

SUMMARY OF FY 2004 BUDGET REQUEST

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

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

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

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

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

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

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

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

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

USAID BUDGET SUMMARY

Table I

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

CHILD SURVIVAL AND HEALTH PROGRAMS FUND

Table II

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

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

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

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

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

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

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

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

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

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

GLOBAL AIDS INITIATIVE

Table III

TOTAL	--	--	--	450,000

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

The President’s initiative will be administered by a new AIDS Coordinator in the Department of State. It will be used to fund existing HIV/AIDS programs, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria, and new programs created by the public organizations and private non-governmental organizations, especially faith-based

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

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

DEVELOPMENT ASSISTANCE

Table IV

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

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

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

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

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

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

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

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

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

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

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

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

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

INTERNATIONAL DISASTER ASSISTANCE (IDA)

Table V

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

SEE ADDITIONAL DETAIL IN CENTRAL PROGRAMS VOLUME

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

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

FAMINE FUND**Table VI**

TOTAL	--	--	--	200,000
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The Famine Fund is a new, flexible tool for the President to use in U.S.-led multilateral efforts to reduce the incidence of famine by addressing its root causes, and to respond more efficiently and effectively to famines that cannot be prevented, while more equitably sharing the burden of this response with other donors. The Fund, which will draw upon the broad disaster assistance authorities in the Foreign Assistance Act, will be managed by USAID under the foreign policy direction of the Secretary of State and subject to approval by the President.

TRANSITION INITIATIVES**Table VII**

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

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

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

USAID CREDIT PROGRAMS

Table VIII

<u>ACCOUNTS</u>	<u>7,454</u>	<u>7,500</u>	<u>7,500</u>	<u>8,000</u>
Development Credit Program	5,488	7,500	7,500	8,000
-- by transfer	[4,989]	[18,500]	--	[21,000]
Micro & Small Enterprise Dev.	1,996	--	--	--
<u>SOURCES AND USES</u>	<u>7,454</u>	<u>7,500</u>	<u>7,500</u>	<u>8,000</u>
<u>Subsidy Costs, including transfers</u>	<u>2,994</u>	<u>[18,500]</u>	<u>[18,500]</u>	<u>[21,000]</u>
• Development Credit Program	1,497	--	--	--
• [by transfer]	[4,989]	[18,500]	--	[21,000]
• Micro & Small Enterprise	1,497	--	--	--
<u>Administrative Expenses</u>	<u>4,490</u>	<u>7,500</u>	<u>7,500</u>	<u>8,000</u>
• Development Credit Program	3,991	7,500	7,500	8,000
• Micro & Small Enterprise	499	--	--	--

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

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

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

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

OPERATING EXPENSES

Table IX

<u>TOTAL SOURCES</u>	<u>605,929</u>	<u>643,286</u>	<u>647,005</u>	<u>653,835</u>
Sources:				
• Appropriations - Direct	518,856	549,000	572,200	604,100
• FY 2001 Supplemental	12,971	--	--	--
• Emergency Response Fund	2,400	15,000	--	--
• FY 2002 Supplemental	--	7,000	--	--
• Trust Funds, Carryforward, and Reimbursements	71,702	61,986	74,805	49,735
See separate chapter in this volume for a more detailed Operating Expense narrative and tables.				

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

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

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

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

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

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

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

CAPITAL INVESTMENT FUND

Table X

Total	-	--	95,000	146,300
See separate chapter in this volume for more detail				

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

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

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

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

INSPECTOR GENERAL OPERATING EXPENSES

Table XI

<u>Total-Appropriation</u>	<u>26,941</u>	<u>31,500</u>	<u>32,700</u>	<u>35,000</u>
Total Costs	26,941	31,500	32,700	35,000
See separate chapter in this volume for a more detailed IG Operating Expense narrative and tables.				

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

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

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

ECONOMIC SUPPORT FUND

Table XII

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

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

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

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

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

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

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

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

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

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

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

ASSISTANCE FOR EASTERN EUROPE AND THE BALTIC STATES

Table XIII

TOTALS	674,338	621,000	495,000	435,000
TOTAL Direct Appropriation	598,679	621,000	495,000	435,000
FY 2001 Supplemental	75,659	--	--	--
Of which transfers:	180,802	193,752	155,276	139,390
Total USAID-Managed	493,536	427,247	339,724	295,610

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

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

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

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

ASSISTANCE FOR THE INDEPENDENT STATES OF THE FORMER SOVIET UNION

Table XIV

TOTALS	808,218	958,000	755,000	576,000
Direct Appropriation	808,218	784,000	755,000	576,000
Emergency Response Fund	--	64,000	--	--
FY 2002 Supplemental	--	110,000	--	--
Of which transfers:	334,936	386,076	296,470	157,940
Total USAID-Managed	473,282	571,924	458,530	418,060
See Europe and Eurasia volume for more detail				

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

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

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

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

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

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

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

INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT (INC)
(USAID-Managed Portion Only)

Table XV

TOTAL	<u>25,750</u>	<u>219,000</u>	<u>278,000</u>	<u>259,400</u>
INC/Andean Counterdrug Initiative	25,750	219,000	278,000	259,000

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

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

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

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

Title II P.L. 480 FOOD FOR PEACE PROGRAMS

Table XVI

Total	835,159	958,820	1,185,000	1,185,000
Budget Level-Direct	835,159	850,000	1,185,000	1,185,000
Emergency Response Fund	--	95,000	--	--
FY 2002 Supplemental	--	13,820	--	--
Uses:				
Non-Emergency – PVO & WFP	423,881	402,340	TBD	TBD
Emergency – PVO, WFP and Government-to-Government	400,528	546,460	TBD	TBD
Farmer-to-Farmer	10,750	10,000	10,000	10,000

FOR MORE DETAIL SEE CENTRAL PROGRAMS VOLUME AND SUMMARY TABLES

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

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

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

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

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

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