs and the preparation of Bureau Performance Plans (BPPs). CSPs, R-4s, and BBSs will remain consistent with USAID's legislative requirements and accountability standards, including the Government Performance and Results Act. State regional bureaus and USAID counterparts take the lead to resolve issues that arise between MPPs and R-4s.

Senior officials from State and USAID counterpart bureaus (including other bureau representatives as desired) meet on a regular, bureau-to-bureau basis to address issues of development and other economic assistance. Consistent with overall State-USAID guidance, including that emerging from our forthcoming review of broad coordination issues, these senior officials consider policy, program, planning, budget, and allocation issues; requests for off-cycle assistance to meet emergencies or reinforce policy openings or diplomatic initiatives; and management of economic support fund (ESF) programs and the relationship of ESF and development assistance (DA) programs. Each State and USAID bureau will designate an official as point of contact.

Senior Coordination. State bureaus and the NIS and SEED Coordinators participate in the Administrator's reviews of BBSs prior to decision-making. USAID bureaus participate in the preparation and the Secretary's reviews of State Bureau Performance Plans. The Administrator attends the Secretary's senior staff meetings and is a member of the Corporate Board chaired by the Deputy Secretary. The Deputy Administrator attends the Deputy Secretary's staff meetings. The Administrator meets with the Secretary or Deputy Secretary to discuss assistance questions, including coordination. The Secretary conveys information and guidance to the Administrator, who also keeps the Secretary informed of key decisions.

Donor Coordination. State, in consultation with USAID (and where appropriate the Department of the Treasury), represents the United States in negotiations on treaties and other international agreements on development-related issues, and in World Bank Consultative Group meetings for the NIS and SEED countries. The Administrator, in consultation with State (and where appropriate Treasury), is the principal U.S. contact with development ministers from other donor nations. The Administrator represents the United States in OECD Development Assistance Committee meetings, the coordination of U.S. and multilateral development programs and activities, and World Bank Consultative Group meetings, including for NIS and SEED countries when called upon by respective State Coordinators (who will remain the principal U.S. contacts).

Management Coordination. State-USAID will promote efficient and effective management operations. They will explore ways to coordinate and consolidate as many administrative functions as possible, including retirement processing, a travel contract, information technology mainframe collocation, ICASS, training, storage of household effects, and housing.

Analysis of Broad Coordination Issues. As part of the dialogue to enhance our new relationship, State and USAID, in consultation with the NSC staff and OMB, will review and make recommendations on the following issues:

- broad coordination associated with development and other economic assistance;
- the best means to address off-cycle requirements, balance long- and short-term priorities, coordinate policy, global and cross-cutting issues, and promote coordination of policy on bilateral and multilateral aid; and
- the establishment of general criteria for using DA and ESF resources.

A State-USAID team, with advice from higher levels as needed, will undertake the review and convey it and the recommendations to us within 90 days.

State and USAID will also review and make recommendations on humanitarian and transition assistance policy and programs, to identify concrete policy and organizational options for making this assistance most effective. The review will be conducted in consultation with the NSC staff and other relevant agencies, and will be submitted to us within 90 days after it begins.

Brian, you and I are together laying the foundation for an even stronger State-USAID relationship for many years to come. It will promote the confidence, cooperation, and communication all of us seek and the President and the Congress expect. I look forward to a close collaboration as we embark on this vital undertaking.

9900160

THE SECRETARY OF STATE
WASHINGTON

February 2, 1999

Dear Brian:

As USAID and the Department enter into a closer relationship on April 1, I wish to reiterate how warmly I welcome this new, closer alliance. In accordance with the Foreign Affairs Reform and Restructuring Act of 1998, the President has sent his plan and report to the Congress on how he will implement his initiative to reorganize and strengthen the foreign affairs agencies. Based on his decisions, we can all work together productively to carry out this historic change.

I give high priority to sustainable development and humanitarian and transition assistance. The new State-USAID tie will enhance the cohesiveness of these efforts with our foreign policy, without compromising your responsibility for management of USAID's programs.

Assistance promotes many of our key goals, such as democratic and economic reform, preventing and mitigating crises, helping vulnerable populations and addressing global problems ranging from HIV/AIDS to climate change. Our hopes for peace in Bosnia, improved economies in Africa, renewed growth in Asia and robust democracy in the New Independent States all require USAID's sustained contribution of resources and expertise. For all of these reasons, I am committed to protecting resources for assistance.

In November at the worldwide meeting of mission directors, I praised USAID as the world's best development organization and said the USAID team has never been stronger. We must build on these strengths to shape a structure that integrates assistance even better with our other international affairs priorities.

In Under Secretary Cohen's and my messages in November to employees of foreign affairs agencies, we touched on how integration will work. Let me elaborate on how this should apply to the new State-USAID relationship. Under the Act, USAID will remain a separate agency with a separate

The Honorable
J. Brian Atwood,
Administrator,
Agency for International Development

appropriation and the management tools it needs. The Administrator will report to and be under the direct authority and foreign policy guidance of the Secretary of State, and will create development policy, implement development and other economic assistance programs and manage and administer these programs.

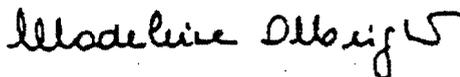
To maximize coherence in our goals and endeavors I will review USAID's strategic and annual performance plan, annual budget submission and appeals, and allocations and significant reprogrammings. I will delegate or redelegate to USAID the functions and authorities it requires to carry out its mission. In carrying this out smoothly, we will establish and use State-USAID coordination mechanisms. We look forward to USAID's continuing its excellent work in coordinating assistance with foreign and international donors and U.S. NGOs.

Reorganization will include the merger of USAID's press office with State's Bureau of Public Affairs, and the consolidation of certain administrative functions with those of State. Under the Act, the Secretary and USAID Administrator are to recommend what further steps can be taken to eliminate duplication; and we have begun by identifying several of these in the President's report.

As we carry out the President's overall plan, we will sustain our intensive reinvention efforts to increase effectiveness and efficiency. To this end we have created the Corporate Board chaired by the Deputy Secretary to consider broad priorities, cross-cutting issues and long-term planning. Although set-up costs will prevent early savings, integration will streamline functions and administration, provide more opportunity for reinvention and widen the circle of those involved. We will weigh best practices from all agencies and operate in a spirit of partnership.

Assistance programs play a vital role in helping America meet its foreign policy and international humanitarian challenges. Partly because USAID is a beacon of leadership and dedication, the United States is able to mobilize many more efforts by other donors. We can serve our shared goals even better as our two agencies cooperate even more closely.

Sincerely,



Madeleine K. Albright

THE SECRETARY OF STATE

WASHINGTON

September 28, 2000

MEMORANDUM FOR: Under Secretaries, Assistant Secretaries
USAID Assistant Administrators

FROM: Madeleine K. Albright *Madeleine Albright*
J. Brady Anderson *J. Brady Anderson*

SUBJECT: Guidance and Recommendations to Improve
Cooperation and Coordination between the
Department of State and the U.S. Agency for
International Development

Following enactment of the Foreign Affairs Reform and Restructuring Act of 1998, the Department of State and the U.S. Agency for International Development (USAID) accelerated efforts to work more closely in making development and other economic assistance a central element of U.S. foreign policy. Among the efforts was my decision, with the concurrence of then Administrator Atwood, to mandate the creation of a joint State-USAID Review Team to examine and make recommendations on broad foreign assistance coordination issues. We designated Anne Richard of S/RPP and Thomas Fox of USAID/PPC as co-leaders of this Review Team.

Administrator Anderson and I have carefully reviewed the report and recommendations of the State-USAID Review Team. The Team has developed sound and practical recommendations for enhancing cooperation and coordination between the two agencies. These recommendations address elaborating and standardizing the process by which we set clear objectives, develop planning and budgeting guidance, formulate annual budget requests, and implement the results of Congressional and the Administration's budget decisions.

We are pleased to endorse the Review Team's planning and budgeting recommendations contained in the "State and USAID Actions for Consultation and Coordination" paper (attached at Tab 1). This paper provides guidance that will help ensure improved coordination between State and USAID in the planning and budget cycle for both organizations. As illustrated by our recent meeting to review USAID's Sustainable Development assistance budget request for FY 2001, the procedures outlined

in the "Actions" paper are already being put into place, resulting in a more coherent approach to setting objectives and budgeting. To build further on these improvements, we will need your help and the active engagement of your bureau.

As one of the first steps needed to implement these recommendations, we believe it is important that each Assistant Secretary and Assistant Administrator designate a senior officer as contact points for interagency program resource issues and related personnel and operating expense issues. Within State, the contact should be a Deputy Assistant Secretary. The Coordinators for assistance to Eastern Europe and the New Independent States of the Former Soviet Union will continue to perform their current roles. Within USAID, the contact could be the Assistant Administrator or a Deputy Assistant Administrator. As a second step, we ask that you look ahead to the summer budget reviews and how you want to achieve the desired coordination.

The Team has given careful thought to sharpening the distinction between circumstances calling for using the Economic Support Fund (ESF) from those calling for using development assistance funding, which includes both the Development Assistance (DA) and Child Survival and Diseases (CSD) accounts as well as the Administration's proposed Development Fund for Africa (DFA). The State-USAID Team produced a paper entitled "Policy Guidelines for Using the Economic Support Fund and Development Assistance Funds." We endorse the Team's "Guidelines" (attached at Tab 2) as a starting point for decision-makers in both organizations.

Taken together, the USAID-State Team's papers promote reaching "maximum coherence and coordination in working with other USG agencies, donors, and multilateral institutions," a fundamental goal articulated in the June 4, 1999, transmittal memorandum on the State-USAID relationship. These documents also further highlight "the role of the Administrator in making development policy and managing and administering development and other economic assistance programs, under the direct authority of the Secretary of State. (All other reporting relationships remain unchanged.)"

While the Review Team is now disbanded, we have directed follow-up on two important issues. We are asking State's Office of Resources, Plans and Policy (S/RPP) and USAID's Bureau for Policy and Program Coordination (USAID/PPC) to assess the extent of problems related to the planning and implementation of State-

initiated (or Congressionally-mandated) small assistance programs, including in countries where USAID has no resident staff presence. The EB Bureau will have the lead for State in working with USAID/PPC to improve coordination on donor assistance between the U.S. Government and other donors and the international institutions.

During its deliberations, the State-USAID Review Team identified opportunities for closer cooperation between State and USAID. The "Additional Recommendations to Improve Cooperation and Coordination" paper (attached at Tab 3) identifies actions to broaden understanding and cooperation between the two organizations. In many cases, State and USAID can implement these actions at little or no cost. We urge bureaus and offices to give careful consideration to these recommendations and report back on which ones you will implement.

In addition, the State-USAID Review Team prepared short overviews of the planning and budgeting processes for ESF and DA as well as some of the major influences and constraints involved in managing these accounts. We invite all Assistant Secretaries and Assistant Administrators to review these papers and share them with your staffs. Copies are provided as attachments (Tabs 4 and 5) to this Memorandum.

Attachments:

- Tab 1: State and USAID Actions for Consultation and Coordination
- Tab 2: Policy Guidelines for Using the Economic Support Fund and Development Assistance Funds
- Tab 3: Additional Recommendations to Improve Cooperation and Coordination
- Tab 4: The Economic Support Fund: Budget Process and Influences
- Tab 5: Influences on USAID Sustainable Development Budget

**STATE AND USAID ACTIONS
TO IMPROVE COOPERATION AND COORDINATION**

This paper presents a number of actions in the policy, program, budget and implementation processes that are to be taken to improve State/USAID cooperation and coordination on development and other economic assistance. They have been approved by the Secretary and the USAID Administrator and are consistent with the interagency agreements set forth in the June 4, 1999, memorandum from the Secretary to the Administrator.

Within State, the Office of Resources, Plans and Policy (S/RPP) in cooperation with the Office of the Policy Planning Staff (S/P) will lead on broad coordination issues with USAID. Within USAID, the Bureau for Policy and Program Coordination (PPC) and the Bureau for Management (M) will have the lead on these issues. These four central offices/bureaus will meet regularly to assess progress in improving cooperation and coordination. Their staffs will participate in the major meetings in Washington related to plans and budgets. At overseas posts, Chiefs of Mission will be expected to take the lead in assuring mutually beneficial cooperation and coordination between State and USAID, with attention to the preparation of the planning and budgeting documents discussed below.

Also as a general principle, the four central offices will take the lead in assuring that relevant State and USAID Bureaus provide periodic feedback to the field about the planning and budgeting processes, including but not limited to a.) substantive reaction to planning and budget submissions from the field, b.) information on the Secretary's and the Administrator's decisions regarding budget submissions to OMB, c.) details of the final President's budget decisions, and d.) the results of Secretary's and the Administrator's decisions on the allocation of appropriated funds.

MULTI-YEAR STRATEGIC PLANS

Department/Agency Strategic Plans - Overall U.S. foreign policy and foreign assistance goals are articulated by the Secretary of State in the multi-year International Affairs Strategic Plan. Development, and other economic assistance goals and objectives are further elaborated in USAID's multi-year Agency Strategic Plan (ASP). USAID participates in developing the International Affairs Strategic Plan and State participates in preparing USAID's ASP. Participation will be carried out through the four central offices: S/RPP and S/P for State prior to review of the ASP by the Secretary -- PPC and M for USAID. These offices will involve other interested units within their

organizations and will assure consistency between the two broad planning documents.

Preparation of the USAID Country Strategic Plans (CSP) - USAID will prepare multi-year CSPs and Chiefs of Mission will clear them for consistency with USG country objectives.

USAID Washington Review of Country, Regional and Global Strategic Plans - Cognizant USAID regional and global bureaus will review and approve the CSPs. Appropriate State regional and functional bureau representatives will participate in these reviews.

ANNUAL PLANNING AND BUDGET GUIDANCE FROM WASHINGTON

A primary goal of the annual planning and budgeting guidance is to communicate major priorities of the Administration, as enunciated by the Secretary, and elaborated by the Administrator, so that overseas missions can develop programs and budget requests that reflect those priorities.

Program and Budget Guidance, USAID - The USAID planning and budget process begins in December with the issuance by PPC and M of annual planning guidance, which sets the parameters for submission by overseas missions and other operating units of Results Reviews and Resource Requests (R4) documents. R4s report on how the USAID program is performing relative to expectations, and they make detailed requests for resources (program funds, staff and operating expenses) for the planning period. State reviews R4 guidance to the field and ensures its consistency with State's guidance for preparing the annual Mission Performance Plans (MPPs).

Program and Budget Guidance, State - S/RPP and S/P, working with the Bureau of Finance and Management Policy (FMP) and the Office of Management Policy and Planning (M/P), prepare and coordinate the annual MPP guidance at about the same time as USAID's R4 guidance is framed. USAID will participate in the development of MPP guidance.

Both forms of annual guidance will identify any geographic and functional priorities to be considered as the MPPs and R4s are prepared.

Timing of the Program and Budget Processes - Starting with guidance on the Fiscal Year 2002 budget, efforts will be made to assure that the successive steps in the planning, programming and budget processes in State and in USAID take place at roughly the

same time to assure maximum coordination.

FIELD PREPARATION OF ANNUAL PLANNING AND BUDGETING DOCUMENTS

The vast majority of all foreign assistance programs should be proposed, vetted and decided upon through the normal R4 and MPP processes. New program proposals must identify the current and following years' funding implications, regardless of the proposed funding sources, as well as any significant staffing and operating expense implications. Potential sources include DA, ESF, FSA, SEED, PL 480, disaster assistance (IDA), and INCLE funds. Approved guidance on determining whether DA or ESF should be used to fund an activity will be used in preparing the annual documents (DA is defined as the Development Assistance, Child Survival and Diseases and, for FY 2001, the Development Fund for Africa accounts).

USAID Preparation of R4s - Based on the annual guidance, USAID overseas missions prepare R4s, which will be cleared by Chiefs of Mission for consistency with overall USG country objectives.

State Preparation of MPPs - Under the supervision of the Chief of Mission, Country Teams will prepare MPPs. USAID missions will participate in this process, and main elements of the R4s will be reflected in the MPPs.

In countries where USAID has no staff presence, the USAID regional bureau or office responsible for the country should be consulted early in the preparation process, and their inputs will be included in the MPP submitted by the Embassy.

As in the past, program and budget proposals in the R4s and MPPs will remain tentative until final decisions have been made on the President's Budget and communicated to the field.

WASHINGTON REVIEWS OF ANNUAL PLANNING & BUDGETING DOCUMENTS

To promote consultation and communication in Washington, each State bureau and corresponding USAID bureau will confer to identify issues of development and other economic assistance including issues arising between MPPs and R4s. The bureaus will develop possible solutions for these issues. The best practice is to communicate regularly and well in advance of the review sessions described below.

Each State and USAID bureau should also designate a contact point for interagency program resource issues and related

personnel and operating expense issues. Within State, the contact should be a Deputy Assistant Secretary. Consideration could be given to detailing a senior USAID employee to help carry out this role. For Eastern Europe and the New Independent States, the respective Coordinators will continue to perform this function. Within USAID, the contact could be the Assistant Administrator or a Deputy Assistant Administrator.

USAID Reviews of R4s - USAID Washington reviews of R4s take place during the Spring, chaired by the USAID operating bureaus responsible for the programs under review. Relevant USAID and State bureau representatives will participate in these R4 reviews.

Review of MPPs - State regional bureaus will conduct reviews of Country Team MPP submissions, also during the Spring. To ensure that other viewpoints are represented, relevant State and USAID bureau representatives and officials from other agencies will participate in these MPP reviews.

NOTE: In State and USAID, only about one-third of the MPPs and R4s submitted each year are reviewed in senior interagency fora. Cognizant desk officers organize the review and comments on the remainder.

WASHINGTON PREPARATION OF BUDGET SUBMISSIONS

USAID Bureau Submissions - Following the R4 reviews, USAID Assistant Administrators will decide on budget requests to the Administrator, and their bureaus prepare the annual Bureau Program and Budget Submissions (BPBSs). Bureau submissions present program, budget and staffing requirements for the budget year and a synthesis of the bureau's overall performance and progress and will be submitted to M and PPC in early July. State representatives consult on the development of the BPBSs.

State Bureau Performance Plans - Following the review of MPPs, State Assistant Secretaries also decide on budget requests, and their bureaus will prepare Bureau Performance Plans (BPPs), which cover both program and operating expense resources. USAID representatives will participate in the preparation of the BPPs, which will be submitted to S/RPP, S/P, M/P, and FMP in mid-June. Assistant Secretaries also lead interagency teams, including USAID, that will prepare materials for Senior Policy and Resource Reviews with the Secretary or other Department Principals (see below).

USAID Administrator Reviews - The USAID Administrator will conduct a series of BPBS reviews with each Assistant Administrator during late summer. The relevant State Assistant Secretaries or SEED/NIS Coordinators and S/RPP and S/P representatives will be invited to participate in the review for each bureau. The reviews will cover both geographic and functional programs.

State's Senior Policy and Resource Reviews - During the late summer, the Secretary or another State Department Principal will chair reviews in which each regional and functional assistant secretary will present policy priorities and resource requests. Relevant State bureau senior staff, senior USAID officials and representatives from other agencies will be invited to participate in the reviews.

Preparation of USAID Budget Request to OMB - Based on the results of the Administrator's reviews (including the input from State), M and PPC will make recommendations to the Administrator on USAID's annual budget request to OMB for USAID managed accounts.

Preparation of State Budget Request to OMB - Based on the results of the Senior Policy and Resource Reviews, S/RPP and S/P, with USAID participation, will work with relevant bureaus to prepare budget recommendations for those program funds (including the FSA and SEED accounts) over which State has direct control. The Under Secretary for Management will oversee the preparation of recommendations for operating expenses and other programs that State/M traditionally oversees.

USAID Administrator's Decisions - Based on the materials prepared for the Administrator, and informed by State staff recommendations on ESF (over which State has decision responsibility for policy and country amounts, in consultation with USAID) and DA, the Administrator will make decisions on the USAID request to OMB. The Administrator will also make a request on SEED and FSA that is fully coordinated with and has the concurrence of the respective Coordinators. The SEED and NIS Coordinators will continue to perform the functions specified in legislation and in their respective charters.

Preparation of the Function 150 Request to OMB - Based on the results of State budget recommendations, the budget requests of other agencies and specifically taking into account the USAID Administrator's decisions, S/RPP and S/P, in consultation with PPC and M, will make recommendations to the Secretary on

resources for all international affairs activities.

Secretary's Review - As part of the Secretary's overall review of the proposed Function 150 request, the Secretary will meet to review the USAID budget with the Administrator prior to submission of the Function 150 budget request to OMB. S/RPP will inform USAID of the Secretary's overall Function 150 budget decisions.

OMB BUDGET REVIEW AND DECISION PROCESS

OMB Budget Hearings - OMB will hold a number of hearings on the components of the State/USAID budget requests in October and early November. Representatives of both State and USAID bureaus, to the extent that they have a responsibility for or significant interest in the programs under consideration, and staff of the four central offices may participate in these hearings.

Decision Making Process - After meetings with the OMB Director, OMB staff will "pass back" the Director's initial decisions, normally just before Thanksgiving, with a deadline of up to a week for appeals to the Director.

Coordination of State and USAID Appeals - After consultation with PPC and USAID/M, S/RPP and S/P will prepare, for review by the Secretary, any necessary consolidated appeal to OMB for both agencies and, if needed, an appeal to the President. The Secretary will consult with the Administrator if there are any issues affecting USAID-managed programs through arrangements made by S/RPP and PPC. Both State and USAID officials will participate in discussions with OMB about their appeals and in any meetings with the President that include issues within their purview.

Unresolved appeals are submitted to the President, who normally makes the final decisions before Christmas.

BUDGET JUSTIFICATIONS TO CONGRESS AND RELATED DOCUMENTS

Congressional Budget Justifications - After final budget decisions, the four central offices will coordinate on budget justifications to Congress, which are called Congressional Presentation Documents (CPDs). S/RPP will review USAID's CPD and will provide to USAID for review those portions of the Foreign Operations CPD documents that deal with USAID programs. After review by the Secretary, CPDs will be transmitted to Congress on or shortly after February 1, the date on which the President's

Budget must be transmitted.

USAID Annual Performance Plan and Report - USAID's Annual Performance Report and Annual Performance Plan documents, which are required by legislation, will be prepared by PPC in consultation with S/RPP. The Secretary and then OMB will review the Plan and Report before transmittal to Congress.

ALLOCATION OF FUNDS AFTER APPROPRIATIONS ARE ENACTED

USAID Actions After Appropriations - Following enactment of the annual appropriations bill, M and PPC working with the Bureau for Legislative and Public Affairs and with the Office of the General Counsel will analyze legislative provisions and report language to determine constraints on programming within the appropriated amounts. In addition, they will consult with Congressional committee staffs. Based on this work, M and PPC will develop recommendations on allocations of funds of the budget accounts for which USAID is responsible. S/RPP and S/P will participate in this process, and State views will be presented to the Administrator when he makes his decisions.

State Actions After Appropriations - S/RPP working with the Bureau of Legislative Affairs and the Office of the Legal Advisor will also oversee an analysis of appropriations acts and make recommendations to the Secretary on ESF and other Foreign Operations allocations. USAID (M and PPC) will participate in this process and will work with S/RPP to determine how to respond to Congressional requirements that may be met from more than one account. USAID views will be presented to the Secretary when she makes her decisions on these accounts and simultaneously reviews the AID Administrator's allocations that have policy and budgetary significance. Absent major Congressional budget reductions, there should be no issues over implementing programs approved by the Secretary in the Congressional Presentation Document.

Reports to Congress - Following the Secretary's and the Administrator's decisions on country levels for each relevant account, State and USAID staffs will prepare reports to Congress on these allocations, as required by Section 653 (a) of the Foreign Assistance Act. These reports are due 30 days after enactment of Foreign Assistance Appropriations.

OUT OF CYCLE PROGRAMMING AND BUDGETING ACTIONS

Mid Year Reprogramming - As emergency needs arise during a fiscal year, S/RPP, M and PPC will consult on the availability of resources to meet the unanticipated needs and on the opportunity costs of reprogramming. Any funding proposals from bureaus and offices should take into account guidance on determining whether DA or ESF is most appropriate funding source (if relevant). It may be necessary to set aside a portion of the requested funds to help defray unplanned costs associated with design, management and other requirements. State and USAID bureaus should engage S/RPP and M-PPC as soon as possible in the planning process to meet an unforeseen need and must obtain their clearance.

Information Needed in Out of Cycle Proposals - Action memos requesting decisions on out of cycle proposals must identify funding implications for the current and following years and the source(s) of the funds. The memos must also address how the proposed program or activity will be managed and how the associated staff and operating expenses will be covered.

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POLICY GUIDELINES FOR USING THE ECONOMIC SUPPORT FUND
AND DEVELOPMENT ASSISTANCE

This paper presents general guidelines to assist in making policy decisions on whether to use the Economic Support Fund (ESF) or development assistance (DA) to finance a foreign assistance activity. The term development assistance is defined to include both the Development Assistance and the Child Survival appropriation accounts and, starting in 2001, the Development Fund for Africa. Considerations relating to the availability of funds must also be addressed.

Legislation - The Foreign Assistance Act of 1961, as amended (FAA), governs the uses of both ESF and DA. Under that Act and subsequent delegations of authority:

- ESF is provided in recognition that, under special economic, political or security conditions, the U.S. national interest may require economic support for countries in amounts that could not be justified solely under Development Assistance authorities. ESF is intended to promote economic and political stability and may be made available to promote those objectives. To the maximum extent feasible, ESF is to be used consistent with the policy directions, purposes and programs of Part I of the Foreign Assistance Act (which includes the DA authorities as well as authorities for other programs such as disaster assistance and aid to the former Soviet Union.)
- ESF policy decisions and justifications are to be decided by the Secretary of State in cooperation with USAID.
- There are extensive legislative provisions governing the purposes for which DA may be provided. Congress has declared the principal purpose of DA is to help the poor majority of people in developing countries to participate in a process of equitable growth through productive work and to influence decisions that shape their lives. It has the goal of increasing their incomes and their access to public services in order to enable them to satisfy their basic needs and lead lives of decency, dignity and hope.

- DA allocations are to be decided by USAID in consultation with State and reviewed by the Secretary consistent with the Foreign Affairs Reform and Restructuring Act of 1998 and subsequent Executive Order and delegation of authority.

Basic Criteria - In determining whether ESF or DA is the most appropriate source of funding for an activity, three broad criteria are used, but the relative importance given to each criterion differs for each type of funding. The three criteria are: the U.S. foreign policy interest, the recipient's need for assistance and the recipient's ability to use the funds effectively for development.

Each criterion weighs differently in determining whether to use ESF or DA funding. The relative importance of broad foreign policy objectives is given relatively greater weight when allocating ESF, whereas the development need and ability of the recipient to use the funds effectively for development are given relatively greater weight in allocating DA. Nevertheless, in making DA decisions, other U.S. foreign policy interests will be considered, and in making ESF decisions, need and the likely effectiveness of the assistance will be taken into account.

Principles - The following principles provide additional specificity and guidance for decisions on which type of funding to use. In applying them, the best practice is that State and USAID, both in the field and in Washington, engage each other as early as possible after a proposed program or activity has been identified to allow time for a careful determination of the appropriate type of funding.

- In general, the use of Development Assistance funds should be favored to the extent that:
 - a development need exists and there will be a foreign policy benefit from providing the assistance,
 - it is reasonably likely that the funds can be used effectively to achieve a developmental goal because of the recipient's demonstrated commitment to development (a good partner) or sustained good performance,
 - there is an expectation that the financing will cease if funds are not being used effectively to achieve mutually agreed developmental results, and

- the results of the assistance will be judged primarily against development criteria.
- In general, the use of the Economic Support Fund should be favored to the extent that:
- the U.S. national interest requires economic support for countries in an amount that could not be justified solely in terms of the factors described above regarding the use of DA,
 - the desired results are judged in large part in terms of economic and political stability. (It should be noted that achievement of such results is often heavily affected by external factors, which can delay or frustrate progress.),
 - assistance to serve the objectives is to be provided in ways that differ from standard DA mechanisms, e.g., as budget or balance of payments support, and
 - there is very little development need.
- For ESF programs, unsatisfactory progress in achieving narrower developmental objectives need not be a cause for termination of funding if the broader purposes of the program are being served.
- Both DA and ESF can be used in the same country. For example, a certain level of DA could be justified and ESF could also be used for complementary activities.
- In determining the sources of funding that might be available for an assistance activity, the existence of statutory authorities and restrictions regarding the use of funds from each appropriations account, and the availability of funds in each account, are factors to be considered. However, the determination of the account from which ultimately to fund the activity should be made on the basis of the guidelines set out above.

Shortage of ESF Funds: If a proposed activity would normally be funded from ESF but insufficient ESF resources are available and if the provision of DA as a substitute would exceed the amount that development criteria would warrant, then the use of other funds will be considered. Funds from other accounts within Function 150 (for example, Peacekeeping Operations) and then from outside the function

(for example, as a drawdown of Department of Defense goods and services) should be considered for use if that use is consistent with the underlying authorities of the potential funding source. Consideration should also be given to consulting with Congress about using additional DA funds, and, depending on the magnitude of the need, to seeking supplemental appropriations.

State-USAID Task Force/ESFvsDA 1-14.doc
revised 08/17/2000

ADDITIONAL RECOMMENDATIONS TO IMPROVE COOPERATION
AND COORDINATION BETWEEN THE DEPARTMENT OF STATE AND THE U.S.
AGENCY FOR INTERNATIONAL DEVELOPMENT

The Secretary of State and the Administrator of the U.S. Agency for International Development have approved the paper "State and USAID Actions to Improve Cooperation and Coordination" which describes a range of actions related to the planning, budgeting and program implementation processes. This paper discusses additional actions to broaden understanding and coordination between the two organizations. In many cases, State and USAID can implement these actions at little or no cost. The Secretary and the Administrator urge bureaus and offices in both organizations to give careful consideration to these recommendations and support the follow on efforts proposed.

ESF Apportionment Process

S/RPP and USAID's Office of Budget (M/B) will co-lead a review of the ESF apportionment (release of funds) process. The current system was not designed to handle the increasing number of apportionment requests now handled annually, or to be responsive to the increasing number of cases where the funds must be made available rapidly in emergency and post-conflict settings. The review will focus on streamlining the steps in the process and on accelerating action consistent with Office of Management and Budget guidelines. Among the issues for review would be guidelines regarding use of program funds for program management and monitoring, standardization of documents at each step of the process, enhanced bureau capabilities to monitor the process, and more systematic liaison with OMB.

Joint Conferences

Joint State-USAID conferences offer an opportunity to broaden understandings of each agency's perspective. The efforts of State's OES and USAID's Center for Environment to jointly plan a Summer 2000 conference for both State EST officers and USAID Environment officers is a positive example. State and USAID could also invite representatives from the other agency to participate wherever possible in each others' regular conferences, such as Chiefs of Mission Conferences and USAID Mission Director Conferences. Inviting State planning and budgeting officers to participate in regional conferences of USAID program officers is another option.

Enhanced Training

Opportunities exist to promote stronger State-USAID coordination by incorporating additional materials in appropriate courses offered at the National Foreign Affairs Training Center. For example, the Ambassadorial and DCM Seminars could devote additional emphasis to presentations by USAID dealing with the Strategic Plan and the practical constraints under which USAID operates in complying with Federal procurement regulations and Congressional requirements.

The National Foreign Affairs Training Center has responded to the International Affairs agencies' recent increased emphasis on strategic planning. A logical next step, already the subject of preliminary consultation between S/RPP and NFATC staff, could be to develop training materials on resource management issues for tradecraft and other courses. One suggestion might be simulation exercises related to aspects of the inter-agency budgeting process in Washington. Such material would be useful for staff members going to planning officer positions in State bureaus, and for USAID officers. This formal training could provide a useful supplement to the efforts that S/RPP, USAID/PPC, and USAID/M make to increase appreciation for and expertise on resource issues at both State and USAID.

Exchanges of Personnel

Two-way exchanges of personnel between State and USAID offer clear benefits to both agencies if they can be structured to facilitate greater understanding and technical coordination as well as share information in specific areas such as grantmaking and strategic program implementation. For example, USAID could invite State to send officers to work as USAID desk officers for our four priority democracy and governance countries: Colombia, Indonesia, Nigeria, and Ukraine. In technical areas, a State bureau might send a person to work in USAID's Global Bureau Environment Center to work on global climate change issues or to the Democracy Center to work on corruption or the rule of law. S/RPP and S/P could exchange staff with PPC or M for a three to four month period during which both agencies conduct senior level policy and resource reviews. This could be instrumental to institutionalizing information sharing and enhancing coordination of the Secretary's and the Administrator's budget requests to OMB and Congress. Exchanges have been a success in the past, but currently are seen as an exception. While staff shortages in

both agencies may limit the number of long term exchanges, short term details may be more feasible and can have value to both agencies.

Better Understanding of the Budget Processes

While enhanced formal training should enable State and USAID planning and resource management officers to become more knowledgeable, effective performance also depends on the continuing support they receive from bureau front offices. Front offices should encourage planning officers to operate on an inter-agency basis and exchange information on the full range of U.S. Government assistance activities within a bureau's region or area of functional competence. Expertise in planning and resource management should be recognized and rewarded. While relations between the State and USAID bureaus responsible for Latin America have historically been strong, the mid- to late-1990s offered a particularly good example of close and mutually-beneficial cooperation. Examples of the close working relationship included working jointly to develop proposed assistance programs and individual project activities in selected countries and maintaining a dialogue on country assistance strategies with the appropriate international financial institutions. Informal information sharing between the two bureaus and close cooperation early on in determining budget priorities yielded a more coherent budget development process and an improved ability to defend the budget request.

THE ECONOMIC SUPPORT FUND: BUDGET PROCESS AND INFLUENCES

Introduction

International Affairs agencies in recent years have been busy in developing tools to forge new links between U.S. national interests and the program resources intended to promote those interests. The adoption of the International Affairs Strategic Plan in 1997 gave rise to what is becoming a more systematic effort to translate broad worldwide goals into region-wide and country specific objectives.

This paper provides a brief history of Economic Support Fund (ESF) assistance and considers some of the influences on its evolution. The paper outlines how Country Teams and agency headquarters in Washington develop the annual ESF request for the President's Budget, wherein State bureaus increasingly seek ESF to fund new initiatives. There is a discussion of how that request moves through the legislative process, including a growing tendency by Congress to direct ESF for specific programs/purposes, and how, after Congressional action, funds are allocated and the program is implemented. Due to perennial funding shortfalls, competition for the relatively small amounts of discretionary ESF is intense. In addition, because even the best planning process can not anticipate every contingency, the paper will review how the Administration can respond to needs arising after appropriations have been enacted.

Brief History

Predecessor funding authorities for what is now ESF were enacted in the early Cold War period. This budget account offered successive Administrations a means of promoting the political and economic stability of allied and friendly nations by providing relatively large amounts of quick disbursing assistance. For several decades the lion's share of the funding was allocated to countries around the periphery of the Soviet Union. This assistance sometimes took the form of direct payments to governments in exchange for U.S. use of overseas military facilities. Current ESF legislation calls for this assistance to be used to the maximum extent feasible to promote long-term economic development, and many individual ESF projects are developmental. Other foreign policy objectives have generally been dominant in determining where and in what amounts ESF will be provided. In contrast to Development Assistance, the legislative provisions governing what is now ESF have been

relatively simple and permissive, giving the President needed flexibility in its use. Since the late 1970s, ESF has been a major mechanism for supporting the Camp David Accords. With the termination of Cold War related programs and the continuation of Middle East Peace related ESF assistance, normally in the \$2 billion range, Peace Process spending has accounted for more than 85 percent of total ESF. A more recent development, still relatively small in dollar terms, is the effort to use ESF to promote region-wide goals and functional goals, such as democratic participation in an increasing number of countries and environment improvement. The Executive and Legislative branches share responsibility for the initiation of such efforts.

The Annual Program Budget Development Process: Actions in the Field

The 1997 adoption of the International Affairs Strategic Plan has been among the most significant in a series of recent efforts to translate broad U.S. national interests and strategic goals into programs and plans that promote U.S. foreign policy interests. Based on the multi-year strategic plan and more specific annual guidance from Washington, embassy Country Teams recommend program activities that support U.S. foreign policy interests as well as the funding necessary to carry out those activities. Detailed Embassy recommendations are transmitted to Washington as Mission Program Plans (MPPs). The MPP - which is due to Washington in April - is the document that initiates the budget process.

The Process in Washington

The enhanced approach to inter-agency planning overseas is evident in Washington as well. The Secretary of State has directed that each regional Assistant Secretary chair inter-agency meetings to evaluate both policy goals and funding recommendations provided for in the MPPs. Pursuant to these meetings, regional Assistant Secretaries may recommend program activities and associated funding not provided for in mission MPPs, such as activities that support regional foreign policy objectives. As the MPP process evolves further, however, the expectation is that the MPPs will include a higher proportion of such funding recommendations.

Concurrent with these inter-agency meetings, Assistant Secretaries oversee preparation of Bureau Program Plans (BPP,

which address both program and operating resources) and present their bureau policy and resource plans to the Secretary and/or Corporate Board Under Secretaries during July, August, and September. While the budget request for the upcoming fiscal year is normally the primary focus of the Secretary's review, pending current year budget issues/constraints may also be discussed. These presentations allow opportunities for questions by the Secretary and other senior officials, but are rarely occasions where ESF budget funding levels are finalized. In cases where an Assistant Secretary is requesting new or additional ESF resources for a region, the justification for such a request should feature prominently in the presentation. With regard to the growing number of proposals aimed at promoting regional objectives, USAID and a number of State functional bureaus can play a role in supporting this portion of the budget preparation process by identifying activities appropriate for ESF programs. Regional bureaus, however, have a mixed record in gaining USAID and functional bureau support for some of their ESF initiatives/programs.

Resolving Funding Differences and Submission of the Budget

Once the Secretary and/or Corporate Board Under Secretaries have reviewed bureau presentations, the focus shifts to presenting the Secretary's function 150 (International Affairs) budget request to the Office of Management and Budget. As the Secretary's resource advisor, S/RPP is responsible -- after consultations with State regional and functional bureaus and USAID as well as other International Affairs agencies -- for presenting a budget function 150 recommendation for her review/concurrence. Where budget differences exist between S/RPP and assistant secretaries, S/RPP ensures that the Secretary is fully cognizant of such differences. During this stage, the Secretary may speak with assistant secretaries about funding differences before making her final decision. After the Secretary's decision, S/RPP prepares the function 150 budget for submission to OMB.

The Function 150 budget submission is provided to OMB in mid-Fall. However, the Department -- for a number of reasons -- rarely meets OMB's September deadline. Subsequent OMB budget hearings and negotiations with OMB result in its budget "passback" (counterproposal), normally just before Thanksgiving. During the following few days, S/RPP, on behalf of the Secretary, negotiates informally with OMB to raise account funding to "acceptable" levels. These negotiations result in some compromises by both agencies in an attempt to settle as many account levels as possible. If appeal issues cannot be

settled during these informal negotiations, S/RPP subsequently prepares a formal appeal letter for the Secretary to send to the Director of OMB. Concurrently, with submission of the appeal, it is Secretary Albright's practice is to call the Director to make a personal appeal for additional resources.

Final negotiations, including any formal appeal to the President, are normally completed just before Christmas so that OMB can complete the budget database and print the budget documents for the President's budget rollout on the first Monday in February.

During and after the appeal process, S/RPP works closely with program managers to adjust the budget request to reflect final negotiated levels and prepare two major international affairs budget documents for transmittal to Congress:

- ◇ The International Affairs Summary and Highlights document, which is provided at budget rollout and presents a snapshot of the President's full budget submission for Function 150; and
- ◇ The Congressional Presentation (CP) for Foreign Operations. The CP provides not only a detailed request for Foreign Operations but also gives Congress a comprehensive justification, linked to the IASP, of the President's budget submission for all of Function 150.

The Role of Congress

The Foreign Assistance Act of 1961 as amended (FAA) provides the primary legal authority governing ESF. Because Congress has not passed a foreign operations authorization act since 1985, amendment of the FAA - through a hodgepodge of legislative vehicles but particularly appropriations bills -- is a regular feature of the annual budget process. Except for traditional funding levels for the Middle East Peace Process (Israel, Egypt, and Jordan), the Administration has been mostly successful in its efforts to keep ESF earmarks to a minimum. However, the Foreign Operations appropriations committees are increasingly using report language to recommend/direct ESF for specific programs/purposes. For example, the Congress has in recent years begun earmarking ESF for politically-sensitive programs seeking to support the Iraqi opposition and Burmese exiles/dissidents. Significant Congressional concern over delays in the Administration's efforts to support non-governmental organizations in China have also resulted in Foreign Operations bill language directing ESF use. Congress routinely cuts the requested ESF amount in the neighborhood of

ten percent making what earmarks and directives there are more onerous for the remaining program claimants. Periodically, Congress also approves supplemental appropriations requests, sometimes for large amounts such as the \$829 million enacted in FY 1999.

ESF Allocation Process

Taking into account traditional funding levels and/or earmarks for the Middle East, other Congressional earmarks, Presidential priorities and certain other programs that are not easily reduced, the amount of discretionary ESF available for allocation is very limited. For example, in 1999 after funding for the Middle East, and supplementals for Wye, Hurricane Mitch and Kosovo are subtracted, \$326 million was available but from that amount other earmarks /directives/priorities/irreducibles (Haiti, emergency response in Kenya and Tanzania, Cyprus, Ireland, South Pacific Fisheries, the Holocaust Victims Trust Fund, and Africa's Great Lakes) took over half, leaving only about \$150 million for all other uses.

To the extent that Sustainable Development assistance can be mobilized for Presidential initiatives, the pressure on the ESF account abates somewhat. Nonetheless, the competition for these limited resources is keen. As mandated by the Secretary, S/RPP has the lead in sorting out the competing demands for ESF resources.

The S/RPP Director, through informal consultations with senior officials at State, particularly the Under Secretary for International Security and Arms Control (T), and USAID, seeks to build a consensus on ESF allocations. The intended outcome is an S/RPP ESF allocation recommendation to the Secretary.

S/RPP's recommendations take into account a number of factors, including legislative earmarks and prohibitions, the Secretary's foreign policy priorities, and the requests by regional assistant secretaries for "must-have" ESF program funds. Although the consultation process is designed in large part to settle ESF differences with regional assistant secretaries, limited discretionary ESF funding makes settlement difficult. Therefore, S/RPP's allocation recommendation memo to the Secretary includes attachments from regional bureau assistant secretaries, USAID, and possibly other concerned parties conveying their views to the Secretary.

Once the Secretary makes her decisions on the recommendations, S/RPP moves quickly to notify relevant bureaus

and USAID of the ESF allocations. This written feedback often includes a pledge of good faith efforts to look for ways to make up any unavoidable ESF program shortfalls. Conveying the Secretary's decisions on allocations in the ESF and other accounts to the Bureaus/USAID takes considerably less time and effort than fulfilling the statutory requirement of section 653(a) of the Foreign Assistance Act to report to Congress the Administration's allocation decisions. Policy considerations, not timeliness, dictate how quickly the section 653(a) allocation report is provided to Congress. Rarely are ESF and DA allocations included in the same 653(a) report.

Implementation

Because of the competition for scarce resources, initial allocations of ESF are made by the Secretary. Subsequently, the Under Secretary of State for Arms Control and International Security Affairs (T) makes ESF decisions pursuant to the authority delegated to him by the Secretary. Once the Secretary or T makes allocation decisions, there are a number of different steps that lead to eventual obligation of funds. One of the factors influencing the allocation process has been controversy over how certain specific programs, particularly the politically-sensitive Burma, China, and Iraq Opposition earmarks, will be implemented. Complicated negotiations on program implementation mechanisms have sometimes delayed the providing of assistance. Delays have drawn Congressional ire, making program implementation even more difficult.

The following examples represent a common sampling of the various ways in which ESF is administered:

1. Approved USAID-Administered Programs: For many programs justified in the CP with approved allocations, USAID is solely responsible for administration of the program. In certain cases, such as the Education for Democracy and Development Initiative, an inter-agency process functions in program development and oversight. When USAID requires funding for the project(s), their budget office prepares an apportionment (release) request to OMB. The apportionment is cleared in State with the relevant regional bureau, the Legal Advisor's office, the Bureau of Political-Military Affairs (PM), the T staff, and S/RPP. After the apportionment is cleared, the memo and corresponding ESF tracker is sent to T for approval, and USAID forwards it to OMB. This process is identical for no-year, carry-forward, and current year funding. USAID prepares the Congressional Notifications for

the programs it administers and clears the Notification with State. Once the apportionment is approved USAID implements the program.

2. Approved State-Administered Programs: USAID administers the vast majority of ESF programs. Nearly all ESF programs that State administers fall under global or regional accounts. Because these accounts are broadly justified in the CP, these programs, for the most part, further definition of activities is required before approval by T and notification to Congress. Additionally, because ESF is apportioned to USAID, transfer or allocation of the funds from USAID to State must be effected pursuant to an FAA Section 632 memorandum of agreement (MOA) between the two agencies. The MOA is normally drafted by the applicable USAID regional bureau. ESF is transferred/allocated into an appropriate State account (e.g., PKO, INL) for administration of the program/funds. Allocation memos and applicable Congressional notifications are drafted for approval by T by appropriate State regional (e.g., AF) functional (e.g., DRL), or, in some cases, co-senders (e.g., AF and DRL for Africa democracy programs). However, even when specific offices of either agency administer a program, each agency retains some management responsibility for oversight.

3. State/USAID Reprogrammings: Due to quickly changing world events, ESF reprogrammings, at times, are necessary to address unanticipated foreign policy priorities (e.g., East Timor, Kosovo, etc.). If applicable, ESF can be used to address these unanticipated needs. In cases that require personal involvement by the Secretary or other State Department or USAID principal, S/RPP takes the lead on identifying an appropriate ESF source. Because an appropriate source may cut across regional bureaus, S/RPP, in most cases, will draft the decision memo to the Secretary. Once a decision is made by the Secretary, the rest of the process outlined in 1 or 2 above applies.

RPPGEN/State-USAID Task Force/ESF OV 1
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INFLUENCES ON USAID SUSTAINABLE DEVELOPMENT BUDGET

The USAID budget for long-term Sustainable Development programs - comprised of the Development Assistance, Development Fund for Africa, and Child Survival/Diseases accounts -- is based on the balancing of bottom-up resource planning with top-down resource constraints. The former is determined by program managers, making judgments about programmatic requirements of the specific program components for which they are responsible, based on agreed management contracts with USAID/Washington which establish a long-term (five-to-seven year) development strategy and indicative financing plan for each mission/operating unit.

The top-down resource constraints involve a combination of factors. Two of them are largely externally determined: foreign policy priorities and "functional" or sectoral priorities. Two other factors are determined by USAID: program performance data and management capacity constraints. The interplay of these bottom-up/top-down processes makes for very complex budget setting. Conceptually, foreign policy priorities (measurement of which is discussed below) are generally fairly well understood in the foreign affairs community. Functional priorities, however, and, to a lesser degree, performance data and management constraints, are not as well understood or as predictable in terms of the way each informs budget decision-making, regardless of whether they are considered individually or in conjunction with others.

Functional priorities. These are driven by a combination of internal USAID policymakers -- i.e., development specialists in a variety of fields such as economics, education, health and democracy -- and external constituencies. The latter include White House concerns with funding for population and environment and, most recently, HIV/AIDS and a wide variety of public constituencies including agricultural interests, health groups, private voluntary organizations and other humanitarian organizations, U.S. universities and research institutes in various fields, labor, and the business community. These functional constituencies are varyingly successful in getting their interest in access to USAID resources translated into Congressional concerns through the appropriations process. Likewise, the internal and external constituencies have influenced the shaping of the goal areas in the Agency's Strategic Plan and in the establishment of a set of funding

targets corresponding to these goal areas and subsets thereof. Functional budget setting is made more complex by the fact that some sectoral levels are more rigid than others. For example, health levels are driven by a separate appropriations account for Child Survival and Diseases; funding for democracy activities, on the other hand, is largely discretionary. Also contributing to the complexity, some sector targets are budgeted entirely within the Development Assistance account while others derive funds from multiple USAID-managed accounts including ESF, Support for Eastern European Democracy and the Freedom Support Act as well as Development Assistance.

Performance factors. Results measurement and performance assessment have taken on increasingly important roles in budget setting, especially since the passage of the Government Performance and Results Act. However, it is generally recognized, both within the Agency and among external players in the Administration and Congress, that results alone cannot guide allocation decisions. This is because, first, it is seldom possible to establish a direct, linear connection between resource availability and program outcomes; i.e., poor performance may have been caused by devoting insufficient resources to an objective, suggesting subsequent increases, rather than reductions, may be in order. To help inform understanding of the connection between results and resources, the Agency often looks at the outcome of successive years' efforts, possibly annually modified by experience, in poor performers. There is also the problem of meaningfully measuring improvements in performance on an annual basis and the difficulty of extrapolating prior performance into the future in a complex environment. However, even when results data suggests that future resource reductions should occur, the non-performance factors such as foreign policy priority may dictate continued funding to a high-priority country, or even a specific sector within such a country, e.g. one with a high incidence of HIV/AIDS. In those instances the Mission seeks to change its program approach to improve the likelihood of obtaining positive results. So, while the Agency looks at performance data in this way as an element which informs budget decision-making, the specific impact is more often felt in Mission allocations among Strategic Objectives within a country program rather than in AID/Washington's allocation choices between countries. Changes in allocations among countries on the basis of performance differences occur mainly when the non-performance factors are of equal weight.

Management capacity. Recently, the Agency's capacity to oversee and manage its programs has become an increasingly important additional constraint to budget planning. USAID has lost 40% of its US direct-hire field staff and 35% of its Washington direct-hire staff since 1992. That trend continues, driven by continually shrinking Operating Expense budgetary resources, during a time when USAID's ability to continue the close-out of country programs begun earlier in this Administration has been virtually halted in all regions except the Northern Tier of Eastern Europe. Meanwhile, the Agency has been given the added burden of overseeing programs in a growing number of countries without any USAID field presence. With staff stretched increasingly thinly, this means that opportunities for oversight and high-level policy dialogue and negotiations, inherently governmental functions which must be performed by direct-hire staff, are reduced, making some programs, especially those which depend on staff-intensive oversight and policy dialogue, less than optimally effective. Moreover, the Agency's strained ability to handle the volume of procurement actions generated by such programs is increasingly a constraint to program implementation. And, most important to a discussion of budget constraints, the staff shortage precludes planning, budgeting and implementing significant programs in all the countries in which the Department and USAID conclude that U.S. economic development assistance resources should be deployed.

These factors combine to establish the priorities for long-term Sustainable Development assistance. To an increasing degree, however, short-term contingency requirements -- e.g., disaster relief, emergency food programs, Office of Transition Initiatives transition assistance and unplanned regional democracy efforts -- also are competing for available program funds, operating expenses and staff. These unforeseen demands further complicate long-term budget planning and execution during the annual budget planning and execution process.

Budget Process

USAID budget development begins with annual guidance organized by the same goal areas set forth in the Agency Strategic Plan. The guidance provides both aggregate planning ceilings and "benchmark" levels for each of five goal areas¹, and

¹ Economic Growth and Agricultural Development; Human Capacity Development; Population, Health and Nutrition; Environment; and Democracy/Governance.

several sub-goal areas² defined in the Agency Strategic Plan. The overall planning ceiling for the various Agency accounts is determined, in the first instance, by annual planning guidance from OMB, usually based on request levels in the President's Budget request for the prior budget year. The benchmark levels within the ceiling are set based on a balancing of the multiple influences on budget priorities discussed above. For FY 2001, the Agency is considering the impact of taking greater account of specific anticipated Congressional priorities where prior experience suggests they will be continued.

The aggregate benchmarks are allocated among bureaus by USAID's central budget office -- usually based on prior allocations except where new concerns in specific sectors have known regional dimensions (e.g., HIV/AIDS in Africa) -- and the Bureaus allocate these in turn among individual operating units. Most of the benchmarks relate to the programming of the Sustainable Development program but some sub-goal benchmarks (e.g., agriculture and global climate change) are "all-spigots" levels which also take into account resources under the ESF, SEED and FSA accounts. All of them, however, are intended only to serve as points of comparison in evaluating mission and Bureau budget requests.

The guidance, issued in December-January, guides the annual spring development of Results Review and Resource Request submissions ("R4s") by operating units (field missions and Washington offices). Mission R4s are based on the requirements of specific Strategic Objectives embodied in Missions' approved Strategic Plans -- which are coordinated with embassy Mission Program Plans. Operating units can and do propose different request levels, both in aggregate and among goals, based on their judgment of, *inter alia*, programmatic requirements, management capacity, mission assessments of prior and expected results, prior availabilities (pipeline balances), and mission forward funding plans; they also may propose funding for new initiatives or expanded efforts, e.g., increased HIV/AIDS funding, where opportunities appear.

In reviewing requests in AID/Washington, each Bureau compares Mission requests with headquarters assessments of its country programs on several factors: prior performance in individual strategic objectives against pre-determined

² Agriculture and micro-enterprise within economic growth; basic education with human capacity development; population, child survival, HIV/AIDS, and infectious diseases; and global climate change.

indicators, country need or level of development³, partnership or host government commitment⁴ and foreign policy priority⁵, the need for new resources vs pipeline availabilities to carry out the management contract, and congruence of the request with the benchmark allocations. USAID bureaus involve their State counterparts in the review of field proposals. The USAID bureaus normally adjust mission requests to meet the bureaus' aggregate goal and sub-goal benchmarks. However, occasionally a Bureau structures its request based on different conclusions -- e.g., about performance, foreign and/or development priorities -- and presents a budget which represents a significant departure from Bureau benchmarks.

In finalizing its annual September budget request, which is reviewed by the Secretary of State before transmittal to OMB, the Agency usually adjusts the aggregate "base" request level (which generally coincides with OMB's spring planning guidance for DA and CS/D) to match goal and sub-goal benchmarks. In this process, the Agency normally describes the costs, in terms of foregone opportunities, of being held to such levels. Also, the Agency often proposes incremental requests for initiatives in selected sectors. Recent experience indicates that missions and Bureaus often seek increases (actually, restoration of prior reductions) in EG and DG funds offset by proposed reductions in PHN and ENV funds.

In the passback, OMB specifies levels for the Development Assistance, Child Survival/Diseases and Development Fund for Africa accounts within the Sustainable Development request and, within those account levels, also sets minimum levels for population and environment. Within the balance available, the Agency determines levels in the economic growth and democracy/governance goal areas, and partially in the human capacity development goal, as well as for Congressional directives and Agency priorities. A reduction in the passback normally impacts these latter areas more heavily, making compression likely. For example, to the degree that OMB cuts in the request impact the economic growth goal area differently from population, health and nutrition, distortion in strategic planning occurs as the economic growth cut is distributed in the Agency's request to Congress. In any event, once the

³ Based on an index that includes per capita income in purchasing power parity terms, infant mortality and fertility, similar to the UN's Human Development Index.

⁴ Based on an index that includes Freedom House scores for political and civil liberties and an internally generated rating of economic policy performance reflecting fiscal, monetary, trade and exchange rate policies.

⁵ Based on numerical ratings from a State Department analysis that estimates the range and intensity of US interests in a country for purposes of identifying core staffing requirements.

President's decisions are final, Agency reallocation decisions are made, using the same principles outlined above for setting the original request, and the resulting distribution is justified in the Congressional Presentation to Congress.

Congressional appropriations in recent years have resulted in increased funding for the Child Survival/Diseases account at the expense of successive reductions in the Development Assistance account, and Congress has refused to re-institute the Development Fund for Africa. The appropriations committees also specify some earmarks and, more importantly, a large number of directives. The effect of the combination of cuts in Development Assistance and directives is to cause serious further compression of the "non-directed" Development Assistance funds, again mainly in the economic growth and democracy/governance sectors. This compression, however, is partially offset by a Congressional limitation on funding for population assistance (itself a compression in family planning programs). Conversely, the compression in economic growth and democracy/governance programs is compounded by White House insistence on minimum levels for environment funding.

Negotiation with Congressional appropriators on compliance with directives results in some reductions, at the margin, for certain directives but the majority end up funded as specified. Moreover, reaching agreement on funding levels for the various directives is made more difficult and time-consuming by the fact that House and Senate appropriators often take very different approaches to their bill and report language. Most recently, the Senate Foreign Operations Appropriations Subcommittee has been less averse to outright earmarks than its House counterpart subcommittee, but the latter still is prone to numerous directives which, if disregarded, become threatened earmarks and so have virtually the same impact as earmarks. The Subcommittees are not generally persuaded by explanations of the adverse impact of increases for their priorities on USAID's lost opportunities in other sectors.

Once agreements are reached on compliance with directives, the responsibility for each of them is distributed to operating bureaus as part of overall allocations of new obligating authority. These allocations are distributed in turn by bureaus to their field missions and headquarters offices as the operating year budget and the resulting country levels are reported to Congress in the annual 653(a) Report. This report compares the original Agency request with the total operating year budget allocation for each country. Operating units then

distribute total availability and responsibility for any assigned directives to individual Strategic Objectives and the activities therein. In recent years, once each operating unit's Strategic Objective allocations have been established, they have been compiled in a report to Congress -- the annual Statistical Annex -- which serves as a global Congressional Notification of changes in the amounts originally requested in the Congressional Presentation the previous year. The future of this annual report currently is under discussion with House Foreign Operations Appropriations Subcommittee staff.

Concurrent with the preparation of the Statistical Annex, operating units code obligations of prior year, current year and budget (request) year using a set of Emphasis Area codes which characterize the USAID budget according to a wide variety of sector-specific areas of interest to specific constituencies. This coding permits allowing the Agency to relate its funding plans to specific country programs and strategic objectives.