

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 2001 Actual	FY 2002 Estimate	FY 2003 Request
EXIM-Admin	63,801	64,905	72,327
EXIM-Dir Loan	(21,144)	(25,000)	(13,000)
EXIM-Loan Act	863,097	727,323	541,400
ERF-EXIM	75	0	0

The Export-Import Bank is chartered by Congress by the Export-Import Bank Act of 1945, as amended. The mission of the Bank is to sustain and increase jobs in the United States by financing the exports of U.S. goods and services that would otherwise not go forward. Its authority and resources allow U.S. exporters to meet foreign officially sponsored export credit competition. The Bank assumes commercial and political risks that U.S. exporters or private sector institutions are unable to undertake, overcomes limitations in private sector export financing, and provides leadership and guidance in export financing to the U.S. exporting and banking communities and to foreign buyers. In FY 2001, Ex-Im supported \$12.5 billion in exports to the fastest growing markets in the world.

The Bank's direct credit program addresses situations in which the private sector is unable to offer financing for U.S. capital goods exports on sufficiently competitive terms. Through this program the U.S. Government attempts to ensure that American exporters do not suffer widespread losses of export sales as a result of subsidized financing offers by other governments to their exporters. When the Bank targets its resources on those export transactions that face subsidized foreign credit competition, it permits foreign buyers' purchase decisions to be based on market factors (price, technology, service) as opposed to a non-market factor (the availability of subsidized credit from a foreign government). To the extent that Ex-Im's activities allow market forces to determine purchase decisions, the Bank helps to maintain the optimal level of U.S. productivity by ensuring that U.S. capital goods industries operate at market-determined (not foreign government-determined) output levels.

The Bank increases private financial participation in U.S. export sales by guaranteeing or insuring banks and exporters against certain commercial and political risks of nonpayment involved in export transactions. Since financing is a critical element in many export sales, the guarantee and insurance programs help exporters increase their export sales through increased availability of financing from private capital markets.

The Bank's exporter insurance program encourages additional exports by overcoming financing and risk perception constraints. It provides risk protection for those exports which require short-term (up to 180 days) and medium-term (up to five years) credit terms and for which private sector credit insurance is not available. Because the capacity of the private sector to offer export credit insurance is limited at the present time, Ex-Im can play an important role in this area, particularly with regard to small and medium-size businesses.

For FY 2003, direct loan authorizations are estimated to be \$105 million with a program budget usage of \$6 million, and guarantee and insurance authorizations are estimated to be \$11,321 million with program usage of \$625 million. Net of cancellations of prior year obligations of \$90 million, the Bank's program request is \$541 million. In addition, it is estimated that Tied Aid authorizations will be \$74 million, using \$25 million of program budget from the Tied Aid War Chest fund.

The FY 2003 budget proposes a 26 percent decrease in program resources, for the most part to reflect lower estimates of international lending risk. Within the proposed program budget, the Bank can sustain U.S. jobs by providing support for exporters facing subsidized competition. This can be accomplished through policy

changes and increased targeting of Ex-Im support on exporters who cannot obtain private sector financing when competing with foreign subsidies.

Funding at the requested administrative expense level will enable the Bank to provide necessary services to the exporting community on a timely basis, increase debt collection efforts, process claim payments expediently, and attempt recoveries of those payments to the fullest extent possible. It will also allow the Bank to provide thorough portfolio and risk analysis on a regular basis, reach new exporters, and expand small business awareness of export potential.

Full administrative funding is essential if the Bank is to fulfill its Congressional mandate to preserve jobs here in the United States by helping exporters compete in the world market place. Decreased processing time, increased debt collection efforts, expeditious processing of claim payments, better portfolio and risk analysis, and reaching new exporters are all dependent on sufficient personnel, personnel training, and upgrading of equipment.

Overseas Private Investment Corporation
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
OPIC-Admin	38,487	39,367	40,676
OPIC-CF	23,947	0	24,000
OPIC-NOC	(268,167)	(289,443)	(292,000)

The Overseas Private Investment Corporation (OPIC) contributes to U.S. strategic economic goals by promoting U.S. private investment in developing and transitional economies, thereby stimulating economic growth. OPIC's political risk insurance and financing help U.S. businesses of all sizes invest in 140 emerging markets and developing nations worldwide. The agency makes developmental projects possible by bridging gaps when sufficient financing and political risk insurance are not available from the private sector, by leveraging resources so that additional private sector and multilateral institution dollars are attracted to the projects, and by using its unique position to mitigate project risk.

In fulfilling its mission to mobilize and facilitate the participation of U.S. private capital in economic development, OPIC places emphasis on countries and regions that have been identified as foreign policy priorities. OPIC's on-going activities support private investment in regions such as Africa, the NIS, Central America, and the Balkans. In addition, OPIC is working to provide investment support in Pakistan, Afghanistan, Indonesia, and other strategic countries in need of the development benefits of private investment.

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 United States and its citizens from the effects of international environmental degradation. OPIC urges investors to avoid significant problems by adhering 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 programs. While each project has the flexibility to address its corporate citizenship role in the most appropriate manner, OPIC will continue to ensure that the projects it supports meet its core statutory requirements.

Ultimately, good corporate citizenship is a long-term risk mitigation strategy that serves OPIC, the investor, and the host country equally well. An example of such corporate citizenship is a power plant in North Africa that OPIC has helped finance since 1996. Besides generating (on any given day) up to half of the electricity in its host country, this plant has built and supported several schools and provided community access to its ambulance and medical facility. The power plant also sets the standard in the host country in its treatment of waste. Far from being an exception, the civic involvement of the plant is fairly typical of the efforts made by large OPIC-supported infrastructure projects in their host communities.

Since 1971, OPIC has supported more than 3,000 projects throughout the developing world. As of September 30, 2001, OPIC managed a portfolio of 133 active finance projects and 253 active insurance contracts. OPIC's products support developmental investments in locations from Algeria to Zimbabwe. Project activities are diverse and include manufacturing plants, communications operations, gas pipelines, power plants, financial services institutions, mining operations, tourism/hotel projects, and agricultural operations ranging from a shrimp farm in Ecuador to a wheat/corn mill in Mozambique.

Over the agency's 31-year history, OPIC has supported \$138 billion worth of investments that have helped developing countries to generate over \$10 billion in host-government revenues and create early 668,000 host-country jobs. OPIC's projects have also generated \$63 billion in U.S. exports and supported nearly 250,000 American jobs. The 37 new insurance and finance projects OPIC supported in FY 2001 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 16,000 person-years of direct and indirect employment for U.S. workers, equivalent to approximately 3,200 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 \$1 billion during the next five years.

OPIC's authorizing legislation directs the agency to pay special attention to the needs of American small businesses [Foreign Assistance Act of 1961, as amended, Title IV, Sec. 231 (e)]. Of the 37 new OPIC-supported projects, approximately 57 percent (21 projects) involved American small businesses. While this is an achievement, OPIC has yet to fulfill its potential in this area, particularly in regard to supporting businesses on the lower end of OPIC's small business definition. In the coming months, OPIC will reexamine its small business definition in an objective manner with a view to lowering the threshold level. Moreover, OPIC's management and staff are committed to improving the access of U.S. small businesses to OPIC's programs. To do so, OPIC will streamline its application process and publicize its political risk insurance and finance products.

One particular avenue that needs to be explored is the extent to which OPIC can complement or even leverage the work of the U.S. Small Business Administration (SBA). While the SBA is a great resource for small businesses seeking to establish themselves or expand in the United States, the SBA's ability to provide assistance ends at the border. OPIC, therefore, has the opportunity to partner with the SBA in a mutually beneficial manner that would advance both agencies' missions. Most importantly, such cooperation would greatly assist American small businesses seeking to establish a presence in developing regions. Small businesses often do not meet the profile that private sector financial institutions and insurers are looking for in their overseas clients. This is where the development goals of the U. S. Government, the needs of small business, and OPIC's programs intersect. With OPIC's assistance, the dynamism of U.S. small businesses can be mobilized to produce viable projects in the developing world.

OPIC contributes to these important U.S. goals at home and abroad while operating on a self-sustaining basis, at no net cost to the American taxpayer. OPIC does not get direct appropriations, but instead receives authority to spend its own earnings. These earnings are also the basis for OPIC's contribution (in the form of net negative budget authority) to the International Affairs budget. For FY 2003, this contribution is estimated to be \$227 million.

To continue this self-sustaining approach to government in FY 2003, OPIC requests the authority to spend \$40.7 million of its revenues for administrative expenses. The total includes \$39.9 million for baseline administrative needs and \$0.8 million as part of a government-wide change that corrects a long-standing understatement of Federal retiree costs. In addition, in FY 2003 OPIC requests \$24 million in credit funding to support an estimated \$800 million of direct loans and loan guarantees. The \$24 million request is a return to the level authorized for FY 2001. The zero request for credit funding in FY 2002 was a one-time budgetary adjustment due to the availability of carry-over funding from appropriated FY 2001 amounts and other funds. In FY 2003, new credit funding authority will be critical to OPIC's finance program.

Trade and Development Agency
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
TDA	50,023	50,184	44,696

The Trade and Development Agency (TDA) connects U.S. businesses with overseas development projects. In doing so, TDA promotes expanded exports, thereby creating American manufacturing jobs and contributing to the nation's economic prosperity. TDA also provides economic development assistance to low- and middle-income nations. This assistance increases global growth and stability and frequently helps in securing a sustainable global environment and protecting human health.

TDA's key goals and objectives are: leveling the playing field against foreign firms that receive subsidies and other government support; supporting U.S. policy in critical nations and regions; increasing foreign access to American expertise; and assisting U.S. firms, especially small and medium-sized enterprises, to participate in the international arena.

TDA promotes American job creation by assisting U.S. firms pursuing overseas business opportunities. Through funding feasibility studies, orientation visits, specialized training grants, business workshops, and various forms of technical assistance both project-specific and sectoral, TDA helps American firms compete for infrastructure development projects in emerging markets.

The proposed FY 2003 budget will allow TDA to:

- Support U.S. foreign policy interests in specific countries and regions and within multinational efforts. For example, TDA awarded \$5.5 million for five projects in China immediately following the visit of the Secretary of State to that country in July 2001. TDA supports other U.S. interests such as advancing the cause of environmental protection by aggressively promoting U.S. involvement in environmental projects that both support U.S. development policy and promote U.S. exports. Additionally, TDA uses transfer funds from the U.S. Agency for International Development to support work in Eurasia and Southern and Eastern Europe that furthers the long-term American foreign policy goal of promoting economic stability in those regions.
- Spearhead U.S. Government trade and foreign policy as new opportunities arise. For example, TDA's flexibility, small size, and experience provide the resources necessary to participate actively in reconstruction activities in the front-line states. TDA has strong infrastructure planning experience around the world, including work with devastated or weak economies, as in the Balkans and the NIS in the 1990s. Additionally, with its commercial focus, TDA supports activities that assist our trading partners in making structural and regulatory changes necessary to provide an open and even playing field for U.S. companies. TDA also targets its efforts in areas of particular Administration interest, such as Africa and Russia.
- Provide policy support for U.S. Government initiatives. TDA is able to fund projects and provide technical assistance related to implementation of international trade and development initiatives like the African Growth and Opportunity Act (AGOA), the U.S.-Mexico Partnership for Prosperity, and various free trade agreements. TDA's active involvement with trade capacity building initiatives on the part of the U.S. Trade Representative, the Department of State, and the National Security Council, as well as in multilateral fora such as the World Bank, provides the same potential benefits.

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BILATERAL ECONOMIC ASSISTANCE

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

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

Program Overview
Development Assistance
Development Assistance Detail
Child Survival and Disease/Health Programs Fund
International Disaster Assistance
Transition Initiatives
Development Credit Program
USAID Operating Expenses
USAID Capital Investment Fund
USAID Office of the Inspector General

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United States Agency for International Development
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
USAID	3,252,969	3,497,965	3,752,724
ERF-USAID	2,400	161,000	0

Even before September 11, the interests of the United States in the developing world had changed. They had become more pressing and more relevant to overall U.S. economic and security interests as globalization, terrorism, and world economic growth occupied the agenda. The challenges of this new era center on promoting good governance and managing conflict across the globe, as well as erasing illiteracy and stemming the spread of infectious disease.

At a time when a large measure of public resources must necessarily be directed toward immediate security concerns, a well-focused and economical foreign assistance program can help anchor the longer-term future that our diplomacy and military action have delivered but not yet secured. While no program transferring resources or skills can promise a world free from threats such as terrorism, a world without sustainable development for hundreds of millions of people remains a world susceptible to extremism.

The U. S. Agency for International Development (USAID), through its programs and staff in developing and transition countries, contributes directly to U.S. national security goals by:

- Fighting hunger and poverty, and promoting prosperity and sustainable management of the world's natural resources.
- Improving health, especially by addressing the devastating effects of HIV/AIDS and other infectious diseases.
- Strengthening the quality of democratic governance, and reducing the sources of conflict.
- Responding to international disasters and delivering humanitarian assistance to countries facing crises.

Program Pillars and Priorities

USAID structures its program around four pillars: (1) Economic Growth, Agriculture, and Trade, including the important sectors of the environment and education; (2) Global Health, including infectious diseases, child survival, and family planning; (3) Democracy, Conflict, and Humanitarian Assistance; and (4) the Global Development Alliance, USAID's new business model for the 21st century.

The FY 2003 budget request addresses priority issues within these pillars. USAID has increased efforts in conflict prevention, good governance, and fighting corruption. To build and protect a productive workforce, the request includes more funding to fight HIV/AIDS, a disease that attacks the most productive segments of society, the nascent middle class, and particularly the teachers, health care workers, and public servants of developing countries. USAID plans to launch an initiative in Africa to cut hunger through agricultural development. The Agency has increased the request for education by 65 percent over the last two years. It is also building trade and investment programs, such as those pursuant to the African Growth and Opportunity Act, that focus on creating policy environments and institutional capacity to allow African nations to enter the global economy. Finally, USAID plans to increase its efforts in central and south Asia to enhance the peace and stability of a region critical to the war against terrorism.

The FY 2003 overall request for USAID's directly managed programs, including food aid, totals \$3.8 billion. This figure excludes USAID's accounts for operating expenses, as well as funding for programs jointly managed with the Department of State.

Economic Growth, Agriculture, and Trade

The FY 2003 request for USAID's first program pillar is \$1.111 billion.

Assistance provided under this pillar will work towards creating economies that are viable over the long term. Programs will integrate growth, agriculture, and environmental objectives and concerns to allow "market forces" to play an increasingly important role in our strategic approach and in determining a program's long-term viability. Activities funded will assist the productive sectors, especially agriculture; the environment and energy sectors; human capacity development (including basic education); microenterprises; and improvement of the business, trade, and investment climate. The interrelationship and interdependence of economic growth, environmental sustainability, and the development of a country's human capital will be highlighted in this pillar.

- Given the importance of agriculture and of basic education – especially for girls and women – in most recipient countries, USAID plans to increase its emphasis in these sectors. Under the Development Assistance account, USAID plans to fund agriculture at \$260.5 million (compared to the FY 2002 level of \$200.4 million) and basic education at \$165 million (compared to the FY 2002 level of \$150 million).
- Projected funding for these two programs from other accounts co-managed with the Department of State – the Economic Support Fund (ESF), Assistance for Eastern Europe and the Baltic States (SEED), and Assistance for the Independent States of the Former Soviet Union (FSA) – would bring the total FY 2003 level for agriculture up to \$440.6 million and the basic education level to \$197.3 million.

Global Health Pillar

The FY 2003 request for the second pillar is \$1.374 billion. This compares to a figure of \$1.313 billion in FY 2002. (Both figures exclude \$120 million in transfers to UNICEF.)

Under this pillar, USAID groups its programs related to maternal and child health, nutrition, family planning, and many of the related transnational issues confronting the United States, such as HIV/AIDS and other infectious diseases. The request includes a major initiative to combat HIV/AIDS and other infectious diseases, mainly malaria and tuberculosis, which have significant public health impact.

Child survival interventions target the major childhood killers, including vaccine-preventable diseases (e.g., polio), diarrheal disease, malnutrition, acute respiratory infections, and malaria. USAID programs continue an aggressive effort to eliminate vitamin A and other micronutrient deficiencies. Maternal health activities aim to reduce maternal deaths and adverse outcomes as a result of pregnancy and childbirth. In family planning, USAID programs seek to promote family health and allow couples to achieve their desired family size. For HIV/AIDS and infectious diseases, USAID will aggressively promote public/private partnerships and provide technical leadership for programs at the national and grassroots levels.

Funding for Global Health programs is being requested under the Development Assistance account in FY 2003, rather than under the separate Child Survival and Health Programs Fund appropriated in FY 2002, to more clearly display the integration of the three program pillars.

- The Global Health request for HIV/AIDS funding has increased from \$395 million in FY 2002 to \$500 million in FY 2003 to address this major public health issue more effectively. The total amount available for HIV/AIDS from all appropriated accounts – including ESF, SEED, and FSA – is expected to be \$640 million, including funding through the Global Fund.
- The remaining \$874 million under the Development Assistance account is proposed for child survival and other global health activities. These funds would support efforts to improve maternal and child health and nutrition; help reduce infant and child mortality; and support programs that promote family health and allow couples to achieve their desired family size. The total amount available for family planning from all appropriated accounts is \$425 million.

Democracy, Conflict, and Humanitarian Assistance

The FY 2003 request for USAID's third program pillar totals \$1.7 billion, including food assistance. The comparable figure for FY 2002 is \$1.282 billion. (Both figures include P.L. 480 Title II, at \$1.185 billion and \$850 million respectively).

Recent terrorist actions have made programs under this pillar a high priority. Given the rising number of collapsed states and internal conflicts in the post-Cold War period, some of which have become focal points of U.S. foreign policy, USAID will undertake a major new conflict prevention, management, and resolution initiative. This initiative integrates USAID's democracy programs with new approaches to anticipating crisis, conflict analysis, comprehensive assessment, and providing new methodologies to assist conflicting parties resolve their issues peacefully. This initiative will also address on-going efforts to integrate foreign policy and foreign assistance in a way that accommodates both short-term operational and longer-term structural prevention needs. These new approaches will necessarily involve strategic alliances with institutions such as the U.S. Institute for Peace, the U.S. military, indigenous religious institutions dedicated to conflict prevention and resolution, and PVOs with conflict management expertise. There will be continuing close coordination with the U.S. foreign affairs community, especially the Department of State, in this area.

USAID continues to stand at the forefront of agencies around the world in its ability to respond to man-made and natural disasters. Requested funding will enable the Agency to maintain its unique capability to provide needed help rapidly when international emergencies occur.

- USAID accounts included in this pillar are Development Assistance, International Disaster Assistance, Transition Initiatives, and P.L. 480 Title II food assistance (which falls under the Subcommittee on Agriculture and is appropriated through the U.S. Department of Agriculture and managed by USAID). When projected funding from other accounts that USAID co-manages with the State Department is added, the FY 2003 level for this pillar will reach almost \$2.5 billion.
- International Disaster Assistance deals complex emergencies and natural disasters.
- Transition Initiatives funds programs to meet challenges in conflict-prone countries and those making the recovery from crisis.
- Development Assistance funds programs for democracy and local governance, conflict, and human rights.

Global Development Alliance

USAID plays a critical role within the foreign affairs community, which is led by the Secretary of State. The Agency possesses unparalleled long-term experience with, and access to, host-country governments. Thus, it is in a unique position to play a catalyzing, integrating, coordinating, and facilitating role in the context of a public-private alliance among U.S. development assistance actors.

The Global Development Alliance (GDA) is a fundamental reorientation in how USAID sees itself in the context of international development assistance, in the Agency relates to its traditional partners, and in how it seeks out and develop alliances with new partners. USAID will use its resources and expertise to assist strategic partners in their investment decisions and will stimulate new investments by bringing new actors and ideas into the overseas development arena.

In order to launch the GDA, a special, temporary unit has been established to expand outreach to private sector (for-profit and not-for-profit) organizations, with a view toward fully integrating GDA into the three program pillars and normal USAID business practices not later than FY 2004.

Meeting the Management Challenge

Helping people in the developing world through effective assistance requires a transparent, agile, and skillful organization.

It must have adequate security to safeguard employees frequently working in difficult situations. We are focused on performance-based management to ensure that every tax dollar will be spent wisely, leveraging the Agency's funds to help build local capacity and attract private investment.

What today's challenges demand of USAID in Washington is fundamental management reforms in key areas and an organizational structure that can bring necessary technical expertise to bear on problems in the field in a flexible and efficient manner. USAID is aggressively implementing needed organizational and management changes.

USAID must also ensure that necessary investments to enhance security are made at all Agency locations, especially those that are high threat.

In addition to managing the accounts and programs discussed below in this section of the Congressional Budget Justification, USAID manages programs under other accounts jointly administered with the State Department. Those accounts – ESF, SEED, and FSA – address most of the same objectives noted above.

Development Assistance
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
DA	1,274,190	1,178,000	2,739,500

For FY 2003, the Administration proposes that Development Assistance and the Child Survival and Health Programs Fund be merged into a single Development Assistance account (DA). This step is part of an effort to simplify and streamline the budget account structure government-wide. It is not intended to have a negative impact on the budget levels for health programs, as the funding requested in FY 2003 for Global Health demonstrates.

DA addresses most of the U.S. strategic goals for international assistance: Open Markets, U.S. Exports, Global Growth and Stability, Economic Development, Democracy and Human Rights, Humanitarian Assistance, Environment, Population, and Health.

The Administration's FY 2003 request for DA includes funding for the three program pillars, plus a limited amount for the Global Development Alliance. DA is directed primarily to Africa, Asia, and Latin America, as well as to global programs.

Economic Growth, Agriculture, and Trade

The DA request for this program pillar totals \$1.111 billion.

- Business, trade, and investment programs (\$317 million) will help expand and strengthen private markets and provide access to economic opportunity for the rural and urban poor. DA programs for food security (\$260.5 million) will promote more rapid and enhanced agricultural development; funding will encourage institutional reforms, provide technology, especially for small farmers, and support microenterprise lending.
- Basic education programs (\$165 million) will strengthen pre-primary, primary, and secondary education and teacher training. Efforts are focused primarily in Africa, but also include targeted work in Asia, the Near East, and Latin America. DA will also fund programs for higher education and adult literacy (\$60.5 million).
- Environmental programs (\$308 million) will reduce the threat of global climate change, conserve biological diversity, provide for sustainable urbanization and pollution control, increase environmentally sound energy services, and promote management of natural resources.

Global Health

The DA request for the second pillar – the largest under the DA account – totals \$1.374 billion.

Global Health programs support the U.S. foreign assistance objectives of protecting peoples' health and reducing the spread of infectious diseases. These DA-funded programs are important forerunners of efforts to support economic growth and stability. They strengthen in-country systems and capacity to deliver health services, as well as to prevent and monitor health problems.

- Child survival and maternal health programs (\$282.5 million) focus on improving infant and child health and survival and reducing deaths and adverse outcomes due to pregnancy and childbirth.

- Programs for vulnerable children (\$13 million) will reach displaced children, orphans, and blind children. Funding for children affected by HIV/AIDS is included in the HIV/AIDS level.
- HIV/AIDS assistance (\$500 million) is aimed at expanding primary prevention efforts, improving community and home-based care, increasing support for those sick and dying of AIDS, helping AIDS orphans affected by HIV/AIDS, and reducing the risk of mother-to-child transmission.
- Other infectious disease programs (\$110 million) include improving control of tuberculosis, reducing the deaths due to malaria, reducing the spread of antimicrobial resistance, and improving surveillance and response capacity.
- Funding for the Global Fund (\$100 million) includes additional funding for HIV/AIDS, as well as tuberculosis and malaria.
- Family planning and reproductive health programs (\$368.5 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, and decrease maternal deaths associated with childbirth. These programs are integrated with programs that protect human health.

Democracy, Conflict, and Humanitarian Assistance

The DA request for the third program pillar totals \$224.9 million.

In the area of conflict prevention, democracy and local governance programs will strengthen the rule of law and respect for human rights, encourage credible and competitive political processes, promote the development of politically active civil society, and make government institutions more transparent and accountable. A new initiative will integrate the existing democracy programs with new approaches in dealing with conflict resolution, including programs that address the economic causes of conflict.

Development Assistance
(\$ in thousands)

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
Africa			
Africa Regional	52,787	116,172	135,061
Agriculture Initiative	-	5,000	20,000
Angola	2,676	3,758	7,400
Anti-Corruption Initiative	-	300	7,500
Benin	3,723	7,862	12,261
Burundi	-	3,000	4,000
Democratic Republic of Congo	4,788	3,965	21,500
Education for Development and Democracy	13,581	17,000	22,000
Eritrea	5,603	5,538	8,519
Ethiopia	14,561	19,445	50,054
Ghana	19,858	15,063	39,743
Greater Horn of Africa Initiative	11,350	10,383	27,288
Guinea	9,168	12,942	20,725
Initiative for Southern Africa	1,251	17,367	24,731
Kenya	19,927	12,347	46,693
Liberia	5,720	3,225	5,200
Madagascar	15,183	9,240	17,528
Malawi	13,150	13,028	30,877
Mali	22,054	19,435	32,961
Mozambique	31,469	21,681	45,492
Namibia	5,498	6,258	5,480
Nigeria	30,941	18,548	66,235
Rwanda	6,997	5,311	18,173
Senegal	13,375	13,350	28,380
Sierra Leone	3,116	3,417	3,868
Somalia	2,500	2,467	2,900
South Africa	32,665	33,849	62,428
Sudan	3,500	10,881	22,300
Tanzania	10,378	8,124	32,936
Trade Initiative	15,250	5,000	15,000
Uganda	19,198	22,724	62,944
West Africa Regional	17,246	5,798	31,521
Zambia	10,255	11,822	50,285
Zimbabwe	6,384	1,700	18,108
Subtotal - Africa	424,152	466,000	1,000,091

Development Assistance
(\$ in thousands)

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
East Asia and the Pacific			
Burma	993	-	-
Cambodia	-	-	22,500
Indonesia	51,483	38,704	71,472
Laos	-	1,000	2,000
Philippines	30,334	24,459	50,659
Thailand	-	750	3,250
Vietnam	2,999	6,950	12,456
Subtotal - East Asia and the Pacific	85,809	71,863	162,337
International Organizations			
International Organizations/Partnerships	-	-	256,356
Subtotal - International Organizations	-	-	256,356
Near East			
Lebanon	600	600	500
Morocco	5,685	5,713	6,713
Subtotal - Near East	6,285	6,313	7,213
South Asia			
Afghanistan	-	10,000	-
Bangladesh	42,050	21,870	57,220
India	28,805	29,200	75,185
Nepal	11,858	7,597	31,696
Pakistan	-	10,000	50,000
Sri Lanka	3,399	5,150	6,050
Subtotal - South Asia	86,112	83,817	220,151
Western Hemisphere			
Bolivia	25,098	12,053	30,547
Brazil	7,318	3,930	17,537
Caribbean Regional	-	-	15,750
Centers for Educational Excellence	-	3,000	3,000
Central American Regional Development	9,030	8,142	26,927
Dominican Republic	8,800	6,450	19,409
Ecuador	8,184	6,855	7,130
El Salvador	31,807	44,880	33,724
Guatemala	16,937	12,320	26,691
Guyana	3,800	3,100	3,180
Haiti	-	-	25,000
Honduras	16,789	15,430	35,096

Development Assistance
(\$ in thousands)

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
Jamaica	7,685	9,471	15,980
LAC Regional	27,284	47,466	47,274
Mexico	7,885	6,915	18,276
Nicaragua	16,390	16,152	27,258
Panama	3,700	4,500	7,000
Paraguay	6,320	3,600	6,625
Peru	28,488	14,173	40,601
Regional Partnership for Prosperity	-	10,000	10,000
Subtotal - Western Hemisphere	225,515	228,437	417,005
Global			
Asia-Near East Regional	44,601	49,107	74,547
Democracy, Conflict & Humanitarian Assistance	-	58,000	100,100
Economic Growth, Agriculture and Trade	-	152,900	154,800
Global Development Alliance	-	20,000	30,000
Global Health	-	3,800	304,800
Global Programs, Field Support & Research	324,536	-	-
Humanitarian Response	65,826	-	-
Policy Initiatives	6,706	31,363	-
Program & Policy Coordination	4,648	6,400	12,100
Subtotal - Global	446,317	321,570	676,347
Total	1,274,190	1,178,000	2,739,500

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

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
Africa			
Africa Regional	36,677	37,822	-
Angola	7,287	6,975	-
Benin	10,158	6,738	-
Burundi	-	500	-
Democratic Republic of Congo	15,337	17,328	-
Education for Development and Democracy	2,094	-	-
Eritrea	4,516	4,800	-
Ethiopia	26,086	26,507	-
Ghana	15,419	19,455	-
Greater Horn of Africa Initiative	5,514	12,075	-
Guinea	9,354	5,650	-
Kenya	13,272	27,763	-
Liberia	1,850	2,000	-
Madagascar	4,185	8,975	-
Malawi	14,862	15,615	-
Mali	12,433	13,321	-
Mozambique	12,953	19,277	-
Namibia	4,383	500	-
Nigeria	23,363	37,066	-
Rwanda	7,167	10,300	-
Senegal	10,366	14,405	-
Sierra Leone	1,884	325	-
Somalia	500	500	-
South Africa	17,362	20,625	-
Sudan	1,000	500	-
Tanzania	10,725	16,700	-
Uganda	30,680	34,150	-
West Africa Regional	11,367	21,048	-
Zambia	26,838	30,830	-
Zimbabwe	6,438	9,473	-
Subtotal - Africa	344,070	421,223	-

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

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
East Asia and the Pacific			
Burma	2,000	-	-
Cambodia	9,420	15,000	-
Indonesia	19,580	35,568	-
Laos	-	1,000	-
Philippines	9,450	25,599	-
Thailand	-	1,000	-
Vietnam	2,494	4,106	-
Subtotal - East Asia and the Pacific	42,944	82,273	-
Europe and Eurasia			
Central and Eastern European Regional	770	-	-
Kazakhstan	200	-	-
Regional FSA	550	-	-
Russia	3,543	-	-
Ukraine	1,019	-	-
Uzbekistan	700	-	-
Subtotal - Europe and Eurasia	6,782	-	-
International Organizations			
International Organizations/Partnerships	209,758	297,250	-
Subtotal - International Organizations	209,758	297,250	-
Near East			
Morocco	4,902	4,600	-
Subtotal - Near East	4,902	4,600	-
South Asia			
Afghanistan	-	2,000	-
Bangladesh	15,500	39,950	-
India	24,593	41,678	-
Nepal	9,250	20,000	-
Pakistan	-	5,000	-
Sri Lanka	300	300	-
Subtotal - South Asia	49,643	108,928	-
Western Hemisphere			
Bolivia	6,598	19,410	-
Brazil	7,883	8,700	-
Caribbean Regional	1,497	4,000	-
Central American Regional Development	3,692	4,750	-

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

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
Dominican Republic	6,385	9,532	-
El Salvador	14,557	14,822	-
Guatemala	6,905	15,350	-
Guyana	798	1,000	-
Honduras	8,936	13,070	-
Jamaica	4,116	2,821	-
LAC Regional	14,780	11,765	-
Mexico	5,987	5,500	-
Nicaragua	7,006	8,170	-
Paraguay	-	2,525	-
Peru	9,603	23,200	-
Subtotal - Western Hemisphere	98,743	144,615	-
Global			
Asia-Near East Regional	13,044	16,227	-
Democracy, Conflict & Humanitarian Assistance	-	27,193	-
Global Health	-	322,241	-
Global Programs, Field Support & Research	237,657	-	-
Humanitarian Response	31,618	-	-
Policy Initiatives	8,646	3,550	-
Program & Policy Coordination	3,074	5,400	-
Subtotal - Global	294,039	374,611	-
Total	1,050,881	1,433,500	-

International Disaster Assistance
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
IDA	299,340	235,500	235,500
ERF-IDA	0	146,000	0

International Disaster Assistance (IDA) funds humanitarian programs that provide relief, rehabilitation, and reconstruction assistance to victims of natural and man-made disasters. Until FY 2001, this account also funded transition assistance, which now is appropriated separately. Funds in this account support USAID's Democracy, Conflict, and Humanitarian Assistance pillar.

IDA program objectives are to: (1) meet the critical needs of targeted vulnerable groups in emergency situations; (2) increase adoption of disaster prevention and mitigation measures in countries at risk of natural disasters; and (3) enhance follow-on development prospects in priority, post-conflict countries.

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

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

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

Demands on resources have increased steadily for a number of years. In FY 2001, USAID responded to 79 disasters in 56 countries, including 54 natural disasters, 16 complex emergencies, and nine human-caused emergencies. Natural disasters adversely affected approximately 173 million people, their livestock, and livelihoods, and killed more than 24,000 people. Civilians continue to suffer the horrifying consequences of conflict and natural disasters and look to the international community for life-saving and life-sustaining support. Droughts and floods made up the largest number of natural disasters in FY 2001 – affecting nearly one of every two countries in which USAID responded to disasters. Some of the major disasters to which USAID's Office of Foreign Disaster Assistance (OFDA) responded:

- Afghanistan – Prior to September 2001, two decades of war, including a decade-long Soviet occupation and ensuing civil strife, left Afghanistan impoverished and mired in an extended humanitarian crisis. Government infrastructure collapsed, and significant local and national

resources were directed to the war effort. Severe restrictions by the Taliban had particular impact on women who previously had worked outside their homes. Beginning in September, there was a major population exodus from principal Afghan cities and into refugee camps inside and outside the country. Despite the severe conditions, \$12.6 million of assistance was provided through OFDA.

- Democratic Republic of Congo (DRC) – In FY 2001 violence and insecurity continued to destabilize DRC, limiting humanitarian access to vulnerable populations. International agencies had access to only about 60 percent of the displaced people due to continued insecurity in some areas. OFDA provided more than \$21.8 million in assistance, primarily focused on health services and food security programs. In addition, OFDA supported emergency market infrastructure rehabilitation and agricultural programs for war-affected, vulnerable, and internally displaced persons.
- Sudan – Sudan’s 18-year civil war between the Government of Sudan military and militia and southern Sudanese rebel groups continued in Southern Sudan. Populations in the war-torn area were displaced, and in FY 2001 more than 900,000 people were affected by drought conditions. In May 2001, the President named the USAID Administrator as Special Humanitarian Coordinator for Sudan. OFDA’s humanitarian assistance for Sudan totaled more than \$27.2 million in FY 2001 and focused primarily on health care and food security projects targeting children, war-affected, drought-affected, and internally displaced persons in geographic areas of critical need.
- El Salvador – In FY 2001, El Salvador suffered the devastation of two major earthquakes: 1,159 people died and 1,582,428 people were affected, nearly a quarter of the country’s population. OFDA responded with \$14.3 million of emergency assistance, focused primarily on meeting the needs of those left homeless through the provision of temporary shelter. IDA also funded emergency assistance in search and rescue; the local purchase or airlift of commodities to meet pressing needs in the areas of health, water, and sanitation; and provision of household necessities such as blankets and mattresses.
- India – The earthquake of January 26, 2001, in western India resulted in the death of more than 20,000 people, the injury of another 20,700 people, and the temporary displacement of approximately 600,000 people. OFDA provided more than \$7.4 million from IDA, which included three airlifts of relief supplies delivered by CARE, Catholic Relief Services, and the Indian government. In addition, \$879,000 was provided in technical equipment to assist with debris removal, and more than \$4.8 million was made available to U.S. private voluntary organizations for interventions in the shelter, water, sanitation, health and nutrition, emergency food, and coordination sectors.

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

Transition Initiatives
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
TI	49,890	50,000	55,000

The Transition Initiatives (TI) account funds humanitarian programs that provide post-conflict assistance to victims of natural and man-made disasters. Until FY 2001, this type of assistance was provided under International Disaster Assistance. TI supports USAID’s Democracy, Conflict, and Humanitarian Assistance pillar.

Transition is now defined as including countries moving from war to peace, countries making the turn from civil conflict to national reconciliation, or countries in which political strife has not yet erupted into violence and the possibility exists to prevent or mitigate conflict and broaden democratic participation. Strategies are tailored to meet the unique needs of each transition situation, and changing conditions are quickly reflected in new or modified strategies.

The FY 2003 request for TI will support programs administered by USAID’s Office of Transition Initiatives (OTI). This office addresses the opportunities and challenges facing conflict-prone countries and those making the transition from the initial crisis stage of a complex emergency (frequently handled by USAID’s Office of Foreign Disaster Assistance) toward a more stable political and economic situation.

USAID established OTI in 1994 to help local partners advance peaceful, democratic change in conflict-prone countries. OTI works on the ground to provide fast, flexible, short-term assistance targeted at key transition needs. Its ability to assist local partners in addressing the root causes of conflict is key to bridging the gap between emergency relief and long-term development.

Transition Initiatives programs support U.S. foreign policy priorities in assisting transition countries usually during the critical two-year period when they are most vulnerable to renewed conflict or instability. These short-term, high-impact projects involve local, national, international, and non-governmental partners and are designed to increase momentum for peace, reconciliation, and reconstruction. Tailored strategies are initially tested on a small scale and applied more broadly only when it is clear that they are having a high impact.

OTI’s strategic objective is to advance successfully political transitions in priority, conflict-prone countries by enhancing citizen security; initiating, re-establishing, or expanding democratic political process; and improving the targeting of interventions. FY 2002 funds will be used to implement programs in Afghanistan, Burundi, the Democratic Republic of Congo (DRC), Indonesia, Kosovo, the Republic of Macedonia, Nigeria, Peru, Serbia and Montenegro, Sierra Leone, and Zimbabwe. FY 2002 is the final year of funding for the programs in Indonesia, Kosovo, Nigeria, Peru, and Sierra Leone. FY 2002 funds will be used also to carry out new programs in response to critical junctures and windows of opportunity.

Development Credit Program
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
USAID DCP	3,991	7,500	7,591

Credit promotes broad-based economic growth in developing and transitional economies. It is often the best means to leverage private funds for development purposes.

The Development Credit Program (DCP) allows USAID to use credit as a flexible development tool for a wide range of development purposes. DCP consolidates the former Urban and Environmental Credit program and the Micro and Small Enterprise Development programs.

For FY 2003, the Administration is not requesting new transfer authority from USAID-managed program accounts for DCP because of the availability of existing prior-year authority.

It is envisioned that all future agency credit activities will be carried out under the reforms embodied in DCP regulations and the Federal Credit Reform Act of 1990, as amended. This program augments grant assistance by mobilizing private capital in developing countries for sustainable development projects. DCP is not intended for sovereign credit activities.

The FY 2003 request includes funding for administrative costs only.

USAID Operating Expenses
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
USAID OE	543,160	560,659	586,087
ERF-USAID OE	2,400	15,000	0

USAID’s development and humanitarian programs play an important role in support of U.S. foreign policy and national security objectives. The Operating Expenses (OE) budget of USAID provides critical funding for salaries and support costs of the staff responsible for managing these programs.

The FY 2003 request for OE will provide the resources needed to maintain current staffing levels associated with USAID’s presence in key developing countries, continue to build effective information technology and financial management capabilities, and strengthen staff capabilities with training.

OE funding covers the salaries, benefits, and other administrative costs associated with USAID programs worldwide, including those managed by USAID and financed through Development Assistance, the Economic Support Fund, Assistance to Eastern Europe and the Baltics, Assistance to the Independent States of the Former Soviet Union, and P.L. 480 Title II Food for Peace Programs.

In FY 2003, funds are requested under a separate account – the new USAID Capital Investment Fund – for infrastructure improvements and information technology. Funds for the USAID Office of the Inspector General are also requested separately.

USAID Capital Investment Fund
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
USAID CIF	0	0	95,000

USAID requests the establishment of a Capital Investment Fund (CIF) in FY 2003 with no-year funds. Such funds will provide the Agency with greater flexibility to manage investments in technology systems and facility construction than the annual appropriation for Operating Expenses will allow.

The CIF request includes \$13 million for Information Technology to support major systems and infrastructure improvement projects that have substantial impact on agency operations and results. It also includes \$82 million for USAID construction overseas to build new USAID office facilities and to collocate on embassy compounds when new embassies are constructed.

USAID Inspector General Operating Expenses
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
USAID OIG	28,024	32,806	34,046

The FY 2003 request for the USAID Office of the Inspector General (OIG) covers operating expenses, including salaries, expenses, 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 by investigating allegations of federal criminal violations and serious administrative violations involving USAID programs and personnel.

The OIG's mandate involves USAID programs and personnel operating in over 80 different countries around the world.

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