

I. REQUEST BY APPROPRIATION ACCOUNT

Export and Investment Assistance
Bilateral Economic Assistance
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Multilateral Economic Assistance

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EXPORT AND INVESTMENT ASSISTANCE

Export-Import Bank of the United States
Overseas Private Investment Corporation
Trade and Development Agency

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Export-Import Bank

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
EXIM-Administrative Expenses	72,467	72,614	73,200
EXIM-Inspector General	-	-	1,000
EXIM-Loan Subsidy	-	59,322	186,500
EXIM-Negative Subsidy	(42,000)	(55,000)	(50,000)

The FY 2006 request seeks \$186.5 million for loan programs and \$73.2 million for administrative expenses. Such funding, in combination with program budget authority carried over from prior years, will support \$13.8 billion in lending activity.

The requested funds will counter foreign officially sponsored export credit competition. In addition, this funding will allow the U.S. government to assume commercial and political risks that U.S. exporters or private sector institutions are unwilling or unable to undertake in ways that overcome limitations in private sector export financing.

Ex-Im Bank will finance the export of all types of goods or services, including commodities, as long as they are not military-related (certain exceptions exist). Two of the Bank's mandates are to increase the export of environmental goods and services, which are in strong demand among the developing nations, and to expand the amount of U.S. small businesses exports.

Export-Import Bank sustains and increases American jobs by financing the exports of U.S. goods and services that would otherwise not go forward through: direct loans, loan guarantees, working capital guarantees, and insurance.

Overseas Private Investment Corporation

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
OPIC-Administrative Expenses	41,141	42,542	42,274
OPIC-Credit Funding	23,858	23,808	20,276
OPIC-Net Offsetting Collections	(288,999)	(279,350)	(223,000)

The Overseas Private Investment Corporation (OPIC) is the primary U.S. government agency focused on private sector investment in the developing world. Today, OPIC helps U.S. businesses to invest in 153 countries, promoting development while serving important foreign policy goals. OPIC catalyzes private sector development and by doing so plays a meaningful role in the development of the regions where instability poses foreign policy and national security challenges to the nation.

In FY 2006, OPIC requests the authority to spend \$42.3 million of its revenues for administrative expenses. In addition, in FY 2006 OPIC requests \$20.3 million in credit funding to support an estimated \$1.6 billion of direct loans and loan guarantees.

In FY 2006, supporting small business will remain an OPIC priority. OPIC's legislation directs the agency to pay special attention to the needs of American small businesses. OPIC has made significant progress in this area during the last year and OPIC anticipates its current relationship with SBA and OPIC's Small Business Center and Small & Medium Enterprise Finance Department, will continue to reap rewards for OPIC's small business clients.

In fulfilling its mission to mobilize and facilitate the participation of U.S. private capital in economic development, OPIC emphasizes countries and sectors that are development and foreign policy priorities. In FY 2006 OPIC will place special emphasis on:

- Providing solid foundations for growth through true developmental results.
- Expanding the world-wide reach of U.S. small business.
- Channeling investments into developing markets that need it the most, notably Central Asia and Southeast Asia, Africa and Latin America.
- Promoting new developments in regions of strategic importance, foremost in Iraq and Afghanistan.
- Leading the way for the private sector into new and emerging markets.
- Leveraging the power of private investment.

In FY 2004 OPIC supported 127 new insurance and finance projects that are expected to provide significant benefits for U.S. exports, balance of payments, and employment. During the first five years of operation, the projects will generate an estimated 31,165 person-years of direct and indirect employment for U.S. workers, equivalent to approximately 6,233 U.S. jobs. American firms will supply a substantial portion of the initial procurement for OPIC's projects, resulting in U.S. exports of capital goods and services of approximately \$2.41 billion during the next five years.

OPIC's policy of making good corporate citizenship a key element of responsible risk management contributes to two other U.S. strategic goals: opening political systems and societies to democratic practices, the rule of law, good governance, and respect for human rights; and securing a sustainable global environment in order to protect the U.S. and its citizens from the effects of international environmental

degradation. OPIC urges investors to adhere to recognized labor and environmental standards and anti-corruption laws. Projects are encouraged to play a positive role in host communities by recruiting and training local citizens for professional and management positions, responding to local education and health needs, and maintaining transparency through community outreach. While each project has flexibility to address its corporate citizenship in the most appropriate manner, OPIC will continue to ensure that all projects it supports meet its core statutory requirements.

Since its founding in 1971, OPIC has accomplished its development mission by supporting \$164 billion worth of investment in more than 3,300 projects that have helped created over 730,000 host country jobs. Our own economy has benefited as well, as OPIC projects have generated more than \$69 billion in U.S. exports and supported jobs for more than 263,000 Americans.

As of September 30, 2004, OPIC managed a diverse and active portfolio of 221 finance and 203 insurance projects. Examples of OPIC's support for developmental projects in FY 2004 include financing for water projects in the Philippines and Pakistan, telecommunications in Serbia, Brazil, Romania and Latin America, a medical facility in Brazil, a computer chip company in Turkey and business software services in Poland. In FY 2004 OPIC provided political risk insurance to developmental projects in Brazil, Honduras, Afghanistan, Kosovo, Nigeria, Pakistan, Mali, Azerbaijan and Uruguay, among other locations.

OPIC contributes to important U.S. goals without receiving direct appropriations, but instead is granted authority to spend its own earnings. These earnings are the basis for OPIC's contribution (in the form of net negative budget authority) to the International Affairs budget. For FY 2006, this contribution is estimated to be \$160 million.

Trade and Development Agency

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
TDA	49,705	51,088	48,900

The Administration is requesting \$48.9 million for TDA in FY 2006. This request maintains the Agency's ability to spur economic development and advance U.S. commercial interests in developing and middle-income countries.

TDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. In carrying out its mission, TDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services. TDA provides a bridge to U.S. technical know-how and experience for developing and middle-income countries. The focus of the agency is unique in that it creates public-private partnerships in response to foreign project sponsor needs and priorities. TDA funds help identify and prepare projects for implementation that will establish the infrastructure necessary for economies to expand. At the same time, the agency's activities develop trade partnerships by enhancing the ability of U.S. firms to conduct business overseas.

The Agency's FY 2006 budget request is designed to target TDA's assistance programs in support of key Administration foreign assistance priorities, including: 1) delivering trade capacity building assistance to build local economies and to open markets for U.S. goods and services; 2) ensuring that developing and middle income countries have safe and secure ports to help lessen the likelihood of future terrorist attacks and the disruption of trade; 3) contributing to economic development activities, particularly in Iraq and Afghanistan; and 4) supporting the Administration's environmental initiatives as part of the Interagency Working Group on Environmental Cooperation Associated with Free Trade Agreements.

This request will enable TDA to focus its activities on key Administration priorities and areas where demand for these programs has increased. For example, TDA will be able to continue enhancing its programming in the Middle East, North Africa, and South Asia in order to better serve Administration priorities and to support the economic development priorities of those countries in these regions. In addition, this request will enable TDA to continue to build on its ongoing success in Afghanistan. Using core appropriated funds in FY 2004, TDA has had a positive developmental impact on Afghanistan's economy by investing in capacity building activities in the energy, telecommunications, and transportation sectors.

Lastly, TDA is actively engaged in transportation security initiatives as an extension of the agency's traditional support for aviation sector and port development projects. TDA is currently chairing a new interagency Committee on International Aviation Safety and Security (CIASS), which coordinates U.S. government technical assistance in the area of aviation safety and security in developing countries and identifies public-private partnerships for such activities. As a result, CIASS has strengthened the impact of U.S. aviation and security assistance by focusing its energies on priority projects.

BILATERAL ECONOMIC ASSISTANCE

United States Agency for International Development
Other Bilateral Economic Assistance
Independent Agencies
Department of State
Department of the Treasury

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

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United States Agency for International Development

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
USAID	4,234,670	4,133,664	4,137,668
USAID-SUP	346,600	100,000	-

The President has identified development, diplomacy, and defense as the core, interdependent components of U.S. foreign policy. Economic, social and political development play critical and pivotal roles in the current complex national security environment. Since September 11, 2001, the War on Terrorism and the reconstruction of Iraq and Afghanistan have highlighted the importance of foreign assistance in U.S. national security policy. The relief and recovery response to the December 26, 2004 earthquake and tsunami in South Asia also demonstrate the role that foreign assistance plays in translating American values into compassionate action.

The U.S. Agency for International Development (USAID) is increasing the effectiveness of foreign assistance and improving its own efficiency within the overall framework of the Joint State-USAID Strategic Plan 2004-2009, which incorporates U.S. foreign policy and national security. Last year, USAID introduced a new strategic approach to the management of bilateral foreign aid with five operational goals. This submission reflects further steps to implement the strategic management of the foreign aid that USAID manages. Specifically, needy countries that have demonstrated good performance have been given priority for Development Assistance (DA) funds, and key fragile states - Afghanistan, Haiti, Sudan and Ethiopia - will receive funds from an expanded Transition Initiatives (TI) account to increase USAID's ability to respond quickly and effectively to the special needs of countries that require post-crisis stabilization, reform and capacity development. Economic growth and democratic governance programs in these four states were funded in past years with DA resources, but in FY 2006, USAID proposes to address economic growth and democratic governance weaknesses with TI, rather than DA funds.

USAID's strategic approach to effective management of bilateral foreign aid lays out the following operational goals:

- promote transformational development to bring far-reaching, fundamental changes to institutions of governance, human capacity, and economic structure that help countries to sustain further economic and social progress without continued dependence on foreign aid;
- strengthen fragile states through stabilization, reform, and recovery programming in selected failing, failed, and recovering states;
- provide humanitarian relief to meet immediate human needs in countries afflicted by violent conflict, crisis, natural disaster, or persistent dire poverty;
- support geo-strategic interests to achieve specific U.S. foreign policy goals in countries of high priority from a strategic standpoint; and
- address global and transnational issues including HIV/AIDS, other infectious diseases, biodiversity, climate change, direct support for international trade agreements, trafficking in persons, and counternarcotics.

To complement the steps to increase aid effectiveness, USAID proposes to continue improvements in management effectiveness through the strategic management of human capital. It proposes to right size the workforce, including continuing the Development Readiness Initiative, and significantly improve staff training. USAID's management priorities for FY 2006 are to: strengthen and right-size the workforce; complete the Development Readiness Initiative; modernize business systems and support State-USAID systems integration and business-process alignment; improve program oversight and accountability; and further regionalize overseas operations.

Agency Programmatic Priorities

The corporate approach to strategic budgeting allows us to achieve maximum impact by effectively allocating U.S. development assistance resources, complementing strategic priorities identified in the Joint Strategic Plan. USAID's priorities for the FY 2006 budget also include promoting economic growth to move countries into the global trading system, and promoting human rights and democracy.

USAID will support U.S. foreign policy goals with special emphasis on Iraq, Afghanistan, Pakistan and Sudan, as well as other front-line states in the War on Terror in the Asia and Near East and Africa regions. The Agency's Iraq programs will be funded from the Economic Support Fund (ESF) and other appropriations. USAID will also target resources to the Muslim World Initiative to support transformation of those societies and address the root causes of terrorism.

The Agency also supports on-going commitments such as education initiatives in Africa and Latin America, the Trade for African Development (TRADE) Initiative, Global Climate Change, the Congo Basin Forest Partnership, Illegal Logging, the Initiative to End Hunger in Africa, and Water for the Poor. These initiatives achieve a broad range of results that complement USAID's goals in transformational development, fragile and strategic states, and are implemented in a variety of ways, ranging from contributing to global funds, providing training, technical assistance or policy analysis bilaterally, and directly delivering services.

The FY 2006 request also maintains robust funding for Africa and Asia and Near East programs: including expanding access to quality basic education, and providing youth education directed towards the job market. In the Greater Horn of Africa, USAID will support peace, stability, economic growth, and work towards reversing the chronic food insecurity of the most populous country in the region, Ethiopia. Furthermore, USAID will support the U.S.-Central American Free Trade Agreement (CAFTA) to implement sound policy, trade liberalization, and economic reforms. In South Asia, Tsunami recovery and reconstruction will continue to be a priority.

The HIV/AIDS pandemic is more than a health emergency. It is a social and economic crisis that is threatening to erase decades of development progress. The pandemic has tended to hit in the most productive age groups and in developing countries that can least respond. Under the leadership of the State Department's Global AIDS Coordinator, USAID will scale up its work in expanding access to anti-retroviral treatment, reducing mother to child transmission, increasing the number of individuals reached by community and home-based care, providing essential services to children impacted by HIV/AIDS, and promoting education and behavior change programs that emphasize prevention of transmission.

Agency Management Priorities

USAID is committed to improving its business operations to ensure it remains at the forefront of international development in this new era. To accomplish this, USAID is requesting \$680.7 million in Operating Expenses (OE) to fund the administrative costs of managing \$9 billion in program funds. OE funding will support the Development Readiness Initiative (DRI) to address critical overseas workforce

requirements. With additional staff under DRI, the Agency will be able to manage existing programs, maintain surge capacity, and meet new demands.

USAID has made significant progress on and remains steadfast in its support of the President's Management Agenda (PMA) and is embracing the PMA disciplines as regular management practices for focusing on program results and costs. Accomplishments to date on all five PMA initiatives are detailed in the "Management Landscape" section of the FY 2006 Joint State-USAID Performance Plan.

Child Survival and Health Programs Fund

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
CSH	1,824,174	1,537,600	1,251,500

The FY 2006 request excludes \$170 million for the 15 focus countries of the President's Emergency Plan for AIDS Relief that is being requested in State's Global HIV/AIDS Initiative account.

Investing in the health of the developing world contributes to global economic growth, reduction of poverty, a sustainable environment, and regional security. Infectious diseases are a special concern. The robustness of the global public health system directly affects public health in the U.S. because infectious diseases know no borders. Fighting the scourge of HIV/AIDS is not only a moral imperative. It has a direct impact on development because the impacts in the most deeply affected countries go far beyond those who are infected. Expansion of basic health services and strengthening national health systems are key investments in people in countries on the transformational development path. These investments significantly improve people's health, especially that of women, children, and other vulnerable populations and, depending upon the circumstances, may contribute to transformational development and the stabilization of fragile states.

The CSH request for USAID health programs is \$1.252 billion and is focused on the following areas:

- USAID works to eliminate evolving health issues, especially the linkages between HIV/AIDS and other infectious diseases. As HIV/AIDS and other infectious diseases continue to threaten the health of families and children in developing countries worldwide, the Agency works to eliminate these threats. USAID programs are integrated within the overall policy and strategic direction of the President's Emergency Plan for AIDS Relief (the Emergency Plan). The Emergency Plan focuses on 15 African, Caribbean and Asian countries. USAID plays a significant role in implementing the Emergency Plan, which is managed by the Department of State's Global AIDS Coordinator. All funding for the focus countries will be financed out of the Department's Global HIV/AIDS Initiative account.
- CSH-funded HIV/AIDS programs (\$330 million) will focus on prevention, care, and treatment efforts, and the support of children affected by AIDS, in line with the Emergency Plan, including scaling-up treatment programs for those who have not previously had access to such life-extending interventions.
- Other Infectious Diseases programs (\$139 million) will focus primarily on strengthening tuberculosis and malaria prevention and control programs at the country level. Malaria efforts will concentrate on scaling up interventions to prevent and treat malaria infection in women and children by expanding access to insecticide treated bed nets, intermittent treatment for pregnant women and the roll-out of new combination drug therapies. Country level expansion and strengthening of the Directly Observed Treatment Short-course (DOTS) Strategy will continue to be the focal point of USAID's tuberculosis program. In addition, USAID will increase and strengthen the availability of human resources to support DOTS implementation, continue contributing to partnerships to address the challenges of multi-drug resistant TB and TB/HIV co-infection, and engage the private sector in DOTS.
- Child survival and maternal health programs (\$326.5 million) reduce the number of deaths in children under the age of five and save the lives of women in childbirth. About 7 million of the nearly 11 million annual child deaths could be prevented simply by extending coverage of proven interventions, which have always been at the core of USAID's child survival program. These interventions include such things as immunization, pneumonia and diarrhea prevention and treatment, oral rehydration, polio

eradication, micronutrient deficiencies, safe birthing and antenatal care, nutrition, breastfeeding, and the USG contribution to the Vaccine Fund. USAID is also working to revitalize nutrition efforts, including food fortification and food security, to make them fundamental components of all child survival and maternal health programs

- Funding for programs for vulnerable children (\$10 million) will continue to support the Displaced Children and Orphans Fund (DCOF) which strengthens the capacity of families and communities to provide care, support, and protection for orphans, street children, and war-affected children.
- Family planning and reproductive health programs (\$346 million) will help expand access to information and services regarding family planning practices. Such access will reduce unintended pregnancies, improve infant and child health, reduce their mortality rates, decrease maternal deaths associated with childbirth, and reduce abortion. These programs are integrated with programs that protect human health. Total funding for these programs remains at \$425 million, with \$346 million from CSH, and the balance of \$79 million from accounts co-managed with the Department of State (e.g., the Economic Support Fund, Assistance for Eastern Europe and the Baltic States, and Assistance for the Independent States of the former Soviet Union).
- Funding is also included for a \$100 million contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria.

USAID's health programs will continue to emphasize quality assurance in health care delivery, cutting waste and inefficiency, strengthening strategic planning and management systems, and developing host-country capacities. Further, USAID is helping health service delivery organizations manage the finances, drugs and human resources needed to deliver increasingly complicated therapies, such as those for HIV/AIDS and chronic diseases.

Child Survival and Health Programs Fund
(\$ in thousands)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Africa			
Angola	8,100	7,586	6,800
Benin	7,550	7,750	7,250
Burundi	700	800	700
Democratic Republic of Congo	22,404	24,765	20,950
Eritrea	5,000	5,300	5,200
Ethiopia	33,600	20,490	20,590
Ghana	18,620	18,920	18,000
Guinea	6,350	6,950	6,650
Kenya	34,877	12,600	12,300
Liberia	2,819	4,471	2,900
Madagascar	10,365	11,315	10,015
Malawi	19,800	20,425	19,100
Mali	14,200	15,755	14,580
Mozambique	20,380	12,530	10,430
Namibia	3,965	796	-
Nigeria	32,208	26,100	25,138
Rwanda	13,300	4,850	4,900
Senegal	14,675	14,775	14,075
Sierra Leone	100	400	400
Somalia	100	100	300
South Africa	31,028	5,328	5,178
Sudan	11,500	16,000	19,000
Tanzania	23,000	12,200	11,260
Uganda	36,020	12,760	11,160
Zambia	34,801	13,735	11,100
Zimbabwe	11,100	11,100	11,100
Africa Regional	23,027	29,037	18,611
REDSO/ESA	12,500	12,900	11,380
Regional Center for Southern Africa	5,950	7,486	7,950
West Africa Regional	19,300	19,550	18,880
Subtotal - Africa	477,339	356,774	325,897
East Asia and the Pacific			
Cambodia	29,360	28,700	27,400
Indonesia	33,000	36,700	27,540
Philippines	28,850	26,800	21,400
Vietnam	6,100	1,200	500
Regional Development Mission / Asia	17,073	17,851	16,819
Subtotal - East Asia and the Pacific	114,383	111,251	93,659

Child Survival and Health Programs Fund
(\$ in thousands)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Europe and Eurasia			
Central and Eastern Europe Regional	250	250	250
Central Asian Republics	1,000	1,000	1,000
Russia	3,000	3,000	3,000
Ukraine	1,750	2,198	2,250
Subtotal - Europe and Eurasia	6,000	6,448	6,500
International Organizations			
International Organizations/Partnerships	564,900	419,839	250,210
Subtotal - International Organizations	564,900	419,839	250,210
South Asia			
Afghanistan	31,000	38,000	42,800
Bangladesh	35,500	31,450	26,200
India	47,800	51,022	48,822
Nepal	24,840	23,540	23,000
Pakistan	25,600	21,000	20,500
Sri Lanka	300	300	300
Subtotal - South Asia	165,040	165,312	161,622
Western Hemisphere			
Bolivia	14,602	16,400	14,887
Brazil	9,650	9,322	9,189
Dominican Republic	13,166	13,000	10,548
Ecuador	-	150	-
El Salvador	7,150	7,375	6,465
Guatemala	11,400	11,600	9,896
Guyana	1,700	-	-
Haiti	22,783	20,000	19,320
Honduras	12,777	13,340	10,853
Jamaica	4,621	4,559	3,292
Mexico	3,700	3,230	3,230
Nicaragua	7,406	7,806	5,976
Paraguay	2,325	2,000	1,477
Peru	17,582	13,887	11,950
Caribbean Regional	4,029	4,733	4,733
Central American Regional	4,950	5,675	5,839
LAC Regional	12,144	10,394	6,344
South America Regional	-	-	1,347
Subtotal - Western Hemisphere	149,985	143,471	125,346

Child Survival and Health Programs Fund
(\$ in thousands)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Global			
Asia-Near East Regional	2,317	7,891	3,610
Democracy, Conflict & Humanitarian Assistance	4,345	3,942	2,050
Global Health	328,806	319,051	279,449
Other Programs	6,749	-	-
Program & Policy Coordination	4,310	3,621	3,157
Subtotal - Global	346,527	334,505	288,266
Total	1,824,174	1,537,600	1,251,500

The FY 2006 request excludes \$170 million for the 15 focus countries of the President's Emergency Plan for AIDS Relief that is being requested in State's Global HIV/AIDS Initiative account.

Development Assistance

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
DA	1,364,329	1,448,320	1,103,233

The FY 2006 request excludes \$275 million for four fragile states -- Afghanistan, Ethiopia, Haiti, and the Sudan -- that is being requested in the Transition Initiatives account.

The Development Assistance (DA) request reflects the President's commitment to promoting economic freedom, supporting efforts to rule justly, and investing in people through education in transformational development countries -- needy countries with good economic and social policy performance. There are measurable goals and concrete benchmarks for achieving these objectives in each country. This request will support important contributions to: 1) economic freedom, such as a favorable business environment, increased trade capacity and improved agricultural productivity and natural resources management; 2) ruling justly, through support for building blocks of democratic governance, such as free and fair elections, a free media, human rights and improvements in governance to fight corruption; and 3) investing in people in the area of education. The Administration's FY 2006 DA request includes funding principally for transformational development countries, as well as support for these objectives in fragile and strategic states to enhance stability, improve security, encourage reform and develop key institutional capacities fundamental to lasting recovery. Funding is also requested for a number of global issues and other priorities, including five Presidential Initiatives that are contributors to sustainable development.

In transformational development countries, fragile and strategic states, FY 2006 DA will support:

- economic freedom through growth programs that focus on trade and investment, strengthening private markets, providing access to economic opportunity for the rural and urban poor, and supporting microenterprise lending, watershed management, and environmentally sound urbanization -- thereby, increasing the capacity of developing countries to participate in, and benefit from, global trade and investment. This request promotes stronger linkages between trade and development by increasing the capacity of developing countries to participate in and benefit from trade and investment. Specific Presidential Initiatives include the Central America Free Trade Agreement (CAFTA), the Trade for African Development (TRADE) Initiative, and the Digital Freedom Initiative.
- economic freedom through agriculture and natural resources management programs that will strengthen agricultural capability in developing countries, especially in sub-Saharan Africa under the President's Initiative to End Hunger in Africa and in South Asia, and will encourage public and private donors and development partners to do the same. Programs will mobilize science and technology to reduce poverty and hunger; develop global and local trade opportunities for farmers and rural industries; increase knowledge at the local level; and promote sustainable agriculture and sound environmental management.
- investment in people through basic education programs that will strengthen pre-primary, primary and secondary education, and teacher training. Efforts are focused primarily in Africa and Latin America with two Presidential Initiatives, African Education and the Centers for Excellence in Teacher Training. Programs also include targeted work in South Asia and the Near East. USAID's programs strongly emphasize the need to ensure equitable access for girls, especially in Africa and the Near East. DA will also fund programs for higher education, and workforce training. Education is an important long-term

investment in sustaining democracies, improving health, increasing per capita income and conserving the environment.

- democratic governments that rule justly as they are more likely to observe international laws, stand firm with the United States in the War on Terrorism, and pursue policies to reduce poverty, hunger, and suffering. Programs that support ruling justly focus on supporting elections, encouraging credible and competitive political processes, promoting the rule of law and respect for human rights, encouraging credible and competitive political processes, developing politically active civil societies, promoting more transparent and accountable governmental institutions, including local government support and anti-corruption efforts, combating trafficking in persons and mitigating and managing conflict.
- the pursuit of solutions to conflict and state failure in fragile states, the immediate removal of obstacles to peace, and the provision of technical assistance to tackle underlying causes of conflict that may jeopardize USAID's long-term development goals. The Agency's work in the areas of democracy and governance, as well as economic growth, will complement the conflict prevention and mitigation programming in that the legitimacy and effectiveness of political, economic, and social institutions are a critical factor in determining whether conflict will emerge.

Global issues and other special concerns that would be supported with FY 2006 DA funding include investing in programs that provide renewable and clean energy, access to clean water and sanitation. In particular, USAID manages five Presidential Initiatives that are contributors to sustainable economic growth. The Water for the Poor Initiative will improve sustainable management of water resources and accelerate the international efforts to halve by 2015 the proportion of people who are unable to reach or afford safe drinking water. The Congo Basin Forest Partnership Initiative promotes economic development, poverty alleviation, improved governance, and natural resource management. The Clean Energy Initiative provides access to affordable, reliable, clean and efficient energy. The Global Climate Change Initiatives promotes economic growth that minimizes the growth in greenhouse gas emissions, thereby helping to reduce the planet's vulnerability to climate change. The Initiative Against Illegal Logging is the most comprehensive strategy yet undertaken by any nation to address this critical challenge and reinforces the U.S. leadership role in the protection of the world's environment. Through this initiative, the Sustainable Forest Products Alliance supports efforts to reduce the flow of illegally-logged timber into world markets, including the critical regions of the Congo Basin, the Amazon Basin and Central America, and South and Southeast Asia.

Development Assistance
(\$ in thousands)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Africa			
Angola	6,171	4,740	4,544
Benin	8,209	6,602	7,077
Burundi	2,270	2,118	1,543
Democratic Republic of Congo	12,699	8,152	7,427
Eritrea	1,739	1,051	781
Ethiopia	18,426	30,500	-
Ghana	18,645	17,443	11,500
Guinea	12,505	7,922	10,888
Kenya	12,001	15,782	16,344
Liberia	-	6,854	7,858
Madagascar	10,378	9,024	10,379
Malawi	12,441	10,163	11,186
Mali	25,267	18,564	20,793
Mozambique	24,572	17,085	18,319
Namibia	6,631	6,152	6,887
Nigeria	15,396	14,208	15,590
Rwanda	5,871	5,480	5,121
Senegal	13,896	9,735	10,548
Sierra Leone	3,685	4,600	3,269
Somalia	899	5,000	986
South Africa	29,398	26,160	28,614
Sudan	50,263	70,000	-
Tanzania	7,523	7,962	8,727
Uganda	28,176	27,182	21,476
Zambia	14,186	14,562	13,827
Zimbabwe	1,375	735	1,246
Africa Regional	45,707	130,281	119,710
Central Africa Regional	16,000	15,000	15,000
REDSO/ESA	22,977	20,283	17,884
Regional Center for Southern Africa	18,921	15,297	16,068
West Africa Regional	20,489	18,809	14,910
Subtotal - Africa	466,716	547,446	428,502
East Asia and the Pacific			
Cambodia	2,750	9,450	2,200
Indonesia	33,291	27,848	48,424
Philippines	21,568	27,576	21,525
Vietnam	3,000	4,750	4,750
Regional Development Mission / Asia	9,200	10,400	12,900
Subtotal - East Asia and the Pacific	69,809	80,024	89,799

Development Assistance
(\$ in thousands)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Near East			
Lebanon	400	500	-
Morocco	5,400	6,000	6,000
Subtotal - Near East	5,800	6,500	6,000
South Asia			
Afghanistan	148,822	165,800	-
Bangladesh	18,200	16,535	15,700
India	22,539	24,000	29,600
Nepal	8,874	10,000	11,392
Pakistan	49,400	29,000	29,000
Sri Lanka	4,750	6,774	6,624
Subtotal - South Asia	252,585	252,109	92,316
Western Hemisphere			
Bolivia	12,032	11,824	14,454
Brazil	7,643	7,979	7,134
Dominican Republic	11,413	7,662	9,080
Ecuador	7,068	6,691	7,429
El Salvador	27,155	27,194	18,889
Guatemala	12,362	10,900	9,661
Guyana	2,850	3,457	3,938
Haiti	8,899	25,000	-
Honduras	22,797	21,606	19,925
Jamaica	14,160	12,882	10,905
Mexico	17,282	14,888	16,208
Nicaragua	25,536	26,800	21,311
Panama	5,622	5,177	6,604
Paraguay	4,140	3,785	6,788
Peru	13,786	11,631	15,354
Amazon Environmental Initiative	10,000	8,000	-
Caribbean Regional	6,281	2,807	4,922
Central American Regional	15,807	12,555	8,008
LAC Regional	33,527	32,607	40,939
South America Regional	2,400	2,035	2,298
Subtotal - Western Hemisphere	260,760	255,480	223,847

Development Assistance
(\$ in thousands)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Global			
Asia-Near East Regional	19,667	34,388	18,852
Democracy, Conflict & Humanitarian Assistance	86,429	86,300	74,706
Economic Growth, Agriculture and Trade	172,987	156,785	150,600
Global Development Alliance	14,960	10,000	10,000
Global Health	1,000	-	-
Legislative and Public Affairs	2,000	2,148	1,816
Other Programs	5,718	12,426	-
Program & Policy Coordination	5,898	4,714	6,795
Subtotal - Global	308,659	306,761	262,769
Total	1,364,329	1,448,320	1,103,233

The FY 2006 request excludes \$275 million for four fragile states -- Afghanistan, Ethiopia, Haiti, and the Sudan -- that is being requested in the Transition Initiatives account.

International Disaster and Famine Assistance

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IDFA	253,993	384,896	655,500
IDFA-SUP	290,000	100,000	-

The FY 2006 request includes \$300 million in emergency cash food aid formerly included in Agriculture, P.L. 480 Title II.

The International Disaster and Famine Assistance (IDFA) account funds humanitarian programs that provide relief, rehabilitation, and reconstruction assistance to victims of natural and man-made disasters, and funds famine prevention and relief activities. IDFA funding supports USAID's operational goal to Provide Humanitarian Relief.

IDFA program objectives are to: (1) meet the critical needs of targeted vulnerable groups in emergency situations; (2) increase adoption of disaster prevention and mitigation measures in countries at risk of natural and man-made disasters; (3) reduce the economic impact of disasters on individual livelihoods by supporting and enhancing local capacities and coping mechanisms; and (4) support early intervention to either pre-empt famine or mitigate the impact.

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

In FY 2004, USAID responded to 70 disasters in 55 countries, 53 of which were natural disasters and 17 complex emergencies. Civilians continue to suffer the consequences of conflict and natural disasters and look to the international community for life-saving and life-sustaining support.

Increasing emphasis is being placed on applying preparedness and mitigation lessons learned to deal with complex emergencies. While it is not possible to predict which countries will need humanitarian assistance in the future, countries such as Afghanistan and Sudan are likely to continue to be a cause for concern.

Although recent progress on the North-South Sudan peace process brings hope for an end to Africa's longest civil war, the emergence of the crisis in Darfur is deeply troubling. In FY 2004, IDFA funding was used to address humanitarian needs in Sudan while simultaneously providing an effective bridge to development activities in the south. Within the framework of USAID's Interim Strategic Plan for Sudan, USAID had the following humanitarian assistance priorities: provision of basic humanitarian services in war-affected areas of Sudan, focus on areas of likely returns of internally-displaced persons, and response to the Darfur crisis. USAID provided nearly \$107 million in humanitarian assistance countrywide in Sudan. As was the case with the FY 2005 request, the FY 2006 request includes an additional \$100 million for programs to assist Sudan.

USAID works closely with the Departments of State and Defense to coordinate American relief efforts. In many disaster situations, 24-hour coverage is provided to ensure a speedy and appropriate response and the transmission of accurate information between the disaster site and participating USG agencies. Satellite communication equipment augments USAID's ability to target emergency assistance accurately and to

coordinate with USG agencies; U.S., third country and host country private voluntary organizations (PVOs), and other donors.

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

The FY 2006 request includes \$20 million for famine prevention and relief and is intended to support early intervention to either pre-empt famine or mitigate its effects. It also includes \$300 million, formerly requested under P.L. 480 Title II, for emergency food aid where the rapid use of cash assistance is critical to saving lives.

Transition Initiatives

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
TI	54,676	48,608	325,000

The FY 2006 request includes funding for Ethiopia, Sudan, Afghanistan, and Haiti that was formerly requested under the Development Assistance account.

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

The FY 2006 request will continue to support programs administered by OTI and proposes to expand the use of Transition Initiatives to fund democratic governance and economic growth programs in four key fragile states -- Afghanistan, Ethiopia, Haiti, and Sudan.

Fragile states are failing, failed and recovering states where conditions do not provide a sufficient foundation for long-term development. In these states, greater resource and operational flexibility is required to promote stability, advance reforms, and develop capacity of essential institutions and infrastructure. USAID plans to step up both the intensity and the breadth of our support to fragile states, with the objective of increasing stability and improving performance through reform and capacity development. An expanded TI account will better position USAID to be more responsive to the dynamics and needs of crisis and post-conflict situations.

Afghanistan, Sudan, Haiti and Ethiopia represent four states that are fragile and are currently experiencing a period of particular sensitivity as they recover from conflict or address deep governance weaknesses. As a result of country conditions and program requirements, USAID believes that TI resources are more appropriate than Development Assistance (DA) resources for these countries. Therefore, USAID proposes to shift funding previously budgeted under the DA account to the TI account for these four fragile states. The primary objective for the use of TI resources in each of these countries is to increase stability and improve performance through reform and capacity development. USAID plans the following program in FY 2006:

- *Afghanistan:* In a region rife with conflict and its own most recent history of 23 years of violence, the development challenge for Afghanistan is to rebuild its social fabric and infrastructure and chart a successful transition to democratic self-rule. As one of the highest foreign policy priorities, the U.S. is taking an integrated approach, using all the tools, resource pools and flexibility to meet changing demands and challenges to support a successful transition. Transition Initiatives funds will provide the necessary resource flexibility and programmatic integration to support Afghanistan's efforts for a political and economic transition to self rule.
- *Ethiopia:* During the last 30 years, the cycle of famine in Ethiopia has repeated itself again and again, necessitating substantial, and cyclical emergency food aid. Over time, the country is gradually losing its resiliency and capacity for growth. To address this situation, USAID has developed a strategy to manage the transition from a largely emergency response program to one that proactively builds capacity to prevent famine. The success of this transition depends on increasing the capacity of

government, the private sector, nongovernmental organizations, communities and households to generate economic growth and to build a foundation for permanently reducing famine vulnerability, hunger and poverty. Food aid will continue to be an important component of asset building operations (food for work, food for relief). The Transition Initiatives account will complement food aid to support the growth of effective and sustainable markets and provide the chronically food insecure with income generation opportunities.

- *Sudan:* With the signing of the Naivasha Accord between the Sudanese People's Liberation Movement and the Government of Sudan in December 2004, the end of the 20 year-long civil war in Sudan is now in sight. However, the transition from instability and conflict to economic growth and democratic political governance will be extremely difficult and cannot be achieved in the short term. The lack of basic physical infrastructure and institutional capacity, particularly in the south, impede economic and social development. Extremely high rates of illiteracy, limited access to basic education, lack of economic opportunities, poor quality agricultural production and inaccessible markets are legacies from the years of conflict and developmental neglect. Transition Initiatives funds in FY 2006 will provide the necessary resources required to help the country move towards economic and political stability.
- *Haiti:* Profound degradation of Haiti's social, economic, and political conditions exacerbated by flawed elections in 2000, culminated in widespread instability and the departure of President Aristide in February 2004. Confronted with extensive damage to state infrastructure and the disruption of essential services, the newly-formed Interim Government of the poorest country in the Western Hemisphere is virtually penniless, with severely limited revenue generation capacity. Transition Initiatives resources will help to restore and sustain a climate of peace and security, revitalize Haiti's tattered economy, and improve conditions for democratic processes to take place, including fair and free elections.

As noted above, the FY 2006 request will continue to support programs administered by OTI that provide short-term assistance targeted at key transition needs. OTI plans to continue many of its on-going programs in transition countries, which include Bolivia, Burundi, the Democratic Republic of Congo (DRC), Liberia, Sri Lanka, and Venezuela. OTI anticipates transferring its programs to USAID Missions in Burundi, DRC, Liberia and Sri Lanka in the second quarter FY 2006; and Bolivia and Venezuela in the third and fourth quarters respectively. OTI will revise its goals, objectives and/or FY2006 funded activities whenever needed to address rapidly changing conditions and US foreign policy priorities.

Transition Initiatives
(\$ in thousands)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Africa			
Ethiopia	-	-	25,000
Sudan	-	-	70,000
Subtotal - Africa	-	-	95,000
South Asia			
Afghanistan	-	-	150,000
Subtotal - South Asia	-	-	150,000
Western Hemisphere			
Haiti	-	-	30,000
Subtotal - Western Hemisphere	-	-	30,000
Global			
Office of Transition Initiatives	54,676	48,608	50,000
Subtotal - Global	54,676	48,608	50,000
Total	54,676	48,608	325,000

The FY 2006 request includes funding for Ethiopia, Sudan, Afghanistan, and Haiti that was formerly requested under the Development Assistance account.

Development Credit Authority

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
USAID DCA	7,953	7,936	8,000

The Development Credit Authority (DCA) allows USAID to use credit as a flexible development tool to promote broad-based economic growth in developing and transitional economies. It is often the best means to leverage private funds for development purposes.

This program augments grant assistance by mobilizing private capital in developing countries for sustainable development projects, thereby supporting the capacity of host countries to finance their own development. DCA is not intended for sovereign credit activities.

For FY 2006, the Administration is requesting \$21 million in transfer authority from USAID managed program accounts to provide loan guarantees in every region and in every economic sector targeted by USAID.

In FY 2006, DCA resources will assist Missions in supporting such activities as micro, small and medium-size enterprise development, competitive financial services, creative municipal financing, mortgage lending, and clean energy and clean water initiatives.

USAID anticipates that demand for credit resources among the geographic regions in FY 2006 may be as follows: Africa - \$5 million; Asia and the Near East - \$6 million; Europe and Eurasia - \$5 million; and, Latin America and the Caribbean - \$5 million.

Activities funded through DCA add value to USAID's overall efforts by creating competitive and efficient markets, improving policies and increasing transparency within financial institutions, increasing employment, and demonstrating to financial institutions in developing countries that mobilizing local private capital to fund activities in their own countries can be a profitable, worthy venture. In FY 2004, 36 activities approved under DCA leveraged \$279 million in loan guarantees and loan portfolios.

In accordance with the Federal Credit Reform Act of 1990, the \$8 million appropriation request for credit administrative expenses reflects the total cost of development, implementation, and financial management of all USAID credit programs.

USAID Operating Expenses

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
USAID	613,036	613,056	680,735
USAID-SUP	38,100	-	-

For FY 2006, the Administration is requesting \$680.7 million in Operating Expenses (OE) to fund the administrative costs of managing \$9 billion in program funds. The OE budget covers the costs of salaries and benefits, overseas and Washington operations, and central support, which includes security, information technology, and human capital initiatives. The request includes funding to support management priorities to strengthen and right-size the workforce, improve program oversight and accountability, and increase security. \$36.3 million of the FY 2006 request is for USAID operations in Iraq and Afghanistan, which has been funded in prior years through supplemental appropriations.

Consistent with the State Department's human capital initiative, USAID will continue the Development Readiness Initiative (DRI) to strengthen the workforce and rebuild the Agency's diplomacy and development capacity. Under DRI, USAID will hire an additional 70 staff in FY 2006, over and above anticipated attrition, to address critical workforce needs, manage existing programs, maintain surge capacity, and meet new demands. DRI will allow the Agency to focus on recruiting, training, and retaining a high-quality workforce that can more flexibly respond to crises and emerging priorities.

To address significant management challenges, the Agency will continue to modernize its business systems and support State-USAID joint goals for information technology management and IT systems security, and will continue jointly implementing e-government initiatives under the President's Management Agenda. Financial management and procurement improvement projects will increase program accountability through better integration of budget and performance information. These projects are being undertaken jointly to help achieve efficiencies in system operations, and to lay the groundwork for further alignment of procurement and financial management functions.

To protect USAID employees and facilities against global terrorism and national security information against espionage, the Agency will increase physical security measures, such as building upgrades, emergency communications systems, and armored vehicles; personnel security, such as background investigations and security clearances; and information security.

USAID Capital Investment Fund

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
USAID CIF	81,715	58,528	77,700
USAID CIF-SUP	16,600	-	-

For FY 2006, the Administration is requesting \$77.7 million in no-year funding for the Capital Investment Fund (CIF) to provide USAID with greater flexibility to manage investments in information technology and facility construction. The CIF provides funding for the capital investment portion of both information technology and facility construction while the Operating Expense account funds the non-capital investment portion, which includes the annual operating and maintenance costs of information systems and facilities infrastructure.

The Facility Construction component (\$55.8 million) will fund the second year of the Agency's contribution to the Capital Security Cost Sharing Program to support the construction of USAID facilities on new embassy compounds. The Secure Construction and Counterterrorism Act of 1999 requires USAID to co-locate on new embassy compounds. These funds will support USAID's ability to locate staff in secure work environments.

The Information Technology component (\$21.9 million) will fund the continued implementation of worldwide accounting and procurement systems modernization, full participation in E-Government initiatives, and infrastructure modernization necessary to achieve the State-USAID joint goals for information technology management and systems security. These investments support Presidential Management Agenda initiatives, Agency transformation goals, and the efficiency of overseas staff.

USAID Inspector General Operating Expenses
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
USAID OIG	34,794	34,720	36,000
USAID OIG-SUP	1,900	-	-

The FY 2006 request for the USAID Office of the Inspector General (OIG) covers operating expenses, including salaries, and support costs of OIG personnel.

The goals of the OIG are to:

- Assist USAID to implement its strategies for sustainable development and provide USAID managers with information and recommendations that improve program and operational performance.
- Work with USAID to protect and maintain the integrity of the Agency and its programs and operations by investigating allegations of federal criminal violations and serious administrative violations involving USAID programs and personnel.