

DEPARTMENT OF STATE AND INTERNATIONAL ASSISTANCE PROGRAMS

The President's Proposal:

- Targets security and economic assistance to sustain key countries supporting the United States in the war on terrorism;
- Reinforces the U.S. commitment to fighting AIDS and alleviating humanitarian hardships;
- Launches the Millennium Challenge Account, a new partnership to support countries that rule justly, invest in their people, and encourage economic freedom;
- Builds a world-class diplomatic corps, focusing on the people, places, and tools needed to promote the Administration's foreign policies worldwide; and
- Funds embassy and consulate security to protect American officials assigned abroad to represent their country.

The Major Challenges:

- Strengthening the global coalition against terrorism;
- Increasing effectiveness and accountability of foreign assistance; and
- Making substantial progress on the management agenda, including fixing financial management systems, effectively managing a worldwide workforce, and integrating performance information into the budget.

Department of State

Colin Powell, Secretary

www.state.gov 202-647-4000

Number of Foreign Service Officers: 11,062

Number of Civil Service Employees: 7,656

Number of Foreign Service Nationals: 9,526

2003 Spending: \$11.0 billion

Major Assets: Operates a total of 261 embassies, consulates, and posts in 180 countries.

The Department of State advances American foreign policy in diplomatic relations with the world. The State Department represents the United States in 180 foreign countries and 43 international organizations, operating a total of 261 embassies, consulates and other posts. The Department supports more than 90,000 Foreign Service and civil service employees, dependents, and local hires overseas.

The Department is America's chief communicator on every foreign policy issue from strengthening alliances like the North Atlantic Treaty Organization (NATO) and preventing conflict in South Asia, to combating terrorism and the proliferation of weapons of mass destruction. It also addresses refugee crises and promotes environmentally sound growth.

For many Americans, the State Department is both a gateway to the world and a safe haven abroad. The Department's core programs include issuing passports and providing essential services to American citizens abroad. The Department of State stands on the front line in America's border security efforts, scrutinizing prospective visitors to the country so that those who would pose a threat are denied access while maintaining our openness to legitimate travel and commerce through prudent management of the visa process. Every year, the State Department issues more than seven million passports to U.S. citizens so they can travel abroad, and it processes an average of six million visa applications for visitors.

U.S. Agency for International Development

Andrew Natsios, Administrator

www.usaid.gov 202-712-0000

Number of Foreign Service Officers: 1,082

Number of Civil Service Employees: 1,079

Number of Foreign Service Nationals: 4,749

2003 Spending: \$3.6 billion

Major Assets: Owns offices in eight of 75 countries where USAID operates.

The U.S. Agency for International Development (USAID) advances U.S. foreign policy through development and humanitarian assistance programs. USAID works abroad in 75 countries, implementing programs that promote economic growth, education, sound environmental policies, agriculture, trade, and global health. Its work also includes treating and preventing Human Immuno-deficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS), promoting democracy, providing conflict management and humanitarian assistance. Many of

USAID's programs are designed in the field and carried out by private-sector firms or non-profit, non-governmental organizations.

The U.S. foreign affairs team also involves other U.S. agencies. The Department of the Treasury does technical training, formulates international financial policy, and makes U.S. contributions to the Multilateral Development Banks (MDBs). Other agencies involved directly in U.S. foreign affairs include the Broadcasting Board of Governors, which expands the availability of information through radio and television broadcasts, the Peace Corps, the Export-Import Bank, the Overseas Private Investment Corporation, the Trade and Development Agency, the Inter-American and African Development Foundations, the U.S. Institute of Peace and the office of the U.S. Trade Representative.

Overview

The 2004 Budget proposes several initiatives to further America's leadership in the world. Funding requested for 2004 for the Department of State, USAID, and other international agencies is \$27.4 billion, an 11.6-percent increase over the \$24.5 billion requested for 2003.

The number one priority in the proposed budget is the advancement of the global fight against terrorism. The budget furthers this goal by providing economic, military, and democracy assistance to key foreign partners and allies, including \$2.3 billion to vulnerable states on the front lines of the war against terrorism like Afghanistan and Turkey.

The budget also promotes international peace and prosperity by launching the most innovative approach to U.S. foreign assistance in more than 40 years. The new Millennium Challenge Account

(MCA), a government corporation funded at \$1.3 billion, will redefine aid by focusing new assistance on countries where governments rule justly, invest in their people, and encourage economic freedom. Further, the budget offers hope and a helping hand to countries facing health catastrophes and humanitarian disasters. It provides \$2 billion to combat the global HIV/AIDS epidemic and more than \$1 billion to meet the needs of refugees and internally displaced peoples. Finally, the 2004 Budget will give American diplomats the tools they need to perform these complex tasks, by ensuring adequate training, institutional support, and information technology for U.S. officials overseas.

This chapter describes the recent accomplishments, initiatives, and challenges that the Department of State and international assistance agencies face, while linking the resources proposed for 2004 policy reforms to anticipated performance. It documents the ways that business as usual is being changed to achieve better results.

Prosecuting the War on Terrorism

The United States will provide extensive assistance to states on the front lines of the anti-terror struggle, both in terms of financial assistance and training and support for allied governments. Working one-on-one with countries and through multilateral organizations, we have frozen more than \$110 million in terrorist assets, launched new initiatives to secure global networks of commerce and communication, and significantly increased the cooperation of our law enforcement and intelligence communities with other countries. Afghanistan is no longer a haven for al Qaeda. The United States and allied nations are working with the Afghan Authority to build roads, schools, deliver health services, and rebuild the economy.



A new kindergarten in Afghanistan supported by USAID.

Assistance to Frontline States—Standing with our Friends

The 2004 Budget for International Affairs provides approximately \$2.3 billion for assistance to countries around the world that have joined us in the war on terrorism. These include Afghanistan, Colombia, Jordan, Pakistan, and Turkey. This funding will provide economic and military support to enable these countries to strengthen their economies, internal counter-terrorism capabilities, and border controls.

The President's Budget proposes \$800 million in the Economic Support Fund (ESF) for the front-line states, including \$250 million for Jordan, \$200 million each for Pakistan and Turkey and \$150 million for Afghanistan. In Afghanistan, \$70 million will be used to fulfill our commitment to rebuild the Kabul-Kandahar-Herat Highway, as well as provide for other infrastructure such as secondary roads, water and sewer projects, and electrification. The remaining amount will provide budget support and further democracy and governance programs. In Pakistan, ESF will be used to provide assistance to the government of Pakistan to fund social service projects.

The Foreign Military Financing program will provide equipment, training, and defense services to countries for programs that counter terrorism and develop institutions to prevent the emergence of terrorism. For example, the President is requesting \$150 million in Foreign Military Financing as well as \$20 million in the Peacekeeping Operations account as part of the ongoing efforts to train the Afghan National Army, to maintain internal security and prevent the country from again becoming a terrorist haven. This aid will be supplemented by donations of equipment and training from other countries allied in the effort to reconstruct a viable Afghan state.

The State Department's Anti-Terrorism Assistance (ATA) program will continue to provide frontline states a full complement of courses, such as training on how to conduct a post-terrorist attack investigation or how to respond to a weapons of mass destruction attack. The budget will also fund additional equipment grants to sustain the skills and capabilities acquired in the ATA courses. It will support in-country training programs in Afghanistan, Pakistan, and Indonesia as well. The 2004 Budget increases the ATA program to \$106 million, \$42 million over the 2003 requested level.

Central Asia and the New Independent States

In 2004, over \$171 million will go to assistance programs in the Central Asian states. The 2004 Budget continues to focus funds on programs in Uzbekistan, Kyrgyzstan, and Tajikistan in recognition that Central Asia is of strategic importance in fighting terrorism. Assistance to these countries has almost doubled from levels preceding September 11, 2001, and is 55 percent above levels proposed for 2003. These funds will support civil society development, small business promotion, conflict reduction, and economic reform efforts in the region. These efforts are designed to promote economic development and strengthen the rule of law in order to reduce the appeal of extremist movements and stem the flow of illegal drugs that finance terrorist activities.

Funding levels and country distributions reflect a shifting of priorities. For example, after more than 10 years of high levels of assistance, it is time to let some countries in this region graduate from economic assistance, as we have done with many in Eastern Europe. The U.S. economic assistance to Russia and Ukraine will begin phasing down in 2004, with a decrease of 32 percent from 2003. America will, however, continue providing assistance to democracy building and civil society programs.

Stemming Narco-terrorism

The President's request for the Andean Counterdrug Initiative includes \$463 million for Colombia. This funding will support the new Colombian government's unified campaign against terrorists and the drug trade that fuels their activities. The aim is to put up a backstop for democracy, extend security, and restore economic prosperity to Colombia while preventing the narco-terrorists from spreading instability to the broader Andean region. Critical components of this effort include resumption of the Airbridge Denial program to stop internal and cross-border aerial trafficking in drugs, stepped up eradication of crops coupled with alternative development efforts, and technical assistance for strengthening Colombia's police and judicial institutions.



USAID supports many reconstruction efforts in Afghanistan, like this major road from Kabul to Kandahar.

Countering the Threat from Weapons of Mass Destruction

On December 11, 2002, President Bush announced a new National Strategy to Combat Weapons of Mass Destruction (WMD). The strategy is based on three pillars:

- Pursue robust counterproliferation policies and capabilities to deter and defend against the use of these weapons;
- Strengthen nonproliferation measures to prevent states and terrorists from acquiring weapons of mass destruction; and
- Increase our preparations to respond effectively to any use of these weapons against us or our friends and allies.

The 2004 Budget proposes \$35 million for the Nonproliferation and Disarmament Fund (NDF), more than double the 2003 request. It also increases funding for overseas Export Controls and Border Security (EXBS) to \$40 million and supports strengthening the nuclear safeguard and security capabilities of the International Atomic Energy Agency.

The NDF and EXBS programs help prevent weapons of mass destruction from falling into the hands of terrorist groups or states by helping foreign governments establish and strengthen export and border control systems to prevent the proliferation of weapons of mass destruction, materials, technology, and expertise.

Explaining America Through a New Middle East TV Network

Public diplomacy and international broadcasting activities open communication channels and understanding worldwide. The President's Budget builds on the successful launch of the Middle East Radio Network in 2002 and provides \$30 million in 2004 to use television to engage people throughout the region. The Middle East Television Network, an American-style Arabic language news and information satellite network, will broadcast directly into the homes of up to 50 million viewers, providing them with a means to better understand America, its policies, and people.

War Against Poverty and Despair: American Leadership in Fighting AIDS and Alleviating Humanitarian Hardships

The HIV/AIDS pandemic has taken the lives of more than 20 million people and is projected to take millions more. On World AIDS Day, countries around the world are united to support the individuals, families, and communities affected by this disease, and to renew our commitment to preventing the spread of HIV/AIDS, developing and delivering more effective treatments, and finding a cure.

President George W. Bush
November 29, 2002

This budget reaffirms the United States' role as the leading donor nation confronting the greatest challenges faced by many developing countries today. The 2004 Budget proposes a number of foreign assistance initiatives managed by USAID and other federal agencies that provide crucial resources that prevent and ameliorate human suffering worldwide.

Fighting the Global AIDS Pandemic

The 2004 Budget continues the Administration's commitment to combat the spread of HIV/AIDS and to help bring care and treatment to infected people overseas. The HIV/AIDS pandemic has killed 23 million of the 63 million people it has infected to date, and left 14 million orphans worldwide. President Bush has made fighting this pandemic a priority of U.S. foreign policy. The United States was instrumental in launching the Global Fund to Fight HIV/AIDS, Malaria and Tuberculosis in 2001. The United States was the first country to make a contribution to the fund and leads the world in having committed \$500 million to it—23 percent of total pledges to date. In 2002, President Bush launched a \$500 million initiative to prevent mother-to-child-transmission of HIV/AIDS. This initiative is targeted at the 14 countries in Africa and the Caribbean hardest hit by the HIV/AIDS pandemic.

The President believes the global community can—and must—do more to halt the advance of the pandemic, and that the United States should lead by example. Thus, the President's 2004 Budget request signals a further, massive increase in resources to combat the HIV/AIDS pandemic. Specifically, the President is committing to provide a total of \$15 billion over the next five years to turn the tide in the war on HIV/AIDS. These funds will be targeted on the hardest hit countries in Africa and the Caribbean with the objective of achieving dramatic on-the-ground results. Implementation of this initiative will be based on the "network model" being successfully employed in a number of countries. This model is based on a layered network of central medical centers that support satellite centers and mobile units with descending levels of medical expertise as treatment moves from urban to rural communities. In an effort to capitalize on recent advances in therapy, this initiative will provide advanced antiretroviral treatment on a large scale, together with prevention and care.

The \$15 billion in funding for this initiative assumes baseline spending of \$5.2 billion. It also includes new funding for bilateral assistance totaling \$9 billion, and an additional \$1 billion for the Global Fund, conditioned on the Fund showing results. This new, dramatic commitment is reflected in the 2004 Budget, which includes \$450 million for the initiative. With this new commitment, U.S. international assistance to combat HIV/AIDS will have increased by 198 percent since President Bush took office.

In order to ensure accountability for results, the President proposes to establish at the Department of State a new Special Coordinator for International HIV/AIDS Assistance. The Special Coordinator will have the rank of ambassador and will be responsible for coordinating all international HIV/AIDS programs and the efforts of the agencies that implement them.

A New Approach to Hunger, Famine, and Other Emergencies

Food Aid. Historically the United States has been the largest donor of assistance for victims of protracted and emergency food crises. Droughts, earthquakes, and other natural disasters sometimes lay otherwise self-sufficient nations low. Early in the Administration, the President determined that preserving this U.S. leadership role was a high priority. He would not idly stand by while these crises occurred. However, improvements were needed in the management of our programs. In particular, since 1999, an increasing percentage of food assistance was dependent upon the unpredictable supply of surplus commodities. A Presidential Management Initiative directed reforms that would increase the amount of food going to hungry populations, and rationalize U.S. Department of Agriculture (USDA) and USAID program management.

In 2003, discretionary funding increased from \$864 million to \$1.185 billion. That level will be enhanced significantly in 2004 with two new initiatives: a Famine Fund and an emerging crises fund to address complex emergencies.

Famine Fund. The 2004 Budget includes a new \$200 million fund with flexible authorities to provide emergency food, grants or support to meet dire needs on a case-by-case basis. This commitment reflects more than a 15-percent increase in U.S. food assistance, one of the largest increases in programs in the budget.

Emerging Crises Fund. The budget also requests \$100 million for a new Presidential-level account and mechanism that will allow the Administration to respond swiftly and effectively to prevent or resolve unforeseen complex foreign crises. This account will provide a mechanism for the President to support actions to advance American interests, including to prevent or respond to foreign territorial disputes, armed ethnic and civil conflicts that pose threats to regional and international peace and acts of ethnic cleansing, mass killing and genocide.

Partnerships with Other Countries

The United States wants to help countries who help themselves. In March 2002, President Bush called for a new compact for development, emphasizing that increased assistance from donor countries be linked to sound policies in recipient countries.

Millennium Challenge Account

The 2004 Budget request of \$1.3 billion for a new Millennium Challenge Account (MCA) fulfills the President's March 2002 pledge to create a new bilateral assistance program along markedly different lines. The MCA breaks with the outdated models of economic development assistance. As the President stated in his speech before the Inter-American Development Bank, "When nations refuse to enact sound policies, progress against poverty is nearly impossible. In these situations, more aid money can actually be counterproductive, because it subsidizes bad policies, delays reform, and crowds out private investment." This new compact for global development ties increased assistance to performance.

This budget marks a first step towards the President's commitment of \$5 billion in annual funding for the MCA by 2006, a 50-percent increase in core development assistance. The MCA supplements U.S. commitments to humanitarian assistance and existing USAID development programs.

MCA funds will go only to selected developing countries that demonstrate a commitment to sound policies—based on transparent, concrete, and objective criteria. The selection process will use 16 indicators to assess national performance relative to governing justly, investing in people, and encouraging economic freedom.

MCA resources will be used in partnership with recipient countries, with a limited number of measurable goals, activities, and benchmarks and thorough financial accountability standards.



President Bush announces the Millennium Challenge Account at the Inter-American Development Bank in Washington, D.C. on March 14, 2002.

The MCA will be run by a new government corporation designed to ensure accountability for measurable results. The Secretary of State will preside over a board of directors supervising the corporation. MCA personnel will be drawn from a variety of government agencies and non-governmental organizations and serve limited-term appointments.

In 2004, the MCA will consider countries both eligible to borrow from the International Development Association (IDA) and which have per capita incomes below \$1,435 (the historical IDA cutoff for aid). In 2005, all countries with per capita incomes below \$1,435 will be considered. In 2006, all countries with per capita incomes up to \$2,975 (the current World Bank cutoff for lower middle income countries) will be eligible.

Strengthening American Assistance

While the MCA offers a new approach to a selected group of partners, the President is committed to preserving existing commitments to economic, development and humanitarian assistance. However, even within these accounts, business as usual is not acceptable. Improvements in management and implementation of aid programs must be accelerated to reach all communities to help them succeed.

As a first step, the Administration will focus on developing plans for a small group of countries ready to graduate from U.S. assistance. With the view that these graduations will free resources for countries with sustained greater needs, the Administration will work in partnership to develop plans to generate growth, jobs and access to private capital.

Clearly not all countries are ready to graduate from assistance programs. Many, if not most, of the current recipients of aid will continue to receive some form of U.S. support. However, specific and sustained levels of funding to support a results-driven plan for action offers a concrete promise of stability and prosperity for many transitioning countries.

In 2002–2003, the U.S. Embassy in Sofia, Bulgaria, has developed such a plan. Consistent with its NATO aspirations and ambition to integrate into the European economy, a three-year U.S. pledge for \$28 million annually will fund a transition plan to secure stronger good governance and broader economic opportunity.

The U.S. assistance to Bulgaria has been substantially modified with a much stronger focus on anti-crime and anti-corruption assistance to the police, prosecutors and court systems that are demonstrably committed to democratic standards of rule of law. With a successful model in place, these programs will be used more broadly over the next three years, until Bulgaria graduates from all such assistance in 2007.

The United States reaches out to serve and support those in real need. Especially those who live in poverty should have hope that our aid programs will contribute to building better, safer communities with expanded opportunities to learn and work. Non-Government Organizations (NGOs), the Congress and the American public have long been critical of U.S. assistance as slow to arrive, indifferent to local concerns and unlikely to show signs of success in any meaningful time period. For a nation that continues to rank as the single largest donor to countries in need, a new agenda with clear goals is essential. The graduation program represents a first step to change the way we work.

African Education Initiative

The Administration's financial commitment to the African Education Initiative doubles this year. Begun in 2001, the initiative focuses on increasing access to quality education in Africa. Over its five-year life the African Education Initiative will achieve: 160,000 new teachers trained; 4.5 million textbooks distributed; an increase in the number of girls attending school through more than a quarter million scholarships and mentoring; and an increase in African Education Ministries'

capacity to address the impact of HIV/AIDS. The 2004 Budget requests \$142 million for African education assistance.

Pushing for Results from Multilateral Development Banks

The MDBs provide over \$40 billion in financing annually to foster economic growth and poverty reduction around the world. The U.S. share of MDB funding is over 22 percent. The Administration is promoting reform in all the MDBs to ensure that their assistance increases the productivity of people and countries receiving aid. The 2004 Budget provides \$1.55 billion for the MDBs, which includes \$1.36 billion for scheduled payments to the MDBs and \$195.5 million to clear existing overdue debt. The budget provides \$950 million for IDA, \$100 million of which is contingent on IDA establishing a results measurement system. By spring 2003, IDA is to have completed an outline of approach to results measurement, presented baseline data and identified outcome indicators in health, education, and private sector development and expected progress targets. By that same time, IDA is due to complete specified numbers of reviews and assessments in financial accountability, procurement, public expenditure, investment climate, and poverty.

Forgiving Debt—Helping Heavily Indebted Poor Countries

The Administration requests an additional \$75 million for the Trust Fund for Heavily Indebted Poor Countries (HIPC). These funds will go towards fulfilling the President's commitment at the G-8 Summit in Canada to contribute to the projected HIPC Trust Fund financing shortfall. The HIPC Trust Fund finances debt forgiveness of heavily indebted poor countries that have committed to economic reforms and pledged to increase domestic funding of health and education programs. The President's request also provides \$300 million to fund debt reduction for the Democratic Republic of the Congo under the HIPC Initiative. In addition, \$20 million will fund the cost of debt reduction under the Tropical Forest Conservation Act, allowing benefiting countries to use forgone debt payments to fund forest preserves and other activities to protect tropical forests and the species that inhabit them.

Debt Reduction

For the designated 26 Heavily Indebted Poor Countries (HIPC) that have begun to receive debt reduction thus far, spending on health, education and other social investments as a share of gross domestic product has increased from six percent in 1999 to a projected nine percent in 2002. Uganda, which completed its HIPC debt reduction in 2000, increased its spending on health and education from five percent in 1999 to a projected nine percent in 2002. Uganda is using HIPC debt relief to eliminate grade school fees, which had been a major impediment to enrollment, and to expand the country's successful HIV/AIDS awareness program.

The Administration believes that offering indebted poor countries new loans and debt forgiveness at the same time risks their return to crushing indebtedness—the very condition debt forgiveness seeks to resolve.

In order to address this situation, the Administration recently proposed a one-year moratorium on new federal loans or loan guarantees to countries that receive debt forgiveness. Should countries demonstrate serious economic gains before the moratorium ends, agencies may resume new lending. Loans to the private sectors in these countries are not affected by this policy. The Administration hopes that this policy will bring an end to the historically vicious cycle of indebted poor countries.

World Summit on Sustainable Development

The World Summit on Sustainable Development in August 2002 engaged more than 100 countries and representatives of businesses and NGOs in developing and implementing results-focused partnerships in the areas of water, energy, and hunger. At the end of the Summit, new relationships and partnerships were forged, and a global commitment was reached to halve the proportion of people who lack access to clean water or proper sanitation by 2005. The 2004 Budget supports these partnerships with \$337 million in international assistance funding.

Middle East Partnership Initiative

The President's Budget includes \$145 million for the Middle East Partnership Initiative. This framework will permit the United States to work with other donors, academic institutions, the private sector, non-governmental organizations, and governments in the Arab world to expand economic, political, and educational opportunities for all. Potential programs include literacy training and scholarships for girls and women, technical assistance to Arab members of the World Trade Organization, and assistance to NGOs working for political reform. Existing U.S. assistance programs in the Middle East will be reviewed to ensure that aid is reaching as many people across the region as possible, with an emphasis on women and children.

Assistance to Refugees and Disaster Victims

Refugee Admissions

Since 1975, the State Department's Refugee Admissions program has resettled nearly 2.5 million refugees from all over the world. A refugee is defined as a person outside of his or her country of nationality who is unable or unwilling to return because of persecution or a well-founded fear of persecution on account of race, religion, nationality, membership in a particular social group, or political opinion.

The President's Budget includes over \$1 billion to provide humanitarian assistance to refugees, internally displaced persons, and other vulnerable persons worldwide. These funds will allow international and non-governmental organizations to provide shelter, safe water, and health care, among other services to people fleeing persecution, or natural disaster,

such as those living near the volcano eruption in Goma, Democratic Republic of Congo. These humanitarian assistance funds also support the admission of refugees to the United States.

Supporting International Environmental Programs

The Administration actively participates in the development of bilateral and multilateral agreements to better manage the world's most valuable natural assets. The 2004 Budget includes \$286 million in development assistance funding for environmental programs. USAID proposes about \$155 million for global climate change programs. The United States continues to be the largest donor to the Global Environment Facility (GEF), a multilateral fund that helps developing countries mitigate environmental problems with potential global impact. The Administration has pledged \$500 million over the next four years for the GEF.

Rejoining the United Nations Educational, Scientific, and Cultural Organization

The President's Budget provides \$71.4 million to support renewed U.S. membership in the United Nations Educational, Scientific, and Cultural Organization (UNESCO). In September 2002, President Bush announced that the United States would return to UNESCO and that, "This organization has been reformed and America will participate fully in its mission to advance human rights, tolerance, and learning."

Increasing the Number of Peace Corps Volunteers

The first American many people around the world meet is a Peace Corps volunteer. The President wants more such volunteer “ambassadors” in the field contributing their skills and initiative to foreign communities. The budget provides \$359 million to support 10,000 volunteers by the end of 2004. This increase will keep the Peace Corps on track to reach the President’s goal of 14,000 volunteers by 2007. The added funds will open new programs and be targeted to assist host countries and local communities through such activities as business development and prevention of HIV/AIDS. In 2002, Peace Corps began working in East Timor, Peru, Botswana, and Swaziland. In 2003, Peace Corps will set up new programs in Chad, Albania, Azerbaijan, and Fiji.



An outdoor school at the Dadaab Somali refugee camp in Kenya.

Carrying Out the President’s Management Agenda and Building a World Class Diplomatic Corps

Over 60,000 employees from more than 40 federal agencies work at 261 posts overseas. The embassy bombing murders of 12 Americans and over 200 foreign nationals in Kenya and Tanzania demonstrated that many existing embassies do not meet current security standards. The 2004 Budget provides \$1.5 billion for embassy security, construction, and maintenance, an increase of \$208 million over 2003. This level of funding will enable the State Department to address major rehabilitation needs of embassies and consulates around the world, as well as fund major security-related construction projects.

Proposed funding for 2004 will enable the construction of secure embassies in eight countries including Ghana and Panama. In addition, annex buildings for USAID will be constructed with State Department funds in several countries including Ghana and Nigeria.

The State Department and USAID are working to implement the President’s Management Agenda (PMA) and build a world class diplomatic corps. As the PMA scorecard shows, the Department of State and USAID face stiff management challenges. Over the last year, both agencies have made progress in addressing these problems. The State Department for example, is on schedule to implement its Regional Financial Management System. USAID has made considerable progress on a model allocating resources based on objective performance criteria. The Secretary of State may need more personnel management flexibility to accomplish our objectives.

The Department and USAID are working together to identify information technology (IT) systems where collaboration would be beneficial, beginning with financial management systems.

Completing the Diplomatic Readiness Initiative

This budget completes the Diplomatic Readiness Initiative by funding 399 additional foreign and civil service officers to help the Department effectively implement the President’s foreign policy goals. The initiative will fill critical staffing gaps, properly train staff and better respond to crises and emerging priorities. This is the third year of funding for this major initiative. In total, the Administration has requested 1,158 new staff for the Department of State. The Administration expects the Department’s recruiting efforts to show reduced time in getting new officers to posts

abroad with the proper language, economics, and management skills needed to carry out American foreign policy.

USAID is also undertaking a major effort to increase its ability to effectively implement programs. As a step toward strengthening the workforce, the budget proposes hiring up to 50 additional foreign and civil service staff in key areas, such as HIV/AIDS.

Visa and Consular Services

Since September 11, 2001, the Department of State has increased resources for visa application reviews, doubled the number of names on the Lookout System, improved collaboration with law enforcement agencies using new legal authorities to access relevant background information and strengthened clearance processes.

Beginning in 2003, the Department of Homeland Security will assume responsibility for the policy guidance and regulation governing visa issuance to refine visa processes further to meet security concerns.

Rightsizing the U.S. Government Presence Overseas

The President's "Right-Sized" Overseas Presence Initiative, a part of the PMA, is intended to define who will work for the federal government overseas, determine how much each United States employee overseas costs and evaluate if these people are fulfilling a need where they are located.

There are several key initiatives underway within the rightsizing agenda. Within the next two years, all of the initiatives will fundamentally change how federal agencies think about their plans for staffing overseas through fostering better monitoring, evaluation and management of U.S. staff overseas and more closely linking performance and management to the budget.

The first step within the right-sizing initiative was to develop a profile of the current U.S. government staff overseas, including part-time and foreign workers. The U.S. government is responsible for more than 90,000 people (including dependents) overseas. Costs per person range from \$90,000 to \$665,000 per year. Overseas staffing and cost data collection have been systematized in the formal annual agency budget submission process.

The four right-sizing initiatives currently underway include:

- The development of a better way for posts to link budgets to performance and staffing to mission goals through the Mission Performance Planning and Bureau Performance Planning processes;
- A review of the staffing patterns, costs, security issues and missions at posts in one region of the world. OMB chose Europe and Eurasia and has been collaborating with the State Department and the General Accounting Office to develop a framework to right-size existing embassies worldwide;
- Regionalization of functions and developing existing or new U.S. regional centers on each continent; and
- The development of a cost-sharing mechanism to distribute the costs of constructing and maintaining new embassies worldwide in order to make sure that all agencies with staff overseas fully recognize and take into consideration all costs associated with sending staff overseas. The initial year of this cost-sharing mechanism is included in the 2004 Budget proposal.

The goal is to assure that the United States has the staff it needs to carry out the specific functions required in each overseas post and that decisions as to whether existing or new staff are needed are based on true cost and justified in terms of performance and impact.

Information Technology

The State Department is forging ahead to improve Information Technology (IT) management and provide staff the IT backbone needed to successfully carry out the President's foreign policy mission. IT investments are funded at \$939 million in 2004, an increase of five percent from the 2003 request. The State Department began a comprehensive modernization of its IT infrastructure in 1997. Before then, many key systems were obsolete. Even in 2001, most employees did not have direct Internet access. The priorities of the Department's strategic plan are an increasingly transparent and interconnected diplomacy. In fall 2002, the Department created the E-Diplomacy Office to put these priorities into effect. The Department intends to further upgrade systems including cables, messaging, knowledge management, and document archiving. These functions will be replaced by a new, fully integrated, state-of-the-art system called SMART. SMART is funded at \$10 million in 2003 and \$15 million in 2004. The new system is being designed with the cooperation of its users and will embody the multi-agency operating environment of U.S. staff.

USAID is moving ahead with increasing the agency's IT planning and project management capacity to ensure successful implementation of the worldwide automated accounting and procurement systems. The agency is working with the State Department to improve its telecommunications capacity and infrastructure security. IT investments are funded in 2004 at \$20 million, an increase of \$7 million from 2003. USAID continues to actively support the E-Government Initiative by participating actively on E-Travel, Integrated Acquisition, and E-Training working groups, and by using E-Government technologies to enhance agency business functions. USAID and the Department of State intend to work together to develop a joint enterprise architecture to guide IT investments and outline where joint IT systems are feasible.











Performance Evaluation of Select Programs











Ten State Department programs and seven International Assistance Programs were reviewed for performance effectiveness. Some of the programs evaluated are highlighted in the accompanying table. For further details refer to the Department of State and International Assistance Programs chapter in the *Performance and Management Assessments* volume.

Program	Rating	Explanation	Recommendation
International Development Association (IDA)	Adequate	IDA is well-managed, but lacks a system to measure, monitor, and evaluate overall results. The latest resource replenishment agreement calls for the establishment of such a system.	Provide \$1.0 billion for IDA, \$100 million of which is contingent on IDA meeting specific benchmarks by spring 2003 in establishing the results measurement system.
Overseas Private Investment Corporation (OPIC)—Finance	Results Not Demonstrated	The program generally manages its resources well, but it cannot adequately show what results it achieves due to the lack of long-term goals and insufficient annual performance measures.	Establish specific and appropriate long-term goals and annual performance measures that capture the range of developmental impact that OPIC's programs have on foreign countries, including private sector growth, job creation, transfer of skills and technology, improvements in corporate citizenship, and infrastructure enhancements.





Program	Rating	Explanation	Recommendation
Security Assistance to Sub-Saharan Africa	Results Not Demonstrated	It is difficult to evaluate the performance of these programs, because performance plans do not contain annual goals and program evaluations are not geared to measure achievement of performance goals.	Restructure performance plans to include separate annual and long-term goals, targets and baseline information. Collect performance information in a standardized manner and include in performance reports that evaluate progress related to key performance goals.
Capital Security Construction Program	Moderately Effective	In recent years the embassy construction program has undergone a reorganization of its strategic planning and its management team. These steps, including the development of standardized embassy design, should result in increased performance in future years.	Increase funding for capital security construction, including additional funds for a new overseas capital security cost sharing initiative that will ensure that all agencies with staff overseas pay their fair share of the cost to keep those employees safe and that agencies think carefully before posting additional personnel overseas.
Anti-Terrorism Assistance (ATA) Program	Moderately Effective	The ATA program builds the capacity of key countries abroad to fight terrorism by training foreign officials in anti-terrorism techniques and building working relationships that enhance cooperative efforts. The program meets annual performance goals for number of courses taught and course content and effectively teaches anti-terrorism skills.	Increase funding to continue all training programs currently underway and to expand to new areas that respond to the evolving terrorist threat. Improve long-term performance measurement to enable a quantifiable assessment of increased anti-terrorism capabilities of key countries.
USAID Development Assistance—Population	Moderately Effective	The program has been effective in increasing contraceptive use in assisted countries and has improved its measurement of results, but does not allocate resources across countries to respond to greatest needs.	Fully fund the program at the 2003 level of \$425 million. Better align resource allocation with country needs through improved USAID performance budgeting model.

Update on the President’s Management Agenda

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status					
Progress					
<p>The Department of State is making progress but continues to face challenges in meeting the PMA goals. The Department has improved in the first quarter of 2003 in four of five PMA areas. Continued senior management commitment will be required throughout 2003 to maintain momentum and address red status conditions. That commitment includes aggressively addressing financial performance standards, successful implementation of the OPM Human Capital Assessment and Accountability Framework, improved execution of competitive sourcing, completing an Enterprise Architecture and security certification, and linking performance to budgeting decisions. The Department remains at yellow for progress in E-Government initiatives because of improving, but still insufficient, implementation of enterprise architecture and security remediation plans.</p>					

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status					
Progress					
<p>USAID has made little progress over the past year and continues to face serious challenges in improving management given the low starting point and complexity of programs. However, for the first time the USAID Inspector General was able to provide at least qualified opinions on three of the agency’s financial statements and the reporting capacity of the accounting system was expanded. The agency developed a model for allocating resources based on objective criteria and began implementing full-cost accounting. The agency does not have a comprehensive workforce planning model for its multiple personnel systems, nor does it have a plan to compete any of the nearly 600 commercial positions on the FAIR Act inventory. Senior USAID staff are well aware of these problems and continue to refine their approach to improving management at the agency.</p>					

Over the past year, the Administration has developed and implemented two new Presidential Management Initiatives in the international affairs arena: Reform of Food Aid Programs and a "Right-Sized" Overseas Presence. Each of these initiatives challenged existing policies and was designed to improve program management and outcomes. The following table provides the status of these two initiatives.

Initiative	Status	Progress
Reform of Food Aid Programs		
A "Right-Sized" Overseas Presence		
<p><i>Arrow indicates change in status since baseline evaluation on June 30, 2002.</i></p> <p>Reform of Food Aid Programs. The Administration has successfully reformed federal food aid policy to provide greater certainty of funding, target funding to feeding hungry people and to increase consistency in USDA and USAID management of food aid programs. Based on these successes, this initiative will no longer be monitored as part of the President's Management Agenda.</p> <p>A Right-Sized Overseas Presence. Over the past year, OMB and the State Department have worked with agencies to develop a capital surcharge proposal to cover agency costs for housing their employees at facilities paid for by the State Department. The Administration will continue to advance this initiative.</p>		

Department of State and International Assistance Programs

(In millions of dollars)

	2002 Actual	Estimate	
		2003	2004
Spending			
Discretionary Budget Authority:			
Department of State:			
Diplomatic and Consular Programs.....	3,673	3,937	4,164
Embassy Security, Construction, and Maintenance	1,474	1,305	1,514
International Organizations and Conferences	1,724	1,617	1,561
Andean Counterdrug Initiative.....	645	731	731
All other programs	1,869	1,551	1,793
Subtotal, Department of State	9,385	9,141	9,761
International Assistance Programs:			
Foreign Military Financing.....	4,007	4,107	4,414
Nonproliferation, Anti-Terrorism, Demining and Related Programs	398	372	385
Economic Support Fund	2,670	2,490	2,535
Development Assistance.....	1,150	1,366	1,345
Child Survival and Disease Programs	1,338	1,474	1,495
Multilateral Development Banks.....	1,026	1,437	1,555
Millennium Challenge Account.....	—	—	1,300
Peace Corps	275	317	359
Global AIDS Initiative	—	—	450
Famine Fund.....	—	—	200
All other programs.....	2,785	2,669	3,001
Subtotal, International Assistance Programs	13,649	14,232	17,039
Other International Affairs Activities:			
Export-Import Bank.....	738	596	-37
<i>USDA International Food Aid (non-add)</i>	850	1,185	1,185
All other programs.....	613	609	674
Subtotal, Other International Affairs Activities.....	1,351	1,205	637
Total, Discretionary Budget Authority ¹	24,385	24,579	27,438
Mandatory Outlays:			
Department of State	470	369	452
International Assistance Programs.....	-1,801	-1,628	-908
Other International Affairs Activities	-941	-3,957	-346
Total, Mandatory outlays	-2,272	-5,216	-802
Credit activity			
Direct Loan Disbursements:			
Department of State	1	1	1
International Assistance Programs.....	438	142	47
Export-Import Bank	920	813	395
Total, Direct loan disbursements.....	1,359	956	443
Guaranteed Loans:			
International Assistance Programs.....	562	704	676
Export-Import Bank	7,859	7,543	8,662
Total, Guaranteed loans.....	8,421	8,247	9,338

¹ Includes \$1.3 billion in 2002 supplemental funding.