UNDERSTANDING USAID'S MISSION AND ORGANIZATION

USAID is the independent federal agency that manages U.S. foreign economic and humanitarian assistance programs around the world.

A USAID airlift of relief commodities arrives in Nyala, South Darfur and delivers plastic sheeting from USAID's pre-positioned stockpiles in Dubai to provide temporary shelter for 6,400 families.

WHO WE ARE

The U.S. Agency for International Development (USAID) is the independent federal agency that manages U.S. foreign economic and humanitarian assistance programs around the world.

Unlike most U.S. government agencies, USAID's ultimate customers are outside our borders. Our customers are the people in developing countries whose quality of life we strive to improve. This work is an integral part of America's foreign policy.

U.S. foreign assistance has always had the twofold purpose of furthering America's foreign policy interests in expanding democracy and free markets while improving the lives of the citizens of the developing world. Spending less than one-half of one percent of the federal budget, USAID works around the world to achieve these goals.

USAID's history begins as an outgrowth of the reconstruction of Europe after World War II under the provisions of the Marshall Plan and the Truman Administration's Point Four Program. In 1961, President John F. Kennedy signed the Foreign Assistance Act into law and created USAID by Executive Order. Since that time, USAID has

been the principal U.S. Agency to extend assistance to countries recovering from disaster, trying to escape poverty, and engaging in democratic reforms.

USAID's assistance to our overseas customers is delivered through a variety of development partners. Our partners include private businesses, private voluntary organization (PVOs), non-governmental organizations (NGOs), universities, community colleges, other U.S. government agencies, host country governments at all levels, multilateral organizations, professional and business associations, and other donors.

Partners are also customers when they directly receive USAID's resources that enable them to deliver effective products and services to our ultimate customers. The purpose of this guide is to assist our partners in doing business with us.

USAID'S MISSION

The Agency works to support long-term and equitable economic growth and to advance U.S. foreign policy objectives by supporting:

- Economic growth, agricultural and trade
- Global health
- Democracy, conflict prevention and humanitarian assistance

We provide assistance in four regions of the world:

- Sub-Saharan Africa
- Asia and the Near East
- Latin America and the Caribbean
- Europe and Eurasia

SUB-SAHARAN AFRICA

USAID has taken a long-term perspective on Africa's development objectives to systematically address the root causes of its poverty and to lay the foundation for long-lasting improvements in average lives. The Agency uses investments in economic growth and social equity to achieve these long-lasting improvements by:

- Promoting broad-based economic growth with equity, through investments in small-holder agriculture and small enterprises and complementary investments in people through basic education
- Stabilizing population growth and improving health conditions
- Protecting the environment
- Fostering democracy and participation in social and economic decision-making
- Providing emergency relief to help nations make the transition from crisis to long-lasting development

ASIA AND THE NEAR EAST

The Asia and the Near East (ANE) Bureau supports five key U.S. priorities: securing comprehensive peace in the Middle East; strengthening trade and technology links; combating serious global issues affecting regional stability and economic development (e.g., rapid population growth, HIV/AIDS, and environmental degradation); strengthening governance and

democratic participation, and reducing gender disparities in the region for greater development impact.

Over half of the world's economically poor (more than 600 million people) live in the region. The region also has some of the most economically dynamic countries. The Bureau's mission reflects this dichotomy and aims to balance its programs to help create a favorable climate for sustainable development and greater interdependence in the region.

> *USAID has working relationships with more than 3,500 American companies and over 300 U.S.-based private voluntary organizations.*

LATIN AMERICA AND THE CARIBBEAN

Latin America and the Caribbean (LAC) and the United States have a shared destiny by virtue of geography, history, culture, demography, and economics. As stated by Secretary Powell in September 2003, "there is no region on earth that is more important to the American people than the Western Hemisphere." The United States has a profound interest in the successful, sustainable development of our hemisphere. A prosperous LAC region provides expanded opportunities for increased trade, and a peaceful hemisphere is paramount for our national security. USAID is fulfilling its development and humanitarian mandate in LAC countries as it continues to respond to the U.S. National Security

Strategy. This strategy, as stated by President Bush, links "the future of our Hemisphere to the strength of three commitments: democracy, security and market-based development."

EUROPE AND EURASIA

U.S. assistance to Central and Eastern Europe supports the following key U.S. policy objectives in the post-Cold War era: to develop competitive, market-oriented economies in which the majority of economic resources are privately owned and managed; to help develop democratic political systems; to develop transparent and accountable governance; to empower indigenous civic and economic organizations that ensure broad-based participation in political life; and to provide assistance toward redefining public and private sector roles in the management of humanitarian, health, and related social services fundamental to a stable transition.

USAID ORGANIZATION

With headquarters in Washington, D.C., USAID's strength is its field offices around the world. We work in close partnership with private voluntary organizations, indigenous organizations, universities, American businesses, international agencies, other governments, and other U.S. government agencies. USAID has working relationships with more than 3,500 American companies and over 300 U.S.-based private voluntary organizations.

LEADERSHIP

USAID is headed by an Administrator and a Deputy Administrator. They are both appointed by the President of the United States and confirmed by the U.S. Senate.

BUREAUS

In Washington, USAID's major organization units are called Bureaus. Each Bureau houses the personnel who are responsible for major subdivisions of the Agency's activities.

USAID has geographic Bureaus which are responsible for the overall activities in the countries where we have programs. In addition, USAID has functional, or pillar Bureaus that conduct Agency programs that are implemented world-wide or that cross geographic boundaries. Each Bureau is headed by an Assistant Administrator, appointed by the President and confirmed by the Senate.

THE AGENCY'S GEOGRAPHIC BUREAUS
- Sub-Saharan Africa (AFR)
- Asia and the Near East (ANE)
- Latin America & the Caribbean (LAC)
- Europe and Eurasia (E&E)

THE AGENCY'S PILLAR BUREAUS
- Global Health (GH)
- Economic Growth, Agriculture, and Trade (EGAT)
- Democracy, Conflict, and Humanitarian Assistance (DCHA)
- Global Development Alliance (GDA)

In addition, certain staff functions are also assigned to Bureaus.

HEADQUARTER BUREAUS
- Management (M)
- Legislative and Public Affairs (LPA)
- Policy and Program Coordination (PPC)

INDEPENDENT OFFICES

In addition to the aforementioned Bureaus, USAID has several independent offices that carry out distinct functions for the Agency. These offices are headed by Directors who are appointed by the USAID Administrator. USAID's Independent offices are:

- Office of the Executive Secretariat (ES) & Chief of Staff
- Office of Equal Opportunity Programs (EOP)
- Office of the General Counsel (GC)
- Office of Small Disadvantaged Business Utilization (OSDBU)
- Office of Security (SEC)

INSPECTOR GENERAL

USAID is one of the Federal Entities covered by the Inspector General Act. As such, USAID has an Inspector General whose Office reviews the integrity of Agency operations through audits, appraisals, investigations and inspections.

OVERSEAS STRUCTURE

USAID programs and personnel overseas are part of the U.S. Country Team and fall under the general oversight of the U.S. Ambassador. In addition to USAID Missions, USAID may also have a presence in the form of a USAID Office in those countries where no U.S. Embassy exists.

In some cases there are USAID multi-country missions that administer and provide services involving multiple countries or a regions. Regional offices also may represent U.S. interests in development assistance matters to other organizations such as various international development organizations and bilateral donors. Field offices of the Inspector General carry out comprehensive programs of audits and investigations. These offices include Regional Inspector General for Audit Offices, and Investigative Field Offices.
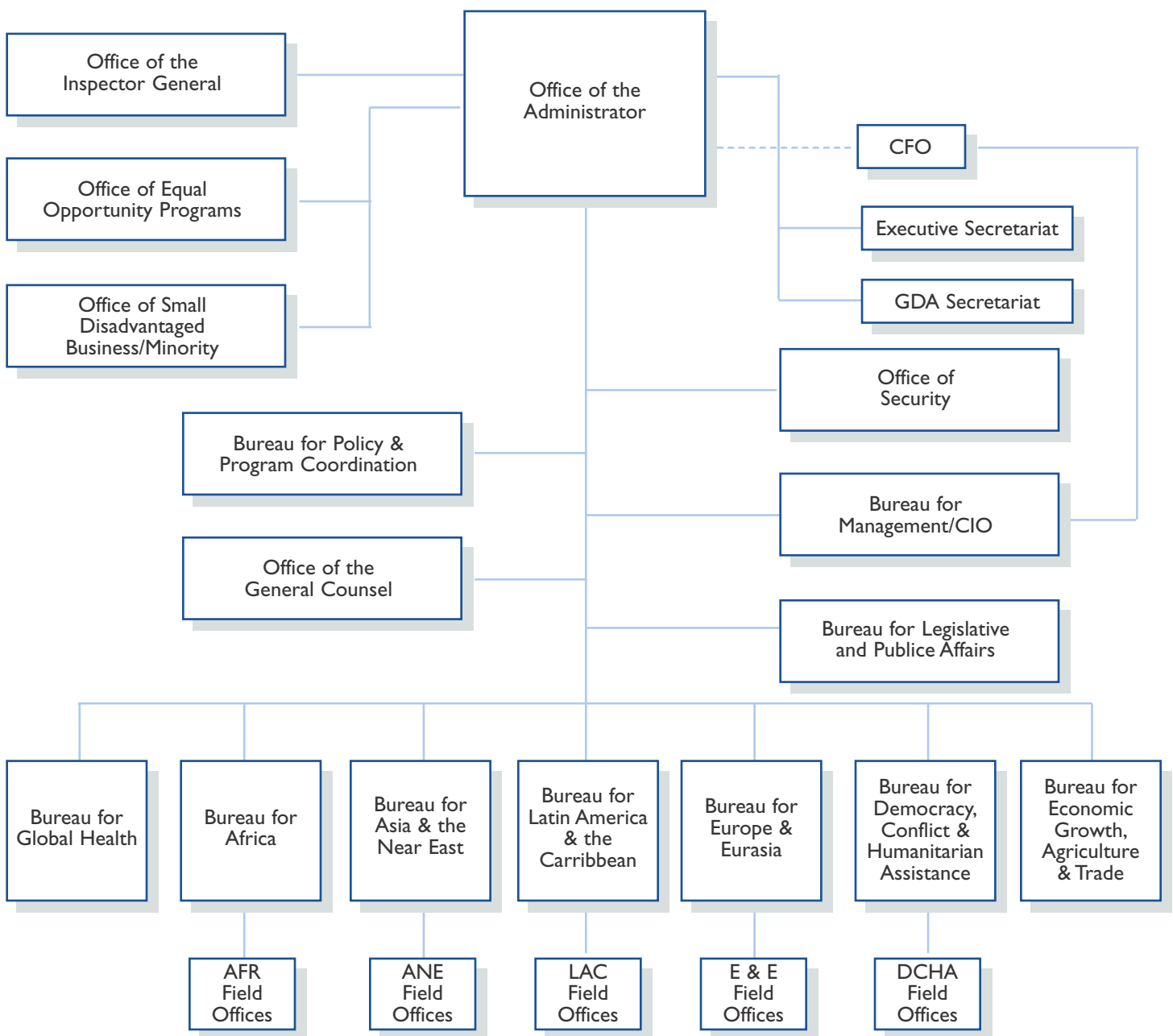

Agriculture has been a **USAID Development Initiative since our beginning as evidenced by this food packaging plant in Peru.**
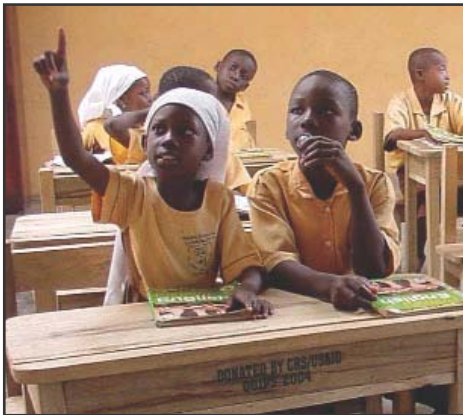
DID YOU KNOW?

A more complete description of these organizational units, authorities and responsibilities is available in Chapter 101 of the Agency's Automated Directives System (ADS), accessible at: www.usaid.gov/policy/ads.

USAID ORGANIZATION CHART

- Office of the Inspector General
- Office of Equal Opportunity Programs
- Office of Small Disadvantaged Business/Minority

Office of the Administrator

- CFO
- Executive Secretariat
- GDA Secretariat
- Office of Security
- Bureau for Management/CIO
- Bureau for Legislative and Publice Affairs

- Bureau for Policy & Program Coordination
- Office of the General Counsel

- Bureau for Global Health
- Bureau for Africa
  - AFR Field Offices
- Bureau for Asia & the Near East
  - ANE Field Offices
- Bureau for Latin America & the Carribbean
  - LAC Field Offices
- Bureau for Europe & Eurasia
  - E & E Field Offices
- Bureau for Democracy, Conflict & Humanitarian Assistance
  - DCHA Field Offices
- Bureau for Economic Growth, Agriculture & Trade

USAID has embarked upon a major effort to meet the demands of this new and extremely challenging environment.

A school in Africa where USAID programs improve children's welfare, health, nutrition and education.

SUMMARY OF USAID'S FISCAL YEAR 2005 BUDGET

Statement of the Administrator:
The post-September 11th world has put a premium on the effectiveness of this country's foreign assistance. Consequently, USAID has embarked upon a major effort to meet the demands of this new and extremely challenging environment.

We have five top priorities for the coming year: building a free and prosperous Iraq; winning the peace in Afghanistan; fighting HIV/AIDS; championing peace in Sudan; and supporting 17 Presidential or Administration initiatives. These priorities, along with the other elements of our FY 2005 programs, reflect our core mission: promoting transformational development; strengthening fragile states; and providing humanitarian relief.

Equally important, we are continuing an ambitious program of management improvements. Our highest priority in this domain is the Development Readiness Initiative (DRI). A three-year program that began in FY 2004 and was modeled after a similar State Department Diplomatic Readiness Initiative, the USAID DRI is designed to give the Agency's workforce the skills they need to meet the challenges of the future.

To meet these challenges, USAID requested $3.9 billion for its FY 2005 programs. We anticipate working with the Departments of State and Agriculture on joint programs valued at $4.8 billion. We will also manage a portion of the $1.45 billion requested for the Global HIV/AIDS Initiative in conjunction with the State Department's Global AIDS Coordinator and of the $2.5 billion for the Millennium Challenge Corporation.

PROGRAM PRIORITIES

Building a Free and Prosperous Iraq: When USAID initiated programs in Iraq in 2003, a vacuum of political power coupled with limited infrastructure made for a difficult operating environment. Amid challenges, USAID is working closely with the Coalition of Provisional Authority in Iraq to provide humanitarian and reconstruction assistance with funds from the Iraq Relief and Reconstruction Fund to help the Iraqi people reclaim their country. Of the country's 25 million people, more than 19 million Iraqis have the new opportunity to engage in political discourse at the local level through interim bodies that USAID has supported at the community level. USAID is also restoring the power supply to health and educational facilities, water supply facilities, and infrastructure that contribute to the local economy and employment generation. Simultaneously, USAID is helping to restore basic healthcare services to vulnerable people and is strengthening the national education system.

Winning the Peace in Afghanistan: USAID is committed to the President's goal of seeing a stable and democratic Afghanistan that is free from terror and no longer harbors threats to our security. As an integral implementing agency for the supplemental funds for Afghanistan, USAID's reconstruction programs remain focused on six visible building blocks to support Afghan efforts to transform their society:

infrastructure, particularly improving secondary roads; agriculture and rural development targeted at enhancing food security through agricultural productivity and market development; targeted communities to improve education; economic governance programs aimed at banking, budget and investment law reform; health care, particularly reducing maternal mortality rates; and reconstituting the basic organs of governance. In fulfillment of one of the Presidential initiatives, USAID completed the first phase of reconstruction of the Kabul-Kandahar Highway in December 2003. This initiative has revitalized entire villages along the 389 kilometer route and is enabling the movement of the people, aid resources, and agricultural and trade goods essential to Afghanistan's development. The Administration's FY 2005 funding request for Afghanistan is $397 million to support these efforts by USAID.

Fighting the HIV/AIDS Pandemic: The HIV/AIDS pandemic is more than a health emergency. It is a social and economic crisis that is threatening to erase decades of development progress. The pandemic has tended to hit hardest in the most productive age groups and in developing countries that can least respond. Sub-Saharan Africa remains the most affected region with 70 percent of the total number of people worldwide living with HIV/AIDS. USAID's programs aim to reduce HIV/AIDS transmission and improve access to care, treatment, and support for people living with HIV/AIDS and children affected by HIV/AIDS. Under the leadership of the State Department's Global AIDS Coordinator, USAID will scale up its

work in expanding access to anti-retroviral treatment, reducing mother-to-child transmission, increasing the number of individuals reached by community and home-based care, providing essential services to children impacted by HIV/AIDS, and promoting education and behavior change programs that emphasize prevention of transmission. The FY 2005 request for HIV/AIDS is $600 million. In addition, $1.45 billion is requested for the Global HIV/AIDS Initiative managed by the State Department Coordinator in partnership with USAID and other U.S. Government agencies.

Championing Peace in Sudan: USAID continues to be at the forefront of sustained international engagement to end Sudan's long North-South civil war. USAID and other donors are now preparing to shift from the long humanitarian focus in southern Sudan to longer-term recovery and development programs. However, during 2003, armed opposition to the central government broke out in western Sudan, where attacks on civilians and general insecurity have displaced more than one million people. USAID is working intensely with the Department of State, other donors and the United Nations to bring a political solution to this western conflict. It is unlikely that a North-South peace agreement that will require heavy support from the international community can be implemented while another war rages in the West. USAID's three-year strategic plan for Sudan for 2004-2006 has a new objective of support to the peace process, and continues the focus on education, health, economic recovery, and governance. For FY 2005,

$81 million has been designated from the Development Assistance account and the Child Survival and Health Programs Fund for assistance to Sudan, $140 million in International Disaster and Famine Assistance, and $6 million in Transition Initiatives assistance.

Supporting Other Key Presidential and Signature Initiatives: The President's core development-related initiatives achieve a broad range of outcomes, from improving agricultural productivity to strengthening democratic institutions to protecting tropical forests. USAID is implementing these initiatives in a variety of ways, including delivering services directly, providing technical assistance and training to strengthen institutions, sponsoring policy analysis, and facilitating the sharing of ideas and approaches among people facing similar problems. All of these initiatives, four of which were already mentioned above, are being implemented in whole or in part by USAID.

In addition, USAID is playing a key role in implementing a number of Administration initiatives announced at the World Summit on Sustainable Development, including the Congo Basin Forest Partnership, the Initiative to End Hunger in Africa, the Trade for African Development and Enterprise Initiative, and the Water for the Poor Initiative. Other key pursuits include:

- Afghanistan Road
- African Education Initiative
- Centers for Excellence in Teacher Training
- Central America Free Trade Agreement
- Clean Energy Initiative

- Congo Basin Forest Partnership
- Digital Freedom Initiative
- Emergency Plan for AIDS Relief
- Faith-based and Community Initiatives
- Famine Fund
- Global Climate Change
- Global Fund to Fight AIDs, TB and Malaria
- Initiative Against Illegal Logging
- Initiative to End Hunger in Africa
- Middle East Partnership Initiative
- Mother and Child HIV Prevention Initiative
- Trade for African Development and Enterprise
- Volunteers for Prosperity
- Water and the Poor Initiative

HARMONIZING STATE-USAID EFFORTS: BUILDING A COMMON VISION

In partnership with the Department of State, USAID developed a Joint Strategic Plan (JSP) for fiscal years 2004-2009. The JSP synchronizes diplomatic, security and development efforts around a set of common goals drawn from the President's National Security Strategy of 2002. In conjunction with the JSP, USAID is exploring new directions for development assistance, particularly as they relate to:

- Promoting transformational development
- Strengthening fragile states
- Providing humanitarian relief
- Supporting U.S. geostrategic interests
- Mitigating global and transnational ills

USAID is currently discussing these potential new directions with stakeholders within the Administration, in the Congress, and in the non-governmental foreign assistance community. USAID will factor the results of these discussions into changes that may be proposed for the structure or approach to program implementation.

STRATEGIC DIRECTION

The FY 2005 Congressional budget justification carefully balances USAID's commitment to the five aforementioned development challenges. Several key themes that have formed the foundation of prior USAID programs cut across the broader themes of this new direction. Democratic governance, economic growth, agricultural development, environmental improvement, health and education enhancement, global

> *Transformational development not only raises living standards and reduces poverty, but also transforms countries.*

market integration, conflict mitigation, disaster assistance, and public-private alliances are interdependent components of USAID's development, strategic and humanitarian programs. By working in concert with one another, these sectoral components and partnership approaches promote an agenda of improved governance, accelerated economic performance, and enhanced standard of living.

Promoting Transformational Development: "Transformational" development is development that not only raises living standards and reduces poverty, but also transforms countries through far-reaching,

fundamental changes in institutional capacity, human capacity, and economic structure. The primary determinant of progress in transformational development is political will by a country's leader, demonstrated by ruling justly, promoting economic freedom, and making sound investments in people. For USAID, this process would mean allocating resources among countries based on need and on commitment to good governance, as evidenced by actual policies and institutional performance. Where commitment to good governance is weak, USAID would sharply limit assistance that is intended to contribute to transformational development. Efforts toward transformational development would support fundamental changes in governance and institutional capacity, human capacity, and economic structure. The largest group of countries that have yet to experience transformational development is located in sub-Saharan Africa. Mali, for example, is a low-income country that has shown the political will to reform its policies and the institutional commitment to improve its economy. USAID would collaborate with its partners to assist such countries in attracting the financing they need and, equally important, acquiring technologies and ideas that will invigorate their development.

Strengthening Fragile States: Fragile states are characterized by a growing inability or unwillingness to provide even basic services and security to their populations. The goal in fragile states is stabilization, reform and recovery that provide the foundation for transformational development. Programs effective in providing this

foundation address the social components of instability and conflict, both microeconomic and macroeconomic aspects of the business climate, trade capacity, and oftentimes, agricultural productivity. Resources for fragile states would promote stabilization and consolidation in countries where a link to U.S. national security is present, and where U.S. assistance can make a difference. This is a new, difficult, and increasingly important area for foreign assistance, where all donors still have a great deal to learn about how to achieve results. USAID is developing a strategy for fragile states that focuses on the causes of institutional weakness and violent conflict, whether in circumstances of complex disaster, post-conflict reconstruction or stagnant growth. Resources would be allocated selectively, taking into account need, commitment (particularly quality of leadership), and the feasibility of achieving results. In Liberia, improving basic institutions of governance and enabling critical public services to be delivered are elements of USAID assistance aimed at promoting stability and recovery.

Providing Humanitarian Relief:
As a global superpower, the United States maintains both the responsibility and impetus to save lives and alleviate the suffering of people in distress, regardless of the character of their governments. USAID is the lead U.S. Government agency in providing international humanitarian relief through food aid and disaster assistance resources. In collaboration with other U.S. Government agencies, humanitarian assistance is often provided to countries where USAID is concerned with development progress, overcoming fragility, combating HIV/AIDS and

other communicable diseases, and addressing conflict and internal displacement of people. A second part of humanitarian relief is seeking means of preventing the recurrence of health and environmental emergencies. USAID humanitarian assistance, such as famine relief in Ethiopia, when coupled with programs to strengthen macro- and micro-level economic institutions, lessens the likelihood that individual crises will recur.

Supporting U.S. Geostrategic Interests: As an essential arm of U.S. foreign policy, foreign aid plays a vital role in supporting U.S. geostrategic interests. Strategic states are those countries in which the U.S. Government is pursuing a specific, high priority, foreign policy objective. For strategic states, USAID will manage resources, in close consultation and coordination with the Department of State and other U.S. Government agencies, to accurately identify and agree on the objectives and desired results in each country.

Mitigating Global and Transnational Ills: As communication and transportation improvements reduce relative distance between countries, our collective vulnerability to disease, global environmental concerns, and international criminal activity has increased. Progress in global and transnational issues depends on collective efforts and cooperation among countries. Attacking the global HIV/AIDS pandemic illustrates one transnational ill that is best served by a coalition of forces. The Global AIDS Initiative unites efforts of the Department of State, Department of Defense, Department of Health and Human Services, and

USAID to enhance the effectiveness of resources in addressing the pandemic. Strategic planning to address transnational challenges must include emphasis on interagency and international cooperation, coordination and collaboration. USAID is committed to do its part by continuing to develop the Global Development Alliance (GDA). Private sources of foreign assistance provide nearly $33.6 billion per year. GDA focuses these resources to benefit from the economies of scale that are generated when all sources are working in concert to achieve common development goals.

MANAGEMENT REFORMS
The demand to meet complex foreign policy and international development challenges requires a USAID with modern business systems, organizational discipline, and the right number of qualified, well-trained people to manage its programs. The ability to hire the right people ready to be deployed quickly to the right place plays an essential role in USAID's capacity to serve as a leader in international development. Staffing U.S. missions overseas with the appropriate number of qualified personnel to meet the demands of development and humanitarian relief ensures competent, adequate U.S. representation on the ground. This budget request includes the funds necessary to establish recruitment and hiring resources to ensure that USAID has the proper staffing to achieve program success. With current staffing levels, we have made great progress in management improvements that are in concert with the President's Management Agenda priorities. USAID's successes include:

- Nearing completion of a Human Capital Strategy which includes the Development Readiness Initiative modeled after the Department of State's Diplomatic Readiness Initiative
- A new organizational restructuring that has de-layered the Agency and continues to strengthen program management capacity in the field by centralizing technical leadership
- Improved financial performance that has culminated in the first-ever unqualified, clean audit opinion awarded by the Office of the Inspector General for all five categories of year-end financial statements
- Establishment of an Agency "best practices" model for Enterprise Architecture (EA) and making progress on developing a joint EA with the Department of State
- Progress on joint financial management systems collaboration with the Department of State and progress on procurement systems modernization, including plans to accelerate a joint acquisition and assistance automation application that will be deployed to overseas missions
- A new, operational Capital Planning and Investment Control process to manage, monitor, and evaluate the efficiency and effectiveness of major technology investments
- A comprehensive review of programs in Development Assistance and Child Survival and Health in the Bureau for Latin America and the Caribbean, the Office of Transition Initiatives, and in our contribution to the State Department's Europe and Eurasian Affairs program in accordance with the Office of Management and Budget's Program Assessment Rating Tool (PART)

THE ROAD AHEAD

The FY 2005 budget for USAID builds on the progress achieved in management improvements already undertaken. USAID is prioritizing collaborative activities with the Department of State in management areas common to both agencies such as standardization of operations, implementation of a staff and workforce plan to meet the challenges of the future, and using the PART to inform strategic budgeting practice.

A hallmark of our new role under the National Security Strategy is the closer relationship USAID is developing with the Department of State as reflected in the joint strategic plan. As a result of this closer collaboration, USAID and the State Department have established the Joint Policy and Management Councils. These councils provide a formal venue for timely cooperation and coordination on a range of program, budget, and management issues. This closer cooperation with the Department of State will facilitate our efforts to develop joint financial management and procurement systems as well as a joint Enterprise Architecture. This cooperation has led to a pilot program to allow cross-over assignments in which staff from each agency can bid on a selected list of positions in the other agency. We are also exploring how to better share other services and to coordinate our program and budget process.

USAID's budget priority is to ensure that improvements in the management and performance of our programs are carried out by the appropriate number of qualified people. The Development Readiness Initiative (DRI) will strengthen the Agency's ability to respond to crises and emerging priorities by closing critical staffing gaps that are currently restricting the Agency's ability to position the right people in key positions overseas and in Washington. USAID plans to hire up to 50 new foreign and civil service staff in FY 2005. This budget also seeks authority to convert up to 50 currently program-funded personal services contractors to permanent direct-hire employees. These new staff, in addition to the up to 255 new non-career, limited-term, program-funded, Foreign Service employees that USAID plans to hire for overseas assignments through FY 2006, using the authority provided in the FY 2004 Consolidated Appropriations Act, will help ensure that USAID employees are well-trained and prepared to meet the challenges of a post-September 11th world.

Beginning with the Foreign Operations chapter of the FY 2004 Consolidated Appropriations Act, USAID is tasked with development of an administrative cost rate that it can apply to programs in the Asia and Near East region that are not covered under the current budget. The act authorizes USAID, in collaboration with the State Department and the Office of Management and Budget, to develop and implement a pilot program to determine and recover the actual operating and administrative costs of two-country or regional programs. The results of these pilots will inform the development of possible alternatives or revisions to the current budgeting approach for USAID operating expenses.

With respect to the Office of Management and Budget's program assessment rating tool (PART) for evaluating the budget and performance integration element of the President's Management Agenda, USAID plans to assess the Child Survival and Health Fund and Development Assistance programs in the Bureau for Asia and Near East, the Development Credit Authority, the Office of the Inspector General, and the Operating Expense budget for the entire Agency. By the end of FY 2005, USAID will have assessed 80 percent of its programs. USAID uses PART results to shape the Agency's budget request.

As a result of the PART assessment of USAID's population program, for example, USAID has taken steps to allocate funds more strategically, taking account of country-level needs (measured in terms of population density, fertility, and unmet need for family planning). As a result, USAID shifted over $30 million of the Child Survival and Health Programs Fund population allocation to countries with higher needs.

THE BUDGET REQUEST

The FY 2005 budget request for USAID represents a new approach toward meeting complex challenges in a post-September 11th environment. The request sets priorities that move the President's economic growth and governance agenda forward in ways that promote aid effectiveness and real transformation. It also helps states not yet committed to transformation move toward stability, reform, and recovery. The assistance addresses global and transnational ills, supports individual foreign policy

objectives in geostrategically important states, and continues USAID's premier capacity to offer humanitarian and disaster relief to those in need.

KEY FUNDING SOURCES

At present there are various funding sources which support USAID's sustainable development mission. Key funding sources are discussed below.

Note: Additional information is available in the Agency's Congressional Budget Justification, found at: http://www.usaid.gov/policy/budget/cbj2005/

HIV/AIDS programs focus on prevention, care, and treatment efforts and the support of children affected by AIDS, and include $100 million for the Global Fund for AIDS, Tuberculosis, and Malaria. USAID will play a significant role in the implementation of the President's Emergency Plan for AIDS Relief.

1. Child Survival and Health Programs Fund

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 world wide. 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 other vulnerable populations. A major focus for the use of these funds is in sub-Saharan Africa. As HIV/AIDS and other infectious diseases continue to threaten the health of families and children in developing countries world wide, the Agency works to eliminate these threats.

HIV/AIDS programs focus on prevention, care, and treatment efforts and the support of children affected by AIDS, and include $100 million for the Global Fund for AIDS, Tuberculosis, and Malaria. USAID will play a significant role in the implementation of the President's Emergency Plan for AIDS Relief. USAID programs are integrated within the overall policy and strategic direction of the President's Emergency Plan for AIDS Relief (PEPFAR).

USAID will play a significant role in the implementation of the PEPFAR, particularly in 14 focus countries in Africa and the Caribbean.

2. Development Assistance

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

The Administration's request for the Development Assistance account, $1.329 billion, includes funding for two of the Agency's program pillars (Economic Growth, Agriculture and Trade; and Democracy, Conflict and Humanitarian Assistance), and limited funding for the Global Development Alliance, to encourage stronger partnerships with a full array of private and public sources.

The $1.121 billion in funds requested under the **Economic Growth, Agriculture and Trade** pillar will focus on building stronger economies that are soundly governed, broader based, and integrated into the global trading system. Programs also encompass environment, energy, gender, urban development and education activities. This pillar focuses on the following:

Agriculture programs will rebuild agricultural capability in developing countries, especially sub-Saharan Africa under the Presidential Initiative to End Hunger in Africa. Programs will focus on promotion of sustainable agriculture, reducing hunger, and providing for technology transfers, including biotechnology.

Economic growth programs focus on trade and investment by strengthening

private markets, providing access to economic opportunity for the rural and urban poor, and supporting microenterprise lending-thereby increasing the capacity of developing countries to participate in, and benefit from, global trade and investment. Notable programs include the Presidential Initiatives of Trade for African Development (TRADE) Initiative, the Central America Free Trade Agreement (CAFTA) program, and the Digital Freedom Initiative. Education and training programs

> *Development Assistance will focus on conflict prevention, democracy and local governance, and human rights.*

include basic education programs to strengthen pre-primary, primary, and secondary education, and adult literacy, as well as teacher training. Efforts are focused primarily in Africa and Latin America with two Presidential initiatives—African Education and the Centers for Excellence in Teacher Training. Programs also include targeted work in South Asia and the Near East. Development Assistance will also fund programs for higher education and training. USAID's programs strongly emphasize the need to ensure equitable access for girls, especially in Africa and the Near East. Funds will also be used for programs for higher education and workforce training.

Environment programs 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, improve watershed management; promote sustainable urbanization and pollution control, and increase renewable and clean energy services. The request includes funding for four Presidential environmental initiatives—Water for the Poor, Clean Energy, Congo Basin Forest Partnership, and Global Climate Change. The Initiative Against Illegal Logging is the most comprehensive strategy yet undertaken by any nation to address this critical challenge.

The request for **Democracy, Conflict, and Humanitarian Assistance (DCHA)** funding is $208 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 to fund programs that strengthen democratic systems of governance by supporting elections, encouraging credible and competitive political processes, encouraging vibrant and politically active civil societies, engendering respect for the rule of law, promoting security, addressing anti-corruption requirements, and fostering human rights. 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 for the DCHA pillar also includes funding for the following accounts: International Disaster and Famine Assistance (IDFA), Transition Initiatives (TI), and P.L. 480 Title II. Under this authority approximately half of the food assistance budget will be set aside for emergency situations and programmed as events unfold. The balance is programmed both to relieve chronic food shortages and finance developmental activities.

The Global Development Alliance (GDA) 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. In Angola, USAID is cooperating with a U.S. oil company to promote small business development in rural communities. FY 2005 represents the forth year of existence for GDA, and its principles have become integrated into Agency strategies and practices.

3. International Disaster and Famine Assistance (IDFA)

The International Disaster and Famine Assistance fund supports emergency relief, rehabilitation and reconstruction assistance in response to natural and man-made disasters that often are accompanied by displacement of large numbers of people. These programs include support for health interventions, agriculture and food security, nutrition, and water and sanitation. IDFA also provides funds for famine prevention

and relief, helping to avert famine in places such as Ethiopia. The IDFA includes post-peace agreement relief, rehabilitation and reconstruction in Sudan. It also includes funding for famine prevention and relief. Use of these famine-related funds is subject to Presidential approval and is intended to support early intervention either to preempt famine or mitigate the impact.

Increasing emphasis is being placed on applying preparedness and mitigation lessons learned to deal with complex emergencies; countries such as Afghanistan and Sudan continue to be a cause for concern. The President has designated the USAID Administrator as Special Coordinator for International Disaster Assistance. USAID works closely with the Departments of State and Defense to coordinate American relief efforts and coordinates with U.S. private voluntary organizations, non-governmental organizations, other USG agencies, and other donors.

4. Transition Initiatives (TI)

The Transition Initiatives account provides funding that advances peace and stability by conducting fast and flexible interventions in priority conflict-prone and post-conflict 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. TI programs are initiated in countries or situations where the nature of governance is shifting from authoritarian rule to more open societies.

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. In FY 2005, funds will support programs currently in Angola, Burundi, Democratic Republic of Congo, Iraq, Sri Lanka, Sudan, and Venezuela, and new programs in Liberia and Bolivia.

5. Development Credit Program

The requested transfer authority for FY 2005 would apply to FY 2005 appropriations and funds transferred would remain available for use through FY 2008. In FY 2005, the transfer authority will be used to support activities such as bond financing, micro small and medium enterprise (MSME) development, competitive financial services, and creative municipal financing, clean energy, and clean water initiatives.

The Development Credit Program (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 2005 includes funds for administrative costs to manage the DCP. This budget includes funds for contractors to conduct analyses of the financial and economic viability of DCP projects.

6. Capital Investment Fund (CIF)

The Capital Investment Fund is a one-year fund that provides the Agency with greater flexibility to manage investments in information technology

systems and overseas facility construction that the annual appropriation for USAID Operating Expenses does not allow.

The CIF includes funding for Information Technology, that will support major systems and infrastructure improvement projects that have substantial impact on Agency operations and results, including the implementation of worldwide accounting, procurement systems modernization, full participation in E-Government initiatives, and development of joint enterprise architecture with the Department of State.

In addition, funds are reserved for construction overseas to build new USAID office facilities co-located on embassy compounds to locate staff in secure work environments through the Department of State's proposed new capital cost-sharing program and relocation and communication costs for these offices. The Secure Construction and Counterterrorism Act of 1999 requires that USAID co-locate on new embassy compounds.

7. Economic Support Fund

The Economic Support Fund supports the economic and political foreign policy interests of the United States. The request focuses on the top U.S. priorities—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 four strategic pillars.

8. Assistance for Eastern Europe and the Baltic States

The Assistance for Eastern Europe and the Baltic States 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, highest priority programs promote stability, rule of

> *FSA funds will continue to support small- and medium-sized private businesses through training, exchanges and greater access to credit.*

law and efforts against corruption and trans-border crime, effective governance, and crucial growth in the private sector to spread the benefits of difficult reform.

9. Assistance for the Independent States of the Former Soviet Union

The Assistance for the Independent States of the Former Soviet Union supports continuing programs of USAID and other agencies supporting economic and democratic transition and the war on terrorism. Funding underscores the continued U.S. commitment to the region and the vital role played by the front-line states in the coalition against terrorism, as well

as supporting efforts against illicit narcotics, HIV/AIDS, and trafficking in persons.

Funds for Russia will support market reform programs in Russia and economic and political reforms in Georgia. An intensive counternarcotics program is aimed at stemming the flow of heroin from Afghanistan through Central Asia, and support for civil society, independent media, the rule of law, and civic education.

Central Asian countries having elections scheduled in 2005 will receive funding to support free and fair electoral processes, to train political parties, support unbiased media, election monitoring, and technical assistance to reform electoral laws.

FSA-supported health care programs will assist inefficient health care systems, improve maternal and infant health, and enhance the ability of Eurasian countries to fight infectious diseases (particularly HIV/AIDS and tuberculosis in Russia, Ukraine, and Central Asia). Funds also will be directed toward prevention and education, pilot treatment efforts, and technical assistance to leverage assistance from the Global Fund and others sources to address the threat of HIV/AIDS and TB.

FSA funds will continue to support small- and medium-sized private businesses through training, exchanges and greater access to credit.

In addition, The Organization for Security and Co-operation in Europe (OSCE) will receive funds to promote human rights, democratization, economic development and environmental

protection in Eurasia. Funds will again be provided to facilitate more trade and to enhance law enforcement cooperation among Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova.

10. Andean Counterdrug Initiative (USAID-Managed Portion Only)

The Andean Counterdrug Initiative account (ACI) supports a comprehensive strategy to reduce the flow of drugs to the United States and prevent instability in the Andean Region. This account is appropriated to the Department of State; the State Department transfers some of these funds to USAID to manage alternative development programs. The State Department FY 2005 request for alternative development programs includes funds to be managed by USAID.

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

In Bolivia, USAID provides technical assistance and infrastructure to eliminate illegal and excess coca by increasing net household income from licit sources, providing productive and social infrastructure and making local governments more effective and efficient in responding to increased citizen demands.

In Colombia, the USAID program has three objectives: stemming the flow of illegal drugs into the United States by encouraging small producers to join the legal economy through legal economic activities; promoting more responsive, participatory and accountable democracy; and relieving the plight of Colombian refugees.

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

In Peru, USAID uses a multi-sector, integrated development approach focused on providing immediate economic and social impact via temporary income, community organization and other short-term support in communities where coca is eradicated and promoting sustainable economic and social development in and around the primary coca-growing areas via infrastructure projects, technical assistance, and training.

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

11. Title II P.L. 480 Food for Peace Programs

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.