

## **SUMMARY OF FY 2006 BUDGET AND PROGRAM HIGHLIGHTS**

This chapter presents the overall budget request and highlights of the program for Fiscal Year (FY) 2006. The budget is summarized in tabular form, and discussed according to the request for each account. Following the presentation of the full budget are highlights of the proposed FY 2006 program. The highlights are organized this year along the lines of USAID's five operational goals.

### **I. SUMMARY OF FY 2006 BUDGET REQUEST**

The FY 2006 budget request reflects the President's recognition that development makes a vital contribution to enhancing U.S. national security. It acknowledges that foreign assistance supports five operational goals: promoting transformational development, strengthening fragile states, supporting strategic states, responding to humanitarian needs, and addressing global issues and special concerns. The budget introduces a new allocation of Development Assistance funds to improve the effectiveness of foreign assistance by rewarding needy countries that have demonstrated good performance. A second innovation to improve effectiveness is the expansion of the Transition Initiatives account to encourage stability, reform and capacity development in key states that are confronting crisis or in transition from crisis to transformational development.

For FY 2006, the President is requesting appropriations under the Foreign Operations Subcommittee of \$8,254,340,000 in discretionary funds for USAID-administered programs, including those programs jointly administered with the State Department, and associated management costs. This excludes \$1.97 billion the President has requested for the Global HIV/AIDS Initiative, coordinated by the State Department. Also requested is \$885,000,000 in P.L. 480 Title II, which is appropriated to the Department of Agriculture but is managed by USAID. The total request, including P.L. 480, is \$9,139,340,000. Levels do not include any potential funding managed by USAID from the Millennium Challenge Account.

The tables and descriptions that follow provide further details in support of the budget request. Data provided in the tables are in thousands of dollars and cover a four-year period.

Table I lists all the accounts managed by USAID. Where there are transfers of some of these funds to other agencies, these levels are noted. Levels for FY 2003, FY 2004 and FY 2005 reflect rescissions. The FY 2003, FY 2004, and FY 2005 supplementals are listed as separate line items under the accounts that received these funds.

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

# USAID BUDGET SUMMARY

Table I

	FY 2003 Approp.	FY 2004 Approp.	FY 2005 Approp.	FY 2006 Request
<b><u>FOREIGN OPERATIONS SUBCOMMITTEE</u></b>				
<b>USAID Directly Managed:</b>				
Child Survival & Health Programs Fund (CSH) 1/ [Total includes transfer to UNICEF]	1,849,563 [119,292]	1,824,174 --	1,537,600 --	1,251,500 --
Wartime Supplemental (CSH)	90,000	--	--	--
Development Assistance (DA) 2/ DA Reimbursement from Iraq Relief & Reconstruction Fund	1,379,972 100,000	1,364,329 --	1,448,320 --	1,103,233 --
<i>Subtotal – CSH and DA</i>	<b>3,419,535</b>	<b>3,188,503</b>	<b>2,985,920</b>	<b>2,354,733</b>
International Disaster and Famine Assistance (IDFA) 3/ --FY 2004 Emergency Supplemental (IDFA)	-- --	253,993 110,000	367,040 --	655,500 --
--FY 2004 –Emergency Supplemental Transfer IRRF to IDFA	--	110,000	--	--
--IDFA Supplemental 2004	--	70,000	--	--
--IDFA 2005 Supplemental- Hurricane	--	--	100,000	--
--IDFA 2005 Emergency-Sudan	--	--	17,856	--
International Disaster Assistance (IDA)	288,115	--	--	--
--Wartime Supplemental (IDA)	143,800	--	--	--
Transition Initiatives (TI) 1/ --TI Reimbursement from Iraq Relief & Reconstruction Fund	49,675 12,000	54,676 --	48,608 --	325,000 --
Development Credit Programs [by transfer]	[5,859]	[20,876]	[20,832]	[21,000]
USAID Operating Expenses (OE) --Wartime Supplemental – OE	568,282 21,000	613,036 --	613,056 --	680,735 --
--FY 2004 Emergency Supplemental – OE	--	38,100	--	--
USAID Capital Investment Fund (CIF) --FY 2004 Emergency Supplemental (CIF)	42,721 --	81,715 16,600	58,528 --	77,700 --
Development Credit Programs – Admin Expenses	7,542	7,953	7,936	8,000
USAID Inspector General Operating Expenses (IG OE) --Wartime Supplemental (IG OE)	33,084 3,500	34,794 --	34,720 --	36,000 --
--FY 2004 Emergency Supplemental (IG OE)	--	1,900	--	--
Foreign Service Disability & Retirement Fund [mandatory]	[45,200]	[43,859]	[42,500]	[41,700]
<b><i>Subtotal-USAID Directly Managed</i></b>	<b>4,589,254</b>	<b>4,581,270</b>	<b>4,233,664</b>	<b>4,137,668</b>
<b>Department of State and USAID Jointly Managed:</b>				
Economic Support Fund & International Fund for Ireland --Emergency Response Fund (ESF)	2,280,082 --	2,163,163 153,000	2,480,992 --	3,036,375 --
--Wartime Supplemental (ESF) (& IRRF reimburse-\$100,000)	2,522,000	--	--	--
--FY 2004 Emergency Supplemental (ESF)	--	872,000	--	--
--FY 2004 Emergency Supplemental (IRRF to ESF)	--	100,000	--	--
--of which Direct to State Department	[98,663]	[81,019]	[87,792]	[56,000]
Andean Counterdrug Initiative-USAID-managed portion	248,375	221,490	235,104	216,297
Assistance to the Independent States (FSA) --of which FSA transfers	755,060 [288,639]	584,537 [157,498]	555,520 [186,859]	482,000 [175,020]
Assistance to Eastern Europe and the Baltics (AEEB) --of which AEEB transfers	521,587 [160,676]	442,375 [139,949]	393,427 [131,456]	382,000 [144,586]
Wartime Supplemental – Iraq Relief & Reconstruction Fund	1,526,229	2,482,327	[899,905]	--
Millennium Challenge Account [transfer to USAID]	--	[40,000]	[80,000]	--
Global AIDS Initiative [transfer to USAID]	--	[229,600]	[607,216]	--
<b><i>Foreign Operations Subtotal</i></b>	<b>12,442,587</b>	<b>11,600,162</b>	<b>7,898,707</b>	<b>8,254,340</b>
Of which transfers/Direct to State Department	667,198	378,466	406,107	375,606
Foreign Operations Total less Transfers/State Direct	11,775,389	11,221,696	7,492,600	7,878,734
<b><u>AGRICULTURE SUBCOMMITTEE</u></b>				
P.L. 480 Food for Peace Title II 2/ --Wartime Supplemental (Title II)	1,440,575 369,000	1,184,967 --	1,173,041 --	885,000 --
<b>USAID TOTAL:</b>	<b>14,252,162</b>	<b>12,785,129</b>	<b>9,071,748</b>	<b>9,139,340</b>
--of which supplementals	4,787,529	3,953,927	117,856	--
--of which transfers/direct	667,198	378,466	406,107	375,606
<b><i>USAID Total less supplementals and transfers</i></b>	<b>8,797,435</b>	<b>8,452,736</b>	<b>8,547,785</b>	<b>8,763,734</b>

1/ Beginning in FY 2005, all funding for PEPFAR focus countries is appropriated and requested in the Global HIV/AIDS Initiative.

2/ In FY 2006, funding formerly requested in DA for Afghanistan, Ethiopia, Haiti and Sudan is requested under Transition Initiatives.

3/ In FY 2006 \$300 million formerly requested under P.L. 480 Title II is requested for emergency cash food aid under IDFA

**CHILD SURVIVAL AND HEALTH PROGRAMS FUND**

**Table II**

Child Survival and Health Programs Fund				
dollars thousands				
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2005*</u>
<b>TOTAL</b>	<b>1,939,563</b>	<b>1,824,174</b>	<b>1,537,600</b>	<b>1,251,500</b>
[Includes Wartime Supplemental for CSH]	[90,000]	--		
<b>Global Health</b>				
Child Survival/Maternal Health	411,894	328,050	342,242	326,500
Vulnerable Children	26,825	27,830	29,760	10,000
HIV/AIDS	587,655	513,450	347,199	330,000
Other Infectious Diseases	154,489	183,910	198,399	139,000
Family Planning/Reproductive Health	366,105	373,290	372,000	346,000
UNICEF	119,220	[-]	[-]	[-]
Global Fund to Fight AIDS, TB, and Malaria	248,375	397,640	248,000	100,000
IO&P transfer in	25,000	--	--	--
<b>Regional Distribution</b>				
dollars thousands				
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
<b>TOTAL</b>	<b>1,939,563</b>	<b>1,824,174</b>	<b>1,537,600</b>	<b>1,251,500</b>
Sub-Saharan Africa	541,071	477,339	356,774	325,897
East Asia and Pacific	86,775	114,383	111,251	93,659
Near East	40,000	--	--	--
South Asia	156,857	165,040	165,312	161,622
ANE Regional	11,097	2,317	7,891	3,610
Eurasia	5,750	5,750	6,198	6,250
Europe	250	250	250	250
Latin America and the Caribbean	163,317	150,385	143,471	125,346
Central Programs	394,765	337,461	326,614	284,656
International Organizations/Partners	386,935	564,900	419,839	250,210
Other	152,746	6,345	--	--

\* Beginning in FY 2005, all funding for PEPFAR focus countries is appropriated and requested in the Global HIV/AIDS Initiative account.

Investing in the health of the world's population - by addressing global issues and other special concerns, strengthening fragile states, and promoting transformational development - characterizes the use of funds from this account.

The FY 2006 request of \$1.251 billion for USAID's Child Survival and Health Program Fund (CSH) reflects the President's continuing commitment to improved health interventions that address critical health, HIV/AIDS, nutrition and family planning needs worldwide in a gender-sensitive manner. CSH funding supports programs that expand basic health services and strengthen national health systems to significantly improve people's health, especially that of women, children, and other vulnerable populations. A major focus for the use of these funds is in sub-Saharan Africa. As HIV/AIDS and other infectious diseases continue to threaten the health of families and children in developing countries world wide, the Agency works to eliminate these threats.

HIV/AIDS programs (\$330 million in the CSH account) focus on prevention, care, and treatment efforts, and the support of children affected by AIDS. USAID programs are integrated within the overall policy and strategic direction of the President's Emergency Plan for AIDS Relief (PEPFAR) and USAID will play a significant role in the implementation of the PEPFAR, in the 15 focus countries in Africa, the Caribbean, and Asia as well as in the 60 non-focus countries. Funding for the 15 PEPFAR focus countries is being requested in State's Global HIV/AIDS Initiative account, although USAID expects to implement a significant portion of the funds in that account.

Child survival and maternal health programs (\$326.5 million) reduce the number of deaths in children under five and save the lives of women during childbirth. Programs address immunizations, pneumonia and diarrhea prevention and treatment, oral rehydration, polio eradication, micronutrient deficiencies, antenatal care and safe birthing, nutrition, breastfeeding, and the USG contribution to the Vaccine Fund.

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

Other infectious diseases programs (\$139 million) support the prevention and control of tuberculosis and malaria, combat anti-microbial resistance, and improve disease surveillance and response capabilities.

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

Funding is also requested for the Global Fund to Fight AIDS, Tuberculosis and Malaria (\$100 million).

Included in the management of the above programs are international partners, who will assist in several of the program activities. These include the Global Alliance for Vaccines and Immunizations (GAVI), the Global Alliance for Improved Nutrition (GAIN), the International AIDS Vaccine Initiative (IAVI), and the United Nations Joint Program on HIV/AIDS (UNAIDS).

## DEVELOPMENT ASSISTANCE

Table III

Development Assistance				
dollars thousands				
	FY 2003	FY 2004	FY 2005	FY 2006
<b>TOTAL</b>	<b>1,479,972</b>	<b>1,364,329</b>	<b>1,448,320</b>	<b>1,103,233</b>
<u>Economic Growth, Agriculture and Trade</u>	<u>1,151,200</u>	<u>1,156,363</u>	<u>1,234,970</u>	<u>912,139</u>
Agriculture & Natural Resource Management	561,350	568,797	569,700	432,765
Economic Growth	313,160	298,679	316,157	243,719
Microenterprise	??	[96,100]	[102,800]	[88,700]
Education and Training	276,690	288,887	349,113	235,655
[of which Basic Education for Children]	[216,580]	[233,635]	[297,600]	[186,540]
[Higher Education & Training]	[60,110]	[55,252]	[51,513]	[49,115]
<u>Democracy and Conflict Management</u>	<u>213,872</u>	<u>202,206</u>	<u>200,924</u>	<u>191,094</u>
<u>Wartime Reimbursement</u>	100,000	--	--	--
<u>Global Development Alliance-not sector specific</u>	14,900	--	--	--
<u>Other</u>	--	5,759	12,426	--
Regional Distribution				
dollars thousands				
	FY 2003	FY 2004	FY 2005	FY 2006*
<b>Total</b>	<b>1,479,972</b>	<b>1,364,329</b>	<b>1,448,320</b>	<b>1,103,233</b>
Sub-Saharan Africa	490,690	466,716	547,446	428,502
East Asia and Pacific	80,833	69,809	80,024	89,799
Near East	8,644	5,800	6,500	6,000
South Asia	150,600	252,585	252,109	92,316
ANE Regional	38,982	19,667	34,388	18,852
Latin America and the Caribbean	260,578	260,760	255,480	223,847
Central Programs	381,143	268,273	249,947	233,917
GDA	29,800	14,960	10,000	10,000
Other	38,701	5,759	12,426	--

\* In FY 2006, funding formerly requested in DA for Afghanistan, Ethiopia, Haiti and Sudan is requested under Transition Initiatives.

Development is recognized as playing a pivotal role in meeting U.S. national security challenges in the developing world.

The Administration's \$1.103 billion request for the Development Assistance (DA) account will fund programs to promote transformational development in stable developing countries which are needy and are committed to promoting economic freedom, ruling justly and investing in people, as well as programs that support global issues such as environmental protection and climate change. The FY 2006 DA request excludes funding for four states that are currently recovering from or vulnerable to crisis and are important to the United States foreign policy (Afghanistan, Sudan, Ethiopia, and Haiti). Funding for these four countries is being requested in the Transition Initiatives account.

The \$921.139 million in funds requested for Economic Growth, Agriculture and Trade will focus on building stronger economies that are soundly governed, more broadly based, and are better integrated into the global trading system. Programs also encompass environment, energy, urban development and education activities with strong attention to gender. Activities being funded include:

- Agriculture and Natural Resource Management programs (\$432.765 million) that will enhance agricultural capability in developing countries, especially sub-Saharan Africa under the Presidential Initiative to End Hunger in Africa. Programs will focus on the promotion of sustainable agriculture, reducing hunger, and providing for technology transfers, including biotechnology, reducing the threat of global climate change, conserving biological diversity including forests, reducing illegal logging, providing access to clean water and sanitation, improving watershed management; promoting sustainable urbanization and pollution control, and increasing renewable and clean energy services. The request includes funding for four Presidential environmental initiatives—Water for the Poor, Clean Energy, Congo Basin Forest Partnership, and Global Climate Change. The Initiative Against Illegal Logging is the most comprehensive strategy yet undertaken by any nation to address this critical challenge.
- Economic Growth programs (\$243.719 million) that will focus on trade and investment by strengthening private markets, providing access to economic opportunity for the rural and urban poor, and supporting microenterprise lending—thereby increasing the capacity of developing countries to participate in, and benefit from, global trade and investment. Notable programs include the Presidential Initiatives of Trade for African Development (TRADE) Initiative, the Trade Capacity Building Initiative (including the Central America Free Trade Agreement) program, and the Digital Freedom Initiative.
- Education and Training programs (\$235.655 million) that include \$186.54 million for basic education programs to strengthen pre-primary, primary, and secondary education, and adult literacy, as well as 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. Development Assistance will also fund programs for higher education and workforce training (\$49.115 million). USAID’s education programs strongly emphasize the need to ensure equitable access for women and girls, especially in Africa and the Near East.

The request for Democracy and Conflict Management funding is \$191.094 million. Development Assistance will focus on conflict prevention, democracy and local governance, and human rights. Emphasis will be on strengthening the rule of law and respect for human rights, encouraging credible and competitive political processes, promoting the development of a politically active civil society, and making government institutions more transparent and accountable. USAID will also fund programs to help fight corruption, prevent trafficking of persons, and assist victims of war and victims of torture. This request is based on the understanding that democratic governments are more likely to observe international laws and pursue policies that reduce poverty and terrorism.

The USAID mobilizes resources from and alliances with U.S. public and private sectors in support of USAID objectives under this account.

## INTERNATIONAL DISASTER AND FAMINE ASSISTANCE (IDFA)

Table IV

International Disaster and Famine Assistance*				
dollars thousands				
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006***</u>
<u>Total Appropriation**</u>	<u>431,915</u>	<u>473,993</u>	<u>484,896</u>	<u>655,000</u>
Of which:				
Original appropriation	288,115	253,993	367,040	655,500
Wartime Supplemental (IDA)	143,800	--	--	--
Emergency Supplemental (IDFA)	--	110,000	--	--
Emergency Supplemental (IRRF transfer)	--	110,000	--	--
Emergency Supplemental	--	70,000	--	--
Emergency Supplemental-Caribbean hurricane	--	--	100,000	--
Sudan Emergency	--	--	17,856	--

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

\*\* The FY 2003 Account title was "International Disaster Assistance." Famine relief was added to this account in FY 2004.

\*\*\*Includes \$300 million formerly requested under P.L. 480 Title II food aid, for emergency cash food aid.

See also the additional account description section for further information.

The FY 2006 request of \$655.500 million supports emergency relief, rehabilitation and reconstruction assistance in response to natural and manmade disasters that often are accompanied by displacement of large numbers of people. Responses include support for health interventions, agriculture and food security, nutrition, and water and sanitation. The request includes \$335 million to provide relief services and commodities including temporary shelter, blankets, supplementary food, potable water, medical supplies, and agricultural rehabilitation aid, including seeds and hand tools. Of this amount, \$100 million will be used for additional needs in Sudan. The request for the IDFA account also includes \$20 million for famine prevention and mitigation. In FY 2004, this funding was used to help support a new multi-donor initiative to prevent famine in Ethiopia.

In addition, \$300 million is requested for emergency food assistance in the IDFA account that was previously requested under the P.L. 480 Title II account. This will allow USAID to purchase food locally to permit assistance in the most timely and efficient manner in the most critical emergency food crises. It will be used in those instances where the rapid use of cash assistance is critical to saving lives.

The President has designated the USAID Administrator as Special Coordinator for International Disaster Assistance. USAID works closely with the Departments of State and Defense to coordinate American relief efforts and coordinates with U.S. private voluntary organizations, non-governmental organizations, other USG agencies, and other donors.

## TRANSITION INITIATIVES (TI)

Table V

	Transition Initiatives dollars thousands			
	FY 2003	FY 2004	FY 2005	FY 2006*
<u>TOTAL</u>	<u>61,675</u>	<u>54,676</u>	<u>48,608</u>	<u>325,000</u>
Direct Appropriation	49,675	54,676	48,608	325,000
[of which expanded in 2006]	--	--	--	[275,000]
TI Wartime Supplemental - IRRF Reimbursement	12,000	--	--	--
Regions:	<u>61,675</u>	<u>54,676</u>	<u>48,608</u>	<u>325,000</u>
Sub-Saharan Africa	15,287	28,340	--	95,000
<i>[Ethiopia]</i>				<i>[25,000]</i>
<i>[Sudan]</i>				<i>[70,000]</i>
Asia	17,888	12,180	--	150,000
<i>[Afghanistan]</i>				<i>[150,000]</i>
Near East	11,728	--	--	--
Europe	6,483	--	--	--
Latin America and the Caribbean	5,159	11,345	--	30,000
<i>[Haiti]</i>				<i>[30,000]</i>
Office of Transition Initiatives	61,675	54,676	48,608	50,000

\*Note the FY 2006 request includes funding that was formerly in Development Assistance for four key states that are currently recovering from or vulnerable to crisis and important to the United States' foreign policy: Afghanistan, Ethiopia, Haiti, and Sudan.

See also the additional account discussion section, individual country and central program narratives for further information on this program.

Many countries where USAID works confront or are vulnerable to crisis, such as conflict, governance and economic crisis or famine. The FY 2006 request of \$325 million for the Transition Initiatives account includes \$275 million for Afghanistan, Ethiopia, Haiti and Sudan, to be managed by USAID missions, and \$50 million for the Office of Transition Initiatives (OTI)-managed programs. Expanded TI will better position USAID to support a range of political, economic, social and security initiatives aimed at the conditions that make countries vulnerable to crisis. It will also allow for greater program focus on high impact, visible results and rapid response, particularly important as local conditions and requirements for on-the-ground impact can change quickly in these settings.

Programs supported by the expansion of the TI account in the four key states will be oriented to enhancing stability and security, advancing reforms and developing capacity of institutions and infrastructure. These programs involve local, national, international, and non-governmental partners. The programs are designed to build governance capacity, promote economic growth, improve the provision of key social services, and support civil society, as well as to advance peace building, transitional governance and reconstruction initiatives.

In priority countries, OTI will continue to provide short-term assistance to support, strengthen or preserve democratic institutions or processes, revitalize basic infrastructure and foster the peaceful resolution of conflict.



## DEVELOPMENT CREDIT AUTHORITY

Table VI

Development Credit Authority dollars thousands				
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Table VI				
<u>Account</u>	<u>7,542</u>	<u>7,953</u>	<u>7,936</u>	<u>8,000</u>
Development Credit Authority	7,542	7,500	8,000	8,000
-- by transfer	[5,859]	[20,876]	[20,832]	[21,000]
<u>Sources and Uses</u>	<u>7,542</u>	<u>7,953</u>	<u>7,936</u>	<u>8,000</u>
<u>Subsidy Costs, including transfers</u>	<u>[5,859]</u>	<u>[20,876]</u>	<u>[20,832]</u>	<u>[21,000]</u>
<u>Administrative Expenses</u>	<u>7,542</u>	<u>7,953</u>	<u>7,936</u>	<u>8,000</u>

See also the Central Programs section for further information on programs under this account.

Credit promotes broad-based economic growth in transformational development countries as well as fragile and strategic state economies. The Development Credit Program (DCA) allows USAID to use credit as a flexible development tool for a wide range of development purposes in historically under-served markets. It also increases the availability of grant assistance by mobilizing capital in developing countries for sustainable development projects, and it is often the best means to leverage private funds for development purposes. It is not intended for sovereign credit activities.

The FY 2006 request includes authority to transfer up to \$21 million from other USAID accounts, and funds transferred would remain available for use through FY 2009. These funds will be used to provide partial loan guarantees to support activities such as bond financing, micro- small and medium enterprise (MSME) development, competitive financial services, and creative municipal financing, clean energy, and clean water initiatives. They are provided in every region and in every sector targeted by USAID.

The request for FY 2006 also includes \$8 million for administrative costs to manage the DCA. This includes funds for contractors to conduct analyses of the financial and economic viability of DCA projects. In accordance with the Federal Credit Reform Act of 1990, the \$8 million request for credit administrative expenses reflects the total cost of development, implementation, and financial management of all USAID credit programs, as well as continued administration of the Agency's legacy credit portfolios, which amount to more than \$22 billion.

OPERATING EXPENSES (OE)

Table VII

	USAID Operating Expenses dollars thousands			
	FY 2003	FY 2004	FY 2005	FY 2006
<b>TOTAL SOURCES</b>	<b>653,165</b>	<b>717,689</b>	<b>724,137</b>	<b>731,234</b>
Sources:				
• Appropriations – Direct	568,282	613,036	613,056	680,735
• Wartime Supplemental	21,000	--	--	--
• FY 2004 Supplemental	--	38,100	--	--
• Trust Funds, Program Funds for OE, Carryforward, and Reimbursements	63,883	66,553	111,081	50,499
See separate chapter for a more detailed Operating Expense narrative and tables.				

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

OE funds cover the administrative costs of USAID-managed programs totaling \$9 billion for FY 2006. The funding will support management priorities to strengthen and right-size the workforce, improve program oversight and accountability, modernize business systems, and increase security.

The FY 2006 request for USAID Operating Expenses is \$680.735 million, excluding the Office of the Inspector General and the Capital Investment Fund, which are requested separately. Included in this request is \$36.3 million for USAID operations in Iraq and Afghanistan, which have been funded in prior years through supplemental appropriations.

The Agency's Development Readiness Initiative will strengthen the workforce and rebuild the Agency's diplomacy and development capacity by hiring an additional 70 staff over and above anticipated attrition to address critical workforce requirements.

The operating expenses of USAID are financed not only from new budget authority, but also other non-appropriated sources, including trust funds and recoveries. These other sources will continue to decrease in FY 2006. This decrease makes it critical that the full request for Operating Expenses be provided to meet expected requirements, including to hire additional staff, improve emergency communication systems, provide armored vehicles, and cover increased costs of security worldwide.

The Agency will continue to modernize its business systems and support State-USAID joint integration of procurement and financial systems to improve program accountability in a cost effective way.

In addition, the Agency will increase physical, personnel, and information security measures to protect USAID employees and facilities against global terrorism and protect national security information against espionage.

CAPITAL INVESTMENT FUND (CIF)

Table VIII

	Capital Investment Fund dollars thousands			
	FY 2003	FY 2004	FY 2005	FY 2006
Total	<u>42,721</u>	<u>98,315</u>	<u>58,528</u>	<u>77,700</u>
Direct Appropriation	42,721	81,715	58,528	77,700
2004 Supplemental	--	16,600	--	--
See separate chapter for more detail				

The request for the Capital Investment Fund in FY 2006 is \$77.7 million. These no-year funds will provide the Agency with greater flexibility to manage investments in information technology systems and overseas facility construction that the annual appropriation for USAID Operating Expenses does not allow.

The request provides \$55.8 million to fund the second year of the Capital Security Cost Sharing Program to support the construction of USAID facilities on new Embassy compounds. These funds will support USAID's ability to locate staff in secure work environments.

The remaining \$21.9 million will fund investments in Information Technology infrastructure for the continued implementation of worldwide accounting and procurement systems, full participation in E-Government initiatives, and infrastructure modernization necessary to achieve the State-USAID joint goals for information technology management and systems security.

INSPECTOR GENERAL OPERATING EXPENSES

Table IX

	Inspector General Operating Expenses dollars thousands			
	FY 2003	FY 2004	FY 2005	FY 2006
Total	<u>36,584</u>	<u>36,694</u>	<u>34,720</u>	<u>36,000</u>
Direct Appropriation	33,084	34,794	34,720	36,000
Wartime Supplemental	3,500	--	--	--
FY 2004 Supplemental	--	1,900	--	--
See separate chapter for a more detailed IG Operating Expense narrative and tables.				

The FY 2006 request of \$36 million covers salaries, operating expenses, and benefits for staff, and supports critical audit and investigative coverage for the Agency.

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

## ECONOMIC SUPPORT FUND

Table X

Economic Support Fund				
dollars thousands				
	FY 2003	FY 2004	FY 2005	FY 2006
<b>TOTAL</b>	<b>4,802,082</b>	<b>3,288,163</b>	<b>2,480,992</b>	<b>3,036,375</b>
Direct Appropriation	2,280,082	2,163,163	2,480,992	3,036,375
Emergency Response Fund	--	153,000	--	--
Wartime Supplemental (ESF)	2,422,000	--	--	--
Wartime Supplemental IRRF	100,000	--	--	--
Reimbursement to ESF				
FY 2004 Supplemental	--	872,000	--	--
FY 2004 Supplemental IRRF transfer to ESF	--	100,000	--	--
Direct apportionment to State	98,663	81,019	87,792	56,000
Total managed by USAID	4,703,419	3,207,144	2,393,200	2,980,375
Regional Distribution				
Dollars thousands				
<b>Total</b>	<b>4,802,082</b>	<b>3,288,162</b>	<b>2,480,992</b>	<b>3,036,375</b>
Sub-Saharan Africa	109,440	74,061	104,160	151,850
[ supplemental ]	[45,440]	--	--	--
East Asia and Pacific	189,283	159,055	186,496	155,350
[ supplemental ]	[31,891]	--	--	--
South Asia	429,025	1,138,329	556,512	765,500
[ supplemental ]	[167,175]	[1,025,000]	--	--
Near East	2,889,072	1,616,500	1,364,992	1,722,000
[ supplemental ]	[1,150,000]	[100,000]	--	--
Europe and Eurasia	1,043,200	70,290	35,216	42,000
[ supplemental ]	[1,000,000]	--	--	--
Latin America and the Caribbean	84,120	148,908	145,824	143,675
[ supplemental ]	[4,500]	--	--	--
Central/State Interregional Programs	57,942	81,019	87,792	56,000
[ supplemental ]	[22,994]	--	--	--
Reimbursement from IRRF	[100,000]	--	--	--

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

The request for Africa is \$151.9 million, of which \$75 million is for Liberia for reintegration of child soldiers and other combatants into society, election preparation, civil society support, judicial and rule of law programs, education and literacy, privatization of parastatals and utilities, development of a private sector through micro-credit grants and loan programs, and sustainable forestry management and other natural resources; \$20 million to help implement a just peace in Sudan and to support the development of political pluralism and democracy, agriculture, health and education; \$24.3 million for the region's strategic countries – Djibouti, Ethiopia, Kenya, Nigeria, and South Africa – to support economic growth, democracy, anti-crime and anti-corruption efforts and to counter terrorism. Also, \$18.9 million will be used to continue programs to resolve long-running conflicts or instability, including in Angola, Burundi, the Democratic Republic of Congo, Sierra

Leone and Zimbabwe; \$13.7 million for the Africa Regional Fund, Safe Skies for Africa, and regional organizations for activities to strengthen the rule of law and to support African efforts to manage renewable resources. Regional organizations include the Southern Africa Development Community and the Economic Community of West African States; regional programs will finance regional and global economic integration, especially program to open markets and harmonize tariff structure.

The FY 2006 request includes \$155.4 million for East Asia and the Pacific, of which \$70 million will be used for Indonesia to strengthen counter-terrorist initiatives, improve the quality of basic education in support of the President's education initiative, promote good governance and economic growth and support enhanced public diplomacy programs; a total of \$28 million for East Timor, Mongolia and Burma to support private sector led growth with trade promotion, micro credit programs in East Timor, to expand on past gains in democracy and private sector-led economic growth in Mongolia, and fund democracy programs in Burma; \$20 million for the Philippines to support economic reform and good governance and poverty alleviation, including education programs in Mindanao; \$15 million for Cambodia for democracy, human rights and anti-corruption; \$18 million for the South Pacific Multilateral Fisheries Treaty; and \$4.4 million for regional projects including the ASEAN Cooperative Plan and the development of multilateral groups and the Developing Asian Institutions Fund that will promote U.S. strategic interests, regional cooperation and strengthen regional organizations in which the U.S. participates. Supporting Regional Women's Issues will help empower women financially and politically, especially for those vulnerable to exploitation; the Pacific Islands fund will support small high impact grant programs in 12 states.

The request for South Asia is \$765.5 million, which includes \$430 million for Afghanistan to bolster progress toward stability, prosperity and democracy through programs to: strengthen democratic and legal institutions, develop alternative livelihoods for poppy-growing farmers, improve health, education and clean water infrastructure, assist the central government to build administrative and service delivery capacity, extend reconstruction into remote areas, support demobilization and reintegration, and create new education and employment opportunities for all Afghan citizens, with special focus on the needs of Afghan women and girls. For Pakistan, \$300 million is requested for debt relief/budget support (\$200 million) and targeted social sector programs (\$100 million), including education reform, expansion of basic health services for women and children, democracy and governance, and increased economic opportunities. In addition, the request includes \$14 million for India, \$5 million for Bangladesh; \$5 million for Nepal, \$9 million for Sri Lanka, and \$2.5 million to address the root causes of extremism through cross-border and innovative pilot programs for education, democracy, economic cooperation and development, and conflict mitigation projects.

The request for the Near East is \$1.722 billion to support Middle East stability and the search for a comprehensive peace between Israel and its neighbors. Funding includes \$735 million for Israel and Egypt; \$360 million for Iraq for political and economic governance, private sector and agricultural programs; \$150 million for the West Bank and Gaza for immediate humanitarian needs and longer-term development; and \$250 million for assistance to Jordan to help achieve sustainable economic growth. In addition, \$30 million will support development projects in Yemen on health, education, agriculture and economic opportunities, and \$35 million for Lebanon to promote economic growth and trade reform, good governance, to protect the environment and support American education institutions. Morocco will receive \$35 million to fund micro-credit facilities, basic health and education; and rural-based programs. The request continues programs to strengthen regional cooperation, promote democracy and civil society, and encourage economic growth and integration through increased trade reforms through the Middle East Regional Cooperation (MERC) and Middle East Multilaterals programs (\$7 million). A total of \$120 million is requested for the Middle East Partnership Initiative (MEPI) to support efforts to reform education systems and create greater educational opportunity, opening economies and creating jobs for people in the region. This initiative will favor countries that support democratic reforms, rule of law and women's empowerment.

The request for Europe and Eurasia, \$42 million, will be used for programs that promote peace and reconciliation and contribute to the stability of the region. This includes \$10 million to support programs to improve human rights and economic stability in Turkey; \$20 million for Cyprus to promote reconciliation between the Greek and Turkish communities; and \$8.5 million for the International Fund for Ireland to help foster cross-community cooperation, economic regeneration and job opportunities in Northern Ireland and the border communities, as well as \$3.5 million for the Walsh Visa program, which brings youth from disadvantaged areas to the United States to develop job skills.

Latin America and the Caribbean request of \$143.7 million includes \$50 million for Haiti for continued economic support; \$26.8 million to support programs in Bolivia, Brazil, Ecuador, Paraguay, Peru, and Venezuela to pursue justice sector reforms, enhance democratic institutions and promote the rule of law as well as free trade agreements, fighting corruption and respecting human rights; \$4 million for Peru-Ecuador peace, child survival, biodiversity and economic growth, to finalize the 5-year commitment of \$40 million for cross-border programs; \$22.4 million for Guatemala, Nicaragua, Panama, the Dominican Republic and Mexico for local conflict resolution and prevention, transparency and accountability systems, support for anticorruption efforts, justice sector reform, technical assistance and training to government institutions, and Mexican higher education; \$15 million for Cuba, to help peaceful transition to democracy; \$6 million for the Third Border Initiative in the Caribbean to maintain on-going training programs; \$19.5 million for regional programs for anticorruption, Summit of the Americas Support, the Regional Security Fund, the Hemispheric Cooperation Program, and technical assistance to help implement obligations and benefits from free trade agreements.

Global programs will receive a total of \$56 million to promote democracy and human rights (\$27 million), promote environmental stewardship (\$9 million), support reconciliation programs (\$8 million) and prevent the trafficking in persons (12 \$million).

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

Table XI

Assistance for Eastern Europe and the Baltic States				
dollars thousands				
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
<b>TOTALS</b>	<b>521,588</b>	<b>442,375</b>	<b>393,427</b>	<b>382,000</b>
Direct Appropriation	521,588	442,375	393,427	382,000
Of which transfers:	160,676	139,949	131,456	144,586
Total USAID-Managed	360,912	302,426	261,971	237,414

See Europe and Eurasia section for more detail.

U.S. assistance will continue to focus on integrating southeast Europe into the Euro-Atlantic community. These fragile democracies and struggling market economies are still in need of support. The \$382 million request will help accelerate the integration process, with a sharper focus on creating jobs, fighting crime, trafficking and corruption and in consolidating democratic and economic reform. Funds are also being requested to cover the added costs (beginning in FY 2005) of funding the OSCE mission in Eastern Europe.

Country requests include: Albania (\$28 million) to focus on building democratic institutions, promoting private-sector-led growth and building the capacity in health sector reform, as well as fighting trafficking, organized crime and corruption; Bosnia and Herzegovina (\$40 million) to help build rule-of-law institutions, and including combating organized crime, trafficking and terrorism and prosecuting war criminals; Bulgaria (\$28 million) to support its full transition to a market-oriented economy and a democratic political system, especially focused on fighting corruption and organized crime; Croatia (\$15 million) for the final year of assistance, directed towards building a dynamic private sector and promoting participatory democratic governance; Kosovo (\$72 million) to assist creating a multi-ethnic society, build the rule of law and democratic institutions, and establish a function market economy; Macedonia (\$39 million) to strengthen the efficiency and accountability of local government through decentralization, in order to shift to programs to enhance the government's ability to

combat the threat of cross-border crime, strengthen rule of law, and advance macroeconomic reforms; Romania (\$20 million) to help consolidate and implement the economic and democratic reforms needed to insure stability and promote continued progress toward probable EU accession in January, 2007; Serbia and Montenegro (\$75 million) to help foster this area's fragile reformist capacity, rule of law, privatization, economic growth and democracy building at the municipal level – all crucial to stabilization; and Regional Programs (\$65 million) to cover Congressional directives in the areas of health and HIV/AIDS, to assist National Endowment for Democracy programs, for study at Georgetown University and for professional development of U.S. academics studying Southeast Europe under the Title VIII program. Funds also cover staffing and U.S. assessments for Organization for Security and Co-operation in Europe (OSCE) field missions. Some regional funds cover trans-border issues such as terrorism, organized crime, corruption, and trafficking in persons as well as inter-ethnic reconciliation, regional energy markets, infrastructure development, reducing trade barriers, and improving the business climate in Southeastern Europe.

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

Table XII

Assistance for the Independent States of the Former Soviet Union				
dollars thousands				
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
<b>TOTALS</b>	<b>755,060</b>	<b>584,537</b>	<b>555,520</b>	<b>482,000</b>
Direct Appropriation	755,060	584,537	555,520	482,000
Of which transfers:	288,639	157,498	186,859	175,020
Total USAID-Managed	466,421	427,039	368,661	306,980
See Europe and Eurasia section for more detail				

The request for assistance to the former Soviet Union totals \$482 million to fund continuing programs of USAID and other agencies supporting economic and democratic transition and the war on terrorism. Funding underscores the continued U.S. commitment to the region and the vital role played by the front-line states in the coalition against terrorism, as well as supporting efforts against illicit narcotics, HIV/AIDS, and trafficking in persons. If current assumptions regarding performance hold, FY 2006 will be the last year of funding for economic reform in Russia, and economic reform in Ukraine and Kazakhstan will phase out in FY 2009.

- Specific country requests are: Armenia (\$55 million) to assist in effective implementation of reform measures, particularly in fighting corruption; Azerbaijan (\$35 million) -- strategically significant as a moderate Muslim country providing key assistance in the Global War on Terrorism and Operation Iraqi Freedom -- to provide continuing technical assistance to the government in the management and utilization of the State Oil Fund, focusing on transparency and government accountability; Belarus (\$7 million) to help sustain elements of a civil society in a country currently with little hope for genuine political or economic reform, through programs with NGOs, to assist small and medium enterprises, and to fight HIV/AIDS and trafficking in persons; Georgia (\$67 million) -- now an MCA-eligible country -- where funds will support economic policy and fiscal reform, small- medium-sized enterprise, energy reform and new activities in election reform and health; Kazakhstan (\$26 million) to help with economic assistance focused on the middle class, as well as funding programs in democracy, narcotics trafficking, border security, and health; Kyrgyz Republic (\$30 million) to help control the flow of narcotics, weapons and persons of concern; Moldova (\$17 million) to focus on accelerating integration into EU-oriented regional structures of Southeastern Europe to anchor reforms; Russia (\$48 million) to support democratic development through NGOs, judicial reform and independent media, funding for HIV/AIDS, tuberculosis and other health programs, and programs that fight trafficking in persons; Tajikistan (\$25 million), -- striving to consolidate stability and economic growth since the civil war -- to fight the trafficking of narcotics, weapons and persons of concern across its border; Turkmenistan (\$5.5 million) to ensure that it does not become a failed state; Ukraine (\$88 million) to help the new government advance its reform program, which is likely to emphasize anti-corruption, development of the rule of law and furthering integration into the global economy; Uzbekistan (\$30 million) to promote both entrepreneurship and civil

society development; and Eurasia-Regional (\$48.5 million) to cover costs of the OSCE Mission in Eurasia and also support humanitarian assistance in Nagorno-Karabakh, cross-border efforts such as water resource management projects, law enforcement and border security, and economic and trade development.

ANDEAN COUNTERDRUG INITIATIVE  
(USAID-Managed Portion Only)

Table XIII

Andean Counterdrug Initiative dollars thousands				
	FY 2003	FY 2004	FY 2005	FY 2006
TOTAL	<u>248,375</u>	<u>221,490</u>	<u>235,104</u>	<u>216,297</u>
Andean Counterdrug Initiative	248,375	221,490	235,104	216,297

The Andean Counterdrug Initiative account (ACI) supports a comprehensive strategy to reduce the flow of drugs to the United States and prevent instability in the Andean Region. The State Department FY 2006 request of \$734.5 million for the ACI includes \$216.297 million for alternative development programs to be managed by USAID.

USAID uses Andean Counterdrug Initiative funds in four Andean countries – Bolivia, Colombia, Ecuador and Peru. In each country USAID seeks to change the underlying conditions that lead people to cultivate illicit narcotics.

In Bolivia, USAID provides technical assistance and infrastructure to eliminate illegal and excess coca by increasing net household income from licit sources. FY 2006 funds (\$37 million) will extend alternative development to 33,500 and 35,000 farm families, respectively, in the Chapare and Yungas.

In Colombia, the alternative development programs (\$124.8 million) will increase legal economic opportunities by promoting social and economic development with the introduction of new licit crops, supporting agribusiness and forestry activities and developing local and international markets for these new products. Funds will also support vulnerable groups through programs on democracy, the rule of law, judicial reform, drug awareness, demand reduction and a culture of lawfulness.

In Ecuador, USAID seeks to contain the spread of a coca/cocaine economy by strengthening northern border communities through providing productive and social infrastructure, strengthening of local government capacity and citizen participation, and increasing employment and income through licit productive activities. The alternative development request is \$11.5 million.

In Peru, USAID uses a multi-sector, integrated development approach focused on providing immediate economic and social impact via temporary income, community organization and other short-term support in communities where coca is eradicated and promoting sustainable economic and social development in and around the primary coca-growing areas via infrastructure projects, technical assistance, and training. Programs will continue helping to rehabilitate roads, bridges, general social infrastructure, such as schools and health care systems, land reform, and agri-business. The FY 2006 request is \$43 million.

In all four of the countries USAID also seeks to generate political will, encourage key behavior change, and disseminate accurate information to beneficiaries through a crosscutting communications program.



Title II P.L. 480 FOOD FOR PEACE PROGRAMS

Table XIV

	PL 480 Title II Programs dollars thousands			
	FY 2003	FY 2004	FY 2005	FY 2006*
<b>Total</b>	<b>1,809,575</b>	<b>1,184,967</b>	<b>1,173,041</b>	<b>885,000</b>
Budget Level-Direct	1,440,575	1,184,967	1,173,041	885,000
Emergency Response Fund	--	--	--	--
Wartime Supplemental	369,000	--	--	--
<b>Uses:</b>				
Non-Emergency – PVO & WFP	421,709	364,247	TBD	TBD
Emergency – PVO, WFP and Government-to-Government	1,377,866	810,720	TBD	TBD
Farmer-to-Farmer	10,000	10,000	10,000	10,000

\*In FY 2006, \$300 million formerly requested under P.L. 480 Title II is being requested under International Disaster and Famine Assistance for emergency food aid.

See separate chapter and Summary Tables volume for more detail

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

Appropriated to the U.S. Department of Agriculture, the Title II program is managed by USAID. The request for Title II for FY 2006 is \$885 million in USAID-managed food assistance resources. For FY 2006, \$300 million that was previously requested for PL 480 Title II is being requested under International Disaster and Famine Assistance for emergency food aid needs.

Because a large portion of Title II funds are allocated for emergency purposes, the allocation of funds for FYs 2005 and 2006 remains to be determined (TBD).

