



USAID
FROM THE AMERICAN PEOPLE

U.S. Agency for International Development

BUDGET JUSTIFICATION

TO THE CONGRESS

Fiscal Year 2006





USAID
FROM THE AMERICAN PEOPLE

The Administrator

TO THE CONGRESS OF THE UNITED STATES

On behalf of the U.S. Agency for International Development (USAID), I am pleased to transmit to the Congress the Administration's budget justification for authorization and appropriations for the programs administered by the Agency in fiscal year 2006.

This FY 2006 budget request reflects USAID's multiple goals in development, relief and recovery and in advancing U.S. national security. It responds to the President's priorities, including support for the Global War on Terrorism, and helping Iraq, Afghanistan and Sudan toward stability and security.

The request sets priorities that use aid effectively to promote real transformation in developing countries committed to reform. It also helps states that are more vulnerable or crisis-prone to advance stability, security and reform as well as develop essential institutions and infrastructure. The assistance supports individual foreign policy objectives in geo-strategically important states, continues USAID's premier capacity to offer humanitarian and disaster relief to those in need, and addresses global issues and special concerns including HIV/AIDS, global climate change, counternarcotics, and international trade agreements.

USAID programs, objectives and results are described in detail in the following chapters and accompanying annex. Your favorable consideration of the Administration's economic assistance budget request is requested.

Andrew S. Natsios

INTRODUCTION

The U.S. Agency for International Development's (USAID) FY 2006 budget justification to the Congress reflects the Administration's program and budget request for bilateral foreign economic assistance appropriations administered by the Agency.

The **Main Volume** of the budget justification summarizes the budget request and discusses the programs and activities implemented through USAID's centrally funded programs and through the four geographic regions, i.e., Africa, Asia and Near East, Europe and Eurasia, and Latin America and Caribbean.

The **Program Annex** provides data sheets describing the funding and activities of each objective for the central, regional and country programs. The annex also lists the notifications for FY 2005 and FY 2006 contained in the annex.

A separate **Summary Tables** volume includes tables that illustrate the foreign assistance budget request for FY 2006 and provides a detailed tabular breakout of the economic assistance budget for FY 2003 (actual), FY 2004 (actual), FY 2005 (estimate), and FY 2006 (request).

The five annexes provided in prior years for USAID programs in the geographic regions and the central programs are replaced this year with the two volumes noted above, i.e., Main Volume and Program Annex. The information remains the same.

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
FY 2006 BUDGET JUSTIFICATION**

Table of Contents

Statement of the Administrator	4
Organization Chart	11
Map of U.S. Assisted Countries	12
Summary of FY 2006 Budget Request and Program Highlights	13
Management Improvements	51
USAID Support Budget	54
Operating Expenses	57
Capital Investment Fund	64
Working Capital Fund	66
Operating Expenses, Inspector General	67
Foreign Service Retirement and Disability Fund	74
International Disaster and Famine Assistance	75
Transition Initiatives	77
 Central Programs	
Bureau for Democracy, Conflict and Humanitarian Assistance	
Overview for Democracy, Conflict and Humanitarian Assistance	82
Office of Food for Peace, P.L. 480 Title II	87
Office of Foreign Disaster Assistance	95
Office of Transition Initiatives	99
Bureau for Economic Growth, Agriculture, and Trade	
Overview for Economic Growth, Agriculture, and Trade	106
Development Credit Authority	113
Bureau for Global Health	
Overview for Global Health	114
Overview for Global Health	115
International Partnerships	
Overview for Global Health	121
Bureau for Legislative and Public Affairs	
Overview for Global Health	122
Bureau for Management	
Overview for Global Health	125
Bureau for Policy and Program Coordination	
Overview for Global Health	126
Global Development Alliance	
Overview for Global Health	129
 Africa	
Overview of Africa	132
Angola	140
Benin	143
Burundi	146
Democratic Republic of the Congo	149
Djibouti	152
Eritrea	155
Ethiopia	158
Ghana	161
Guinea	164
Kenya	167
Liberia	170
Madagascar	173
Malawi	176
Mali	179
Mozambique	182
Namibia	185

Africa (continued)	
Nigeria.....	188
Rwanda.....	191
Senegal.....	194
Sierra Leone.....	197
Somalia.....	200
South Africa.....	202
Sudan.....	205
Tanzania.....	208
Uganda.....	211
Zambia.....	214
Zimbabwe.....	217
Regional Economic Development Service for East and Southern Africa.....	220
Regional Center for Southern Africa.....	223
West Africa Regional.....	226
Central Africa Regional.....	229
Africa Regional.....	232
Asia and Near East	
Overview of Asia and Near East.....	235
East Asia	
Burma.....	240
Cambodia.....	243
China.....	246
East Timor.....	248
Indonesia.....	251
Mongolia.....	254
Philippines.....	257
Regional Development Mission, Asia.....	260
South Asia	
Afghanistan.....	263
Bangladesh.....	266
India.....	269
Nepal.....	272
Pakistan.....	275
Sri Lanka.....	278
Middle East and North Africa	
Egypt.....	281
Iraq.....	284
Israel.....	287
Jordan.....	290
Lebanon.....	293
Morocco.....	296
West Bank and Gaza.....	299
Yemen.....	302
Asia and the Near East Regional.....	305
Europe and Eurasia	
Overview of Europe and Eurasia.....	307
Europe	
Albania.....	312
Bosnia and Herzegovina.....	315
Bulgaria.....	318
Croatia.....	321

Europe (continued)	
Cyprus.....	324
Ireland.....	327
Kosovo.....	329
Macedonia.....	332
Montenegro.....	335
Romania.....	338
Serbia.....	341
Turkey.....	344
Europe Regional.....	346
Eurasia	
Armenia.....	349
Azerbaijan.....	352
Belarus.....	355
Georgia.....	358
Kazakhstan.....	361
Kyrgyzstan.....	364
Moldova.....	367
Russia.....	370
Tajikistan.....	373
Turkmenistan.....	376
Ukraine.....	379
Uzbekistan.....	382
Central Asia Regional.....	385
Eurasia Regional.....	387
Latin America and Caribbean	
Overview of Latin America and Caribbean.....	390
Bolivia.....	396
Brazil.....	399
Colombia.....	402
Cuba.....	405
Dominican Republic.....	408
Ecuador.....	411
El Salvador.....	414
Guatemala.....	417
Guyana.....	420
Haiti.....	423
Honduras.....	426
Jamaica.....	429
Mexico.....	432
Nicaragua.....	435
Panama.....	438
Paraguay.....	441
Peru.....	444
Caribbean Regional.....	447
Central America Regional.....	450
Latin America and the Caribbean Regional.....	453
Glossary.....	456
Abbreviations and Acronym.....	464

Statement of the Administrator

In January 2005, President Bush visited the headquarters of the United States Agency for International Development (USAID) to thank our employees and partners in nongovernmental organizations (NGOs) for their work in relief and reconstruction following the tsunami in South Asia. During that visit, the President stated that "(t)he efforts of USAID [are] essential for the foreign policy of the United States of America. Your efforts and the efforts of others, especially to create jobs, promote markets, improve health, fight HIV/AIDS, and help democracy take root, are instrumental to making the world a better place and to protecting the American people."¹

The Fiscal Year (FY) 2006 budget reflects the 2004-2009 State-USAID Joint Strategic Plan that incorporates U.S. foreign policy and national security. It also reflects USAID's strategic realignment to increase the impact and effectiveness of U.S. assistance by structuring it around the following five operational goals:

- **promote transformational development** to bring far-reaching, fundamental changes to institutions of governance, human capacity, and economic structure that help countries to sustain further economic and social progress without continued dependence on foreign aid;
- **strengthen fragile states** to enhance stability, improve security, advance reform and develop the capacity of essential institutions and infrastructure;
- **provide humanitarian relief** to meet immediate human needs in countries afflicted by violent conflict, crisis, natural disaster, or persistent dire poverty;
- **support geo-strategic interests** to achieve specific U.S. foreign policy goals in countries of high priority from a strategic standpoint; and
- **address global issues and special concerns** including HIV/AIDS, global climate change, other infectious diseases, direct support for international trade agreements, and counter narcotics.

To make progress on these goals, USAID is requesting \$3.4 billion for its FY 2006 programs. We anticipate working with the Departments of State and Agriculture on joint programs that total \$5 billion in Economic Support Funds, Assistance to the Independent States of the Former Soviet Union, Assistance for Eastern Europe and the Baltic States, Andean Counterdrug Initiative and P.L. 480 Title II food aid. We will also manage a portion of the \$2 billion requested for the Global HIV/AIDS Initiative by the Department of State's Global AIDS Coordinator and a portion of the \$3 billion for the Millennium Challenge Corporation. USAID is requesting \$802.4 million in Operating Expenses (OE), the Capital Investment Fund, the Development Credit administrative funds and the Office of the Inspector General to fund the administrative costs of managing the \$8.3 billion in program funds.

This FY 2006 request reflects USAID's multiple goals in development, relief and recovery and advancing U.S. national security. We are introducing in the request two strategic reforms to increase the effectiveness of bilateral foreign aid. The first is to reward low-income countries that show good commitment and performance by giving priority in the budget to these countries. The second is to recognize that some countries need help to overcome instability and weak governance before they are able to grow and prosper. USAID has launched a new and different

¹ Remarks by President George W. Bush at USAID Headquarters, Washington, D.C., January 10, 2005.

strategy for promoting stability, security, reform and basic institutional capacity development in those countries.

As President Bush stated in 2002 in Monterrey, Mexico,² "When nations respect their people, open markets, invest in better health and education, every dollar of aid, every dollar of trade revenue and domestic capital is used more effectively. . . . We must tie greater aid to political and legal and economic reforms." This request proposes tying Development Assistance to countries' own development efforts, allocating the greater share to needy countries that are not yet eligible for the Millennium Challenge Account, but that are demonstrating through sustained good performance that they are striving for the conditions that the President set forth. In this budget we propose a performance-based approach, comparing need and performance across regions, to allocate a share of the Development Assistance account based on standard criteria.

At the same time that we reward good performers in transformational development, we cannot ignore countries that are vulnerable to or recovering from crisis; many are managing fragile political and economic transitions. USAID has embarked on a new strategic approach towards these countries. This approach emphasizes better monitoring, more focused strategies and programs, and greater flexibility to respond to changing conditions. An important component of this approach is USAID's request that the Transition Initiatives account be expanded to improve programmatic flexibility in four countries that are at various stages of recovery, transition and addressing vulnerability and instability – Afghanistan, Ethiopia, Haiti and Sudan. All four countries are strategically important to the United States.

Use of the flexibility inherent in the Transition Initiatives account in certain bilateral programs will increase our ability to respond quickly and effectively to the special economic and governance needs in these states. The more immediate response and shorter-term work of supporting transitions worldwide will continue to be funded under this account, and carried out by the Office of Transition Initiatives. The expansion of the TI account reduces the requirement for DA for the Afghanistan, Ethiopia, Sudan and Haiti programs. Excluding those four country programs in both years, the DA account request for FY 2006 is slightly increased over the request in the FY 2005 President's Budget.

To provide effective program management, USAID is strengthening its diplomatic and program capabilities through its management reform initiatives. USAID's management priorities to strengthen the workforce, improve program accountability, and increase security will help build the foundation of sound management and organizational excellence. We are also reaching out to new, non-traditional partners, often using the Global Development Alliance model of public-private partnerships.

Program Priorities

This approach to strategic management enables USAID to put into operation the goals of promoting transformational development, strengthening fragile states, supporting strategic states, providing humanitarian relief, and addressing global issues and special concerns in a more rational and deliberate way. This allows us to achieve maximum impact by effectively allocating U.S. development assistance resources, complementing strategic priorities identified in the Joint Strategic Plan.

Transformational Development. USAID's priorities for the use of Development Assistance include stimulating economic growth to move countries into the global trading system, and promoting human rights and democracy. Based on an analysis of country need, commitment and

² Remarks by President George W. Bush at the United Nations Financing for Development Conference, Cintermex Convention Center, Monterrey, Mexico, March 22, 2002.

performance, we have allocated assistance on a priority basis to needy countries that are manifesting strong commitment and making good development progress.

The FY 2006 request reflects the increase of support for Africa seen since FY 2001 with an emphasis on expanding access to quality basic education and growth in agricultural productivity and trade capacity. Furthermore, USAID will support the U.S.-Central American Free Trade Agreement (CAFTA) to implement sound policy, trade liberalization, and economic reforms. In South Asia, tsunami recovery and reconstruction will continue to be a priority. Worldwide, we are working closely with the Millennium Challenge Corporation to coordinate our efforts. USAID will particularly support Millennium Challenge Account (MCA) countries on the threshold of eligibility to overcome their individual performance constraints.

Stability, Reform and Recovery. USAID will support peace and stability in the Greater Horn of Africa, - particularly in Sudan. We will continue the effort begun in 2004 as a Group of Eight (G8) initiative to end famine and increase agricultural development and rural productivity in Ethiopia, the most populous country in the region, and one of the most famine-prone countries in the world. In Latin America, USAID will similarly work to stabilize Haiti, laying the foundations for economic, social and political reform and recovery. In the Near East, USAID will support Afghanistan's continued progress toward a stable and democratic country that is poised for economic growth and poverty reduction.

Ten Major Achievements – USAID in Afghanistan

- 1) **Coverage of health services exceeds some 4.8 million people.** In USAID-sponsored provinces, 63% of the population has access to health services. Over 2,000 Community Health Workers have been trained and are active in health facilities. **4.26 million children** have been vaccinated against preventable childhood illnesses.
- 2) **Civic education, political party training and observer support** provided in run-up to recent elections. **1.3 million Afghans** were reached through voter education activities; registered **41% of all women**, monitored over **1,673 polling centers** – a third of all centers - on Election Day; supported **10,000 observers**.
- 3) **\$101.7 million was collected through Customs Operations in 2004.**
- 4) **Over 320 km of canals de-silted and 233 irrigation structures repaired**, improving irrigation for 310,000 ha of farmland.
- 5) **Primary education provided to nearly 170,000 over-aged students, half of them girls.** Some 6,778 teachers have been trained to lead accelerated learning classes that allow students to complete two grades per year.
- 6) To date, **40 million textbooks have been provided.** 27 million of the textbooks are in both Dari and Pashto. The textbooks are for Grades 1 through 12 in all secular subjects.
- 7) **Radio-based teacher training (RTT) reaches 95% of the country** in daily broadcasts in Dari and Pashto, **reaching approximately 54,000 teachers.** Of these, **9,582 teachers – 35% women - have enrolled in the RTT course.**
- 8) **National Women's Dormitory in Kabul rehabilitated.** Enables girls from rural areas to attend the medical school, the Afghan Education University, the Polytechnic Institute and Kabul University.
- 9) **Thirty-two independent FM radio stations**, including three Arman FM commercial stations, **have been established.**
- 10) **The USAID-sponsored sections of the Kabul-Kandahar Highway are complete and operational**, with 389 km of roadway paved, 7 bridges totally reconstructed and 39 bridges repaired.

Geo-strategic priorities. USAID will support U.S. foreign policy goals with special emphasis on Iraq, Afghanistan, Pakistan and Sudan, as well as other front-line states in the War on Terror in the Asia, Near East and Africa regions. The Agency's Iraq programs will be funded from the

Economic Support Fund (ESF) and other appropriations. USAID will also target resources to the Muslim World Initiative to support countries' own efforts at social transformation.

Ten Major Achievements – USAID in Iraq

- 1) Prevented humanitarian emergency** - delivered 575,000 metric tons of wheat, reforming public distribution system.
- 2) Created local and city governments** in more than 600 communities.
- 3) Restarted schools** - rehabilitated 2,500 schools; textbooks to 8.7 million students, supplies to 3.3 million; trained 33,000 teachers.
- 4) Vaccinated 3 million children** - equipping 600 primary care health clinics and rehabilitated more than 60 others.
- 5) Providing safe water** - expanding Baghdad water purification plant and rehabilitating 27 water and sewage plants.
- 6) Re-opened deep water port** - dredged Umm Qasr, repaired equipment. Today it handles 140,000 tons of cargo a month.
- 7) Restoring electric service** - repaired eight major power plants with CPA, adding 2,100 megawatts by summer 2004.
- 8) Helped CPA launch new currency** and re-establish Central Bank.
- 9) Reviving the Marshlands** - reflooding revives ancient way of life. Established date palm nurseries and crop demonstrations, restocking native fishes (4-5 million fingerlings) and developed strategic plan of integrated marshland management.
- 10) Establishing Good Governance** - budgeting, accounting systems add transparency, accountability to ministries.

Humanitarian Response. The Administration is requesting a shift of \$300 million from P.L. 480 Title II to the International Disaster and Famine Assistance (IDFA) account for those instances in which the rapid use of cash to purchase food aid locally is critical to saving lives or stabilizing countries that are experiencing a food crisis. These funds will improve our efficiency and effectiveness, save time and result in more food aid for emergencies because commodity and transport costs will be lower. Purchases can be made locally or regionally in developing countries for emergency food aid, thus supporting local farmers, encouraging local production, and stimulating local trading networks. Safeguards will prevent local purchase from distorting local, market-driven prices. Local purchase is particularly important in fragile states that are experiencing food crises in certain parts of the country but have surplus production in other parts, and where raising incomes of farmers in rural areas under these circumstances can help sustain agricultural production in their economies. USAID can purchase food surpluses for use within a region for emergency purposes where rapid purchase is critical to saving lives. Based on USAID's preliminary estimates, this shift in funds conservatively, in acute situations, could save 50,000 lives.

Supporting Key Administration Initiatives. The Agency also supports on-going commitments such as education initiatives in Africa and Latin America, the Trade for African Development and Enterprise initiative, Global Climate Change, Illegal Logging, the Initiative to End Hunger in Africa, and Water for the Poor. These initiatives achieve a broad range of results that complement USAID's goals in transformational development, fragile and strategic states, and are implemented in a variety of ways, ranging from contributing to global funds, providing training, technical assistance or policy analysis bilaterally, and directly delivering services.

Presidential Initiatives	Administration Initiatives
African Education Initiative	Broader Middle East and North Africa Initiative
Anti-Trafficking in Persons	Initiative to End Hunger in Africa
Centers for Excellence in Teacher Training	Middle East Partnership Initiative
Digital Freedom Initiative	Trade Capacity Building
Emergency Plan for AIDS Relief	Trade for African Development and Enterprise
Global Climate Change Initiative	Water for the Poor Initiative
Initiative Against Illegal Logging	
Volunteers for Prosperity	

Combating HIV/AIDS. 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 in the most productive age groups and in developing countries that are least able to respond. Under the leadership of the State Department's Global AIDS Coordinator, USAID will continue working to prevent HIV transmission through a balanced "ABC" approach to behavior change that stresses Abstinence, Be faithful, and, as appropriate, correct and consistent use of Condoms. The President's Emergency Plan, from the very beginning, has recognized that to implement an effective "ABC" prevention strategy, our approach must be tailored to the culture and circumstances of each place we are working. In addition to prevention, 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, and providing essential services to children impacted by HIV/AIDS.

Management Reforms and Initiatives

The demand to meet complex foreign policy and international development challenges requires a USAID with modern business systems, organizational discipline, an expansion in both types of partnerships and range of partners and the right number of qualified, well-trained people to manage its programs. To meet this demand, USAID's FY 2006 management priorities are to strengthen and right-size the workforce, improve program accountability, and increase security. With significant continued investments in people, systems and business processes, and security, USAID will build a foundation of sound management and organizational excellence.

Staffing. USAID faces increasing requirements for surge capacity to respond to critical new demands while maintaining programs elsewhere with capabilities weakened by a direct-hire workforce drastically downsized during the 1990s and a large workforce contingent reaching retirement age. To address the critical need to increase human capacity, USAID has made the Development Readiness Initiative (DRI) a priority, which builds on the State Department's Diplomatic Readiness Initiative. In its third year of implementation, DRI will strengthen the workforce and rebuild the Agency's diplomacy and development capacity. This effort will help USAID meet OPM's mandate to get the "right people in the right jobs with the right skills at the right time" and continue increasing the direct-hire workforce to better manage Agency programs.

In addition to increasing overall numbers, DRI will strengthen the Agency's capacity to respond to crises and emerging priorities, cover staffing gaps, fill critical vacancies, and provide appropriate training. More critically, DRI will maintain the Agency's quality and flexibility of human resources and ensure that staff maximizes the professional skills needed to grow with job requirements. DRI will make the Agency more agile and better able to respond to changing foreign policy concerns.

In recognition of USAID's staffing crisis, Congress enacted legislation to help the Agency meet the development challenges of the future. To supplement the Agency's DRI, the FY 2005 Foreign Operations legislation provides USAID with a Non-Career Foreign Service Officer hiring authority. This authority allows USAID to use program funds to hire up to 175 individuals, with a requirement to correspondingly decrease non-USDH staff. With this authority, the Agency will increase its USDH workforce by up to 350 by FY 2006 while realizing savings to its program accounts as a result of a decrease in the overhead costs it pays contractors and USG agencies for the services of USAID non-direct hire employees.

USAID is currently undertaking a detailed workforce analysis that will identify the critical skill gaps that the agency must address. USAID will use both the DRI and the Non-Career Foreign Service Officer authority to address these critical gaps, and to begin to homogenize its workforce by reducing the large number of less efficient and effective hiring mechanisms it currently uses.

DCHA Bureau Restructuring. To better integrate work on crisis, transition and recovery, the Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) will be restructured in FY 2005. The DCHA bureau will be charged with strategic interface between USAID and other U.S. Government Departments and Agencies, particularly the Departments of State and Defense, in emergency and crisis response. In task force modality, DCHA will work closely with relevant USAID bureaus to more effectively address requirements for each major event. USAID is also taking steps to develop a more robust crisis response capability. This includes recruiting, training and deploying a new cadre of Crisis, Stabilization and Governance Officers.

Partnerships. USAID is actively engaged in identifying and forging agreements with non-traditional partners, including faith-based organizations. Significant progress has been made in this area. The Global Development Alliance (GDA) is the centerpiece of our efforts to harness the power of public-private alliances to address challenges in the developing world. GDA represents a strategic approach to alliance building in order to bring significant new resources, ideas, technologies, and partners together to address development problems wherever USAID works. Through FY 2004, USAID has funded over 290 public-private alliances with over \$1 billion in USAID resources and has leveraged over \$3 billion in alliance partner contributions. USAID also achieved an important alliance mainstreaming success by creating a new obligating instrument - the collaborative agreement - that provides an alternative to traditional grants and contracts for relationships with non-traditional partners. The instrument will be operational in FY 2005. USAID has recruited nearly 200 US non-profit organizations and companies to promote international voluntary service by highly skilled American professionals in support of the U.S. global health and prosperity agenda. Three-quarters of these entities are new to USAID. Of these, 30 are counted among the GDA figures noted above. About 20 of the entities are faith-based organizations.

Branding. USAID is undertaking a campaign to ensure that the American people are recognized for the billions of dollars spent on foreign assistance. To this end, we have developed a new standard "identity" that clearly communicates that our aid is from the American people. The "brand" will be used consistently on everything from publications to project plaques, food bags to folders, business cards to banners. Our goal is to create a unified image that creates an instant recognition, and to communicate that the assistance comes from the American people.

Business Transformation. To address significant management challenges and improve our accountability to the American taxpayers, the Agency will continue to modernize its business systems and support joint State-USAID goals for information technology management. Joint procurement and financial management systems will serve both agencies' needs and improve program accountability as will better integration of budgeting and performance information.

Security. By enhancing worldwide security operations and infrastructure, USAID will continue to protect USAID employees and facilities against global terrorism and national security information against espionage. The Agency will increase physical security measures, such as building

upgrades, emergency communications systems, and armored vehicles; personnel security, such as background investigations and security clearances; and information security.

Ten Major Achievements – Business Transformation FY 2001 - 2004

- 1) Received two consecutive annual clean audit opinions on Agency financial statements** that demonstrate transparent and accountable financial practices.
- 2) Implemented an annual Agency-wide survey to assess quality of management services** and identify opportunities for improvement, achieving **over 25% increase in employee satisfaction** over four years.
- 3) Launched comprehensive Human Capital Strategy and Development Readiness Initiative** to identify and close critical skill gaps, revitalize the workforce and enhance Agency performance.
- 4) Deploying a new financial management system and new procurement software overseas** to enhance decision-making and enable fast and accountable transactions.
- 5) Allocated additional funds to countries with the most need and the highest commitment** through strategic budgeting. Re-allocated \$30 million to higher performing, higher need programs after an internal country and program performance assessment.
- 6) Enhancing knowledge management systems and methods** to capture and share development expertise and new ideas. There are 130,000 documents in our institutional memory bank.
- 7) Expanded USAID employee training tools** enabling Agency employees to complete nearly 2,000 Web-based courses to enhance job performance. Trained nearly 1,000 employees on Executive and Senior Leadership to enhance career development opportunities.
- 8) Better aligning staff with foreign policy priorities** and program spending levels.
- 9) Reduced the average hiring cycle time** from closure of job announcement to job offer below the OPM standard of 45 days. In addition, the process is more predictable and systematic.
- 10) Published a regulation to allow faith-based organizations to compete** on an equal footing with other organizations for USAID funds.

The Budget Request

The FY 2006 budget request for the new USAID supports U.S. foreign policy goals and national security interests. The request responds to the President's priorities, including support for the Global War on Terrorism, and helping Iraq, Afghanistan and Sudan toward stability and security. It sets priorities that use aid effectively to promote real transformation in developing countries committed to reform. It also helps states that are more vulnerable or crisis-prone to advance stability, security and reform as well as develop essential institutions and infrastructure. The assistance supports individual foreign policy objectives in geo-strategically important states, continues USAID's premier capacity to offer humanitarian and disaster relief to those in need, and addresses global ills and special concerns.

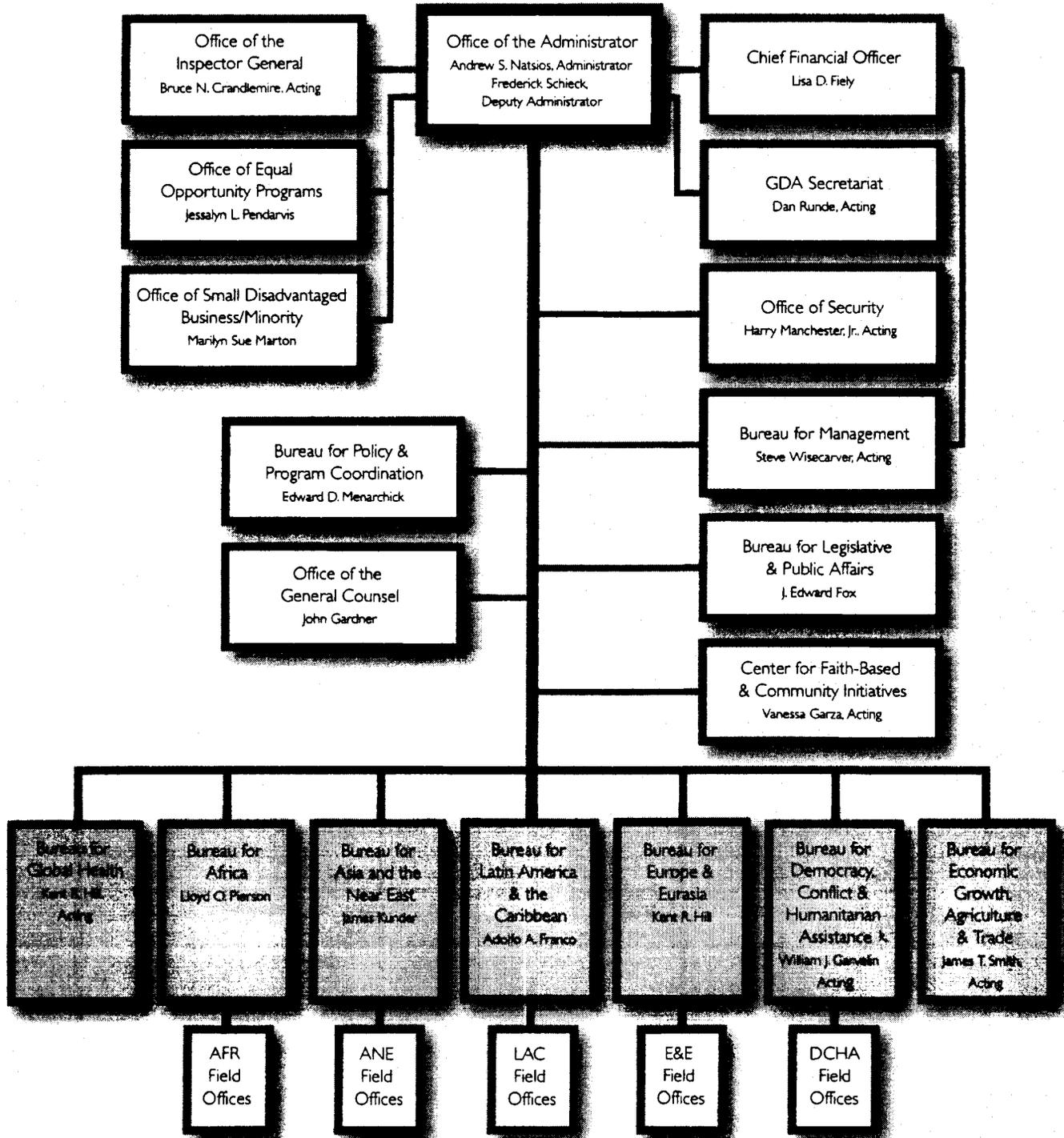
To achieve these goals, the Agency is improving its operational efficiency through its management reform initiatives. The DRI, a key human capital initiative, is providing the additional human resources necessary to staff overseas locations that are on the front line in the war on terror. The recipients of USAID's assistance, USAID employees and the U.S. taxpayers all benefit from this and other Agency business transformation initiatives such as the strategic allocation of resources, and enhanced financial management and procurement systems. USAID is also improving administrative efficiencies through collaboration with the Department of State.



USAID
FROM THE AMERICAN PEOPLE

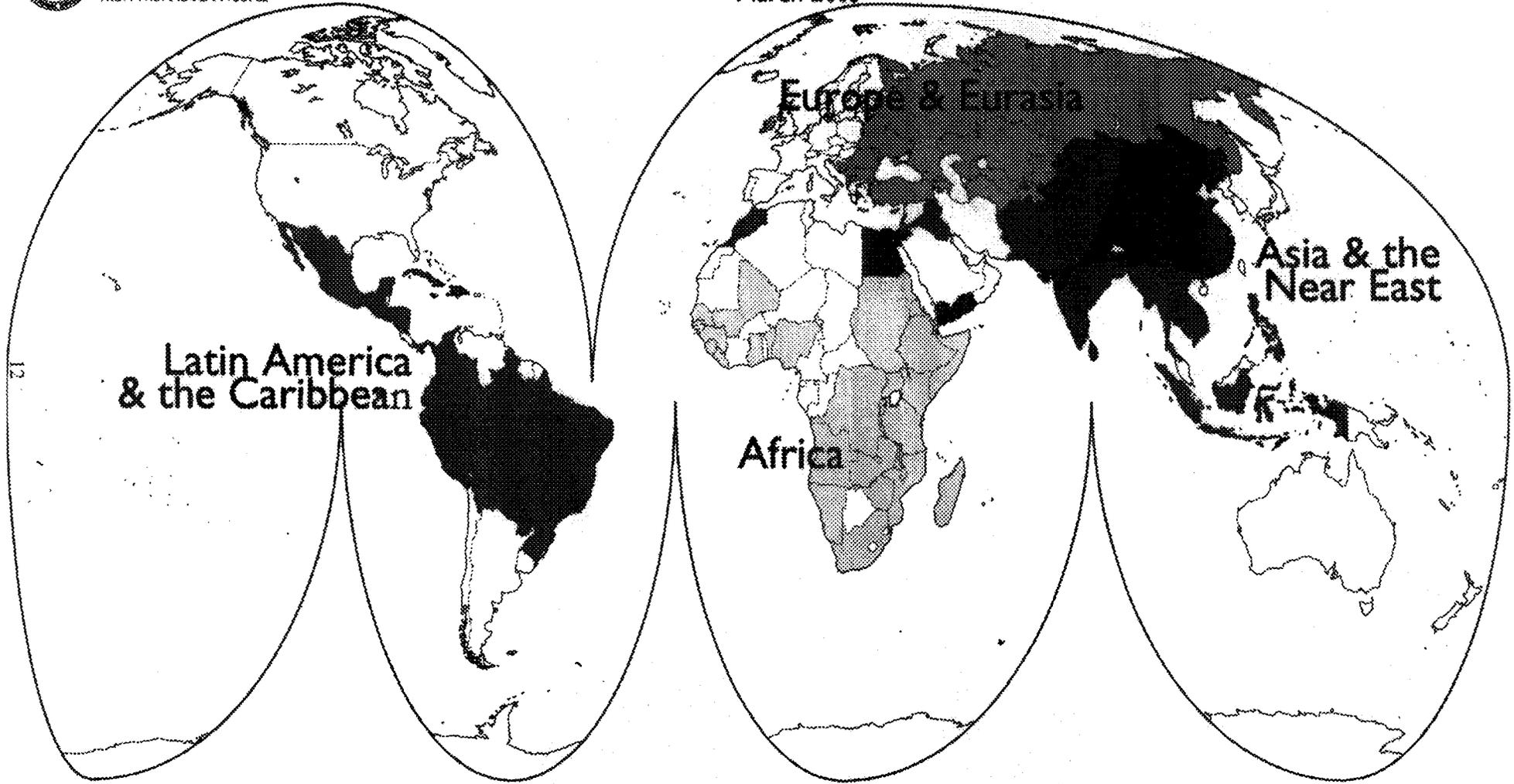
Organizational Structure

March 2005





U.S. Agency for International Development
Countries with USAID Programs Over \$1 million
March 2005



SUMMARY OF FY 2006 BUDGET AND PROGRAM HIGHLIGHTS

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

I. SUMMARY OF FY 2006 BUDGET REQUEST

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

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

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

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

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

USAID BUDGET SUMMARY

Table I

	FY 2003 Approp.	FY 2004 Approp.	FY 2005 Approp.	FY 2006 Request
<u>FOREIGN OPERATIONS SUBCOMMITTEE</u>				
USAID Directly Managed:				
Child Survival & Health Programs Fund (CSH) 1/	1,849,563	1,824,174	1,537,600	1,251,500
[Total includes transfer to UNICEF]	[119,292]	-	-	-
Wartime Supplemental (CSH)	90,000	-	-	-
Development Assistance (DA) 2/	1,379,972	1,364,329	1,448,320	1,103,233
DA Reimbursement from Iraq Relief & Reconstruction Fund	100,000	-	-	-
<i>Subtotal – CSH and DA</i>	<i>3,419,535</i>	<i>3,188,503</i>	<i>2,985,920</i>	<i>2,354,733</i>
International Disaster and Famine Assistance (IDFA) 3/	-	253,993	367,040	655,500
–FY 2004 Emergency Supplemental (IDFA)	-	110,000	-	-
–FY 2004 –Emergency Supplemental Transfer IRRF to IDFA	-	110,000	-	-
–IDFA Supplemental 2004	-	70,000	-	-
–IDFA 2005 Supplemental- Hurricane	-	-	100,000	-
–IDFA 2005 Emergency-Sudan	-	-	17,856	-
International Disaster Assistance (IDA)	288,115	-	-	-
–Wartime Supplemental (IDA)	143,800	-	-	-
Transition Initiatives (TI) 1/	49,675	54,676	48,608	325,000
–TI Reimbursement from Iraq Relief & Reconstruction Fund	12,000	-	-	-
Development Credit Programs [by transfer]	[5,859]	[20,876]	[20,832]	[21,000]
USAID Operating Expenses (OE)	568,282	613,036	613,056	680,735
–Wartime Supplemental – OE	21,000	-	-	-
–FY 2004 Emergency Supplemental – OE	-	38,100	-	-
USAID Capital Investment Fund (CIF)	42,721	81,715	58,528	77,700
–FY 2004 Emergency Supplemental (CIF)	-	16,600	-	-
Development Credit Programs – Admin Expenses	7,542	7,953	7,936	8,000
USAID Inspector General Operating Expenses (IG OE)	33,084	34,794	34,720	36,000
–Wartime Supplemental (IG OE)	3,500	-	-	-
–FY 2004 Emergency Supplemental (IG OE)	-	1,900	-	-
Foreign Service Disability & Retirement Fund [mandatory]	[45,200]	[43,859]	[42,500]	[41,700]
<i>Subtotal-USAID Directly Managed</i>	<i>4,589,254</i>	<i>4,581,270</i>	<i>4,233,664</i>	<i>4,137,668</i>
Department of State and USAID Jointly Managed:				
Economic Support Fund & International Fund for Ireland	2,280,082	2,163,163	2,480,992	3,036,375
–Emergency Response Fund (ESF)	-	153,000	-	-
–Wartime Supplemental (ESF) (& IRRF reimburse-\$100,000)	2,522,000	-	-	-
–FY 2004 Emergency Supplemental (ESF)	-	872,000	-	-
–FY 2004 Emergency Supplemental (IRRF to ESF)	-	100,000	-	-
–of which Direct to State Department	[98,663]	[81,019]	[87,792]	[56,000]
Andean Counterdrug Initiative-USAID-managed portion	248,375	221,490	235,104	216,297
Assistance to the Independent States (FSA)	755,060	584,537	555,520	482,000
–of which FSA transfers	[288,639]	[157,498]	[186,859]	[175,020]
Assistance to Eastern Europe and the Baltics (AEEB)	521,587	442,375	393,427	382,000
–of which AEEB transfers	[160,676]	[139,949]	[131,456]	[144,586]
Wartime Supplemental – Iraq Relief & Reconstruction Fund	1,526,229	2,482,327	[899,305]	-
Millennium Challenge Account [transfer to USAID]	-	[40,000]	[80,000]	-
Global AIDS Initiative [transfer to USAID]	-	[229,600]	[607,216]	-
Foreign Operations Subtotal	12,442,587	11,600,162	7,898,707	8,254,340
Of which transfers/Direct to State Department	667,198	378,466	406,107	375,606
Foreign Operations Total less Transfers/State Direct	11,775,389	11,221,696	7,492,600	7,878,734
<u>AGRICULTURE SUBCOMMITTEE</u>				
P.L. 480 Food for Peace Title II 2/	1,440,575	1,184,967	1,173,041	885,000
–Wartime Supplemental (Title II)	369,000	-	-	-
USAID TOTAL:	14,252,162	12,785,129	9,071,748	9,139,340
–of which supplementals	4,787,529	3,953,927	117,856	-
–of which transfers/direct	667,198	378,466	406,107	375,606
USAID Total less supplementals and transfers	8,797,435	8,452,736	8,547,785	8,763,734

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

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

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

CHILD SURVIVAL AND HEALTH PROGRAMS FUND

Table II

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

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

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

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

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

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

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

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

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

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

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

DEVELOPMENT ASSISTANCE

Table III

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

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

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

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

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

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

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

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

INTERNATIONAL DISASTER AND FAMINE ASSISTANCE (IDFA)

Table IV

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

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

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

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

See also the additional account description section for further information.

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

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

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

TRANSITION INITIATIVES (TI)

Table V

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

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

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

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

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

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

DEVELOPMENT CREDIT AUTHORITY

Table VI

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

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

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

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

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

OPERATING EXPENSES (OE)

Table VII

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

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

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

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

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

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

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

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

CAPITAL INVESTMENT FUND (CIF)

Table VIII

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

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

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

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

INSPECTOR GENERAL OPERATING EXPENSES

Table IX

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

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

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

ECONOMIC SUPPORT FUND

Table X

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

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

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

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

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

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

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

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

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

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

ASSISTANCE FOR EASTERN EUROPE AND THE BALTIC STATES

Table XI

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

See Europe and Eurasia section for more detail.

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

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

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

ASSISTANCE FOR THE INDEPENDENT STATES OF THE FORMER SOVIET UNION

Table XII

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

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

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

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

**ANDEAN COUNTERDRUG INITIATIVE
(USAID-Managed Portion Only)**

Table XIII

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

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

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

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

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

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

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

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

Title II P.L. 480 FOOD FOR PEACE PROGRAMS

Table XIV

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

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

See separate chapter and Summary Tables volume for more detail

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

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

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

2. PROGRAM HIGHLIGHTS

The FY 2006 program budget request for the U.S. Agency for International Development (USAID) lays out additional steps to implement the vision and approach defined by President Bush in his 2005 remarks to USAID employees and non-governmental organization representatives.

...you're going to be helping the people improve their schools and develop health services and mitigate conflict and reinvigorate local economies, and help build institutions of democracy, so people can live in peace and freedom.

As our government's leader in relief and reconstruction, USAID and its predecessors have done this kind of work before. You have done big jobs in the past, such as the Marshall Plan. And we're committed to not only solving this problem, but we're committed to the work that goes on year-round in nearly a hundred countries, countries that include Iraq and Afghanistan, where you're helping to build -- to bring a better future to millions of people who have been newly liberated, and to regions in the world like Darfur, in the Sudan, where you're helping to reduce deaths and violence in that troubled region.

The efforts of USAID [are] essential for the foreign policy of the United States of America. Your efforts and the efforts of others, especially to create jobs, promote markets, improve health, fight HIV/AIDS, and help democracy take root, are instrumental to making the world a better place and to protecting the American people.

From Sudan to Sumatra, the world has seen America at its best through the work you do.¹

The FY 2006 budget request builds on previous years' evolution in the direction of fully incorporating foreign policy and national security considerations to consolidate development as the third element of a U.S. national security strategy that also rests on defense and diplomacy.² In 2004, USAID began operating under the Joint State/USAID Strategic Plan for 2004-2009. In the past two years, USAID has also incorporated the results of the Performance Assessment Tool into its strategic budgeting approach, which also took into account country need, program performance and country commitment in promoting economic freedom, ruling justly and investing in people. Complementing these programmatic improvements, USAID has also embarked on human capital improvement and business systems modernization initiatives. This will ensure that USAID has the proper staffing to support program success and to enhance decision-making and enable fast and accountable transactions.

Building on the Joint State/USAID Strategic Plan, USAID distilled five core operational goals in its 2004 paper "U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century (hereinafter referred to as the White Paper)."³ The goals are to:

¹ Excerpted from remarks of January 12, 2005 on Tsunami Relief, USAID Headquarters, Washington, D.C., <http://www.whitehouse.gov/news/releases/2005/01/20050110-6.html>.

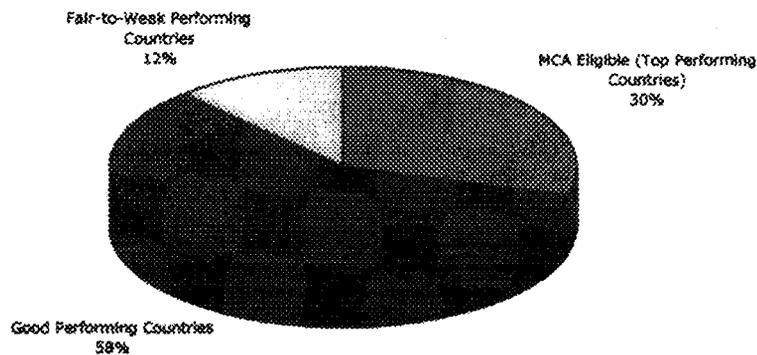
² National Security Strategy of the United States of America, September 17, 2002, <http://www.whitehouse.gov/nsc/nss.html>

³ USAID, "U.S. Foreign Aid: Meeting the Challenges of the Twenty-First Century." Washington, D.C. January 2004. PD-ABZ-322.

- Promote transformational development
- Strengthen fragile states
- Provide humanitarian relief
- Support strategic states
- Address global issues and special concerns.

The FY 2006 budget request reflects USAID's initial effort to align the resources with these operational goals and anticipated results. This represents an advance in strategic management of the program resources. The proposal follows the principles of the U.S. approach to development that the President stated at the United Nations Financing for Development Conference,⁴ tying higher aid levels to political, legal and economic reform and progress. This budget proposal rewards good performance among needy countries in promoting economic freedom, ruling justly and investing in people.

**2006
Development Assistance Funds to Countries
for Transformational Development**



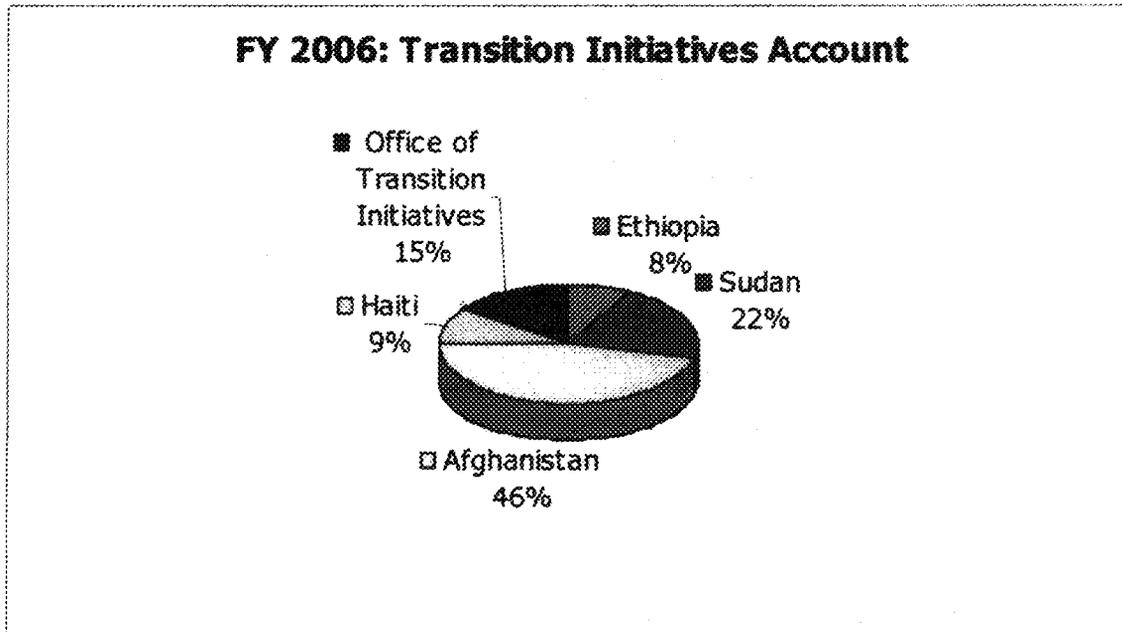
■ MCA Eligible (Top Performing Countries) ■ Good Performing Countries □ Fair-to-Weak Performing Countries

In a second realignment, the proposal also acknowledges that fragile states – those countries that are vulnerable to or in crisis – present particular humanitarian, development and security challenges and cannot be strengthened simply by holding out the hope of more assistance if performance improves. Moreover, local conditions can change quickly in these settings and require donors to reorient rapidly to new challenges and opportunities. Therefore, the request proposes use of funds from the Transition Initiatives account to better position USAID to support a range of initiatives aimed at the conditions that make countries more vulnerable to crisis. These funds will also be used to expand rapid response and high impact, visible programs. Results will

⁴ Remarks by the President at United Nations Financing for Development Conference, Cintermex Convention Center, Monterrey, Mexico, March 2002.

be measured in terms of progress toward enhanced stability and security, opportunities advanced for reform, and capacity developed of essential institutions and infrastructure.

The combined effect of these realignments is to focus Development Assistance (DA) on needy, good performers, and to use the more appropriate Transition Initiatives (TI) account where addressing the sources of vulnerability and crisis is the first order for bilateral assistance. In addition to its conventional use by the Office of Transition Initiatives, TI is proposed in lieu of DA for four key states: Afghanistan, Ethiopia, Haiti and Sudan. These states are currently vulnerable to or recovering from crisis, and are of high strategic importance to the United States.



USAID's budget request supports programs directed at key assistance priorities in the President's FY 2006 budget. The total FY 2006 request is \$9.1 billion. Of that amount, \$4.1 billion is requested for programs to be implemented by USAID from accounts that are jointly managed with the Department of State (e.g., the Economic Support Fund, Assistance for Eastern Europe and the Baltic States, Assistance for the Independent States of the former Soviet Union, and the Andean Counterdrug Initiative). For accounts directly managed by USAID (Development Assistance, Child Survival and Health Programs Fund, International Disaster and Famine Assistance, and Transition Initiatives), \$3.3 billion is requested. The total for administrative costs is \$802.4 million for Operating Expenses, the Capital Investment Fund, Inspector General Operating Expenses and the Development Credit Program's administrative expenses. Also included is \$885 million in P.L. 480 Title II food aid (which falls under the Subcommittee on Agriculture and is appropriated to the U.S. Department of Agriculture and managed by USAID).

Promoting Transformational Development

"Transformational" development is development that does more than raise living standards and reduce poverty. It also transforms countries, through far-reaching, fundamental changes in institutions of governance, human capacity, and economic structure that enable a country to sustain further economic and social progress without depending on foreign aid. The primary determinants of progress in transformational development are political will and commitment to promote economic freedom, rule justly, and make sound investments in people. USAID pursues

transformational development in countries that are reasonably stable, have a significant need for concessional assistance and have demonstrated commitment.

A guiding principle for USAID's assistance for transformational development is that a country's development is largely the result of the country's own commitment and efforts to help itself. The largest share of human and financial resources devoted to development comes from the country. Thus, in countries with commitment and good performance, USAID makes every effort to marry U.S. national interest with the priorities of the developing country.

Transformational development is comprehensive in nature. Discussed below are selected areas in the FY 2006 budget proposal that USAID wishes to highlight among its programs in support of transformational development.

Promoting Economic Freedom

Assistance provided to achieve this goal will broadly promote an expansion of economic opportunity by enabling: business firms, cooperatives and other economic organizations to increase the efficiency and profitability of their efforts; farmers and rural entrepreneurs to access new technologies and markets for the production of food and incomes; nations to better participate in and benefit from world trade, and individuals to acquire the skills they need to succeed in life.

USAID has been a strong supporter of private sector-led growth in developing countries. It developed an "investor roadmap" in use in 23 assisted countries to identify constraints to entering the market and expanding businesses nationally and locally within those countries. These roadmaps have uncovered key changes that are needed in the business climate to help the economic growth flourish and reach the millions who have not benefited from the macroeconomic reforms of the 1980s and 1990s. USAID's programs increasingly focus on the business climate as a critical ingredient in economic growth. This includes promoting local laws that: protect private property, allow people to start their own businesses, enter into secure contracts, use their land and property as capital to raise cash and then to invest it in seeds, tools, raw materials, or even education.

**Economic Freedom
Improving Countries' Business Climate**

In **South Africa**, USAID's program will build on successful business linkages to increase market opportunities for historically disadvantaged small, medium, and micro-level enterprises involved in manufacturing, services, and agricultural sectors.

USAID's program in **Vietnam** aims to strengthen the competitiveness of the private sector by promoting a business friendly environment, building the capacity of business associations and industry clusters, and improving private sector access to credit. In FY 2005, USAID will provide comments on drafts of new and amended laws such as the Common Investment Law and the Unified Enterprise Law.

USAID aims to improve the **Moroccan** business climate by expanding business opportunities outside of agriculture and agribusiness. Activities will range from market research to an increased provision of technical assistance and training to selected outward-oriented industries to take advantage of identified market opportunities, and the development of backward linkages into the rest of the economy, including emphasis on trade and investment linkages between Moroccan and American firms. Activities will shift from a focus on the identification of economic policy and governance issues to the provision of technical assistance to selected public and private institutions.

In **Jamaica** USAID will strengthen the financial sector's support to private sector growth, improve the overall regulatory, legislative and policy environment for business development, and promote public-private sector partnerships. USAID will work with established business clusters, will promote new clusters within agriculture, such as specialty coffee and "island" cotton, and will develop support sectors, which may include shipping, telecommunications, manufacturing, and information technology.

In its program to improve economic policy and governance in **Romania**, USAID will improve the local business environment by supporting key legislative and policy reforms. This will include (a) institutional development of business associations to enable them to advocate for a better business environment on behalf of members, (b) reform the pension system, and (c) the establishment of a regulatory agency.

In addition to working on the business climate, USAID promotes economic growth and poverty reduction through agricultural development. Many of the stable, needy developing countries are highly dependent on agriculture as a source of income. Much of the workforce in the poorest countries is in rural areas and directly or indirectly engaged in agricultural production. USAID's agriculture programs complement the business climate programs by assisting individuals and firms to respond to opportunities for growth and poverty reduction. Investments in agriculture help the poor by creating jobs, raising incomes and increasing food security. It can also stabilize or reverse degradation of the natural resource base.

USAID's 2004 "Agriculture Strategy: Linking Producers to Markets"⁵ renews the Agency's commitment to agricultural development. USAID's strategy focuses assistance on

- producers and agribusinesses to identify commodities in demand, improve product quality and marketing and connect to local, regional and global markets

⁵ USAID, "Agriculture Strategy: Linking Producers to Markets." Washington, D.C. July 2004. PD-ABZ-800.

- policies and practices that build up rather than degrade the fertility of soil and otherwise protect land, water and forestry resources
- transfer of modern science and technology and building local research capacity to meet competitive challenges to quality, productivity and sustainability
- agricultural training, education and extension that helps rural producers tap into research and market information, and might involve use development of new information technology.

Economic Freedom
USAID Support for Agricultural Productivity in Africa

USAID intends to expand its efforts in **Mali** to increase the productivity of rice, horticulture crops and livestock, to boost its investment in water management and irrigation, and to support animal-feed production enterprises. Programs will promote an improved seed distribution system, the utilization of modern biotechnology tools, and adaptive research on sustainable land and water management systems. USAID's program will augment **Uganda's** commercial agricultural production while expanding its export base. Efforts to increase production of key food and cash crops, including coffee, basic grains and oilseeds, vanilla, and bananas, will be expanded. Both dairy and biosafety/biotechnology development programs will also continue.

In **Zambia**, USAID will expand its outreach to smallholder farmers and small and medium entrepreneurs in order to increase the volume of food production, promote improved marketing techniques, and improve the competitiveness of the agriculture sector. To achieve these goals, USAID programs have promoted conservation farming, small-scale irrigation, water harvesting, and soil fertility. In **Kenya**, USAID will support activities that increase local research and analysis capacity and will continue to advance the process of unifying legislation for the agriculture sector, including financial services and policy and regulatory reforms. USAID is advancing the process of unifying legislation for the agriculture sector, harmonizing the seed policy within the East African region, enacting the Microfinance Institutions Bill, and establishing a system of self-regulation with the microfinance sector.

Trade is a powerful engine for growth and poverty reduction in developing countries. USAID programs implement the World Trade Organization (WTO) member countries' commitment to help developing countries build their capacity to take advantage of globalization and multilateral agreements on trade liberalization. Programs support developing countries to participate in trade negotiations, implement trade agreements and take advantage of the economic opportunities created by trade. This means building analytical and negotiating skills; strengthening key institutions charged with implementing agreements; reforming policies; removing trade barriers, strengthening legal, political and economic institutions and improving private sector operating practices and strategies.

Economic Freedom
Trade Capacity Building in Latin America and the Caribbean

USAID will support the establishment of a regional customs union in **Central America**; the harmonization of commercial, environmental, sanitary and phytosanitary standards; and other laws, policies, regulations, and standards essential to the implementation of international trade agreements. Activities may include strengthening government-to-business dialogue on effective trade policy implementation, supporting intra-regional trade, improving labor requirements, assisting with Central America Free Trade Area (CAFTA) implementation and rules of origin requirements, helping countries meet obligations acquired as members of the WTO and CAFTA, and supporting CAFTA Trade Capacity Building Committee and the ECA's Environment Cooperation Commission.

Support will be provided to **Honduras's** efforts to enhance the quality of independent trade, investment and competitiveness policy research, analysis, and formulation to accelerate its participation in the Central American economic integration process under CAFTA, and the WTO Doha Development Round. Goals include linking rural producers to international markets, streamlining customs procedures, supporting regional sanitary and phytosanitary initiatives, and promoting value-added production. Producers and exporters will receive assistance in order to implement systems to meet increasingly strict government export and market standards in worker safety, bio-terrorism protection, food safety, labor, product traceability, and good agricultural and manufacturing practices.

The USAID **Andean** Trade Capacity Building Program consists of three main components: 1) enhancing the technical capacity of Andean countries to prepare for and implement a Free Trade Agreement (FTA) with the U.S., 2) increasing regional compliance with, and utilization of, the rules of trade emerging from trade negotiations, and those established in other existing/interim/future trade agreements, e.g. the WTO and the Free Trade of the Americas, and 3) strengthening the capacity of entrepreneurs to participate in global markets. USAID will continue providing technical assistance to national authorities to facilitate compliance with WTO and FTA standards in areas such as market access, investment, government procurement, competition policy, services, intellectual property rights, technical trade barriers, labor, and environment. Programs will also increase stakeholder and public awareness related to the FTA and their challenges and benefits. Support will be provided in key areas of trade agreements with the U.S., including commitments in the areas of labor and environment. Through Aid to Artisans, market linkages between Bolivian and Peruvian artisans and local, tourist, regional, and international markets will be established.

Microfinance Uses under USAID's Operational Goals

Agency operational goals suggest distinct programming priorities under each goal.

Promote Transformational Development: Build diverse microfinance services and micro/small enterprise development support services to contribute to both growth and poverty reduction by creating jobs, helping families build assets, and broadening economic opportunities. Foster policies, laws and regulations that create more inclusive economic and financial systems.

Strengthen Fragile States: Support finance and business services to help internally-displaced people, ex-combatants and other affected people maintain or re-establish livelihoods and enterprises. Establish microfinance programs in conflict and post-conflict settings to support self-employment and enterprise development, mobilize community resources, lay a base for building and protecting savings and other financial assets, and re-establish credit history for returnees.

Support Geo-strategic States: Promote financial and business services that help people pursue viable economic alternatives to illicit crops and activities.

Provide Humanitarian Response: During emergency phase, design food-for-work and other assistance programs to restart employment and enterprise. Build from short-term employment programs in emergency stage (e.g., Food for Work) to help affected populations restart their livelihoods and businesses at the earliest possible stage. Establish or re-establish microfinance services to fuel recovery and help households rebuild assets. Identify sustainable market opportunities in reconstruction and recovery phase for local businesses. Promote local sourcing of emergency and reconstruction supplies when feasible.

Address Global Issues and Special Concerns: Focus microenterprise development and microfinance resources on a special purpose, considered important in its own right, but not considered among the highest priorities for achieving any of the other goals.

Ruling Justly

Democracy and governance programs will continue to strengthen democratic systems of governance. Democracy development programs will help encourage credible political processes, supporting proactive civic organizations, engendering respect for the rule of law, promoting security, fighting corruption and fostering human rights. The FY 2006 request will support USAID's assistance to strengthen transformational development countries that are democratic, accountable and capable of sound public administration and to prepare for or avert crisis situations, thereby providing the stability and good governance necessary to sustain and foster development investments.

USAID published its "Anticorruption Strategy"⁶ in October 2004. The inability to reduce and control corruption has hindered many transformational development countries in their own efforts to fully transform, and have been a particular obstacle to their eligibility for Millennium Challenge Account resources. The USAID strategy calls for programs in

⁶ USAID. "Anticorruption Strategy.", Washington, D.C. October 2004. PD-ACA-557.

administrative, corruption and high-level, or grand, systemic corruption. USAID concentrates on prevention and on the administrative, audit, oversight and civil aspects of enforcement. It provides technical assistance to address the causes of corruption through, for example, bureaucratic and regulatory reform, public education and monitoring. USAID collaborates with other U.S. government agencies that can engage at the highest diplomatic levels to tackle grand corruption, and that can negotiate and enter into international conventions and mutual legal assistance treaties to support enforcement, especially of the criminal aspects of anticorruption.

Ruling Justly
Putting USAID's Anti-Corruption Strategy into Action

USAID's program in **Kenya** is promoting (a) greater public awareness of corruption and access to information about government processes, (b) ethics and integrity among public servants, including the disclosure of assets, (c) procurement transparency through improved government systems and more rigorous monitoring by civil society and the private sector, and (d) mechanisms for dialogue and debate among civil society, the private sector, and the government, including support for civil society organizations that advocate for transparency and sustain pressure for reform. USAID is supporting the establishment, strategic planning, institutionalization, and launch of Kenya's new Department of Government Ethics, responsible for coordinating the government's anti-corruption efforts.

Anticorruption efforts are incorporated throughout the USAID program in **Paraguay**, including strengthening the capacity to deliver services, improving the ability of civil society to put pressure on the current political system to change and become more responsive, reforming judicial institutions to be more accountable and effective, and developing an open, transparent policy dialogue. Technical assistance and training will strengthen the capacity of the private and public sectors to fight corruption and promote reforms.

USAID will help the Government of the **Philippines** address corruption and implement legislative reforms. Support for the GOP's anti-corruption initiatives, including agency audits, disclosure of assets for lifestyle checks, and increasing transparency in government systems will all be expanded in FY 2006. In FY 2005, USAID is providing assistance to the Office of the Ombudsman, the Anti-Money Laundering Council, the Civil Service Commission, the Commission on Audit, and other organizations to increase prosecutions and reduce opportunities for corruption. Support for anticorruption activities includes working with the media and the business community.

In **Bulgaria**, USAID will strengthen the institutional capacity of both the government and business associations to prevent corruption and enhance transparency and accountability especially in the areas of government audit, internal controls, and public procurement. USAID will also support the anti-corruption activities of local NGOs.

Investing in People

USAID's overall goal in education is to help the citizens of developing countries gain the skills and knowledge they need to build and live in free and prosperous societies. At the heart of USAID's strategy is basic education -- the foundation for lifelong learning opportunities. USAID also undertakes other components of education that enhance productivity. These include selective investments in workforce development and higher education.

How USAID's Operational Goals Shape Education Programs

Agency operational goals suggest distinct priorities for programming under each goal.

- **Promote Transformational Development** – Support basic education, workforce development and higher education to help the citizens of developing countries gain the skills and knowledge they need to build and live in free and prosperous societies.
- **Strengthen Fragile States** – Support cost-effective literacy and vocational training programs for women, unskilled boys and young men, including ex-combatants.
- **Support Geo-strategic States** – Improving the quality of the secular education system, as well as broadening the curriculum in moderate religious schools.
- **Provide Humanitarian Relief** – Begin the rehabilitation of education systems following natural or manmade disasters. Simultaneously meet immediate needs through “schools-in-a-box” and other short-term interventions.
- **Address global issues and special concerns** – Focus education resources on a special purpose, considered important in its own right, but not considered among the highest priorities for achieving any of the other goals.

USAID defines basic education broadly to include all program efforts aimed at improving early childhood development, primary education, and secondary education – delivered in formal or informal settings – as well as training for teachers working at any of these levels. USAID also counts training in literacy, numeracy, and other basic skills for adults or out-of-school youth. The common thread among these elements is that they help learners gain the general skills and basic knowledge needed to function effectively in all aspects of life.

Within the sphere of basic education, USAID's efforts will promote more equitable access and improved quality. Ensuring equitable access requires removing physical, economic, and social barriers to education, especially for children underserved because of their poverty, rural residence, ethnic background, disability, or gender. It is particularly through the education of girls that countries accrue a wide range of benefits, including improved health and survival rates of infants and children, reduced rates of fertility, and greater use of modern contraceptive methods. Investments in girls' education also pay off in higher rates of school attendance, attainment, and completion among their children as well as in improvements in the status of women within families, the local community, and the political arena. Hence, USAID pays particular attention to girls' education in our programs.

Today's global economy is being shaped by rapid advancements in technology. To be competitive, countries require workers with both the basic literacy and critical-thinking skills needed to be productive and to adapt to ongoing changes in the marketplace. Countries must produce more highly trained people, including teachers and administrators, to advance and sustain economic growth and other dimensions of development. To accomplish these things, USAID supports “workforce development” program and policy efforts to help young people and adults gain the specific skills and attitudes they need to be productively employed. Colleges and universities in many developing countries have the potential to contribute more fully to the development of their own countries, both through better teaching and better-targeted applied research and by playing a more active role in solving local and national constraints to sustained development, and USAID assistance supports them to do so.

Investing in People USAID's Education Programs

USAID's program in **Uganda** seeks to improve the quality of basic education and primary school completion rates among low income Ugandans. If there is peace in northern Uganda, USAID would expand its basic education program to support teacher training, recruitment and placement of additional teachers, and classroom construction in the post conflict districts. Otherwise, USAID will support special programs in early childhood education through the Ministry of Education and through the Madrasa network of Muslim schools. USAID will also fund in-service and pre-service teacher training, management training for head teachers, supportive supervision, technical assistance for curriculum and materials development, support for monitoring the quality of education services, and the provision of supplies and equipment to support teacher training, and provide scholarships to support secondary education for girls in war-affected northern Uganda.

USAID's education program in **Mali** is focused on improving the quality of Mali's education system. Teacher training at schools will continue, and students at six teacher training colleges will be trained to use the Internet. Assistance for management training programs that allow parents to monitor and improve school performance will be reinforced. USAID seeks to spread its assistance beyond regional education offices to local school administration offices for improved planning and monitoring of school performance. The radio program may expand to nationwide coverage. Scholarships for 5,000 disadvantaged girls will be provided through the President's Africa Education Initiative (AEI). The number of Islamic schools offering high quality education will increase. USAID will support the nationwide implementation of Mali's new primary school curriculum, and the establishment of a student achievement testing system aligned with the new curriculum.

USAID's basic education program in **Indonesia** has three major goals: (a) to help local governments and communities more effectively manage education services; (b) to enhance the quality of teaching and learning in the classroom to improve student performance in public and private schools; and (c) to provide youth with relevant work and life skills to compete for better jobs. Technical assistance will be provided to improve skills for accountable and transparent planning, budgeting, and the management of education services and increased community and parental participation. In-service teacher training (from grades 1 to 9) will expand with an ongoing emphasis on active learning. USAID will begin to implement a media-based educational tool to improve early childhood learning. USAID will mobilize private sector resources and information technology tools that will enhance program impact through private-public partnership.

USAID is helping to improve the quality of education in rural **Peruvian** communities by promoting decentralized local management of services and resources. The program will expand technical assistance and training activities to the San Martin region and initiate the expansion of the Innovations in Decentralization and Active Schools program to another region. Activities under this program include teacher training in active learning methodologies focused on school and community actions that improve the quality of basic education, the promotion of democratic values through the addition of school governments, and increased participation of parents, teachers, community members and local authorities in school management. USAID will also support the implementation of the national Education law.

In health for transformational development, the Agency is increasing its efforts to build adequate health systems by placing greater emphasis on improving quality assurance, cutting waste and inefficiency, strengthening strategic planning and management systems, and developing host-country capacities to sustain the gains in health made with USAID investments. Further, USAID is helping health service delivery organizations manage the finances, drugs and human resources needed to deliver increasingly complicated therapies, such as those for HIV/AIDS and chronic diseases.

Investing in People Building Adequate Health Systems

In **Kenya**, USAID will work with the Ministry of Health (MOH) on national health sector reform and on improving health sector financing and sustainability. USAID will help the MOH to use its National Health Accounts survey to identify financial constraints and develop strategies to overcome them. USAID will support the creation of a health Geographic information System database, in collaboration with the Ministries of Planning and Health. USAID will support an assessment of and subsequent plan for human capacity development needs at all levels, from managers to health care providers and continue to work to improve the MOH's logistics system, and to strengthen management systems to make the Kenya Medical Supplies Agency a viable business entity and improve coordination between KEMSA and its customers.

USAID's program in **Ghana** will support behavior change and health information campaign planning, development and implementation, and expand and strengthen surveillance and data for decision-making. It will support advocacy skills to ensure adequate funding for health and poverty alleviation objectives in the Government of Ghana budget. USAID will also support skills development in program planning and implementation in areas such as HIV/AIDS response, logistics management, community-level planning, care and support; and launch personnel performance management and strengthened supervision.

To enhance the health system capacity in **India**, USAID will continue implementing the urban health initiative which has quickly developed into a nationally recognized public health resource. USAID will contribute to the National Family Health Survey.

USAID's health program in **Peru** provides broad support to strengthen health sector institutions and policies, extend effective health services to hard-to-reach populations, and build professional capacity to sustain progress. USAID will concentrate on health sector policy reform through decentralization of public services, strengthening of key central public health functions such as standard-setting and integrated epidemiologic surveillance, effective targeting of subsidized programs, and promoting the expansion of high quality, reasonably priced-health services.

USAID recognizes the continued importance of Child Survival and Maternal Health in addition to the emphasis on strengthening health systems. The Agency has identified immunization, prevention and treatment of pneumonia and diarrheal diseases, improved nutrition including vitamin A, and other micro-nutrients and breastfeeding as key child survival interventions. An analysis published in The Lancet⁷ in June 2003 documented that expanding these key child survival interventions could prevent almost 7 million of the world's 11 million annual infant and child deaths.

USAID will invest resources in FY 2006 to expand delivery of these interventions to unreached children, and in developing more effective interventions and approaches to help these children.

⁷ Black, Robert E., Saul S. Morris and Jennifer Bryce, "Where and Why Are 10 Million Children Dying Every Year?" The Lancet 2003:361:2226-34.

Funds will be devoted to new and ongoing activities, including the Child Survival Partnership, linking child survival and HIV/AIDS programming in Africa, newborn survival, community-based pneumonia treatment, full access to oral rehydration therapy, and continued investments in the Child Survival and Health Grants Program.

USAID directs its Maternal Health resources to the most cost-effective strategies that deliver proven interventions to prevent and treat life-threatening complications and long-term disabilities as a result of pregnancy. To reduce mortality and disability, USAID will advance and support use of skilled birth attendants; transfer improved technologies and standards of care to reduce postpartum hemorrhage, the biggest maternal killer; increase our capacity to repair obstetric fistula; provide technical assistance to design effective country programs, particularly in sub-Saharan Africa; and the global Initiative for Maternal Mortality Programme Assessment Alliance to document the most cost-effective strategies for achieving public health impact where geography, culture, political unrest, and HIV/AIDS present special challenges to maternal health.

Investing in People Improving Maternal and Child Health

USAID plans to fund local **Bangladesh** NGOs to provide quality health services. Funding for discrete technical packages will continue while funding for core operational costs will decrease to help the NGOs move toward sustainability. USAID will continue an operations research program to improve the content and implementation of the Government of Bangladesh's Essential Service Package. USAID will also continue to implement a package of targeted interventions to address maternal health and essential newborn and safe delivery care at the community level.

To improve maternal and child health and nutrition in **Guatemala**, USAID supports training and health and nutrition education materials, equipment and supplies and grants to NGOs to extend health care coverage in rural areas. The integrated maternal child health and nutrition program that trains and equips health promoters is being expanded. The promoters will conduct growth monitoring and promotion for children under two and educate their mothers on better health and feeding practices. USAID will work with the Ministry of Health on a new service delivery model to place skilled health personnel closer to families to attend deliveries in rural areas with high maternal mortality, including scholarships for professional midwife training for Mayans.

Finally, many countries that have made significant progress in economic and social development are experiencing an increasing threat from non-communicable conditions, including accidental injuries. These are diseases – like heart disease, cancers, diabetes, stroke and related circulatory diseases -- that disproportionately affect working-age populations. In most middle-income developing countries, these diseases account for the majority of deaths and disabilities. As a result, USAID is incorporating this program component into its new health strategic framework and will phase these activities in as resources allow. USAID's focus in this area will be on cost-effective prevention activities to reduce the incidence of non-communicable conditions.

Strengthening Fragile States

Fragile states are those that are vulnerable to or in crisis. Crisis can take different forms, such as conflict and insecurity, governance and economic crisis, or famine. Local conditions in fragile states can change quickly, requiring USAID to adapt quickly to both challenges and opportunities as they arise. USAID's objectives in these settings need to differ from those in more stable transformational development states given their distinct realities. These objectives include

enhancing stability and security, advancing opportunities for reform when they arise and developing capacity of essential institutions and infrastructure.

These objectives are all equally critical. To implement these objectives, USAID will support a range of political, economic, social and security initiatives aimed at overcoming the conditions that make countries vulnerable to crisis. This may include building the capacity of governance institutions, promoting economic growth and effective management of natural resources, improving the provision of key social services, such as education and supporting civil society actors. This support may also include advancing peace building, transitional governance and reconstruction initiatives. The specific mix of programs will vary from country to country, but the overall focus will be on reducing fragility and creating the basis for transformational development.

Strengthening fragile states also requires rapid, flexible response to local conditions that can change quickly. Along with greater program focus on the sources of crisis, USAID will expand its rapid response capability in the face of new challenges and opportunities and programs that feature high impact, visible results. Successful implementation of this approach will require greater resource responsiveness and flexibility. USAID's request to expand the Transition Initiatives account will be a major part of this effort.

Support to these states also requires close coordination with other U.S. Government agencies, as well as with partners such as non-governmental organizations and other donors. USAID and our partners have already moved to enhance coordination.

In FY 2006, four country programs that are of high strategic importance to the United States – Afghanistan, Ethiopia, Haiti and Sudan - exemplify USAID's approach to countries vulnerable to or in crisis and making the transition to transformational development.

Afghanistan

Despite remarkable progress since USAID's assistance program started in 2002, much crucial work remains in order to provide Afghans a more stable and productive life and an antidote to terrorism. Many social and economic indicators continue to be the worst or close to the worst in the world. General and personal insecurity are the most important constraints to development progress.

The USAID program in Afghanistan supports the country's transition to a stable, productive nation. Areas of focus include: improving the economic policy environment and increasing rural incomes, especially in poppy-producing areas; increasing access to basic health services, particularly for women and children, and education services, where a heavy emphasis will be placed on achieving parity in enrollment and access for girls and women; reinvigorating the judicial system and spreading democratic practices through support to elections, media and civil society. These programs address the principal sources of fragility in Afghanistan.

Ethiopia

Ethiopia has the poorest human development indicators in the world. More than three-quarters of the population lives on less than \$1 a day. Its education and health systems are inadequate, so the majority lacks access to basic services. In addition, it is vulnerable to drought and subsequent food emergencies. Ethiopia became a focus of the G8's initiative to end famine and increase agricultural productivity and rural development under U.S. Government leadership in 2004. USAID expects to continue this work at least through 2006. The USAID program will fund the productive safety net in Ethiopia through 2006, and coordinated efforts will also continue on initiatives to increase agricultural productivity and promote rural development. The priority tasks to be tackled in stabilizing Ethiopia's vulnerability to crisis are to help the Government of Ethiopia

to develop the capacity to manage through such shocks as the 2003 food emergency; to increase human capacity and social resiliency (through improved family health, reduced or mitigated impacts of HIV/AIDS, and enhanced quality and equity in education); to increase the capacity for good governance, including mechanisms to reduce local-level conflict and to enhance transparency and accountability; and to increase broad-based rural development and market-led economic growth.

Haiti

Haiti is the poorest country in the Western Hemisphere, with a per capita income of less than \$400 per year, and 80 per cent of the population living in poverty. Two decades of political, social and economic mis-management, exacerbated by natural disaster, has left Haiti in a very fragile situation. The natural resource base is degraded, institutions are weak, corruption widespread and human development indicators are very low, and the HIV/AIDS prevalence rate is the highest in the hemisphere at 5.6 per cent.

USAID's program in Haiti is focused on restoring essential education, health and productive sector services, restoring and sustaining a climate of peace and security and laying the foundations for economic growth and democratic governance (including fair and free elections). The FY 2006 USAID program proposes to: 1) improve the quality of primary education, strengthen public-private partnership in education governance, and improve educational services to out-of-school youth; 2) enhance maternal and child health, deliver family planning services, provide for prevention and treatment of HIV/AIDS and other infectious disease and strengthen public sector health management and governance; 3) support economic growth by increasing the productivity and incomes of small agricultural producers and broadening the availability of credit and financial services to artisans, small entrepreneurs, and to the larger productive sector; and 4) promote democracy and empower elements of Haitian society by strengthening the independent media, supporting human rights organizations and public sector officials in the fight against corruption, providing grassroots training, strengthening political parties; protecting human rights, and supporting justice reform.

Sudan

Sudan has recently ended more than two decades of civil war. The country's economic, social and political systems reflect the central fact of conflict. In Southern Sudan, there is little or no physical infrastructure and institutional capacity. Agricultural production is low and markets are inaccessible. An estimated 90% of the population lives on under \$1 a day. Lack of health care has resulted in high infant and maternal mortality and high incidence of malnutrition, malaria and diarrheal disease. The literacy rate is extremely low (about 20%) and children have little access to schooling. Sustainability of the peace agreement depends on the ability of the Sudan Peoples' Liberation Movement (SPLM) to transition from a guerilla movement to a political organization, and the Government of Sudan to partner with the SPLM in creating the institutions of democratic governance.

USAID will strengthen stability and contribute to enhancing security in its peace agreement support, which is comprised of short-term conflict mitigation and humanitarian relief and rehabilitation. The USAID program will also lay the foundation for longer term recovery. It will support: more responsive and participatory governance, improved equitable access to quality education, increased use of health, water and sanitation services and practices and laying the foundation for economic recovery by upgrading physical infrastructure, training in business and agricultural skills and reforming key laws and regulation.

Support Geo-strategic States

The goal in strategic states is to support and help advance the U.S. foreign policy objective that motivates assistance in the country. This may call for programs aimed at development progress; programs that address fragility; or other kinds of programs. For each country, broad program goals and objectives are developed in close consultation and cooperation between USAID and other parts of the Administration, as well as with the Congress. Considerations include the sorts of program goals that will best serve the U.S. foreign policy interests in the country, and the feasibility of achieving development results (or diminished fragility) in a particular country context, and the kinds of programs likely to be most effective.

Country strategies will vary from country to country depending on the broad program goals and objectives. Overall success is assessed in terms of the contribution of the USAID program to the foreign policy objectives that motivate the assistance.

In FY 2006, USAID will support U.S. foreign policy goals with special emphasis on Iraq, Afghanistan, Pakistan and Sudan, as well as other front-line states in the War on Terror in the Asia and the Near East and Africa regions. The Agency's Iraq programs will be funded from the Economic Support Fund (ESF) and other appropriations. USAID will also target resources to the Muslim World Initiative to support social and economic transformation and to address the root causes of terrorism.

The Agency's program in **Iraq** will consolidate advances in democratic governance by providing critical support to institutions of democracy such as the national assembly, support elections through voter education and electoral administration and strengthen civil society by engaging it in improvements in local infrastructure and service delivery. The program will continue to restore economically critical infrastructure including airports, roads, bridges, railroads, seaports, electric power, water and sanitation, telecommunications and essential buildings. It will lay the foundation for private-sector-led economic growth by assisting with economic and financial sector policy and regulatory reforms, making business skills, services and grant opportunities available to private entrepreneurs and businesses and setting the stage for increased agricultural productivity and rural income growth.

The weakness of public education in some predominantly Muslim countries – including several states of geo-strategic importance - has led a growing number of parents to send their children to religious schools. While most Islamic schools have no links to extremist groups,⁸ poor quality secular education systems create an opening for radical Islamist movements to establish schools whose purpose, in part, is to promote the worldview of their sponsors.

This problem can be ameliorated through improvements in the quality of the education system, including a curriculum that focuses on preparing students to support and thrive in market-oriented democracies. Given the growing parental preference for schools that reinforce Muslim identity and values, strengthening the secular part of the curriculum in existing moderate religious schools can help attract students from families who want a religious education for their children but also see the need for their children to gain skills and knowledge that will be useful in the workplace.

In **Pakistan**, the USAID program works nationally to build capacity and support for systemic education sector reform at national and district levels. There is a particular emphasis on expanding access to education for girls in the education sector reform action plan, which includes activities such as introducing boundary walls in the schools so that girls can attend. Other program components include work on the formulation and implementation of national policies for literacy, information and communication technology and early childhood development. A national

⁸ USAID. "Strengthening Education in the Muslim World: Summary of the Desk Study." Issue Paper Number 2, USAID:Washington, DC, June 2003, PN-ACT-009.

teacher education strategy will be designed and 15,000 teachers and administrators will be trained. The program also targets improved classroom instruction in public and community schools and school reconstruction and refurbishment in Sindh and Balochistan provinces and in the Federally Administered Tribal Areas that border Afghanistan.

Provide Humanitarian Relief

Humanitarian response is a longstanding foreign aid priority, and humanitarian assistance will continue to be provided on the criterion of urgent need. The goal is to help save lives and alleviate suffering of people in distress, regardless of the character of their governments. Humanitarian programs can be pursued – depending on need -- in transformational development countries, in fragile states, in geo-strategic states, or in other states that do not normally receive foreign assistance.

Humanitarian assistance is often provided to countries where USAID has other core operational goals such as transformational development, overcoming fragility, and combating HIV/AIDS and other communicable diseases. Humanitarian assistance will be provided in ways that reinforce our interests in these other goal areas. Similarly, USAID is guided by the “do no harm” principle that seeks to ensure that our humanitarian assistance does not have unintended negative consequences, such as instability or dependency. The concept of relief that promotes recovery will be integrated into the programming of humanitarian assistance. USAID will seek durable solutions to crises by emphasizing disaster prevention and building local capabilities to respond. This approach is being applied, for example, in addressing population displacement.⁹

USAID will use FY 2006 resources to provide quality humanitarian assistance to disaster victims. It will also develop host country expertise and provide resources for planning, preparedness, mitigation and prevention activities in risk-prone areas. USAID provides emergency assistance, targeting the most vulnerable groups: the malnourished, children, nursing and pregnant women, child- and women-headed households, the elderly and the disabled. In FY 2004, USAID responded to 70 declared disasters in 55 different countries, targeting an estimated 71.4 million beneficiaries. Countries in which major responses were mobilized include Sudan, Iraq, Liberia, The Democratic Republic of Congo and Burundi. In FY 2005, Sudan, Iraq, Liberia, Ethiopia and the African and South Asian countries affected by the tsunami are major known or projected recipients of humanitarian relief.

USAID's FY 2006 program for **Sudan** includes a continuation of the emergency response and plans for initial recovery operations in Darfur, one of the world's worst man-made humanitarian crises.

To reduce the need for humanitarian relief, USAID works to improve regional, national and local capacity to plan for, mitigate and respond to disaster events. USAID's training in Asia includes incident command training, application of technological advancements such as flood forecasting and early warning and hazard mapping for vulnerable and affected communities.

Global Issues and Special Concerns

This goal area encompasses the many other goals, objectives and priorities that USAID pursues as largely independent, self-standing concerns. Many of these concerns are very relevant to development. Nonetheless, they are typically pursued because they are important in their own right. Resources are allocated based on concern-specific need and commitment and results can be achieved irrespective of the country's general progress in development or reduction in fragility. Such concerns often call for a concerted response focused on a subset of countries where the issue or problem is most acute or immediate.

⁹ See “USAID Assistance to Internally Displaced Persons Policy,” PD-ACA-558. Washington, D.C.: USAID. October 2004.

Examples of global issues include HIV/AIDS and climate change. Special concerns might include programs directly aimed at countering narcotics or other illicit trade, other infectious diseases besides HIV/AIDS, family planning, programs aimed at reducing illegal logging, or direct support for U.S. trade agreements.

These concerns can be pursued in transformational development countries, fragile states, and/or geo-strategic states. Other special, self-standing concerns may be country-specific, with little or no connection between progress in one country and progress in another. They are reflected in development programs that are fairly specifically defined and restricted and oriented more toward near term delivery of specific goods or services than towards broader institutional development.

HIV/AIDS and Other Infectious Diseases

As HIV/AIDS and other infectious diseases continue to threaten the health of families and children in developing countries worldwide the fight against this pandemic remains a top priority for USAID, which has a lead role in implementing the President's Emergency Plan for AIDS Relief under the policy direction of the Global AIDS Coordinator at the Department of State. In FY 2006, USAID will provide funds for the non-focus countries and the Global AIDS Coordinator and the Department of Health and Human Services will fully fund programs in the 15 focus countries.

In FY 2006, USAID will scale up efforts in the prevention of mother-to-child HIV transmission, assistance to orphans and vulnerable children, the ABC (abstinence, be faithful, use condoms) approach to HIV/AIDS prevention, nutrition and HIV/AIDS, life-extending therapy, voluntary counseling and testing, improving injection safety and ensuring the safety of blood supplies, and provision of therapy for concurrent illnesses and opportunistic infections as well as palliative care. USAID's FY 2006 program will also provide global leadership in the areas of capacity building, policy environment, monitoring and evaluation systems, public and private sector partnerships; and to the Global Fund to Fight AIDS, Tuberculosis and Malaria through its active participation on the U.S. delegation to the Global Fund's Board, and through technical support provided by USAID missions to Country Coordinating Mechanisms in developing and/or implementing Fund-supported country programs.

USAID's infectious diseases strategy will continue to focus primarily on strengthening prevention and control programs at the country level. Malaria efforts will focus on scaling up interventions to prevent and treat malaria infection in women and children in particular expanding access to insecticide treated bed nets, intermittent treatment for pregnant women and the roll-out of new combination drug therapies. Efforts to address malaria will build on and expand current programs primarily in Africa, but also include sub-regional efforts in South America and Southeast Asia and complex emergency settings. USAID will continue to support the expansion of partnerships, and will invest in malaria vaccine and drug development.

Country level expansion and strengthening of the Directly Observed Treatment Short-course (DOTS) Strategy will continue to be the focal point of USAID's tuberculosis program. In addition to working with National TB Programs to implement the various components of the DOTS Strategy, USAID will increase and strengthen the availability of human resource capacity to support DOTS implementation, continue contributing to partnerships that strengthen the capacity to address the challenges of multi-drug resistant TB, TB/HIV co-infection, and to engage the private sector in DOTS. Partnerships that develop improved diagnostics and the development of new and more effective TB drugs and treatment regimens will be expanded.

In order to build a foundation for infectious disease programs, USAID will implement key elements of the global strategy to reduce antimicrobial resistance, strengthen schools of public health and make critical investments in building epidemiological capacity and global networks to support country programs in surveillance.

President's Emergency Plan for AIDS Relief

President Bush's Emergency Plan for AIDS Relief (PEPFAR) aims to achieve the goals of

- treating at least two million people with anti-retroviral therapy,
- preventing seven million new infections, and
- caring for 10 million persons infected with and affected by HIV, including orphans and vulnerable children.

After one year of operation, PEPFAR is on track to meet or exceed these ambitious targets.

PEPFAR focuses its efforts in 15 countries that account for almost half of worldwide HIV infections: Botswana, Côte d'Ivoire, Ethiopia, Guyana, Haiti, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Vietnam and Zambia. In addition to bilateral aid to the 15 focus countries, under PEPFAR the U.S. is the largest donor to the Global Fund, and U.S. government agencies support HIV/AIDS prevention, treatment and care activities in more than 60 non-focus countries.

Malaria, Tuberculosis and Other Infectious Diseases

USAID will continue to support the scale-up of malaria and TB services in **Uganda** to increase coverage and use of insecticide-treated mosquito nets (ITNs) and home-based treatment of malaria and TB. In FY 2005, USAID will provide technical support, training and funding for supervision to extend access to TB treatment through community outreach workers linked to health clinics. USAID will also provide training and technical assistance to strengthen the national TB reference laboratory and district-level laboratory facilities. USAID will also support the Ministry of Health to implement its national malaria program including home-based treatment of malaria by community outreach workers, intermittent preventive treatment of malaria for pregnant women in antenatal care service sites, and the promotion, sale, and distribution of ITNs through the commercial sector.

USAID will continue to support the National Malaria Control Program in **Zambia** through the provision of technical advice and assistance for all aspects of the National Roll Back Malaria effort. Support is also provided for the scale-up of new, more effective drug treatment, and the government's campaign against malaria in pregnancy through intermittent presumptive treatment and the distribution of ITNs. USAID works with the Ministry of Health to expand access to and improve the quality of malaria prevention and treatment. Zambia is also a focus country for HIV/AIDS prevention and treatment under the PEPFAR.

Through its **Europe Regional** program, USAID's Europe and Eurasia Bureau will support an analysis and outreach activity that will promote more effective HIV-TB co-infection prevention and treatment policies and programs. The Southeast Europe (SEE) Initiative (RiskNet) will continue to build the sustainability of NGOs and institutions working with populations most at-risk for HIV to leave an in-country legacy when U.S. assistance phases out. The TB program focuses efforts on the control of TB and multi-drug resistant TB. Activities include support for the implementation of DOTS, aid for regional trainings and networks to fill gaps in local DOTS expertise, and the translation and dissemination of technical documents and protocols. Regional conferences, training, workshops, and technical assistance will support countries in their application for Global Fund to fight AIDS, TB, and Malaria (GFATM) grants as well as in the implementation, monitoring and evaluation of GFATM activities.

The **Central Asian Republics Regional** program will continue to support the five-year regional TB Control Program to expand DOTS geographically, and strengthen surveillance, laboratory quality, and rational drug management throughout the region. High level working groups will be established throughout the region to solidify policy changes and improve coordination. Working groups on drug management, laboratory, communication and social mobilization, and prisons will be organized as part of these groups. Regional funds will be used to provide assistance on the preparation of applications for and implementation of TB control grants from the GFTAM. USAID will use regional funds to support the WHO Regional TB Advisor, who provides policy-level guidance and technical assistance on all components of the TB control program throughout the region. WHO can often gain access to and influence the Ministries of Health, as all of the countries respect its status and international best practices.

Environment, Natural Resources Management and Energy

A number of the President's initiatives are related to assisting developing countries to address aspects of global climate change, such as greenhouse gas emissions or carbon sequestration.

The Global Climate Change Initiative will transfer American energy and sequestration technologies to developing and transition countries to promote sustainable development and minimize their greenhouse gas emissions growth. Activities assist countries to better measure, reduce emissions, and invest in clean and renewable energy technologies. This initiative is implemented in the four regions: Africa, Asia and the Near East, Latin America and the Caribbean, and Europe and Eurasia.

USAID activities in support of the President's Initiative on Illegal Logging will complement the regional Congo Basin Forest Partnership Initiative. Recognizing the negative impact that illegal logging has on world markets in forest products, USAID will partner with producers and forest organizations worldwide to develop and implement new approaches to sustainable forestry management that respond to market incentives. The Congo Basin Forest Partnership promotes economic development, poverty alleviation, improved governance, and conservation of natural resources in six Central African countries: Cameroon, Central African Republic, Democratic Republic of Congo, Equatorial Guinea, Gabon, and the Republic of Congo. Through a network of national parks and protected areas, activities will support sustainable forest management, forestry concessions, sustainable agriculture, and assistance to local communities who depend upon conservation of the forest and wildlife resources. USAID funding will be leveraged by contributions from international environmental organizations, host governments, G-8 nations, the European Union, and the private sector.

The Clean Energy Initiative (CEI) has three components: The Global Village Energy Partnership works to increase access to modern and affordable energy services in un- and underserved areas; Efficient Energy for Sustainable Development works to delay the need for new generating capacity by improving the productivity, efficiency, and reliability of current operating systems; and Health Homes and Communities works to promote cleaner transportation fuels and indoor cooking and heating practices to reduce the estimated three million deaths that result from poor air quality each year. USAID support for the Global Village Energy Partnership will result in an estimated 5 million people per year receiving new or improved access to modern energy services. The CEI operates as a partnership, leveraging the funds of governments, the private sector, civil society, development organizations, and others.

Water for the Poor

This initiative expands access to clean water and sanitation services, improves watershed management, and increases the efficiency of water in industrial and agricultural activities. This initiative will help achieve the UN Millennium Declaration Goal of cutting in half by 2015 the proportion of people who lack safe drinking water. This initiative is multi-year and will leverage private resources to generate more than \$1.6 billion for water-related activities globally. The regional focus will be in Africa, and in Asia and the Near East.

Conclusion

The FY 2006 budget request fully supports U.S. foreign policy goals and national security interests. The requests responds to President Bush's priorities, including support for the Global War on Terrorism and helping key fragile states toward stability and security. The forgoing discussion represents only the highlights of USAID's FY 2006 budget proposal. Full details are

found in the accompanying tables and in the regional and country narratives. USAID pursues five operational goals: promoting transformational development, strengthening fragile states, supporting geo-strategic states, providing humanitarian relief and addressing global issues and special concerns. To have the greatest impact, USAID proposes in FY 2006 to allocate Development Assistance resources more toward those needy countries that are strongly committed to transformational development, and have demonstrated that commitment via good performance. For states that are vulnerable to or in crisis, USAID recognizes that it must program for short-term results that will help to stabilize, secure, reform and strengthen fundamental capacity. It is proposing an expanded use of the FY 2006 Transition Initiatives account in lieu of previous years' use of DA in four crisis states to better support selected countries in pursuit of stability, security, reform and recovery.

Management Improvements

USAID's considerable progress in its business transformation is benefiting Agency employees, implementing partners, and beneficiaries. Through the efficiencies gained, USAID is able to better meet its mandate and ensure responsible use of American taxpayer funds. Management reform initiatives are directed at streamlining administrative processes and systems, eliminating redundancies, and improving customer service to enhance USAID's program delivery.

USAID's Business Transformation Plan

One of the most important keys to successful transformation is an effective governance structure. USAID created the Business Transformation Executive Committee (BTEC) to unite the most senior career executives across the Agency in a partnership to reform USAID's management systems and improve organizational performance. The BTEC is based on the recognized "best practice" that successful, large-scale transformation requires active collaboration, shared ownership, and accountability across an organization's entire top leadership team. Chaired by the Deputy Administrator, the BTEC meets monthly to review progress, set priorities, and make decisions. It serves as the Agency's capital investment review board to ensure that investments address USAID's highest priorities and meet employee needs. The BTEC has developed the major components of USAID's Business Transformation Plan to address the President's Management Agenda (PMA), Administrator's Management Reform Principles, and management strategic objectives of the Joint State-USAID Strategic Plan.

USAID's comprehensive plan to modernize the Agency's management systems, improve customer service, and implement performance-based results consists of the following four major business transformation initiatives:

Strategic Management of Human Capital: USAID is directly addressing the PMA's human capital goals through its comprehensive Human Capital Strategy (2004-2009). In FY 2006, USAID will:

- Implement workforce planning to close skill gaps through recruitment, retention, training, succession planning, and other strategies.
- Incorporate diversity strategies in outreach, recruitment, screening and selection processes.
- Target training and mentoring of Agency leaders and employees based on the results of the workforce analysis and planning effort.
- Expand the use of alternative learning modalities such as virtual classrooms and web-based training.
- Improve the link between Agency goals and individual employee performance plans, developing strategic objectives to cover 100 percent of the workforce.
- Complete the third year of the Development Readiness Initiative to recruit and train new staff to meet agency emerging program priorities.

Business Systems Modernization: USAID has undertaken a major multi-year effort to improve critical Agency business systems, including financial management and procurement, in accordance with the PMA objectives for e-government, financial performance, and competitive sourcing. To ensure success of these efforts, the Agency has developed best practice plans and procedures to prioritize Information Technology (IT) investments, produce detailed project management plans, and monitor and evaluate approved projects. The FY 2006 request will allow USAID to:

- Complete worldwide deployment of the Phoenix financial system, eliminating a material weakness under the Federal Financial Management Improvement Act. This will also bring the Agency into compliance with the Federal Managers' Financial Integrity Act requirement that all financial transactions be posted as accounting events to the accounting system.

- Continue deployment of a new acquisition and assistance system to improve procurement efficiency and reporting capability.
- Begin a long-term effort to modernize the Agency's aging information technology infrastructure, critical for success of all business system improvements.
- Strengthen collaboration with the State Department through development of a joint enterprise architecture, use of a shared platform for the financial management system, and joint infrastructure projects.

Knowledge for Development: Through this effort, USAID is improving the strategic management of the Agency's intellectual capital, enhancing learning, capturing institutional knowledge, and strengthening partner collaboration through technology-enabled systems and processes as envisioned under the PMA objectives for e-Government and Human Capital. In FY 2006, USAID will:

- Improve internet search capability and use of collaboration tools, including a knowledge forum for contractors supporting USAID to minimize redundant investments.
- Support an Expertise Locator to better harness USAID staff resources and develop a "Yellow Pages" tool to provide a one-stop reference for USAID's core knowledge assets.

Strategic Budgeting corresponds to the PMA goals for Budget and Performance Integration. This Agency initiative encompasses strategic planning, budgeting, and decision-making reforms to better link performance and budget and make Agency decision-making performance-based. In FY 2006, USAID will:

- Develop improved efficiency measures and common performance indicators in accordance with the Performance Goals defined in the State-USAID Joint Strategic and Performance Plans to provide the foundation for allocation of resources toward priority areas based on demonstrated performance.
- Use the Agency's workforce planning model to inform administrative resource allocation decisions.
- Streamline the Agency's strategic planning and reporting processes.

President's Management Agenda

USAID has made significant progress on the PMA and embraces the PMA objectives to enhance performance through better control over resources used and accountability for program results. The Agency has improved its status ranking to "yellow" for e-government and budget and performance integration, and is implementing a number of management reforms and major investments to achieve "green" status in all areas. Accomplishments to date on all five PMA initiatives are detailed in the "Management Landscape" section of the FY 2006 Joint State-USAID Performance Plan. In FY 2006, USAID will focus on:

Strategic Management of Human Capital: The Agency is committed to fully implementing its Human Capital Strategy and achieving a "green" status rating in FY 2006. USAID will continue to analyze and optimize current organizational structures, work to close mission critical-skill gaps, and implement an effective performance appraisal system for all employees. The recent development of a comprehensive human capital model will allow the agency to analyze more effectively its current staffing patterns globally, across all staffing categories. In addition, USAID has been successful in reducing the time it takes to recruit new employees, and will continue to make improvements in staff training.

Improved Financial Performance: USAID will complete the State-USAID Joint Financial Management System, including a worldwide transition to an integrated accounting system, and continue implementation of the Procurement System Improvement Plan. These investments will keep the Agency on track for achieving a "green" status rating in FY 2007.

Expanded Electronic Government: USAID will continue full participation in enterprise architecture improvements and strengthen management of its information technology portfolio, including e-training, e-grants, and other government-wide e-government initiatives. These efforts address the criteria for the "green" status rating the Agency expects to achieve in FY 2005.

Budget and Performance Integration: The Agency is on track for a "green" status rating in FY 2005 and continuing efforts to improve in this area. In FY 2006, USAID will complete Program Assessment Rating Tools (PART) assessments on 80% of its programs and utilize the results to inform the decision-making process and establish the full cost of achieving performance goals.

Competitive Sourcing: USAID will conduct feasibility studies in FY 2005 to evaluate whether to compete for commercial activities identified as suitable for competition in its Federal Activities Inventory Reform Act inventory. Based on the results, USAID may initiate competitions. USAID will conduct the bulk of its feasibility studies during FY 2006 to FY 2008. If the Agency announces any competitions in FY 2005, for completion in FY 2006, they would likely cover only 5-10 FTEs.

State-USAID Joint Management Council

The State-USAID Joint Management Council (JMC) is overseeing efforts to pursue collaborative management activities to advance the strategic goals of both organizations, support employees, and reduce costs. The Under Secretary for Management and USAID Deputy Administrator co-chair the Executive Committee, which also includes the Assistant Secretary for Resource Management and Assistant Administrator for Management. Eight senior-level working groups are implementing projects, identified in a joint business plan, in the following areas: resource management, management services, management systems, information and communication technology, e-government, facilities, security, and human capital.

To improve operational efficiencies and eliminate redundancies in administrative and management systems and processes, in FY 2006 USAID and State will:

- Continue to implement Phase I of the Shared Services Pilots, and move forward with planning for Phase II.
- Implement joint financial management and procurement systems.
- Develop a joint intranet and information technology strategic plan.
- Assess the feasibility of using the new Department of State e-mail system and potential for joint automated software distribution.
- Collaborate on a joint network operations center and help-desk operations.

Global Development Alliance

The Global Development Alliance (GDA) is a model for creating alliances that draws upon the resources and expertise of the private and public sectors to further USAID objectives. FY 2006 represents the fifth year of existence for GDA and the model has become integrated into Agency strategies and practices. USAID has created over 200 alliances in areas such as education, health, safe water, forest certification, and small-enterprise development. In Africa, for example, USAID is working with companies to prevent malaria by supplying low-cost insecticide-treated bednets while in Asia USAID is collaborating with major information technology companies to provide youth with computer skills.

USAID Support Budget

Overview

The USAID support budget has a critical role in meeting the State-USAID joint mission to create a more secure, democratic, and prosperous world by supporting the strategic goal of ensuring a high-quality workforce supported by modern and secure infrastructure and operational capabilities. Adequate Operating Expense (OE) and Capital Investment Fund (CIF) resources are particularly important as the Agency strives to address foreign policy and development challenges in increasingly complex settings.

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 FY 2006 request will enable USAID to continue management improvements to strengthen programs and support systems, as it faces the challenges of high retirement rates among our most experienced officers, significant costs to implement major business transformation initiatives, and increases in the strategic importance and funding of key countries and programs.

The USAID FY 2006 budget will support the following management priorities:

- Strengthen and right-size the workforce and rebuild the Agency's diplomacy and development capacity
- Continue investments in modernizing business processes to improve program and organizational accountability
- Increase security funding to improve physical, personnel, and information security

With significant continued investments in people, systems and business processes, and security, USAID will build a foundation of sound management and organizational excellence.

USAID faces increasing requirements for surge capacity to respond to critical new demands while maintaining programs elsewhere with capabilities weakened by a direct-hire workforce drastically downsized during the 1990s and a large workforce contingent reaching retirement age. To address the critical need to increase human capacity, USAID has prioritized the Development Readiness Initiative (DRI), which builds on the State Department's Diplomatic Readiness Initiative.

In its third year of implementation, DRI will strengthen the workforce and rebuild the Agency's diplomacy and development capacity. This effort will help USAID meet the Office of Personnel Management's (OPM) mandate to get the "right people in the right jobs with the right skills at the right time." By increasing overall staffing levels, DRI will strengthen the Agency's capacity to respond to crises and emerging priorities, cover staffing gaps, fill critical vacancies, and provide appropriate training.

To address significant management challenges and improve our accountability to the American taxpayers, USAID will continue to modernize its business systems and support State-USAID joint goals for information technology (IT) management. Joint procurement and financial management systems will serve both agencies' needs and improve program accountability through better integration of budget and performance.

By enhancing worldwide security operations and infrastructure, USAID will continue to protect USAID employees and facilities against global terrorism and national security information against espionage. The Agency will increase physical security measures, such as building upgrades, emergency communications systems, and armored vehicles; personnel security, such as background investigations and security clearances; and information security.

<u>Category</u>	Operating Expenses (\$ in thousands)			
	<u>FY 2003</u> <u>Actual</u>	<u>FY 2004</u> <u>Actual</u>	<u>FY 2005</u> <u>Estimate</u>	<u>FY 2006</u> <u>Request</u>
Uses:				
Overseas Operations	349,680	349,680	379,643	374,503
Washington Operations	162,311	167,909	169,595	174,201
Central Support	141,174	160,394	174,216	182,530
Sub-Total Uses	653,165	706,301	723,025	731,234
Program-Funded U.S. Direct Hires (USDH)		305	37,500	94,650
Total w/ Program-Funded USDH		706,606	760,525	825,884
Program-Funded Non-USDH Staff	214,691	256,319	272,271	226,985
TOTAL, ADMINISTRATIVE BUDGET	867,856	962,925	1,032,796	1,052,869
Sources:				
OE Appropriation	589,282	604,748	611,944	680,735
Other Sources	304,432	358,177	420,852	372,134
Total Sources:	893,714	962,925	1,032,796	1,052,869

The requested OE budget authority of \$680.735 million, combined with \$50.499 million from local currency trust funds and other funding sources, will provide a total of \$731.234 million to cover the Agency's projected operating expenses. This will fund:

- Salaries and benefits
- Overseas operations
- On-going support of current IT systems
- Security
- Training
- Other administrative costs associated with programs worldwide

Direct costs of the Agency's overseas presence, including U.S. direct hire (USDH) salaries and benefits, represent over 50% of OE costs. The Agency's overseas presence is indispensable to the effective management of Agency programs, delivery of U.S. foreign assistance, improved situational awareness, and increased programmatic and financial oversight. It is the core of development readiness: strengthening the U.S. Government's knowledge base and providing alternative and valuable perspectives to U.S. policymakers.

In recognition of USAID's staffing shortage, Congress enacted legislation to help the Agency meet the development challenges of the future. To supplement the Agency's DRI, the FY 2005 Foreign Operations legislation provides USAID with a Non-Career Foreign Service Officer hiring authority. This authority allows USAID to use program funds to convert up to 175 personal services contractor or other non-USDH positions into limited-term direct-hire appointments. This authority follows FY 2004 appropriation language that allowed USAID to use program funds to employ 85 limited-term U.S. direct-hire employees in FY 2004.

With these authorities in FY 2004, FY 2005, and FY 2006, the Agency will increase its U.S. direct-hire workforce by 435 by FY 2006, while decreasing its non-USDH workforce by 350 over the same period. While this will increase obligations for USDH personnel by \$94.65 million, it will represent a decrease in total personnel costs, as more expensive contractors and other non-USDH staff are replaced with limited-term direct-hire employees. Decreasing the number of hiring authorities used by the Agency also will save

resources by decreasing administrative complexity.

<u>Category</u>	Capital Investment Fund			
	(\$ in thousands)			
	<u>FY 2003</u> <u>Actual</u>	<u>FY 2004</u> <u>Actual</u>	<u>FY 2005</u> <u>Estimate</u>	<u>FY 2006</u> <u>Request</u>
Information Technology	9,000	19,882	32,128	21,900
Overseas Facility Construction	34,000	61,883	26,400	55,800
Supplemental		16,600		
Total Obligations	43,000	98,315	58,528	77,700

For FY 2006, USAID requests \$77.7 million for its Capital Investment Fund. This fund uses no-year authority to provide USAID with greater flexibility to manage investments in information technology and facility construction. With CIF, USAID will:

- Fund new office facilities co-located on embassy compounds where new embassies are constructed as part of the Capital Security Cost Sharing program
- Build acquisition and assistance and financial management systems in full coordination with the Department of State
- Fund ongoing support for currently installed financial systems and upgrades to facilitate integration with the Department of State
- Undertake e-government initiatives to improve Agency operations and cost-effectiveness
- Upgrade IT equipment to modernize systems and enable participation in joint systems integration efforts

OPERATING EXPENSES

Dollars in Thousands				
	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Operating Expenses, New Budget Authority	589,282	604,748	611,944	680,735
Supplemental		40,000		
Total, Appropriated	589,282	644,748	611,944	680,735
Non-Appropriated Sources	63,873	61,553	111,081	50,499
Total, Obligations	653,165	706,301	723,025	731,234

Uses of Operating Expenses

The OE budget is comprised of:

- Overseas Operations, including field mission allocations, U.S. direct hire (USDH) salaries and benefits, and field mission relocations
- Washington Operations, including bureau/office allocations and USDH salaries and benefits
- Central Support, including the Development Readiness Initiative; security; information technology; Washington rent, utilities and other support costs; staff training; and other Agency costs

The table below shows the funding and USDH workforce levels from FY 2003 through FY 2006, followed by a brief description of each category and explanation of the FY 2006 funding request.

<u>Category</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Actual</u>	<u>FY 2005 Estimate</u>	<u>FY 2006 Request</u>
Overseas Operations				
Field Missions	258,368	274,904	272,643	269,050
USDH Salaries and Benefits	87,162	96,251	96,481	103,453
Field Mission Facility Relocations	4,150	6,843	10,090	2,000
Subtotal Overseas Operations	349,680	377,998	379,214	374,503
Washington Operations				
Washington Bureaus/Offices	16,394	19,830	13,015	12,961
USDH Salaries and Benefits	145,917	148,079	156,580	161,240
Subtotal Washington Operations	162,311	168,848	169,595	174,201
Central Support				
Development Readiness Initiative		2,139	18,000	23,300
Security	7,721	7,083	9,888	12,728
Information Technology	64,570	73,434	62,036	61,936
Staff Training	7,331	9,800	10,300	10,300
Washington Rent, Utilities, Support Costs	45,659	47,198	52,089	52,558
Other Agency Costs	14,795	17,209	21,458	21,263
Administrative Expenses for International Health	1,098	3,531	445	445
Subtotal Central Support	141,174	160,394	174,216	182,890
Total Obligations	653,165	706,301	723,025	731,234
Program-Funded U.S. Direct Hires (USDH)		305	37,500	94,650
Total with Program-Funded USDHs		706,606	760,525	825,884

<u>Category</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Actual</u>	<u>FY 2005 Estimate</u>	<u>FY 2006 Request</u>
U.S. Direct Hire Workforce (Operating Expenses)¹				
End-of-Year On-Board Levels	1,985	2,028	2,078	2,148
Estimated Full-Time Equivalent Workyears ²	1,980	2,001	2,018	2,086
Limited-Term Program-Funded Appointments				
End-of-Year On-Board Levels		8	260	435
Estimated Full-Time Equivalent Workyears		0	120	350

OVERSEAS OPERATIONS

Approximately 50% of the OE budget funds the Agency's overseas presence. This is comprised of the costs of maintaining field missions, USDH salary and benefits for foreign-service officers overseas, and mission relocations.

Field Missions (\$269 M)

- Salaries and benefits for Foreign Service National direct-hire staff and personal service contractors (PSCs) and U.S. PSCs. The FY 2006 request is \$106.7 million, or 40% of total mission funding.
- Residential and office rents, utilities, security guard costs, and communications. The FY 2006 request is \$54 million, or 20% of total mission funding. These costs are largely non-discretionary.
- Intergovernmental payments. The FY 2006 estimated cost is \$34.7 million or 13% of mission expenses. The majority is for payments of International Cooperative Administrative Support Services (ICASS). ICASS is the cost of administrative support provided to missions by other U.S. Government agencies (generally the Department of State). USAID's Working Capital Fund, which finances the costs associated with USAID's provision of services, is described later in this section.
- Operational travel and training. This category includes essential travel to visit development sites and work with host-country officials; other operational travel, including responses to disaster; and the costs of tuition and travel for training not sponsored by Washington. The FY 2006 request is \$21.5 million.
- Supplies, materials, and equipment. This category includes the cost of replacing office and residential equipment, official vehicles, IT hardware and software, general office and residential supplies and materials, and some security-related equipment. The FY 2006 request is \$15.2 million.
- Mandatory travel and transportation. This category includes travel and transportation expenses for post assignment, home leave, and rest and recuperation and the shipment of furniture and equipment. The FY 2006 request is \$16.9 million.
- Contractual support. This category includes mission requirements for data-entry assistance and other administrative support provided through contracts. The FY 2006 request is \$10.5 million.

¹ Includes Iraq positions funded through supplemental appropriations in FYs 2004 and 2005.

² A review of on-board counts throughout FY 2004 shows that FTE figures generated by USAID's automated tracking system, and subsequently reported to the Office of Personnel Management and in the President's budget, were undercounted. The chart reports the re-estimated FY 2004 FTE and uses the revised number as the basis for projecting slightly modified FY 2005 and FY 2006 estimates.

- Operation and maintenance of facilities and equipment. This category includes the cost of operating and maintaining facilities and equipment at overseas missions. The FY 2006 request is \$7.8 million.
- Miscellaneous. This includes medical costs, building renovations and printing. The FY 2006 request is \$1.8 million.

USDH Salaries and Benefits – Overseas (\$103 M)

- USDH Salaries and Benefits includes salaries and the Agency share of benefits, such as retirement, thrift savings plan, social security, and health and life insurance for approximately 700 Foreign Service Officers serving overseas. Overseas salaries also include various post differentials including "difficult to staff incentives" for FSOs willing to extend tours at posts where harsh living conditions deter personnel from seeking assignments. The FY 2006 request is \$103.4 million.

Field Mission Facility Relocations (\$2 M)

- In addition to recurring support requirements, USAID needs OE funds to move into interim office facilities and/or the purchase or construction of interim office buildings. These funds will provide for office relocation at priority security threat posts where the USAID mission is not collocated with the Embassy. These funds are separate from the proposed CIF account, which will be used exclusively for new office building construction on Embassy compounds. The FY 2006 request is \$2 million.

WASHINGTON OPERATIONS

Washington operations include USDH salaries and benefits for Washington staff, and travel, administrative supplies, and contract support for Washington offices and bureaus.

USDH Salaries and Benefits – Washington (\$161 M)

- USDH Salaries and Benefits includes salaries and the Agency share of benefits, such as retirement, thrift savings plan, social security, and health and life insurance, for approximately 1,400 general service and foreign service employees. The FY 2006 request is \$161.2 million.

Washington Bureaus/Offices (\$13 M)

- Operational and training travel. This category includes essential travel to visit missions and development sites, work with host country officials, participate in training, and other operational travel, including travel to respond to disasters. The FY 2006 request is \$5.2 million.
- Advisory and assistance services. This category includes manpower contracts and advisory services to support essential functions, such as preparation of the Agency's Financial Statements, voucher payment processing, and financial analysis. The FY 2006 request is \$7.8 million.

CENTRAL SUPPORT

Development Readiness Initiative (\$23 M)

The USAID multiyear DRI supports the Department of State's Diplomatic Readiness Initiative. Under this effort, USAID will expand its U.S. direct-hire staff by 70 in FY 2006 to allow the Agency to establish the required training and assignment float for entry-level programs (i.e., foreign service employees enter at the lowest levels and are promoted up the ranks like the military) and increase capacity to deal with emerging priorities. In FY 2004, USAID successfully completed the first stage of DRI, resulting in recruitment of 52 new staff above attrition of 169 (a rate of 30% above attrition).

The Development Readiness Initiative will strengthen the Agency's capacity to respond to crises and emerging priorities, cover staffing gaps, fill critical vacancies, and provide appropriate training. DRI includes the recruitment and hiring of qualified staff to replace retiring officers to expand staff to develop a surge capacity to meet urgent foreign policy demands. More critically, DRI will maintain the Agency's quality and flexibility of human resources and ensure that staff maximizes the professional skills needed to grow with job requirements. DRI will help USAID meet OPM's mandate to get the "right people in the right jobs with the right skills at the right time."

In FY 2006, USAID will:

- Hire 70 USDH staff over and above attrition
- Target hiring to fill the most critical skill gaps identified in FY 2004 and FY 2005
- Allocate 50-60 training positions in overseas missions to ensure that new officers are mentored appropriately before assuming leadership of offices and programs
- Continue to develop capacity to respond to new policy priorities and programs
- Reverse the staffing shortage by expanding and strengthening recruitment/hiring
- Train and develop new and current staff to be well-prepared to carry out USAID's 21st century mission

Security (\$13 M)

	<u>FY 2003</u> <u>Actual</u>	<u>FY 2004</u> <u>Actual</u>	<u>FY 2005</u> <u>Estimate</u>	<u>FY 2006</u> <u>Request</u>
Physical Security	6,246	5,815	8,498	10,885
Personnel Security	1,450	1,243	1,365	1,793
Information Security	<u>25</u>	<u>25</u>	<u>25</u>	<u>50</u>
Total SEC Budget	7,721	7,083	9,888	12,728

The USAID central security (SEC) budget for FY 2006 represents a continuing effort to protect USAID employees and facilities against global terrorism and national security information against espionage. The budget is allocated among three major categories as detailed below.

Physical security funding will cover (1) overseas security enhancement projects to deter intruders to USAID facilities; (2) upgraded Emergency & Evacuation (E & E) voice radio systems; (3) procurement of armored vehicles, and (4) security costs associated with USAID Headquarters in Washington, DC. In FY 2006, USAID will:

- Complete 17 physical security enhancement projects at overseas posts where field missions cannot collocate with U.S. embassies because of insufficient space and there are no current plans to construct new embassies.
- Upgrade communications systems at 20 missions to provide USAID employees with 24-hour access to U.S. Embassy E & E voice radio networks at work, at home, and during transit.
- Provide 20 armored vehicles to posts where the threat of terrorism, war, or civil disturbance is considered critical or high and conduct training courses for USAID armored-vehicle drivers to enhance their driving skills and ability to respond properly to emergency conditions.
- Provide security equipment and guard services for USAID headquarters to protect personnel, safeguard facilities, and protect sensitive and national security information.

Personnel security funding allows USAID to conduct required background investigations and periodic

update investigations for all U.S. direct-hire personnel. It also covers required pre-employment investigations and security clearances or employment authorizations for contractors who will work in USAID office space.

Information security funding allows USAID to maintain a mandatory security awareness program and Agency-wide interactive computerized training to protect national security and sensitive information.

Information Technology (\$62 M)

	FY 2003 <u>Actual</u>	FY 2004 <u>Actual</u>	FY 2005 <u>Estimate</u>	FY 2006 <u>Request</u>
IT Systems	18,052	30,937	16,272	16,172
IT Infrastructure	39,015	33,228	38,100	38,100
IT Architecture, Planning & IRM Program Management	<u>7,503</u>	<u>9,269</u>	<u>7,664</u>	<u>7,664</u>
Total IT Budget	64,570	73,434³	62,036	61,936

The USAID Information Technology (IT) budget for FY 2006 supports IT systems, infrastructure, and architecture, which is critical in helping USAID staff fulfill the Agency's mission.

IT Systems funding will support the management, operations, and maintenance of the suite of enterprise-wide, legacy, and database systems; and the design, development, programming, and implementation of small, automated information-management systems. USAID maintains about 33 financial, procurement, human resources, and other systems.

IT Infrastructure funding will support the worldwide telecommunications operations and centralized network and server platforms in Washington. Given the vulnerability of international operations, USAID will review and improve IT systems and organizational security measures.

IT Architecture, Planning and IRM Program Management funding will support the costs associated with configuration, contract, and project management.

Staff Training (\$10 M)

	FY 2003 <u>Actual</u>	FY 2004 <u>Actual</u>	FY 2005 <u>Estimate</u>	FY 2006 <u>Request</u>
Executive and Sr. Leadership	1,300	1,000	1,700	1,700
Acquisition/Assistance Management	1,058	1,091	1,500	1,500
Supervision	216	297	450	450
Managing for Results (PAL)	120	393	900	900
New Entry Professional (including travel)	614	775	875	875
Core Prof. Skills (Lang./Computer/Other)	1,658	1,705	2,100	2,100
Agency Reforms/Technical Training	450	450	800	800
Distance Learning	400	400	400	400
Training Support Services	325	745	1,000	1,000
Training-related Services	<u>300</u>	<u>475</u>	<u>575</u>	<u>575</u>
Total Staff Training Budget	6,441	7,331	10,300	10,300

Continued investment in training is central to the FY 2006 implementation of the Agency Human Capital Strategy. The FY 2005 completion of an overseas workforce assessment will form the basis for more robust workforce planning, corporate hiring strategies, and training programs. Training activities will ensure the Agency builds a more flexible workforce and enhances its capacity to respond

³ The FY 2004 total includes a \$12.5 million program-to-OE transfer for the Procurement Systems Improvement Project. It excludes \$7.1 million recovered from program funds for IT services provided to program-funded employees.

to the ever-increasing demands placed on USAID development experts. Training programs will focus on:

- Identifying the skills needed for a world-class 21st-century development agency
- Analyzing the gaps between skills needed and those available within the Agency
- Implementing the most cost-effective training models to close the skills gaps, including the use of the blended-learning approaches that combine classroom and distance learning
- Eliminating duplication in a variety of skills, project management, and leadership courses
- Designing and procuring a learning management system with a supporting database to accurately capture employee training data
- Re-establishing the After Hours tuition assistance programs

The training strategy will rebuild and retool the core of the Agency workforce and ensure that newly hired employees receive the training needed to do their jobs effectively. In FY 2006, USAID will:

- Train up to 220 new officers (70 DRI, 150 to replace attrition)
- Implement certification programs for senior leaders, program managers, technical officers and support staff (finance, project and contracting officers)
- Implement a new training program to meet the Administrator's commitment to train all supervisors
- Continue training in languages, security, and retirement planning
- Training staff in cultural sensitivity

Approximately 60% of the request will support the Human Capital Strategy while the remaining 40% will fund fixed recurring requirements, such as language and security training.

Washington Rent, Utilities, and Support Costs (\$53 M)

USAID will sign a new five-year occupancy agreement in FY 2006, upon General Services Administration (GSA) determination of new step rates. In FY 2006, office rent, utilities, and guard services for public areas in the Ronald Reagan Building and metropolitan-area warehouse space will cost about \$41.6 million, 79% of this budget category. GSA rent includes Department of Homeland Security charges for building-specific security, which is estimated to increase by \$2 million from FY 2005 due to increased security measures after the 9/11 attacks. The remainder of this account also is relatively fixed, required for building and equipment maintenance and operations costs, postal fees, APO costs, bulk supplies, transit subsidies, health and safety, and other general support costs for headquarters personnel.

Other Agency Costs (\$22 M)

The budget request for other agency costs covers primarily mandatory costs, the largest being payments to the Department of State for administrative support and Dispatch Agent fees and Department of Labor for employee medical and compensation claims relating to job-related injury or death. This category also includes travel and related costs for retiring Foreign Service Officers, costs associated with the Foreign Service panels, and funding for medical, property, and tort claims.

This category also covers legislative and public affairs support, including the costs of publications and travel to accompany Congressional delegations. In addition, it includes \$1.9 million for potential extraordinary audit costs for Office of Inspector General expenses.

Program-Funded U.S. Direct Hires (\$95 M)

To supplement the Agency's DRI, the FY 2005 Foreign Operations legislation provides USAID with a Non-Career Foreign Service Officer hiring authority. This authority allows USAID to use program funds to convert up to 175 personal services contractor or other non-USDH positions into limited-term

direct-hire appointments. This authority follows FY 2004 appropriation language that allowed USAID to use program funds to employ 85 limited-term direct-hire employees in FY 2004.

With these authorities in FY 2004, FY 2005, and FY 2006, the Agency will increase its USDH workforce by 435 by FY 2006, while decreasing its non-USDH workforce by 350 over the same period. While this will increase obligations for direct-hire personnel by \$94.65 million, it will represent a decrease in total personnel costs, as more PSC and other non-USDH staff are replaced with limited-term direct-hire employees. Decreasing the number of hiring authorities used by the Agency also will save resources by decreasing administrative complexity.

FUNDING SOURCES FOR OPERATING EXPENSES

USAID's operating expenses are financed from several sources, including new budget authority, local currency trust funds, reimbursements for services provided to others, recoveries of prior year obligations, and unobligated balances carried forward from prior year availabilities. The table below shows the details.

USAID estimates local currency trust funds at \$22.554 million, a \$4.138 million decrease from FY 2005. The Agency anticipates estimated recoveries of \$12 million during FY 2005 available for use in FY 2006, compared to \$16.3 in FY 2004. In addition, several provisions in the program accounts make additional funds available for administrative expenses. Those provisions total \$15.445 million.

Funding Sources for Operating Expenses (\$000)

<u>Category</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Actual</u>	<u>FY 2005 Estimate</u>	<u>FY 2006 Request</u>
Appropriated Operating Expenses	596,500	644,100	618,000	680,735
Rescission	-3,718	-3,564	-4,944	
Availability - New Budget Authority OE	592,782	640,536	613,056	680,735
Appropriation Transfers	-3,500	-788	-1,112	
Unobligated Balance				
Obligations - New Budget Authority OE	589,282	639,748	611,944	680,735
DA funds used for Envir. Travel/Non Presence	977	3,454	320	320
DA funds - Program Transfer		21,848		
FSA funds - Program Transfer		5,000		
CSH funds used for Child Survival Travel	121	77	125	125
CSH funds used for HIV/AIDS	1,260	4,611		
IDA funds used for southern Africa	82			
ESF funds used for East Timor	825	509	1,000	1,000
ESF funds used for Pakistan	1,326			
Andean Counterdrug Initiative	4,471	4,473	7,800	7,800
Local Currency Trust Funds (Recurring)	24,168	26,008	26,692	22,554
Reimbursements	5,528	7,566	6,100	6,200
Reimbursements - Iraq		20,812		
Unobligated Balance - Start of Year	34,231	24,922	69,044	12,500
Recovery of Prior Year Obligations	15,816	16,317	12,000	12,000
Ending Balance - Current Year Recoveries	-15,816	-16,317	-12,000	-12,000
Ending Balance - Other Funds	-9,106	-52,727		
Obligations - Other Funding Sources	63,883	66,553	111,081	50,499
Total Obligations	653,165	706,301	723,025	731,234
Funding for Program-funded U.S. Direct Hires		305	37,500	94,650

Capital Investment Fund

USAID utilizes the Capital Investment Fund to modernize and improve information technology (IT) systems and finance construction of USAID buildings overseas in conjunction with the Department of State. Prior to FY 2003, these activities were funded from the OE account. These no-year funds provide greater flexibility to manage investments in technology systems and facility construction not allowed by the annual appropriation for Operating Expenses.

Capital Investment Fund (\$ in thousands)

<u>Category</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Actual</u>	<u>FY 2005 Estimate</u>	<u>FY 2006 Request</u>
Information Technology	9,000	19,882	32,128	21,900
Overseas Facility Construction	34,000	61,883	26,400	55,800
Supplemental		16,600		
Total Obligations	43,000	98,315	58,528	77,700

Information Technology (IT)

Separating improvement funds from on-going operations funds allows the Agency funding certainty independent of operational cost fluctuations. In FY 2006, USAID will support the following IT systems and infrastructure initiatives:

	<u>FY 2003 Actual</u>	<u>FY 2004 Actual</u>	<u>FY 2005 Estimate</u>	<u>FY 2006 Request</u>
IT Systems				
Joint Acquisition & Assistance Management System				5,000
Joint Financial Management System			1,000	6,500
Financial System Integration (Phoenix)	5,900	12,000	13,300	2,600
Procurement System Improvement	500	2,500	9,600	
Executive Information System			442	
E-Government Initiatives/ Lines of Business	500	2,082	2,319	2,491
Subtotal IT Systems	6,900	16,582	26,661	16,591
IT Infrastructure				
USAID/DOS Infrastructure Collaboration	600		1,147	
E-Clearance				100
E-Authentication			520	1,009
IT Technology Refresh				4,200
Subtotal IT Infrastructure	600	0	1,667	5,309
IT Architecture and Planning				
Business Systems Modernization Through Enterprise Architecture	1,500	3,300	3,000	
Joint State/USAID Enterprise Architecture			800	
Subtotal IT Architecture and Planning	1,500	3,300	3,800	0
TOTAL	9,000	19,882	32,128	21,900

IT Systems

Joint Acquisition and Assistance Management System: Under the Joint Acquisition and Assistance Management Systems (JAAMS), USAID and the Department of State will use a common platform to build a comprehensive acquisition and assistance management system to support planning, collaboration, tracking, and administering acquisition and assistance awards. This will enable USAID and State to manage successfully international economic development and foreign and humanitarian assistance programs.

Joint Financial Management System: Under the Joint Financial Management System, USAID and the Department of State will utilize a common technical platform to manage all domestic and overseas financial management activities starting in FY 2006. This investment combines the former State Department Global Financial Management System and USAID Phoenix investments into one common technical platform located at the State Department Financial Services Center in Charleston, SC.

Financial Systems Integration (Phoenix): USAID will continue modernizing its business systems worldwide through the expansion of Phoenix, the Agency's web-based and integrated financial management system. Coordinated through joint USAID and Department of State planning efforts, Phoenix will provide accurate financial information to support Agency decisions to achieve USAID/State's strategic goals and objectives in a more cost efficient and effective manner. The project funds both the ongoing support for currently installed financial systems and upgrades needed for collaboration with the Department of State.

E-Gov Initiatives: As a contributing partner, USAID will provide funding for several E-gov initiatives to improve agency operations and benefit from the cost effectiveness of electronic government technologies. The projects undertaken include:

E-Authentication -- A Federal government multi-agency initiative to establish a method for satisfactorily establishing "identity" for the purpose of e-government transactions and establishing common interoperable authentications solutions for all e-government projects.

E-Grants -- A Federal government multi-agency initiative to create an electronic grants portal for grant recipients and grant-making agencies.

E-Training -- A Federal government multi-agency online initiative to provide employees access to training products and services to help them perform their jobs and support USAID goals.

E-Travel -- A Federal government multi-agency initiative to create a common Federal-government travel management system to allow for simplified processes and less expensive operations.

Integrated Acquisition Environment -- A Federal government multi-agency project to facilitate the sharing of common data elements to enable agencies to make more informed procurement, logistical, payment, and performance decisions and maximize use of e-market approaches.

Recruitment One-Stop -- A Federal multi-agency project that improves the hiring process by improving the functionality of the Federal automated employment information system.

IT Infrastructure

IT Technology Refresh: USAID will upgrade its IT equipment to modernize its systems, eliminate critical security vulnerabilities, and fully participate in joint systems integration efforts with the Department of State. Due to prior budget constraints, the Agency's infrastructure is becoming increasingly outdated, putting planned systems and business operations at risk. This technology refresh (which refers to the industry practice of upgrading aging hardware and software) will help ensure the reliable performance of USAID's IT infrastructure.

Facilities Construction

The Secure Embassy Construction and Counterterrorism Act of 1999 requires the construction of new USAID office facilities to be collocated on embassy compounds when new embassies are constructed. The FY 2006 request of \$55.8 million will support full USAID participation in the second year of the Capital Security Cost Sharing Program. In FY 2006, the following seven new embassy compounds are scheduled in countries with USAID presence: Kigali, Rwanda; Lusaka, Zambia; Mexico City, Mexico; Sarajevo, Bosnia; Abuja, Nigeria; Accra, Ghana; and Tbilisi, Georgia. This funding is critical to provide secure, safe and functional workspaces for USAID employees and comply with the Act of 1999.

WORKING CAPITAL FUND

The Agency's Working Capital Fund (WCF) is authorized by Section 635(m) of the Foreign Assistance Act of 1961, as amended. The fund finances, on a reimbursable basis, the costs associated with providing administrative support to other agencies under the International Cooperative Administrative Support Services (ICASS) program overseas. Under ICASS, each agency pays a proportionate share of the cost of services it has agreed to receive. Working through inter-agency councils at post, all agencies have a voice in determining the services the USAID mission will provide, defining service standards, reviewing costs, and determining funding levels. The WCF is a no-year fund that permits unobligated monies to be carried over from one year to the next, an advantage that provides fiscal flexibility and increases opportunities to establish multi-year planning. It also enables managers to make long-term decisions without the constraints of the annual fiscal year cycle.

USAID-provided services include building operations, information management, administrative supplies, non-expendable property management, travel services, and customs clearance. At the end of FY 2004, eight USAID missions used the WCF to offer administrative services.

During FY 2004, gross receipts into the WCF totaled approximately \$5 million. While virtually all funds were required to cover the actual cost of providing service, over time the Agency anticipates that modest surpluses will accumulate through charging depreciation to customers and proceeds from the sales of assets. Missions will invest these surpluses in infrastructure improvements to further increase the effectiveness and efficiency with which services are delivered.

As a result of a Department of State-USAID pilot initiative to consolidate administrative service activities, in FY 2005, USAID will obtain more services from State ICASS and take over as a service provider for a limited number of administrative activities in at least three more missions. The pilot is expected to expand further in FY 2006, with the possibility that four to eight more USAID missions will receive Working Capital Funds. The initiative seeks to reduce the combined cost of the two current administrative platforms.

The WCF receives a portion of its income from deposits of rebates from the use of Federal credit cards. These funds are dedicated to management oversight of existing Working Capital Fund missions, training, and assistance with start-up costs for missions ready to provide ICASS services.

OPERATING EXPENSES OF THE INSPECTOR GENERAL

Dollars in Thousands

Funding Categories	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 REQUEST
Appropriation	33,083	34,794	34,720	36,000
Prior year balances and recoveries	4,917	9,682	6,189	1,484
Supplementals and transfers	5,097	1,639	1,112	
TOTAL	43,097	46,115	42,021	37,484

The Office of Inspector General (OIG), U. S. Agency for International Development (USAID), FY 2006 appropriation request is \$36 million. This request will allow the OIG to accomplish its mandatory and some urgent priority audit and investigative work and reduce USAID's, the African Development Foundation's (ADF), and the Inter-American Foundation's (IAF) exposure to fraud and waste. This request will also enable the OIG to increase the credibility of and confidence in those programs operating in highly vulnerable areas of the world.

Established under the Inspector General Act of 1978, the OIG is tasked to: (1) conduct audits and investigations relating to the programs, operations and personnel of USAID, ADF, and IAF; (2) provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency and effectiveness and to detect waste, fraud and abuse in the programs and operations of USAID, ADF, and IAF; and, (3) provide a means for keeping the USAID Administrator, Foundation Directors, and the Congress fully and currently informed about problems and deficiencies relating to USAID, ADF, and IAF.

The OIG's goal is to promote and preserve the integrity, effectiveness and efficiency of USAID, ADF, and IAF. The OIG assists USAID, ADF, and IAF with the implementation of its strategies for economic development and provides managers with information and recommendations that improve program and operational effectiveness and efficiency. During FY 2004, with obligations of \$39.9 million from Appropriation plus carry-over funds, OIG audits and investigations of contracts, contractors, grantees and program operations led to more than \$56.1¹ million in monetary findings, questioned costs, funds put to better use, and civil restitution payments and penalties.

For USAID's FY 2004 consolidated financial statements, the OIG issued unqualified opinions on all five of USAID's principal financial statements. It is still extremely important for USAID to implement a single agency wide financial management system to provide timely and useful information to USAID managers.

USAID continues to play a critical and central role in the relief and reconstruction efforts in Iraq and Afghanistan. The economic and political instability that exists in these countries and USAID's need to rapidly expand and implement its programs to address immediate needs increase the vulnerability to corruption. To ensure effective use of U.S. funds, the OIG is devoting considerable audit and investigative resources overseeing both programs. The OIG established a continuous on-the-ground presence in Baghdad in August 2003 and continues with periodic visits to oversee major program activities in Afghanistan. Additionally, for both programs, the OIG is overseeing an extensive program of contracted financial audits to closely monitor program expenditures.

The OIG is also closely monitoring USAID's participation in the President's Emergency Plan for AIDS Relief through a recent pilot audit in Ethiopia and contacts with USAID's Washington bureaus and field missions.

Work continues on our proactive fraud awareness activities with excellent results. During FY 2004, in an effort to reduce fraud and illegal activity, through proactive initiatives the OIG staff conducted fraud

¹ The \$56.1 million in identified monetary findings includes \$42.7 million from audit and \$13.4 million from investigations. USAID management agreed to \$13.2 million of monetary audit findings during FY 2004.

awareness training sessions for more than 2,200 participants. The participants were USAID employees, grantees, and contractors worldwide. The ultimate goal of our fraud awareness program is to educate employees, contractors, and grantees to a point that we eliminate fraudulent activity from USAID's programs.

By law this office is also the Inspector General for the Millennium Challenge Corporation (MCC). In a separate submission through the MCC, we have detailed our reimbursement request for FY 2006.

**Office of Inspector General
(\$000)**

Funding by Category

	FY 2003 Actual	FY 2004 Actual	FY 2005 Request	FY 2006 Request
Appropriation	33,300	35,000	35,000	36,000
Rescission	(216)	(206)	(280)	
Transfer & supplementals	5,097	1,639	1,112	
Disaster Assistance funds carried-over from prior years	309	309	295	295
No-Year/multi-year funds carried-over from prior year	3,153	7,501	5,894	1,189
Prior-Year Obligations Recovered	1,454	1,858		
Lapse of multi-year funds	0			
Collections		14		
Total Available Funds	43,097	46,115	42,021	37,484
Obligations - OE funds	(31,651)	(33,789)	(34,644)	(36,296)
Obligations - transfer & supplementals	(1,076)	(55)	0	
Obligations - Disaster Assistance	0	(14)	0	0
Obligations - No-year/multi-year funds	(2,560)	(6,068)	(5,893)	(1,188)
Total Obligations	(35,287)	(39,926)	(40,537)	(37,484)
End-of-year Carry Forward	7,810	6,189	1,484	0

Obligations by Location

	FY 2003 Actual	FY 2004 Actual	FY 2005 Request	FY 2006 Request
Washington Costs	7,610	8,132	7,437	7,667
Centrally Funded Personnel Costs	19,767	21,225	21,390	20,107
TOTAL WASHINGTON	27,377	29,357	28,827	27,774
Regional Inspector Generals				
Baghdad			1,144	945
Pretoria, South Africa	836	1,480	1,501	1,566
Dakar, Senegal	1,147	1,288	1,329	1,505
Manila, Philippines	931	870	1,149	1,238
Cairo, Egypt	1,079	1,077	1,130	1,196
Budapest, Hungary	1,825	1,812	1,859	
Frankfurt, Germany			1,094	2,063
San Salvador, El Salvador	1,460	1,263	1,354	1,197
Disaster Assistance	0	14	0	0
Iraq, West Bank Gaza, Afghanistan	633	2,765	1,150	0
TOTAL OVERSEAS	7,910	10,569	11,710	9,710
TOTAL OIG FUNDING	35,287	39,926	40,537	37,484

Office of Inspector General

Funding by Object Class
(\$000)

OCC	Category	FY 2003 Actual			FY 2004 Actual			FY 2006 Request			FY 2006 Request		
		Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total
11.1	Compensation, full-time permanent U.S. Direct Hire	9,883	4,435	14,318	10,848	4,787	15,633	10,883	4,811	15,494	9,904	4,863	14,767
11.5	Other personnel compensation U.S. Direct Hire	784	353	1,137	448	301	747	493	327	820	488	338	824
11.8	Other Compensation PSCs	0	744	744	0	797	797	0	830	830		891	891
12.1	Personnel benefits												
	U.S. Direct Hire:												
	Retirement Costs	1,503	674	2,177	1,945	867	2,812	1,932	877	2,809	1,921	798	2,887
	Health and Life Insurance	1,125	505	1,630	798	355	1,151	908	359	1,285	765	341	1,108
	Education Allowances	0	247	247	0	284	284	0	289	289	0	256	256
	Other Benefits	349	287	636	878	334	1,012	776	330	1,106	643	324	967
	Sub-Total	2,977	1,713	4,690	3,419	1,820	5,239	3,614	1,835	5,449	3,209	1,737	4,948
	Total Personnel Compensation	13,644	7,245	20,889	14,711	7,705	22,416	14,790	7,803	22,593	13,601	7,827	21,428
21.0	Travel and Transportation of Persons												
	Operational Travel	357	1,191	1,548	318	1,394	1,710	644	1,828	2,272	514	1,689	2,183
	Training Travel	13	11	24	0	104	104	0	158	158	32	144	178
	Sub-Total	371	1,202	1,572	318	1,498	1,814	644	1,784	2,428	546	1,813	2,359
22.0	Transportation of Things												
	Post Assignment/Home Leave Freight	0	528	528	0	555	555	0	898	898	0	741	741
	Shipment of Furniture and Equipment	0	38	38	0	6	6	0	0	0	0	113	113
	Sub-Total	0	566	566	0	561	561	0	898	898	0	854	854
	Total Travel and Transportation	371	1,767	2,138	318	2,059	2,375	644	2,680	3,324	546	2,667	3,213

Office of Inspector General

Funding by Object Class
(\$000)

OCC	Category	FY 2003 Actual			FY 2004 Actual			FY 2005 Request			FY 2006 Request		
		Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total
23.1	Rental Payments to GSA	1,991	0	1,991	2,163	0	2,163	2,277	0	2,277	2,292	0	2,292
23.2	Rental Payments to Others	0	1,621	1,621	0	1,815	1,815	0	2,085	2,085	0	2,009	2,009
	Sub-Total	1,991	1,621	3,613	2,163	1,815	3,978	2,277	2,085	4,362	2,292	2,009	4,301
23.3	Communications, Utilities, and Misc. Charges												
	Office and Residential Utilities	0	134	134	0	163	163	0	190	190	0	197	197
	Telephone Costs	0	29	29	11	34	45	2	27	29	3	29	32
	Other	8	11	19	8	7	15	5	9	14	0	13	13
	Sub-Total	8	173	182	19	204	223	7	226	233	3	239	242
	Total Rent, Communications, and Utilities	2,000	1,794	3,794	2,182	2,019	4,201	2,284	2,311	4,595	2,295	2,248	4,543
24.0	Printing and Reproduction	29	3	32	16	0	16	50	1	51	52	1	53
25.1	Advisory and Assistance Services:	1,492	0	1,492	824	578	1,402	637	921	1,558	396	0	396
25.2	Other Services												
	Office and Residential Security Guards	0	131	131	0	149	149	0	163	163	0	166	166
	Staff Training	328	2	330	245	15	260	452	15	467	282	33	315
	ADP Systems Design/Analysis	0	0	0	0	0	0	0	0	0	0	0	0
	Other	331	115	447	222	152	374	712	171	883	1,835	23	1,858
	Sub-Total	659	248	908	467	316	783	1,164	349	1,513	2,117	222	2,339
25.3	Purchase of Goods and Svcs from Gov't. Accts.												
	International Cooperative Admin. Supp. Svcs	242	1,111	1,353	262	1,166	1,428	275	1,206	1,481	239	1,260	1,499
	Other Services	1,604	981	2,585	2,175	2,915	5,090	2,857	1,434	4,291	2,033	1,488	3,521
	DCAA and CFO Audits	586	396	982	1,076	0	1,076	0	0	0	0	0	0
	Sub-Total	2,432	2,488	4,920	3,513	4,081	7,594	3,132	2,640	5,772	2,272	2,748	5,020
25.4	Operations and Maintenance of Facilities	0	31	31	0	33	33	0	27	27	0	43	43
25.6	Medical Care	0	8	8	0	88	88	0	0	0	0	0	0
25.7	Operation/Maintenance of Equipment & Storage												
	ADP and Telephone Systems	8	0	8	10	0	10	70	0	70	98	0	98
	Office & Residential Furniture and Equipment	42	8	48	81	69	150	40	147	187	0	1	1
	Other Operations/Maintenance Costs	0	20	20	0	0	0	0	0	0	0	0	0
	Sub-Total	49	27	76	91	69	160	110	147	257	98	1	99

Office of Inspector General

Funding by Object Class
(\$000)

OCC	Category	FY 2003 Actual			FY 2004 Actual			FY 2005 Request			FY 2006 Request		
		Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total
	Total Contractual Services	4,832	2,802	7,436	4,896	5,186	10,060	5,043	4,084	9,127	4,883	3,014	7,897
26.0	Supplies and Materials	117	86	203	64	30	94	79	26	105	56	48	104
31.0	Purchase of Equipment												
	ADP Hardware/Software	455	101	556	659	31	690	694	28	723	244	3	247
	Other Office/Residential Furniture/Equip.	6	233	239	0	74	74	0	20	20	0	0	0
	Sub-Total	461	334	795	659	105	764	694	48	742	244	3	247
32.0	Lands and Structures	0	0	0	0	0	0	0	0	0	0	0	0
42.0	Insurance Claims & Indemnities	0	2	2	0	0	0	0	0	0	0	0	0
	Total Acquisition of Assets	578	421	999	723	135	858	773	74	847	300	51	351
	Total Costs	21,253	14,034	35,287	22,843	17,083	39,926	23,584	16,953	40,537	21,877	15,807	37,484

Office of Inspector General

Staffing Levels

<u>Organization</u>	<u>FY 2003 Actual</u>				<u>FY 2004 Actual</u>				<u>FY 2006 Estimate</u>				<u>FY 2006 Request</u>			
	<u>U.S.</u>		<u>Foreign</u>		<u>U.S.</u>		<u>Foreign</u>		<u>U.S.</u>		<u>Foreign</u>		<u>U.S.</u>		<u>Foreign</u>	
	<u>Direct Hire</u>	<u>PSCs</u>	<u>PSCs</u>	<u>Total</u>	<u>Direct Hire</u>	<u>PSCs</u>	<u>PSCs</u>	<u>Total</u>	<u>Direct Hire</u>	<u>PSCs</u>	<u>PSCs</u>	<u>Total</u>	<u>Direct Hire</u>	<u>PSCs</u>	<u>PSCs</u>	<u>Total</u>
Washington Offices																
Inspector General	7			7	4			4	4			4	5			5
Legal Counsel	3			3	3			3	2			2	3			3
Management	27			27	28			28	27			27	27			27
Audit	63			63	67			67	68			68	68			68
Investigations	20			20	18			18	20			20	20			20
Total Washington	120	0	0	120	120	0	0	120	121	0	0	121	123	0	0	123
Overseas Regions																
Africa	16	0	6	21	14	0	7	21	16	0	8	24	16	0	8	24
Pratoria	9		2	11	8		3	11	10		4	14	10		4	14
Dakar	6		4	10	6		4	10	6		4	10	6		4	10
Asia/Near East	23	0	9	32	21	0	9	30	20	0	9	29	20	0	9	29
Manila	9		5	14	9		5	14	9		5	14	9		5	14
Cairo	14		4	18	12		4	16	11		4	15	11		4	15
Europe/E&E	11	1	2	14	9	1	2	12	11	0	3	14	11	0	3	14
Budapest	11	1	2	14	9	1	2	12				0				0
Frankfurt									11		3	14	11		3	14
Latin American & Caribbean	10	0	4	14	7	1	4	12	8	0	4	12	8	0	4	12
San Salvador	10		4	14	7	1	4	12	8		4	12	8		4	12
Iraq					7	0		7	9	0	2	11	9	0	2	11
Baghdad					7			7	9		2	11	9		2	11
Total Overseas	59	1	21	81	58	2	22	82	64	0	26	90	64	0	26	90
Total Worldwide	179	1	21	201	178	2	22	202	185	0	26	211	187	0	26	213

**FOREIGN SERVICE
RETIREMENT AND DISABILITY FUND¹**

**Foreign Service Retirement and Disability Fund
(Thousand Dollars)**

FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
45,200	43,859	42,500	41,700

In FY 1974, amendments to the Foreign Assistance Act of 1961, as amended, permitted USAID career foreign service employees to become participants in the Foreign Service Retirement and Disability Fund.

The extension of coverage to USAID employees created an unfunded liability in the system. An actuarial determination by the Department of the Treasury shows that in FY 2006, \$41,700,000 will be required to amortize this liability and the unfunded liability created by pay raises and benefit changes since FY 1974.

For FY 2006, USAID is requesting an appropriation of this amount.

¹ Authorized by Chapter 8 of the Foreign Service Act of 1980.

INTERNATIONAL DISASTER AND FAMINE ASSISTANCE

The International Disaster and Famine Assistance (IDFA) account is the lead account for responses by the U.S. Government to non-food disasters in foreign countries. The funding for most of these USAID disaster responses is managed by the Office of U.S. Foreign Disaster Assistance (OFDA) of the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA).

In recent years, there has been a succession of disasters which have led to supplemental appropriations in the IDFA account. In FY 2003, Afghanistan and Iraq required substantial disaster assistance. In FY 2004, Liberia and Sudan received special funding (\$200 million and \$20 million, respectively) through the supplemental appropriations for Iraq. Most of the \$200 million for Liberia was budgeted by USAID's Bureau for Africa, and is explained in more detail in the Africa section of the CBJ, as is an additional \$70 million provided for Sudan in FY 2004 through the FY 2005 appropriations legislation for the Department of Defense.

The \$20 million Sudan funding has addressed two major disasters – the problems arising from the war between the Government of Sudan and the Sudanese people in the southern part of the country, and the requirements arising from the crisis in Darfur in the western part. IDFA funding in response to the needs in Sudan has been split three ways, with some of the funding transferred to the U.S. Department of State for peace-keeping operations in Darfur, and the rest of the funding divided between the Africa and DCHA Bureaus.

Beginning in FY 2004, famine prevention and relief assistance was added to the account as a separate component. In FY 2004, \$19.882 million was obligated by the USAID mission in Ethiopia for famine prevention activities. This is explained in more detail in the Africa section of the CBJ.

For FY 2005, the Congress has appropriated \$484.9 million in IDFA funding. Of this, \$197.3 million has been budgeted for Sudan, including Darfur. Another \$153.4 million will be used by the DCHA Bureau for general disaster response purposes. The \$34.2 million famine prevention and relief funds for FY 2005 are currently being programmed in line with the Administration's guidelines that the funds seek innovative, catalytic opportunities and not be guaranteed to the same activity from one year to the next. The final component consists of \$100 million in supplemental funding which the Congress appropriated in response to the disasters caused by hurricanes and tropical storms in the Caribbean region.

The FY 2006 request for \$655.6 million for IDFA also consists of four components. First there is the traditional component for responding to disasters around the world. This request for \$235.5 million will be administered by OFDA. The next component (\$100 million) is being requested for activities in Sudan as implementation of peace-related activities continues. The third component, \$20 million for famine prevention and relief, is a contingency fund intended to mitigate or prevent famine, subject to White House concurrence. The final component consists of a request for \$300 million for cash food aid to permit USAID to provide assistance in the most timely and efficient manner to the most critical emergency food crises. This assistance will be used in those instances where the rapid use of funds is critical to saving lives; such assistance may consist of purchasing food locally.

INTERNATIONAL DISASTER AND FAMINE ASSISTANCE
PROGRAM SUMMARY
(In thousands of dollars)

	FY 2003 <u>Actual</u>	FY 2004 <u>Actual</u>	FY 2005 <u>Current</u>	FY 2006 <u>Request</u>
International Disaster Assistance (IDA)	288,115	--	--	--
- Worldwide	[146,115]	[--]	[--]	[--]
- Afghanistan	[60,000]	[--]	[--]	[--]
- Iraq	[82,000]	[--]	[--]	[--]
IDA - Wartime Supplemental (P.L. 108-11)	143,800	--	--	--
International Disaster and Famine Assistance (IDFA)	--	253,993	384,896	355,500
- Worldwide	[--]	[234,111]	[232,816]	[235,500]
- Sudan/Darfur a/	[--]	[--]	[117,856]	[100,000]
- Famine Prevention and Relief	[--]	[19,882]	[34,224]	[20,000]
IDFA - Emergency Supplemental (P.L. 108-106)	--	220,000	--	--
- Liberia	[--]	[200,000]	[--]	[--]
- Sudan	[--]	[20,000]	[--]	[--]
IDFA - Sudan Supplemental (P.L. 108-287)	--	70,000	--	--
IDFA - Hurricane Supplemental (P.L. 108-324)	--	--	100,000	--
IDFA - Emergency Food Assistance b/	--	--	--	300,000
Total	----- 431,915	----- 543,993	----- 484,896	----- 655,500

a/ Additional assistance above baseline emergency assistance.

b/ Previously requested for P.L. Title II, this funding is for emergency food assistance where the rapid use of cash assistance is critical for saving lives.

Transition Initiatives

	\$ Thousands		
	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Africa			
Ethiopia	--	--	25,000
Sudan	--	--	70,000
Subtotal Africa	--	--	95,000
Asia/Near East			
Afghanistan	--	--	150,000
Subtotal Asia/Near East	--	--	150,000
Latin America/Caribbean			
Haiti	--	--	30,000
Subtotal Latin America/Caribbean	--	--	30,000
Office of Transition Initiatives	54,676	48,608	50,000
Total	54,676	48,608	325,000

Note: The FY 2006 request includes funding that was formerly in Development Assistance. The comparable FY 2004 actual levels are: Ethiopia (\$18.4 million), Sudan (\$50.3 million), Afghanistan (\$148.8 million), and Haiti (\$8.9 million). The comparable FY 2005 estimates are Ethiopia (\$30.5 million), Sudan (\$70.0 million), Afghanistan (\$165.8 million), and Haiti (\$25.0 million).

The Transition Initiatives (TI) account provides support to countries that are confronting crisis or are in transition from crisis to transformational development. Traditional forms of humanitarian aid and development assistance are not well suited to these periods. This account provides a mechanism that retains the responsiveness and flexibility of humanitarian aid, but with a focus on addressing the causes of crisis, advancing democratic governance, and managing conflict within environments that are often highly charged and fluid.

The FY 2006 request proposes to expand the TI account to fund programs that address elements of fragility in four key states that are strategically important to the United States: Afghanistan, Ethiopia, Haiti and Sudan. This request is in addition to the request for TI to support programs administered by the Office of Transition Initiatives (OTI). USAID's request to expand the TI account will involve a shift in resources budgeted in previous years under the Development Assistance (DA) account for these four states to the TI account in FY 2006. USAID proposes this shift as an initial step toward implementing the Agency's vision of more clearly aligning its operational goals, resources and results with the development context in which it operates.

Many countries where USAID works confront or are vulnerable to crisis, which can take different forms: conflict and insecurity, governance and economic crisis, or famine. Moreover, local conditions can change quickly, requiring USAID to adapt quickly to both challenges and opportunities as they emerge. Given these distinct realities, USAID's goals in these settings need to differ from those in more stable transformational development states. These goals include enhancing stability and security, advancing opportunities for reform when they arise, developing capacity of essential institutions and infrastructure, and hastening programming response to crisis. Successful implementation of these initiatives will also require greater resource responsiveness and flexibility to better position USAID to adapt its programs to often rapidly changing local conditions.

Rather than create a new account, USAID determined that the expansion of the existing TI account would accomplish the goal of more rapid, flexible response in these settings. Expanded TI will allow for greater

program focus on the sources of crisis, high-impact and visible results, and rapid response, particularly as requirements for on-the-ground impact change. Expanded TI will also better position USAID to support a range of political, economic, social and security initiatives aimed at the conditions that make countries vulnerable to crisis. This may include building the capacity of governance institutions, promoting economic growth and effective management of natural resources, improving the provision of key social services, such as education and supporting civil society actors in reform initiatives. This support may also include advancing peace-building, transitional governance and reconstruction initiatives.

Afghanistan, Sudan, Haiti and Ethiopia represent four states that are currently recovering from or vulnerable to crisis and require programs oriented to advancing lasting recovery and that can be redirected quickly in the face of new challenges and emerging opportunities which are unique to each country. This requires flexibility that is not readily available within the DA account, which is used to fund long term investments appropriate for transformational development. Using TI account funds in these states will enable USAID to better direct and quickly redirect programs to address elements of fragility in these four states that are strategically important to the U.S., thereby increasing the effectiveness of the assistance provided. USAID therefore believes that TI resources are more appropriate than DA resources for these countries. In addition to TI funds, these states also may receive funds from one or more of the following accounts: Child Survival and Health, the Economic Support Fund, and International Disaster and Famine Assistance.

The primary objective for the use of TI resources in Afghanistan, Ethiopia, Sudan and Haiti is to enhance stability and security, advance opportunities for reform, and develop capacity of essential institutions and infrastructure. USAID plans the following programs in FY 2006, to be managed by USAID missions:

- *Afghanistan (\$150 million):* Afghanistan is entering its third year since the fall of the Taliban and the end of 23 years of civil war. The most important development in the post-Taliban era occurred this past October with the completion of highly successful Presidential elections. Despite remarkable progress in a short time, much work remains to rebuild the country's social fabric and infrastructure and chart a successful transition to democratic self-rule. Transition Initiatives funds, comprising twenty-four percent of the total request for Afghanistan, will provide the necessary resource flexibility and programmatic integration to support Afghanistan's economic and political transition. TI resources will be used in combination with resources from other accounts in FY 2006 to:
 - support economic growth by expanding rural incomes, improving access to economic and social infrastructure, and assisting with economic policy and regulation reforms;
 - improve access to basic education;
 - provide alternative livelihoods options to poppy cultivation through small business development, public works and infrastructure support, production of competitive agricultural products, and greater public access to credit and financing institutions; and
 - strengthen public and private institutions necessary for democratic governance through enhancing capacity within the justice sector, supporting decentralization and local government, and strengthening civil society.

Transition Initiatives funds are a particularly important resource for USAID in Afghanistan, where political and economic conditions remain fluid. The flexible nature of the TI account ensures that USAID can quickly adjust aspects of the program such as geographic focus, implementation tactics, or the amount of funding for a particular sub-sector if country conditions change significantly or new needs arise that are critical to ensuring stability.

- *Ethiopia (\$25 million):* During the last 30 years, the cycle of famine in Ethiopia has repeated itself again and again. Each time, the number of hungry and destitute rises, along with the toll of human suffering and disease. If current trends continue, by 2010 food deficits will nearly triple and the number of malnourished children will increase by 10 percent. Ethiopia was a focus of the G8's initiative to end famine and increase agricultural productivity and rural development under U.S. leadership in 2004, and this work is expected to continue through 2006. The U.S. plans to fund the productive safety net in Ethiopia through 2006, and coordinated efforts will also continue on initiatives to increase agricultural productivity and promote broad-based rural development and economic growth. USAID has developed

and is implementing a strategy to manage the transition from a program too often dominated by emergency response to one which proactively builds capacity to prevent famine and also promotes economic growth, especially in the agricultural sector. The goal of this strategy is increased capacity of government, the private sector, nongovernmental organizations, communities and households to generate market-led growth and to build a foundation for permanently reducing famine vulnerability, hunger and poverty.

Transition Initiatives resources are essential for the implementation of USAID's strategy in Ethiopia. Traditional development assistance is much less effective in a country like Ethiopia, where recurrent shocks have weakened the economy, where high risk drives out investment and stifles entrepreneurship, and where aid dependence saps government initiative. Transition Initiatives provides a more flexible resource that can be adjusted to changing conditions and can facilitate a transition from relief to development. USAID requests TI resources to:

- rebuild and protect assets of the "chronically food-insecure" (i.e., those who no longer can produce or earn enough to survive) so that they do not need annual emergency food delivery and can participate in and contribute to rural economic growth;
 - enable markets and private investment to generate economic opportunities and increase productivity in both the agriculture and non-agricultural sectors;
 - facilitate good governance at national, regional, and district levels;
 - invest in peoples' education so that they are better able to manage difficult times and to succeed when opportunities are available; and
 - improve both emergency prediction and response.
- *Sudan (\$70 million):* The Government of Sudan (GOS) and the Sudan People's Liberation Movement (SPLM) have signed a comprehensive peace agreement, after more than two years of negotiations. The agreement provides an end to the civil war, including fundamental changes in governance through power-sharing, wealth-sharing, security arrangements, and a formal ceasefire. It is hoped that these changes will provide a framework for resolving conflicts in other unstable areas of Sudan, most notably Darfur and Eastern Sudan.

The war has been the central focus of political life throughout Sudan for more than 20 years. It has caused the loss of 2 million lives and left more than 4 million displaced. Destruction and neglect have resulted in essentially no physical infrastructure and institutional capacity in southern Sudan. Low agricultural production and inaccessible markets are additional legacies from more than two decades of conflict and development neglect. The per capita gross national income in southern Sudan is estimated to be less than \$90 per year, with 90% of the population earning less than a dollar a day.

USAID will respond to the great challenges and many opportunities in assisting the South Sudanese in their transition from conflict to peace. USAID's goal is to establish a foundation for a just and durable peace with broad-based participation of the Sudanese people. Transition Initiatives funds in FY 2006 are requested to lay the foundation for long-term recovery and to help the country move from crisis towards economic and political stability. More specifically, USAID requests TI resources to:

- expand support to the peace processes through training, technical assistance, workshops and sub-grants to local organizations;
- support more responsive and participatory governance by strengthening democratic governance institutions and political parties, improving the justice sector, promoting free and fair elections, supporting local government and decentralization, and strengthening civil society;
- improve equitable access to quality education in southern Sudan; and
- establish a foundation for economic recovery in southern Sudan by creating and strengthening existing market support infrastructure and institutions, supporting the Bank of Southern Sudan, increasing access to microfinance, providing business and agriculture training, and improving economic policy and governance.

All program activities and expected results are based on the assumption that the peace agreement will be implemented. Given the fragility of the political situation, however, there remains a strong possibility of continued instability, particularly in some areas. To allow rapid response to new information and changes in the situation on the ground, USAID's programs in Sudan are scenario-based and flexible. TI resources are key to maximizing the effectiveness of scenario-based programming and the use of U.S. government resources.

- *Haiti (\$30 million)*: Profound degradation of Haiti's social, economic, and political conditions exacerbated by flawed elections in 2000, culminated in widespread instability and the departure of President Aristide in February 2004. Confronted with extensive damage to state infrastructure and the disruption of essential services, the newly-formed Interim Government of the poorest country in the Western Hemisphere inherited an economy in a state of collapse. The political upheavals of the past two decades have resulted in serious damage to the fragile socioeconomic base. Although the Interim Government has shown a strong will for reform, progress is hampered by limited capacity, weak public institutions, and a tradition of corruption.

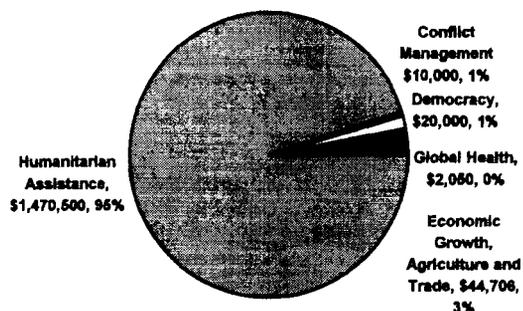
USAID's program in Haiti is focused on restoring and sustaining a climate of peace and security, revitalizing Haiti's tattered economy, and improving conditions for democratic processes to take place, including fair and free elections. Transition Initiatives resources are requested in FY 2006 to ensure that USAID can respond more rapidly to changing conditions, so characteristic of Haiti. In FY 2006, if conditions do not change, TI resources are planned to:

- improve the quality of primary education, strengthen public-private partnership in education governance, and improve educational services to out-of-school youth;
- support economic growth by increasing the productivity and incomes of small agricultural producers, reducing the ongoing degradation of Haiti's natural resources base, and broadening the availability of credit and financial services to artisans, small entrepreneurs, and to the larger productive sector; and
- promote democracy and empower elements of Haitian society by strengthening the independent media, supporting human rights organizations, improving public institutions, providing grassroots training and community self-help initiatives.

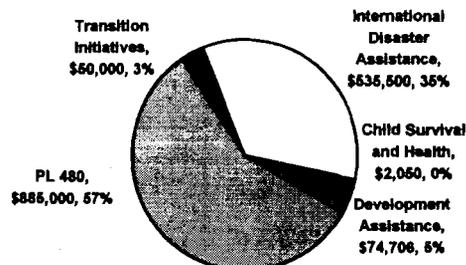
As noted above, the FY 2006 request will continue to support programs administered by OTI that provide short-term assistance targeted at key transition needs. OTI activities will be coordinated with USAID Missions to ensure maximum efficiency and impact of all TI funds. OTI will revise its goals, objectives and/or FY2006 funded activities whenever needed to address rapidly changing conditions and U.S. foreign policy priorities.

Bureau for Democracy, Conflict and Humanitarian Assistance
(in thousands of dollars)

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objective	SO Number	FY 2004	FY 2005	FY 2006
Office of Conflict Management and Mitigation				
Conflict Management and Mitigation	966-001	11,044	18,004	10,000
Total CMM (in thousands of dollars)		11044	18004	10000
Office of Democracy and Governance				
Rule of Law Program	932-001	1,206	2,560	2,600
Elections and Political Processes Program	932-002	1,352	2,095	2,150
Civil Society Program	932-003	11,613	3,350	3,400
Governance Program	932-004	2,008	2,795	2,850
Special Programs to Address the Needs of Survivors	932-005	11,225	18,292	10,050
Total DG (in thousands of dollars)		27,404	29,092	21,050
Office of Food for Peace				
Central Program, Support for PL 480 Title II Emergency	962-001	8,472	0	0
Central Program, Support for PL 480 Title II Development	962-002	3,193	0	0
Central Program, Support for PL 480 Title II Program	962-004	0	9,000	9,000
PL 480 Title II		1,184,967	1,173,041	885,000
International Disaster and Famine Assistance		0	0	300,000
Total FFP (in thousands of dollars)		1,196,632	1,182,041	1,194,000
Office of U.S. Foreign Disaster Assistance				
International Disaster and Famine Assistance	961-001	550,993	308,615	235,500
Total OFDA (in thousands of dollars)		550,993	308,615	235,500
Office of Private Voluntary Cooperation and American Schools and Hospitals Abroad				
American Schools and Hospitals Abroad	964-001	18,890	19,840	16,000
Local NGO Capacity Enhanced	963-002	22,965	21,806	20,206
Strengthen Civil Society	963-003	0	500	500
Total PVCASHB (in thousands of dollars)		41,855	42,146	36,706
Office of Transition Initiatives				
Office of Transition Initiatives	965-001	221,346	199,361	50,000
Total OTI (in thousands of dollars)		221,346	199,361	50,000
DCHA Total (in thousands of dollars)		2,049,274	1,779,259	1,547,256

William J. Garvelink
Acting Assistant Administrator

Democracy, Conflict and Humanitarian Assistance

The mission of the Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) is to save lives; alleviate suffering; support democracy; and promote opportunities for people adversely affected by poverty, conflict, natural disasters and a breakdown of good governance. The Bureau has taken a number of steps to better integrate and situate its diverse mission in a changing world. Together with the U.S. Department of State, USAID developed the Joint State/USAID Strategic Plan focusing activities around strategic goals relating to the National Security Strategy. These goals most prominently feature: democracy and governance, regional stability and humanitarian assistance. They focus the Bureau conjointly with the Department of State on the challenges most representative of the 21st Century. Additionally, the Bureau has established the DCHA Management Council as a decision-making group that has the responsibility to develop a strategic approach to DCHA programs.

The Development Challenge: Within these broad goals the Agency and the DCHA Bureau are consolidating around certain themes. An Agency-wide Conflict Policy, defining the role the Agency and the Bureau will play in conflict situations, has been adopted. This policy will ensure that all USAID programs include at their base a conflict assessment and sensitivity as to how USAID relates to on-going tensions within host country work environments that possess the capacity to devolve into violent conflict. Conflict, though the severest form of breakdown of civil authority, is not by any means the only harbinger of severe humanitarian problems to come. For this reason, together with the Bureau for Policy and Program Coordination (PPC), DCHA undertook drafting a policy and policy implementation guidelines to address broad issues of failed and failing states. An Internally Displaced Persons (IDP) Policy has been put into place to better focus the Agency's attention on the growing number of IDPs resulting from the various forms of state failure and conflict, the result of failed development. Together with other donors and United Nations agencies, guidelines entitled a *Common Approach* to IDP's and a *Good Humanitarian Donorship Initiative* seek to standardize treatment of and to protect individuals in times of crises. A new Humanitarian Protection Unit within DCHA further assures on the ground and active assistance in defense of at-risk individuals.

The emphasis the National Security Strategy places on democracy and governance as the key to development poses a particular challenge to DCHA, as periods of nascent democracy have been documented to be associated with a high degree of instability and state failure (State Failure Task Force). The potential for future democratization has been shown to be associated with a great deal of near-term risks in addition to opportunities. USAID's January 2004 White Paper, *U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century*, firmly committed the Agency to work toward democracy, good governance and stability goals from a national security and development perspective. To better meet these challenges and those of failing states DCHA has been working with other USAID bureaus and offices to develop implementation guidelines and interact on an on-going basis with the State Department and other operational U.S. Government agencies. A seamless interface with the Departments of State, and Defense and other agencies to the twin crises of conflict and failing states are the anticipated result.

The new year was not yet in place when a modern catastrophe of historic proportions changed the perception of and call for humanitarian assistance beyond recognition. The devastating aftermath of the Asian *tsunami* will continue to place a major demand on DCHA resources both human and financial through FY 2005 and FY 2006. USAID's Office of U.S. Foreign Disaster Assistance (OFDA) is a primary responder to this and other natural as well as man-made disasters. The OFDA Operations Center is being staffed around the clock to coordinate assistance. It has become a major focus of national media attention in reporting on the U.S. response to the disaster, and its activities will likely continue at a high level of intensity well beyond the time frame of most catastrophes.

As we continue to look forward in other regions of the world, efforts expended in Sudan with both regular and supplemental DCHA funding assisted in achieving the signing of a peace treaty

between the southern rebels and the government in January of this year. Sudan will require continued attention, especially in the Darfur region, in FY 2005 and FY 2006. The Bureau and Agency will continue to work to leverage political commitment and resources from other donors, the United Nations system, and private and voluntary organizations to address the problems of poverty, state fragility, stabilization and growth around the world.

The availability of food and the ability to sustain oneself are frequently two of the initial and most pressing challenges faced by populations in times of crisis, whether natural or political in nature. Present crises are no exception. The needs resulting from the Asian *tsunami* have required the rapid diversion of food from other programs and draw-down of pre-positioned stocks. Feeding IDPs, as yet uncounted but perhaps numbering in the millions, will require food resources not previously contemplated for the budgetary period. Long-term commitments to chronically food insecure countries like Ethiopia, relief for war-ravaged and famished nations in West Africa and Afghanistan, in addition to a long-term commitment to meet World Food Summit pledges to provide growing food security for the world's 800 million malnourished, place both long- and short-term calls on food resources. Available budgetary resources in food were already insufficient to meet the assessed food security needs around the world prior to the advent of the *tsunami*. The food situation in FY 2005 and looking forward into FY 2006 is a major budgetary and resource concern. The Administration is requesting \$300 million in untied cash to address problems of hunger combined with food resources to greatly facilitate a rapid and efficient response.

All of DCHA's eight offices are functioning increasingly in an integrated manner to meet overlapping humanitarian needs and lay the groundwork for ameliorating the underlying conditions of the crisis, thereby achieving sustainable stabilization and growth. Shared services; a shared governance, stabilization and recovery backstop; and close cooperation with the non-governmental organization (NGO) community which implements DCHA programs are characteristics which increasingly define DCHA. Working together, the offices of DCHA apply some unique programming and authorities to further the Bureau's and USAID's strategic mission. Under the unifying framework of DCHA, the offices include:

- Office of Food for Peace (FFP): The activities of the FFP Office are designed to fit and directly link to the Joint State/USAID Strategic Plan, especially the humanitarian response goal to "Minimize the Human Costs of Displacement, Conflicts, and Natural Disasters." The Office's strategic priorities that continue into FY 2006 include: crafting a unified food security strategy, completion of all major streamlining of office procedures, reorientation of the P.L. 480 Title II program operationally to better address vulnerability, and respond to the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART) recommendation to focus on higher order results (people-level) impacts.
- Office of U.S. Foreign Disaster Assistance (OFDA): OFDA's strategic priorities in FY 2006 will remain: to save lives, alleviate suffering, and reduce the economic impact of disasters. OFDA continues to provide appropriate and coordinated relief aid to populations affected by complex emergencies and natural disasters. Targeted sectors include shelter, health, water, sanitation, nutrition, and coordination. OFDA will also continue to dedicate a portion of its resources to risk management activities, which reduce vulnerability to disasters, enhance local response capacities, and ultimately decrease OFDA's need to respond to disasters in certain situations.

OFDA's humanitarian response activities support the joint objectives and goals of the Department of State and USAID. Specifically, OFDA activities support the Joint State/USAID strategic objective, "Advance Sustainable Development and Global Interests"; and the strategic goal, "Minimize the Human Costs of Displacement, Conflicts, and Natural Disasters."

- Office of Transition Initiatives (OTI): OTI's strategic priority is to support transition to democracy and to the long-term development of countries in crisis by providing assistance that develops, strengthens, or preserves democratic institutions and processes, revitalizes basic infrastructure, and fosters the peaceful resolution of conflict. As the key DCHA office involved in transition and stabilization, OTI plays a pivotal role in supporting the Department of State and Defense and USAID stabilization activities around the world, and will support implementation of USAID's Fragile States Strategy. OTI's operational procedures in transition environments reflect the view expressed by USAID's Administrator that the new strategy for fragile states will require "a flexible operational response, including funding flexibility in failing states and funding predictability in recovering states; quick deployment of expert staff; and a strong field presence equipped to detect signs of fragility and respond with informed speed." OTI's ten-year experience in failed, failing and recovering states places it in a unique position to assist, not just with new programs, but with technical assistance and strengthened partnerships with field missions and regional bureaus.
- Office of Private Voluntary Cooperation/American Schools and Hospitals Abroad (PVC/ASHA): PVC/ASHA's efforts are directly linked to two performance goals of the Joint State/USAID Strategic Plan: (1) Close, strong, and effective U.S. ties with allies, friends, partners, and regional organizations, and (2) Institutions, laws, and policies that foster private sector-led growth, macroeconomic stability, and poverty reduction. The Office's strategic priorities that continue into FY 2006 include: organizational strengthening of local NGOs and NGO networks; field support; research and outreach.

ASHA provides assistance to overseas institutions to demonstrate U.S. advances in educational and medical technology and practices in the areas of research, training, and patient care. ASHA modified its program strategy in FY 2004, providing grants to schools, hospitals, libraries and other academic and medical institutions to update their research and training facilities.

- Office of Conflict Management and Mitigation (CMM): CMM's strategic priorities support the Joint State/USAID Goal of "Regional Stability," and the specific performance goal, "Existing and Emergent Regional Conflicts are Contained or Resolved." The Office's strategic priorities that continue into FY 2006 include: technical assistance; formation of technical staff, training and outreach; and Congressionally directed activities. With a top priority of providing technical assistance to the field, in FY 2006 CMM intends to program approximately \$8.6 million (or 78% of its requested \$11 million budget) for the following activities: direct funding of field-based programs, technical support to the field such as conflict assessments and program design, a conflict watch list, and the formulation and promulgation of numerous "toolkits" to help missions understand and address the linkages between conflict and more traditional development sectors.

In FY 2004, an additional \$16.5 million for conflict management and mitigation was planned for the geographic regions: AFR: \$8.0 million, ANE: \$1.7 million, and LAC: \$6.8 million. In FY 2005, an additional \$12.2 million for conflict management and mitigation is planned for the geographic regions: AFR \$6.7 million, ANE \$2.6 million, LAC \$2.7 million and PPC \$2 million. In FY 2006, an additional \$38.8 million for conflict management and mitigation is planned for the geographic regions: AFR \$20 million, ANE \$5.0 million, LAC \$2.6 million and PPC \$1.185 million.

- Office of Democracy and Governance (DG): The mission statement of the DG Office is encompassed within the two performance goals of the Joint State/USAID Strategic Plan under the strategic goal for democracy and human rights. The Office's strategic priorities continuing into FY 2006 include: field support, technical leadership, fragile states and anti-corruption. Major areas of focus include: the Rule of Law Program, the Elections and Political Processes Program, the Civil Society Program, the Governance Program, and

Special Programs to Address the Needs of Survivors. These programs have proved, through interaction with USAID missions overseas, to meet the challenges of broadening civil society and enlarging political participation and have entailed a great deal of demand for services from all regions of USAID's involvement.

- Office of Volunteers for Prosperity (VfP): USAID is the lead agency charged with administering the interagency coordination of the President's initiative, Volunteers for Prosperity, and works with appropriate agencies and departments to meet initiative objectives. The Office for Volunteers for Prosperity is housed in the DCHA Bureau. The Volunteers for Prosperity initiative, launched in September 2003, supports major U.S. development activities overseas, using highly skilled American professionals to help meet the U.S. Government's global health and prosperity agenda. American volunteers in a variety of fields serve for a period of time, ranging from a few weeks to up to several years, depending on the project. Presently, VfP supports six other Presidential initiatives, including the Emergency Plan for AIDS Relief, the Digital Freedom Initiative, Water for the Poor, Trade for African Development and Enterprise, the Middle East Partnership Initiative, and the Millennium Challenge Corporation. Other initiatives may be added at the discretion of the President.
- Office of Program Policy and Management (PPM) – The PPM Office provides technical assistance, management and support services to various offices, both within and outside the DCHA Bureau.

Program And Management Challenges: To be effective, DCHA's interventions must be well coordinated, the responses must be rapid but careful, and the approaches must be appropriately integrated if lives are to be saved and suffering reduced, conflict prevented or mitigated, non-governmental organizations' and other local institutions' capacities strengthened, and democracy and good governance buttressed. The coming years present particular challenges:

- The Bureau needs to continue to actively pursue a resource-leveraging approach with our partners in order to address the many humanitarian and development challenges,
- The Bureau needs to create a new crisis, stabilization and governance professional personnel classification, referred to as backstop 76, for professional hiring and career placement to better address the growing number of crises worldwide, state failure and conflict. Developing this new professional category will allow the Agency to recruit, develop and retain the skills needed to address problems in a challenging environment where problems of political instability and conflict remain in the forefront.
- Finding qualified human resources of a medium-term horizon during the Asian *tsunami* and other mega-crises like Sudan, and integrating these individuals effectively into Agency operations presents an immediate and on-going challenge.
- Enhancing a planned-for-crisis response and stabilization capacity capable of supporting the implementation of USAID's Fragile States Strategy and serving as the operational arm of the State Department's Crisis, Recovery and Stabilization Unit, as well as efforts by the Department of Defense, will pose continuing challenges.

Other Program Elements: DCHA is a "pillar bureau-plus" within USAID. Like the Agency's other two pillar bureaus (i.e., Global Health, and Economic Growth, Agriculture, and Trade), DCHA provides field support to overseas missions and serves as a center of technical excellence for programs in democracy and governance, conflict, private and voluntary cooperation, and humanitarian assistance. However, several of DCHA's offices have direct responsibility for field programs. This is true of OFDA, OTI, PVC, ASHA and FFP. DCHA is making a concerted effort to integrate its programs more fully with those of other USAID bureaus. DCHA also continues its

work on ensuring close coordination with the Departments of State, Agriculture and Defense, the National Security Council, and other parts of the U.S. Government.

Other Donors: A hallmark of DCHA's programs is the degree to which they involve partners, including private voluntary organizations, cooperative development organizations, non-governmental organizations, for-profit contractors, American schools and hospitals sponsoring overseas institutions, United Nations agencies, international organizations, and other bilateral and multilateral donors. DCHA intends to continue working closely with the U.S. foreign affairs community, particularly the Department of State, on donor coordination and other partnering relationships. The Bureau plans to form an increased number of alliances with entities such as the U.S. Institute for Peace; the Department of Defense; indigenous religious institutions dedicated to conflict prevention, mitigation, and resolution; and other governmental and non-governmental organizations.

Office of Food for Peace

The Development Challenge: Nearly 800 million people in the world are food insecure. Food insecurity fuels political instability and environmental degradation. Reducing the number of chronically undernourished and underweight people throughout the world is both a humanitarian concern and a strategic goal. P.L. 480 Title II, administered by USAID's Office of Food for Peace (FFP), is a people-to-people program, from the people of the United States to people who do not have access to sufficient food to meet their needs for healthy and productive lives.

The USAID Program: U.S. Government support for overseas food aid was formalized in the Agricultural Trade Development and Assistance Act of 1954, also known as P.L. 480. The basic legislation, which has been modified over time, establishes the U.S. policy for using abundant U.S. agricultural resources and food processing capabilities to enhance food security in the developing world through the provision of culturally acceptable nutritious food commodities. In the 50 years since its inception in 1954, Food for Peace has sent millions of metric tons of American food to more than 150 countries. Billions of people at risk of hunger and malnutrition have directly benefited from receiving this assistance. Many of the food insecure live in sub-Saharan Africa and South Asia. Chronic poverty, that is the unrelenting lack of economic opportunity either to produce adequate amounts of food or to exchange labor for income needed to purchase food in adequate amounts, is the chief cause of food insecurity and its cost is enormous. PL 480 Title II seeks to address chronic hunger, malnutrition and threat of famine. USAID has identified several key areas of focus to improve agricultural productivity, rural income and to reduce food insecurity and is seeking increased integration of Development Assistance (DA) funding and Title II resources. FFP's role in U.S. and multilateral food policy development is increasing in significance. The Agency recognizes that only with sound policies in place can domestic and foreign private investment and development assistance catalyze growth by helping people solve the problems that all too often keep them poor and food insecure. FFP is focusing on targeting both chronic and transitory vulnerabilities to food insecurity in food aid allocation and programming. FFP will strengthen its ability to identify these populations through improved analytical skills, both in the determination of the populations that need to be targeted as well as in the verification of results of food assisted programs through evidence-based evaluations. This will require innovative and expert approaches to food insecurity problems.

Another important priority area is USAID's input into the U.S. position on the World Trade Organization (WTO). The current WTO round of trade negotiations is focusing on how countries may be using food aid to circumvent export competition disciplines. Depending upon the outcome of the negotiations, U.S. food aid programs could be negatively affected. To better explain the principles and disciplines the United States employs in its food aid programs, USAID and the U.S. Department of Agriculture (USDA) organized a seminar in early December for WTO members on U.S. food assistance. The seminar was a good step toward dispelling many of the misperceptions surrounding U.S. food assistance. Additional seminars and consultations will be undertaken in Geneva and with the Food and Agriculture Organization (FAO) in Rome over the course of the next year to increase the understanding of U.S. food aid programs.

USAID recognizes that emergency needs assessment are an essential link in the improved emergency response chain and is working with the United Nations World Food Program and the international donor community to improve emergency needs assessment guidelines. Improving the credibility of emergency needs assessments is perhaps the principal means upon which more credible response plans can be developed that act as the foundation for more credible emergency responses. It is this need for a robust response to requirements that caught the attention of members of the Group of Eight at Sea Island, Georgia, June 2004 when they "urged the international community to meet fully the emergency assistance needs, including non-food items, in the Horn of Africa and other famine-prone regions, and to do their part to achieve that objective."

USAID recognizes the need for improved methods to better engage other donors in assessment processes so that needs assessments are linked with their contributions. This can best be done by having donors fully associated with the emergency needs assessment process. USAID is convinced that the better the needs assessment process is understood, the more likely it is to lead to quicker and more appropriate responses by other governments and donors. With the integration of the Famine Early

Warning System (FEWSNET) activity in its operations, FFP is well-positioned to lead USAID's efforts in this sector. FEWSNET continues to be considered a world leader in early warning and food security assessments. A new Request for Application, being issued during FY 2005, will set the stage for a new phase in FEWSNET technical service provision.

FY 2005 P.L. 480 Title II resources, totaling \$1,173 million, are addressing continuing emergencies in Africa, with most resources planned for Sudan, Chad, Ethiopia, and Eritrea. Emergencies in other regions of the world that are being addressed include Indonesia and Sri Lanka hard hit by the Asian tsunami, Haiti, the Democratic Republic of Congo (DRC) and Afghanistan. In addition, USAID plans continued non-emergency food assistance activities to address the needs of the most vulnerable populations, including persons living with HIV/AIDS and orphans; to build individual, household, and community capacities to manage successive shocks; and to establish conditions for longer-term development throughout all region of the world, including Africa, Asia, Central America, and the Caribbean.

The FY 2006 request is for \$885 million of P.L. 480 Title II resources. For 2006, \$300 million that was previously requested for P.L. 480 Title II is being requested under International Disaster and Famine Assistance (IDFA) for emergency food aid needs. (For additional information see the section on IDFA.) For both FY 2005 and FY 2006, \$10 million of Title II resources will be allocated each year for the Farmer to Farmer Program that is managed by the Bureau for Economic Growth, Agriculture, and Trade.

Under FFP's streamlining and management improvement actions, the office has drafted Title II proposal guidance that replaces emergency and non-emergency guidelines. For FY 2006 programs, only one set of simplified guidelines and proposal submission procedures will be issued. This was one of the priority action items identified in the Streamlining Report to Congress that was written in FY 2003. Additional actions include a rewrite of 22CFR211 (Regulation 11), the regulation guiding use of commodities and creation of a new chapter in the Agency's Automated Directive System, as well as finalizing the modernization of information systems that is currently on-going.

Other Program Elements: The strength of the U.S. international food assistance program is USAID's presence around the world and its numerous organizational partnerships. USAID collaborates closely with the U.S. Department of Agriculture and the Department of State to ensure that both emergency and non-emergency food aid programs are coordinated and effective. USAID works in close partnership with private voluntary organizations (PVOs), indigenous organizations, universities, American businesses, international agencies, and other governments. USAID has relationships with a large number of American companies and U.S. based PVOs, allowing for greater creativity and effectiveness in incorporating food into a wide range of development efforts.

FFP has a particular interest in a stronger and more effective World Food Program (WFP), one of its most important partners and continues to work with the organization to improve its emergency response programming, food needs assessments and early-warning capacity, partnerships with non-governmental organizations, program concentration in countries that need food the most, and close out of small programs.

Other Donors: The World Food Summit of 2002, convened by the FAO, provided an international forum to focus attention on efforts to address hunger and food insecurity. The United States, along with 182 nations and the European Community, pledged to halve the number of hungry people by the year 2015. In 2004, the United States provided over \$2.1 billion in food aid of which P.L. 480 Title II was \$1.6 billion. To prevent famine, the United States provided \$1.2 billion in global emergency food aid. Of this total, \$943.6 million was provided through the World Food Program (WFP), almost half of all emergency food aid contributions to WFP and over four times greater than the next largest donor. Other donor contributions to the World Food Program in FY 2004 include the European Commission (11%), Japan (7%), United Kingdom (5%), Netherlands (4%), Germany (4%), Canada (3%), Norway (3%), Sweden (3%), Denmark (2%), and other donors (13%). Following this chapter is a table showing P.L. 480 Title II funding and tonnage by region and country for FY 2003 through FY 2006.

**FY 2006 Congressional Budget Justification
P.L. 480 Title II - Dollars (Thousands)**

Region/Country	FY 2003 Final Program Levels					FY 2004 Final Program Levels					FY 2005 Estimate a/					FY 2006 Congressional Budget Request				
	Total	Transport	Commodity b/			Total	Transport	Commodity b/			Total	Transport	Commodity b/			Total	Transport	Commodity b/		
			PVO/CDO	WFP c/	IEFR d/			PVO/CDO	WFP c/	IEFR d/			PVO/CDO	WFP c/	IEFR d/			PVO/CDO	WFP c/	IEFR d/
ASIA/NEAR EAST	333,120	127,095	70,485	37,219	98,321	199,357	70,416	51,145	38,343	39,453	119,072	43,043	59,925	16,104	0	111,941	38,060	73,881	0	0
Afghanistan*	46,144	21,838	0	24,306	0	49,158	22,005	0	27,153	0	34,324	20,555	0	13,769	0	0	0	0	0	0
Algeria*	0	0	0	0	0	931	281	0	650	0	0	0	0	0	0	0	0	0	0	0
Bangladesh*	38,577	13,395	25,182	0	0	33,451	10,380	18,166	1,791	3,114	22,842	6,370	16,472	0	0	50,751	17,255	33,496	0	0
Cambodia	0	0	0	0	0	703	244	0	459	0	0	0	0	0	0	0	0	0	0	0
East Timor*	0	0	0	0	0	669	349	0	0	320	0	0	0	0	0	0	0	0	0	0
Egypt	2,346	685	0	1,661	0	2,345	705	0	1,640	0	0	0	0	0	0	0	0	0	0	0
India	42,812	8,839	33,973	0	0	40,869	10,072	30,797	0	0	49,006	11,640	37,366	0	0	43,000	14,620	28,380	0	0
Indonesia*	29,541	13,011	11,330	5,200	0	3,315	1,133	2,182	0	0	11,900	4,096	6,087	1,717	0	18,190	6,185	12,005	0	0
Iraq*	137,424	56,696	0	0	80,728	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Laos	685	438	0	247	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nepal*	0	0	0	0	0	0	0	0	0	0	1,000	382	0	618	0	0	0	0	0	0
North Korea* (DPRK)	15,698	5,301	0	0	10,397	45,704	16,455	0	0	29,249	0	0	0	0	0	0	0	0	0	0
Pakistan*	6,792	1,251	0	4,024	1,517	13,067	4,683	0	3,938	4,446	0	0	0	0	0	0	0	0	0	0
Sri Lanka*	596	233	0	363	0	4,190	1,478	0	2,712	0	0	0	0	0	0	0	0	0	0	0
Yemen	2,521	1,103	0	1,418	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
West Bank/Gaza*	9,984	4,305	0	0	5,679	4,955	2,631	0	0	2,324	0	0	0	0	0	0	0	0	0	0
EUROPE & EURASIA	25,501	12,211	0	10,584	2,706	21,603	9,337	1,960	8,073	2,433	15,458	5,722	7,323	2,413	0	10,374	3,527	6,847	0	0
Armenia*	3,991	1,538	0	2,453	0	3,816	0	1,960	1,856	0	0	0	0	0	0	0	0	0	0	0
Azerbaijan*	2,974	1,273	0	1,701	0	2,883	1,379	0	1,504	0	0	0	0	0	0	0	0	0	0	0
Georgia*	3,006	1,431	0	1,575	0	2,974	1,404	0	1,570	0	0	0	0	0	0	0	0	0	0	0
Russia*	5,536	2,830	0	0	2,706	5,121	2,688	0	2,433	0	0	0	0	0	0	0	0	0	0	0
Tajikistan*	9,994	5,139	0	4,855	0	7,009	3,866	0	3,143	0	15,458	5,722	7,323	2,413	0	10,374	3,527	6,847	0	0
LATIN AMERICA	139,968	43,694	87,381	8,893	0	106,463	33,475	68,943	3,691	354	108,462	33,105	72,690	1,343	1,324	113,159	38,475	74,684	0	0
Bolivia	31,548	12,638	17,724	1,186	0	22,276	10,037	12,239	0	0	16,802	7,351	9,451	0	0	24,664	8,386	16,278	0	0
El Salvador*	1,809	845	0	964	0	630	281	0	349	0	0	0	0	0	0	0	0	0	0	0
Guatemala*	16,673	5,200	8,630	2,843	0	14,723	3,429	10,731	563	0	18,033	3,306	14,450	277	0	16,306	5,544	10,762	0	0
Haiti*	36,580	11,343	25,237	0	0	30,470	10,719	18,426	971	354	37,703	13,048	23,331	0	1,324	32,529	11,060	21,469	0	0
Honduras*	10,480	3,542	4,647	2,291	0	7,450	2,736	3,347	1,367	0	14,009	4,639	8,574	796	0	14,187	4,824	9,363	0	0
Nicaragua*	16,200	5,298	9,293	1,609	0	7,046	2,351	4,254	441	0	8,994	3,083	5,641	270	0	12,228	4,158	8,070	0	0
Peru	26,678	4,828	21,850	0	0	23,868	3,922	19,946	0	0	12,921	1,678	11,243	0	0	13,245	4,503	8,742	0	0
AFRICA	1,146,316	636,629	244,382	109,304	156,001	1,187,935	673,317	231,800	99,805	183,013	433,915	229,370	141,780	31,951	30,814	228,790	77,789	151,001	0	0
Angola*	104,545	72,273	7,300	24,972	0	68,395	46,735	6,742	14,918	0	33,252	21,065	8,063	4,124	0	10,000	3,400	6,600	0	0
Benin	4,292	1,559	2,733	0	0	4,701	1,664	3,037	0	0	2,668	875	1,793	0	0	3,067	1,043	2,024	0	0
Burkina Faso	6,494	2,861	3,633	0	0	8,812	3,699	5,113	0	0	13,337	5,556	7,781	0	0	14,646	4,980	9,666	0	0
Burundi*	23,838	15,202	0	8,636	0	19,881	12,075	0	7,806	0	7,923	4,889	0	3,034	0	0	0	0	0	0
Cameroon	99	23	0	76	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cape Verde	3,683	1,506	2,177	0	0	4,362	1,845	2,517	0	0	4,154	1,751	2,403	0	0	4,189	1,424	2,765	0	0
Central African Republic (CAR)*	204	105	0	99	0	996	601	0	395	0	0	0	0	0	0	0	0	0	0	0
Chad*	5,640	3,135	1,960	545	0	18,103	1,905	11,208	390	4,600	15,541	11,165	1,313	0	3,063	2,397	815	1,582	0	0
Congo-Brazzaville*	655	178	0	477	0	0	0	0	0	0	618	190	0	428	0	0	0	0	0	0
Congo-Democratic Republic*	34,578	23,006	0	10,821	751	30,813	19,699	0	11,114	0	1,863	1,187	0	676	0	8,000	2,720	5,280	0	0
Cote D'Ivoire*	6,296	3,032	0	27	3,237	7,632	4,463	0	0	3,169	0	0	0	0	0	0	0	0	0	0
Djibouti*	3,348	1,670	0	1,678	0	994	541	0	453	0	0	0	0	0	0	0	0	0	0	0
Eritrea*	65,160	26,373	19,925	1,458	17,404	64,584	31,108	18,917	2,632	11,927	35,328	11,327	23,167	834	0	13,137	4,467	8,670	0	0
Ethiopia*	347,253	184,701	88,290	2,131	72,131	271,024	131,292	83,892	2,085	53,755	50,333	23,943	18,070	8,320	0	22,027	7,489	14,538	0	0
Gambia*	1,520	762	0	271	487	485	165	0	320	0	0	0	0	0	0	0	0	0	0	0
Ghana	20,345	6,309	13,685	351	0	17,663	5,763	11,406	494	0	18,206	6,150	12,056	0	0	22,421	7,623	14,798	0	0
Guinea*	9,808	4,114	2,688	3,006	0	10,688	3,956	4,038	2,694	0	7,180	1,534	5,133	513	0	3,500	1,190	2,310	0	0
Guinea Bissau*	1,669	655	0	1,014	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kenya*	34,664	11,730	17,093	5,841	0	41,342	19,252	6,455	6,309	9,326	21,736	10,518	5,246	722	5,250	11,657	3,963	7,694	0	0
Lesotho	0	0	0	0	0	1,339	774	0	565	0	0	0	0	0	0	0	0	0	0	0
Liberia*	18,201	9,617	248	8,336	0	21,532	12,146	638	8,748	0	5,452	3,218	0	2,234	0	0	0	0	0	0
Madagascar*	10,381	2,933	6,584	431	433	12,477	3,484	7,852	352	789	11,607	2,697	8,910	0	0	15,719	5,344	10,375	0	0
Malawi*	3,202	873	2,329	0	0	6,722	2,821	3,901	0	0	7,229	3,002	4,227	0	0	14,455	4,915	9,540	0	0
Mauritania*	17,483	8,582	2,887	1,427	4,587	8,486	3,639	2,439	0	2,408	3,490	1,194	2,296	0	0	4,013	1,364	2,649	0	0
Mozambique	16,415	5,435	10,878	102	0	19,751	7,067	11,404	1,280	0	17,970	5,576	12,394	0	0	18,916	6,431	12,485	0	0
Niger	9,549	3,517	6,032	0	0	8,160	3,403	4,757	0	0	4,916	2,213	2,703	0	0	5,654	1,922	3,732	0	0
Regional W Africa	1,141	888	253	0	0	2,651	488	2,163	0	0	1,									

**FY 2006 Congressional Budget Justification
P.L. 480 Title II - Dollars (Thousands)**

	FY 2003 Final Program Levels					FY 2004 Final Program Levels					FY 2005 Estimate a/					FY 2006 Congressional Budget Request				
Senegal*	2,146	1,032	0	589	525	275	275	0	0	0	2,363	790	1,573	0	0	3,161	1,075	2,086	0	0
Sierra Leone*	19,644	11,216	2,998	5,430	0	12,953	6,776	2,542	3,635	0	6,644	2,490	3,641	513	0	8,455	2,875	5,580	0	0
Somalia*	19,129	13,712	4,189	1,228	0	22,836	15,372	2,555	4,909	0	9,361	6,617	1,205	1,539	0	0	0	0	0	0
Southern Africa (crisis response)*	125,070	68,580	23,169	0	33,321	129,154	78,663	20,817	0	29,674	389	165	0	224	0	0	0	0	0	0
Sudan*	115,887	86,126	6,636	0	23,125	265,368	194,907	4,971	0	65,490	104,323	79,070	1,201	1,551	22,501	0	0	0	0	0
Tanzania*	22,534	15,696	0	6,838	0	18,189	11,814	0	4,500	1,875	3,548	2,394	0	1,154	0	0	0	0	0	0
Uganda*	75,354	41,967	10,424	22,963	0	69,880	37,721	8,655	23,504	0	28,560	13,288	10,015	5,257	0	16,947	5,762	11,185	0	0
Zambia	0	0	0	0	0	3,108	1,890	1,218	0	0	3,045	1,890	1,155	0	0	10,181	3,462	6,719	0	0
Prepositioned Stocks*	27,415	0	27,415	0	0	20,424	0	20,424	0	0	0	0	0	0	0	0	0	0	0	0
WORLDWIDE TOTAL	1,672,320	819,629	429,663	166,000	257,028	1,535,982	786,545	374,272	149,912	225,253	676,907	311,240	281,718	51,811	32,138	464,264	157,851	306,413	0	0
* Includes emergency program. Emergency levels are detailed in separate table (EMERGENCY PROGRAMS) below.																				
EMERGENCY PROGRAMS																				
ASIA/NEAR EAST	226,470	96,264	2,379	29,506	98,321	119,771	47,000	3,455	29,863	39,453	38,817	22,513	0	16,104	0	0	0	0	0	0
Alghanistan	46,144	21,838	0	24,306	0	49,158	22,005	0	27,153	0	34,324	20,555	0	13,769	0	0	0	0	0	0
Algeria	0	0	0	0	0	931	281	0	650	0	0	0	0	0	0	0	0	0	0	0
Bangladesh	0	0	0	0	0	6,569	0	3,455	0	3,114	0	0	0	0	0	0	0	0	0	0
East Timor	0	0	0	0	0	669	349	0	0	320	0	0	0	0	0	0	0	0	0	0
Indonesia	15,183	7,604	2,379	5,200	0	0	0	0	0	0	3,293	1,576	0	1,717	0	0	0	0	0	0
Iraq	137,424	56,696	0	0	80,728	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nepal	0	0	0	0	0	0	0	0	0	0	1,000	382	0	618	0	0	0	0	0	0
North Korea (DPRK)	15,698	5,301	0	0	10,397	45,704	16,455	0	0	29,249	0	0	0	0	0	0	0	0	0	0
Pakistan	2,037	520	0	0	1,517	8,511	4,065	0	0	4,446	0	0	0	0	0	0	0	0	0	0
Sri Lanka	0	0	0	0	0	3,274	1,214	0	2,060	0	0	0	0	0	0	0	0	0	0	0
West Bank/Gaza	9,984	4,305	0	0	5,679	4,955	2,631	0	0	2,324	0	0	0	0	0	0	0	0	0	0
EUROPE & EURASIA	25,501	12,211	0	10,584	2,706	21,503	9,037	1,960	8,073	2,433	5,025	2,612	0	2,413	0	0	0	0	0	0
Armenia	3,991	1,538	0	2,453	0	3,816	0	1,960	1,856	0	0	0	0	0	0	0	0	0	0	0
Azerbaijan	2,974	1,273	0	1,701	0	2,883	1,379	0	1,504	0	0	0	0	0	0	0	0	0	0	0
Georgia	3,006	1,431	0	1,575	0	2,974	1,404	0	1,570	0	0	0	0	0	0	0	0	0	0	0
Russia	5,536	2,830	0	0	2,706	5,121	2,688	0	0	2,433	0	0	0	0	0	0	0	0	0	0
Tajikistan	9,994	5,139	0	4,855	0	6,709	3,566	0	3,143	0	5,025	2,612	0	2,413	0	0	0	0	0	0
LATIN AMERICA	14,107	6,629	1,889	5,589	0	6,410	3,142	1,007	1,907	354	5,318	2,651	0	1,343	1,324	0	0	0	0	0
El Salvador	1,809	845	0	964	0	630	281	0	349	0	0	0	0	0	0	0	0	0	0	0
Guatemala	3,326	1,723	0	1,603	0	1,000	437	0	563	0	492	215	0	277	0	0	0	0	0	0
Haiti	3,572	1,683	1,889	0	0	2,877	1,516	1,007	0	354	3,193	1,869	0	0	1,324	0	0	0	0	0
Honduras	2,929	1,226	0	1,703	0	1,106	552	0	554	0	1,280	484	0	796	0	0	0	0	0	0
Nicaragua	2,471	1,152	0	1,319	0	797	356	0	441	0	353	83	0	270	0	0	0	0	0	0
AFRICA	966,882	569,855	137,503	103,523	156,001	1,003,627	595,873	129,610	95,131	183,013	244,476	158,632	23,079	31,951	30,814	0	0	0	0	0
Angola	102,753	71,692	6,089	24,972	0	59,895	38,235	6,742	14,918	0	25,175	15,730	5,321	4,124	0	0	0	0	0	0
Burundi	23,838	15,202	0	8,636	0	19,881	12,075	0	7,806	0	7,923	4,889	0	3,034	0	0	0	0	0	0
Central African Republic	0	0	0	0	0	996	601	0	395	0	0	0	0	0	0	0	0	0	0	0
Chad	0	0	0	0	0	14,532	0	9,932	0	4,600	12,616	9,553	0	0	3,063	0	0	0	0	0
Congo-Brazzaville	655	178	0	477	0	0	0	0	0	0	618	190	0	428	0	0	0	0	0	0
Congo-Democratic Republic	34,578	23,006	0	10,821	751	30,813	19,699	0	11,114	0	1,863	1,187	0	676	0	0	0	0	0	0
Cote D'Ivoire	6,296	3,032	0	27	3,237	7,632	4,463	0	0	3,169	0	0	0	0	0	0	0	0	0	0
Djibouti	3,348	1,670	0	1,678	0	994	541	0	453	0	0	0	0	0	0	0	0	0	0	0
Eritrea	62,539	25,932	17,745	1,458	17,404	58,276	28,716	15,001	2,632	11,927	16,347	5,431	10,082	834	0	0	0	0	0	0
Ethiopia	321,916	172,134	76,429	1,222	72,131	242,592	117,798	68,954	2,085	53,755	27,026	13,436	5,270	8,320	0	0	0	0	0	0
Gambia	1,097	610	0	0	487	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Guinea	6,652	3,646	0	3,006	0	5,505	3,019	0	2,486	0	1,206	693	0	513	0	0	0	0	0	0
Guinea Bissau	1,669	655	0	1,014	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kenya	12,090	6,249	0	5,841	0	30,955	15,320	0	6,309	9,326	13,674	7,702	0	722	5,250	0	0	0	0	0
Liberia	16,591	8,710	248	7,633	0	21,532	12,146	638	8,748	0	5,452	3,218	0	2,234	0	0	0	0	0	0
Madagascar	1,083	650	0	0	433	1,498	709	0	0	789	0	0	0	0	0	0	0	0	0	0
Mauritania	9,635	5,048	0	0	4,587	4,809	2,401	0	0	2,408	0	0	0	0	0	0	0	0	0	0
Rwanda	1,446	889	0	557	0	6,279	3,853	0	2,426	0	2,055	1,227	0	828	0	0	0	0	0	0
Senegal	2,146	1,032	0	589	525	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sierra Leone	18,680	10,933	2,998	4,749	0	6,630	3,784	0	2,846	0	1,059	546	0	513	0	0	0	0	0	0
Somalia	19,129	13,712	4,189	1,228	0	22,836	15,372	2,555	4,909	0	9,361	6,617	1,205	1,539	0	0	0	0	0	0
Southern Africa (crisis response)	125,070	68,580	23,169	0	33,321	129,154	78,663	20,817	0	29,674	389	165	0	224	0	0	0	0	0	0

**FY 2006 Congressional Budget Justification
P.L. 480 Title II - Dollars (Thousands)**

	FY 2003 Final Program Levels					FY 2004 Final Program Levels					FY 2005 Estimate a/					FY 2006 Congressional Budget Request				
Sudan	115,887	86,126	6,636	0	23,125	265,368	194,907	4,971	0	65,490	104,323	79,070	1,201	1,551	22,501	0	0	0	0	0
Tanzania	22,534	15,696	0	6,838	0	18,189	11,814	0	4,500	1,875	3,548	2,394	0	1,154	0	0	0	0	0	0
Uganda	57,250	34,473	0	22,777	0	55,261	31,757	0	23,504	0	11,841	6,584	0	5,257	0	0	0	0	0	0
Prepositioned Stocks	27,415	0	27,415	0	0	20,424	0	20,424	0	0	0	0	0	0	0	0	0	0	0	0
Worldwide Emergency Total	1,260,375	684,959	169,186	149,202	257,028	1,171,735	655,052	156,456	134,974	225,253	293,436	186,408	23,079	51,811	32,138	0	0	0	0	0
WORLDWIDE	1,672,320	819,629	429,663	166,000	257,028	1,535,982	786,545	374,272	149,912	225,253	676,907	311,240	281,718	51,811	32,138	464,264	157,851	306,413	0	0
Regular	411,945	134,670	260,477	16,798	0	364,247	131,493	217,816	14,938	0	383,471	124,832	258,639	0	0	464,264	157,851	306,413	0	0
Emergency	1,260,375	684,959	169,186	149,202	257,028	1,171,735	655,052	156,456	134,974	225,253	293,436	186,408	23,079	51,811	32,138	0	0	0	0	0
ASIA/NEAR EAST	333,120	127,095	70,485	37,219	98,321	199,357	70,416	51,145	38,343	39,453	119,072	43,043	59,925	16,104	0	111,941	38,060	73,881	0	0
Regular	106,650	30,831	68,106	7,713	0	79,586	23,416	47,690	8,480	0	80,455	20,530	59,925	0	0	111,941	38,060	73,881	0	0
Emergency	226,470	96,264	2,379	29,506	98,321	119,771	47,000	3,455	29,863	39,453	38,617	22,513	0	16,104	0	0	0	0	0	0
EUROPE & EURASIA	25,501	12,211	0	10,584	2,706	21,803	9,037	1,960	8,073	2,433	15,458	5,722	7,323	2,413	0	10,374	3,527	6,847	0	0
Regular	0	0	0	0	0	300	300	0	0	0	10,433	3,110	7,323	0	0	10,374	3,527	6,847	0	0
Emergency	25,501	12,211	0	10,584	2,706	21,503	9,037	1,960	8,073	2,433	5,025	2,612	0	2,413	0	0	0	0	0	0
LATIN AMERICA	139,968	43,694	87,381	8,893	0	106,463	33,475	68,943	3,691	354	108,462	33,105	72,690	1,343	1,324	113,159	38,475	74,684	0	0
Regular	125,861	37,065	85,492	3,304	0	100,053	30,333	67,936	1,784	0	103,144	30,454	72,690	0	0	113,159	38,475	74,684	0	0
Emergency	14,107	6,629	1,889	5,589	0	6,410	3,142	1,007	1,907	354	5,318	2,651	0	1,343	1,324	0	0	0	0	0
AFRICA	1,146,316	636,629	244,382	109,304	156,001	1,187,935	673,317	231,800	99,805	183,013	433,915	229,370	141,780	31,951	30,814	228,790	77,789	151,001	0	0
Regular	179,434	66,774	106,879	5,781	0	184,308	77,444	102,190	4,674	0	189,439	70,738	118,701	0	0	228,790	77,789	151,001	0	0
Emergency	966,882	569,855	137,503	103,523	156,001	1,003,627	595,873	129,610	95,131	183,013	244,476	158,632	23,079	31,951	30,814	0	0	0	0	0
Prepositioned Stocks	27,415	0	27,415	0	0	20,424	0	20,424	0	0	0	0	0	0	0	0	0	0	0	0
UNALLOCATED BALANCE:																				
Total	0					0					392,634					316,236				
WFP Pledge & Multilateral	0					0					45,000					175,000				
Emergency & WFP PRROs e/	0					0					347,634					141,236				
Total Adjustments:	68,255					-351,015					103,500					104,500				
Section 202(e) f/	75,154					83,816					82,000					83,000				
Farmer-to-Farmer (FTF) g/	10,000					10,000					10,000					10,000				
Intern. Food Relief Partn. Act	3,416					4,933					5,000					5,000				
Administrative support	3,385					6,234					6,500					6,500				
Prior Year Recoveries and other adjustments h/	(7,500)					(400,817)					10,000					0				
Carry-Out (estimated)	85,181					30,000					20,000					20,000				
Carry-In	(101,381)					(85,181)					(30,000)					(20,000)				
PROGRAM TOTAL i/	1,740,575					1,184,967					1,173,041					885,000				

N.B. The FY 2003 Bill Emerson Humanitarian Trust (BEHT) approved program level of \$258,317,900 is not included in the total PL 480 Title II Iraq, Ethiopia and Southern Africa program levels.

- a/ Individual country levels represent the approvals in the Food for Peace Information System (FFPIS) as of Dec 1, 2004; in total they correspond to the FY 2005 Budget Justification level. Country levels may be adjusted throughout the fiscal year where approved levels are increased from the unallocated balance.
- b/ Based on seasonal estimated average prices provided by USDA/FAS Sept 2004.
- c/ USAID approves World Food Program (WFP) distribution to assure compliance with all laws and provides broad financial overview to ensure U.S. funds are appropriately accounted for. A WFP Pledge of \$200 million is included for FY 2003 and FY 2004 (includes 202(e) and multi-lateral), to support development and protracted relief and recovery operations (PRRO) under the United States Government's annual pledge.
- d/ International Emergency Food Reserve (IEFR), implemented by WFP.
- e/ WFP PRROs may be attributed to non-emergency activities.
- f/ Includes \$6 million WFP cash grant formerly managed by the State Department's International Organization Affairs Bureau.
- g/ This figure includes the Title II portion of the Farmer-to-Farmer (FTF) P.L. 480 contribution.
- h/ Prior year recoveries also include confirmed fallout, commodity cost savings, and Maritime Administration reimbursements for cargo preference premiums, which were significant in FY 2004 because of a backlog of collections from FY 1995. Adjustments include Title II paybacks to OMB for Bill Emerson Humanitarian Trust for \$10 million in FY 2004 and FY 2005.
- i/ Includes \$248 million of emergency spending authority and \$300 million supplemental in FY 2003 for Iraq and Eastern/Southern Africa emergencies.

**FY 2005 Congressional Budget Justification
P.L. 480 Title II - Metric Tons**

Region/Country	FY 2003 Final Program Levels				FY 2004 Final Program Levels				FY 2005 Estimated Level /a				FY 2006 Congressional Budget Justification			
	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP /b	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/
ASIA/NEAR EAST	581,210	255,300	114,220	211,690	413,120	158,180	105,840	149,100	211,820	126,890	84,930	0	223,882	223,882	0	0
Afghanistan*	72,400	0	72,400	0	79,330	0	79,330	0	77,860	0	77,860	0	0	0	0	0
Algeria*	0	0	0	0	2,500	0	2,500	0	0	0	0	0	0	0	0	0
Bangladesh*	150,080	150,080	0	0	103,810	86,730	7,350	9,730	38,850	38,850	0	0	103,138	103,138	0	0
Cambodia	0	0	0	0	1,480	0	1,480	0	0	0	0	0	0	0	0	0
East Timor*	0	0	0	0	1,000	0	0	1,000	0	0	0	0	0	0	0	0
Egypt	4,420	0	4,420	0	4,270	0	4,270	0	0	0	0	0	0	0	0	0
India	62,250	62,250	0	0	65,780	65,780	0	0	72,770	72,770	0	0	84,112	84,112	0	0
Indonesia*	67,970	42,970	25,000	0	5,670	5,670	0	0	20,720	15,270	5,450	0	36,632	36,632	0	0
Iraq*	163,820	0	0	163,820	0	0	0	0	0	0	0	0	0	0	0	0
Laos	1,020	0	1,020	0	0	0	0	0	0	0	0	0	0	0	0	0
Nepal*	0	0	0	0	0	0	0	0	1,620	0	1,620	0	0	0	0	0
North Korea*	31,000	0	0	31,000	106,000	0	0	106,000	0	0	0	0	0	0	0	0
Pakistan*	6,790	0	4,720	2,070	27,180	0	3,750	23,430	0	0	0	0	0	0	0	0
Sri Lanka*	1,500	0	1,500	0	16,100	0	7,160	8,940	0	0	0	0	0	0	0	0
West Bank/Gaza*	14,800	0	0	14,800	0	0	0	0	0	0	0	0	0	0	0	0
Yemen	5,160	0	5,160	0	0	0	0	0	0	0	0	0	0	0	0	0
EUROPE & EURASIA	38,890	0	30,300	8,590	35,410	0	26,690	8,720	24,810	14,770	10,040	0	22,890	22,890	0	0
Armenia*	5,500	0	5,500	0	6,800	0	6,800	0	1,980	0	1,980	0	0	0	0	0
Azerbaijan*	4,620	0	4,620	0	4,860	0	4,860	0	0	0	0	0	0	0	0	0
Georgia*	5,000	0	5,000	0	4,730	0	4,730	0	0	0	0	0	0	0	0	0
Russia*	8,590	0	0	8,590	8,720	0	0	8,720	0	0	0	0	0	0	0	0
Tajikistan*	15,180	0	15,180	0	10,300	0	10,300	0	22,830	14,770	8,060	0	22,890	22,890	0	0
LATIN AMERICA	318,480	282,710	35,770	0	229,530	215,130	13,410	990	244,590	237,480	3,210	3,900	216,994	216,994	0	0
Bolivia	60,950	54,470	6,480	0	43,720	43,720	0	0	32,670	32,670	0	0	47,222	47,222	0	0
El Salvador*	4,010	0	4,010	0	1,370	0	1,370	0	0	0	0	0	0	0	0	0
Guatemala*	33,500	21,240	12,260	0	23,080	20,980	2,100	0	25,520	24,680	840	0	31,708	31,708	0	0
Haiti*	100,700	100,700	0	0	83,240	79,400	2,850	990	103,010	99,110	0	3,900	60,802	60,802	0	0
Honduras*	27,470	20,490	6,980	0	21,710	16,360	5,350	0	38,090	36,220	1,870	0	29,649	29,649	0	0
Nicaragua*	48,740	42,700	6,040	0	18,670	16,930	1,740	0	28,520	28,020	500	0	22,856	22,856	0	0
Peru	43,110	43,110	0	0	37,740	37,740	0	0	16,780	16,780	0	0	24,757	24,757	0	0
AFRICA	2,145,320	984,150	486,860	674,310	1,985,850	887,260	394,200	684,390	773,640	507,750	117,170	148,720	469,401	469,401	0	0
Angola*	171,760	38,300	133,460	0	94,810	31,260	63,550	0	44,690	32,840	11,850	0	18,692	18,692	0	0
Benin	10,060	10,060	0	0	8,680	8,680	0	0	5,300	5,300	0	0	6,082	6,082	0	0
Burkina Faso	11,470	11,470	0	0	13,790	13,790	0	0	21,540	21,540	0	0	39,794	39,794	0	0
Burundi*	41,660	0	41,660	0	36,610	0	36,610	0	12,730	0	12,730	0	0	0	0	0
Cameroon	150	0	150	0	0	0	0	0	0	0	0	0	0	0	0	0
Cape Verde	18,140	18,140	0	0	18,450	18,450	0	0	17,120	17,120	0	0	8,447	8,447	0	0
Central African Republic (CAR)	410	0	410	0	1,230	0	1,230	0	0	0	0	0	0	0	0	0
Chad*	8,510	6,320	2,190	0	22,340	4,400	1,160	16,780	4,740	4,740	0	0	5,321	5,321	0	0
Congo- Brazzaville*	1,150	0	1,150	0	0	0	0	0	0	0	0	14,550	0	0	0	0
Congo- Democratic Republic*	42,870	0	41,670	1,200	35,410	0	35,410	0	1,150	0	1,150	0	14,953	14,953	0	0
Cote d' Ivoire*	9,280	0	30	9,250	10,650	0	0	10,650	2,140	0	2,140	0	0	0	0	0
Djibouti*	5,400	0	5,400	0	1,710	0	1,710	0	0	0	0	0	0	0	0	0
Eritrea*	154,820	80,070	6,750	68,000	152,970	75,150	13,020	64,800	49,620	49,620	0	0	25,770	25,770	0	0
Ethiopia*	750,720	376,970	9,520	364,230	537,970	355,620	7,950	174,400	82,260	79,860	2,400	0	46,432	46,432	0	0
Gambia*	2,690	0	690	2,000	1,000	0	1,000	0	55,740	31,000	24,740	0	0	0	0	0
Ghana	67,520	66,980	540	0	48,840	48,370	470	0	48,490	48,490	0	0	44,299	44,299	0	0
Guinea*	13,730	3,020	10,710	0	12,880	4,120	8,760	0	6,570	5,100	1,470	0	6,950	6,950	0	0
Guinea Bissau*	1,980	0	1,980	0	0	0	0	0	0	0	0	0	0	0	0	0
Kenya*	82,400	62,780	19,620	0	76,660	29,110	21,750	25,800	50,690	25,740	4,950	20,000	22,987	22,987	0	0
Liberia*	27,000	640	26,360	0	33,860	2,080	31,780	0	7,740	0	7,740	0	0	0	0	0
Lesotho	0	0	0	0	2,380	0	2,380	0	0	0	0	0	0	0	0	0
Madagascar*	27,010	22,940	1,780	2,290	23,170	20,060	1,100	2,010	19,440	19,440	0	0	31,484	31,484	0	0
Malawi*	4,140	4,140	0	0	10,400	10,400	0	0	10,530	10,530	0	0	28,819	28,819	0	0
Mauritania*	36,240	14,420	5,930	15,890	17,820	10,830	0	6,990	10,750	10,750	0	0	7,957	7,957	0	0
Mozambique	62,120	61,700	420	0	68,070	64,070	4,000	0	55,500	55,500	0	0	37,062	37,062	0	0
Niger	14,110	14,110	0	0	12,840	12,840	0	0	8,350	8,350	0	0	11,211	11,211	0	0

**FY 2005 Congressional Budget Justification
P.L. 480 Title II - Metric Tons**

	FY 2003 Final Program Levels				FY 2004 Final Program Levels				FY 2005 Estimated Level /a				FY 2006 Congressional Budget Justification			
	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP /b	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/
Regional W. Africa	1,630	1,630	0	0	2,960	2,960	0	0	1,730	1,730	0	0	3,596	3,596	0	0
Rwanda*	22,030	19,530	2,500	0	21,050	9,350	11,700	0	12,840	9,550	3,290	0	28,594	28,594	0	0
Senegal*	3,580	0	1,700	1,880	0	0	0	0	4,790	4,790	0	0	6,097	6,097	0	0
Sierra Leone*	26,100	8,780	17,320	0	22,460	9,570	12,890	0	14,430	12,960	1,470	0	19,753	19,753	0	0
Somalia*	27,900	20,400	7,500	0	33,510	13,050	20,460	0	15,460	7,560	7,900	0	0	0	0	0
Southern Africa (crisis respons	196,400	83,400	0	113,000	206,880	89,200	0	117,680	1,000	0	1,000	0	0	0	0	0
Sudan*	124,180	27,610	0	96,570	269,930	19,650	0	250,280	126,110	5,640	6,300	114,170	0	0	0	0
Tanzania*	44,860	0	44,860	0	37,620	0	22,620	15,000	40,180	32,600	7,580	0	0	0	0	0
Uganda*	133,300	30,740	102,560	0	121,900	27,250	94,650	0	27,460	7,000	20,460	0	34,643	34,643	0	0
Zambia*	0	0	0	0	7,000	7,000	0	0	0	0	0	0	20,458	20,458	0	0
Zimbabwe*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepositioned Stocks*	64,530	64,530	0	0	46,250	46,250	0	0	0	0	0	0	0	0	0	0
WORLDWIDE TOTAL	3,148,430	1,586,690	667,150	894,590	2,690,160	1,306,820	540,140	843,200	1,254,860	886,890	215,350	152,620	933,167	933,167	0	0
* Includes emergency program. Emergency levels are detailed in separate table (EMERGENCY PROGRAMS) below.																
EMERGENCY PROGRAMS																
ASIA/NEAR EAST	317,180	8,090	97,400	211,690	236,490	0	87,390	149,100	84,930	0	84,930	0	0	0	0	0
Afghanistan	72,400	0	72,400	0	79,330	0	79,330	0	77,860	0	77,860	0	0	0	0	0
Algeria	0	0	0	0	2,500	0	2,500	0	0	0	0	0	0	0	0	0
Bangladesh	0	0	0	0	9,730	0	0	9,730	0	0	0	0	0	0	0	0
East Timor	0	0	0	0	1,000	0	0	1,000	0	0	0	0	0	0	0	0
Indonesia	33,090	8,090	25,000	0	0	0	0	0	5,450	0	5,450	0	0	0	0	0
Iraq	163,820	0	0	163,820	0	0	0	0	0	0	0	0	0	0	0	0
Nepal	0	0	0	0	0	0	0	0	1,620	0	1,620	0	0	0	0	0
North Korea	31,000	0	0	31,000	106,000	0	0	106,000	0	0	0	0	0	0	0	0
Pakistan	2,070	0	0	2,070	23,430	0	0	23,430	0	0	0	0	0	0	0	0
Sri Lanka	0	0	0	0	14,500	0	5,560	8,940	0	0	0	0	0	0	0	0
West Bank/Gaza	14,800	0	0	14,800	0	0	0	0	0	0	0	0	0	0	0	0
EUROPE & EURASIA	38,890	0	30,300	8,590	35,410	0	26,690	8,720	10,040	0	10,040	0	0	0	0	0
Armenia	5,500	0	5,500	0	6,800	0	6,800	0	1,980	0	1,980	0	0	0	0	0
Azerbaijan	4,620	0	4,620	0	4,860	0	4,860	0	0	0	0	0	0	0	0	0
Georgia	5,000	0	5,000	0	4,730	0	4,730	0	0	0	0	0	0	0	0	0
Russia	8,590	0	0	8,590	8,720	0	0	8,720	0	0	0	0	0	0	0	0
Tajikistan	15,180	0	15,180	0	10,300	0	10,300	0	8,060	0	8,060	0	0	0	0	0
LATIN AMERICA	27,980	5,150	22,830	0	11,800	2,840	7,970	990	7,110	0	3,210	3,900	0	0	0	0
El Salvador	4,010	0	4,010	0	1,370	0	1,370	0	0	0	0	0	0	0	0	0
Guatemala	7,560	0	7,560	0	2,100	0	2,100	0	840	0	840	0	0	0	0	0
Haiti	5,150	5,150	0	0	3,830	2,840	0	990	3,900	0	0	3,900	0	0	0	0
Honduras	5,790	0	5,790	0	2,760	0	2,760	0	1,870	0	1,870	0	0	0	0	0
Nicaragua	5,470	0	5,470	0	1,740	0	1,740	0	500	0	500	0	0	0	0	0
AFRICA	1,723,250	583,520	465,420	674,310	1,592,800	529,410	379,000	684,390	371,850	105,960	117,170	148,720	0	0	0	0
Angola	164,760	31,300	133,460	0	94,810	31,260	63,550	0	33,400	21,550	11,850	0	0	0	0	0
Burundi	41,660	0	41,660	0	36,610	0	36,610	0	12,730	0	12,730	0	0	0	0	0
Central African Republic (CA)	0	0	0	0	1,230	0	1,230	0	0	0	0	0	0	0	0	0
Chad	0	0	0	0	16,780	0	0	16,780	14,550	0	0	14,550	0	0	0	0
Congo- Brazzaville	1,150	0	1,150	0	0	0	0	0	1,150	0	1,150	0	0	0	0	0
Congo- Democratic Republic	42,870	0	41,670	1,200	35,410	0	35,410	0	0	0	2,140	0	0	0	0	0
Cote d' Ivoire	9,280	0	30	9,250	10,650	0	0	10,650	0	0	0	0	0	0	0	0
Djibouti	5,400	0	5,400	0	1,710	0	1,710	0	0	0	0	0	0	0	0	0
Eritrea	151,970	77,220	6,750	68,000	143,520	65,700	13,020	64,800	42,610	40,210	2,400	0	0	0	0	0
Ethiopia	703,710	334,170	5,310	364,230	490,820	308,470	7,950	174,400	55,740	31,000	24,740	0	0	0	0	0
Gambia	2,000	0	0	2,000	0	0	0	0	0	0	0	0	0	0	0	0
Guinea	10,710	0	10,710	0	8,110	0	8,110	0	1,470	0	1,470	0	0	0	0	0
Guinea Bissau	1,980	0	1,980	0	0	0	0	0	0	0	0	0	0	0	0	0
Kenya	19,620	0	19,620	0	47,550	0	21,750	25,800	24,950	0	4,950	20,000	0	0	0	0

**FY 2005 Congressional Budget Justification
P.L. 480 Title II - Metric Tons**

	FY 2003 Final Program Levels				FY 2004 Final Program Levels				FY 2005 Estimated Level ^a				FY 2006 Congressional Budget Justification			
	Total	PVO/CDO	WFP ^{b/}	IEFR ^{c/}	Total	PVO/CDO	WFP ^{b/}	IEFR ^{c/}	Total	PVO/CDO	WFP ^{b/}	IEFR ^{c/}	Total	PVO/CDO	WFP ^{b/}	IEFR ^{c/}
Liberia	24,480	640	23,840	0	33,860	2,080	31,780	0	7,740	0	7,740	0	0	0	0	0
Madagascar	2,290	0	0	2,290	2,010	0	0	2,010	0	0	0	0	0	0	0	0
Malawi	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mauritania	15,890	0	0	15,890	6,990	0	0	6,990	0	0	0	0	0	0	0	0
Mozambique	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rwanda	2,500	0	2,500	0	10,400	0	10,400	0	3,290	0	3,290	0	0	0	0	0
Senegal	3,580	0	1,700	1,880	0	0	0	0	0	0	0	0	0	0	0	0
Sierra Leone	24,270	8,780	15,490	0	9,750	0	9,750	0	1,470	0	1,470	0	0	0	0	0
Somalia	27,900	20,400	7,500	0	33,510	13,050	20,460	0	15,460	7,560	7,900	0	0	0	0	0
Southern Africa (crisis respor	196,400	83,400	0	113,000	206,880	89,200	0	117,680	1,000	0	1,000	0	0	0	0	0
Sudan	124,180	27,610	0	96,570	269,930	19,650	0	250,280	126,110	5,640	6,300	114,170	0	0	0	0
Tanzania	44,860	0	44,860	0	37,620	0	22,620	15,000	7,580	0	7,580	0	0	0	0	0
Uganda	101,790	0	101,790	0	94,650	0	94,650	0	20,460	0	20,460	0	0	0	0	0
Zambia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Zimbabwe	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepositioned Stocks	64,530	64,530	0	0	46,250	46,250	0	0	0	0	0	0	0	0	0	0
Worldwide Emergency Total	2,171,830	661,290	615,950	894,590	1,922,750	578,500	501,050	843,200	473,930	105,960	215,350	152,620	0	0	0	0
WORLDWIDE	3,148,430	1,586,690	667,150	894,590	2,690,160	1,306,820	540,140	843,200	1,254,860	886,890	215,350	152,620	933,167	933,167	0	0
Regular	976,600	925,400	51,200	0	767,410	728,320	39,090	0	780,930	780,930	0	0	933,167	933,167	0	0
Emergency	2,171,830	661,290	615,950	894,590	1,922,750	578,500	501,050	843,200	473,930	105,960	215,350	152,620	0	0	0	0
ASIA/NEAR EAST	581,210	255,300	114,220	211,690	413,120	158,180	105,840	149,100	211,820	126,890	84,930	0	223,882	223,882	0	0
Regular	264,030	247,210	16,820	0	176,630	158,180	18,450	0	126,890	126,890	0	0	223,882	223,882	0	0
Emergency	317,180	8,090	97,400	211,690	236,490	0	87,390	149,100	84,930	0	84,930	0	0	0	0	0
EUROPE & EURASIA	38,890	0	30,300	8,590	35,410	0	26,690	8,720	24,810	14,770	10,040	0	22,890	22,890	0	0
Regular	0	0	0	0	0	0	0	0	14,770	14,770	0	0	22,890	22,890	0	0
Emergency	38,890	0	30,300	8,590	35,410	0	26,690	8,720	10,040	0	10,040	0	0	0	0	0
LATIN AMERICA	318,480	282,710	35,770	0	229,530	215,130	13,410	990	244,590	237,480	3,210	3,900	216,994	216,994	0	0
Regular	290,500	277,560	12,940	0	217,730	212,290	5,440	0	237,480	237,480	0	0	216,994	216,994	0	0
Emergency	27,980	5,150	22,830	0	11,800	2,840	7,970	990	7,110	0	3,210	3,900	0	0	0	0
AFRICA	2,145,320	984,150	486,860	674,310	1,965,850	887,260	394,200	684,390	773,640	507,750	117,170	148,720	469,401	469,401	0	0
Regular	422,070	400,630	21,440	0	373,050	357,850	15,200	0	401,790	401,790	0	0	469,401	469,401	0	0
Emergency	1,723,250	583,520	465,420	674,310	1,592,800	529,410	379,000	684,390	371,850	105,960	117,170	148,720	0	0	0	0
Prepositioned Stocks	64,530	64,530	0	0	0	0	0	0	0	0	0	0	0	0	0	0
UNALLOCATED BALANCE:																
Total	0				0				730,000				510,000			
PVO Regular	0				0				0				0			
WFP Pledge and Multilateral	0				0				155,000				0			
Emergency and WFP PRROs	0				0				575,000				0			
Overall Title II	0				0				0				510,000			
PROGRAM TOTAL	3,148,430				2,690,160				1,984,860				1,443,167			

N.B. The FY 2003 Bill Emerson Humanitarian Trust (BEHT) program level of 525,740 MTs are not included in the total PL 480 Title II Iraq, Ethiopia and Southern Africa program levels.

^{a/} Individual country levels represent the approved values in FFPIS as of December 1, 2004; in total, they correspond to the FY 2005 Budget Justification level.

^{b/} USAID approves World Food Program (WFP) distribution to assure compliance with all laws and provides broad financial overview to ensure U.S. funds are appropriately accounted for, FY 2003 and FY 2004 metric tons support \$200 million for development and protracted relief and recovery operations (PRRO) under the United States Government's annual pledge.

^{c/} International Emergency Food Reserve (IEFR), implemented by WFP.

**International Disaster and Famine Assistance
Office of U.S. Foreign Disaster Assistance**

The Development Challenge: The Office of U.S. Foreign Disaster Assistance (OFDA) is the lead coordinator of U.S. Government responses to disasters in foreign countries. OFDA works to minimize the human costs of displacement, conflicts and natural disasters. As the largest bilateral donor of humanitarian assistance, the U.S. Government has a unique role to play in shaping the nature of the assistance environment. Through close cooperation with other U.S. Government agencies, bilateral and multilateral donors, host governments and implementing partners, OFDA's activities help maintain good relations and contribute positively to the United States' image abroad.

The USAID Program: Under the authority of the Foreign Assistance Act of 1961, as amended, the President has designated the USAID Administrator as the Special Coordinator for International Disaster Assistance. OFDA's mandate is to save lives, alleviate suffering, and reduce the economic impact of disasters. OFDA targets the most vulnerable groups with its emergency assistance: the malnourished, children, nursing and pregnant women, child- and women-headed households, the elderly, and the disabled. OFDA strives to reduce the economic impact of disaster while providing emergency assistance. Assistance must be received by its beneficiaries in a timely manner to avert further suffering and death, and it must be of a kind that helps victims regain their productivity and reduce their dependency.

OFDA draws on public and private sector resources, and maintains an in-house staff with specific expertise in public health, sanitation, nutrition, shelter, agriculture, social sciences, hydro-meteorology, and earth science to identify needs, coordinate appropriate emergency response, and facilitate the flow of information. OFDA also provides disaster assistance response teams (DARTs), search and rescue teams, health and medical intervention, shelter assistance, and water purification units as needed in response to a disaster.

In addition to its emergency assistance, OFDA works with USAID missions and other partners in disaster-prone countries to enhance regional, national and local capacity to plan, mitigate, and respond to disaster events. In Asia, for example, OFDA promotes preparedness to manage disaster events through incident command training, the application of technological advancements (e.g., flood forecasting), and early warning and hazard mapping for vulnerable and affected communities. Enhancing institutional and community capacities ensures a more timely, efficient and appropriate emergency response, which can reduce the effects of a disaster.

OFDA has partnerships with the Fairfax County (Virginia) and Los Angeles County (California) urban search and rescue teams, either of which can be deployed within 48 hours in the event of an earthquake or other disaster requiring their expertise. The teams also provide support to their counterparts in several countries, focusing on the training of first responders (those first on the scene of a disaster), hospital preparedness for mass casualty events, and improving capacities for regional search and rescue.

OFDA supports a number of rehabilitation and disaster prevention activities around the world, and collaborates with the National Oceanic and Atmospheric Administration and other partners to improve regional climate forecasting. OFDA-supported mitigation activities reduce the impact of floods, and in drought-prone areas OFDA supports borehole and water-well rehabilitation and maintenance activities that improve the supply of potable water. To improve food security for drought-affected populations, OFDA supports the development and distribution of disease- and drought-resistant seed varieties. OFDA promotes earthquake-resistant construction in seismically active areas, and partners with the U.S. Geological Survey to provide communities with advance warning of impending volcanic eruptions.

Recognizing that OFDA's effectiveness is largely dependent on the success of the non-governmental (NGO) community, OFDA provides funding for a disaster response committee at InterAction. With over 160 member agencies, InterAction is a Washington-based consortium committed to enhancing the effectiveness and professional capacity of NGOs engaged in international humanitarian and development work. OFDA also promotes the coordination and leadership function of the United Nations through grants and cooperative agreements. Through its Military Liaison Unit, OFDA coordinates with the Department of

Defense on issues of logistics, transport of relief supplies and outreach to units with which OFDA has a close working relationship.

In FY 2004, OFDA provided over \$316 million in relief and mitigation assistance, responding to 70 declared disasters in 55 different countries, targeting an estimated 71.4 million beneficiaries. This compares to \$550.993 million in the program summary table as total program funds. The difference of \$134.9 million was managed by USAID country missions. Seventeen of those disasters were complex emergencies involving varying degrees of civic strife, economic hardship, famine or malnutrition, and a general breakdown of state services. OFDA's largest response was in Darfur, Sudan, where OFDA provided more than \$71 million to address the needs of the internally displaced populations through programs focusing on food, emergency health and nutrition, water and sanitation, and shelter. Other major responses in FY 2004 include Sudan, Iraq, Liberia, the Democratic Republic of Congo (DRC), and Burundi.

OFDA's budget for FY 2005 is planned at \$232.8 million. Here too the difference with the program summary table level of \$308.497 million are funds managed by USAID overseas missions. Other funds appropriated for Iraq or as supplemental funding are also managed by OFDA. OFDA has planned obligations in FY 2005 for 41 countries. Of particular note in terms of anticipated funding levels are: Sudan; Iraq; Ethiopia; DRC; Liberia; Burundi. With these resources OFDA will continue to provide and improve upon its timely and appropriate humanitarian assistance to disaster victims. In attempting to help people reduce dependence on outside assistance, OFDA will also work to improve the response capacities of host-countries and other humanitarian assistance providers in risk-prone countries. Enhanced capacities and improved capabilities for humanitarian responders at national and local levels can ensure more timely and efficient response and help graduate countries from the need for outside assistance. The dire humanitarian situation in Darfur, Sudan, will continue to be OFDA's primary focus in that country as it provides assistance to internally displaced populations through programs focusing on food, emergency health and nutrition, water and sanitation, and shelter. OFDA will also support expanded essential services and rehabilitation in southern Sudan, where the long civil war has just ended. Additional International Disaster and Famine Account (IDFA) funds in Iraq, Liberia and Ethiopia for famine assistance, along with those for southern Sudan are administered by USAID field missions.

OFDA will use the requested \$235.5 million of FY 2006 resources to continue providing quality humanitarian assistance to disaster victims, as well as expertise and resources for planning, preparedness, mitigation and prevention activities. The office will hone the professional skills of its staff and partner agencies through targeted training, and will continue to improve its monitoring, evaluation, and response capabilities for quicker and more appropriate regional disaster response. In addition to OFDA's baseline budget of \$235.5 million USAID is requesting \$100 million for Sudan to assist recovery in Sudan's war-affected regions, mainly the South, where the new peace agreement is fragile due to decades of war and inequitable access to resources. Sudan's abundant natural resources will eventually lead to economic recovery, but, in the short term, peace will need to be supported by continuing international assistance so that essential services and infrastructure are extended to Sudan's vast regions that have been isolated during the decades of war. IDFA funds will support programs of nongovernmental organizations and United Nations agencies in primary health care, water, sanitation, food security, livelihoods, and rural infrastructure, giving priority to the most isolated and under-served regions of the country. Also included in USAID's request is an additional \$300 million of IDFA funds for cash procurement of emergency food aid and an additional \$20 million has been requested for famine mitigation and prevention.

Other Program Elements: OFDA continues to cooperate closely with other USAID offices, the Department of State, the Department of Defense and other parts of the U.S. Government to provide timely and effective humanitarian aid to foreign countries wherever needed. USAID's Office of Food for Peace, Office of Transition Initiatives, regional bureaus, and missions are important partners. Development aid can complement humanitarian relief programs when it serves as longer-term rehabilitation and recovery assistance; countries that have achieved sustainable development are less likely to require massive U.S. Government humanitarian assistance. Three of the biggest providers of U.S. Government humanitarian assistance are the Department of Agriculture; the Department of State's

Bureau of Population, Refugees, and Migration; and the Department of Defense's Office for Peacekeeping and Humanitarian Affairs.

Other Donors: OFDA also collaborates with other donors and NGOs. Coordinating relief efforts is essential for bringing resources to the table and using them efficiently. For example, OFDA and the United Kingdom's Department for International Development (DFID) co-sponsor a security training program for NGOs and other relief workers. OFDA and several international agencies, including DFID and the European Community Humanitarian Office (ECHO), support the Integrated Regional Information Networks run by the United Nations Office for Coordination of Humanitarian Assistance (OCHA), and OFDA and ECHO work together to fund several country-specific Humanitarian Information Centers.

Please see the following list of major disaster responses, by country and region for FY 2003 and FY 2004. Also, please see the separate chapter on the full IDFA funding, in addition to OFDA-managed IDFA activities.

**Major Disaster Responses by Country and Regional Totals
International Disaster and Famine Assistance**

Country	FY 2003	Disaster Type	FY 2004	Disaster Type
Afghanistan	24,536,631	Complex Emergency	9,896,870	Complex Emergency
Algeria	873,047	Earthquake		
Angola	19,516,211	Complex Emergency	6,805,825	Complex Emergency
Burundi	11,942,656	Complex Emergency	11,340,199	Complex Emergency
China (Peoples Republic of)	500,000	Health Emergency		
Cote d'Ivoire	2,437,100	Complex Emergency	652,548	Complex Emergency
Democratic Republic of Congo	31,888,855	Complex Emergency	22,395,336	Complex Emergency
Eritrea	3,296,633	Drought	3,431,177	Drought
Ethiopia	31,799,195	Drought	21,168,488	Drought
Gambia	682,392	Famine/Food Shortage		
Grenada			1,055,196	Hurricane/Cyclone/Typhoon
Haiti			2,128,100	Flood
Haiti			4,294,762	Complex Emergency
India	1,072,539	Drought		
Indonesia	4,050,000	Complex Emergency	1,500,000	Complex Emergency
Iran			8,461,437	Earthquake
Iraq	81,397,040	Complex Emergency	31,768,009	Complex Emergency
Jamaica			705,712	Hurricane/Cyclone/Typhoon
Liberia	5,679,543	Complex Emergency	23,407,527	Complex Emergency
Madagascar	508,650	Storm		
Malawi	1,942,999	Famine/Food Shortage		
Mali			566,500	Infestation
Nepal	653,413	Complex Emergency		
Mauritania			1,213,000	Infestation
Morocco			787,003	Earthquake
Nepal			763,997	Complex Emergency
Senegal	837,838	Famine/Food Shortage	1,500,000	Infestation
Sierra Leone	7,680,844	Complex Emergency	2,110,802	Complex Emergency
Somalia	3,283,528	Complex Emergency	4,274,262	Complex Emergency
Sudan	40,846,538	Complex Emergency	35,000,000	Complex Emergency
Sudan	1,459,138	Flood		
Sudan - Darfur			71,661,007	Complex Emergency
Uganda	3,990,215	Complex Emergency	8,960,762	Complex Emergency
Zimbabwe	6,527,705	Famine/Food Shortage	6,674,351	Complex Emergency
Other Disaster Responses				
Africa Region	954,439		2,087,132	
Asia Region	922,115		1,633,866	
Australia	25,000			
Europe Region	746,927		294,230	
LAC Region	803,869		1,223,312	
Middle East Region	50,000		100,000	
Mitigation / Preparedness	25,845,780		27,846,031	
Operations / Program Support	34,501,643		28,667,180	
Grand Total	351,252,483		344,374,621	

In addition to regular International Disaster and Famine Assistance (IDFA) funds, in FY2004 OFDA obligated funds from supplemental IDFA and IRRF appropriations for Sudan, Iraq, and Liberia.

Transition Initiatives Office of Transition Initiatives

The Development Challenge: Since September 11, 2001, the Office of Transition Initiatives (OTI) has been increasingly critical in such places as Afghanistan and Iraq, to respond quickly to urgent needs for stability and reconstruction and to engage constructively with other U.S. Government efforts. With further recognition of the positive correlation between failed states and havens for terrorists, OTI has an even greater need to perform at the highest levels at being fast to engage; targeting its interventions to the most critical political transition issues; responding to the ever changing and chaotic operating environments by adjusting or developing new objectives and activities; recruiting, hiring and training new staff who already possess the knowledge, skills and attitudes that OTI needs in the field and in headquarters; engage constantly and cooperatively with other units in the Agency and with other important stakeholders in Congress, the Departments of State and Defense, the National Security Council, and other international donors; and consistently monitoring program progress in order to make the best possible decisions that will increase performance.

The USAID Program: OTI's fast, flexible and catalytic response has been enlisted in 29 diverse transitional settings: Afghanistan, Albania, Angola, Bolivia, Bosnia-Herzegovina, Burundi, Colombia, Croatia, Democratic Republic of Congo, East Timor, El Salvador, Haiti, Honduras, Indonesia, Iraq, Kosovo, Lebanon, Liberia, Macedonia, Nigeria, Rwanda, Peru, the Philippines, Serbia and Montenegro, Sierra Leone, Sri Lanka, Sudan, Venezuela, and Zimbabwe. The experience of working in transitions worldwide confirmed these are special and sensitive times. However, the mandate of "filling the gap" has taken on new meanings, especially in light of increased state fragility, significant human rights abuses, recurring cycles of violent conflict, and growing state failure where the path from state breakdown to sufficient stability and security for development assistance to take hold is rarely linear.

Transitions are periods where opportunities exist to target programming that can leverage profound political and social change and, at the very least, preserve the peace and reconciliation as factions and the populace regroup to form better governing structures. The dominant social concerns are short-term: personal security; the basic needs of shelter, food and water; and immediate politically relevant aims. Successfully operating in these environments requires orientations, activities and modalities that differ from those adapted to the more stable environments where long-term, sustainable development is possible. Programmatic flexibility is central. Transitions provide unexpected opportunities to advance democracy and peace, and address unforeseen threats. Responding appropriately requires financial resources and implementation mechanisms that can be readily redirected, and program staff members that are sensitive to the operating environment, willing to take risks, and empowered to make needed programmatic adjustments.

In uncertain transitional periods, the population seeks assurances that democracy and peace is worth the risk and they are not willing to wait months or years for concrete results. Thus, activities that provide transition dividends--and publicize them--are vital for sustaining the momentum for positive change. Frequently producing these dividends on a large scale is easier outside major cities. Hence, a hallmark of OTI's programs is engagement with local communities in rural areas to build confidence in the ongoing transition. Programmatic flexibility and activities with rapid, tangible results are two requirements for successful transitional programming.

OTI's range of transition settings tend to fall into one of three operating environments. While each OTI program is designed specifically around the needs of the transition underway in a particular country, the three categories provide a useful means for thinking about the political and social environment and the types of activities that are best suited to each.

Transitions to Democracy: Transitions to democracy occur when a seminal event, i.e., the sudden demise of autocratic rule or new elections, ushers in a democratic government after a long period of military or autocratic rule and offers the opportunity to sustain support for democracy until economic and social reforms can take hold. In Haiti, Kosovo, and East Timor, OTI addressed citizens' pressing needs and began the process of creating and strengthening democratic institutions. In East Timor, for example,

OTI's Transitional Employment Program (TEP) injected critical financial resources into devastated communities to jumpstart the economy, providing East Timorese tangible results of the reconstruction and development process. In fragile democracies, such as in Nigeria, Indonesia, and Peru, OTI's programs often focused on establishing civilian control over the country's armed forces, educating democratically elected officials, and supporting the development of a free press. For example, in Peru, OTI provided support to the media, civil society, and the Peruvian Congress to facilitate higher civilian involvement in defense and security issues. Most recently in Iraq and Afghanistan, OTI is part of U.S. Government efforts to create the space needed for democratic habits to be formed.

Transitions to Peace: Transitions to peace are openings that signal movement away from conflict and instability toward more stable, democratic governance. Typically, a window is a constitutive settlement, broadly defined as an agreement among political actors on how to move forward. The settlement may take the form of a peace agreement, an accord, or a new constitution. In these situations, OTI works to strengthen the chances of an agreement's success by identifying and addressing critical bottlenecks to it, and by increasing civil society's involvement in the negotiation process. Typical activities involve supporting forums and conferences organized for NGOs to discuss and provide input to the peace process, and providing technical assistance to the development of national peace-building plans. In Sierra Leone, for example, an OTI grantee conducted consultative forums in all areas under government control and played a key role in peace-building efforts after the May 2000 setback. OTI also promotes a culture of peace and reconciliation through media campaigns and programs to ensure accurate and balanced reporting; establishes "safe spaces" where members of diverse communities can discuss or address problems of common concern; builds the capacity of local communities to manage their own conflicts; and works with local partners to resolve specific conflicts through facilitated workshops and joint problem solving.

OTI was asked to establish a presence in East Timor, a country that did not yet have a USAID mission. OTI entered East Timor on the heels of the retreating Indonesian militia and before the USAID mission established an on-the-ground presence. OTI's ability to immediately demonstrate a U.S. Government commitment can be enormously useful to the Agency and the U.S. Government. To the East Timorese, OTI was the welcome face of the U.S. Government.

Transitional Political Crises, also known as state fragility: A third scenario for OTI intervention involves a political crisis where a state's legitimacy and effectiveness has seriously declined. In this scenario, OTI sees the potential to prevent or mitigate what could turn into violent conflict by shoring up democratic institutions and supporting the momentum for positive, political change. OTI typically achieves this objective by supporting forums and public meetings at which key issues can be debated and works with civil society and independent media to enhance democracy. For example, in Venezuela, with a society sharply divided over fundamental issues, OTI's program has provided an opportunity for political leaders and civic leaders to discuss their differences in neutral space. Responding to transitional political crises in failed, failing and recovering states poses particular challenges. Unlike transitions to democracy or from war to peace, there is frequently no discernable event, a peace accord or an election, to mark the start of a political crisis.

The Administration plans \$48.6 million in appropriations for FY 2005 Transition Initiatives (TI) managed by OTI, and requests \$50 million for Transition Initiatives for OTI in FY 2006. See separate TI chapter concerning expanded TI account funding in the amount of \$275 million for programs in Afghanistan (\$150 million), Ethiopia (\$25 million), Haiti (\$30 million), and Sudan (\$70 million) that will be managed by USAID missions in those countries.

A list of country programs managed by OTI, showing obligated funding levels implemented for FY 2003 and FY 2004, and planned for FY 2005 and FY 2006, follows this chapter.

Other Program Elements: OTI works closely with the Agency's bureaus and field missions to coordinate objectives and activities that support a country's transition. In Sri Lanka, for example, OTI's program is fully integrated in the USAID mission's strategic plan, and the mission is using its own funds to complement TI assistance. In Afghanistan, OTI is an integral part of the mission program, along with the

Asia and Near East Bureau and the Office of U.S. Foreign Disaster Assistance. In Iraq, OTI is a significant partner in the U.S. Government's response. In FY 2004, OTI managed a budget of approximately \$183,000,000 of Iraq Relief and Reconstruction Funds. OTI's programs can also be funded by Economic Support Funds allocated by the Department of State.

Other Donors: OTI coordinates its programs with other in-country bilateral and multilateral donors.

OFFICE OF TRANSITION INITIATIVES (TI)

(U.S. DOLLARS)

Region	Country	FY 2003	FY 2004	FY 2005	FY 2006
		OBLIGATIONS	OBLIGATIONS	ESTIMATES	REQUEST
Europe	Macedonia	6,483,000	-	-	-
Africa	Angola	2,906,000	2,395,200	-	-
	Burundi	2,187,000	7,229,030	5,000,000	3,000,000
	Congo	4,410,000	6,856,899	5,000,000	-
	Liberia	-	3,071,915	3,500,000	3,000,000
	South Sudan	4,043,000	5,803,378	5,000,000	5,000,000
	Darfur	-	1,687,184	2,000,000	2,000,000
	Zimbabwe	1,741,000	2,599,250	1,000,000	-
Asia & The Near East	Afghanistan	11,934,000	7,781,974	950,000	-
	Indonesia	2,000,000	-	-	-
	Iraq	11,728,000	-	-	-
	Sri Lanka	3,954,000	4,185,765	3,000,000	3,500,000
Americas	Bolivia	-	5,285,594	5,500,000	5,000,000
	Haiti	-	3,427,330	3,500,000	7,000,000
	Peru	85,000	-	-	-
	Venezuela	5,074,000	4,874,815	4,500,000	4,000,000
New Countries	Reserve	-	-	10,000,000	12,500,000
Program Support	World wide	3,139,500	5,337,397	4,551,000	5,000,000
TOTAL: INTERNATIONAL DISASTER ASSISTANCE(IDA) Carryover Funds		-	-	-	-
TOTAL TI REIMBURSEMENT FROM IRAQ (IRRF) FUNDS		12,000,000	-	-	-
TOTAL TRANSITION INITIATIVES (TI) Carryover Funds-FROM PRIOR YEAR		4,909,487	11,131,986	5,272,255	-
TOTAL TRANSITION INITIATIVES (TI) Carryover Funds-TO NEXT YEAR		11,131,986	5,272,255	-	-
TOTAL: NOA TI - Funds		65,906,999	54,676,000	48,228,745	50,000,000

FY-2003: Does not include following non-TI obligated funds. **Angola:** ESF \$300,000; **Zimbabwe:** ESF \$4,850,000; **Afghanistan:** DV \$1,000,000, ESF \$1,000,000, and IDA \$1,250,000; **Iraq IRRF** \$36,776,875; and **Venezuela** ESF \$1,775,669.

FY-2004: Does not include following non-TI obligated funds. **Burundi:** ESF \$500,000; **Liberia:** FD \$7,699,699; **Zimbabwe:** ESF \$400,000; **Iraq:** IRRF \$164,498,961; **Haiti:** ESF \$250,000; and **Venezuela:** ESF \$475,000.

FY-2005: TI allocation is based on \$49.0 million appropriation (less rescission). FY 2005 total does not include \$4.8 million carryover (TI). **Iraq:** OTI has received \$151,283,218 in 04/06 IRRF.

FY-2006: Allocation by country is notional at this time and could change based on resource availabilities and future priorities.

OFFICE OF TRANSITION INITIATIVES

Country	Description	Dates	FY 2003 OBLIGATIONS	FY 2004 OBLIGATIONS	FY 2005 ESTIMATE	FY 2006 REQUEST
EUROPE						
Macedonia	Mitigate political and ethnic tensions through confidence building during implementation of the Framework Agreement. Increase public access to balanced information and diverse points of view. Strengthen relationships between citizens and elected officials at the local level. Increase positive interaction among diverse groups of people in constructive activities and projects.	Start: 9/2001 Exit: 9/2003	6,483,000	0	0	0
AFRICA						
Angola	Expand the foundation for a more democratic, more transparent, and ultimately more peaceful Angola. Promote civil society advocacy on key transition issues. Strengthen independent media. Nurture broad participatory democratic processes.	Start: 11/2002 Exit: 9/2004	2,906,000	2,395,200	0	0
Burundi	Develop good governance at all levels and build active and informed participation of citizens. Increase active and informed discussions among people of diverse ethnic groups about common public issues. Encourage the evolution of government institutions at all levels to be more transparent and accountable.	Start: 3/2002 Est. Exit: 2/2006	2,187,000	7,229,030	5,000,000	3,000,000
Democratic Republic of the Congo	Support informed participation of Congolese society in political and economic decision-making processes to contribute to a peaceful, unified, and democratic country. Increase access to information representing diverse perspectives. Increase participation of civil society in decision-making on national issues. Expand and strengthen linkages between communities.	Program Re-start: 4/2002 Est. Exit: 2/2006	4,410,000	6,856,899	5,000,000	0
Liberia	Support confidence building in and maintain momentum of the peace process as outlined in the Accra Accord. Identify and address critical needs in transition process in 3 focus areas: good governance, media, and promoting a culture of peace and justice. Maintain flexibility to respond to other critical needs, such as reintegration of de-mobilized combatants.	Start: 1/2004 Est. Exit 2/2006	0	3,071,915	3,500,000	3,000,000
South Sudan	Link ongoing Sudanese peace processes and peace-building efforts to initiatives that engender good governance practices, and deepen the participation of a broader cross-section of the southern Sudanese population in their governing structures. Promote southern Sudanese access to: balanced information, increased conflict resolution expertise in areas vulnerable to conflict and provide timely peace dividends to support people-to-people peace processes.	Start: 1/2003 Est. Exit TBD	4,043,000	5,803,378	5,000,000	5,000,000
Darfur	Provide protection for vulnerable groups to help mitigate violence and decrease mortality. Support deployment of international monitors as a physical presence to help dissuade attacks. Support international organizations to rapidly gather accurate information to feed into U.S. Government policy channels.	Start: 4/2004 Est. Exit TBD	0	1,687,184	2,000,000	2,000,000
Zimbabwe	Advance prospects for a peaceful transition. Support activities to increase respect for basic human rights. Promote opportunities for democratic participation.	Start: 1/2000 Exit: 9/2005	1,741,000	2,599,250	1,000,000	0
ASIA & THE NEAR EAST						
Afghanistan	Support political stabilization and rehabilitation in post-conflict Afghanistan. Increase the capacity of the Afghan Interim Authority (AIA) to govern effectively. Increase citizen and community participation in decision-making processes. Increase government accountability to the public. Support voices of moderation and peace across the country. Build connections between civil society and emerging government structures. Increase the availability and quality of public information.	Start: 10/2001 Est. Exit: 6/2005	11,934,000	7,781,974	950,000	0
Indonesia	Promote democratic reform and mitigate conflict. Support civil society organizations to mobilize peaceful political participation and address ethnic/religious conflicts through dialogue and mediation. Support peace negotiations and human rights in Aceh. Encourage accountable, transparent government and raising awareness about decentralization. Increase capacity of media to cover political processes. Improve civilian capacity for military oversight and control.	Start: 8/1998 Exit: 12/2002	2,000,000	0	0	0

OFFICE OF TRANSITION INITIATIVES

Country	Description	Dates	FY 2003 OBLIGATIONS	FY 2004 OBLIGATIONS	FY 2005 ESTIMATE	FY 2006 REQUEST
Iraq (see below)	Support critical activities that build and sustain Iraqi confidence in the development of a participatory, stable, and democratic Iraq. Identify and fill crucial gaps in the U.S. Government's assistance efforts at national and local levels and increase public support for the Interim Government. Provide short-term employment, restore basic government and community services, increase Iraqi access to information and communication, and encourage protection of human rights.	Start: 1/2003 Est. Exit: TBD	11,728,000	0	0	0
Sri Lanka	Generate greater support for a peace settlement. Increase awareness and understanding of key transition issues. Increase collaboration and participation among diverse groups to set and/or address priorities.	Start: 2/2003 Est. Exit: 03/2006	3,954,000	4,185,765	3,000,000	3,500,000
LATIN AMERICA						
Bolivia	Create political space for the current government to demonstrate a democratic response to the population's grievances. Work with the Bolivian Government to respond effectively to immediate needs in a way that bolsters the Government's effectiveness in the eyes of the people.	Start: 2/2004 Est. Exit: 7/2006	0	5,285,594	5,500,000	5,000,000
Haiti	Restore citizen confidence in the political process and in the government as an agent for positive change. Diminish political tension in conflict-prone neighborhoods. Build linkages between government activities and citizens as examples of positive change and progressive political development. Reintegrate former combatants, as required.	Start: 5/2004 Est. Exit: TBD	0	3,427,330	3,500,000	7,000,000
Peru	Lay the groundwork for long-term democratic reform. Enhance the ability of civilians to provide oversight and increase transparency of the military. Promote transparency, accountability and citizen access to local government. Enhance the capacity of the Truth and Reconciliation Commission. Promote congressional reform. Strengthen national anti-corruption efforts.	Start: 1/2001 Exit: 1/2003	85,000	0	0	0
Venezuela	Strengthen democratic institutions and processes to support a peaceful, democratic resolution to the political crisis. Create opportunities for enhanced and improved dialogue for political actors. Strengthen capacity and effectiveness of democratic institutions.	Start: 8/2002 Est. Exit: TBD	5,074,000	4,874,815	4,500,000	4,000,000
New Country Reserve					10,430,255	12,500,000
World Wide Operations Support			3,139,500	5,337,397	4,500,000	5,000,000
TOTAL TI REIMBURSEMENT FROM IRAQ (IRRF) FUNDS			12,000,000	0	0	0
TOTAL TRANSITION INITIATIVES (TI) CARRYOVER FUNDS FROM PRIOR YEAR			4,909,487	11,131,986	5,272,255	0
TOTAL TRANSITION INITIATIVES (TI) CARRYOVER FUNDS TO NEXT YEAR			11,131,986	5,272,255	0	0
TOTAL TRANSITION INITIATIVES (TI) NOA FUNDS			65,906,999	54,676,000	48,608,000	50,000,000

FY-2003: Does not include following non-TI obligated funds. **Angola:** ESF \$300,000; **Zimbabwe:** ESF \$4,850,000; **Afghanistan:** DV \$1,000,000, ESF \$1,000,000, and IDA \$1,250,000; **Iraq IRRF** \$36,776,875; and **Venezuela:** ESF \$1,775,669.

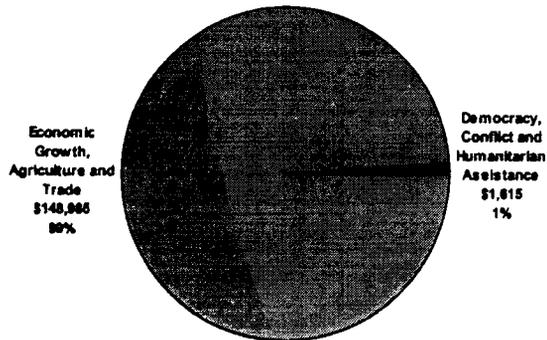
FY-2004: Does not include following non-TI obligated funds. **Burundi:** ESF \$500,000; **Liberia:** IDFA \$7,699,699; **Zimbabwe:** ESF \$400,000; **Iraq:** IRRF \$164,498,961; **Haiti:** ESF \$250,000; and **Venezuela:** ESF \$475,000.

FY-2005: TI allocation is based on \$49.0 million appropriation (less rescission). FY 2005 total does not include \$5.2 million carryover (TI). Iraq: OTI has received \$150,770,000 in IRRF.

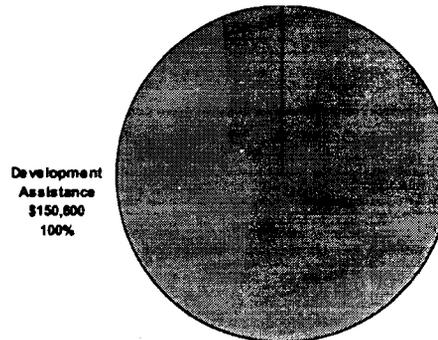
FY-2006: Allocation by country is notional at this time and could change based on resource availabilities and future priorities.

Economic Growth, Agriculture and Trade

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Growth	905-101	16,985	13,450	13,450
Energy and Information Technology	905-111	12,251	11,641	10,630
Israeli/Middle East Programs	905-112	1,523	1,500	1,500
Poverty Reduction	905-201	16,625	10,600	8,300
Education and Training	905-301	14,896	16,546	17,310
Women in Development	905-401	10,541	11,000	11,000
Program Analysis, Implementation, Communications	905-601	2,108	2,521	2,000
Environment and Science Policy	905-701	40,475	38,200	36,200
Natural Resources Management	905-801	22,557	18,727	18,400
Agriculture	905-901	34,985	32,600	31,810
Total (In thousands of dollars)		172,946	156,785	150,600

Acting Assistant Administrator: James T. Smith

Economic Growth, Agriculture and Trade

The Bureau for Economic Growth Agriculture and Trade (EGAT) is one of three pillar, or technical, bureaus within the U.S. Agency for International Development (USAID). It shares with other USAID Pillar Bureaus a mandate to provide field support and technical leadership to USAID missions and Regional Bureaus, as well as to foster interagency coordination and international collaboration. Its overall goal is to reduce poverty and promote prosperity in developing and transition countries. To achieve this goal EGAT manages a portfolio of activities aimed at providing high quality support to USAID missions and Agency technical leadership in a number of sectors including economic growth, trade and investment, microenterprise development, urban development, development credit, education, natural resource management, agriculture, environment and science policy, energy, information and communications technology, and gender issues.

In FY 2004, EGAT continued to refine its strategies, approaches, and portfolio to carry out its mandate. It provided critical field support to programs in Afghanistan and Iraq, as well as to USAID missions seeking support with strategic planning and program design, best-practices implementation, and assessments. It took the lead in the development of new USAID strategies in the areas of agricultural development and education, and played an important role in the development of USAID's new strategic management process. With the issuance of USAID's White Paper, which categorizes USAID assistance into three country typologies – Transformational Development Countries, Fragile States, and Strategic States – EGAT began to re-evaluate its portfolio and to re-shape its support strategies and activities to meet the different needs of each of those country types outlined in the White Paper.

Over the past year, EGAT has also placed greater emphasis on partnerships and alliances. EGAT assumed responsibility for coordinating bilateral donors' participation in the Integrated Framework for Trade Related Technical Assistance to Least Developed Countries (IF), and has played a critical role in maintaining the momentum of the IF and providing least developed countries' with confidence that their efforts to participate effectively in the World Trade Organization will be supported by a wide range of technical assistance for trade capacity building. EGAT continued to work closely with both multi-lateral and bilateral donors on a number of critical development problems. For example, EGAT's leadership in the Organization for Economic Cooperation and Development/Development Assistance Committee's (OECD/DAC) Poverty Network (POVNET) improved guidelines for donor involvement in pro-poor growth activities. EGAT's work with the World Bank's Consultative Group to Assist the Poorest (CGAP) helped identify and disseminate lessons learned and best practices in microenterprise development to donor partners. EGAT initiated seven new Global Development Alliances designed to address a wide range of issues including the development of asset building strategies for the poor and the development of new business ventures for unemployed youth. EGAT also has successfully involved new partners in much of its work, including its efforts in education, economic analysis and urban infrastructure.

Recovery from the South Asia Tsunami is a high priority on EGAT's agenda for the remainder of FY 2005 and FY 2006. EGAT will play a significant role in Tsunami recovery and rehabilitation, supporting core Agency tsunami reconstruction themes such as immediate restoration of economic livelihoods by exploring various options for using credit under the Development Credit Authority (DCA). DCA funding and partial credit guarantees could be used to support: loans to financial institutions to alleviate liquidity and capital shortfalls; new or refinanced loans from financial institutions to businesses or individuals to sustain lending activities; and new loans or bonds to local governments for financing infrastructure, including water, sanitation, electricity and road projects. EGAT is also looking at the use of Microenterprise Development funding to help tsunami-affected households and communities re-build their livelihoods and destroyed assets and move rapidly from dependence on traditional relief to self-reliance. Other key initiatives in FY 2005 and 2006 will include: the implementation of the new Agriculture Strategy with an emphasis on strengthening agribusiness and markets; improving access to modern, affordable and efficient energy services and promoting regulatory energy policy reform; and expanding programs to provide assistance on microeconomic reforms and economic governance. With a critical World Trade Organization (WTO) Ministerial scheduled for December 2005, EGAT's Economic Growth Team will continue to coordinate closely with the Office of the U.S. Trade Representative and other agencies on assistance needs relating to the WTO agenda and U.S. bilateral free trade area initiatives, and will work

closely with USAID field missions to provide timely, world class technical support for developing countries' short- and long-term trade capacity building efforts.

The Development Challenge: Great progress has been made in recent years in reducing poverty and improving human well-being. Incomes have more than doubled and life expectancy has increased by as much as twenty years for much of the developing world. Food production has increased and world prices for staple grains continue to fall. New developments in science, especially agricultural biotechnology, offer the promise of meeting future food needs even as populations in developing countries continue to grow. Globalization has resulted in substantial increases in world trade and investment, as well as a quantum leap in the transmission of information from one part of the world to another. Market-based economies have grown more efficient and more sustainable than state-led systems. Good governance has emerged as a critical factor in insuring economic growth and the effective use of foreign assistance. As progress toward a more open global trading environment continues, many developing countries must take urgent steps – within both the public and the private sectors – to improve economic efficiency and meet the challenges of international market competition.

Yet many challenges remain. Poverty, rather than prosperity, dominates in the majority of countries. Nearly half of the world's population has an average income of less than \$2 a day. Many residents in the 49 least-developed countries¹ face hunger, disease, and limited opportunities for economic advancement. More than 125 million children, mostly girls, are out of school and only 25% of the world's children complete five years of education. With low levels of education, few assets that can be parlayed into greater income streams, and little voice in national or international forums, women and men in these countries continue to strive merely to survive with the aspiration of providing a future for their children. Agriculture and its supporting industries are the focus of most economic activity in most of these countries. Productivity is highly vulnerable to climatic conditions and year-on-year variability in output can be large. In many cases, governments are unwilling or unable to put in place the necessary conditions for rapid income growth, expanding education, increasing food security, greater citizen participation in decision-making, and ensuring a secure and safe environment.

The USAID Program: EGAT's portfolio of field support, technical leadership and research activities is designed to address the multi-faceted challenge of reducing poverty and promoting prosperity. Each of the Bureau's 11 Strategic Objectives, or programs, are designed to address a specific aspect of this challenge. However, the programs collaborate frequently on cross-cutting issues to ensure more effective impact.

The Economic Growth Program (EGAT/EG) provides economic growth-related technical leadership and field support to strengthen the policy, legal, and institutional foundations that developing or transition countries need to achieve open and competitive economies. EGAT/EG provides leadership and assistance in building trade capacity, developing the private and financial sectors, reforming economic policies, and promoting good governance. In FY 2005 and 2006, EGAT/EG will analyze the workforce and other transition issues that developing countries face in rapidly liberalizing international markets, and identify options for missions to address these issues. EGAT/EG will also expand its assessments of microeconomic reforms that countries need in order to take full advantage of the benefits of trade liberalization, and will assist missions in designing and implementing effective assistance projects to address needs. EGAT/EG will develop models and approaches to assist missions in identifying and prioritizing appropriate economic growth interventions considering their level of political and economic development.

The Agriculture Program (EGAT/AG) strengthens agriculture's contribution to broad-based economic growth, better health, and improved natural resources management through three interlinked programs: (1) development and dissemination of innovative food-based technologies; (2) formulation of agricultural-

¹ Defined by the United Nations General Assembly on the basis of a number of criteria, including: low national income (under \$900 for countries now joining the list); low levels of human development; and economic vulnerability. Most LDCs are in sub-Saharan Africa.

led economic growth; and (3) improved competitiveness and capacity to access markets. In FY 2005 and 2006, EGAT/AG will support research and technical services aimed at: improving agricultural productivity; promoting agribusiness development and marketing; eliminating trade barriers; developing food-based solutions to disease prevention and mitigation; improving agricultural and rural policies and governance; and revitalizing long-term training in agriculture. EGAT/AG works closely with EGAT's Natural Resource Management (EGAT/NRM) program to assure effectiveness of activities that cut across these sectors such as those focused on assuring the sustainability of agricultural production systems or on improving water management.

The Natural Resources Management Program (EGAT/NRM) increases social, economic and environmental benefits through healthy ecosystems and sustainable resource management. EGAT/NRM specifically concentrates on improving natural resource management and conservation across diverse landscapes; promoting equitable natural resources governance and management of natural resource conflicts; and increasing economic opportunities through sustainable production, marketing and trade of natural resource-based products and services. In FY 2005 and 2006, EGAT/NRM will provide technical leadership and support to missions and Bureaus in key areas of biodiversity conservation, forest management, land resource preservation and use, and water and coastal resources management. EGAT/NRM will promote the in-situ, or on the ground, conservation of globally significant biodiversity in 17 sites across 18 countries through the Global Conservation Program. EGAT-supported forestry activities will continue to advance conservation, addressing the problems of illegal logging and slash and burn agriculture, as well as promoting agroforestry. Programs in environmental education, communications, sustainable agriculture, land tenure, governance, natural resources management, and geospatial information technologies for decision making will advance more productive and sustainable land management. Support will continue for integrated water and coastal resources management, in partnership with missions, the private sector, civil society, and other donors.

The Environment and Science Policy Program (EGAT/ESP) supports a portfolio of biotechnology, climate change, and agricultural/environmental research activities. EGAT/ESP coordinates USAID's work on multilateral issues related to science and technology by representing USAID in multilateral environmental agreements, reviewing environmental aspects of multilateral development bank programs, and developing policy on environment and conflict resolution. In FY 2005 and 2006 the Program will continue to support international research aimed at increasing agricultural productivity and improving the management of natural resources. It will also continue to promote the transfer of agricultural technology, especially biotechnology, to developing countries. Climate change activities will focus on reducing greenhouse gas emissions, as well as increasing adaptive capacity to climate change. Efforts will continue to help countries and regions evaluate and mitigate environmental threats to stability and security.

The Education Program (EGAT/ED) focuses on (a) improving basic education, (b) involving institutions of higher learning in the development process, and (c) improving performance through training. FY 2005 and 2006 funding will support programs to alleviate deficiencies in accessing quality education, including Presidential Initiatives in Africa and Latin America. EGAT/ED will also expand the role of higher education partnerships, improve and expand workforce development programs, support the implementation of Homeland Security regulations for training participants, and improve the developmental impact of training programs. EGAT/ED will continue to serve as the U.S. Government lead in UNESCO's Education for All, a program that seeks universal primary education by the year 2015.

The Energy and Information Technology Program (EGAT/EIT) provides technical leadership and field support aimed at expanding access to, and application of, modern, efficient, and affordable energy services, and information and telecommunications services. In FY 2005 and 2006, EGAT/EIT will provide technical assistance to energy programs in critical countries, including Iraq and Afghanistan. Activities will include strengthening the policy and regulatory environment to attract private investment, enhancing participation of civil society in sector decision making, building institutional capacity, and improving the management and efficiency of energy systems. EGAT/EIT will support the Presidential Clean Energy Initiative (CEI) and the Global Village Energy Partnership, programs aimed at increasing access to modern and affordable energy in underserved areas, as well as pursue new public-private partnerships to

leverage additional resources for energy programs. In the information technology (IT) sector, EGAT/EIT will continue to support IT training, policy reform, improved access to IT, and expanded application of IT through the President's Digital Freedom Initiative (DFI), the Digital Opportunity through Technology and Communication (DOT-COM) Alliance, and the Last Mile Initiative.

The Poverty Reduction Program (EGAT/PR) reduces poverty through activities focused on broadening economic opportunity and security, and promoting more accountable institutions. EGAT/PR supports Microenterprise Development interventions that help poor households accumulate productive assets in a manner that enables them to earn higher returns and to protect their interests in the face of adverse external shocks. EGAT/PR also supports activities that strengthen the participation of the poor in local decision-making processes. In FY 2005 and 2006, EGAT/PR will continue to expand the availability of business and financial services to poor entrepreneurs and their families; analyze, identify and test measures to protect the assets of poor households; and continue to support partnerships that will improve and expand public services for the poor.

The Women in Development Program (EGAT/WID) addresses gender-related issues and finds new approaches and solutions to gender-related development obstacles. In FY 2005 and 2006, EGAT/WID will address constraints that limit girls' attainment of a basic education, such as school-related violence, low quality education, and facilities inappropriate for girls. EGAT/WID also will work on critical gender-related issues such as: anti-trafficking; women and conflict prevention, mitigation and resolution; and the linkage between women's status and HIV/AIDS.

The Policy Analysis, Information, Communication and Outreach Program (EGAT/PAICO) improves EGAT's ability to finance program development costs, budget strategically, monitor field support, conduct program assessments, implement special programs and initiatives, conduct program evaluations, and develop better information management tools.

The Development Credit Program (DC) manages the Development Credit Authority (DCA), a broad, general funding authority enacted by Congress that allows USAID to issue partial loan guarantees that advance development objectives. DCA augments grant assistance by mobilizing private capital in developing countries for sustainable development projects, thereby improving the capacity of host countries to finance their own development. In FY 2005, DCA requested \$21 million in Transfer Authority to support activities including agribusiness lending, bond financing, micro, small and medium enterprise development, and clean energy and clean water initiatives.

The Middle East Cooperation Program includes two activities that support peace processes and contribute to development across many sectors. The U.S.-Israel Cooperative Development Research (CDR) Program is a USAID-managed, peer-reviewed competitive grants program that funds collaborative research by scientists from Israel, the U.S., and their counterparts in developing countries. The Middle East Regional Cooperation (MERC) Program is a USAID-managed, competitive research grants program specifically designed to promote cooperation between Arab and Israeli scientists, students, and communities on topics relevant to the Middle East region's development.

Program and Management Challenges:

In FY 2005 and 2006, EGAT will continue to strengthen its support to USAID missions and Regional Bureaus in key development sectors. In pursuing this commitment, it foresees the following management challenges and opportunities:

Field Support: Over the past year, EGAT strengthened its field support capabilities by designing a database that enables it to better address the needs of its customers – USAID's field missions. This database allows missions and Bureaus to request TDY support, and enables Agency management to track and monitor these requests. In 2004, EGAT received more than 600 requests for TDY visits from field missions around the world and was able to directly respond to nearly 70% of these requests. While this database improved EGAT's ability to meet field support needs, the inability to meet all field requests has led it to the examination and development of new ways to provide timely short-term TDY assistance.

Over the next year, EGAT will continue to strengthen and improve other field support mechanisms such as: more flexible contract and grant mechanisms; improved communications and outreach through newsletters, global e-mails, workshops and training; the development of analytical tools that help missions analyze country situations and make decisions on future programming; and the identification and dissemination of best practices.

Strategy and Policy Development: In FY 2004, EGAT led several efforts to develop policy and strategy guidance in specific sectors. In July, it launched the Agency's Agriculture Strategy, which articulates USAID's approach to addressing challenges of food, rural poverty, employment, investment and sustainable natural resources management in the coming years. This document is being translated into Spanish and French for our missions and partners. EGAT's work on a USAID Education Strategy, which will guide USAID's future education activities, is near completion. Moreover, a new Women in Development Strategy is under development. EGAT also participated in the development of USAID's new strategic management process, providing extensive technical advice on the development of standardized Program Components and indicators in support of USAID's new policy framework and on ways to improve strategic budgeting in various sectors. In FY 2005, EGAT will continue its active participation in the Agency's strategic management process, and seek to refine its strategies and policies to align with USAID's White Paper.

Staffing: To meet the increasing demand for field support and technical leadership, EGAT must attract and maintain highly qualified development professionals, both direct hires and contract employees. Key positions in the Economic Growth, Agriculture, Development Credit Authority, Energy and Information Technology and Poverty Reduction Offices have not been filled in the past two years.

In addition to the above challenges, EGAT faces a number of critical programmatic challenges and issues that are discussed in more detail in the Data Sheets that follow. Some of these challenges include:

Fragile States: As EGAT refines its technical assistance and field support to reflect the country typologies articulated in USAID's White Paper, special emphasis will be placed on analyzing and developing new strategies and initiatives for dealing with Fragile States. Because commitment to reform is often weak in these countries, EGAT will have to develop new programmatic responses to development problems that take into account sources of fragility while providing both immediate impact as well as contributing to long-term stability.

Poverty: EGAT continues to search for new and innovative ways to address the challenge of persistent poverty, especially in Africa. EGAT is placing special emphasis on analyzing the factors that constrain poor households from participating in new opportunities and in developing interventions, such as productive social safety nets, property system reforms and secure savings instruments, which allow the poor to assume more risk in their economic pursuits. EGAT is also focusing the donor community's attention on problems regarding persistent poverty and inequality through its leadership role in POVNET, the OECD/DAC's network of donors charged with developing guidance and good practice for promoting pro-poor growth. With EGAT's Assistant Administrator serving as its Chair, POVNET is developing strategies for pro-poor growth in agriculture, infrastructure and private sector development. EGAT will also continue activities to harness private sector support for community-based urban development programs.

Microeconomics: Over the next year, EGAT will develop initiatives to improve the microeconomic environment in developing countries, including efforts to enhance productivity and competitiveness of local enterprises, and to improve the business environment by reducing red tape and strengthening legal systems.

Agribusiness and Marketing: With the roll-out of the Agency's Agriculture Strategy, EGAT will put more emphasis on the development of agribusiness and markets, which are key to economic growth in rural areas of the developing world. In particular, it is developing programs that facilitate rural producers' linkages to markets: they improve the quality of produce to meet global standards; enhance marketing strategies and capabilities; and upgrade packaging and logistics.

Youth/Workforce Development: In many developing countries, 75% or more of the population are under the age of 30. In these countries youth unemployment rates are on the rise and educational systems are not equipped to provide youth with the skills they need to succeed in a fast-changing marketplace. In addition,

unemployed youth are vulnerable to crime, violence and drug trafficking. EGAT is developing innovative initiatives to improve youth employability; provide job placement services; improve the sustainability of training programs; and involve the private sector in youth training and employment programs. EGAT will also work closely with the Africa Bureau to address linkages between urban youth unemployment and HIV/AIDS in four of the worst-affected countries in Africa.

Trade Capacity Building: The WTO's Doha Development Agenda recognizes that capacity building must accompany trade negotiations in order for developing countries to participate effectively in WTO trade negotiations, implement current and future trade agreements, and fully take advantage of the benefits of expanding global trade. In the lead up to the WTO's Sixth Ministerial Conference, scheduled for December 2005 in Hong Kong, many developing countries are seeking help in understanding and responding to complex new aspects of the WTO agenda, such as in the areas of services liberalization and trade facilitation. Working closely with USAID's field missions, including the Africa Trade Hubs, EGAT is providing timely and cutting edge assistance to developing countries seeking to participate more effectively in these multilateral trade initiatives. In addition, EGAT is providing a wide range of support for U.S. bilateral free trade initiatives with Central America, the Andean region, the Southern Africa Customs Union, and Thailand.

Other Donors: EGAT works in partnership with other donors to maximize the impact of development resources. The multilateral development banks are key partners in many of EGAT's initiatives. In particular, EGAT works closely with the World Bank on building trade capacity. EGAT's Economic Growth (EGAT/EG) staff represent joint positions among the stakeholders on the governing board of the World Bank-managed Integrated Framework Trust Fund, designed to finance the mainstreaming of trade into the national development plans of least developed countries. In addition, EGAT/EG works closely with the World Bank Investment Team on implementing microeconomic reforms. EGAT also provides funding to the Consultative Group for International Agriculture Research (CGIAR), whose Secretariat is housed at the World Bank, to support new research and dissemination partnerships on genomics, genetic resources, natural resource management, climate change and livestock disease. EGAT's Office of Poverty Reduction (EGAT/PR) supports the World Bank's Consultative Group to Assist the Poorest and plays a leadership role with the Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and African Development Bank regarding basic shelter, urban youth, air and water quality deterioration and transportation system improvements.

EGAT maintains dialogue with key organizations under the United Nations umbrella, particularly the Food and Agricultural Organization (FAO), International Fund for Agricultural Development, World Food Program, United Nations Development Program, and United Nations Educational, Social and Cultural Organization (UNESCO). USAID has played a leadership role in UNESCO's Education for All (EFA) initiative, which aims to achieve universal primary education by the year 2015. Since the U.S. Government's re-entry into UNESCO in October 2003, USAID has sponsored five educational specialists to serve on UNESCO's staff. EGAT's Women in Development Program works closely with the United Nations Fund for Women (UNIFEM) and the United Nations Commission on the Status of Women on gender issues.

EGAT works closely with several bilateral donors to jointly design and co-fund development activities, many of which support Presidential Initiatives. As an example, EGAT's Office of Development Credit is working with the European Union and the Japan Bank for International Cooperation on the Presidential Clean Water Initiative. EGAT's Energy and Information Technology Office (EGAT/EIT) proactively coordinates with bilateral donors to jointly design and share the cost of energy projects, soliciting their participation on advisory committees and undertaking groundwork analysis to attract and leverage subsequent funding from the World Bank and the Inter-American Development Bank. EGAT/EIT also supports and participates in a number of multi-donor efforts, such as the Global Village Energy Partnership, the Partnership for Clean Fuels and Vehicles, and the Partnership for Clean Indoor Air. EGAT/EIT is also working closely with the Italian Government on e-government activities in Macedonia and Iraq. As a member of the US Delegation to the International Tropical Timber Organization, EGAT's Natural Resource Management Office (EGAT/NRM) collaborates with key donors, principally the Swiss and Japanese Governments, to identify viable projects for U.S. Government co-financing.

Finally, EGAT works with numerous U.S. partners, including U.S. Government entities such as the U.S. Department of State, the Environmental Protection Agency and the Department of Agriculture, Non-Governmental Organizations, Private Voluntary Organizations, and private sector businesses and organizations.

FY 2006 Program: EGAT plans \$150.6 million for its FY 2006 program. Key initiatives that will be supported in FY 2006 include:

- South Asia Tsunami Relief and Rehabilitation, with possible use of the Development Credit Authority (DCA) to rebuild infrastructure and promote economic growth.
- Continued interagency and donor coordination, technical leadership, and field support for trade capacity building, with increasing focus on institutional reforms needed to participate more effectively in the global trading system and manage related economic transitions.
- Implementation of USAID's new Agriculture Strategy with a focus on strengthening agribusiness and markets.
- Continued efforts to integrate the poor into mainstream economic development, with a focus on persistent poverty.
- Increased emphasis on access to modern energy services and regulatory policy reform.

Development Credit Authority

The Development Credit Authority (DCA) is a broad, general funding authority enacted by Congress that allows USAID to issue partial guarantees of up to 50% for development purposes. DCA augments grant assistance by mobilizing private capital in developing countries for sustainable development projects, thereby supporting the capacity of host countries to finance their own development. DCA guarantees work with a combination of grant-financed training and technical assistance for creditworthy but historically underserved markets. While DCA can support any sector with adequate cost-recovery potential, experience has shown that it is especially effective in stimulating economic growth and agricultural development.

(in dollars thousands)

<u>Development Credit Assistance</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Actual</u>	<u>FY 2005 Appropriation</u>	<u>FY 2006 Estimate</u>
Credit Subsidy				
Transfer authority for DCA	[5,859]	[20,876]	[21,000]	[21,000]
Administrative Expenses				
Appropriation for DCA	7,542	7,953	7,936	8,000

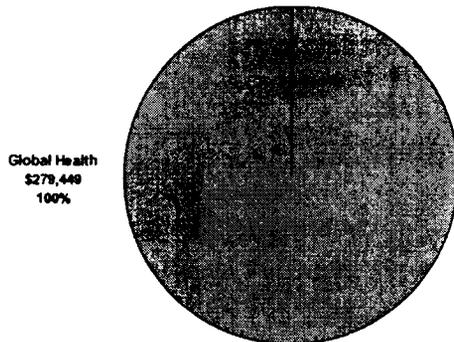
In FY 2004, DCA was used to channel \$18 million in loan capital to agribusiness lending in Ethiopia, and \$5 million to stimulate student loan access for lower-to middle income students in Panama. In Kazakhstan, DCA was used to finance energy efficiency improvement projects in schools and hospitals and infrastructure improvement for regional electric distribution companies. DCA also proved useful in promoting commercial bank lending to farmers posting warehouse receipts for crops as collateral in Zambia.

In FY 2005, DCA will fund the development, implementation and financial management (\$7,936,000) of all USAID credit programs and will use transfer authority (\$21,000,000) for the subsidy cost associated with using DCA to guarantee loans and loan portfolios. This will support an innovative program to finance water and sanitation facilities in developing countries under the Presidential Water Initiatives. It will also support ongoing activities such as small and medium-size enterprises lending in the West Bank and Gaza, agribusiness lending in Ghana and Kenya, and renewable energy, energy efficiency, and clean production project finance in El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

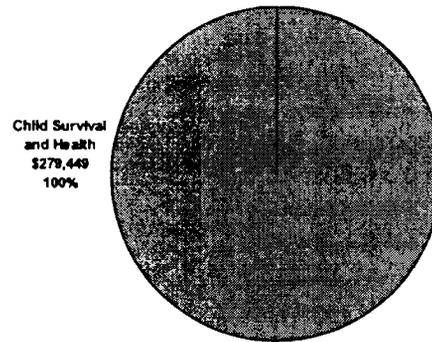
For FY 2006, USAID plans to fund the development, implementation and financial management (\$8,000,000) of all USAID credit portfolios and will use transfer authority (\$21,000,000) for the subsidy cost associated with using DCA to guarantee loans and loan portfolios. The transfer authority will be used to guarantee loans and loan portfolios in every region of the globe and in every economic sector targeted by USAID including micro, small and medium-size enterprise development; competitive financial services; creative municipal financing; mortgage lending; and clean energy and clean water initiatives.

Bureau for Global Health

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Family Planning and Reproductive Health	936-001	130,200	120,000	100,600
Maternal Health	936-002	14,000	14,600	14,600
Child Health and Nutrition	936-003	54,796	50,903	50,902
AIDS Prevention and Control	936-004	65,350	64,827	65,350
Infectious Disease Program	936-005	65,460	68,721	47,997
Total (in thousands of dollars)		329,806	319,051	279,449

Assistant Administrator: Kent Hill

Bureau for Global Health

The Development Challenge: The Bureau for Global Health (GH) is the pillar bureau charged with implementing central programs in support of the joint U.S. Department of State and USAID performance goal: "Improved global health, including child, maternal, and reproductive health, and the reduction of abortion and disease, especially HIV/AIDS, malaria, and tuberculosis." As a pillar bureau, GH's key functions are to support effective field operations, to conduct research and develop technical and program innovations, and to provide technical leadership in health on behalf of the Agency. Since the Agency reorganization in 2002, the Bureau has experienced an influx of new resources. New alliances have been forged and new U.S. Government (USG) agencies have become involved in global health programming. New strategies have emerged to adapt to these changes, as well as to the evolving understanding of health relative to national security and development.

The identification of Agency core goals has led to conceptualization of a flexible assistance life-cycle approach to country programming. The assistance life-cycle approach is based on the principle that countries in different development or relief circumstances need different approaches to support. Technical interventions are tailored to these circumstances, and programs and procurement have been adapted to address the range of health needs in countries, particularly those that have been identified by "U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century (the "White Paper")" as fragile states, those that are undergoing transformational development and advanced developing countries where there is a significant global issue or special concern.

New technical emphases for the Agency in health include: the health of the workforce, in addition to USAID's more traditional focus on family health; explicit focus on strengthening health systems, including logistics for life-saving drugs and responding to systems damaged by complex emergencies; and addressing non-communicable diseases, including injuries, accidents, and lifestyle diseases, as well as gender-based violence. GH will develop an updated strategic statement during FY 2005, which will identify which of these new foci will be included in GH programs and define GH participation. Any such additional programs complement the existing activities of the Bureau, which include:

- support for rapid start-up of health programs in Iraq, Afghanistan, southern Sudan, and Pakistan;
- implementation of the President's HIV/AIDS initiatives in the field;
- dramatic economies of scale in commodity procurements;
- addition of new partners with substantial field experience; and
- technical support to small missions and those with limited technical staff.

Effective programming in GH can also be attributed to greater mission involvement, consolidation of activities, strategic budgeting, strong country coordination teams, and limited personnel surge capacity. In addition, GH has strengthened support to the field by contributing both resources and technical expertise. The advantages to GH's field support mechanisms available to missions include: pre-positioned contracts and agreements; reduced burden for missions; increased access to world-class expertise; and improved ability to cope with surge needs, such as Hurricane Mitch, Afghanistan, Iraq, HIV/AIDS, and the Asia tsunami.

The growing recognition of the important link between health and economic development presents USAID with the opportunity for continued leadership in addressing critical problems that plague developing nations and, increasingly, the entire world. These efforts are also consistent with USAID's new strategic approaches, including the joint Department of State-USAID Strategic Plan, "Foreign Aid in the National Interest," and the "White Paper." Not surprisingly, many of the countries with the highest burdens of ill health, malnutrition, and mortality among their children are countries that are far from the governance and market goals of transformational development. However rapidly they move along this development pathway, their future effectiveness will be limited by their lack of basic investment in human capital. The assistance life-cycle approach has been developed to account for distinctions among countries in terms of their need, commitment, and performance in overall development, as well as the corresponding implications for health programming.

The health field enjoys unprecedented backing from both the Administration and Congress, as

demonstrated by the President's \$15 billion Emergency Plan for AIDS Relief (the "Emergency Plan"), including contributions to the Global Fund to Fight AIDS, Tuberculosis, and Malaria (the "Global Fund"), and the President's Prevention of Mother-to-Child Transmission Initiative (PMTCT). USAID is well-positioned to use its expertise, experience and presence in global health to advance the President's agenda in HIV/AIDS and other infectious diseases, as well as in child survival and maternal and reproductive health. The top priorities include:

- under the leadership of the Global AIDS Coordinator, providing technical leadership and implementation for the USG's expanded AIDS programs, including the continuum of prevention to care and treatment;
- controlling the spread of re-emerging infectious diseases such as tuberculosis and malaria; and
- employing new approaches and improving full-scale access to family planning and reproductive health, child survival, and maternal health.

The USAID Program: To fulfill its mandate of improving global health, GH has identified three critical functions which provide the framework for each of the Bureau's programs:

1) Technical support to the field. GH follows a field-driven and field-centered approach to providing technical support to the field. The Bureau is a pioneer in results monitoring, and leads global efforts to develop program evaluation tools and analyze trends for global health. GH programs are flexible and can respond promptly to field needs, such as the rapid opening and closing of bilateral programs or emergencies such as tsunamis, earthquakes, and conflicts.

2) Research and innovation. GH is the Agency's repository for state-of-the-art thinking in biomedical, social science, and operational research for health. The focus is on priority-based research, evidence-based programming, research application, and the scaling-up of proven high-impact interventions.

3) Global leadership. GH has technical experts who manage a wide spectrum of diverse projects; increase understanding of programs with stakeholders, including the U.S. public and Congress; and nurture and galvanize stronger partnerships with the development community. By leveraging its funding, policies, and partners, GH is able to influence the worldwide health agenda.

GH applies these three functions to each of the five programs managed by GH.

1) Voluntary Family Planning. GH's first strategic objective is to advance and support voluntary family planning and reproductive health programs worldwide. These programs reduce unintended pregnancies and foster improved reproductive health practices.

GH supports the key components of effective family planning programs - service delivery, training, performance improvement, contraceptive availability and logistics, health communication, biomedical and social science research, policy analysis and planning, and monitoring and evaluation. Significant attention is being devoted to the health benefits of family planning, including birth spacing. Through better birth spacing, family planning can markedly improve maternal and child health. Family planning has also been demonstrated to reduce abortion, which further reduces maternal mortality.

Strategic priorities for family planning programs include: operationalizing family planning and HIV integration, demonstrating the contribution of family planning to improved maternal and child health, strengthening public-private partnerships, and working toward sustainability and graduation.

2) Maternal Health and Nutrition. GH's second strategic objective is to increase the use of key maternal health and nutrition interventions. These interventions are designed to prevent and treat life-threatening complications and long-term disabilities as a result of pregnancy. Priority is placed on: supporting field missions to promote community-based strategies; supporting skilled attendance at birth; targeting vulnerable populations; advancing evidence-based standards; and delivering compassionate, high-quality care to promote maternal and perinatal nutrition, health, and survival.

GH's strategy emphasizes improving key evidence-based interventions, such as:

- Birth preparation, including nutrition promotion and infection control;
- Safe delivery, postpartum and newborn care, including skilled birth attendance;
- Management of obstetric complications and treatment of obstetric disabilities, including fistula;
- Prevention of mother-to-child transmission of HIV; and
- Early exclusive breastfeeding and birth spacing.

Inequalities between the rich and the poor continue to affect maternal health programs. GH supports ongoing strategies to reach the poor. Women's health is also affected by complex emergencies caused by war and natural disasters. Nutritional deficiencies and loss of access to life-saving care make women and their newborns less likely to survive complications of pregnancy and childbirth. GH continues to make a concerted effort to address these problems in maternal health programming.

3) **Child Health and Nutrition:** GH's third strategic objective is to increase the use of key child health and nutrition interventions. These interventions are focused on targeting childhood killers and reducing the burden of disease, through interventions such as immunization, vaccination, prevention and treatment of pneumonia and diarrheal diseases, and improved nutrition including vitamin A, other micro-nutrients, and breastfeeding. Programs are designed to create sustainable approaches for systems development, including quality assurance and equitable health care financing. Innovative methodologies have been developed, including oral rehydration therapy and single-use syringes. The child health and nutrition programs have adapted to evolving needs, such as the focus on neonatal mortality and the introduction of new vaccines.

4) **HIV/AIDS.** GH's fourth strategic objective is to increase the use of improved, effective, and sustainable responses to reduce HIV transmission and to mitigate the impact of the HIV/AIDS pandemic. The fight against HIV/AIDS remains a top GH priority. USAID, with GH in a lead role, is a proud partner in the implementation of President Bush's Emergency Plan for AIDS Relief. GH will scale-up its assistance to both "focus countries" (the 15 countries in Africa, Asia, and the Caribbean) and "non-focus countries" (other bilateral country programs) to strengthen their ability to apply proven strategies and best practices to HIV/AIDS prevention, care, and treatment programs as part of that plan.

As a partner in the implementation of the President's Emergency Plan, USAID's strategy employs the following interrelated approaches:

- Preventing HIV transmission through a balanced approach to behavior change that will reduce HIV transmission, including the "ABC" model of abstinence, be faithful, and, as appropriate, correctly and consistently using condoms;
- Improving the lives of people living with HIV/AIDS (PLWHA) by employing a package of life-extending treatment (LET) interventions;
- Providing highly active anti-retroviral treatment (HAART) to infected individuals;
- Addressing the needs of children and orphans affected by HIV/AIDS;
- Providing palliative care and psychosocial support to individuals and communities affected by HIV/AIDS;
- Increasing capacity for surveillance, monitoring, and evaluation;
- Increasing the capacity of health systems to address HIV/AIDS, including increasing human resources and human resource capacity;
- Working in partnerships with the private sector, including faith and community based organizations as well as for profit, multilateral, and U.S. corporations;
- Providing technical leadership through research on key programmatic and technical issues such as changing behavior, providing treatment, and developing community-based care and support systems; and
- Creating a supportive environment for the scale-up of national HIV/AIDS prevention, care, and treatment programs.

5) **Infectious Diseases.** GH's fifth strategic objective is to increase the use of effective interventions to reduce the threat of infectious diseases of major public health importance. The infectious disease

program is focused on improving the array and implementation of available proven interventions, and collaborating with other partners to establish synergies, leverage resources, and support expansion of interventions and treatment programs. GH's strategy concentrates on four areas:

- Scaling up and improving tuberculosis control programs;
- Scaling up and improving prevention and treatment efforts focused on malaria and other infectious diseases of major public health importance;
- Slowing the emergence and spread of antimicrobial resistance, with an emphasis on the principal microbial threats to all countries of pneumonia, diarrhea, sexually transmitted diseases, tuberculosis, and malaria; and
- Strengthening surveillance systems by enhancing detection capability, information systems, and data-based decision making and response capacity.

A key priority underlying all of GH's efforts in infectious disease programs is the strengthening of health systems and the building of local capacity to detect, respond, and manage interventions and programs that address infectious diseases. GH also works with missions to improve links between programs and Global Fund proposals and implementation. Global-level advocacy for the use of best practices is a fundamental component of the GH strategic approach for infectious diseases.

Program and Management Challenges: As GH advances new strategies and approaches, it must contend with programmatic and management challenges. For instance, the money managed and influenced by GH is much greater than the money appropriated to the Bureau. In addition to the \$328 million in core funds appropriated to the Bureau in FY 2004, GH was also responsible for an additional \$1.3 billion, including \$547 million appropriated for the "Global Fund," \$542 million in field support and modified acquisition and assistance request documents, \$87 million in transfers from other USG agencies (excluding the Department of Health and Human Services contribution to the "Global Fund"), and \$167 million in international partnerships. GH also exerts technical leadership which influences all the health sector funds appropriated to the Agency.

The Bureau also faces challenges when prioritizing AIDS focus-country support while continuing to support and care for non-focus countries. GH is working with other USG agencies, including the Office of the Global AIDS Coordinator (OGAC), Department of Health and Human Services (HHS), and the Millennium Challenge Corporation, to balance the appropriate levels of support on a global scale.

GH is interested in both increasing the scope and scale of health interventions and encouraging new partners to work with USAID. In order to encourage new partners, GH has removed obstacles in procurement and increased outreach efforts. GH must rely on both experienced partners and new partners as programs are scaled-up for national-level impact.

Deliberate efforts are being made to include new partners as GH works to meet the challenging goals of the President's Emergency Plan. In order to bring on new HIV/AIDS partners, including faith-based organizations, GH plans to establish a new USG partners fund using a portion of FY 2005 HIV/AIDS resources. By the end of Emergency Plan programming in FY 2008, the capacity and strength of such new partners will be greatly enhanced.

In addition to these challenges, the increase in funding for GH has not yet been accompanied by an increase in staff; recruitment is underway for several AIDS-related positions.

FY 2006 Program: The Administration is requesting \$279 million for FY 2006 for GH programs. In addition to continuing activities under ongoing awards, GH will address new areas of concern in FY 2006. These include: building the capacity of health systems; phasing in (as funding permits) support for prevention of non-communicable conditions and injuries in countries where these represent a significant health burden; and using the assistance life-cycle approach to tailor health programming to countries in their respective transformational states. In voluntary family planning, efforts will be made to bring in new implementing partners from the private voluntary organization and non-governmental organization community and to identify promising public-private alliance opportunities. In maternal health and nutrition, the special initiative to prevent and treat postpartum hemorrhage will continue to be supported and

programs to prevent and repair obstetric fistula will be expanded. In child health and nutrition, research in micronutrients, newborn survival, and links of newborn care to PMTCT will continue. Evaluation of zinc supplementation as a preventive intervention will be concluded and operations research on programming approaches for routine zinc supplementation will begin. The anticipated increases in HIV/AIDS resources will allow continued scaling up of interventions in prevention, treatment, and care in order to achieve USAID's contribution toward the 2008 goals set forth in the Emergency Plan's Five Year Global HIV/AIDS Strategy. Infectious disease programs in FY 2006 will be focused on: improving and implementing tuberculosis prevention and control programs; preventing and treating malaria; strengthening diseases surveillance systems; and slowing the emergence and spread of antimicrobial resistance.

Other Program Elements: In FY 2004, GH supported a number of public-private partnerships to expand public-private alliances and leverage funds from the private sector. GH's greatest investment in the private sector has been in commercial market development; health technologies, social marketing services, products, and materials; and workplace delivery of basic health services. GH has actively sought new ways of doing business with nongovernmental organizations and private sector organizations. The Bureau is scaling up Global Development Alliance programs and reaching out to faith-based organizations. Partnerships with Proctor & Gamble, the Jane Goodall Institute, Coca Cola, Exxon-Mobil, GlaxoSmithKline, and other corporations, foundations, and universities demonstrate the GH's significant work with the private sector.

GH seeks to better integrate and balance immediate disease-driven interventions with capacity and systems-building interventions. Implementing the President's initiative on AIDS, with the additional funding and mandate provided under the Emergency Plan, USAID is working under the leadership of OGAC and in close collaboration with other U.S. Government agencies, particularly the Department of State and the Department of Health and Human Services (HHS).

GH has increased its involvement in complex global emergencies. GH has helped identify and control endemic and epidemic diseases, ensure adequate immunization coverage, prevent decline of nutritional status in vulnerable populations, and improve basic water and sanitation in these settings. GH has collaborated with: the Bureau for Democracy, Conflict and Humanitarian Assistance to create a joint work plan; the Bureau for Economic Growth, Agriculture, and Trade on the Presidential water initiative and biofortification, and regional bureaus on family planning graduation, malaria, and HIV/AIDS, and in such countries as Iraq, Afghanistan, Democratic Republic of Congo, Sudan, Mozambique, and South Africa.

By collaborating with other agencies and contributing to international partnerships, GH has sought to better integrate and balance immediate disease-driven interventions with capacity and systems building interventions. Working under the leadership and direction of the OGAC, USAID receives funding as one of the Emergency Plan's implementing partners. During FY 2004, USAID received \$229 million in Global HIV/AIDS Initiative (GHAI) funding, including \$79 million to GH, to support the fifteen focus countries and to implement central programs including Orphans and Vulnerable Children, Abstinence and Be Faithful, and Injection Safety.

In FY 2004, GH managed \$167 million in contributions to international partnerships. Among the most notable are:

- A \$60 million contribution to GAVI, which supports the 74 poorest countries of the world through: 1) the introduction of new vaccines; 2) performance based funding for supporting routine immunization systems, and 3) provision of auto disable syringes for use in the immunization program;
- A \$26 million contribution to UNAIDS, which was used to scale up the global response to HIV/AIDS, with particular emphasis at the country level; and
- A \$24 million contribution to IAVI, which was used for preclinical development of HIV vaccine candidates.

GH also oversaw an FY 2004 appropriation for the Global Fund of \$398 million, plus transfers from HHS of \$149 million (totaling \$547 million), \$459 million of which has been contributed. The Global Fund has leveraged increased resources to support prevention, care, and treatment programs in the fight against

AIDS, tuberculosis, and malaria. As obligator of these funds, USAID will continue to use its resources to support the development and implementation of the Global Fund.

Other Donors: The United States is the leading bilateral donor for health and population, followed by the United Kingdom, Germany, Canada, and the Netherlands. In FY 2004, USAID collaborated with the United Kingdom to create a task force on HIV/AIDS. USAID also has collaborations with Japan, particularly in the areas of polio and health systems support. Additionally, USAID shares many priority interests with multilateral donors such as the World Bank and the Global Fund. For example, GH assumed a leadership position in the new inter-agency Child Survival Partnership, joining the United Nations Children's Fund (UNICEF), the World Health Organization, the World Bank, the Canadian International Development Agency, the Bill and Melinda Gates Foundation, and governments of developing countries themselves. In countries including Ethiopia and Cambodia, this Partnership carried out joint high-level visits that engaged political and religious leaders in the possibility of saving more children's lives from hunger and disease. In each partnership country, USAID programs are strengthening coordination with those of other partners to achieve maximum impact with available resources.

INTERNATIONAL PARTNERSHIPS

Within the Child Survival and Health Programs Fund \$250.2 million is requested in FY 2006 for international health partnerships: HIV/AIDS \$170.4 million; Child Survival and Maternal Health \$54.8 million; and \$25 million for Family Planning and Reproductive Health.

- **HIV/AIDS and Infectious Diseases: FY 2006 \$170.4 million**

The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) was established by a group of international public and private sector partners to leverage increased resources to support prevention and treatment programs in the fight against the three diseases. The fund will support an integrated approach to combating the diseases, combining prevention, treatment, and care. Current GFATM partners include bilateral donors, multilateral agencies, private foundations, nongovernmental organizations and developing country representatives. The President's request for the Global Fund in FY 2006 is \$300 million: \$100 million from USAID; \$100 million from the Department of State; and \$100 million from the Department of Health and Human Services.

USAID requests \$18 million in FY 2006 for the development of microbicides for the prevention of HIV/AIDS and sexually transmitted diseases. USAID has been partnering with both U.S. Government and international partners to ensure a coordinated effort to develop an effective microbicide. As a part of these efforts, U.S. Government agencies, including the National Institutes of Health, Centers for Disease Control and Prevention and Health Resources and Services Administration, have generated a comprehensive plan to support microbicide development.

In addition, \$52.4 million is requested in FY 2006 for both on-going and new partnerships. One example is the ongoing partnership with the International AIDS Vaccine Initiative (IAVI). The goal of IAVI is to leverage and apply resources towards the global effort to develop an AIDS vaccine.

- **Child Survival and Maternal Health: FY 2006 \$54.8 million**

USAID requests \$50 million in FY 2006 for the Global Alliance for Vaccines and Immunization (GAVI) Vaccine Fund. The goal of GAVI is to increase the availability of essential life-saving vaccines in developing countries. Strategic objectives shared by GAVI partners are to improve access to and expand use of vaccines, accelerate vaccine research and development, and make immunization coverage a centerpiece in the design and assessment of international development efforts.

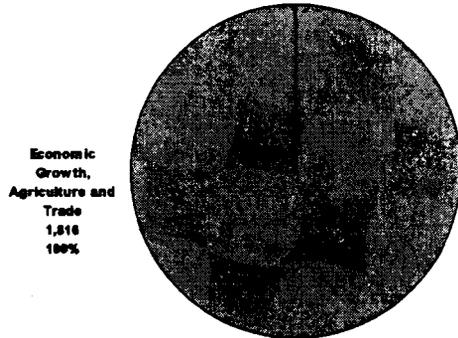
In FY 2006, USAID requests \$4.8 million for partnerships such as the Global Alliance for Improved Nutrition (GAIN). GAIN is a recently-formed alliance of public and private sector organizations seeking to improve health through the elimination of vitamin and mineral deficiencies. GAIN was founded by initial pledges from USAID, the Bill & Melinda Gates Foundation, and the Canadian International Development Agency. GAIN's primary strategy will be to provide grants to developing countries in support of commercially sustainable food fortification programs. GAIN partners include bilateral donors, foundations, multilateral agencies and private sector organizations.

- **Family Planning and Reproductive Health: FY 2006 \$25 million**

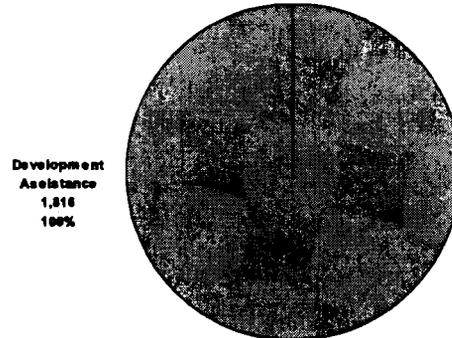
The Administration's budget includes up to \$25 million that may be provided as a U.S. Government contribution to the United Nations Population Fund (UNFPA).

Legislative & Public Affairs

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Global Awareness of US Economic Assistance	025-XXX	2,000	2,148	1,816
Total (in thousands of dollars)		2,000	2,148	1,816

Assistant Administrator: J. Edward Fox

Legislative & Public Affairs

The Development Challenge: In all areas, the importance and breadth of the United States' foreign assistance programs are grossly under appreciated. USAID-assisted countries have little awareness of the scope and size of the U.S. assistance program. Citizens of U.S.-assisted countries do not comprehend the compassion of the U.S. taxpayer and the core values of Americans as exhibited through the U.S. foreign assistance program. The extended benefits of U.S. foreign aid - the stories of real lives being made better through U.S. foreign assistance - are told ineffectively and in a patchwork throughout the countries where USAID provides assistance. USAID has a clear obligation to ensure that the citizens of the countries where USAID provides assistance understand that the assistance is provided by the American people.

The USAID Program: USAID is beginning to address these challenges by developing a stronger capacity to tell its story. In the countries where USAID works, the agency has joined with the public affairs sections of U.S. embassies to develop and communicate to host country audiences the breadth and impact of American foreign assistance. Although still in its nascent phases, USAID is increasing its capacity to inform host country citizens of American generosity and how that generosity is helping make their lives better. In doing so, USAID is coordinating its activities with the appropriate U.S. embassy and helping these embassies to incorporate stories about the generosity of the American taxpayer as exhibited through the U.S. foreign assistance program.

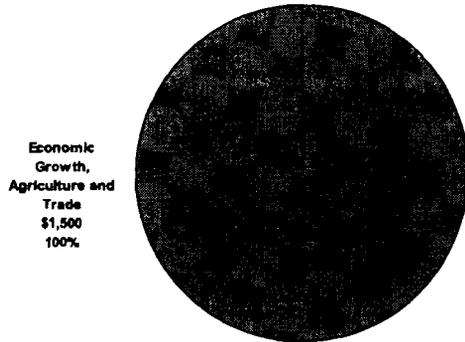
Domestically, under the Development Education program, USAID has started a multi-year program to inform and educate the American public about issues relating to overseas economic and social development to increase domestic understanding of U.S. Government assistance programs overseas.

Other Program Elements: The public affairs offices of the U.S. embassies in countries where USAID provides assistance participate with the Agency in telling the U.S. stories.

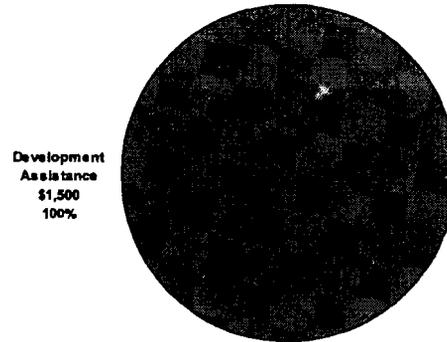
Other Donors: The Development Education program requires matching contributions of cash or in-kind from partner organizations.

Information Resources Management

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Information Technology Transfer	969-010	1,490	1,500	1,500
Total (in thousands of dollars)		1,490	1,500	1,500

Acting Program Management Office Director: Bernie Mazer

Management Bureau

The Development Challenge: The Management Bureau's primary contribution to the success of USAID's development programs is providing efficient and effective administrative and management support services to meet the Agency's management strategic goals. These goals are to ensure a high quality workforce supported by a modern and secure infrastructure and operational capabilities. In addition, the Management Bureau also implements a small information technology program that directly addresses a key development challenge – ensuring that overseas missions make sound IT investments in support of USAID programs worldwide. In a world increasingly transformed by the information economy, the information and communications technology components of USAID programs take on increasing importance to development in all sectors.

The USAID Program: USAID's Bureau for Management addresses the above development challenge by providing information technology guidance and support to its worldwide field missions as well as to Washington bureaus and offices. Through the Information Technology Transfer (ITT) program, the Management Bureau assists missions and bureaus in designing and executing a wide variety of IT projects. Development assistance funds will be used to provide short-term technical assistance, internet support services, and telecommunications services in support of USAID programs worldwide. The ITT program guides and supports USAID programs worldwide. It provides an analytical framework for linking IT investment decisions to strategic objectives, goals and customer needs. The ITT program ensures proper implementation of technology programs in health, democracy, agriculture, environment, economic growth and other programs.

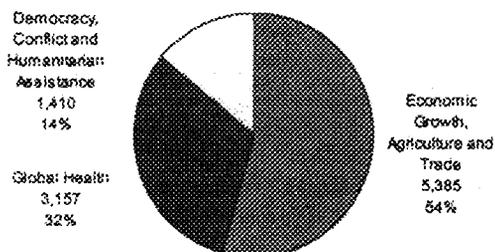
Other Program Elements: All overseas missions and Washington bureaus can participate in and benefit from the ITT program through "buy-ins." For example, the USAID mission in Armenia provided program funding to implement Information and Communications Technology projects that established the Armenian Information Technology Development Support Council and the Armenian Development Agency that support activities such as telecommunications, and legal and regulatory reform.

The USAID mission in Eritrea also provided program funding for the ITT initiative to implement projects in support of the University of Asmara that resulted in the provision of personal computers and network components for its computer laboratories. Additionally, ITT funding supported the Eritrea Telecommunications Network by providing automated billing and tariff systems.

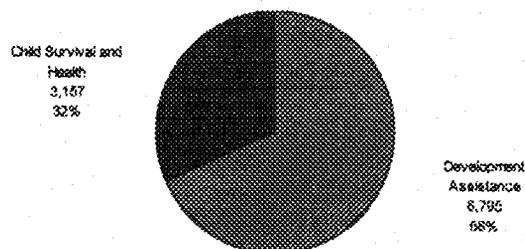
Other Donors: The ITT program complements the activities of other donors in this area.

Bureau for Policy and Program Coordination

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Learning from Experience	996-013	10,208	8,335	9,952
Total (in thousands of dollars)		10,208	8,335	9,952

Assistant Administrator: Edward Menarchik

Bureau for Policy and Program Coordination

The Development Challenge: President Bush's National Security Strategy (NSS) of September 2002 outlines a new direction in foreign policy, including a new emphasis on "development." This new emphasis provides an opportunity for USAID, as the leader in development, to play an even stronger role in U.S. foreign policy. USAID and the Department of State subsequently developed the 2004-2009 Joint Strategic Plan to identify a shared foreign policy and national security agenda, reflecting USAID's five core operational goals: promote transformational development; strengthen fragile states; provide humanitarian relief; support geo-strategic interests; and address global issues and special concerns. USAID's development activities within those operational goals are in direct response to the new challenges of the 21st century, particularly the risks posed by fragile states and terrorism. Operationally, USAID is a participating Agency in the President's National Strategy for Combating Terrorism, which further highlights the fact that conflict and failed states provide opportunistic environments in which terrorists can operate. Additionally, in the face of these and other global challenges, USAID also coordinates closely with State's HIV/AIDS Coordinator and the Office for Reconstruction and Stabilization, and liaises with the Millennium Challenge Corporation (MCC), along with participating in other inter-Agency meetings on foreign policy.

The Bureau for Program and Policy Coordination's role is to help develop and coordinate sound policies and strategies within the Agency and among U.S. Government agencies. Internationally, its role includes implementing the development component of the NSS. The Agency achieves this by guiding the evolution and adaptation of Agency programs to changing global conditions consistent with U.S. national interests, values and foreign policy objectives. Account levels managed by the Agency have grown from \$7.8 billion in FY 2001 to nearly \$14.2 billion in FY 2003, (including supplemental funds for Iraq).

The USAID Program: USAID's Bureau for Policy and Program Coordination (PPC) addresses the above development challenge on four fronts: 1) providing the most up-to-date knowledge for development in the form of information, analyses and evaluations related to policy and critical development issues, including coordinating with the MCC; 2) directly addressing and shaping the global policy debate on development assistance and humanitarian relief; 3) coordinating with other donor governments; and 4) integrating the best practices of strategic budgeting and performance monitoring to ensure that budgets reflect strategic priorities of Congress and the Administration.

The PPC Bureau performs internal analytical work and actively engages external groups to both better inform the Agency's policy agenda and influence the international development policy agenda. New and ongoing research and analysis is sharpening our understanding and effectiveness in working with fragile states, and enhancing our understanding of the Muslim world. In addition, Knowledge for Development (KfD), the Agency's knowledge management initiative, is actively developing a systematic approach to harness, tap and replicate international development best practices. USAID will continue to promote creative and innovative ways to provide timely and pertinent information and analyses to its workforce in order to help them excel in their program activities. Elements of this area include mid-term, final, and impact evaluations of Agency programs, the USAID Library, interactive Web sites, access to electronic journals and other data resources, and the facilitation of "technical communities of practice" to facilitate the sharing of knowledge and experience within and between groups of practitioners. In so doing, USAID will maximize the value of its knowledge and provide a stronger base of understanding personnel and for its development partners. USAID will also use this learned knowledge to support and transfer lessons learned to the MCC for eligible and threshold countries.

Additionally, we will continue to work with the Office of Management and Budget (OMB) to use the program assessment rating tool (PART) process to advance budget and performance integration, and improve the strategic budgeting model. We will continue to reshape and streamline the strategic planning process, establishing a new standard set of program components in FY 2005 and performance monitoring plans for improved performance and accountability reporting under the Government Performance and Results Act. In FY 2004, USAID went from red to yellow in status on performance and budget integration under the President's Management Agenda (PMA), and the Agency is on track to reach green in status by July 1, 2005.

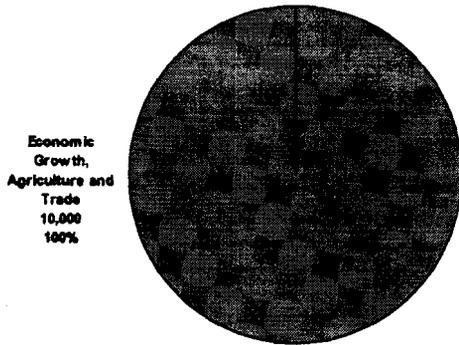
USAID will also be conducting comprehensive Mission Management Assessments on most of its overseas missions during the next five years, coordinated by PPC. Such assessments will evaluate the effectiveness of mission programs and operations, as well as identify best practices, lessons learned and Agency-level issues for broader application or resolution.

Other Program Elements: An innovative aspect of the PPC Bureau's program is that almost any overseas mission or Washington-based office can participate in and benefit from the Bureau's activities through "buy-ins" to many of PPC's contracting mechanisms. For instance, over two-thirds of the funding for the Integrated Managing for Results contract is provided by non-PPC entities that cover expenses for activities such as the Agency's Planning, Achieving and Learning course, considered to be the principal introductory course ("USAID 101") for new direct-hire personnel. Other activities funded through this contract are Performance Monitoring Plan preparation and Mission Strategic Planning workshops and technical assistance. With buy-ins, USAID missions and offices are able to work directly with the contract vendor to customize the delivery of services, which allows PPC to respond to the wide variety of programmatic needs experienced in the field.

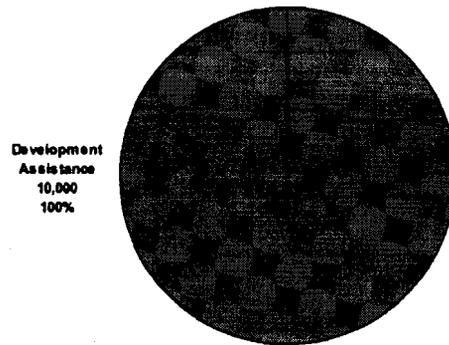
Other Donors: In helping to shape the global policy debate, USAID will actively participate in a host of international fora carried out between governmental and quasi-governmental development partners from around the world. These partners include Great Britain's Department for International Development, the Canadian International Development Agency, the European Commission, the United Nations, the international development banks, and the Japanese International Cooperation Agency, among others. USAID plays a crucial role in coordination of international responses to both natural and man-made disasters and took the lead in the President's Famine Initiative at the Sea Island G8 Summit. USAID assists other donors in strategy development; supports U.S. Government (USG) reporting to the Organization for Economic Co-operation and Development's Development Assistance Committee (OECD/DAC), and produces reports on other donors. USAID will continue to promote and develop the policy priorities elaborated in its new Joint Strategic Plan with the Department of State, the 2002 Agency report on "Foreign Aid in the National Interest," and the White Paper entitled "U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century."

GDA Secretariat

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Institutionalizing Alliance Building	020-001	4,960	3,000	3,000
Public-Private Alliance Building	020-002	10,000	7,000	7,000
Total (in thousands of dollars)		14,960	10,000	10,000

Acting Director: Dan Runde

Global Development Alliance

The Development Challenge: As one of USAID's four pillars, the Global Development Alliance (GDA) recognizes the major change in the relative importance of U.S. public and private financial resource flows to the developing world. In the 1970s, 70% of resource flows from the United States to the developing world were from official U.S. development assistance while 30% were private. In 2003, total U.S. flows to the developing world surpassed \$112.6 billion and private flows - a combination of corporate direct investment, remittances, and philanthropic programs of corporate and private foundations, universities and private voluntary organizations - represented 85% of such resources. Because of this shift in foreign investment, the need for public-private collaboration becomes clear. GDA seeks to engage private partners strategically in supporting U.S. government development and foreign policy priorities. The creation of public-private alliances with new as well as traditional partners aims to marry USAID development expertise with both the corporate sector's resources, technology and innovative talent and the non-profit sector's understanding of development issues and ability to deliver assistance at the field level. Working together toward common goals, in concert with host country authorities, alliance partners are able to achieve far more than they could individually. The beneficiaries of this effort are those people living in poverty in developing and transition countries who receive expanded and often higher quality services because of these public-private alliances.

The joint Department of State - USAID Strategic Plan, FY 2004-2009, makes the explicit commitment to foster a more democratic and prosperous world integrated into the global economy. The Plan identifies the strategic goals of promoting democracy and human rights, economic prosperity and security, and addressing pressing social and environmental issues as part of the broader U.S. foreign policy objective to promote worldwide stability and security. It articulates the intention to "build public-private partnerships that leverage resources, strengthen international cooperation, and help other countries build their institutional capacity..." to manage their problems.

The USAID Program: The GDA Secretariat, a temporary unit charged with initiating public-private alliance creation and integrating public-private alliances as a primary business model for USAID, is mandated with the following objectives:

- change the way the Agency - at all levels and in all regions and sectors - defines its role vis-à-vis other actors in international development;
- reach out to new partners to work in concert with them and maximize collective achievements in improving the economic, social, and political conditions of people in the developing world;
- work with USAID's traditional partners in this changing environment to engage them in new and creative ways; and
- clearly demonstrate the commitment of the U.S. Government, through its foreign assistance programs, to work innovatively with others to achieve significant progress in addressing developing country needs.

While most of the funding for alliances comes from other USAID operating units in USAID/Washington and in the field, the GDA Secretariat does fund some alliances from an incentive fund. However, it is important to note that the GDA Secretariat does not manage any of the alliances. All alliances are managed and reported by individual operating units in USAID/Washington and in the field.

Other Program Elements: One hallmark of public-private alliances is engaging non-traditional USAID partners. USAID has partnered with nearly 700 different organizations worldwide in FY 2002 and FY 2003. These comprise both US and host country organizations, including: 215 private businesses, 179 nongovernmental organizations (including faith-based organizations), 67 foundations, 61 trade associations, 11 bilateral donors, 18 multilateral donors, 75 federal or national government agencies, 17 local government agencies, 50 higher learning institutions, and 5 regional organizations. Many of these partners had no prior experience as a USAID implementing partner or cooperating agency. Some of USAID's traditional not-for-profit partners have become active themselves in recruiting alliance partners.

USAID also conducts due diligence on potential alliance partners, examining their public records from a variety of perspectives including product offering, workplace/labor issues, human rights issues, international operations, social responsibility programs, and environmental record.

Other Donors: Principal bilateral and multilateral donors strongly support GDA's public-private alliance approach. In fact, a number of them have realized the value in this approach and have launched similar public-private alliance initiatives. United Nations agencies are active in a number of alliances, especially health, education, and humanitarian assistance. Bilateral donors, particularly the U.K., Japan, Canada, the Netherlands, and Germany, are also alliance members. As long as strictly private resources constitute at least 25% of total alliance funding, there is no restriction on the participation of public sector entities from other countries in USAID alliances.

AFRICA

The Development Challenge

Africa's prospects for a better future continue to brighten as many countries in the region are beginning to reap the benefits of economic policy changes, improved governance and investments in key social sectors undertaken during the past decade. With the rebounding of the global economy, the continued growth of responsible and representative governments and the recovery from several lengthy conflicts, much of the African continent is poised to see more robust economic growth and an improvement in living standards in the years ahead. Testament to the real progress the region has made is reflected in the designation of eight sub-Saharan African countries, out of 16 total, as eligible to benefit from the Millennium Challenge Account (MCA) and the designation of an additional seven as close to the threshold for eligibility. The threshold countries and a number of others farther from eligibility have nonetheless demonstrated steady good performance, worthy of assistance in transformational development under the principles of aid effectiveness. It is these countries that are USAID's focus for transformational development aid in sub-Saharan Africa.

Stability in the region is vitally important to U.S. national security. For the United States, support of African-led efforts to achieve improved livelihoods promotes stability and represents an important long-term investment. Africa has not only a wealth of natural resources of increasing importance to the United States but also represents a growing market for U.S. goods and services.

One of the most promising trends in the region is the resolution of violent conflict which has inhibited economic and social development. The peace in Liberia is holding, a comprehensive Peace Agreement ending the conflict in southern Sudan was signed in January 2005, and Sierra Leone and Angola continue their transition to peace and stability after years of protracted conflict. Unfortunately, conflicts remain unsettled in the Darfur region of Sudan and Cote d'Ivoire and instability persists in the Great Lakes region, although some progress is being achieved.

The policy framework and the program of action adopted by the New Partnership for Africa's Development (NEPAD) is sending a very positive signal to the world that African leadership is increasingly ready to take primary responsibility for economic and social development and improved governance in the region. NEPAD continues to deepen its support among African government leaders and its road map for action is gaining wider credibility. NEPAD is demonstrating through its initiation of peer reviews of political, economic and corporate governance in four countries that Africans are indeed serious about tackling some of their most difficult development issues. Twenty-four countries have now agreed to undergo the process. The United States continues to affirm its endorsement of NEPAD.

Democratic values are deepening and the benefits of responsible governance are becoming more widespread. Civil society is taking fuller advantage of new information and communications technologies to demand accountability from their governments and newly elected leaders in many countries are increasingly serious about reducing endemic corruption. According to Freedom House, a non-governmental organization that tracks democratic processes around the world, the number of free democracies in Africa has almost tripled from four to 11 over the past decade and more than half of the remaining countries in the region are in the transition process toward full and free democracy.

Measurable progress is now being made in increasing the availability of the specific treatment, care and prevention services that will be required to address one of the continent's most overwhelming crises, the spread of HIV/AIDS. FY 2004 was the first year of implementation of the President's Emergency Plan for AIDS Relief, which proposes \$15 billion over a five-year period for the treatment, care and prevention of HIV worldwide. A total of \$10 billion is designated to scale up HIV/AIDS programs and services in 15 focus countries, 12 of which are in Africa. The extraordinary response by the international community combined with the wider availability of antiretroviral drugs and related services offers new hope that the advance of the pandemic can be contained with sustained support.

There is evidence that the adoption of sound economic policies and macroeconomic management, improved governance structures and more effective public institutions over the past several years are creating the conditions for more rapid economic growth. GDP in sub-Saharan Africa is estimated to have grown by 4.5% in 2004, up considerably from 3.5% in 2003 and is projected to accelerate in 2005, particularly in oil producing countries. Per capita GDP also increased by an estimated 1.75% in 2004.

Despite these positive trends, sub-Saharan Africa continues to face enormous development challenges. It remains the world's poorest region with half of its 700 million people living on less than \$1 per day. Income and gender inequality are also widespread. As mid-decade approaches, it is becoming increasingly evident that the region will fall seriously short of meeting many of the Development Goals of the Millennium Declaration (DGMD). In order to meet the DGMD of halving poverty by 2015, overall GDP growth must increase substantially from today's levels to between 6 and 7% per annum. Food security remains elusive in many parts of the continent, with children being particularly vulnerable. It is projected that by 2015, two-thirds of the world's hungry will be in Africa and it is the only continent where the trends are actually getting worse. Africa still lags far behind other developing regions in educational attainment, particularly in the rural areas and for girls, and despite the rapid growth of information and telecommunications technology the digital divide between Africa and the rest of the world continues to widen. Rapid urbanization poses new and different challenges as cities, which will harbor more than half of Africa's population by 2016, struggle to provide sufficient jobs and services, particularly for the young, who can become quickly disillusioned and easy targets for extremist propaganda, criminal gangs or armed militias. While some health indicators have improved, the HIV/AIDS pandemic has overwhelmed health systems and further impoverished families in many countries, particularly in eastern and southern Africa. Dramatically reduced life expectancies and a shrinking labor pool due to HIV/AIDS will slow economic growth in the region by as much as 1.5% a year. Lingering conflicts, both large and localized, exact a huge toll on efforts to bring stability and accelerate economic growth. There are currently 4-5 million refugees and 12-13 million internally displaced persons in the region. The majority of states that USAID is assisting to overcome fragility are in sub-Saharan Africa. One aspect of their fragility is their "poor" or "fair" performance on measures of their actions to promote development.

Meeting these challenges will require an extraordinary and sustained effort on the part of African governments, the private sector, civil society and the international community. USAID's FY 2006 programs to promote economic growth, improve governance, mitigate conflict, improve education, preserve the diversity of the continent's resources, and improve health will address some of the most critical problems facing the continent and represent an extremely worthwhile investment in Africa's future.

Promoting Transformational Development, Strengthening Fragile States and Addressing Global Issues and Special Concerns

Agriculture, Trade, Education and the Environment Agriculture remains the mainstay of most sub-Saharan African economies. It serves as the primary source of livelihood for 65% of its people, represents 30% to 40% of GDP and accounts for almost 60% of export income. Improved performance of the agricultural sector is, therefore, critical to efforts to achieve food security and reduce poverty. While many countries have taken positive measures to stimulate higher productivity, particularly among small farmers who account for over 90% of production, per capita agricultural production remains at 1990 levels. The major constraints to increasing agricultural productivity include low usage of improved technologies, limited access to credit, low levels of public investment, inefficient land use and environmental degradation, market distortions that discourage production, poor rural infrastructure and the debilitating effects of the HIV/AIDS pandemic. Now in its second full year of implementation, USAID's flagship program in the agriculture sector, the five-year Presidential Initiative to End Hunger in Africa (IEHA), is helping agriculture generate more income and employment, strengthening regional cooperation and promoting policy and program changes to liberalize trade, improve market access and foster innovation.

The globalization of the world economy offers Africa genuine opportunities to increase trade and attract foreign investment. Yet Africa remains at the margins of the world economy, accounting for just 1.4% of world exports in 2002, down from 3.5% in 1970. The region has enormous potential to become a much more significant player in international trade. However, to realize this potential Africa must continue to

liberalize economic policies and implement institutional reforms required of the changing economic environment. Trade is still hampered by systemic constraints such as high transaction costs, capacity limitations, poor infrastructure and market distortions. The United States has continued to demonstrate worldwide leadership in expanding trade with Africa through the African Growth and Opportunity (AGOA) Acceleration Act of 2004. AGOA is yielding ever more encouraging results with total two-way U.S. trade with sub-Saharan Africa rising 37% in calendar year 2004, to \$44.4 billion. AGOA imports totaled \$26.6 billion in 2004, an 88% increase over 2003. While petroleum continues to constitute the bulk of AGOA imports, it is worth noting that non-petroleum AGOA imports – including apparel and agricultural products – are also on the rise, totaling \$3.5 billion in 2004, up 22% over 2003. Through the three regional “Hubs for Global Competitiveness” in southern, eastern and west Africa, which are implementing the Presidential Trade for African Development and Enterprise (TRADE) Initiative, launched in 2002, USAID is directly supporting not only AGOA but also U.S. business linkages, enhancing the competitiveness of African products and services, improving public services that support trade, building African capacity for trade policy formulation, and strengthening the enabling environment for African businesses.

Advances in education are critical to Africa’s economic, social and political development. Although literacy rates have risen from 50% in 1990 to 62.4% in 2003, Africa continues to lag behind much of the world in educational attainment. While access to formal education has improved, 39% of boys and 43% of girls are still not enrolled in primary school. Drop out rates remain high, with just 20% of all children completing primary school. Educational quality is also poor with large class sizes, significant numbers of poorly qualified teachers, and severe shortages of textbooks and teaching aids. HIV/AIDS continues to decimate the ranks of qualified teachers. Systemic education reform is critical if Africa’s children are to compete successfully in today’s world. USAID programs focus on educational policy and systems development, decentralized decision making and greater parental and community involvement. An emphasis on basic education, particularly for girls, has proven to yield high returns. USAID’s flagship program in education is the \$200 million President’s Africa Education Initiative (AEI). This initiative, launched in FY 2002, is on track to provide 250,000 scholarships for girls, 4.5 million much-needed textbooks and training for 420,000 teachers over a five-year period.

Africa is a continent of great natural riches, unmatched bio-diversity and vast unspoiled landscapes. Prudent management and protection of these assets can contribute to sustainable economic growth as well as to worldwide efforts to improve the global environment and maintain bio-diversity. Yet the region’s environment is under serious threat. Sub-Saharan Africa contains 45% of global bio-diversity yet has the highest rate of deforestation in the world. Serious efforts must be taken immediately to preserve, protect and improve Africa’s environmental patrimony. USAID’s program focus on linking better management of natural resources with improved livelihoods and strengthened environmental governance is now demonstrating very positive results in over a dozen countries. The Central Africa Regional Program for the Environment (CARPE) is the centerpiece of USAID’s response to the goals of the Congo Basin Forest Partnership (CBFP) Presidential Initiative, which addresses the global issue of climate change. CARPE is a 20-year effort which began in 1995 and is designed to support conservation and sustainable management of natural resources in the tropical forests of central Africa, as well as to promote regional coordination in addressing environmental issues.

Global Health Improved health can be a legitimate development goal in and of itself. It also can be a major factor in reducing poverty and accelerating economic growth in transformational development. Health conditions in sub-Saharan Africa remain the poorest in the world, with gains in access to care and wider availability of treatment often undermined by persistent poverty, conflict, poor governance and the continued spread of HIV/AIDS and other infectious diseases such as tuberculosis (TB), malaria, polio, meningitis and cholera. Life expectancy has continued to decline, to less than 50 in those countries most severely impacted by HIV/AIDS. Malaria claims over 2.3 million African lives a year, mostly of young children and over 90% of the world’s 600 million yearly malaria cases occur in Africa. In 2003, polio, which had almost been eliminated world-wide, spread from two endemic countries, Nigeria and Niger, to 10 other countries. With 350 cases per 100,000 people, Africa has the highest rate of incidence of TB in the world, fueled by the HIV/AIDS pandemic. At 1,000 maternal deaths per 100,000 live births, and 45 infant deaths per 1,000 live births, the region has the highest maternal and neo-natal mortality rates in the world.

USAID is implementing broad-based health programs throughout the region which are demonstrating important results. Successful efforts to create alternative community-based health care financing schemes in Senegal, Rwanda and Zambia offer promise to hundreds of thousands of households and provide successful models for replication. Immunization campaigns have reduced disease rates in target areas and expanded use of bed nets has begun to significantly reduce the incidence of malaria in target areas. Several countries, including Eritrea, Malawi and Guinea have realized important reductions of 19% to 32% in child mortality rates.

The HIV/AIDS pandemic is a global issue that continues to ravage the continent, although there are hopeful signs that prevention and treatment measures are beginning to slow its spread. Prevalence rates remain high in all of southern Africa, reaching 25% in Zimbabwe and almost 40% in Swaziland and Botswana. Of the estimated 34-46 million people infected by HIV worldwide, 25-28 million reside in sub-Saharan Africa. Over 80% are in their productive years and two thirds are female. The number of AIDS orphans is expected to rise from 11 million to 20 million by 2010. However, the experience of Uganda, where infection rates have decreased by 50% from 1997-2001, and promising results in Zambia and elsewhere, demonstrate that strong leadership and an integrated approach to prevention, care and treatment can be effective in stabilizing and/or reducing prevalence rates. The access to anti-retroviral treatment through the President's Emergency Plan is offering a new future to people who are infected with the virus. HIV/AIDS is the major health priority for USAID and through the \$15 billion President's Emergency Plan, prevention, care and treatment programs of all U.S. Government agencies are expanding rapidly.

With a growth rate of 2.4% a year, the highest in the world, Africa's population of 700 million will swell to over one billion by 2025, despite the impact of HIV/AIDS. This will place natural resources, public services and the social fabric under enormous strain and impact economic growth. Though the majority of women indicate the desire for fewer children, contraceptive prevalence rates remain under 20% in all but five countries and above 50% only in Zimbabwe and South Africa. Dramatic increases in contraceptive prevalence rates in Botswana and Malawi over the past 15 years, however, offer proof that reproductive health programs, such as those supported by USAID, can indeed promote behavioral change.

Governance and Peacebuilding Accountability in government, observance of the rule of law, respect for human rights and inclusive political processes strengthen fragile states by mitigating against civil strife and violent conflict as well as promoting reform and recovery. These characteristics of good governance are also critical to advancing USAID's other goals in transformational development, including the consolidation of democracy and market-led economic growth and more effective provision of public services. Good governance, coupled with improved economic well-being and social service delivery, also diminish the appeal of extremist ideologies and terrorist agendas.

There have been recent successes in advancing critical peace processes in sub-Saharan Africa. In January 2005, the Government of Sudan and the Sudan People's Liberation Movement signed a comprehensive peace agreement after more than two years of negotiations. The agreement ends the world's longest-running civil war, and provides for fundamental changes in governance through power-sharing, wealth sharing, security arrangements, and a formal cease fire. Across the border, there have been signs of progress in addressing the 18-year conflict in northern Uganda. The Intergovernmental Authority on Development (IGAD) has achieved several major breakthroughs in efforts to restore peace to Somalia. Other critical peace processes continue. In mid-2004, the Congolese Assembly for Democracy was persuaded to remain engaged with the Transition Government. In Burundi, the Parliament agreed to extend the transition until April 2005 when elections are scheduled. The tragedy in Darfur and instability in Cote d'Ivoire are reminders, nonetheless, that peace can remain fragile.

The United States has played a seminal role in international efforts to assist these processes. USAID is committed to enhancing its immediate response and maintaining a long-term perspective that promotes durable peace. Through the Conflict and Peace Building Fund, begun in 2003, USAID is implementing a multi-faceted approach to strengthen African capacity to manage and mitigate conflict. USAID programs

target the root causes of fragility, including economic and political instability, health crises, violent conflict, population movements, displaced populations, and trafficking in persons.

Democratic governance and improved governmental accountability have continued to expand throughout the region, a notable exception being Zimbabwe. USAID programs in democracy and governance have focused on the development of democratic institutions and the rule of law, free and fair political processes, strengthening of civil society, decentralization of governmental functions and improved accountability of both the public and private sectors.

Humanitarian Response USAID's humanitarian assistance programs have been vital to international efforts to mitigate the effects of several natural and man-made disasters, including Sudan, the DRC and Liberia. USAID seeks to integrate humanitarian, development, and protection initiatives on behalf of those affected by natural disaster and violent conflict.

Debt Issues The World Bank/IMF Heavily Indebted Poor Countries (HIPC) Initiative, launched in 1996 and enhanced in 1999, has lightened sub-Saharan Africa's debt burden appreciably. The continent's total debt service ratio (debt as a percentage of exports of goods and services) has fallen from 13.9% in 1999 to 10.6% in 2002, well below the critical 15% mark that is generally viewed as unsustainable. To date, 12 African countries have completed the HIPC process, 13 more are expected to complete the process in the next year or two and the recent extension of the "sunset clause" of HIPC to the end of 2006 will allow another nine African countries to begin the process. While most bilateral debt will be cancelled or greatly reduced, some African countries will still face significant multilateral debt, and the United States has been encouraging the multilaterals to find fiscally responsible ways to reduce such debt.

Other Donors The United States remained the largest bilateral provider of Official Development Assistance (ODA) to sub-Saharan Africa in 2003. The United Kingdom, France and Japan follow as the other major bilaterals. The largest ODA levels continue to be provided through the multilateral organizations, primarily the World Bank group, which lends almost exclusively in Africa through its concessional International Development Association (IDA) windows. The European Union, the African Development Bank and the various U.N. agencies are also significant multilateral donors in the region. USAID actively engages with the broader donor community to better harmonize procedures and policies through leadership in the Strategic Partnership with Africa (SPA), a forum of donors and African counterparts for discussing development issues. At the country level, USAID Missions in Africa coordinate and collaborate with all of the major donors to assure maximum program impact.

Program and Management Challenges

Security Issues Security remains an ever-increasing concern at most USAID missions in Africa. Missions continue to take steps to improve security within the limits of available funding. USAID missions are required to co-locate with new embassies as they are being built, but this may present dilemmas where space restrictions may constrain overall personnel ceilings, which would in turn affect USAID's ability to manage its programs.

Staffing and Operating Expenses Using the Agency-wide "workforce template" as a base, the Africa region has developed a plan to make the best use of its human resources. Overseas direct-hire field staff levels will be at 226 in FY 2005, and we are requesting that this level be straight-lined for FY 2006; the Washington U.S. Direct Hire (USDH) staff level has increased by one to 91, to meet the demands of a reinvigorated Sudan program. In addition to the number of staff allotted under the FY 2005 ceiling, many Africa missions have taken advantage of the Agency's new hiring authority to convert non-direct hire employees into Foreign Service Limited appointments to meet staffing needs in their missions. This non-career Foreign Service Limited hiring authority is requested for FY 2006 as well and would continue to serve as a vehicle for missions to augment their direct-hire staff. Additional program-funded staff, both direct hire and non-direct hire, will also be added to missions located in PEPFAR-focus countries in Africa. Since the Peace Accord for Sudan has been signed it is very likely that the Sudan mission, currently based in Nairobi, will begin to move its operations to Sudan in FY 2005 as conditions continue to improve. By FY 2006, it is possible that USAID will be operating out of two sites (Khartoum and Juba) in

Sudan at an annual cost of \$6 million in operating expenses. Last year's plans to establish USAID Representative Offices in Sierra Leone and Burundi are on hold. As the Bureau revamps its development strategy which will impact the way the Bureau does business over the next several years, we will take a concerted look at how best to re-deploy staff among Missions to maximize performance. In 2006, Mission personnel costs will rise to 49% of Africa's overseas operating budget. These rising costs, combined with costs for security and administrative support from the Department of State, represent the biggest management challenges to mission operations. Operating expenses continue to be severely constrained by overall increases in local costs and by significant exchange rate fluctuations.

The FY 2006 Program

In FY 2006, USAID will begin a shift to re-orient its programming in sub-Saharan Africa toward aid effectiveness principles, expressed in USAID's White Paper, "U.S. Foreign Aid: Meeting the Challenges of the Twenty-First Century." The region has the highest proportion of fragile states among USAID's assisted regions and a significant number of countries that can be considered to be moving toward "transformational development." Eight countries are MCA eligible and another 11 are low- and middle-income good performers. Adopting aid effectiveness principles, USAID will accordingly initiate a process to increasingly channel its development assistance to African countries that are performing well, demonstrate need and exhibit commitment. If compacts are approved for the MCA-eligible countries, they will see an appreciable increase in their overall USG assistance levels. USAID is therefore not proposing at this time to expand its transformational development programs in these countries. It will, however, continue to address global issues and special concerns, such as HIV/AIDS. Programming in the 11 fragile states in which USAID maintains bilateral programs will be increasingly targeted to address the root causes of fragility. This shift will be formally codified through the adoption of a new Strategic Framework for Africa to be completed in FY 2005.

In FY 2006, USAID proposes to invest \$849.4 million in assistance to Africa: 50.4% for transformational development, strengthening fragile states and addressing global issues and special concerns using the Development Assistance (DA) account; 11.2 % for assistance in stability, reform and recovery to Ethiopia and Sudan in FY 2006 through the Transition Initiatives (TI) account; and 38.4% for child survival and health, infectious disease reduction and family planning programs through the Child Survival and Health (CSH) account. The TI account is new to USAID Africa's program request in FY 2006. Note: This excludes all funding for HIV/AIDS in Emergency Plan focus countries, which will flow through the Office of the U.S. Global AIDS Coordinator in the Department of State (O/GAC). Of the total DA account funding requested, 45% is proposed to go to transformational development countries (18% to high performers, 26% to good performers, and less than 1% to poor performers); 12% to fragile states, and 43% to regional programs, which address transformational development, fragility or global issues and special concerns through approaches that complement bilateral programs.

Support to the Sudan Peace process is the highest single priority in Africa, and USAID is requesting a total of \$89 million for Sudan in FY 2006. Through strategic use of its funding, USAID missions in Africa will continue to support a broad range of programs that address the most pressing of the region's development challenges. These programs contribute to the priorities outlined in the joint State/USAID Strategic Plan for 2004-2009, particularly those that advance sustainable development and global interests. The centerpieces of the FY 2006 program continue to be the four Presidential Initiatives, launched in FY 2002, the Initiative to End Hunger in Africa (IEHA), the Trade for African Development and Enterprise (TRADE) Initiative, the Congo Basin Forest Partnership (CBFP) and the Africa Education initiative (AEI). Other key elements of the program include the continuation of the African Anti-Corruption Initiative, the Conflict and Peacebuilding Initiative and the Leland Initiative to increase access to information technology.

Promoting Transformational Development, Strengthening Fragile States and Addressing Global Issues and Special Concerns

Economic Growth, Agriculture, Trade, the Environment and Education Increasing agricultural productivity is key to accelerating economic growth and reducing poverty. USAID programs will stress the

increased use of improved technologies, better quality control, wider access to rural finance, stronger producer associations, small scale rural infrastructure, increased access to information and improved functioning of markets. Related efforts will be made to promote private sector-led diversification of the rural economy, such as agro-processing, improved access to credit, and increased agricultural exports. Now in its third year of implementation, IEHA has expanded to include six countries with high potential to increase agricultural productivity. The United States has also taken the lead to implement a focused multi-donor program to increase agricultural productivity in Africa, the Comprehensive African Agricultural Development Program (CAADP), a key element of the G-8 and NEPAD development programs.

Strengthening the ability of African countries to participate competitively in the global economy is critical to overall economic growth and reducing poverty. Through the TRADE Initiative, which began full scale implementation in FY 2003, USAID will use its three regional "Hubs for Global Competitiveness" to promote U.S.-African business linkages and build African capacity for sophisticated trade analysis. USAID will also continue efforts to improve the provision of public services supporting trade (e.g., customs procedures), strengthen the enabling environment for African business and enable African businesses to take better advantage of opportunities under AGOA.

USAID's focus in the environmental sector will remain on policy change and capacity building in support of community-based approaches to natural resource management. USAID will also support efforts to reduce long-term threats to the environment and the loss of bio-diversity. USAID's flagship program in the environment is the Central African Regional Program for the Environment (CARPE). CARPE, which was initiated in 1995, is a 20-year program that serves as the primary vehicle for the U.S. contribution to the Congo Basin Forest Partnership, which was launched in 2002. The CBFP, an association of 29 governments, and non-governmental and private sector organizations, addresses two of the world's most significant global issues, global climate change and the loss of bio-diversity. In FY 2006, USAID will invest \$311.3 million, or 36.6% of its development resources, for programs in economic growth, agriculture and trade, and the environment, including \$47.1 million for IEHA, \$15 million for the TRADE Initiative and \$15 million for CARPE.

USAID's priority in the education sector will remain the five-year \$200 million African Education Initiative (AEI). In addition, basic education programs that address system reforms and increased parental and community involvement will include 16 countries in FY 2006. DA and CSH funds will contribute towards the goal of improving access to quality education by increasing primary school enrollments in USAID-supported programs from 19.7 million in 2004 to 21.5 million in 2006 and the number of learners completing basic education programs from 1.1 million in 2004 to 1.3 million in 2006. USAID will invest \$121.0 million, or about 14.3% of its program resources, in education programs in Africa in FY 2006, including \$55 million for the AEI.

Global Health, HIV/AIDS and Population USAID programs to improve the health of sub-Saharan Africans focus on increasing the availability, effectiveness and access to quality health care. USAID will increase immunization coverage, strengthen surveillance, build human capacity to provide better quality care, improve community and household health practices and promote innovative health financing strategies. DA, CSH and TI funds will contribute towards the goal of improving global health, including child, maternal and reproductive health and the reduction of disease by training 130,000 people in 2006. USAID will invest \$142.7 million, or 16.8% of its program resources, for these activities in FY 2006. USAID will continue to support a range of family planning programs, including public education, advocacy and outreach through traditional and community structures, community-based distribution and social marketing of contraceptives, and encouragement of child spacing practices. Funding for family planning programs will total \$101 million in FY 2006, 11.9% of overall resource levels.

HIV/AIDS is the major health priority for USAID in Africa. Overall U.S. Government coordination of the \$15 billion President's Emergency Plan rests with the Office of the U.S. Global AIDS Coordinator in the Department of State. Funding for HIV/AIDS activities in the 12 "focus" countries in Africa is included in the State Department request. In FY 2006, \$82.2 million in Child Survival and Health account funding is being requested to combat HIV/AIDS in Africa in the other bilateral program countries. USAID is playing a key role in the implementation of the Emergency Plan in both focus countries and other bilateral

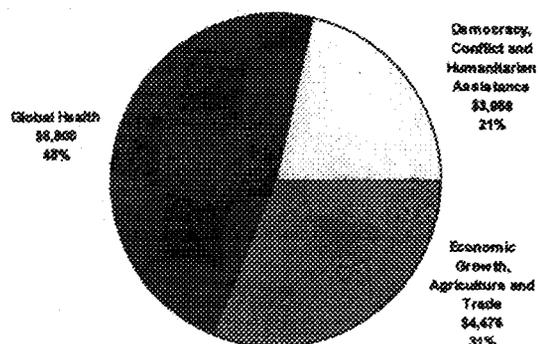
programs, and is coordinating closely with other USG PEPFAR implementing agencies. USAID Missions will maintain their emphasis on HIV/AIDS prevention, care and treatment and expand service coverage, including services for orphans and vulnerable children. Programs will build on successful efforts in Uganda, Senegal and Zambia, which include the promotion of abstinence and other behavioral interventions, voluntary counseling and testing, distribution of condoms for high risk groups, and care and support for persons living with AIDS, including anti-retroviral therapy. It is estimated that about 825,000 people will have received voluntary counseling and testing through USAID programs by the end of FY 2006. Programs to prevent mother-to-child transmission of AIDS will also be expanded. Every effort is being made through the Emergency Plan to strengthen local capacity to implement programs by engaging a wide range of partners, including the faith community.

Governance and Peacebuilding Weaknesses in democratic governance and factors contributing to fragility inhibit social development and economic growth, can cause civil unrest and provide fertile ground for the rise of extremist ideologies. USAID's efforts to improve democratic governance and promote increased accountability advance the national security goal of creating the conditions for peace and improved security. Governance and peacebuilding efforts address the sources of fragility, promote longer-term development, and complement opportunities offered by the Millennium Challenge Account.

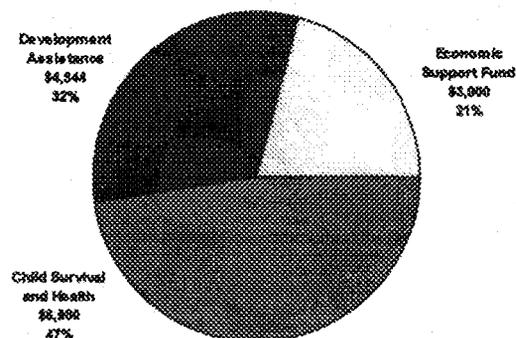
In FY 2006, USAID is requesting \$91.2 million or 10.7% of its overall program resources, for efforts to strengthen democracy and governance and to mitigate conflict. Approximately 82.3% of democracy and governance resources will benefit good and high performing bilateral country and regional USAID programs while the funding for the fragile states will specifically address the causes of fragility, therefore promoting stability, reform and recovery. USAID programs promote representative political processes and institutions, the rule of law, the growth of a vibrant civil society and respect for human rights. Twelve missions are participating in the Anti-Corruption Initiative, launched in FY 2003, which promotes public access to information, citizen awareness and advocacy, transparency and accountability of government procedures and public-private dialogue. Most USAID missions have integrated the principles of transparency, participation and accountability throughout their transformational development and reduction in fragility portfolios. USAID will continue to support efforts to address the root causes of fragility and conflict, manage and mitigate conflict, assist populations affected by conflict, promote community reintegration and strengthen African networks to identify and respond to potential crises. USAID Missions will continue to strengthen their linkages with the Offices of Foreign Disaster Assistance (OFDA), Food for Peace (FFP), Democracy and Governance (DG), Conflict Mitigation and Management (CMM), and Transition Initiatives (OTI) to better integrate humanitarian, stabilization of fragility, transformational development, and protection initiatives on behalf of those affected by natural disaster and violent conflict.

Angola

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



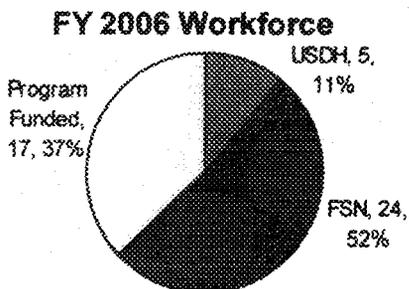
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Improved Food Security	654-005	3,111	1,388	800
Civil Society Strengthening	654-006	3,984	4,050	3,088
Maternal and Child Health and HIV/AIDS	654-007	10,100	8,086	7,300
Market-oriented Economic Analysis	654-008	555	1,778	3,176
Total (in thousands of dollars)		17,750	15,302	14,344

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,118	2,039	2,089
USDH Salaries & Benefits	499	766	783
Program Funds	922	1,343	1,343
Total (in thousands of dollars)	3,539	4,148	4,215



Mission Director: Diana Swain

Angola

The Development Challenge: Just two years after emerging from over a quarter century of civil war, Angola in FY 2004 continued its transition toward national reconciliation begun in earnest in 2002. Demobilization has been largely accomplished, while progress toward reintegration and reconstruction has been slowed by socioeconomic and political stresses that reflect the fragility of the post-war state. Further progress toward reintegration and reconstruction is required to consolidate early gains of the transition and shift national focus from emergency response toward comprehensive development. To that end, during 2005, the United States will work with the Government of Angola and other partners to further enhance agricultural production and food security in targeted communities, promote informed participatory relations between government and civil society, build local capacity for economic analysis and business expansion, and improve maternal and child health while reducing the transmission of HIV/AIDS.

Indicators for Angola underscore the scale of the development challenge. The country ranks 166th of 177 countries on the 2004 UNDP Human Development Index. National population exceeds 13 million, with 48% under age 15 and an annual population growth rate of 3%. The literacy rate among adults over age 15 is 42%, while roughly half of primary school age children are not enrolled in school. The average fertility rate is 7.2 births per woman, while average life expectancy is 40 years. Infant and child mortality rates are among the highest in the world (250 deaths per 1,000 under five years), and 41% of all children under five are chronically malnourished. Malaria, diarrhea, and other preventable diseases such as measles are common in both urban and rural areas. Poor health conditions are exacerbated by lack of access to safe water and health services; only 38% of the population has access to a protected water source, and just 2.6% of all communities have a health center. Restricted movement during the war years helped stem the spread of HIV/AIDS, and today Angola has an estimated prevalence rate of 3.4%. However, freedom of movement in the post-conflict period, combined with other socio-economic and demographic factors—including higher infection rates where Angolan military forces are stationed—sets the stage for a spike in the national HIV/AIDS rate.

Angola's low level of human development is at odds with its potential for economic prosperity—evident in the country's wealth of natural resources, including oil, diamonds, fertile arable land (much yet to be tilled), substantial fisheries, and plentiful water available for crops and hydropower. The economy, heavily dependent on trade, is dominated by the oil sector, which should account for two-thirds of government revenue in 2005. Developments in the oil sector will determine Angola's growth for the foreseeable future. Real GDP growth is predicted to reach 11.6% in 2005, due principally to large increases in oil production. However, overall economic performance remains below potential due to limited linkages between productive sectors (notably oil) and the rest of the economy, deplorable infrastructure, weak economic policy and management, and pervasive corruption. Angola's tumultuous history has contributed to the development of a weak culture of accountability and fiscal discipline. Average annual inflation, forecast to fall to 30% in 2005 from 44% in 2004, contributes to macroeconomic instability that is further fed by a large fiscal deficit, a misaligned exchange rate, underinvestment by the government in social sectors, and vast unrecorded expenditures in a shadow economy. To address these fiscal and monetary issues, the Government will need to implement a series of economic, fiscal, and budgetary policy reforms.

Systemic flaws in state institutions and the nascent condition of political parties and civil society organizations stymie the country's establishment of democratic governance. Such constraints contribute to repeated delays in national elections, with legislative elections now expected in 2006 and the presidential election (last held in 1992) in 2007. Constitutional reform, essential to election plans, continues to stimulate public debate, but has been slowed by disputes over procedures, timing, and content. Despite efforts to promote laws governing land and property, current reforms have failed to address the needs of large segments of the population, although the economic interests of powerful elites continue to be protected. Angola continues to exhibit a disjointed social order, limited effectiveness of civil and commercial law, and a persistent gap between formal rules of the state and de facto "rules of the game" exploited by power holders, all of which erode democratic principles of governance and contribute to a national budget that fails to reflect the country's true wealth.

U.S. national interests in Angola are commercial, political, and humanitarian. Angola, sub-Saharan Africa's second largest oil producer, is the seventh largest supplier of crude oil to the United States, and eighth in terms of total petroleum imports, providing 4%-5% of total U.S. petroleum imports. As of 2004, Angola is eligible to benefit from more open access to U.S. markets under the African Growth and Opportunity Act. As a potential powerhouse for regional trade and investment, the country could play an important role in Southern Africa's regional stability. In a region wracked by HIV/AIDS, addressing the epidemic before infection rates explode in Angola is a critical development challenge.

The USAID Program: USAID is requesting FY 2005 and FY 2006 funds for four objectives. These four objectives address issues of food security, democratic governance, improved maternal/child health, and economic reform. The food security objective, focused on smallholder agriculture, promotes access to inputs, extension services and training; market linkages; and revitalized agricultural productivity in Angola. The democracy objective strengthens constituencies and institutions required for democratic governance by promoting civil society coalitions, an independent media, government transparency and accountability, and the groundwork for free and fair elections. The health objective aims to improve maternal and child health and prevent the spread of HIV/AIDS and other infectious diseases by helping communities and institutions to provide necessary health services and to conduct HIV/AIDS prevention programs. The economic reform objective fosters economic policy and financial sector reform, business development services, and credit access for micro-, small, and medium enterprises. USAID works with a number of international and local nongovernmental organizations (NGOs) in public-private partnerships.

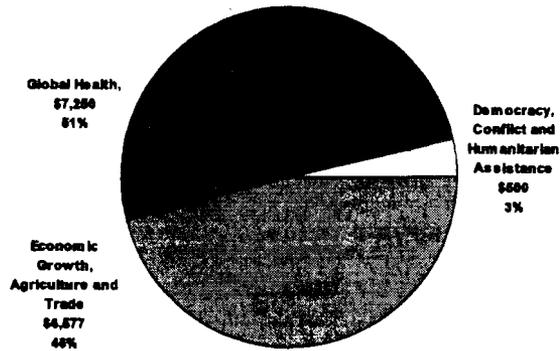
Other Program Elements: In addition to resources requested in the data sheets, in FY 2005 USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance will support activities in Angola including a development relief program with P.L. 480 Title II food commodities. The program will promote food-for-work activities for smallholder agriculture and the resettlement and reintegration of internally displaced persons (IDPs), and NGO strengthening and capacity building for service delivery. USAID's Bureau for Economic Growth, Agriculture, and Trade will promote adult literacy in Luanda and Malanje Provinces. USAID funds from the Africa Education Initiative will support four organizations assisting girls with school-related costs, while the Displaced Children and Orphans Fund will support child-friendly networks, adolescent life skills training, and child/family tracing. USAID's Bureau for Africa's Conflict Fund supports local level conflict mitigation and management activities. The Leahy War Victims Fund will continue to support provision of prostheses, crutches, and therapeutic services for disabled persons.

USAID works with international and local NGOs in public-private partnerships, including ongoing work with ChevronTexaco and ExxonMobil in a broad range of activities related to economic research, business development support, the provision of small, medium and micro-credit, HIV/AIDS and malaria prevention, youth development, food security, and agriculture business development. In FY 2004, USAID leveraged a total of \$3,365,000 from private sector partnerships and alliances, with a cumulative total of \$14,065,000 from 2002 to 2004.

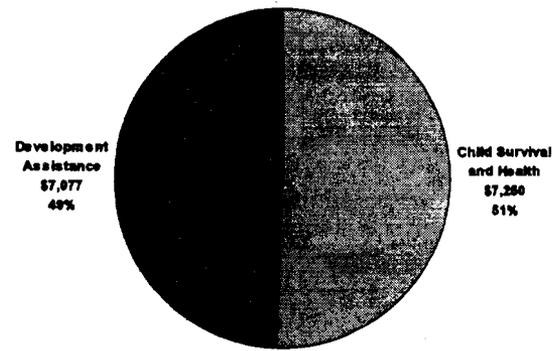
Other Donors: The United States is the leading bilateral donor to Angola, followed by Norway (democracy and governance, energy, water), the United Kingdom (poverty reduction, microfinance, humanitarian assistance), Spain (health, education, agriculture, civil society, humanitarian assistance), Sweden (humanitarian assistance), France (education, agriculture, humanitarian assistance, health and HIV/AIDS), Portugal (agriculture, education, health, democracy and governance, private sector development, water and sanitation), Japan (health), and the Netherlands (humanitarian assistance, demining, and democracy and governance). China has signed a financial agreement with the Government of Angola to address the budget deficit and to rebuild facilities destroyed during the war. Leading multilateral donors include the European Union and the World Bank, which supports three International Development Association (concessionary credit) -financed operations: Emergency Demobilization and Reintegration; Economic Management Technical Assistance; and the Third Social Action Fund (FASIII). Leadership related to humanitarian assistance is provided by the United Nations' Office for the Coordination of Humanitarian Assistance, the World Food Program, and the United Nations Development Program, with other services provided by UNAIDS, FAO, UNICEF, UNFPA, and WHO. The Government of Angola continues to seek agreement on a Staff Monitored Program with the International Monetary Fund and has expressed interest in a donors conference.

Benin

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

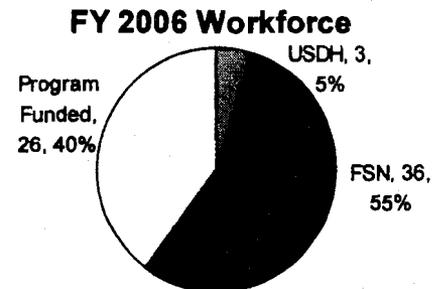


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Reforming Primary Education In Benin	680-001	7,178	6,149	6,077
Benin Integrated Family Health	680-002	7,550	7,750	7,250
Governance Program	680-003	1,031	453	1,000
Total (in thousands of dollars)		15,759	14,352	14,327

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,468	2,348	2,406
USDH Salaries & Benefits	519	319	326
Program Funds	2,263	2,476	1,737
Total (in thousands of dollars)	5,250	5,143	4,469



Mission Director: Rudolph Thomas

Benin

The Development Challenge: In a region with notable cases of failed or failing governments, since the early 1990s Benin has been a state that largely respects basic rights and freedoms and has conducted peaceful changes of power between opposing political camps. Presidential elections in 2006 are expected to result in the third peaceful turnover of the presidency since Benin's re-establishment as a democracy. After months of speculation in the press and protests from civil society organizations about a possible constitutional amendment to allow current President Mathieu Kerekou to run for office again, all debate on the issue appears to have ended. Benin was declared one of 16 countries eligible to apply for funds from the U.S. Government's (USG's) Millennium Challenge Account in FY 2004. As one of the few countries in Africa with a vibrant local media, a multitude of private media outlets, print and broadcast, have sprung up and function essentially free from government interference.

Over the past decade Benin has pushed for macroeconomic, fiscal and administrative reforms. Real gross domestic product (GDP) growth averaged about 5% annually from 1993 to 2003. Benin's ability to control inflation and the external current deficit were among the factors that enabled Benin to obtain debt relief amounting to \$265 million in March 2003 under the Heavily Indebted Poor Countries Initiative. Benin has generally successfully met performance criteria and structural benchmarks, enabling it to draw on the resources of the International Monetary Fund through three successive arrangements since 1993.

Benin ranked 161 among 177 countries on the United Nations Development Program's 2004 Human Development Index. Per capita income for Benin's population of 6.7 million is \$440. An estimated 33% lives below the national poverty line. Statistics on the status of health and education, although improving over the past decade, reflect a low level of human development. Life expectancy is 53 years. Mortality among children under five is 151 per 1,000. An estimated 23% of children under five are malnourished. Maternal mortality is estimated at 850 per 100,000 live births. The adult literacy rate, at nearly 40%, is well below the 63% rate for Sub-Saharan Africa. In Benin, adult literacy for women aged 15 and older is just over 25%, far below the rate for all of Sub-Saharan Africa.

Among significant development challenges facing Benin is an increasing perception that the Government is falling behind in its ability to govern effectively. Corruption and ineffective management are widely recognized as significant problems. Reports in the local press also point to a general perception that the robust economic growth mainly benefited politically connected elites. As the 2006 presidential elections approach, succession politics will consume greater attention and political energy. This is likely to curb the pace of government reforms to liberalize the cotton sector, reform customs administration, divest publicly-owned companies, and to establish a merit-based promotion system within the civil service.

The economy continues to be vulnerable due to reliance on agriculture and services which account, respectively, for 36% and 50% of GDP. In 2004 the Government announced that expected revenues had fallen far short of targets for the first half of the fiscal year. Shortfalls in revenues are closely tied to dependence on cotton and trade with Nigeria. Reforms in the cotton sector are not moving forward as planned. Trade with Nigeria is suffering due to its protectionist stance on third country re-exports coming from Benin. Policies necessary to promote economic diversification are moving forward, albeit slowly.

A final critical challenge to Benin's development prospects will be the ability to invest in the health and education of the Beninese people, especially women. At the current population growth rate of 2.5%, Benin's population is expected to reach 9.1 million by 2015. The Government is already hard pressed to meet the needs of its people for access to health care and education. Government expenditures as a proportion of GDP for health and education currently stand at 2.1% and 3.5% respectively. These are low compared to other low-income countries.

The United States and Benin have had an excellent relationship since Benin embraced democracy. The U.S. Government (USG) continues to assist Benin with the improvement of living standards that are key to the success of Benin's democratic government and economic liberalization, and are consistent with U.S. interests in reducing poverty and promoting growth. Benin recently agreed in principle to sign an Article 98 agreement with the USG. A delegation from the Department of State is scheduled to travel to

Cotonou to negotiate final language of the agreement in early calendar year 2005.

Current trade between Benin and the United States is small, but interest in American products is growing. The United States is interested in promoting increased trade with Benin in order to expand U.S. trade with Benin's neighbors, particularly Nigeria, Niger, and Burkina Faso, all receiving large amounts of their own imports through the port of Cotonou. Such trade is facilitated by Benin's membership in the Economic Community of West Africa States (ECOWAS) and in the CFA franc monetary zone. The U.S. Government works to stimulate American investment in key sectors such as energy, telecommunications, and transportation. Benin is eligible for the African Growth and Opportunities Act but has not yet qualified for the Act's apparel provision, which would allow Benin to export apparel to the U.S. with few restrictions.

The USAID Program: USAID's programs in Benin include: 1) improving the quality of education with an emphasis on educating girls; 2) improving family health by preventing the spread of HIV/AIDS, encouraging the use of more effective modern family planning methods, and promoting health of mothers and children; and 3) improving government management and participation of community groups in governance issues that touch on education, health, and livelihoods.

Other Program Elements: The current P.L. 480 Title II program will end in FY 2005. It is anticipated that a proposal for a follow-on program will be submitted this year. Current programs include: microcredit and business training for small businesses, especially those owned by women; food and training to parent organizations to operate school canteens; food and nutrition education for mothers of small children; and an emergency feeding program for orphans and other socially disadvantaged individuals. Benin is a focus country for the "Women's Legal Rights Program" which USAID's Office of Women in Development manages. This program, which began in 2004, focuses on education and training on women's legal rights. Planned activities include a public awareness campaign, paralegal training, developing a manual for legal professionals on the new Family Code, workshops for community leaders, and continuing education for judges and intermediate-level actors in the judicial system. Activities under this initiative will be closely coordinated with interventions in all sectors.

The USAID West Africa Regional Program (WARP) manages activities in Benin in economic integration and trade, energy, health including HIV/AIDS and child survival, conflict prevention, anti-corruption, agriculture and food security. Participants from Benin have attended workshops and training for entrepreneurs interested in benefiting from the African Growth and Opportunity Act. The WARP energy activity is aimed at ensuring that Benin will benefit from plans to complete the West Africa Gas Pipeline Project, as well as plans to improve the electricity grid along countries lining the coast from Cote d'Ivoire to Nigeria under the West Africa Power Pool project. Researchers from Benin who participate in agricultural activities are part of a network of scientists who are working to develop improved varieties and production techniques for crops such as rice, sorghum and maize.

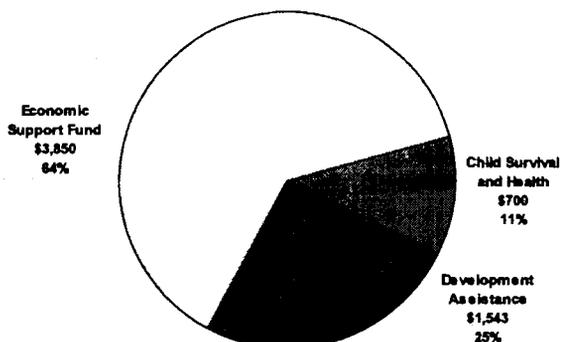
Other Donors: USAID is a member of the donor group comprised of heads of diplomatic missions which meets monthly. USAID also participates in technical sector working groups led by donor chairs. These working groups include: health (the European Union (EU)), basic education (USAID), trade (the EU), cotton (the Netherlands), gender (the Canadian International Development Agency), elections (the Danish Embassy) and trafficking in persons (the EU). Development assistance to Benin totals approximately \$248 million annually. The two largest bilateral partners are France (justice and rule of law, urban and rural development, environment, education) and the United States. Other major bilateral donors and their principal areas of focus include Denmark (civil society, water, agriculture, administrative reform), Germany (environment, agriculture, health, water), Belgium (civil society and democracy, agriculture, health, biodiversity and aquaculture, higher education), the Netherlands (agriculture, rural development, environment, government administration), Canada (administrative reform, water, urban sanitation), and Switzerland (health, education, micro-enterprise, community development). The World Bank (education, health, government administration, roads), the African Development Fund (rural development, poverty reduction, education, forestry, fisheries), and the International Monetary Fund (government administration, macroeconomic and policy reform) are the largest multilateral programs operating in Benin.

Burundi

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

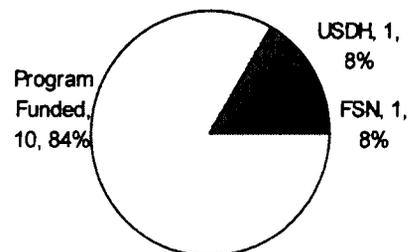
Objective	SO Number	FY 2004	FY 2005	FY 2006
Democracy and Governance	695-006	4,007	4,342	4,643
Food Security	695-007	1,742	250	750
Health	695-008	700	1,550	700
Total (in thousands of dollars)		6,449	6,142	6,093

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation			
USDH Salaries & Benefits			135
Program Funds	587	995	995
Total (in thousands of dollars)	587	995	1,130

FY 2006 Workforce



Mission Director: Andrew Sisson

Burundi

The Development Challenge: Ethnically based political parties have competed for power since independence in 1962 with many violent outbreaks. Since the assassination of the first democratically elected Hutu president in 1993, conflict has resulted in the deaths of over 300,000 people, and over a million more are internally displaced or refugees in Tanzania. After the landmark Arusha Peace and Reconciliation Accord of August 2000, a three-year transitional government took office on November 1, 2001, and was scheduled to end on October 31, 2004. Burundi's political parties were unable to reach consensus on a post-transitional constitutional framework for power-sharing in time to hold democratic elections by October 31, 2004. The Burundian Parliament agreed to extend the transition until April 2005 when local and national elections should be completed. The only remaining rebel group not to sign a cease-fire with the government, the National Liberation Front (FNL), continues to fight government troops and the Forces for the Defense of Democracy in Bujumbura. In spite of its challenges, the transitional government continues preparing for democratic elections which many hope will set Burundi on the path to peace and stability.

Any sustainable peace will have to address the lack of economic opportunities. There is an urgent need for job creation and long-term economic growth. Sustainable peace will depend on a shift in attitudes and behaviors of the political elites who have controlled and benefited from the limited economic resources. The history of Burundi has been characterized by access to power through military coups; therefore, support to the disarmament, demobilization, reinsertion, and reintegration process and to security sector reform is critical to prevent destabilization. The peace process should be strengthened by dialogue between ordinary citizens and the Government of Burundi (GOB). The GOB must hold individuals accountable for crimes both past and present. The culture of impunity is a serious threat to the peace process.

Burundi is one of the poorest countries in the world, ranking 173 out of 177 on the 2004 United Nations Development Program's Human Development Index. In 2003 the gross national product (GNP) per capita fell to \$87, only 53% of the 1999 GNP. More than 58% of the population is estimated to live below the poverty threshold, and 69% of the population suffers from malnutrition. For 2002, UNICEF reported life expectancy at birth had dropped to 41 years, from 54 years in 1992. Infant mortality is 114 per 1,000, under five mortality is 190 per 1,000, and maternal mortality is 1,000 per 100,000. Forty-five percent of children under age five are moderately or severely underweight. In 2003, UNICEF reported that 25,000 Burundians died from AIDS, 390,000 Burundians were living with AIDS and 237,000 children under the age of 14 were orphaned by AIDS. The 2004 UNAIDS Report on the Global AIDS Epidemic reported a prevalence rate of 6% in Burundi.

The conflict in Burundi has led to serious violations of children's rights, including the recruitment of 7,000 children into armed groups; rape; child prostitution; exploitation of 645,000 working children; orphaning of 620,000 children; exposure to landmines; and permanent internal displacement of 281,000 people, with another 120,000 people displaced temporarily each month. Sexual and gender-based violence has also increased as a result of the war.

Population growth, which is estimated at 3%, is putting increasing pressure on limited land resources with no corresponding increase in off-farm employment. Fifty-five percent of the population is under the age of 18 years. With increasing stability, the 650,000 Burundian refugees living in Tanzania will likely return and will have to be reintegrated into the society and the economy.

The most significant U.S. national interest in Burundi lies in achieving an enduring and just peace, accompanied by broad-based economic growth based on democratic principles. This will strengthen regional stability and democratic systems in the Great Lakes region. The United States supports efforts to create an environment that facilitates the protection of human rights, prevents a resumption of mass killing and relieves human suffering. The United States continues to encourage the government to institute needed economic and financial reforms.

The USAID Program: The USAID program in Burundi is an integrated set of activities supporting three

strategic objectives, implemented by more than 18 different NGO and UN partners. Program activities strengthen democracy, governance and conflict mitigation; provide humanitarian relief with food aid and non-food item distribution; enhance food and livelihood security; and provide access to basic health services and HIV/AIDS care and prevention. USAID is providing technical expertise and material and logistical support for the 2005 electoral process in Burundi, supporting victims of torture, promoting peace and reconciliation, good governance, unbiased media and strengthening civil society. USAID is assisting the University of Ngozi to investigate land conflict-related issues. USAID funding to the World Health Organization provides support for epidemic surveillance and response, and polio eradication.

Other Program Elements: From the beginning of the crisis in Burundi, USAID has provided humanitarian assistance to internally displaced people, vulnerable groups, refugees and drought-affected populations. USAID's Food for Peace Office funds World Food Program (WFP) emergency and recovery food aid activities. USAID's Office of Foreign Disaster Assistance provides funding for emergency food security, nutrition, and coordination and logistics activities. These and other humanitarian initiatives have successfully reduced acute hunger and malnutrition, and have helped re-establish rural livelihoods and stabilize communities both in times of crisis and transition.

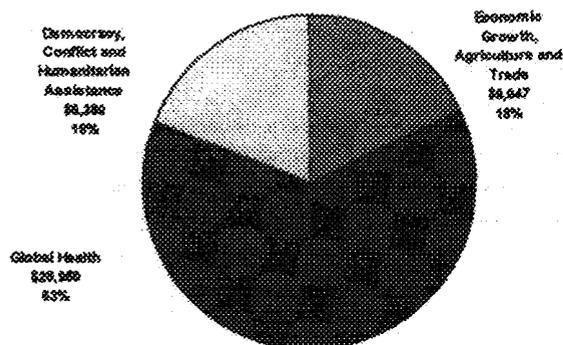
USAID's Office of Transition Initiatives (OTI) supports the ongoing peace process in Burundi by strengthening local capacities to benefit from and contribute to the peace process. OTI's Community-Based Leadership Program, vocational skills training, community initiatives and media activities encourage local-level cooperation for mutual problem solving, generation of new non-farm income, and dissemination of timely and balanced information that encourages broad participation in discussions related to the peace process. OTI works closely with community groups, government entities, media outlets, non-governmental organizations (NGOs) and international organizations to maximize the positive outcomes of their efforts. In addition, USAID's Bureau for Africa and the Office of Conflict Management and Mitigation (CMM) provide funding for activities to mitigate land-related conflict, enhance food security and livelihood opportunities, as well as support for community-based reconciliation. CMM activities seek to address the land issue by providing opportunities for participatory dialogue and by creating alternative livelihood opportunities which stimulate economic growth. USAID's Office of Private and Voluntary Cooperation (PVC) supports activities to enhance the managerial and advocacy capacity of organizations working in the areas of health, human rights and conflict. PVC also provides technical support to micro-finance institutions.

Other Donors: The European Union (EU) is the most significant multilateral donor, currently providing \$146 million for budgetary support, rehabilitation of infrastructure and rural development, support for the transition and good governance, and humanitarian assistance to refugees and war-affected, vulnerable populations. The World Bank provides \$78 million for economic rehabilitation, public works for job creation, health, HIV/AIDS and DDR activities. Belgium, France and the EU provide direct budgetary support and/or debt relief to the GOB. Belgium (\$32 million) and France (\$33 million) support GOB budget, rule of law, health and education. The United States is the third largest bilateral donor, providing approximately \$30 million per year in non-food humanitarian and development assistance. Germany supports disarmament, demobilization and rehabilitation (DDR) activities, as well as conflict mitigation and HIV/AIDS activities.

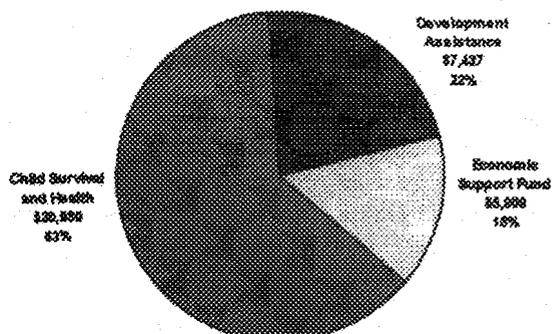
USAID cooperates with British assistance to support HIV/AIDS prevention; WFP to distribute humanitarian relief; the Italian Gruppo Civile Volontario to support health clinics; local independent radio stations to increase unbiased reporting; and local agencies to support care for people with AIDS, legal assistance, and support to victims of torture.

Democratic Republic of the Congo

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

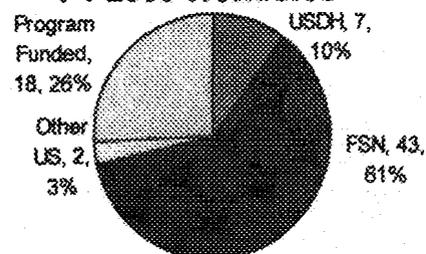
Objective	SO Number	FY 2004	FY 2005	FY 2006
Health	660-002	22,404	22,400	20,950
Peace Building, Democracy and Good Governance	660-003	6,850	5,009	5,380
Livelihoods	660-004	5,006	6,338	2,339
Basic Education	660-005	3,243	2,170	3,708
Conflict Resolution	660-006	2,571	1,980	1,000
Total (in thousands of dollars)		40,074	37,877	33,377

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	3,369	3,232	3,312
USDH Salaries & Benefits	595	980	980
Program Funds	1,089	1,830	1,762
Total (in thousands of dollars)	5,053	6,022	6,054

FY 2006 Workforce



Mission Director: Robert Hellyer

For more information, please visit our Website, www.usaid.gov

Democratic Republic of the Congo

The Development Challenge: The Global and All-Inclusive Agreement of Sun City, signed in December 2002 by all major belligerent parties in the Democratic Republic of the Congo (DRC), is the roadmap for the DRC's transition to a stable, peaceful, and democratic state. The Agreement stipulated that political, military, and economic power would be shared by the former belligerents, civil society, and the political opposition during the two to three year transition period. Political integration has occurred, for the most part successfully, in the central administration. In mid-2004, the Congolese Assembly for Democracy (RCD/Goma) came close to withdrawing from the Transition Government (TG), but was ultimately persuaded to remain engaged. Political integration in the provinces has been superficial, limited to the appointment of Governors and Vice-Governors. Extension of territorial administration outside of the provincial capitals has mostly not occurred, which is a particular problem in eastern DRC, where the parallel administrations established by RCD/Goma and others remain in place.

There is considerable friction within the TG, as each of the former belligerents vies for economic and political power and strives to create a political base for the elections. The continued presence of foreign armed forces and other armed groups in the country constitutes a significant irritant to the transition, as does the slow pace of military integration. Significant efforts to reform and downsize the security sector, including the partially integrated Congolese Army (FARDC), and to demobilize and reintegrate ex-combatants, are behind schedule.

The TG and the reconstituted Senate and National Assembly have made some progress on enacting transition-critical legislation, but the processes are behind schedule. USAID is following the progress in the development of 14 such laws. The laws establishing an Independent Electoral Commission (IEC) and Political Parties have been passed. The Constitution (to be prepared by the TG, per the Sun City Agreement) is still in draft, flawed and behind schedule. The Nationality Law, which defines who is eligible for Congolese citizenship, was promulgated on November 12, 2004. The Voter Registration Law is currently awaiting Presidential signature and is behind schedule. The Electoral Law will only be promulgated after adoption of the new Constitution.

The International Monetary Fund (IMF) states that the Gross Domestic Product (GDP) in the DRC grew by 8% in 2004 (year-to-date basis). The economy is estimated to total approximately \$7 billion. Government revenue collection increased in 2004 to 10% of GDP, but remains at a critically low level. Social spending has increased, but from a very low base. Security sector expenditures are exceeding budget projections in response to the unstable security/military situation in the east of the country. Over the course of 2004 the Congolese franc depreciated approximately 20% against the dollar, and inflation is currently calculated to be 9% on a year-to-date basis.

The DRC's social indicators are among the worst in the world. Infant and under-five mortality rates are 126 and 213 per 1,000 live births, respectively. Maternal mortality in the DRC is 1,289 per 100,000 live births. Per capita GDP is \$98.65. Life expectancy for men and women is 46 and 51 years, respectively. Literacy is 82% for men and 56% for women. Violation of human rights, including the widespread use of rape as a means of subjugation of the population, is a huge problem affecting millions of Congolese citizens, particularly in the east.

The U.S. Government (USG) seeks to strengthen the process of internal reconciliation and democratization within the DRC to promote a stable, developing, and democratic nation. Given its size (roughly equal to the area east of the Mississippi River), population (estimated at 55 million), and resources, the DRC is of long-term interest to the United States. A stable and peaceful DRC is a source of regional stability, given its central location in the continent. USAID's Integrated Strategic Plan (ISP) for FY 2004 to FY 2008 for the DRC supports two objectives contained in the joint State-AID Strategic Plan 2004-2009: 1) achieve peace and stability, and 2) advance sustainable development and global interests.

The USAID Program: The USAID program proposed in the Program Data Sheets will provide funding for increasing access to and use of quality health services; support the transition to peace, stability and democratic governance; improve livelihoods of rural Congolese; improve basic education, especially for

girls; and promote the reintegration of ex-combatants into civilian life.

Although the DRC is not a focus country under the President's Emergency Plan For AIDS Relief, the DRC receives a base level of funding for HIV/AIDS prevention and significant funding from the Global Fund To Fight AIDS, Tuberculosis, and Malaria (GFATM). USAID implements the Central African Regional Program for the Environment, which is the primary mechanism for the USG contribution to the Congo Basin Forest Partnership (see the Central Africa Regional program narrative) in the Central African Region. The Presidential Africa Education Initiative provides funding for teacher training and girls scholarships.

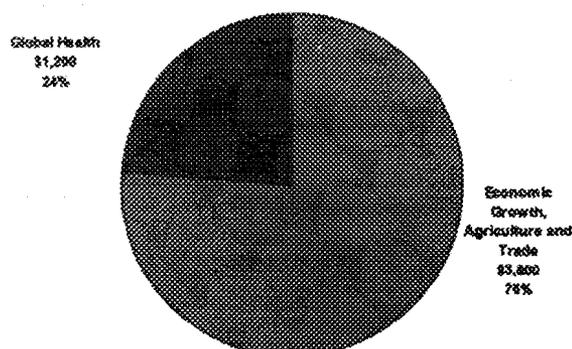
Other Program Elements: USAID's Washington program is implementing a transition-support program, which includes a significant effort to reintegrate ex-combatants and victims of sexual violence back into communities. USAID has been implementing a complex emergency disaster response program in the DRC since the early 1990s. With two Emergency Disaster Relief Coordinators in country, USAID's program seeks to respond to the needs of displaced people, primarily in the east. USAID provides approximately 75% of total donations to the World Food Program in the DRC. This program benefits approximately two million internally displaced persons and returnees annually in the DRC. USAID provided funding in FY 2003 for a micro-finance program, which is still ongoing, in the eastern DRC and in Burundi. USAID receives Displaced Children and Orphans (DCOF) funding, Victims of Torture (VOT) funding and Trafficking in Persons (TIP) funding for abandoned children programs in many parts of the DRC, and for victims of sexual violence programs in the east. USAID receives War Victims funding through a regional mechanism with Pact for people disabled by the conflict. USAID supports the Reintegration of Ex-Combatants program.

Other Donors: USAID participates actively in several important donor coordination arrangements in the DRC, including weekly humanitarian response coordination meetings, the Country Coordinating Mechanism for the GFATM, the World Bank Multi-Country Demobilization and Reintegration Program, and the United Nations-led weekly election planning meetings. USAID works in close coordination with other donors in the preparation of the Poverty Reduction Strategy Paper and participates in the annual Consultative Group meetings held on the DRC.

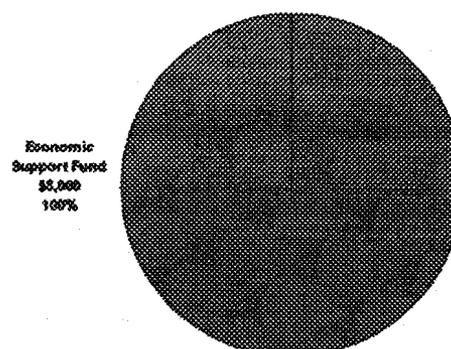
The major donors in the DRC (rank ordered in 2004) are the World Bank, the European Union (EU), the United States, the United Kingdom (UK), France, Germany, Belgium and the Netherlands. Japan is launching an assistance program in 2005. With the exception of large infrastructure projects, security sector reform and macro-economic management (sectors in which the World Bank, the EU and many European donors are active), the sectors in which most other donors are engaged generally mirror the U.S.'s engagement. All major bilateral and multi-lateral donors support the health sector. The EU is heavily involved in elections, and the United States, UK, Canada, Germany, and Sweden support civil society. The U.N.'s Food and Agriculture Organization and many European donors support income generation and livelihoods promotion activities. UNICEF and the United States are the major donors in the education sector (soon to be joined by Japan), and the World Bank has mounted a major school rehabilitation and construction program. All major European donors, the World Bank and the United States are involved in the demobilization and reintegration of ex-combatants. France, the Netherlands, Belgium, South Africa, and Angola are the major donors to the reform of the security sector. All major donors follow the Development Assistance Committee guidelines for harmonizing donor practices established by the Organization for Economic Cooperation and Development, and integrate gender sensitivity into their programs.

Djibouti

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

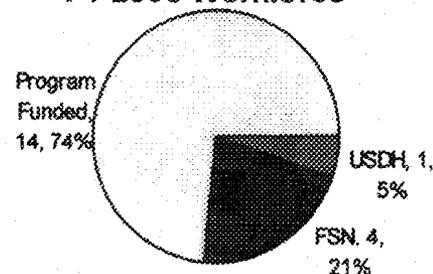
Objective	SO Number	FY 2004	FY 2005	FY 2006
Basic Education Improved	603-001		900	3,800
Expanded Coverage of Essential Health Services	603-002		84	1,200
Total (in thousands of dollars)			984	5,000

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	473	455	466
USDH Salaries & Benefits		131	134
Program Funds	320	1,277	1,277
Total (in thousands of dollars)	793	1,863	1,877

FY 2006 Workforce



Mission Director: Andrew Sisson

Djibouti

The Development Challenge: Djibouti is ranked 154 among 177 countries on the 2004 United Nations Development Program's Human Development Index. Low human capacity levels and poor health are central to Djibouti's development challenges. The population growth rate is high at 2.8%. Life expectancy remains at just 46 years. Infant and under-five child mortality is high, with an estimated 114 and 165 per 1,000 live births, respectively. The rate of maternal mortality is one of the highest rates in the world. The under-five population suffers from malnutrition (31%) and low immunization rates (45% in Djibouti city and 11% for rural areas). Djibouti is 80% urban and suffers from a 60% unemployment rate. Over 45% of the primary school age population does not attend school, and more than 60% of all adults (especially women) are unable to read or write, even though primary school was made mandatory and free in 1999. Enrollment for girls' primary school remains low at 40%. HIV/AIDS is a growing problem; the prevalence rate is 3%. Knowledge of HIV/AIDS transmission is low, with less than 1% of the population surveyed aware that an asymptomatic person can transmit AIDS. Djibouti has a very high tuberculosis rate, with a sputum smear positive case rate of 181/100,000 population. The United States has a significant national interest in Djibouti being an important partner in the war on global terrorism and advancing sustainable development in the country. Djibouti hosts the only American military base on the African continent.

The USAID Program: The Djibouti program focuses on improving basic education and expanding essential basic health services. In the area of basic education, the USAID program seeks to expand access and improve the quality of schooling, with the focus on improving teacher effectiveness and providing classroom material. In the health sector, USAID is focusing on an increased supply of essential health services, improved quality of services and enhanced local capacity to sustain health services. Both of these objectives concentrate on community involvement and rely on a cross-sectoral approach to implementation.

Other Program Elements: Djibouti is a chronic food deficit country currently requiring an estimated 13,000 metric tons (MT) of food annually from the international donor community. USAID has worked closely with the World Food Program (WFP) to develop an operation encompassing a variety of activities that target different groups, including support to vulnerable Djiboutians through rural food for work and food for agriculture activities to drought-affected populations, urban institutional and nutritional feeding of vulnerable groups including HIV/AIDS orphans, tuberculosis patients and refugees, and food to support girls' attendance at schools. In FY 2004, USAID provided 1,710 MT of commodities valued at \$994,000, with two-thirds for Djiboutians, and one third for refugees. It is anticipated that a similar commitment will be made in FY 2005 based on request and need. The target group is estimated to be 43,400 Djiboutians and refugees.

Other activities carried out through the Regional Food Security Program are benefiting Djibouti. They include a livestock export promotion facility, a Famine Early Warning System (FEWSNET), and the provision of teachers. Economic Support Funds (ESF) are being used to develop a livestock export promotion facility in Djibouti. When completed, this facility will support the export of livestock from Somalia, Ethiopia and Djibouti to the Middle East and to the Arabian Peninsula. It will lead to the generation of substantial new incomes for thousands of families in the three countries. In addition, ESF is used to support a Famine Early Warning System Network (FEWSNET) in Djibouti. FEWSNET provides the capacity to monitor and assess up-to-date food security data in Djibouti and disseminate information to policy makers and partners alike.

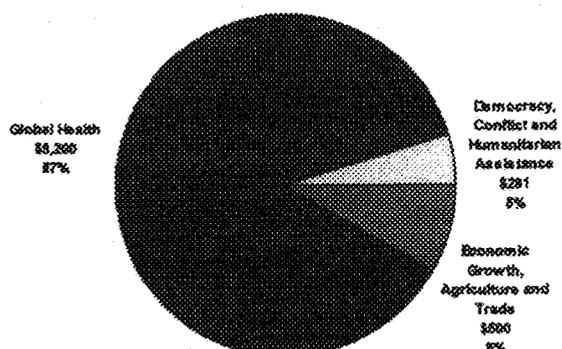
Other Donors: The establishment of the USAID office in Djibouti gave a strong push to donor coordination in education, health and food security. Under USAID leadership, the Ministry of Education established donor coordination meetings. A similar system has begun under the health program. Key donors in education are USAID, France, the World Bank, Saudi Arabia and the United Nations Children's Fund (UNICEF). Key donors in health are USAID, the World Health Organization, UNICEF and France. In order to maximize the U.S. Government's assistance to Djibouti, USAID collaborates with the U.S. Military Civil Affairs Unit at Camp Lemonier to rehabilitate and equip the education infrastructure, health facilities and community infrastructure. USAID is in the process of developing a Memorandum of

Understanding with the Civil Affairs Unit that will formalize these collaborative arrangements.

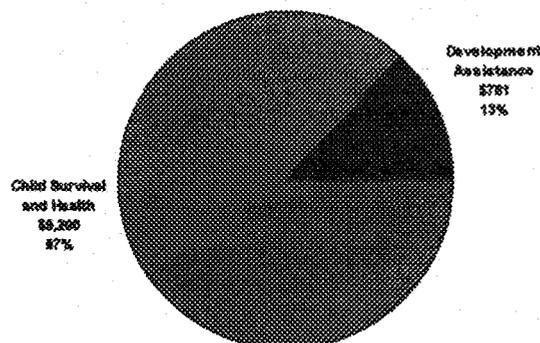
Djibouti receives approximately \$100 million in donor assistance yearly. Currently, the largest donors are the United States, France, the World Bank and Saudi Arabia. The Islamic Fund and the African Development Bank have provided some support for secondary school and hospital construction.

Eritrea

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



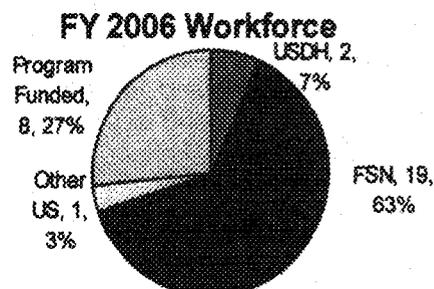
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Rural Enterprise Investment Partnership	661-002	639	451	500
Health and HIV/AIDS	661-004	5,000	5,300	5,200
Developing Human and Institutional Capacity	661-006	1,100	600	281
Total (in thousands of dollars)		6,739	6,351	5,981

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,247	1,200	1,229
USDH Salaries & Benefits	390	360	367
Program Funds	223	205	205
Total (in thousands of dollars)	1,860	1,765	1,801



Mission Director: Jatinder Cheema

Eritrea

The Development Challenge: Eritrea is suffering through the fourth straight year of drought as it struggles to revive the economy and restore infrastructure damaged during the 1998-2000 border conflict with Ethiopia. Household coping mechanisms and safety nets have been eroded as a consequence of the drought and the continued military mobilization that deprives tens of thousands of households of able-bodied family members. An estimated 66% of households live below the poverty level. Life expectancy at birth is only 53 years. Key U.S. interests in Eritrea are fostering regional stability, combating terrorism, promoting a democratic system of governance where human rights and religious freedom are respected, providing humanitarian relief, and encouraging economic development.

The USAID Program: The USAID program in Eritrea supports the joint State-USAID strategy. USAID's development strategy in Eritrea (FY 2003-FY 2007) will achieve results in three areas: 1) to improve rural livelihoods through micro-lending; 2) to improve primary health care; and 3) to increase public participation in growth and development through capacity building of grassroots organizations.

To spur rural economic growth and improve rural livelihoods, USAID provides loans, grants, and business consulting services to rural small and medium enterprises. In addition, USAID improves access to safe water, rebuilds key infrastructure in border areas, and helps small-scale farmers to improve their animal husbandry and water management practices.

USAID's health program supports the Ministry of Health in improving child health through vaccinations, and assisting in the improvement of the delivery of maternal and reproductive health services. Following the resolution of the border demarcation, the resulting large-scale demobilization and return of internally displaced persons (IDPs) will endanger progress that has already been achieved by placing additional strain on an already taxed health services sector. As a response, USAID's health program will focus on expanding the Eritreans' demand for primary health care, especially at the community level and improving the quality of primary health services. Additional priorities of the health program include improving the Ministry's capacity for the allocation and management of scarce resources. USAID will also assist the Ministry to improve the quality of HIV/AIDS prevention services and the public's demand for those services.

USAID's capacity-building program continues to enhance the Eritreans' ability to actively participate in their country's growth and development. Activities provide skill-based training to improve access to basic education, enhance access to information through the Internet, improve mobile phone services, assist with social and economic reintegration of demobilized ex-combatants and strengthen community-based organizations. Recent assistance to the University of Asmara, including a new Digital Learning Center for distance learning, includes the provision of 400 desktop computers and computer-related equipment, enabling the networking of four departments. Students now have far greater access to information.

Other Program Elements: In FY 2004, the Eritrea program received funds from USAID's Africa Bureau's Conflict and Peace Building Fund for conflict prevention activities. USAID's basic education program will support activities to improve access to basic education in underserved and minority populations.

USAID provided resources through its Offices of U.S. Foreign Disaster Assistance (OFDA) and Food For Peace (FFP) to mitigate the worst impacts of the ongoing drought. USAID funding to Eritrea has been critical for the rehabilitation and the expansion of Eritrea's rural water systems. In addition, this program has improved the livelihoods of many farm families, through the creation of rural water markets and seed fairs. Food aid contributions in FY 2004 helped to sustain approximately 1.9 million Eritreans, roughly 50% of the country's population.

USAID's Bureau for Economic Growth, Agriculture and Trade (EGAT) supports two Collaborative Research Support Programs – The International Sorghum and Millet (INTSORMIL) Collaborative Research and Support and the Integrated Pest Management (IPM) – which included Eritrea in their joint research programs in FY 2004. In addition, EGAT manages The John Ogonowski Farmer-to-Farmer

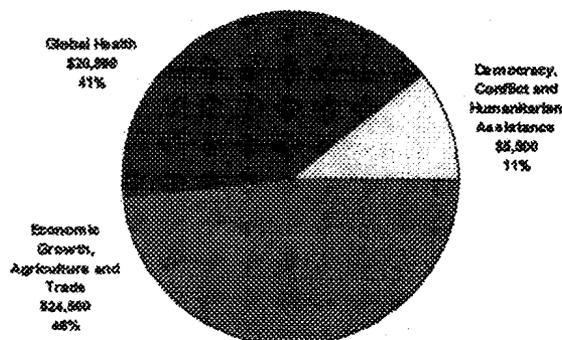
Program which awarded Virginia State University \$1.5 million to field volunteers to provide technical assistance to Eritrean farmers and cooperatives. In Eritrea, the USAID-managed FEWSNET program distributes regular food security bulletins to the Government of the State of Eritrea (GSE), bilateral and multilateral donors, NGOs, and others.

Other Donors: The World Bank and the European Union are Eritrea's largest donors, in addition to the United States. Other major bilateral donors, in order of importance are: Italy, the Netherlands, China, Germany, Japan, France, Ireland, and Cuba. The World Bank supports education, health, demobilization, road-building, and the energy sector. The European Union provides humanitarian assistance to war-affected and drought-prone areas, supporting agricultural production, energy, water and sanitation. United Nations (UN) agencies, including the United Nations Children's Emergency Fund (UNICEF), the Joint United Nations Programme on HIV/AIDS (UNAIDS), and the World Health Organization (WHO), support health/nutrition, education, water/sanitation, refugee/IDP/expellee support and resettlement, and a variety of humanitarian programs.

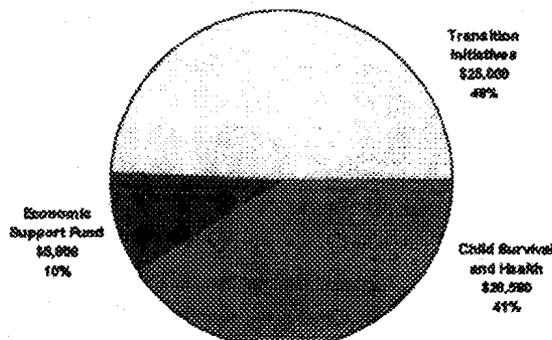
USAID collaborates with the World Bank and the European Commission in responding to needs in the health, education, and agriculture sectors, as well as those of a humanitarian nature. In addition, the Mission works closely with UN agencies (specifically UNICEF and UNAIDS) and WHO, to implement health/nutrition, water/sanitation, and HIV/AIDS activities.

Ethiopia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

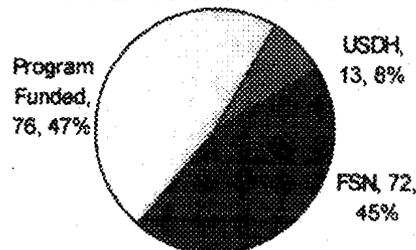
Objective	SO Number	FY 2004	FY 2005	FY 2006
Food Security	663-007	2,817		
Essential Services for Health	663-008	16,150		
Basic Education	663-009	707		
Democracy and Governance	663-010	150		
Mitigate the Effects of Disaster	663-011	1,035		
Anticipate and Manage Shocks	663-013	1,093	1,500	1,500
Human Capacity	663-014	26,000	30,357	27,750
Governance Capacity	663-015	2,871	5,460	5,500
Economic Growth	663-016	24,556	18,133	15,340
Knowledge Management	663-017	500	500	500
Total (in thousands of dollars)		75,879	55,950	50,590

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	4,406	3,458	3,544
USDH Salaries & Benefits	1,780	1,706	1,743
Program Funds	2,171	3,068	3,010
Total (in thousands of dollars)	8,357	8,232	8,297

FY 2006 Workforce



Mission Director: William Hammink

Ethiopia

The Development Challenge: Ethiopia remains one of the poorest countries in the world - it ranks 170 out of 177 countries on the 2004 Human Development Index. Ethiopia has an annual per capita income of around \$100 (less than one-fourth of the sub-Saharan average). Ethiopia has the poorest human development indicators in the world with more than three-quarters of the population living on less than \$1 per day. Despite the 2004 recovery year from the serious drought of 2002-2003, by the end of the calendar year another food emergency began, the Government of Ethiopia (GOE) has requested emergency assistance for 7.2 million people in 2005. Although above the population growth rate, the average 4.5% increase in gross domestic product over the last five years remains below the rate required to achieve the Millennium Development Goal to halve the number of Ethiopians living in poverty by the year 2015. The poverty and vulnerability of Ethiopia's people is also reflected in the inadequate health and education systems and poor access to basic services. Family planning services are under-utilized and under-developed, and the population growth rate of 2.67% is high. HIV/AIDS remains a growing problem. USAID contributes directly to the achievement of U.S. Government (USG) objectives in Ethiopia, as outlined in the State Department/USAID Joint Strategic Plan. U.S. national interests in Ethiopia include counterterrorism, economic prosperity and security, democracy and human rights, and regional stability. Ethiopia is of strategic importance to the United States because of its geographic position, and therefore acts as the linchpin to stability in the Horn of Africa and the Global War on Terrorism. As one of the Highly Indebted Poor Countries (HIPC), Ethiopia is benefiting from the HIPC Initiative. An agreement has been signed to forgive all debt (\$71.4 million) owed to the US Government.

The USAID Program: USAID revised its current strategy in mid-FY 2004 in response to the shortening cycle of crises, the HIV/AIDS pandemic, and the need to invest more in economic growth and policy reform. The Program Data Sheets describe the four strategic objectives and the program support objective in the current portfolio for which USAID requests funds in FY 2005 and FY 2006. These will help the GOE to develop the capacity to manage through shocks, such as the recent food emergency; increase human capacity and social resiliency (e.g., through improved family health, reducing and mitigating the impact of HIV/AIDS, and enhancing quality and equity in education); increase the capacity for good governance, including mechanisms to reduce local level conflict; increase market-led economic growth and resiliency; and better coordinate knowledge and analysis to inform the foregoing programs. USAID has increased the focus on decentralization by providing support to community development in the areas of health and education. An expenditure management and control reform program has helped the GOE devolve sound budget planning, budgeting, and accounting. Fiscal year 2005 funds will support ongoing interventions and implement new community activities with the private sector and policy reform partners at both the national and regional levels. Funding will enhance support to the largely pastoralist and Muslim-populated border regions. For FY 2006, Ethiopia will receive Transition Initiative (TI) funding, which will continue or expand efforts in more of these areas. The primary objective for the use of TI resources is to increase stability and improve performance through reform and capacity development. In addition to TI funds, Ethiopia also will receive funds from Child Survival and Health (CSH) and Economic Support Fund (ESF).

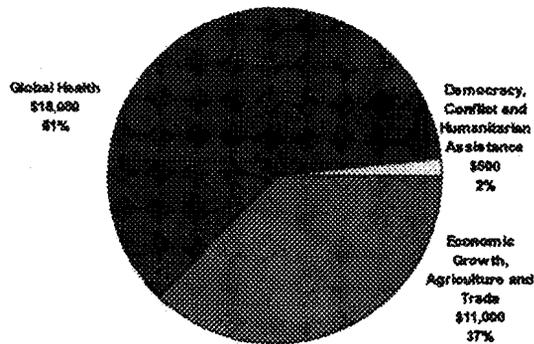
Other Program Elements: In addition to the resources requested in the Program Data Sheets, USAID provides centrally managed support for activities related to health service planning, training, delivery, and reporting; and an expanded program of immunization (EPI), HIV/AIDS, and the control of diarrheal disease. Central funds also support increased family planning services, and the Primary Providers in Reproductive Health (PRIME II) Initiative for activities related to post-partum hemorrhage, safe motherhood, and the abandonment of harmful traditional practices. USAID's Bureau for Africa's Conflict Fund (\$1.34 million in FY 2003) and USAID's Office of Conflict Management and Mitigation funds (\$250,000 in FY 2004) support local and federal level conflict mitigation and management activities. P.L. 480 funds were used to strengthen rural extension services, improve watershed management, and diversify household income. Through its Global Development Alliance, USAID supports the Millennium Water Alliance, a public-private partnership to expand access to clean water and sanitation in rural Ethiopia, and to establish alternative learning centers. In addition, USAID is participating in information and communications technology (ICT) development by facilitating interaction between the U.S.-based National Telecommunications Cooperatives Association and relevant Ethiopian agencies on how to

proceed with the development of ICT cooperatives.

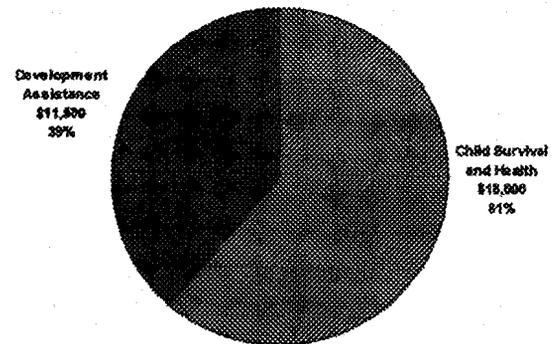
Ethiopia is a focus country under the President's Emergency Plan for AIDS Relief. FY 2005 funding will be provided from the Global HIV/AIDS Initiative under the policy direction of the U.S. Global AIDS coordinator. The FY 2006 HIV/AIDS request for this country is contained in the Global HIV/AIDS Initiative account justification. For further details please see the Department of State FY 2006 Congressional Budget Justification.

Other Donors: Most donors in Ethiopia are engaged in growth activities, human development and reducing vulnerability, in line with the GOE's Sustainable Development and Poverty Reduction Program (SDPRP). In order of levels of assistance, the leading bilateral donors for the last five years have been the United States, Japan, Italy, Germany, the United Kingdom, Canada, Netherlands, Norway, and Sweden. The leading multilateral donors are the World Bank, the European Union (EU), the African Development Bank Group, International Monetary Fund (IMF) and United Nations (UN) agencies. Lending institutions are combining grants and soft loans, as Ethiopia has reached the completion point of the HIPC Initiative. Multinational lenders continue to invest heavily in infrastructure development, such as roads. The U.S. Government remains the leading humanitarian assistance donor, followed by the EU, and participates actively in almost all thematic donor working groups. USAID chairs the health sector working group and serves on the executive committee of the Development Assistance Group. USAID actively collaborates with other donors on activities that facilitate monitoring and implementation of the SDPRP and poverty analysis. USAID also mobilized other donors to join in funding the Ethiopia Strategy Support Program, guided by the International Food Policy Research Institute, to improve the information and analyses for policy dialogue and reforms.

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



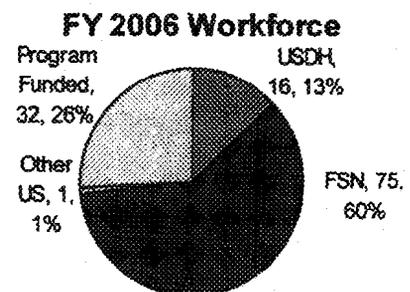
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Strengthen Democratic Governance	641-005	2,054	1,987	1,500
Increase Competitiveness of Private Sector	641-006	7,871	7,636	6,273
Improve Health Status	641-007	17,920	18,220	17,300
Improve Quality of and Access to Basic Education	641-008	9,420	8,520	4,427
Total (in thousands of dollars)		37,265	36,363	29,500

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	4,360	3,412	3,496
USDH Salaries & Benefits	1,837	1,934	1,976
Program Funds	3,099	3,113	2,425
Total (in thousands of dollars)	9,296	8,459	7,897



Mission Director: Sharon Cromer

Ghana

The Development Challenge: Ghana continues to move forward as a progressive, democratic state. The Government of Ghana (GOG), along with civil society and the private sector, is completing the first phase of the Ghana Poverty Reduction Strategy (GPRS) 2002-2004 and is in the process of developing a new phase for the next three years. In FY 2004, Ghana was declared one of 16 countries eligible to apply for funds from the U.S. Government's (USG's) Millennium Challenge Account. The incumbent party (winner of the 2004 election) had as its platform to meet the United Nations' Development Goals of the Millennium through implementation of Ghana's Poverty Reduction Strategy (GPRS). With the successful election, the government now has the mandate to continue moving forward with the implementation of GPRS.

Economically, Ghana has made advances over the past year. The Gross Domestic Product is calculated to have grown by 5% in 2004 and the value of exports has increased by 11%. Inflation has declined significantly, but is expected to rise to 20% by year's end. Government debt has dropped 13% and Ghana reached the Heavily Indebted Poor Country completion point in June 2004. This progress is helping to reduce general poverty, down 20% in the last two decades.

Ghana still faces major challenges in certain key areas. An estimated 40% of its population of approximately 21 million still has a per capita income of less than \$1 per day and unemployment remains high. Under-five mortality increased slightly over the last five years (according to the 2003 Demographic and Health Survey), increasing from 108 per 1,000 in 1997 to 111 per 1,000 in 2003. While use of family planning methods has increased to 25% nationwide, the total fertility rate (children per woman) has only improved marginally, from 4.6 in 1997 to 4.4 in 2003. On the education front, while USAID-supported schools have made good progress on attendance and performance, nationwide the primary school drop-out rate appears static at 9% and grade level competency in reading and math remains extremely low. While Ghana can certainly be categorized as a democratic nation, devolution of certain responsibilities from the national to the regional and district levels has been slow and District Assemblies' institutional capacity has grown only marginally. The Parliament is still struggling to fulfill its check-and-balance role vis a vis the executive branch. All of these challenges are areas in which USAID is focusing its assistance efforts.

The USAID Program: The U.S. Government and USAID continue to have a solid, positive relationship with the GOG, private sector, civil society, and the people of Ghana. Many activities are implemented in partnership with the Ghanaian private sector and local, non-governmental organizations. While many donors are shifting more assistance to direct GOG budget support, it is still recognized that USAID's development approach, emphasizing technical assistance and training, is effective and relevant. USAID's ability to influence policy reform and government institutions is not diminished, but is strengthened by the more immediate, direct, and targeted forms of assistance.

By the end of FY 2004, USAID had identified most of its principal development partners for the new Country Strategic Plan 2004-2010 and initial activities were underway. The overall program is largely on track. The new strategy builds on the strengths and the many successes of the previous strategic plan, while focusing more support on the ambitious GPRS by strengthening governance systems and promoting private sector growth. USAID's overall goal is equitable economic growth and accelerated poverty reduction within a system of sound democratic governance. This goal directly supports Ghana's poverty alleviation programs as articulated in the country's vision documents, including the GPRS and Vision 2012. Funding is sought to implement USAID's four Strategic Objectives: Strengthened Democratic and Decentralized Governance through Civic Involvement; Competitiveness of Ghanaian Private Sector in World Markets Increased; Health Status Improved; and Improved Quality of and Access to Basic Education. Planned activities are described in the attached data sheets.

Other Program Elements: USAID and the U.S. Treasury Department co-fund technical assistance to the Ministry of Finance and Economic Planning through a technical advisor in debt management and periodic training in tax administration. Other ongoing, USAID-supported programs operating in Ghana include several in agriculture (Farmer-to-Farmer programs and two Research Support Programs), one in

economic research (Strategies and Analyses for Growth and Access Project), cocoa production (Sustainable Tree Crop Program), and child survival.

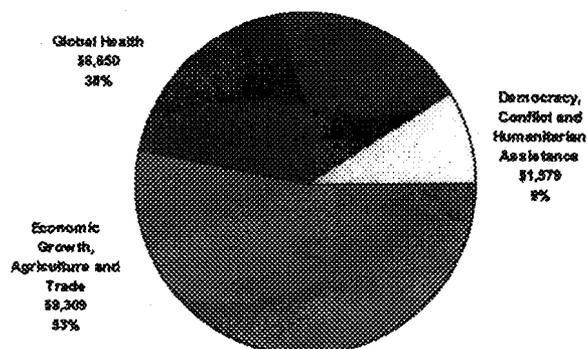
P.L. 480 Title II food aid resources are channeled through U.S. Private Voluntary Organizations for activities such as agro-forestry, on-farm production and storage, small/micro-enterprise development support, micro-credit programs, school feeding, support for people living with HIV/AIDS and other vulnerable groups, community health programs, potable water supply, and sanitation.

The USAID West African Regional Program (WARP) moved to Accra, Ghana in early FY 2004. WARP's strategic objectives support various regional organizations with programs of economic integration; population, health and nutrition; food security, the environment, energy, and natural resource management; and conflict prevention. The West Africa Water Initiative, with significant support from the USAID Bureau for Economic Growth, Agriculture, and Trade and the Global Development Alliance Secretariat (which supports public-private partnerships), continues as a major initiative for increasing access to potable water in Ghana.

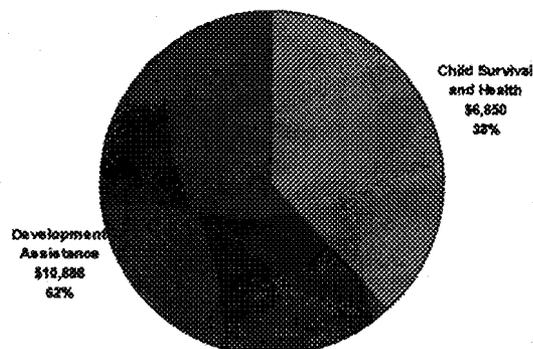
Other Donors: Donor coordination and collaboration continue to be excellent. Working through a variety of fora, including sector-wide approach programs, the two-year old Multi-Donor Budgetary Support Group (USAID does not provide budgetary support, but does participate in the group's policy reform deliberations and determination of progress measures), and ad hoc groups working on particular activities, USAID shares information and strives to harmonize its programs with those of other donors and the GOG. Donor assistance is critical to Ghana's development and government operations, providing over 50% of the government's budget per the 2003 United Nations Development Program (UNDP) report on donor assistance. The same UNDP report indicates that the US is the third largest bilateral donor, following the United Kingdom (UK) and the Netherlands. Major bilateral and multilateral donors include the World Bank (infrastructure, education and health); the International Monetary Fund (structural adjustment); the United Nations agencies (working in various sectors); the UK (budget support and public administration, health, education, infrastructure and agriculture); Japan (education, infrastructure, health and agriculture); the European Union (budget support, transportation infrastructure); Canada (budget support, water and decentralization); Denmark (health, private sector, energy and water); the Netherlands (health, environment, budget support); Germany (agriculture, environment, democracy, market economy); Switzerland; France; Italy; and Spain.

Guinea

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



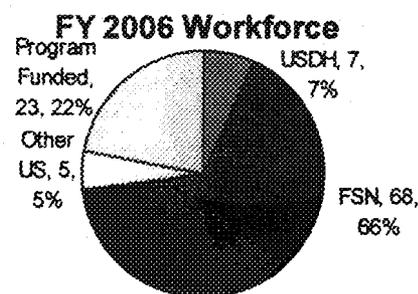
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Improved Natural Resource Management	675-001	4,825	2,833	4,374
Family Planning and Health (FPH)	675-002	6,350	6,950	6,650
Basic Education	675-003	6,189	5,089	4,935
Democracy and Governance	675-004	1,791		1,579
Total (in thousands of dollars)		19,155	14,872	17,538

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,969	2,571	2,635
USDH Salaries & Benefits	988	1,121	1,002
Program Funds	901	1,334	1,311
Total (in thousands of dollars)	4,858	5,026	4,948



Mission Director: Annette Adams

Guinea

The Development Challenge: The quality of life for the average Guinean is considered among the lowest in the world. The United Nations Development Program's 2004 Human Development Index places Guinea 160th out of 177 countries listed, a decline of three positions as compared to 2003. Rural inhabitants represent approximately 80% of the population and 60% of the poor. Women are the mainstay of subsistence farming, accounting for 80% of the country's food crop production. Life expectancy is 48.9 years, and only 36% of men and 14% of women are literate. The infant mortality rate is 177 per 1,000 live births, maternal mortality is 528 per 100,000 live births, and HIV prevalence rates are as high as seven percent in urban areas of the Forest Region. However, the country has enormous economic growth potential primarily due to an unusually rich mix of natural resources, including over 25% of the world's known reserves of bauxite, along with diamonds, gold, iron ore, and other metals. Guinea is also endowed with abundant agricultural, forestry, and fishing potential.

Despite being one of Africa's richest countries in natural resources and metals, conditions in Guinea have been steadily declining over the past few years. Estimated 2003 real GDP growth is 1.2%, down from 4.2% in 2002, while the rate of inflation has risen more than 30% since January 2003. Poor governance, weak economic policies and poor infrastructure continue to be major obstacles to attracting much needed foreign investment. Political trends are becoming progressively worrisome as decision-making and authority are becoming increasingly centralized practices of rampant corruption and impunity continue, and political freedoms and human rights are diluted. In the past, the regime of President Lansana Conté provided at least a modicum of economic and political stability. However, this stability is now tentative as political stagnation continues, the economy and quality of life deteriorate, and social discontent rises. In 2004, incidents of rioting occurred in numerous cities throughout the country over poor living conditions, price increases and poor delivery of essential services.

Faced with swelling political and economic difficulties, and also influenced by reductions in donor support, the Government of Guinea (GOG) has recently shown some signs of reform, including adoption of an Emergency Recovery Program in March 2004 along with some relaxation of rules restricting the organization of political opposition meetings and rallies. Bold measures are needed in structural areas such as combating rampant corruption and poor governance, and reforming the public utilities. Fundamental changes are also needed across GOG institutions to diversify the economy, establish a favorable foreign investment climate, and improve and expand the provision of basic social services.

U.S. interests in Guinea remain strong and multi-faceted. Fragile states such as Guinea are becoming increasingly recognized as potential breeding grounds for security threats. Therefore, maintaining stability in Guinea is important to U.S. national security and regional stability. Guinea is bordered by six countries, of which four (Cote d'Ivoire, Sierra Leone, Guinea-Bissau and Liberia) have had serious levels of instability or conflict over the past decade. Throughout this turmoil, Guinea has remained a relatively stable country and has been a receptive host to a significant refugee population. An unstable Guinea could create massive disruption throughout the entire sub-region, impair progress made to date in Liberia and Sierra Leone, and exacerbate the situation in Cote d'Ivoire, requiring significant investments in humanitarian assistance. The U.S. Government (USG) has already invested heavily in bringing peace to both Sierra Leone and Liberia. USAID's continued presence and activities in Guinea will further reinforce U.S. investments in the Mano River Union. In addition, as the Fouta Djallon highlands in Guinea are an important watershed for three major West African rivers that serve over ten countries in the sub-region, instability or civil conflict in Guinea could result in serious environmental damage to the region.

The US maintains close relations with Guinea and operates the 9th largest U.S. Mission in Africa, with representatives from USAID, the Department of State, the Department of Defense, Peace Corps, and the Department of Treasury. Guinea is a moderate Muslim country that maintains a secular orientation in its foreign policy, and has supported U.S. anti-terrorism initiatives through ratification of numerous United Nations conventions on terrorism. The United States also seeks to promote increased U.S. private investment in Guinea's emerging economy. There are several large U.S. corporate operations in Guinea. The principal strategic goals of the U.S. Mission in Guinea are to promote, in priority: regional stability; democracy and human rights; economic prosperity and security; social and environmental issues; and

humanitarian response. Within these goal areas, U.S. policy seeks to bolster Guinea's stability, promote sustainable economic and social development, and encourage Guinea to reach international norms of transparency. Progress in the implementation of sound economic, social, political, and environmental policies will enable Guinea to further contribute to regional integration and stability.

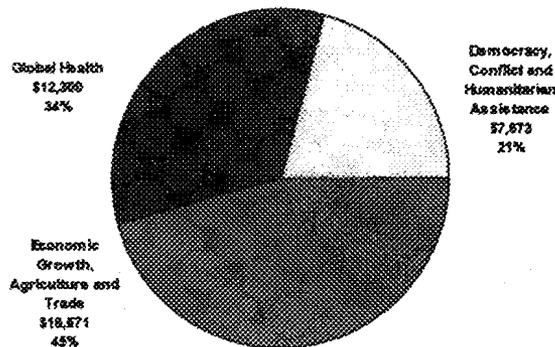
The USAID Program: The USAID/Guinea program currently has four strategic objectives. They include: (1) improving natural resources management and incomes in rural areas; (2) improving voluntary family planning and the health and welfare of women and children, and preventing the transmission of HIV/AIDS; (3) providing quality basic education to a larger percentage of Guinean children, with emphasis on girls and rural children; and (4) fostering continued democratic progress by strengthening civil society and promoting good governance. FY 2005 and FY 2006 funds will be used to implement the ongoing efforts under these four objectives. In addition, FY 2006 funds will be used to fund close-out activities under these objectives as a new USAID/Guinea Strategy Statement will be implemented in FY 2007.

Other Program Elements: Under the USAID managed P.L. 480 food monetization program, the proceeds from the sale of vegetable oil are used to improve household food security by promoting sustainable agriculture in targeted areas. This is achieved mainly by introducing improved farming methods, post-harvest storage techniques, and high-value seed. The P.L. 480 funds are also used to improve maternal and child nutrition. The USAID West African Regional Program provides support to Guinea in the areas of economic integration and trade, HIV/AIDS and health, and conflict prevention and anticorruption. USAID's Bureau of Global Health helps to improve child survival by supporting the work of two non-governmental organizations (NGOs) in two health districts in the country. The Farmer-to-Farmer program managed by USAID's Bureau of Economic Growth, Agriculture and Trade is also active in Guinea, providing volunteer technical assistance to improve natural resources management and agribusiness development. USAID's Africa Bureau manages the Africa Education Initiative through which over 500,000 textbooks were developed and distributed to all primary schools throughout the country during FY 2004. The Department of State's Bureau for Population, Refugees, and Migration continues to provide support to the estimated 83,000 refugees still resident in camps in Guinea.

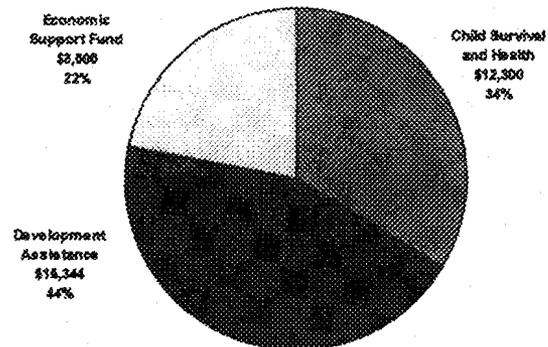
Other Donors: Over the past several years the United States has been the top bilateral donor in Guinea, followed by France (rural development and infrastructure, natural resources management, fisheries development and education) and Japan (health, fisheries, and basic education). Canada and Germany also play prominent roles in the health, education, and agricultural sectors. The top multilateral donors in Guinea are the European Union (EU), the World Bank, and the United Nations agencies. The EU concentrates primarily on rural development, social and economic infrastructure, and macro-economic support. The World Bank primarily supports Guinea's rural and urban infrastructure programs. Coordination among donors remains strong in Guinea, especially in the humanitarian sector and the social sectors of health and education. USAID remains a leader in the fight against HIV/AIDS in Guinea, and has taken the lead in the design and implementation of a nationwide Demographic and Health Survey (DHS). USAID also remains one of the largest bilateral contributors to Guinea's basic education program, taking the lead technical role among donors in promoting quality in basic education, as well as actively developing a standardized, long-term coordination mechanism for donors in Guinea.

Kenya

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

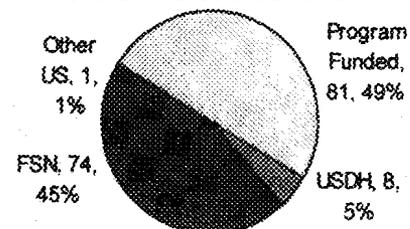
Objective	SO Number	FY 2004	FY 2005	FY 2006
HIV/AIDS, Population, and Health	615-003	34,877	12,600	12,300
Natural Resources Management	615-005	3,967	6,095	5,000
Democracy and Governance	615-006	6,436	6,728	7,673
Increased Rural Household Incomes	615-007	6,637	9,073	10,171
Basic Education	615-008	2,914	2,814	1,500
Total (in thousands of dollars)		54,831	37,310	36,644

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	4,234	4,062	4,163
USDH Salaries & Benefits	923	1,237	1,264
Program Funds	2,761	3,581	3,622
Total (in thousands of dollars)	7,918	8,880	9,049

FY 2006 Workforce



Mission Director: Kiert Toh

Kenya

The Development Challenge: Kenya, by most measures, continues to face a daunting array of developmental constraints. Sustained economic growth and the alleviation of poverty are still significant challenges in Kenya. The Government of Kenya (GOK) will have to carefully reallocate public spending to support economic growth and poverty reduction, while striving to eliminate systemic obstacles to the full participation of women and other groups in the economy and in the political system. Areas of concern include the Kenyan population's elevated expectation of the government's ability to deliver results linked to election promises; investor and donor community hopes for the institutionalization of critical structural reforms in the financial sector, especially for privatization and public sector reform; and the need to strengthen human resource development and to build institutional capacity. In 2004, Kenya was selected as a Millennium Challenge Account (MCA) Threshold Program-eligible country. Threshold countries are countries that do not qualify for MCA assistance but have demonstrated a commitment to meeting the eligibility requirements for MCA assistance in the future. These countries will be invited to submit proposals for funding to improve their performance on the Millennium Challenge Corporation (MCC) selection criteria. The GOK is preparing a concept paper for consideration by the MCC. In coordination with USAID, MCC will review the proposals.

The current government is made up of a fragile coalition of disparate parties, which have not yet been able to agree on a new constitution. Parliament, where all these parties are represented, is one arena where these differences are being played out in public. Unless ruling elites can agree on the most contentious issues, including how to share power under a new constitution, there will be a continuing delay in passing critical pieces of legislation and in the implementation of the legal and judicial reforms that are essential to the long-term stability and growth of Kenya. Much still remains to be done to strengthen democratic institutions and the rule of law in Kenya, but a foundation now exists to tackle these perennial weaknesses. Huge investments are needed to repair crumbling infrastructure and restore effective delivery of social services. Increased basic poverty and limited opportunities for generating income have contributed to the majority of rural Kenyans becoming exceedingly dependent on natural resources. As a result, Kenya's wildlife, forests, water and marine resources are being overexploited, resulting in degradation of the environment.

The country also faces a number of significant social challenges. More than half of the population is poor, and per capita income has declined every year from \$378 in 1992 to \$360 in 2003. HIV prevalence is declining, due both to fewer new infections and to increasing AIDS-related deaths. The latest modeling, using demographic health survey (DHS) and surveillance data, suggests that prevalence among adults 15-49 years old is now 7%, but there are still about 1,400,000 Kenyans infected with HIV, 140,000 adults who die from AIDS every year, and 1,700,000 orphans, many of whom lost parents to AIDS. HIV/AIDS prevention through positive behavior change, including the promotion of "ABC" (Abstinence, Be faithful, and correct and consistent Condom use), condom availability, blood transfusion safety, and preventing mother-to-child transmission is a program priority. The 2003 DHS survey, released in 2004, shows that fertility increased over the past five years, the first reversal in Kenya's successful family planning program in which USAID is the lead donor agency. Child mortality rates did not improve significantly. In 1999, 116/1000 children died before the age of five, while in 2003, the Child Mortality Rate was 114/1000. The infant mortality rate was constant at 77/1000. Maternal mortality remained high, while antenatal care coverage and medical assistance at delivery did not improve. The low levels of internal efficiency in Kenya's education system is evidenced by drop-out rates of between 5-6% and repetition rates of between 15-16% at primary school levels. The nation also continues to struggle with significant regional disparities in the rate of growth and investment, as well as with a prevalence of gender inequality in the distribution of income and wealth.

Kenya's total external debt in 2002 was about \$5.1 billion, including arrears, or 49% of the gross domestic product (GDP). Of this, 57.5% was owed to official multilateral creditors, while debt to bilateral and commercial creditors accounted for 32.2% and 8.5%, respectively. During the last decade, the GOK continued to service its external debt, bringing down debt service payments from 34% of the cost of export of goods and services in 1990 to 14% in 2001.

USAID's program contributes directly to the achievement of U. S. Government (USG) interests in Kenya. U.S. goals support the processes of political and economic reform, assist in the fight against corruption, protect Kenya's natural resource base, contribute to countering the terrorist threat in Kenya, and help combat the health crisis, especially HIV/AIDS.

The USAID Program: The overarching goal of USAID assistance is to build a democratic and economically prosperous Kenya. This goal is being addressed through five objectives: improving the balance of power among the institutions of governance; promoting sustainable use of natural resources; improving rural incomes by increasing agricultural and rural enterprise opportunities; improving health conditions; and providing education support for children of marginalized populations. FY 2005 funds will be used to implement ongoing programs. Activities to improve the balance of power among various branches of government will focus on increasing the independence of select government institutions in promoting more transparent and competitive electoral processes; increasing the effectiveness of civil society organizations in lobbying for reforms; monitoring government activities; and preventing and resolving conflicts. Growth of rural incomes will be encouraged through improvements in smallholder agricultural productivity (including the use of biotechnology approaches), market access, and strengthening the private sector's abilities to manage the production and distribution of key commodities. P.L. 480 Title II resources are used to improve food security and increase incomes in arid and semi-arid areas by increasing agriculture and livestock production and marketing opportunities, as well as promoting sustainable natural resources management practices. The natural resources management program will focus on the management of wildlife outside of protected areas, forests and environmental management, and integrated coastal management. USAID will use FY 2005 funds to implement an education program, focusing on improving historically marginalized populations' access to quality education.

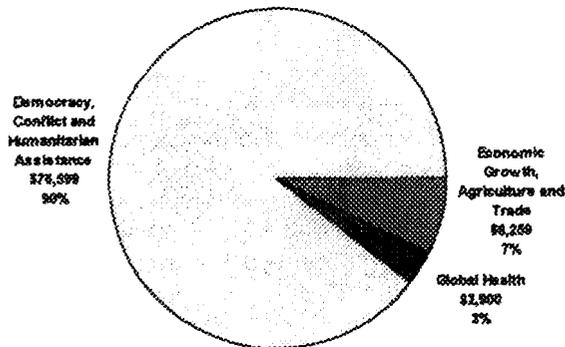
Other Program Elements: USAID central funds support operations research in HIV/AIDS and community and reproductive health. Other central funds provide scholarships for girls and increased access to internet and other electronic communications. Anti-Corruption Initiative funds are used to support the GOK's efforts to increase transparency and accountability throughout the public sector. USDA resources contribute to the World Food Program's School Feeding Program, which is co-located with the USAID Education Program in marginalized areas.

Kenya is a focus country under the President's Emergency Plan for AIDS Relief. FY 2005 funding will be provided from the Global HIV/AIDS Initiative under the policy direction of the U.S. Global AIDS coordinator. The FY 2006 HIV/AIDS request for this country is contained in the Global HIV/AIDS Initiative account justification. For further details please see the Department of State FY 2006 Congressional Budget Justification.

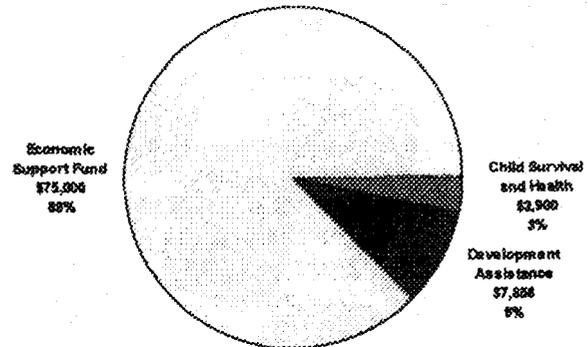
Other Donors: As the leading bilateral donor in Kenya, the United States chairs several donor meetings which meet once a month. Overall development assistance to Kenya totals about \$700 million per year. The United States and the United Kingdom (UK) are Kenya's first and second largest bilateral donors, respectively. The United States is the leading donor in democracy and governance. Other donors are the UK's Department for International Development (DFID), European Union (EU), Netherlands, Denmark, Sweden, Germany, and Canada. The World Bank, EU, DFID and USAID work together to support the GOK in developing appropriate policies and macroeconomic and fiscal expenditure frameworks. USAID, the EU, and the World Bank have been instrumental in encouraging the development of an enabling policy environment for agriculture and natural resources management. The World Bank works closely with USAID to support Kenya's agricultural research institutes, while the EU, World Bank, African Development Bank, and USAID support livestock development. In natural resources management, major donors are the United States, the Netherlands, UK, Japan, Sweden, Belgium, Finland, Germany, Denmark, EU, World Bank, and the United Nations Environment Program. The United States is the leading bilateral donor in population and health. USAID and DFID support work in HIV/AIDS, family planning, and malaria. USAID is a member of the Sector Working Group on Education, which includes DFID, World Bank, Canada, Japan, and United Nations organizations.

Liberia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

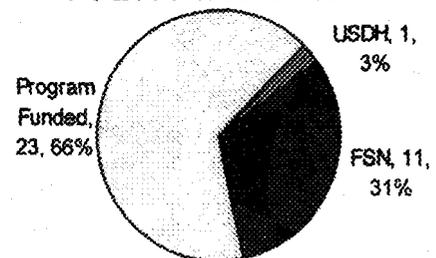
Objective	SO Number	FY 2004	FY 2005	FY 2006
Improved Community Health	669-003	2,819		
Community Revitalization and Reintegration	669-006	71,400	36,125	85,758
Total (in thousands of dollars)		74,219	36,125	85,758

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	530	537	550
USDH Salaries & Benefits	238	205	209
Program Funds	656	1,277	877
Total (in thousands of dollars)	1,424	2,019	1,636

FY 2006 Workforce



Mission Director: Wilbur Thomas

Liberia

The Development Challenge: For fourteen years from 1989 to the signing of the Accra Comprehensive Peace Agreement (CPA) in August of 2003, Liberia was in a constant state of conflict. In a nation of only three million people, it is estimated that the war took over 250,000 lives and displaced a million people, including hundreds of thousands of refugees who fled the country. Rape and other forms of sexual violence against women and girls were pervasive. It is difficult to exaggerate the devastation this protracted civil war has had on Liberia's physical, social, political and economic infrastructure. Liberia's human development indicators reflect the alarming condition of its people. Over 80% of Liberia's population is illiterate and lives below the poverty line. The unemployment rate exceeds 70%. Thirty-five percent of Liberians are malnourished, only 28% are fully immunized, just 25% have access to safe drinking water, and only 36% have access to sanitation facilities.

During Charles Taylor's final years in power, USAID directed its resources solely to non-governmental, civil society organizations, particularly those engaged in primary health care, agriculture, and peace-building. As the fighting entered Monrovia in the late spring and early summer of 2003, tens of thousands of Liberians sought refuge in central Monrovia, where living conditions were virtually unbearable. Substantial U.S. Government (USG) and European Union (EU) relief activities kept many alive.

Since the signing of the CPA, the United Nations Mission in Liberia (UNMIL) has helped establish the peace by deploying the world's largest UN peacekeeping force of 15,000 troops and over 1,000 civilian police. By the end of 2004, UNMIL had completed a relatively successful disarmament and demobilization program that removed most small arms from the hands of the ex-combatants. The CPA established the National Transitional Government of Liberia (NTGL) which is comprised of representatives from all the former warring factions. The NTGL must now oversee the first phase of the recovery process and to fulfill the NTGL's mandate to prepare the nation for "free and fair" elections in October 2005 and to inaugurate a new legitimate, elected government in January 2006.

The USAID Program: After the signing of the CPA, the international community looked to the United States to lead the reconstruction effort in Liberia. The \$200 million in International Disaster and Famine Assistance (IDFA) funding provided by the Congress in early FY 2004 enabled the USG to take a leadership role at this historic moment. In February 2004, the United States, the United Nations and the World Bank co-chaired the International Reconstruction Conference, which garnered \$522 million in pledges from the international donor community.

Through a consultative, inter-agency process, USAID programmed \$107.9 million of the \$200 million of IDFA funds. The remaining \$92.1 million was programmed through other agencies and included \$38.6 million for the Department of State, \$35 million for the Department of Defense, and \$18.5 million for the Department of the Treasury. Of the amount programmed by USAID, the Bureau for Africa received \$71.4 million for the activities described in detail below, and the Office of Foreign Disaster Assistance and the Office of Transition Initiatives received \$24.5 million and \$12 million respectively for humanitarian relief and transition assistance programs.

In FY 2004 the Bureau for Africa consolidated its existing programs in Liberia under a single, two-year community revitalization and reintegration strategic objective. All of the Bureau's \$71.4 million in IDFA resources are programmed under this objective, the primary goals of which are to enhance good governance and the peace process; create economic and social conditions within communities that will facilitate both reintegration and the rehabilitation of infrastructure; increase formal and non-formal learning and counseling opportunities; and improve community health practices.

The holding of free and fair elections in October 2005 is one of the USG's top priorities in Liberia, and is essential to the completion of the transition to a legitimate government. In support of the elections process, USAID is training civil society organizations to educate voters and observe the upcoming 2005 elections; building the capacity of Liberia's National Elections Commission to administer the national elections; strengthening political parties; and supporting initiatives to "get out the vote" and provide nation-wide coverage of the election process.

In FY 2004 USAID designed and began to implement a nation-wide public works program that established community-based, labor-intensive construction brigades of skilled and semi-skilled tradesmen and unskilled laborers to rehabilitate urban and rural roads and water systems, community buildings, hospitals, clinics, schools and community offices. This program will employ up to 20,000 ex-combatants and at least another 15,000 women and children associated with the fighting forces and other war-affected Liberians. The program also offers on-the-job training in skills such as surveying, masonry, carpentry, equipment operation and maintenance.

Decades of poor governance and 14 years of civil war have devastated Liberia's formal public education system and created a tremendous need for informal, accelerated learning opportunities for ex-combatant and non-combatant youth and young adults. USAID has championed the resumption of the United Nations Children's Fund's Advanced Learning Program (ALP) which condenses the normal primary school curriculum from six years into three. USAID also funds the rehabilitation of schools and teacher training facilities; provides educational equipment, textbooks, materials and supplies; and supports curriculum development. In addition, USAID offers psychological counseling and specialized training for women and children formerly associated with fighting forces. Several multi-year programs provide counseling opportunities and other services to displaced Liberians, refugees, ex-combatants and other war-affected Liberians to help them re-establish their communities and resume normal lives.

USAID's existing multi-year health intervention program continues to deliver primary and reproductive health care services through community clinics; build the institutional capacity of Liberian NGOs to deliver primary health care services; and address primary health care policy issues with the NTGL. An increased focus on combating the spread of HIV/AIDS is planned for FY 2005.

Other Program Elements: USAID's transitional program in Liberia is a model of internal and inter-agency integration and collaboration. USAID's Office of Foreign Disaster Assistance and Office of Food for Peace (FFP) provide extensive humanitarian relief and assistance, particularly to Liberia's large population of internally displaced persons. The Office of FFP also implements vital food for work and supplementary feeding programs. USAID's Office of Transition Initiatives provides more than 100 small grants to assist various Liberian organizations recover from the ravages of war and resume normal operations. USAID's Bureau for Africa's Conflict Fund supports conflict mitigation and reconciliation activities in Liberia's most war-affected counties. The Displaced Children and Orphans Fund provides psycho-social support and protection programs to war-affected youth. In addition, the Department of State's Bureau of Population, Refugees and Migration provides several international NGOs with critical support for Liberian internally displaced persons and refugees. The USG also has contributed to the United Nations' Disarmament, Demobilization, Reconstruction and Rehabilitation Trust Fund, and USAID participates in the programming of the Fund's sub-grants to NGOs. The U.S. Department of Treasury has fielded four resident advisors to work in Liberia's Central Bank, Ministry of Finance and Bureau of the Budget. The State Department's Bureau for International Narcotics and Law Enforcement provided funding to the UN Trust Fund to upgrade the Liberian Police, and it is in the process of programming an additional \$12.5 million for further assistance to the justice sector.

The West African Regional Program (WARP)'s conflict transition program supports an information and communication technology program to strengthen 14 key peace-building and anti-corruption civil society organizations (CSOs) in Guinea, Liberia, and Sierra Leone. In order to help prevent the spread of HIV/AIDS, the WARP supports the administration of HIV/AIDS testing for potential recruits for Liberia's newly reformed military.

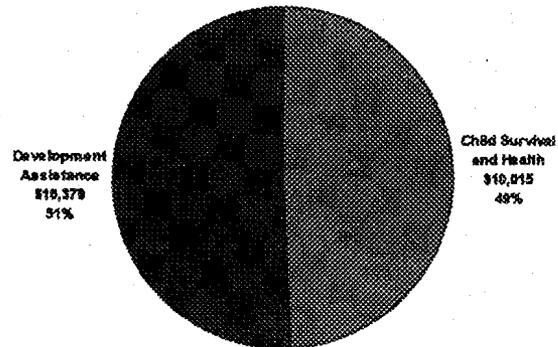
Other Donors: The United States is by far the largest single bilateral donor in Liberia, followed by the EU, the World Bank, the United Kingdom, Germany and Japan. Denmark, Sweden, Norway, the Netherlands, Ireland Spain, France, Italy, and the People's Republic of China, provide less funding, but are significant players in the relief sector. All the donors support the relief and reconstruction activities outlined in Liberia's Results Focused Transitional Framework. The Catholic Church and other religious organizations are also important private-sector donors in Liberia. UNMIL provides much-needed security throughout the country, and it is funded primarily by U.S. contributions to the United Nations.

Madagascar

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



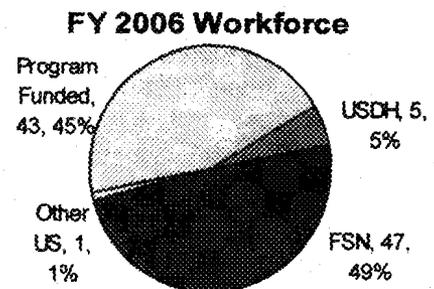
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Governance in Targeted Areas Improved	687-004	1,647	1,500	514
Selected Health Services and Products	687-005	10,365	11,315	10,015
Biologically Diverse Forest Ecosystems	687-006	8,233	6,847	8,725
Critical Private Markets Expanded	687-007	498	677	1,140
Total (in thousands of dollars)		20,743	20,339	20,394

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,816	2,264	2,302
USDH Salaries & Benefits	542	555	567
Program Funds	1,946	1,981	1,992
Total (in thousands of dollars)	5,304	4,800	4,861



Mission Director: Stephen Haykin

Madagascar

The Development Challenge: The Government of Madagascar (GOM), led by President Marc Ravalomanana, is engaged in an ambitious effort to address the country's immense development challenges. Stricken with widespread poverty and endemic corruption, Madagascar has an average per capita income of only \$255; 70% of its population lives below the poverty line; 49% of children under five years of age are malnourished; rates of child mortality of 84 per 1,000 live births and maternal mortality of 488 per 100,000 live births are unacceptably high; life expectancy is only 55 years; HIV prevalence is 1.1%; the annual population growth rate is high at 2.8%; and, 46% of the population is illiterate. The projected 2004 real gross domestic product (GDP) growth rate of 5.3% is considerably less than the 9.6% growth rate achieved last year. Overall macroeconomic management has been sound, but the economy was buffeted by a rapid depreciation of the currency in early 2004 and rising world prices for rice and petroleum products, resulting in a projected inflation rate of 27%. In mid-2004, Madagascar reached the Completion Point under the Highly Indebted Poor Countries Initiative (HIPC), resulting in extensive cancellation of sovereign debt (\$1.9 billion U.S. dollars). Based on sound economic, governance, and social investment indicators, Madagascar was selected as one of the first 16 countries worldwide eligible to receive Millennium Challenge Corporation (MCC) funding.

Under the country's Poverty Reduction Strategic Plan (PRSP), GOM development priorities emphasize good governance, economic growth, and social welfare. To promote good governance, the GOM has established an Anti-Corruption Commission in the Presidency as well as an independent, anti-corruption agency, both of which are supported by USAID's Anti-Corruption Initiative. The GOM requires public disclosure of assets by state officials and is introducing public finance and customs sector reforms. The government is working to reduce the illicit trade of precious and semi-precious gemstones. The GOM has canceled illegal forestry permits and has banned the export of endangered species. To stimulate economic growth, the GOM has strengthened partnerships with the private sector and, with donor support, will have invested over \$1 billion in roads and other transportation infrastructure by 2006. The GOM also declared a two-year tax holiday on investment and limited consumer imports, and has opened the sale of land to foreign investors. Recognizing the importance of its unique environment to the long-term health of the Malagasy economy and the welfare of its people, and building upon support from USAID and other donors, the GOM has dramatically increased planned protected areas from 1.7 million to 6 million hectares. In the social sector, the GOM is committed to preventing the spread of HIV/AIDS; fighting malaria; strengthening health care at the community level; and increasing access to and the quality of primary education through its "Education for All" program.

Installed in 2002, the Ravalomanana government maintains considerable public support for its ambitious programs. However, it faces a number of risks: that a weak and poorly equipped bureaucracy will be unable to accomplish many of the planned reforms and results; that ambitious social programs will outstrip government revenues; that the public will grow impatient with the pace of reform under the weight of grinding poverty and rising food prices; that vested interests will retard the reform agenda; that foreign investment will fail to materialize at the rate necessary to meet economic growth objectives; and, that natural disasters -- the country is vulnerable to cyclones -- will undermine GOM progress. U.S. Government (USG) development assistance mitigates these risks.

U.S. national interests in Madagascar include the preservation of the country's unique biodiversity; its growing importance as a bilateral commercial partner under the African Growth and Opportunity Act (AGOA); and alleviation of its deep poverty, which is exacerbated by natural disasters, food insecurity and weak social services. The United States and Madagascar enjoy close relations, and Madagascar is an ally in the global fight against terrorism. The top three U.S. foreign policy objectives in Madagascar are promotion of democracy; broad-based economic development (including health); and environmental protection. Complementary interests include containing the nascent HIV/AIDS epidemic, supporting the country's democratic transition, and combating Trafficking in Persons. Madagascar is one of the three highest biodiversity conservation priority countries in the world.

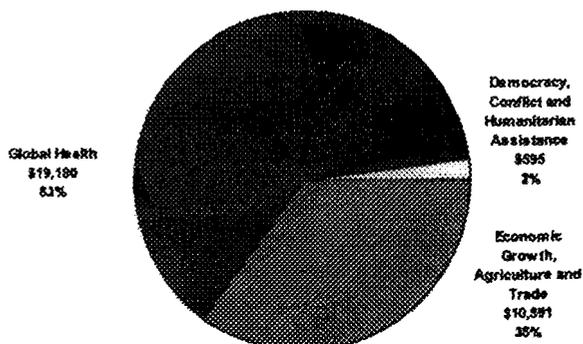
The USAID Program: The overall goal of the USAID program in Madagascar is sustainable and inclusive economic development. Madagascar's acute poverty and legacy of corruption continue to pose

formidable challenges to government and donor community efforts to transform the country. Human and financial resources and the institutional capacity to implement programs, especially in the public and nongovernmental organization (NGO) sectors, remain weak, undermining the overall ability of the Malagasy Government to deliver results. The USAID program directly addresses these problems by strengthening local NGOs and selected government institutions; promoting public-private dialogue; supporting the implementation of a national anti-corruption agenda; increasing access to quality health services and products; improving natural resource management; promoting private investment; and increasing rural incomes.

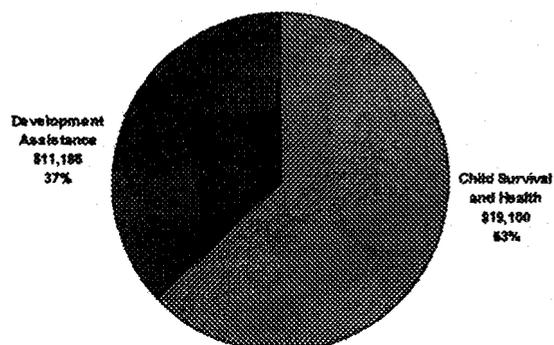
Other Program Elements: USAID's centrally funded education activities, and support received from the Leland Initiative, provide increased Internet access in Madagascar. A three-year program under the Women's Legal Rights Initiative began early 2004. Central population funds contribute to joint environment-health programs. Funds from centrally managed USAID health programs will support community-based health and family planning activities. USAID central funds enable the conservation of a national park in west Madagascar. Funds provided by USAID's centrally managed disaster assistance program assists populations affected by drought in the south of the country. Finally, the P.L. 480 food assistance program will continue to support child survival and nutrition, education, and rural development.

Other Donors: USAID places strong emphasis on donor coordination and enjoys productive collaboration with all major donors. The World Bank, the United Nations and the European Union are Madagascar's largest multilateral donors, followed by France, the United States and Japan at the bilateral level. Donor coverage and priorities by sector are as follows: World Bank (governance, institutional development, public finance, judicial reform, gemstone trade, maternal/child health, HIV/AIDS, environment, education, privatization, agriculture, food security, rural development, micro-credit); European Union (public finance, judicial reform, environment, agriculture, rural development, food security, transportation infrastructure); United Nations (governance, maternal/child health, family planning, environment, rural development, food security, disaster mitigation); France (judicial reform, public finance, maternal/child health, family planning, environment, rural development, food security, micro-credit, agriculture, urban development); and Japan (collaborates with USAID in health and behavioral change activities). Governance and institutional development are the central themes of World Bank and International Monetary Fund support. The World Bank is the lead HIV/AIDS and education sector donor in Madagascar. Madagascar also receives funding from the Global Fund for AIDS, Tuberculosis and Malaria (GFATM), the Global Alliance for Vaccinations and Immunizations (GAVI), and the MacArthur Foundation.

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

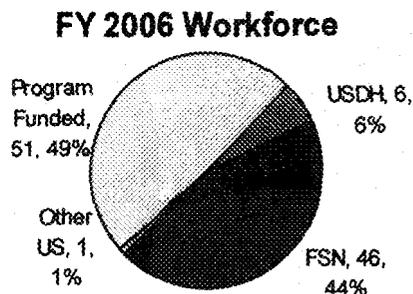


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Rural Income Growth	612-006	8,056	7,073	6,053
Increased Constitutionalism and Advocacy	612-007	753	550	595
AIDS and Family Health	612-008	19,500	20,125	18,800
Basic Education	612-009	3,932	2,840	4,838
Total (in thousands of dollars)		32,241	30,588	30,286

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,848	2,321	2,635
USDH Salaries & Benefits	838	618	631
Program Funds	1,573	1,459	1,459
Total (in thousands of dollars)	4,259	4,398	4,725



Mission Director: Eilene Oldwine - Acting

Malawi

The Development Challenge: In May 2004, Malawi conducted its third multi-party national election since emerging from decades of one-party autocracy in 1994. With this election, a window of opportunity opened for significant economic growth and democratic development. In his first six months in office, Malawi's new President, Dr. Bingu wa Mutharika, has demonstrated particular commitment to economic reform, fiscal restraint, and efficient reinforcement of anti-corruption measures. The next two to three years will be critical to the country's future.

Malawi's political and economic development are impeded by its landlocked status, dependence on a single cash crop (tobacco) for 60% of export earnings, poor incentives for foreign and domestic investment, low status of women, high population growth rate, and low levels of education. Life expectancy at birth is now under 40 years, due to the effects of the adult HIV/AIDS prevalence rate of 15%. The infant mortality rate (104 per 1,000 live births) and the child malnutrition rate (49% of children under age five) are among the highest in Africa. More than one-third of the population has no access to safe drinking water.

Malawi's per capita gross domestic product (GDP) was estimated at about \$170 in 2004. External debt--primarily multilateral and concessional--was approximately \$2.8 billion at the end of 2003. This represented 166% of GDP, with about one-fifth of domestic revenues required for external debt servicing. Malawi reached its decision point under the Enhanced Heavily Indebted Poor Countries (HIPC) initiative in December 2000, and received interim debt relief of approximately \$30-\$60 million per year until December 2004, as a result of Malawi's falling off its International Monetary Fund (IMF) Poverty Reduction and Growth Facility (PRGF) program. Although Malawi applied for interim relief, Paris Club creditors will not extend interim relief without a new PRGF. Malawi has no debt with the United States.

Malawi's PRGF collapsed over the 2001-2003 period due to fiscal policy slippages and other governance issues. Given the new administration's positive actions over the past six months, the World Bank recently released the first \$25 million of structural adjustment credits. Balance of payment donors followed suit, and in November 2004 an IMF team concluded that Malawi's performance under its staff monitored program was strong and proceeding well. Prospects are cautiously optimistic for a new PRGF arrangement in April 2005.

The new administration's actions also were a key factor in Malawi's selection as a Millennium Challenge Account (MCA) threshold country. The country scored lower on MCA selection indicators in the areas of corruption control, fiscal policy, credit rating, and girls' primary education completion. USAID will encourage the Government of Malawi (GOM) as it identifies target areas for improvement and submits a proposal to undertake policy reforms to remedy deficient areas.

The United States has three strategic goals in Malawi: to increase economic prosperity and security; to strengthen democracy and human rights; and to address social and environmental issues, particularly improving health, containing the HIV/AIDS epidemic, and increasing the quality of basic education. Malawi is a strong ally with neighboring countries in the southern Africa region, and has demonstrated significant potential as a democratic pillar in an unstable region. Malawi continues to support U.S. interests in regional development and political issues. Promoting broad-based and private sector-led economic growth and supporting democratic governance will contribute to a more stable region and better business and trading partnerships between Malawi and the United States.

The USAID Program: In FY 2005, USAID is supporting the new GOM priorities for its MCA threshold program--which aims to improve GOM's chances of qualifying for MCA eligibility in the future. USAID will continue to support the development of health and education management information systems critical to GOM reporting on MCA selection indicators. As requested, USAID may provide assistance to the GOM's on-going anti-corruption efforts and to improving fiscal policy, both important to its MCA candidacy.

Malawi's President Mutharika has signaled a commitment to accelerating market-led private sector growth and to increasing public sector investments in education and health. The USAID program complements

these important initiatives. USAID is fostering additional trade linkages among small farmer producer associations, larger commodity-specific industry clusters, and export markets, and will continue to expand the availability of financing for small-scale commercial operators. USAID's democracy and governance program is focusing on expanding access to legal aid for the poor through a network of paralegal services and the provision of innovative community-based alternative dispute resolution approaches. Civic education, including the work of inter-faith groups, continues, with an increased emphasis on building tolerance and reducing potential conflict.

USAID's health program is addressing malaria, the number one cause of death for children under five years of age, through continued promotion of insecticide-treated bed nets. The HIV/AIDS program is maintaining partnerships with the GOM and several nongovernmental organizations (NGOs) and faith-based organizations (FBOs) to prevent HIV/AIDS, particularly among adolescents, emphasizing the "ABC" approach (Abstinence, Being faithful, and correct and consistent use of Condoms, where appropriate). HIV/AIDS funding also is being used to expand public and NGO/FBO care and support to individuals and communities affected by HIV/AIDS, including orphans and vulnerable children. The basic education program continues to improve teachers' professional skills, develop schools' abilities to respond to the needs of the student population, and decrease the impact of HIV/AIDS in the sector.

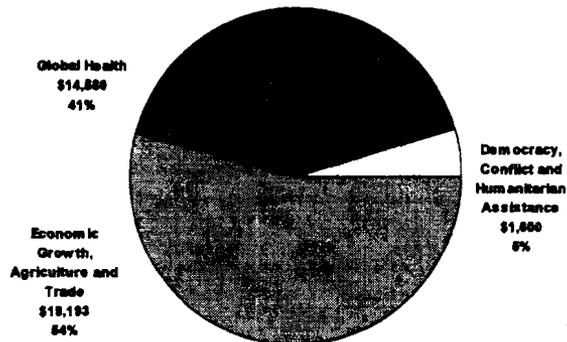
USAID's FY 2005 program benefits from the Trade for African Development and Enterprise Initiative, which fosters increased competitiveness for Malawian agribusinesses, and the African Education Initiative, which supports in-service competency-based training for primary school teachers and administrators.

Other Program Elements: USAID's Washington program is launching a major new P.L. 480 Title II food aid Development Assistance Program (DAP) for Malawi in FY 2005. This DAP addresses the problem of chronic food insecurity that sparked Malawi's 2001-2003 food crisis, and will be implemented by a consortium of eight U.S.-based NGOs, including four FBOs. USAID is providing food aid through the World Food Program and DAP consortium members to help stimulate agricultural development, improve nutrition among vulnerable populations, and enhance community resilience to external shocks. USAID continues to contribute to the centrally-managed Famine Early Warning System network (FEWSNET) that helps monitor Malawi's food security situation. USAID also will continue to finance an innovative activity with one or more Malawian interfaith FBOs to promote tolerance and mitigate potential conflict.

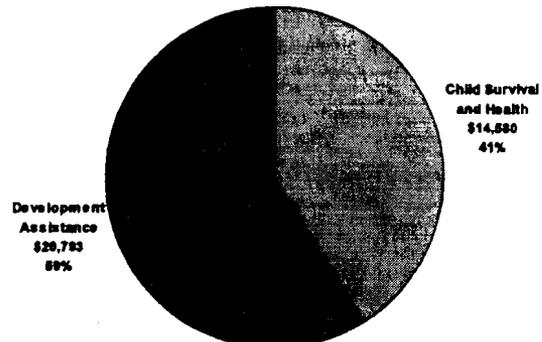
USAID will continue to fund the International Eye Foundation, which provides child health activities in several districts in Malawi. USAID will continue to fund a "Farmer to Farmer" program in collaboration with Land O'Lakes. Malawi also will become a pilot country for the new "Safe Schools" activity, aimed at reducing gender-based violence in schools. USAID's Africa Bureau will continue to provide funding to the International Foundation for Education and Self-Health, which provides training and volunteers to teacher training colleges and schools in Malawi.

Other Donors: About 70% of central GOM revenues (excluding debt relief) comes from donor assistance. The United Kingdom (UK)—by far the largest bilateral donor to Malawi—works across most sectors, utilizing a combination of project assistance and budget support. The UK is providing \$8.5 million to USAID for common democracy and governance objectives in Malawi over the FY 2004-2007 period. After the UK, the USAID program is one of the largest bilateral programs. A number of other bilateral donors—including Norway, Canada, Japan, and Germany—provide assistance in selected sectors. Multilateral donors include the various United Nations agencies, the European Union, the World Bank, the International Monetary Fund, and the African Development Bank. Donor coordination is excellent in Malawi and helps to strengthen government capacity in many areas.

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

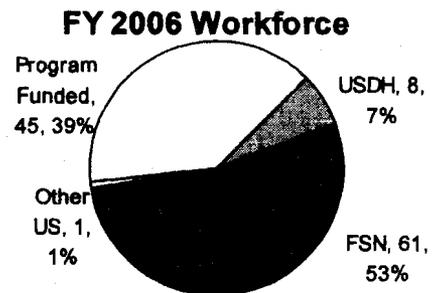


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
High Impact Health Services	688-006	13,550	14,838	14,230
Improving Quality of Basic Education	688-007	6,155	5,301	4,261
Shared Governance Through Decentralization	688-008	4,141	3,146	3,550
Accelerated Economic Growth	688-009	14,296	10,228	12,762
Communications for Development	688-010	1,400	808	570
Total (in thousands of dollars)		39,542	34,319	35,373

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	4,305	4,005	4,105
USDH Salaries & Benefits	1,367	1,060	1,083
Program Funds	2,709	2,709	2,171
Total (in thousands of dollars)	8,381	7,774	7,359



Mission Director: Pam White

Mali

The Development Challenge: Mali is a stable, extremely poor but democratic country that is a strong U.S. ally in the war against terrorism. Overall, 2004 was a year of mixed fortune for Mali. The country was selected as a Millennium Challenge Account eligible country reflecting the tremendous strides it has made toward ruling justly, promoting economic freedom and investing in its people. Successful municipal elections held in May 2004 boosted Mali's credentials as a stable democracy and underlined its commitment to deepening its far-reaching decentralization processes. For the first time in Malian history, women were significantly represented on the ballot. As a result of a reduction in the country's debt burden afforded by the Heavily Indebted Poor Countries Initiative, the Government has increased spending on education and health to about 30.1% and 10.6%, respectively, of the national budget. The Government has also been pursuing efforts to improve social conditions by providing 1,500 affordable low-income housing units in urban areas and launching a presidential initiative to create employment for young people. Despite such efforts, Mali still suffers from extremely low indicators of social well-being. According to the United Nations Development Program's 2004 Human Development Report, Mali ranks as one of the least developed countries in the world, 174 out of 177. During the second half of 2004, the largely agriculture-dependent economy was severely jolted by an invasion of desert locusts that wreaked havoc throughout the Sahel. According to a Food and Agriculture Organization/World Food Program assessment, the insects could destroy as much as 10% of the annual cereal output and significantly damage pastures. Nonetheless, this outcome is considerably better than what was expected at the peak of the crisis in September. A premature end to the rainy season further reduced crop yields. Economic growth in Mali was also negatively affected by an unstable situation in neighboring Côte d'Ivoire, high oil prices, and lower-than-expected gold production.

Mali's formal economy is dominated by three commodities, gold, cotton and livestock, making it extremely vulnerable to price fluctuations and unrest in the region. The current instability in Côte d'Ivoire, Mali's biggest trading partner and a major source of remittances, continues to weigh heavily on the economy. The cost of transportation has increased by 20-30%, despite recent improvements in rail and road routes notably via Senegal and Guinea, and diversification of trade through Ghana and Togo. Steadily rising international petroleum prices have also negatively affected landlocked Mali's trade and imposed a significant cost on the domestic economy. The GDP growth rate for 2004 is now expected to be 1.5% compared to an initial projection of 4.7% and 7.1% realized in 2003. Mali's commitment to a market-based economy is widely acknowledged: it has removed price controls on most goods except for cotton, electricity, water and telecommunications; lifted tariff and non-tariff trade barriers, simplified the regulatory regime and harmonized business laws with neighbors; privatized state-owned firms and liberalized the financial sector. Nonetheless, the high cost of utilities, weak technical and managerial skills, lack of infrastructure, and corruption hinder progress. Private investors are increasingly taking note of Mali's potential, as reflected by the 3% increase in foreign direct investment in the last year. In 2004, a number of new enterprises began operating in the petrochemical, pharmaceutical, animal feed and cotton ginning sectors, developments which augur well for the eventual diversification of the still-narrow economic base. In 2005, South Africa is expected to overtake France as the leading source of foreign investment in Mali largely due to its participation in a \$216 million investment in the sugar sector. China's growing commercial portfolio focuses on the textile industry, large construction projects undertaken through joint venture companies, and an investment center. In addition, foreign interest in gold mining remains strong and petroleum exploration efforts are underway.

United States commercial engagement with Mali remains limited. Mali benefits from the African Growth and Opportunity Act under which it has begun exporting yarn to Mauritius to be made into clothing for the U.S. market. The country's fledgling textile industry is a potential source of product as well as a market for U.S. equipment. On the security front, Mali is a potential breeding ground for fundamentalism and possible terrorist networks, particularly in the often conflict-laden northern parts of Mali. Nevertheless, the Government remains a firm ally in the war on terrorism and participates in the Pan Sahel Initiative.

The USAID Program: USAID continues to pursue the joint State Department and USAID goals of democracy and human rights, economic prosperity and security, social and environmental issues, and humanitarian response, as well as management and organizational excellence. USAID will use FY 2005

funds to increase people's incomes and well-being, improve their dismal health and education status, and provide tools to govern effectively. Programs are geographically focused and are being increasingly coordinated with other United States Government (USG) agencies and donors. Cross-cutting activities target gender, HIV/AIDS and the creation of integrated development messages, USAID led the USG's quick response to the locust invasion and was the first major bilateral donor to respond by releasing more than one million dollars in emergency assistance which served to catalyze contributions from the rest of the donor community thereby helping to avert a major food crisis.

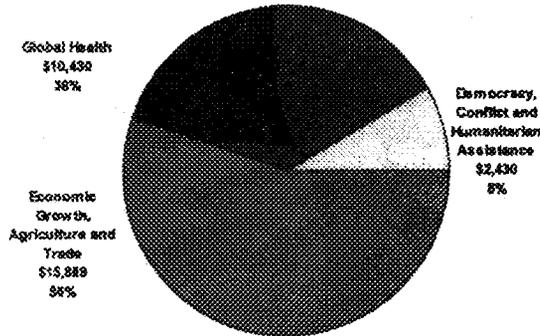
USAID seeks to employ innovative mechanisms wherever possible. The Global Development Alliance (GDA) approach has been used to develop a partnership with Mali's national Agricultural Research Institute and a private U.S. company that is on the brink of securing \$216 million of investment financing for the construction of a sugar processing plant and the creation of up to 6,000 new jobs. A new GDA partnership will bring resources and know-how into the education sector in some of the country's most remote areas; another GDA partnership formed with the Carter Center will work with the Government and civil society to strengthen the identification of priority poverty reduction policies and resource needs.

Other Program Elements: Other USAID programs with activities in Mali that complement USAID's five strategic/special objectives. Among the most important are several grants for child survival activities implemented in Mali and/or regionally. Other noteworthy programs active in the country include: support for the National Economic Research Institute; the Goundam Food Security Initiative, which addresses food security risks in northern Mali using P.L. 480 Title II resources; Collaborative Research Support Programs which focus on a number of food crops, soils, integrated pest management and natural resource management; improvement of the quality and effectiveness of information and response planning systems through the Famine Early Warning System Network; support for international agricultural research centers to develop and disseminate improved varieties and technologies for crops such as rice, corn, sorghum, and millet, as well as build capacity and networking for government researchers and farmers; and the West Africa Regional Program that provides funding to a number of public and private sector regional organizations on region-wide issues of economic integration, population, health, and nutrition; food security, the environment, and natural resources management; and conflict prevention. The Africa Bureau's Conflict Fund supports conflict mitigation and management activities in northern Mali.

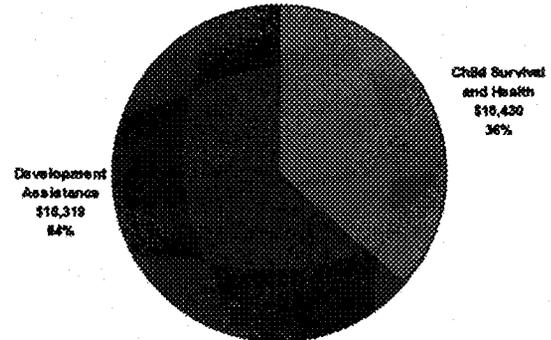
Other Donors: France and the United States are Mali's first and second largest bilateral partners respectively. Other significant bilateral programs include Canada, Germany, and Japan. Direct bilateral budgetary support is provided by France, Canada, the Netherlands, Sweden, and Switzerland. South Africa, Saudi Arabia, Libya, and Algeria also have bilateral programs. Bilateral assistance is channeled to: infrastructure construction, decentralization, the cotton sector, education, health, the judiciary, microfinance, the Niger River, and energy. The World Bank is involved in rural development, budget support, health, education and democratic governance. The European Union, the African Development Bank and the West African Development Bank are engaged in road construction, rural development and budget support. The United Nations agencies are active in health, education and governance, and the World Food Program works in the areas of education, health, nutrition, and food security. Donor coordination is strongest with respect to the financing of the ten-year education and health sector development plans.

Mozambique

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



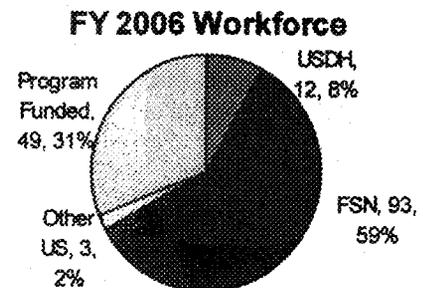
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Rural Incomes	656-006	15,780	11,367	12,088
Exports	656-007	6,981	3,811	3,801
Maternal and Child Health	656-008	9,830	12,530	10,430
HIV/AIDS	656-009	10,550		
Municipal Governance	656-010	2,211	1,907	2,430
Total (in thousands of dollars)		45,352	29,615	28,749

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	4,948	5,800	5,591
USDH Salaries & Benefits	1,451	1,528	1,561
Program Funds	2,431	3,476	3,621
Total (in thousands of dollars)	8,828	10,804	10,773



Mission Director: Jay Knott

Mozambique

The Development Challenge: Mozambique's independence from Portugal in 1975 was followed by nearly two decades of civil war and a decade of one-party Marxist-Leninist rule. In 1992, peace was achieved and a new constitution was adopted, enshrining a multi-party system of democracy. After 18 years in power, President Joaquim Chissano of the Frelimo party stepped down and voters elected a new president, Armando Guebuza, in December 2004. During municipal elections held in 2003 and national elections in 2004, Mozambique continued to demonstrate its capacity to conduct increasingly free and fair elections.

Although the Government of the Republic of Mozambique (GRM) is committed to democracy, it is also characterized by a strong executive branch, a parliament dominated by political wrangling between the two main parties, Frelimo and Renamo, and a judiciary short on skills, understaffed, underfunded, and corruptible. Government institutions are generally improving, but suffer from a lack of skilled personnel due to low salaries and the extreme scarcity of trained citizens. The legacy of Portuguese colonial and post-independence command-and-control economic systems is gradually yielding to a more private-sector friendly environment, although corruption remains a problem.

Mozambique has shown outstanding economic growth since the civil war ended. Gross domestic product (GDP) growth has averaged 8% per year over the last ten years. In 2003, inflation dropped to 13.8%, and it is projected at 11% in 2004. Although Mozambique is still one of the world's poorest countries, with 2004 GDP per capita of \$290, it is on an upward trajectory. However, many challenges remain. In a country of 18 million, over 60% are without access to health care, with only 650 doctors nationwide. The projected HIV prevalence rate for 2004 is 14.9%. Although maternal mortality has declined sharply, from a high of 1,000 deaths (1997) to 408 deaths (2003) per 100,000 live births, it remains high.

Poverty reduction is the central focus of the GRM's development plan. Mozambique's Poverty Reduction Strategy Paper, known by its Portuguese acronym PARPA, is under revision; the revised version will cover the 2006-2010 period. Poverty reduction results were better than anticipated under the first five-year plan. Household consumption survey results show a 15.3% drop in the incidence of poverty, from 69.4% in 1996-1997 to 54.1% in 2002-2003. PARPA's goal was to reduce the incidence of poverty to 60% by 2005 and to 50% by 2010, so Mozambique is making better than expected progress on this front.

According to the International Monetary Fund (IMF), the Mozambique economy is very open to foreign trade. Traditional exports such as cotton and cashews have experienced almost no growth, but total exports have risen dramatically due to large investments in an aluminum refinery and a natural gas pipeline to South Africa. Growth prospects are considered favorable; several major projects are on the horizon, including development of coal mines at Moatize, exploitation of titanium sands in the north and south, and a hydro-electric dam to meet South Africa's power deficit. Two American companies have made substantial agro-processing investments. Other large projects planned for the near future are a highway bridge over the Zambezi River and reconstruction of the Beira-Moatize railway.

Mozambique is committed to the Southern African Development Community (SADC) free trade protocol, and the plan is to extend these concessions to all SADC countries on a most-favored nation basis. Mozambique's debt service situation improved considerably after achieving the "enhanced completion point" under the Heavily Indebted Poor Countries Initiative in 2001, after implementing key policy reforms, maintaining macro-economic stability, and implementing the PARPA. The IMF now considers Mozambique able to "sustainably" maintain a manageable debt service. While banks and other businesses were privatized after the 1992 peace agreement, state-owned infrastructure monopolies have proven harder to privatize due to market conditions. However, competition does exist in telecommunications due to the entry of new private firms.

Mozambique is an essential link to global markets for several neighboring landlocked countries, and it has substantial growth potential through its economic ties to the industrial heartland of South Africa. These links reinforce the importance of the country's successful economic, political, and social transitions to the U.S. national interests of peace, stability, and economic growth throughout southern Africa. As a rapidly

growing economy, Mozambique is increasingly a potential market for U.S. exports and U.S. investment.

The USAID Program: The data sheets cover four objectives for which USAID is requesting FY 2005 and FY 2006 funds. Two objectives focus on increasing economic growth and reducing poverty through rapid rural income growth -- improved agricultural production and marketing and increased labor-intensive exports. A third objective is to improve the health of women and children. The fourth objective is to create models of democratic governance at the municipal level and to reduce opportunities for corruption.

All of USAID's programs seek to benefit women and men equally, to reduce corruption, to build Mozambican capacity, and to prevent the spread of HIV/AIDS. Both the commitment and the capacity of the GRM to reduce poverty and encourage economic growth are good and are growing stronger, in part due to the country's long-standing and effective partnership with USAID.

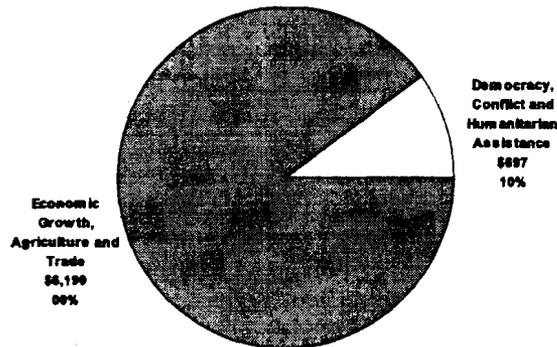
Other Program Elements: USAID's Economic Growth, Agriculture, and Trade Bureau (EGAT) is assisting Mozambique in a number of areas. EGAT is helping to develop natural gas for household energy use, replacing firewood and charcoal. Through EGAT, the World Wildlife Fund has a grant for conservation activities, including creating fish sanctuaries in the Quirimbas National Park. Through EGAT and the Regional Center for Southern Africa, Mozambique benefits from assistance for sanitary and phyto-sanitary policies, customs training, and trade-related studies. EGAT also assists banana variety improvement research and provides hands-on training for prospective banana farmers. EGAT's farmer-to-farmer project provides up to seven volunteers a year through several cooperative and nongovernmental organizations. USAID's Democracy, Conflict, and Humanitarian Assistance Bureau provides support for emerging entrepreneurs and civil society.

Mozambique is a focus country under the President's Emergency Plan for AIDS Relief. FY 2005 funding will be provided from the Global HIV/AIDS Initiative under the policy direction of the U.S. Global AIDS coordinator. The FY 2006 HIV/AIDS request for this country is contained in the Global HIV/AIDS Initiative account justification. For further details please see the Department of State FY 2006 Congressional Budget Justification.

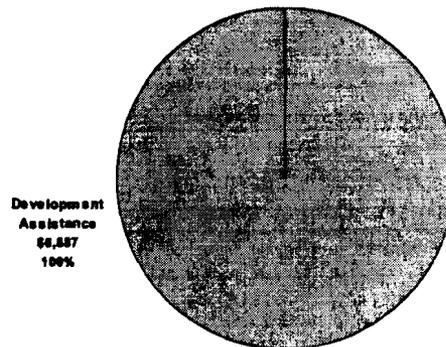
Other Donors: Mozambique is expected to receive \$735 million from over 20 donors in 2004; representing about 14% of GDP, and similar levels are expected in future years. About 40% of donor assistance is general budget support, accounting for 45%-50% of the GRM budget; the remainder is project support. Almost all bilateral aid is in the form of grants, while multilateral credits are on very concessional terms. The largest program is that of the World Bank International Development Association (IDA), and the European Union also is a significant donor. In addition to the United States, the larger bilateral donors include the United Kingdom, Switzerland, the Netherlands, Norway, and Sweden. The UNDP and IDA chair a monthly meeting of mission heads to coordinate donor activities. The GRM and 15 donors (including IDA) have agreed on a general budget support program to further donor harmonization objectives. This group of 15 donors work closely with other donors, such as USAID, in 14 sector-specific working groups. USAID currently chairs the private sector and foreign trade policy working groups. Donor relations are close, cooperative, and collegial.

Namibia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



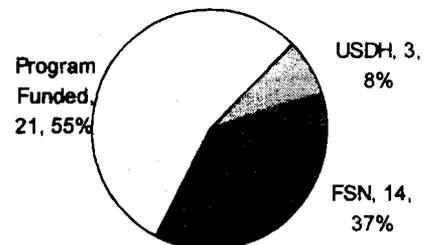
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Private Enterprise Development	673-001	400	400	
Community Based Natural Resource Management	673-003	1,514		
Basic Education Support	673-006	2,713	2,720	2,920
Community Based Natural Resource Management	673-007	1,210	2,257	2,750
Reduced prevalence of HIV/AIDS	673-008	3,965	796	
Democracy and Governance	673-009	794	775	697
Trade and Investment	673-010			520
Total (in thousands of dollars)		10,596	6,948	6,887

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,136	1,041	1,067
USDH Salaries & Benefits	556	439	448
Program Funds	2,601	2,601	2,601
Total (in thousands of dollars)	4,293	4,081	4,116

FY 2006 Workforce



Mission Director: Gary Newton

For more information, please visit our Website, www.usaid.gov

Namibia

The Development Challenge: Namibia achieved a historic democratic milestone in November 2004 with national elections that brought the first change in presidential leadership since the country's independence from apartheid South Africa in 1990. The elections--which also resulted in significant turnover in Parliament and Regional Councils--reaffirmed Namibia's support for democratic processes. When the new administration takes office in March 2005, it will assume leadership of a country that consistently ranks high on international indices of economic competitiveness, democratic freedom, freedom of the press, and good governance, and is regarded as one of the developing world's leaders in public sector investments in education and health.

The new government faces daunting development challenges that could prevent Namibia from reaching its full potential. The impact of HIV/AIDS on Namibia is catastrophic. HIV prevalence among pregnant women was estimated at 19.8% in 2004. More than 200,000 Namibians aged 15-49, 11% of the workforce, are estimated to be living with HIV, and average life expectancy has dropped from 61 years in 1991 to 47 in 2004.

Namibia's economic growth over the past five years has not been sufficient to increase per capita income and reduce poverty. Namibia's relatively high per capita GDP of \$1,730 masks an extreme income disparity that, according to the 2004 UNDP Human Development Report, is the highest in the world. An estimated 55% of national income accrues to only 10% of the population, and 35% of the population live on less than \$1 per day. Namibia's population growth outpaces job creation: only 7,000 of the 20,000 annual high school graduates find jobs, and 60% of the workforce is unemployed or underemployed.

Although Namibia devotes over 20% of annual government expenditures to education, over 90% of education funding is used for personnel costs, leaving little for school buildings, materials, and equipment. Namibia has a shortage and an inequitable distribution of qualified teachers--particularly teachers with needed mathematics, science, and English skills. According to a recent regional education report, only a third of Namibian sixth grade students demonstrated the required literacy and numeracy competencies.

The Government of Namibia (GON) faces significant challenges in implementing its land redistribution and resettlement policy. Because the GON has been criticized for not acquiring sufficient land from white farmers through its policy of "willing seller, willing buyer," it is implementing legislation to acquire land by expropriation. The GON has reassured farmers that fair compensation will be paid for land acquired in this manner and, to date, no land has been expropriated. The GON also needs to build on its success in linking sustainable natural resource management with rural development. Further attention is needed to equitably distribute the benefits generated from tourism, wildlife utilization, and other natural resources so that the increased income from these activities can reach the poorest and most marginalized citizens.

Although Namibians enjoy a wide range of democratic rights, including freedom of the press, multi-party elections, and a relatively independent judiciary, the concept of checks and balances on public institutions is not well developed, and opportunities for critical and constructive interaction with elected leaders are not always well used. Consistent commitment to democratic values will be especially important over the next few years, as a new set of leaders moves into positions of political and economic power.

The United States has a significant national interest in helping Namibians fight HIV/AIDS, promote economic development, and strengthen democratic consolidation so that Namibia can continue to contribute to peace, security, and stability on the African continent.

The USAID Program: Funding for four program objectives will be used to accelerate the economic, social, and political empowerment of historically disadvantaged Namibians by supporting activities to promote private enterprise development, improve basic education in grades one through seven, strengthen democracy and governance, and increase the environmental and economic benefits of community-based natural resource management.

Other Program Elements: The USAID program in Namibia is augmented by three centrally-funded

activities under the African Education Initiative (AEI). AEI provided \$1.35 million in FY 2004 for strengthening pre- and in-service teacher training. This activity, which began in late FY 2004, aims to provide 500,000 textbooks to disadvantaged Namibian school children in targeted regions over a two-year period. AEI also provided \$315,000 in FY04 for the Ambassadors' Girls Scholarship Program which will allow 950 disadvantaged girls to attend school.

With USAID Africa Bureau funding, the International Foundation for Education and Self Help is sponsoring the work of 11 volunteer teachers at Teacher Training Colleges to help improve teaching skills.

USAID's Regional Center for Southern Africa, based in Botswana, manages four regional initiatives that support Namibian development. The Trade Expansion for Southern Africa activity focuses on trade policy, trade facilitation, public-private dialogue, and strengthening export sectors. A rural livelihoods activity works with commercial farmers to increase exports, and helps poor farmers diversify production. An integrated river basin management activity helps strengthen regional river basin commissions and develops the capacity of communities to manage water resources in a sustainable manner. The Partnerships in Electoral Process activity strengthens democratic processes and promotes the rule of law and respect for human rights.

Namibia is a focus country under the President's Emergency Plan for AIDS Relief. FY 2005 funding will be provided from the Global HIV/AIDS Initiative under the policy direction of the U.S. Global AIDS coordinator. The FY 2006 HIV/AIDS request for this country is contained in the Global HIV/AIDS Initiative account justification. For further details please see the Department of State FY 2006 Congressional Budget Justification.

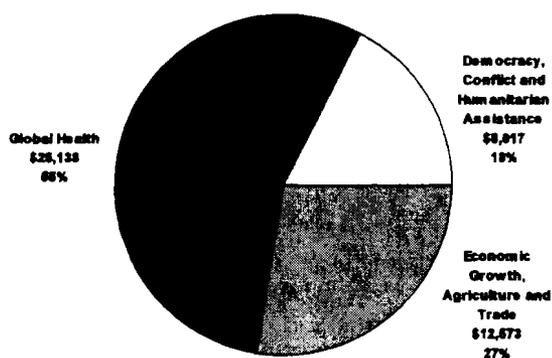
Other Donors: USAID works actively with other donors in key development areas to ensure complementarity and avoid redundancies. With the dramatic increase in HIV/AIDS funding in FY 2004 and FY 2005, the U.S. funded program more than doubled in size, making the U.S. Government the largest and one of the most visible bilateral donors in Namibia. United Nations agencies also play an important role in catalyzing a coordinated response to the HIV/AIDS epidemic, supported by the European Union (EU), Germany, Finland, Sweden, the Netherlands, and France. In November 2004, a grant from the Global Fund for HIV/AIDS, TB and Malaria was approved, which will provide significant resources for Namibia's HIV/AIDS program.

USAID coordinates with a UNDP-administered Global Environmental Facility project to link protected areas with USAID-supported conservancies. USAID's Living in a Finite Environment activity and the World Bank's Integrated Community-Based Ecosystem Management project were designed to complement each other and to leverage resources. Germany, Sweden, and Finland also are active in the environment sector. The EU has a large rural development project that includes elements of community-based natural resources management support.

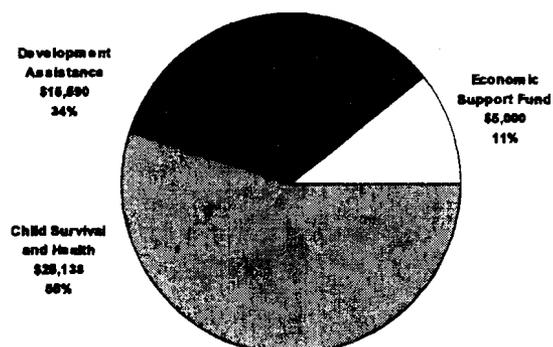
The Netherlands, Sweden, Finland, and Germany are key players in the democracy and governance sector. UNDP, the United Nations Industrial Development Organization, Germany, and Luxembourg are engaged in small and medium enterprise development programs, while the EU and Germany support trade and investment development. The EU, Germany, Sweden, France, Finland, Luxembourg, Norway, the United Kingdom, Spain, and the UNDP participate in a sector assistance program in education.

Nigeria

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



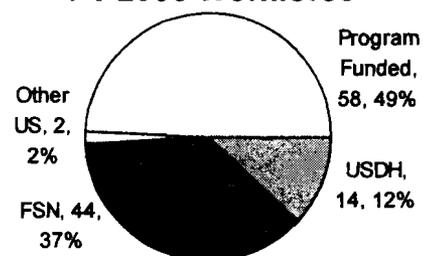
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Democracy and Governance	620-011	4,964	8,312	8,017
Sustainable Agriculture and Economic Growth	620-012	8,507	5,778	7,968
Basic Education and Health Care	620-013	29,896	29,578	28,143
HIV/AIDS and Tuberculosis	620-014	9,208	1,600	1,600
Total (in thousands of dollars)		52,575	45,268	45,728

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	4,220	3,797	3,891
USDH Salaries & Benefits	1,360	1,594	1,629
Program Funds	2,921	3,886	3,687
Total (in thousands of dollars)	8,501	9,277	9,207

FY 2006 Workforce



Mission Director: Dawn Liberi

Nigeria

The Development Challenge: Despite a political transition to democracy in 1999, Nigeria continues to face enormous challenges. Two-thirds of the country's citizens live in poverty; corruption is endemic, with Nigeria perceived as the third most corrupt country of 102 assessed by Transparency International; unemployment is growing, with up to 40% of urban youth jobless; half of the adult population is illiterate; close to four million Nigerians are HIV-positive; and 20% of children die before the age of five. Although Nigeria is a major oil producer, oil revenues amount to less than \$100 per capita per year and provide little benefit to the majority of Nigeria's 133 million citizens.

In the second year of his final term in office, Nigerian President Olusegun Obasanjo has strengthened and intensified initiatives launched to address these challenges after his democratic re-election in May 2003. The National Economic Empowerment and Development Strategy (NEEDS) has been adopted as the country's poverty reduction plan, and a number of Nigeria's 36 states are designing state poverty reduction plans, a crucial step given that states manage 51% of budget resources and provide essential services to their citizens. A national poverty survey undertaken over the course of the year suggests a small reduction in the proportion of Nigerians living in poverty but it is too soon to judge the impact of the NEEDS or to suggest that the trend is sustainable.

Over the past year, these poverty reduction plans have been accompanied by intensified efforts to combat corruption. The House of Representatives and the judiciary have adopted codes of conduct and the House has also passed the Freedom of Information Act. The Budget Office of the Federation has instituted transparent budget policies and processes and the Economic and Financial Crimes Commission, established in 2003, is investigating over 1,000 reported offenses. President Obasanjo has committed Nigeria to participating in the Extractive Industries Transparency Initiative and the G-8's Transparency and Anti-corruption Initiative, and civil society organizations are demanding greater responsiveness and accountability from the institutions that serve them. Fighting corruption is also a core element of NEEDS.

The Nigerian government recognizes the gravity of the unemployment problem, and has made job creation a priority under NEEDS. Agriculture provides a livelihood for at least half of Nigeria's people and revitalization of the agricultural sector holds out the greatest promise for growth in employment. Increased productivity and value-added processing of agricultural products for both food consumption and industrial use have the potential to generate significant employment and first steps have been taken to realize this potential in the cassava sector.

Nigeria is committed to implementing universal basic education and attaining the Millennium Development Goal of education for all. The 2004 Educational Data survey showed encouraging trends in the mean number of years of schooling achieved by Nigerians and in the high degree of acceptance by Nigerian parents regarding the teaching of HIV/AIDS awareness and prevention in school, even at the primary level. Nigeria has also stepped up its efforts to combat HIV/AIDS and improve child survival. States in the northern part of the country have resumed polio eradication efforts, vaccines to prevent other childhood killer diseases are now available, and treatment and prevention options for malaria are increasingly accessible through innovative private sector and voucher redemption programs.

Regional conflict, HIV/AIDS, continued democratic advancement, terrorism and crime - including trafficking in persons - and sustainable economic growth are the principal U.S. national concerns and interests in Nigeria. The country's role as a major supplier of oil to the US and as a key trading and investment partner also stand out. Increasingly, Nigeria plays the lead role in fostering peace and stability in the region and elsewhere on the African continent.

The USAID Program: USAID launched the 2004-2009 Country Strategic Plan on January 1, 2004, and signed four Strategic Objective Grant Agreements with the Government of Nigeria on June 30, 2004. These agreements, for programs in democracy and governance, agriculture and economic growth, integrated social sector services, and HIV/AIDS treatment, prevention, care and support, reflect the four objectives that form the core of USAID's strategic approach over the next five years. These objectives

were designed to address the core development challenges in Nigeria, as outlined above.

USAID's democracy and governance objective will empower civil society to demand openness and accountability on the part of its government, and equip selected government institutions to respond to those demands. Ethnic, religious and resource-based conflicts remain enormous problems in Nigeria and the USAID program will support both public and civil society efforts to respond to these problems. In support of the Presidential Anti-Trafficking in Persons Initiative, USAID will undertake rehabilitation of formerly trafficked persons, and advocacy efforts. Under the Constitution President Obasanjo cannot stand for election again in 2007, and with would-be successors already announcing their candidacies, the next elections will be the true test of Nigeria's young democracy. Significant resources will be needed to ensure transparent and professional implementation.

USAID's funding for agriculture and economic growth, including Initiative to End Hunger in Africa (IEHA) resources, will support the economic diversification and increased competitiveness spelled out in NEEDS, working with selected agricultural commodity sectors to enhance productivity and identify opportunities to add value to primary products and create or expand agro-processing enterprises through technology transfer and financial services provision. This program will also work with civil society and the government of Nigeria to create an enabling policy environment for private sector growth, and foster continued improvements in budget and debt management processes.

USAID espouses an integrated approach to social sector service delivery, building strategic linkages between basic education and maternal and child health programs to increase the impact of both. Interventions will address key issues of access, quality and demand, focusing efforts at the community level but also seeking to build a more receptive and supportive environment for provision of essential services at all levels. Increasing girls' access to basic education, particularly in the Muslim north, is an important objective of the program.

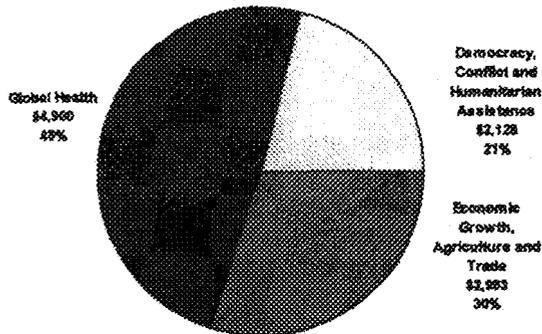
USAID/Nigeria has successfully leveraged more than \$20 million over three years in private sector resources through Global Development Alliances and other partnerships. These partnerships support activities across the USAID portfolio, including cassava production and marketing, malaria prevention, conflict mitigation, and blood safety. USAID is presently designing a strategy to guide the future development of critical partnerships and alliances.

Other Program Elements: Nigeria is a focus country under the President's Emergency Plan for AIDS Relief. FY 2005 funding will be provided from the Global HIV/AIDS Initiative under the policy direction of the U.S. Global AIDS coordinator. The FY 2006 HIV/AIDS request for this country is contained in the Global HIV/AIDS Initiative account justification. For further details please see the Department of State FY 2006 Congressional Budget Justification. In addition, the West African Regional Program (WARP) addresses trade capacity, market information, infrastructure and HIV/AIDS, sectors that all are clearly linked with the Nigeria program. Bureau for Economic Growth, Agriculture and Trade and Bureau for Africa support for several commodity sectors, including cocoa and dairy, has developed public-private partnerships, strengthened producer associations, and enhanced opportunities for marketing.

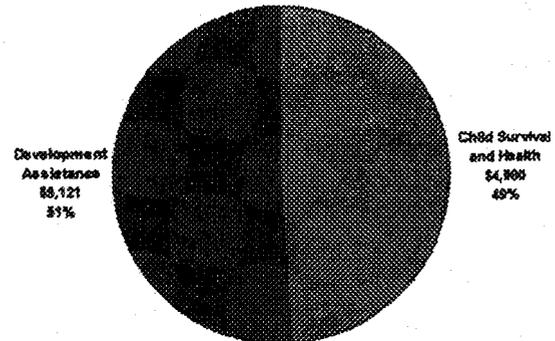
Other Donors: USAID remains the largest bilateral donor in Nigeria and collaborates closely with multilateral and bilateral partners. The British Department for International Development also implements a large bilateral program and USAID ensures close coordination in areas of mutual interest. The World Bank has recently launched new financial services and agricultural development programs that complement USAID investments in those sectors. USAID has also engaged in joint technical and financial support with other donors to eradicate polio and promote basic education.

Rwanda

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

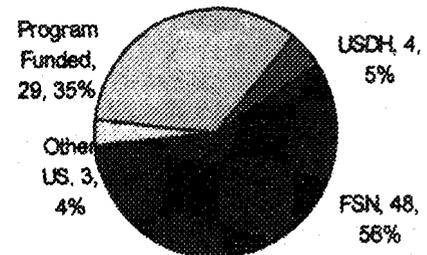
Objective	SO Number	FY 2004	FY 2005	FY 2006
Democracy and Good Governance	696-005	3,525	2,927	2,128
Health and HIV/AIDS	696-006	13,300	4,850	4,900
Rural Economic Growth	696-007	3,346	2,553	2,993
Total (in thousands of dollars)		20,171	10,330	10,021

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,339	2,237	2,292
USDH Salaries & Benefits	635	585	598
Program Funds	1,049	1,784	1,784
Total (in thousands of dollars)	4,023	4,586	4,654

FY 2006 Workforce



Mission Director: James M. Anderson - Acting

Rwanda

The Development Challenge: Even as Rwanda forges its future in the Great Lakes and East Africa regions, the legacy of the 1994 genocide remains, threatening both internal development and regional stability. Rwanda lost large numbers of people during the genocide, which disproportionately targeted educated and moderate Rwandans. Reconciliation and recovery from the 1994 genocide will depend largely on the resolution of pending legal cases. With a staggering backlog of more than 100,000 cases, the traditional justice system has a major challenge, and, to date, progress has been slow. A justice reform law passed in 2004 should enable the process to get fully underway.

Rwanda remains desperately poor, with a per capita income of \$220 per year. It is among the least-developed nations in the world, ranking 159 of 177 in the United Nations Development Programme's (UNDP's) 2004 Human Development Index. Rwanda already has one of the highest population densities in Africa, and the current population of 8.2 million is growing rapidly. With a high fertility rate (5.8 children per family), population is growing at an annual rate of 2.9%. The average adult has 2.6 years of schooling. Low literacy (69%) and primary school enrollment rates (53%) present a challenge for Rwanda's economic development. Life expectancy is only 40 years. Preventable diseases continue as major killers of children, with malaria followed by diarrhea and respiratory infections. Infant mortality is 110 per 1,000 live births (11%), and one child in five does not live to age five. Rwanda's maternal mortality (1.4% of live births) is among the highest in Africa. HIV remains an entrenched epidemic, with a prevalence rate of 5.1%.

With Rwanda's population pressures, 55% of farms are less than one half hectare (about one acre) in size, and competition for land is an underlying source of conflict. Preserving conservation areas to support tourism is becoming more difficult. A land reform law currently in Parliament will bring political and economic benefits, but the law could lead to conflict if not implemented carefully.

Rwanda joined the Common Market of Eastern and Southern Africa (COMESA) in 2004 and is one of the first four states on the continent to accept a peer review of governance under the auspices of the New Partnership for Africa's Development (NEPAD) and the African Union (AU). With U.S. facilitation, Rwanda signed a Tripartite Agreement in October 2004 to address regional border issues with Uganda and the Democratic Republic of the Congo (DRC). The U.S. Government will continue to support the United Nations' efforts to diffuse existing tensions and implement peace activities in the region.

Rwandans' precarious living situation was threatened in 2004, when poor rainfall reduced agricultural production. As a result, food prices increased by 28.4%. Exports increased by an estimated 10.3% in 2004, due largely to specialty coffee exports. However, reduced exports of other crops contributed to a significant balance of payments deficit. Fiscal deficits remain high at 5.5% of the gross domestic product. Most current economic growth is due to increased exports and a construction boom. Rwanda realized \$22.9 million in debt forgiveness under the Highly Indebted Poor Countries (HIPC) Initiative in 2003. With continued satisfactory macroeconomic performance, it is expected that Rwanda will reach its HIPC Completion Point in February 2005. The World Bank Group recently signed a combined credit and grant package of \$65 million to support poverty reduction programs. This reflects increased international confidence in Rwanda's medium-term economic prospects and Government of Rwanda (GOR) economic policies.

Rwanda's political development is mixed. One year after presidential and parliamentary elections and the adoption of a new constitution, there is progress in shifting responsibility for government services to the local level. At the same time, the GOR is downsizing its civil service employment dramatically; 1,500 civil servants were recently terminated. The GOR legitimately prioritizes its internal security concerns and is concerned about a return of violent ethnic divisions. Fueled by this concern, it has retained stringent limits on the freedom of expression of political parties and the media. USAID is actively working to create a more open political dialogue through its democracy and governance programs.

The United States has multiple national interests in Rwanda: increasing regional stability; promoting democracy and human rights; advancing economic prosperity and security; and enhancing global health.

Stemming the HIV/AIDS epidemic and alleviating Rwanda's crushing poverty align squarely with U.S. policy goals. More open political discourse within Rwanda and greater regional stability would advance U.S. interests in Rwanda and the region, as well as improve the lives of Rwandans. The USG hopes to consolidate the regional peace process and accelerate Rwanda's political and economic development.

The USAID Program: The goal of USAID's assistance to Rwanda is to increase economic growth and improve the well-being of the population. The program focuses on three strategic objectives: improved governance and reconciliation, increased use of health services including HIV/AIDS care and prevention, and rural economic growth. All three programs use decentralization as a means of promoting change and improving livelihoods.

USAID supports improved governance by increasing citizen participation, strengthening civil society, rebuilding the justice sector, and assisting the GOR with the implementation of decentralization. The health program focuses on building a decentralized health system for family planning, reproductive health (RH), child health, malaria, HIV/AIDS and nutrition; improving access, quality and sustainability of basic health services; and empowering Rwandans to take responsibility for improving their health. USAID's economic growth program expands economic opportunities in rural areas by promoting value-added crops and increasing the diversity of off-farm productive enterprises. It focuses on agricultural productivity and the mobilization of financial resources for agriculture.

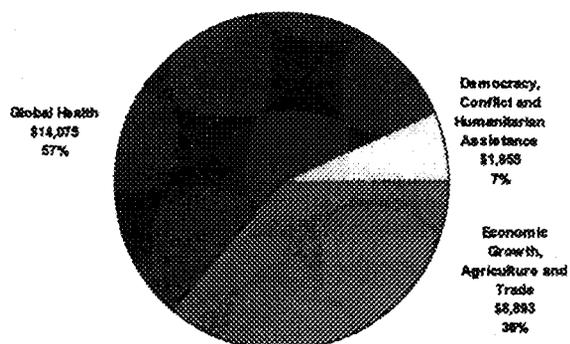
Other Program Elements: The USAID P.L. 480 food aid program supports improved agricultural productivity and increased food security. The centrally funded Famine Early Warning System Network (FEWSNET) provides timely information on the needs of vulnerable populations, as well as natural disasters. Through the Central African Regional Program for the Environment (CARPE), international private and voluntary organizations support conservation activities that reduce the rate of forest degradation and the loss of biodiversity in two of Rwanda's unique national parks. The Africa Education Initiative (AEI) finances the Ambassador's Girls Scholarship Program. Regional programs support trade information, participation in regional economic organizations and the East and Central Africa Trade Hub.

Rwanda is a focus country under the President's Emergency Plan for AIDS Relief. FY 2005 funding will be provided from the Global HIV/AIDS Initiative under the policy direction of the U.S. Global AIDS coordinator. The FY 2006 HIV/AIDS request for this country is contained in the Global HIV/AIDS Initiative account justification. For further details please see the Department of State FY 2006 Congressional Budget Justification.

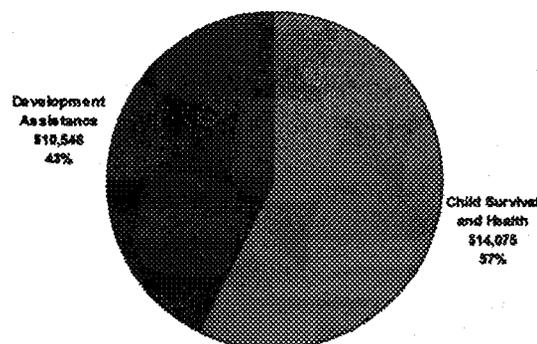
Other Donors: The United Kingdom (UK) and Belgium are Rwanda's first and second largest bilateral partners, followed by the Netherlands and the United States. Forty percent of the GOR's budget is donor-funded by grants or loans. Donors providing budget support include the UK, Sweden, European Union (EU), the World Bank, and the African Development Bank (AfDB). The active participation of the Ministry of Finance in donor coordination groups adds to their impact. The GOR strongly requests donors to provide direct budget support. Donor sector cluster groups include the Private Sector and the HIV/AIDS Cluster Groups which are led by USAID. USAID works closely with Switzerland and the UK on governmental decentralization activities (Netherlands leads the cluster), and with Belgium on judicial reform and conflict management. Belgium is the lead on non-HIV health programs and gets strong policy support from USAID in that cluster. The United States is the lead donor on HIV/AIDS and works collaboratively with the World Bank and the Global Fund to Fight AIDS, Tuberculosis and Malaria. In rural economic growth and agriculture, USAID coordinates closely with the EU, the World Bank and the UK. USAID works with the UK, the lead donor in education, on girls' scholarships and the computerization of schools. Canada is the lead donor supporting the Ministry of Gender in charge of gender initiatives and USAID participates in the cluster to assure that gender considerations are part of its programs. Germany supports environmental programs and coordinates with CARPE.

Senegal

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

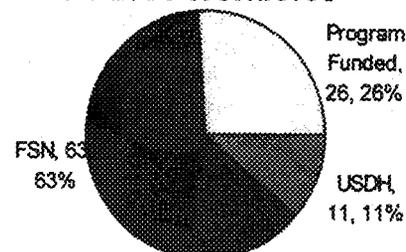
Objective	SO Number	FY 2004	FY 2005	FY 2006
Private Enterprise	685-001	5,841	3,563	3,793
Democracy and Local Governance	685-002	3,253	3,245	2,479
Decentralized Quality Health Services	685-003	14,675	14,775	14,075
Casamance Conflict Resolution	685-009	1,132		
Middle School Basic Education	685-010	4,070	2,927	4,276
Total (in thousands of dollars)		28,971	24,510	24,623

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	4,764	4,488	4,600
USDH Salaries & Benefits	1,701	1,379	1,409
Program Funds	2,292	2,573	2,040
Total (in thousands of dollars)	8,757	8,440	8,049

FY 2006 Workforce



Mission Director: Olivier Carduner

Senegal

The Development Challenge: Senegal is a democratic and predominantly Muslim nation, one of the most stable countries in an unstable region. A model of religious and ethnic tolerance, it plays a key role in conflict resolution in West Africa and beyond, and is committed to fighting terrorism. Senegal is an important partner of the United States because it has found a way to ensure social stability and religious tolerance without violence and repression. Senegal is one of the top performers among countries achieving eligibility status to the Millennium Challenge Account (MCA). It has made significant progress in educating its youth with gross school enrollment increasing from 71.6% in 2002 to 79.90% in 2004 (77.30% for girls and 82.40% for boys). Yet with half its nearly 11 million people in urban areas and a per capita income of \$550, Senegal faces severe challenges: nationwide, 50% of young men are unemployed; 51% of men and 70% of women over 15 years are illiterate; 70% of the countryside has no electricity; and the standard of living has improved only modestly in the past 20 years.

While economic growth averaged 5% for the past eight years and is estimated at 6% in 2004, most of this growth is the result of an increase in domestic demand rather than increased trade and investment. The country is struggling to put in place further institutional reforms and to build key public infrastructure, both necessary to sustain long-term growth. Senegal is recognized as having the best macroeconomic profile among the eight West African Economic and Monetary Union (WAEMU) member countries as reflected by a zero level of inflation in 2003, no debt arrears and a low budget deficit (0.2% in 2003). However, Senegalese businessmen identified access to financing as the single most problematic factor for doing business. While the Presidential Investors Council instituted in 2002 has worked to attract private investors, some critical reforms still remain to be implemented to improve the investment business climate. Furthermore, Senegal has not yet succeeded, after several attempts, in privatizing two major public enterprises (the peanut and electricity companies) which continue to drain public resources. Corruption continues to be a challenge, as reflected in Senegal's rank of 85 out of 146 countries in Transparency International's 2004 corruption perception index. The Government of Senegal (GOS) recently established a committee to fight corruption and developed a plan to improve transparency in public management, including the adoption of a new procurement code.

Social indicators are improving due to substantial government and donor investments in education, health, and other social services. The GOS successfully reached the Heavily Indebted Poor Country (HIPC) completion point and has received debt relief. Thanks in part to this program, the GOS is now investing 40% of its budget in education (up from 33% in 2002) and 10% in health. According to the household survey conducted in 2001-2002, the percentage of persons living in poverty fell from 67.9% in 1994 to 57.1% in 2003. The survey also indicates that poverty remained greater in rural areas than in urban areas. The GOS is strongly committed to reducing the incidence of poverty to 50% by 2015. However, poverty reduction on this scale will require achieving annual growth rates of at least 8%. Senegal urgently needs growth, jobs, and the capacity to produce and manufacture goods rather than just trade them. In the social sectors, Senegal has increased the gross access ratio to the first grade of primary school (from 72.36% in 1996 to 85.1% in 2003), particularly for girls and children living in rural areas. Vaccination rates have increased from 67% in 2003 to 70% in 2004, after a precipitous drop in the late 1990s due to reduced donor funding. Good leadership, early policy dialogue, and social mobilization have helped Senegal contain the spread of HIV/AIDS, with prevalence currently at 1.4% of the population.

U.S. national objectives in Senegal are threefold: (1) contributing to peace, stability, and the consolidation of democracy in the region; (2) supporting Senegal's efforts to strengthen democratic systems and accelerated economic growth; and (3) combating terrorism. USAID's program of assistance in Senegal is particularly attuned to the priorities expressed in the joint USAID-State Department Performance Goals. It supports the joint objectives of promoting stable political and economic conditions that prevent terrorism from flourishing and strengthening institutions, laws, and policies that foster private sector led growth, macroeconomic stability, and poverty reduction. Senegal is still fragile, however, and will continue to need substantial assistance to resolve the conflict in the Casamance region and to create a sustainable growth dynamic that effectively attacks poverty and strengthens and deepens democracy, thereby safeguarding stability. It is in the U.S. interest to continue a robust USAID program that tackles the

problems of poverty and fosters a peaceful environment in the Casamance so that Senegal can continue to serve as a role model for the rest of West Africa.

The USAID Program: The program's objectives tackle the major constraints to Senegal's development. To encourage economic growth, the private enterprise program will make it easier to start and operate a business and build trade capacity, particularly for nontraditional agricultural and natural products. To strengthen democracy at the grassroots, funds will be used to improve the effectiveness, transparency and accountability of local governments as well as broaden political participation. The health program targets HIV/AIDS prevention and treatment and improving the health of women and children, particularly through reduction in malaria and other infectious diseases. The basic education program, in collaboration with the President's Africa Education Initiative, will increase the number of children, especially girls, who complete middle school. Finally, USAID will request additional FY 2005 funds for community-led peace initiatives in the Casamance to reinforce resolution of that long-running conflict.

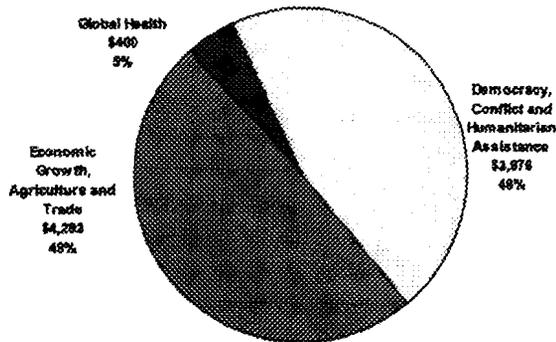
Other Program Elements: USAID's Office of U.S. Foreign Disaster Assistance (OFDA) provided more than \$7.2 million in FY 2004 to Senegal and Mauritania to control the invasion of locusts and thereby prevent the destruction of a significant portion of crop harvests and pasture. USAID's Bureau for Democracy, Conflict and Humanitarian Assistance provided funds to promote resettlement and reintegration of internally displaced persons in the Casamance. Food for Peace P.L. 480 Title II resources are used for development activities such as sesame production and marketing, school feeding, health and nutrition, and for supporting people living with HIV/AIDS. The Office of Women in Development, Bureau for Economic Growth, Agriculture and Trade provided the Mission with funds to support a study on the practice of trafficking in persons in Senegal. USAID/Senegal manages the Presidential Digital Freedom Initiative, a pilot program that provides U.S. technology volunteers to assist local Senegalese technology firms in designing specific software and hardware solutions. Several U.S. private sector technology firms (notably Cisco Systems, Inc., and Hewlett-Packard) are donating substantial amounts of expertise and equipment. Through the program, USAID and its partners are working with Senegalese business associations to establish an information network to link entrepreneurs overseas with productive investment opportunities in Senegal.

USAID financed several studies to assess Senegal's public finance and public procurement systems, and the country's absorptive capacity and readiness for MCA funding. As part of its ongoing economic growth promotion efforts, USAID commissioned a study on the use of public-private partnerships to finance development activities in Senegal whose results were presented to the cabinet and a widely attended public forum. Over the past year, USAID has actively engaged new audiences and developed creative ways to increase awareness among the Senegalese people of the benefits of USAID's development activities. Journalists were invited in joint visits of projects. These visits resulted in USAID activities being featured more consistently and accurately in the local media.

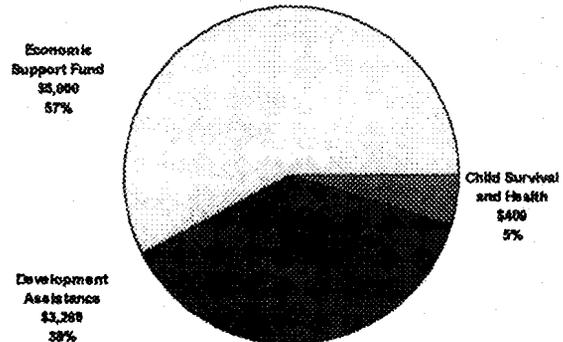
Other Donors: Donor collaboration and information exchange are excellent. Donor coordination is led by the World Bank and the United Nations Development Program. Numerous sectoral committees such as the Private Sector Working Group (coordinated by USAID) allow donors to share information and lessons learned and explore new opportunities for collaboration. Direct development assistance to Senegal in 2002 was estimated at \$320 million (9.5% of GDP). More than half of total development assistance was provided by the World Bank (22%), France (19%), and Japan (11%). The United States provided \$30.6 million, or about 9% of development assistance, ranking approximately fifth in resources behind the European Union, but the United States ranked third in 2004 in actual spending (93% disbursement rate in 2004). Most donors' development aid is provided in the form of project and technical assistance, while 6.8% is budget support. During the last Consultative Group meeting in June 2003, donors pledged approximately \$1.4 billion to finance the 2003-2005 Priority Action Plan for Senegal's Poverty Reduction Strategy. Senegal's attainment of the HIPC initiative completion point in 2004 will enable the cancellation of \$850 million in sovereign debt payments over the next 10 years.

Sierra Leone

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

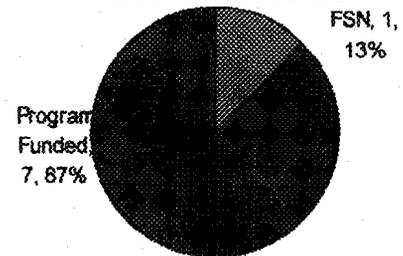
Objective	SO Number	FY 2004	FY 2005	FY 2006
Reintegration	636-001	3,968	6,418	4,693
Strengthening Democracy	636-002	4,788	4,534	3,976
Total (in thousands of dollars)		8,756	10,952	8,669

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation		148	151
USDH Salaries & Benefits			
Program Funds	269	269	269
Total (in thousands of dollars)	269	417	420

FY 2006 Workforce



Mission Director: Annette Adams

Sierra Leone

The Development Challenge: After 25 years of poor governance under one-party rule followed by an 11-year brutal civil war which ended in 2002, Sierra Leone is now on a steady but difficult path to recovery. Although regional instability continues, Sierra Leone itself is moving toward peace and development thanks to a United Nations (U.N.) Peacekeeping Force and a substantial international investment in returning Sierra Leone to a peaceful, stable and self-sufficient country. Today's peace and stability are fragile, but the outlook is optimistic. Sierra Leone's future lies in maintaining the momentum toward positive development and ensuring the sound management of its substantial mineral, agricultural and fishery resources. For this to happen, better democratic performance on the part of Sierra Leonean leadership must prevail.

The remnants of the civil war are seen in the charred-out homes, schools and hospitals that still litter the countryside and towns, and the limbless children and adults inhabiting the cities and upcountry villages. With this backdrop, it is not surprising that Sierra Leone still holds the rank of 177, last on the U.N. Development Program's 2004 Human Development Index. Sierra Leone's population has grown from 2.9 million in 1975 to 4.8 million in 2002. Almost half of the population is under 15 years of age and urban migration is increasing rapidly. Almost half the country's population is expected to move to the cities over the next ten years. Real GDP growth has increased from 3.8% in 2000 to 6.9% in 2003, yielding a steadily upward trend from 1999's low of -8.1%. As a poor and heavily indebted nation, Sierra Leone remains heavily reliant on foreign aid.

Despite the profound effects of war, the country is on the mend, and donors are challenged to move their assistance from emergency relief towards the longer-term challenges of real development. These challenges include strengthening democratic institutions and governance to sustain peace and stability. Corruption remains rampant and ubiquitous. However, spurred by Anti-Corruption Commission actions, press activism, and donor support, change is coming about through awareness at the grassroots level that corruption will stifle any hope for improvements in Sierra Leoneans' lives. The challenge is now to ensure, at a minimum, a foundation of peace, stability, and food security upon which development can take root. In that regard, President Kabbah has identified food security and increased agricultural production along with decentralization as his top priorities. USAID's program also focuses on these priorities in its Transition Strategy.

The United States has a number of national interests at stake in Sierra Leone. Having provided over \$300 million annually in support of the U.N. Peacekeeping Forces, it is in the US interest that this path to stability be maintained in order to capitalize on this investment and avert the need for such support in the future. Sierra Leone's stability is also intertwined with that of the neighboring Mano River Union countries of Guinea and Liberia where armed cross-border factions continue to be a destabilizing factor in the subregion. Maintaining peace and stability in Sierra Leone will contribute to regional security.

The USAID Program: USAID's Transition Strategy, which currently covers the period FY 2001 through FY 2006, includes two mutually-supporting Special Objectives. Under the Reintegration Objective, USAID will continue to provide social, economic and physical support to further solidify the ongoing reintegration process. Efforts are shifting from relief activities such as basic infrastructure rehabilitation and feeding programs to programs which boost agricultural production and increase employment skills and opportunities such as agricultural extension, marketing, and entrepreneurial training. USAID also continues its Democracy Special Objective, aimed at broadening participation of local communities and interest groups in key national and local issues such as the utilization of Sierra Leone's diamond resources, the provision of social services, and putting an end to corruption. During FY 2005, USAID will scale up efforts to focus on youth and gender issues designed to reduce violence, promote community healing, and safeguard human rights. The program will also increase emphasis on training politicians at the local and national levels in constituency relations, improved governance, and anticorruption. Advocacy training for civil society organizations will also receive increased emphasis.

Other Program Elements: Resources from the War Victims and Displaced Children and Orphans Funds support important initiatives that help ease the trauma and suffering of war victims by providing

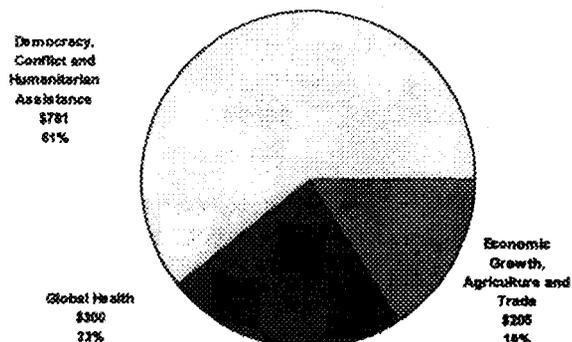
prosthetics, psycho-social therapy, and basic vaccination programs to women and children. The West African Regional Program continues to fund an HIV/AIDS prevention program, along with a Sierra Leone-based regional human rights activity which provides counseling, community information, and training to victims of war-related sexual assault and post-war domestic violence and sexual assault. USAID's Bureau for Global Health and Bureau for Africa support activities that include micronutrient supplementation, polio eradication, and child survival programs.

USAID's Office of Food for Peace has transitioned from a food-relief program to a food for development program with the startup of its major three-year, \$15 million agricultural production and health program. This new program is closely coordinated with USAID's Reintegration Special Objective, which targets the same geographic area.

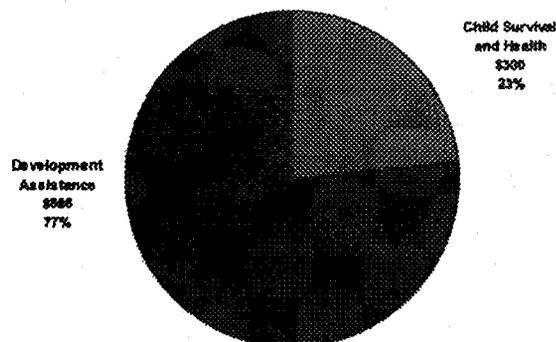
Other Donors: In addition to the United States, the key donors active in Sierra Leone are the United Kingdom (governance, law enforcement, budget support, civil society development, and the mining sector), the European Commission (health sector, transport and social infrastructure, budget support, decentralization, institution building, and governance and accountability), the World Bank (HIV/AIDS, basic education, energy sector, transport sector, community development, capacity building, and urban water supply) and the United Nations Development Program (procurement reform, civil service regulation, infrastructure, youth development, resettlement, policy development for decentralization and devolution of service delivery, poverty reduction, and justice sector support). Coordination remains strong, with regular meetings held with the Government of Sierra Leone and major donors. For humanitarian assistance, the United States was the largest single donor to the U.N. Consolidated Appeal for Sierra Leone in FY 2004 followed by the European Commission and Japan. Other major donors providing humanitarian assistance include Sweden, the Netherlands, Switzerland, Norway and Germany.

Somalia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

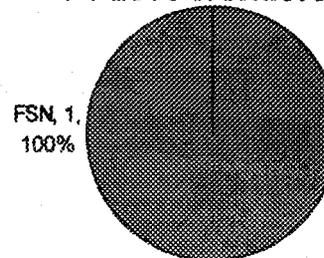
Objective	SO Number	FY 2004	FY 2005	FY 2006
Local Governance and Conflict Mitigation	649-004	1,000	2,451	1,188
More Productive Livelihoods	649-005	799	2,549	
Humanitarian Assistance	649-006	200	100	100
Total (in thousands of dollars)		1,999	5,100	1,286

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation			
USDH Salaries & Benefits			
Program Funds	304	40	40
Total (in thousands of dollars)	304	40	40

FY 2006 Workforce



Mission Director: Andrew Sisson

Somalia

The Development Challenge: Since the overthrow of Siad Barre in 1991, Somalia has lacked a central government and has been divided into a myriad of different fiefdoms controlled by rival warlords, who occasionally clash for territory. The current Transitional Federal Government (TFG) is based in Kenya. There have been numerous failed attempts at reconciliation; however, the most recent peace process led by the Intergovernmental Authority on Development (IGAD) in Kenya has achieved several major breakthroughs. A president, Abdullahi Yusuf Ahmed, was elected in October 2004 in Kenya by members of the transitional parliament, prime minister, Ali Mohamed Ghedi, was appointed in November, and a cabinet was confirmed in January. The present challenge is for the new government to relocate from Kenya and to establish security, legitimacy and acceptance. The threat of terrorism is central to international interest in Somalia. Maintaining livelihoods and a minimum level of health is a constant challenge to the population of Somalia. Infant and under five child mortality rates are among the highest in the world at 133 and 225 per 1,000 live births respectively. Somalia also reports one of the highest maternal mortality rates in the world with an estimated rate of 1,100 deaths per 100,000 caused by poor antenatal, delivery, postnatal care and limited obstetric facilities. An alarming humanitarian crisis is developing, triggered by the cumulative effects of successive poor rains, the deteriorating food security situation and civil conflict. Some 1.2 million vulnerable Somalis in both agricultural and pastoral areas currently require humanitarian assistance. The cyclical drought affecting the north, the worst experienced in over 30 years, is spreading to include the central regions. The combined effects of poverty and the post-war breakdown of natural resource management have resulted in severe environmental degradation which dramatically undermines food security. It is estimated that only about 20% of children of primary-school age go to school in Somalia, one of the lowest enrollment rates in the world. U.S. national interests are clear. Stability and security will not be achieved in the greater Horn of Africa region without an end to conflict and Somali support for terrorism. The United States and its allies combat extremism in Somalia by taking an active role in the peace process, with humanitarian assistance and support for long-term economic, social and democratic development.

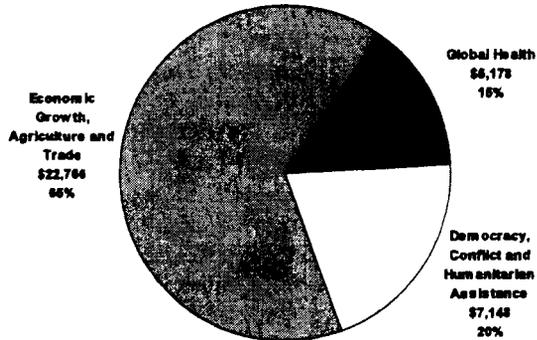
The USAID Program: USAID's development programs in Somalia are aimed at increasing the number of self sustainable civil society organizations that contribute to good governance and peace building with cooperative, productive linkages with regional and local authorities. USAID supports community-based reconciliation efforts, assisting local community-based grassroots institutions and organizations to formulate civil society-oriented democracy and effective governance across Somalia. USAID also supports basic education with the aim of increasing girls' enrollment rates and improving teacher education. Assistance includes building the capacity of teacher training institutes, training for primary teachers, rehabilitating classrooms, providing water and sanitation facilities at schools and mobilizing communities to promote girls' education. USAID uses Development Assistance (DA), Economic Support Funds (ESF), International Disaster and Famine Account (IDFA), and food assistance to implement an Integrated Strategic Plan (ISP).

Other Program Elements: USAID's international disaster and famine assistance is targeted at meeting the critical needs of vulnerable groups. Office of Foreign Disaster Assistance (OFDA) support is devoted to supplementary nutrition programs, re-establishment of infant growth monitoring, rehabilitation of health facilities, provision of essential medicines, immunization programs, rehabilitation of water resources, and logistical support throughout vulnerable areas of Somalia. P.L. 480 food aid helps vulnerable and drought-affected populations in northern and southern Somalia, through food-for-work activities, school feeding, and direct emergency distribution.

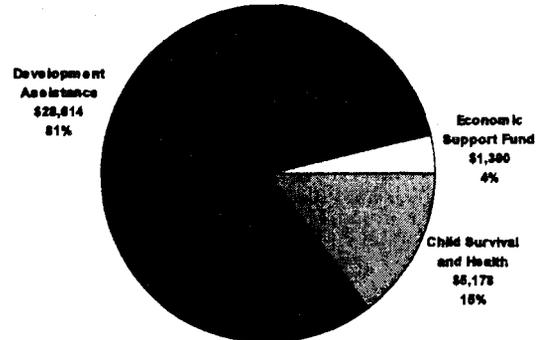
Other Donors: Somalia receives aid from several multilateral and bilateral sources. The United States is the largest bilateral donor while the European Union is the largest multilateral donor to Somalia. The European Union provides assistance in primary health care, rural development, livestock production and marketing, and irrigation infrastructure. Other major donors include the World Bank, Italy, Japan, Sweden, Norway, the Netherlands, Britain and Denmark. Minor donors include Canada, Finland, Germany and Egypt. Several UN agencies, particularly the United Nations Development Program and United Nations Children's Fund, provide assistance as well.

South Africa

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



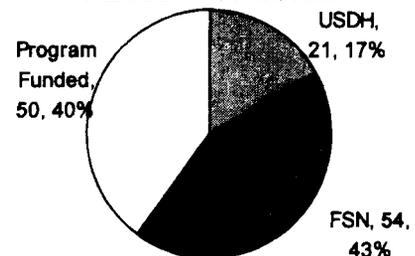
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Democracy and Governance	674-001	5,316	6,068	7,148
Education	674-002	9,376	7,248	8,366
Economic Capacity Building	674-004	3,728	2,400	2,100
Housing & Municipal Services	674-006	6,041	4,833	4,817
HIV/AIDS and Primary Health Care	674-008	31,028	5,328	5,178
Employment Creation	674-009	6,925	6,603	7,483
Total (in thousands of dollars)		62,414	32,480	35,092

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	5,386	5,118	5,245
USDH Salaries & Benefits	2,371	2,959	3,023
Program Funds	6,227	6,943	6,909
Total (in thousands of dollars)	13,984	15,020	15,177

FY 2006 Workforce



Mission Director: Carole Palma - Acting

South Africa

The Development Challenge: South Africa celebrated a decade of democracy in 2004, and held its third consecutive national democratic elections. However, ten years after its peaceful transition from apartheid, much remains to be done to address past constraints and inequities. The coming years are equally important for South Africa's future in order to ensure continued stability, to consolidate democracy, and to focus on addressing the key challenges of unemployment, crime, HIV/AIDS, and housing.

The South African government has fostered the transformation of a closed, insular economy to one that is open and driven by free market principles. Sound economic management has resulted in steady real economic growth for a record six straight years. However, growth has been too slow to reduce poverty, to significantly reduce unemployment, or to tackle the unequal distribution of wealth. In a 2004 survey, South Africans ranked unemployment--estimated at 27.8%--as the country's most serious problem. The government lacks sufficient data on the demographics of the poor, making it difficult to target anti-poverty programs effectively. After his re-election in 2004, President Thabo Mbeki declared that the government would stimulate the growth of the country's small, medium, and micro enterprises, which employ approximately 66% of the workforce and generate 35% of the country's gross domestic product.

While official statistics show that crime rates are slowly declining, crime remains a central concern for the government because it directly impacts people's lives and undermines public confidence and investment. Crime ranks as the second highest concern of South African citizens. Corruption--the country's most prevalent crime, after burglary--diverts resources from addressing citizen needs, particularly the poor. South Africa also has one of the world's highest incidences of gender-based violence, including rape, a condition that has the potential to derail other social and economic gains.

South Africans' life expectancy has decreased dramatically since 1994, primarily due to the rapid spread of HIV/AIDS. HIV prevalence has now risen to 27.9% of pregnant women. With 5.6 million infected citizens, South Africa has more HIV-infected people than any other country. HIV/AIDS and tuberculosis are closely linked; one fuels the other, leading to numerous deaths and adding to an over-burdened health care system. Vulnerability to HIV/AIDS is greatest in informal settlements, where poverty, labor migration, domestic violence, rape, and the breakdown of family norms all are contributing factors. The South African government began the rollout of a comprehensive HIV/AIDS program, including anti-retroviral treatment, in April 2004.

Local government is essential to South Africa's socioeconomic development. Municipalities are responsible for providing basic services such as water and sanitation, but 10 million historically disadvantaged South Africans live in slums and are under-served with regard to basic shelter, water and sanitation, power, and transport services. To deal with the country's housing problem, the government has proposed constructing 300,000 housing units annually for the next 10 years--with \$7 billion in urban infrastructure required to bring housing and services to minimum acceptable standards for the majority of the historically disadvantaged population.

Education is key to sustainable socioeconomic development, but the legacy of apartheid poses challenges in South Africa. The apartheid system excluded blacks in South Africa from receiving quality education in areas such as math and science that provide the skills needed for higher paying jobs. Despite significant gains in the last ten years, many rural schools still do not have qualified math, science, and technology teachers.

The United States has a strong national interest in South Africa as a leader in sub-Saharan Africa and as a trading partner. South Africa is active in regional bodies such as the African Union, the New Partnership for Africa's Development, and the Southern African Development Community. South Africa plays a leading role in promoting peace and stability around the continent, and has been actively engaged in efforts to resolve conflicts in the Democratic Republic of Congo, Cote d'Ivoire, Rwanda and Burundi. South Africa is a positive example for its African neighbors with its tremendous strides toward ruling justly and investing wisely in people and their economic freedom.

The USAID Program: The USAID program in South Africa focuses on leveling the playing field for historically disadvantaged individuals and on addressing the greatest challenges to South Africa—unemployment, HIV/AIDS, and crime. USAID's program concentrates on institutional and policy changes that promote sound governance, transparency, and accountability; improved quality of basic and higher education; enhanced capacity of the healthcare system to address HIV/AIDS and tuberculosis; economic policies and programs that reduce unemployment and poverty; and increased access to shelter and basic municipal services. A regional initiative managed in South Africa addresses the impact of HIV/AIDS throughout southern Africa; it is included in the southern Africa regional program discussion.

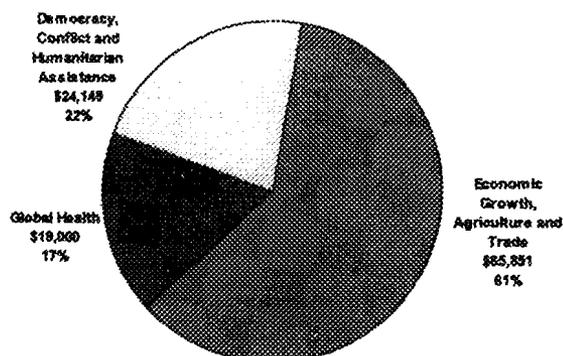
Other Program Elements: Sixteen centrally funded and eleven regionally funded activities complement USAID's South Africa program. These activities include technical assistance to support agribusiness; strengthening business linkages between small retailers and wholesalers; and assistance to municipal governments with transportation and related environmental issues. USAID programs also provide capacity building and organizational development services to South African organizations. For example, child survival and HIV/AIDS activities target orphans and other vulnerable children, and an education activity provides teacher training and develops textbooks in 10 indigenous languages. Regional activities focus on governance surveys to assist decision-makers, media watchdogs to protect freedom of the media, and election norms and standards with conflict mitigation measures. Regional programs also address economic integration, trade competitiveness, and development of the information, communications and technology sector, as well as help develop a vaccine against heartwater, a tick-borne disease that adversely impacts the region's livestock.

South Africa is a focus country under the President's Emergency Plan for AIDS Relief. FY 2005 funding will be provided from the Global HIV/AIDS Initiative under the policy direction of the U.S. Global AIDS coordinator. The FY 2006 HIV/AIDS request for this country is contained in the Global HIV/AIDS Initiative account justification. For further details please see the Department of State FY 2006 Congressional Budget Justification.

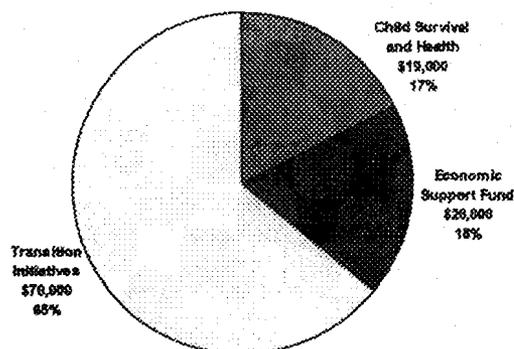
Other Donors: USAID is the largest bilateral donor and second largest overall donor in South Africa after the European Union, which works in the areas of HIV/AIDS, capacity building, civil society, governance, and environment. The United Nations Country Team, which includes 14 different agencies and programs, focuses on HIV/AIDS, integrated sustainable rural development, and regional integration. Major bilateral donors include the United Kingdom (poverty reduction, economic growth, governance, HIV/AIDS), the Netherlands (local government, youth, education, justice), and Germany (community development, public administration, education, business, and employment promotion). USAID works closely with the United Kingdom (UK) on a USAID-developed training program for parliamentarians. In addition, USAID, the UK, and Australia are collaborating with South African organizations and research institutions to improve the capacity of South Africans to analyze, negotiate, and implement international trade agreements. The UK and USAID are jointly implementing a program to address the causes and find solutions to poverty and unemployment.

Sudan

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

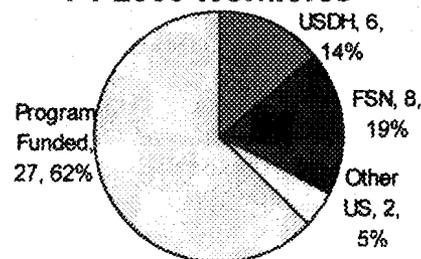
Objective	SO Number	FY 2004	FY 2005	FY 2006
Support to the Peace Process	650-004	11,941	20,840	21,000
Governance	650-005	12,922	9,849	9,849
Education	650-008	8,041	10,251	10,251
Health Transformation	650-007	11,500	16,000	19,000
Economic Recovery	650-008	28,300	48,900	48,900
Total (in thousands of dollars)		72,704	105,840	109,000

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,322	307	314
USDH Salaries & Benefits	440	972	993
Program Funds	2,483	3,678	3,418
Total (in thousands of dollars)	5,245	4,957	4,725

FY 2006 Workforce



Mission Director: Allan Reed

Sudan

The Development Challenge: The Government of Sudan (GOS) and the Sudan People's Liberation Movement (SPLM) have signed a comprehensive peace agreement after more than two years of negotiations. The agreement provides an end to the civil war, including fundamental changes in governance through power-sharing, wealth-sharing, security arrangements, and a formal ceasefire. It is hoped that these changes will provide a framework for resolving conflicts in other unstable areas of Sudan, most notably Darfur and Eastern Sudan. The beginning of this new era will entail a New Sudan model of governing with autonomy for a southern entity within the context of a national unity government during the six-year interim period provided for in the peace agreement. The key to stability in Sudan is the faithful implementation of this historic agreement by both parties.

The war has been the central focus of political life throughout Sudan for more than 20 years. It has caused the loss of two million lives and left more than four million displaced. Sudan has an extremely high external debt burden of \$21 billion. Communities outside the northern riverine states remain marginalized from economic opportunity and political decision-making. Destruction and neglect have resulted in essentially no physical infrastructure and institutional capacity in southern Sudan. Low agricultural production and inaccessible markets are additional legacies from more than two decades of conflict and development neglect. The per capita gross national income in southern Sudan is estimated to be less than \$90 per year, with 90% of the population earning less than a dollar a day.

Estimated social indicators for South Sudan include a high population growth of almost 3% per year with a female population of greater than 60%; life expectancy around 42 years of age; infant mortality at 150 per 1,000 births and severe malnutrition of around 21% among children under 5. HIV/AIDS is an emerging threat, and malaria and diarrhea are the biggest causes of child mortality. Children have limited access to basic education and an estimated 80% of all adults, especially women, are unable to read.

Some 420,000 Sudanese refugees reside in formal refugee camps in Uganda, Kenya, Ethiopia, Eritrea and the Democratic Republic of Congo. Large numbers of people, including the diaspora are expected to return to their home communities this year. Sustainability of the peace agreement will depend in part on the ability of the SPLM to manage the war-to-peace transition. The SPLM will need to change from a guerilla movement to a political organization to effectively create and participate in an environment of formal institutional arrangements for democratic governance. Donor community contributions and proceeds from oil production are expected to increase revenues to southern Sudan. This influx of funds could cause economic shocks and overwhelm the existing and extremely fragile new institutions and structures.

Throughout the years of negotiation, the United States has been at the forefront of encouraging the parties to negotiate a durable peace agreement that will safeguard human rights and religious tolerance; end state sponsorship of international terrorism; and ensure unimpeded access to deliver humanitarian and development assistance. The United States will continue to pressure the parties to implement the comprehensive peace agreement signed on January 9, 2005. A peaceful Sudan is important to the United States to promote regional stability in the volatile horn of Africa.

The USAID Program: The program demonstrates how USAID will respond to the great challenges and many opportunities in assisting the South Sudanese in their transition from conflict to peace. All program activities and expected results are based on the assumption that the peace agreement will be implemented. USAID's goal is to establish a foundation for a just and durable peace with broad-based participation of the Sudanese people. While the peace program focuses on short-term conflict mitigation, and humanitarian relief and rehabilitation, the four sector programs lay the foundation for long term recovery by focusing on more responsive and participatory governance; improved equitable access to quality education; increased use of health, water and sanitation services and practices; and establishing a foundation for economic recovery. With Sudan making a major historic transition from war to peace, the FY 2005 funds will be used to further peace reconciliation efforts and build economic and social capacities of institutions and people, and to develop infrastructure. USAID will need funds with the flexibility to take advantage of new program opportunities in FY 2006. In FY 2006, the new Transition

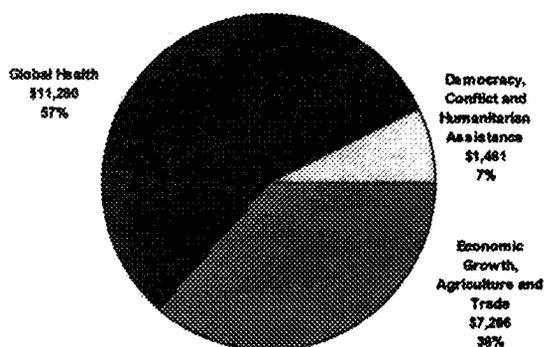
Initiatives (TI) account will provide resources and operational flexibility for USAID to assist Sudan's transition out of civil war to peace. TI funds will quickly respond to opportunities that the peace presents to build systems of governance and institutions, stabilize pockets of instability, and assist returning IDPs. As implementation of the peace process and USAID's strategy progresses, USAID will also encourage public-private partnerships, when appropriate and within the context of applicable sanctions, to leverage international and local private resources to increase efficiency and enhance total assistance to Sudan. USAID and its nongovernmental implementing partners will work with appropriate southern Sudanese authorities. In the former opposition-administered areas, USAID coordinates activities with the SPLM and will begin working with the new Government of Southern Sudan (GOSS) once it is established. In former GOS-administered areas, coordination of humanitarian assistance is with the GOS-Humanitarian Affairs Commission, within the legal parameters of U.S. sanctions against Sudan. USAID will also coordinate with other appropriate entities identified in the comprehensive agreement as soon as they become active.

Other Program Elements: USAID will also continue to respond to other humanitarian crisis needs throughout the country. In FY 2005, humanitarian funds are used for immediate disaster response, especially in Darfur, where escalating conflict has displaced an estimated 1.6 million people and sent another 200,000 fleeing across the border into eastern Chad. Funds are also used for continuing essential health, water and sanitation services for war-affected communities; for quick-impact programs that build public support for peace by providing rapid and visible benefits to communities; and for nutritional support for war-affected communities through food aid. Transition Initiatives funds provided through USAID's Office of Transition Initiatives are used to support the emergence of an accountable and transparent civil authority; restore peace among communities through support to local dialogues; assist in the emergence of an empowered and active civil society; and increase access to quality, independent information. The education sector will continue to receive support from the centrally-managed Africa Education Initiative to accelerate and promote teacher training, especially for women. In addition, USAID will work to promote an integrated response to mitigating trans-border conflict dynamics and increased market activity, particularly with regard to northern Uganda. Conflict mitigation, rehabilitation, recovery and long-term development are inextricably linked in the southern reaches of Sudan and northern Uganda. ESF funds will be programmed and notified separately by the U.S. Department of State.

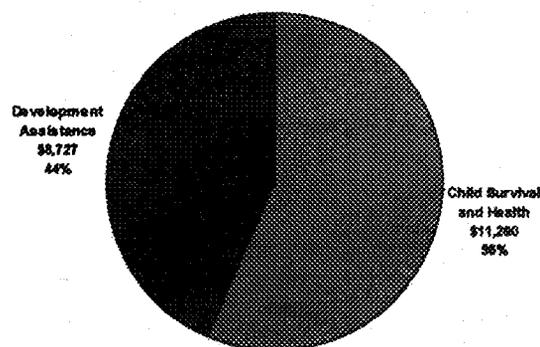
Other Donors: With the conclusion of a comprehensive peace agreement, other donor funding for reconstruction and development is expected to increase. The United States remains the key major donor providing funds for reconstruction and development in SPLM administered areas. Other donors providing humanitarian assistance throughout Sudan include The European Union (commodities and cash), Germany, Norway, Sweden, United Kingdom, Canada, Italy, Belgium, the Netherlands, Finland, Switzerland and Japan. These entities channel humanitarian assistance primarily through United Nations (UN) agencies, and non-governmental organizations. Various UN agencies provide core funds in addition to administering other donors' humanitarian efforts. The UN Humanitarian Coordination Unit provides coordination services, and the World Food Program (WFP) and UN International Children's Fund (UNICEF) administer large programs. Other participating UN entities include the Food and Agriculture Organization (FAO), UN Development program (UNDP), Population Fund (UNPF), the Office of the UN High Commissioner for Refugees (UNHCR), and the World Health Organization (WHO). The establishment of multi-donor trust funds is under discussion.

Tanzania

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



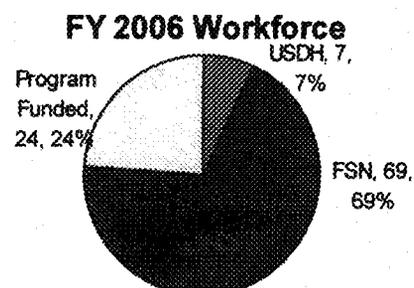
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Family Health and HIV Prevention	621-001	23,000		
Democracy and Governance	621-003	3,389		
Natural Resource Management	621-008	2,845		
Economic Growth	621-009	1,889		
Health Status	621-011		12,150	11,160
Incomes Increased	621-012		1,965	2,951
Environment and Natural Resources	621-013		2,233	2,700
Public Accountability	621-014		3,689	2,926
Program Support	621-015		125	250
Total (in thousands of dollars)		31,123	20,162	19,987

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	3,735	3,494	3,581
USDH Salaries & Benefits	1,107	1,020	1,042
Program Funds	1,235	1,865	1,865
Total (in thousands of dollars)	6,077	6,379	6,488



Mission Director: Doug Sheldon - Acting

Tanzania

The Development Challenge: Since independence in 1961, Tanzania has stood out as one of the few stable countries in east and southern Africa. Tanzania plays a constructive role among its neighbors by hosting hundreds of thousands of refugees and leading efforts to resolve regional conflicts peacefully. Following decades of one-party socialism and economic stagnation, Tanzania embarked on a fundamental political and economic transformation in the early 1990s. The nation's first multi-party elections were held in 1995 and subsequent elections occurred in 2000. Since 1999, the Government of Tanzania (GOT) has been undertaking its National Framework on Good Governance in an attempt to enhance public participation and improve governmental accountability. An anti-corruption bill is currently being discussed. Tanzania has made major strides in converting to a market economy, institutionalizing reforms that are controlling inflation and deficit spending, increasing investment, and privatizing public enterprises. Tanzania's annual gross domestic product grew 5.6% in 2003 and sustains annual economic growth rates among the best in sub-Saharan Africa. Tanzania was one of the first countries in the world to qualify for debt relief under Heavily Indebted Poor Country (HIPC). Recently, Tanzania qualified as a Millennium Challenge Account Threshold country.

However, its political and economic development is impeded by several harsh realities: high rates of infectious disease such as HIV/AIDS; unsustainable natural resource exploitation; structural obstacles to higher economic growth; institutional and human capacity limitations; corruption; a fragile democracy with no credible opposition to the ruling party on Tanzania's mainland; and struggling democracy in Zanzibar. The 2004 United Nations Development Program Human Development Index ranked Tanzania 162 out of 175 countries. The World Bank estimates Tanzania's 2004 per capita income at \$280. Women's income levels are 50% lower than that of men. Sixty percent of Tanzanian women are estimated to live in poverty. Roughly half the population of 35 million subsists on less than \$0.65 per day, with 40% of Tanzanians unable to meet their basic daily needs. Only 76% of adults are literate. Although primary school is free and mandatory, the current enrollment rate is 87.4% and is roughly equal between boys and girls. Of the 5.3% of students enrolled in secondary school, 46% are female. Life expectancy is 44 years and falling, while the infant mortality rate is 99 per 1,000 and rising. These phenomena are largely attributable to a national HIV/AIDS infection rate of 7%. Tanzania is approaching a critical period in its transition to democratic governance. In October 2005, general elections will test the durability of the electoral process and institutions of democratic governance, particularly as it relates to Zanzibar.

U.S. interests in Tanzania are two-fold. First, Tanzania plays a constructive role among its East and Central African neighbors in leading efforts to resolve regional conflicts peacefully and hosting approximately 400,000 documented refugees. Second, Tanzania is a key ally in combating terrorism. In a volatile region, it is a stable country progressing on a path of democratic governance and market-based economic reform and growth and offering avenues for outreach to a large Muslim population.

The USAID Program: USAID assistance helps Tanzania tackle its most compelling development challenges: improving public health and curtailing the spread of HIV/AIDS; increasing income-generating opportunities for small farmers; enabling market reforms; conserving biodiversity; and creating capacity for effective governance and strengthened civil society. In FY 2005, USAID will initiate a new country strategy for Tanzania that builds on the successes achieved under the previous strategy. While funding will continue to be directed to the same sectors, some shifts in program emphasis will occur. Under the new strategy, FY 2005 funds will ensure people-level improvements in Tanzania's economic status through increased private sector-led economic growth and competitiveness in agriculture. In addition, funds will also help to halt the deterioration of the health status and help to contain the HIV/AIDS epidemic. Environmental program funds in FY 2005 will support continuing conservation and sustainable natural resource utilization efforts by the central government and local communities. The governance program will focus on governmental accountability. Increased community participation in the management of and benefits from natural resources will be a funding priority. Expanding rural income opportunities and improving food security through more competitive agriculture-based enterprise and trade will feature prominently. Under the Africa Education Initiative, Tanzania receives funding for in-service teacher training. USAID is ensuring that cross-cutting themes (e.g., gender, public-private partnerships, governance and information and communication technology) are fully integrated in the

entire program.

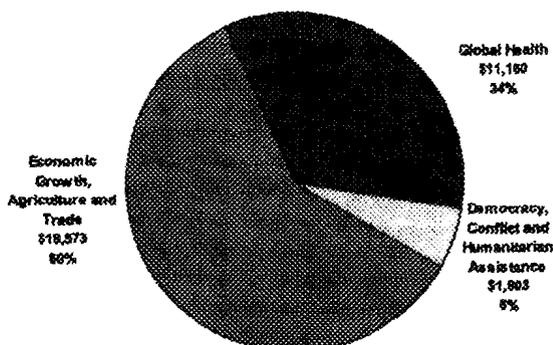
Other Program Elements: Centrally managed USAID funds from The Global Alliance for Vaccines and Immunization help Tanzania develop sustainable immunization programs. Regional Africa programs support the Commonwealth Regional Health Community Secretariat to promote policy reform and dialogue with members of the British Commonwealth countries in Africa. Also, regional Africa programs support a trade expansion activity that focuses on making the region more competitive in world markets. The Global Conservation Program supports Tanzanian biodiversity conservation efforts in Northern Tanzania and along the Rufiji-Kilwa-Songosongo seascape. The Famine Early Warning System, managed by USAID in Washington, furnishes food availability information to the GOT.

Tanzania is a focus country under the President's Emergency Plan for AIDS Relief. FY 2005 funding will be provided from the Global HIV/AIDS Initiative under the policy direction of the U.S. Global AIDS coordinator. The FY 2006 HIV/AIDS request for this country is contained in the Global HIV/AIDS Initiative account justification. For further details please see the Department of State FY 2006 Congressional Budget Justification.

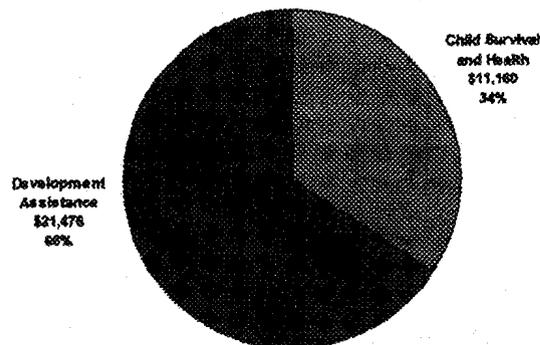
Other Donors: Japan (agriculture, transport) and the United Kingdom (public sector finance, agriculture) are Tanzania's first and second largest bilateral partners, together providing more than one-third of bilateral assistance. Other bilateral donors include Denmark (health); Sweden (information technology, wildlife); Germany (information technology, wildlife, health); Norway (energy); and the Netherlands (rural development, health). USAID has been the lead bilateral donor of HIV/AIDS and for wildlife and coastal resource management. USAID activities in health, governance and civil society attract contributions from several bilateral donors. Multilateral donors include the World Bank and the International Monetary Fund, which provide over 50% of all multilateral financing; the United Nations agencies; the African Development Bank (rural and micro enterprises) and the European Union (rural roads, basic education). The donor-created Independent Monitoring Group in Tanzania periodically assesses coordination and the donor relationship with the GOT, and recommends improvements.

Uganda

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



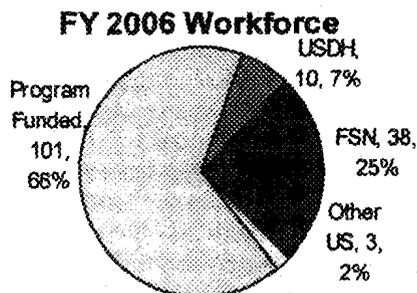
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Development	617-007	19,216	16,051	13,976
Human Capacity	617-008	42,703	18,145	16,757
Governance and Conflict	617-009	2,277	5,746	1,903
Total (in thousands of dollars)		64,196	39,942	32,636

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	5,456	4,027	4,412
USDH Salaries & Benefits	1,273	1,467	1,498
Program Funds	3,183	3,721	3,773
Total (in thousands of dollars)	9,912	9,215	9,683



Mission Director: Vicki Lynn Moore

Uganda

The Development Challenge: It has been 15 years since Uganda began the long road to economic recovery following two decades of economic chaos and civil unrest. The Ugandan economy achieved an impressive 7.2% annual growth during the 1990s. This was the result of the re-establishment of law and order and macroeconomic stability, the rehabilitation of major infrastructure, market liberalization, including opening up the economy to external trade, the liberalization of input markets, and the liberalization of export markets in coffee, cotton, and tea. The annual gross domestic product (GDP) growth rate dropped from an average of 6.3% in 1998-2003 to 5.8% in 2003-2004. This slowdown has been reflected in poverty indicators. According to the latest figures from the 2002-3 National Household Survey, the population in poverty increased from 34% in 2000 to 38% in 2003, or nine million people today living on less than \$1 a day, compared to 7.8 million in 2000. Households that depend on agriculture are among the largest group of impoverished Ugandans. The escalation of armed conflict in northern Uganda has resulted in a sharp increase in the spread of poverty in the North, as well as in the neighboring districts of eastern Uganda. While strong GDP growth caused poverty to decline steadily from 56% in 1992 to 34% in 2000, the benefits of that growth were not equitably distributed across the population, with troubling regional and ethnic disparities. The disturbing rise in inequality over the past six years indicates there are serious underlying structural problems, with the benefits of economic growth going disproportionately to the wealthiest 20% of the population. Uganda's 3.4% population growth rate continues to erode economic gains, deepen poverty, and negatively affect other achievements in the social sectors. Population growth cut deeply into per capita GDP, which was estimated at \$250 by the World Bank in its 2004 World Development Report. Although Uganda is considered a success story in terms of HIV/AIDS, with national prevalence rates estimated at 4.1%, it still faces many challenges on this issue, particularly in the north where prevalence rates are estimated to be 11.9%.

Although Uganda was selected as a Millennium Challenge Account Threshold Country, it faces real challenges in addressing low marks for corruption and ruling justly. Uganda is still ranked in the "rampant" range in the Corruption Perception Index with a score of 2.6 (out of 10), which is only slightly better than scores of 2.1 in 2002, and 2.2 in 2003. President Museveni's apparent intended run for a third presidential term in 2006 does not encourage a platform for pluralism, and increased corruption related to election activities is a concern shared by many Ugandans and the international community. Despite continued security threats posed by the Lord's Resistance Army (LRA), recent military successes by the Ugandan People's Defense Force and expressions of willingness by both the GOU and the LRA to talk have prompted USAID and other donors to begin planning for a post-conflict period. U.S. interests in Uganda are twofold. Uganda is a critical player in the region in leading efforts to address regional conflicts peacefully; development and political stability in Uganda is key to East Africa's integration into the global marketplace.

The USAID Program: The overall goal of the USAID program is to assist Uganda to reduce mass poverty. The three strategic objectives address economic growth, improved human capacity, and effective governance. The economic growth objective addresses food security and sustainable agriculture, environmental degradation, trade and investment. It is designed to boost economic growth, restructure and revitalize Ugandan exports, curb environmental degradation, and enhance food security for vulnerable populations, including those affected by HIV/AIDS. This program supports Presidential Initiatives to End Hunger in Africa and Global Climate Change. The second objective, improved human capacity, will reduce vulnerability to poverty by improving the health and education status. The program will help to ensure the delivery of prevention, treatment, care and support services for those living with HIV/AIDS; reduce Uganda's high population growth and fertility rate; and mitigate infant and child mortality due to preventable infectious diseases. Improving the quality of basic education and primary school completion rates are critical objectives of the program. USAID's human capacity program also supports the Africa Education Initiative and focuses on providing education to marginalized communities. The third objective, effective governance, addresses problems of accountability and improved legislative oversight, increased political pluralism, district-level management, and the informed participation of civil society in processes of governance at both the national and local levels. The program also seeks to reduce the impact of conflict in selected areas of Uganda by promoting reconciliation and reintegration, peace dialogues, and support for vulnerable children and victims of torture.

Other Program Elements: Displaced Children and Orphans Funds provide war-affected children in northern and western Uganda, formerly abducted children, child mothers, and internally displaced persons (IDPs) with counseling and vocational training. Victims of Torture Funds are used to rehabilitate and reintegrate adults and children who have been abducted, and physically and/or psychologically abused by rebel forces. Funds from USAID's Bureau for Africa's Conflict Fund and USAID's Office of Conflict Management and Mitigation are used to mitigate and manage the causes and consequences of conflict and promote reconciliation at the local and national levels.

In 2004, the P.L. 480 Title II emergency food aid provided by the United States was 60% of the total food aid distributed by the World Food Program to 1.6 million IDPs in conflict-affected areas of Uganda. P.L. 480 Title II non-emergency food aid is distributed to nearly 90,000 food insecure people affected by HIV/AIDS and malnourished children, as well as participants in Food-for-Work activities. Food aid proceeds funded food security activities, directly benefiting 110,000 poor rural families (about 660,000 people). USAID's Office of Foreign Disaster Assistance (OFDA) provides for the humanitarian needs of 1.52 million IDPs throughout northern Uganda. In FY 2004, USAID granted \$9 million to 12 humanitarian aid agencies that bring significant additional matching resources.

Through the Bureau for Economic Growth, Agriculture and Trade (EGAT), the Farmer-to-Farmer Program in Uganda focuses on increasing the productivity of farmer organizations; improving technical and management capacity of producer associations and cooperatives; increasing agricultural trade at the domestic, regional and international levels; and long-term food security, by promoting on-farm natural resource management practices. EGAT also supports gorilla conservation activities, including trans-boundary programs in the Virunga Volcanoes.

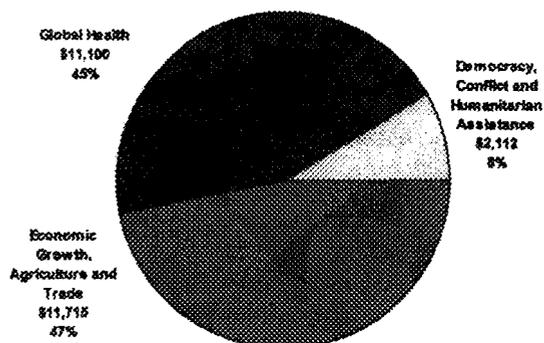
In Uganda, USAID is funding a number of information and communication technology Global Development Alliances (GDAs). Through the Leland Initiative, USAID is partnering with Cisco Systems to train Ugandans to install and maintain modern computer networks. USAID also partners with Unigraphics Corporation to train engineering students to use leading edge technology in computerized manufacturing and, with U.S. and African universities, African and U.S. regulatory experts, the British Department for International Development and others, to provide Masters Degree training to a large number of telecommunications policy makers and regulators. An alliance with Hewlett Packard has piloted remote transaction systems with three microfinance institutions (MFIs) in Uganda, two of which registered 562 and 350 new savings clients respectively in the first four months. USAID is supporting a partnership with the Grameen Foundation, MTN Phone Company, and seven local MFIs to launch the MTN Village Phone initiative, which brings the benefits of telecommunications to the rural areas of Uganda.

Uganda is a focus country under the President's Emergency Plan for AIDS Relief. FY 2005 funding will be provided from the Global HIV/AIDS Initiative under the policy direction of the U.S. Global AIDS coordinator. The FY 2006 HIV/AIDS request for this country is contained in the Global HIV/AIDS Initiative account justification. For further details please see the Department of State FY 2006 Congressional Budget Justification.

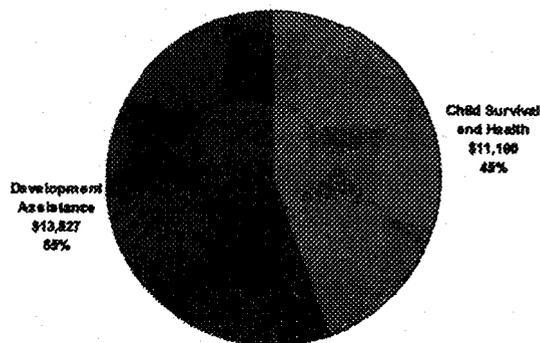
Other Donors: Uganda's budget is highly dependent on donor assistance, with donor contributions expected to finance over half of the national budget this year. The World Bank is the largest donor to Uganda. Other multilateral donors include the United Nations Development Program, UNAIDS, United Nations Children's Emergency Fund, and the European Union. The United Kingdom is the leading bilateral donor to Uganda and focuses on justice, agriculture, environment, education, health, and public administration. The United States is the third ranking donor to Uganda, playing a key role in donor coordination as chair of sector working groups addressing conflict in northern Uganda, the Parliament, democratic processes, the ART Financing Committee, the Microfinance Forum, and the Private Sector International Donor Group.

Zambia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

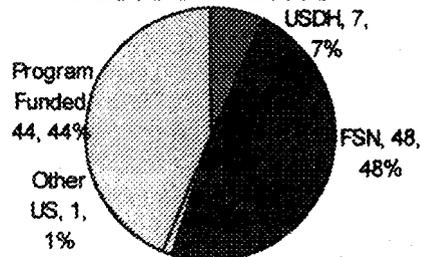
Objective	SO Number	FY 2004	FY 2005	FY 2006
Increased Competitiveness	611-005	7,094	7,154	7,756
Basic Education	611-006	6,472	5,888	3,959
Improved Health Status	611-007	23,151	12,700	11,100
Democracy and Governance	611-008	1,870	1,520	2,112
Multi-sectoral Response to HIV/AIDS	611-009	10,900	1,035	
Total (in thousands of dollars)		49,487	28,297	24,927

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,240	2,320	2,413
USDH Salaries & Benefits	743	799	816
Program Funds	1,304	1,716	1,716
Total (in thousands of dollars)	4,287	4,835	4,945

FY 2006 Workforce



Mission Director: James Bednar

Zambia

The Development Challenge: Zambia's transition to a multiparty democracy and market-based economy continues to progress slowly, but positively. During the 1990s, the Government of the Republic of Zambia (GRZ) implemented a sweeping program of liberalization and deregulation, eliminating most major market distortions in an attempt to arrest and reverse the economic decline. Unfortunately, these efforts have been impeded by the country's legacy of corruption and limited foreign and domestic investment. Until recently, this was accompanied by poor performance of the copper sector. As a result, per capita income plummeted from \$752 in 1965 to \$351 in 2002.

Since 1999, the economy has been experiencing a modest recovery with positive per capita GDP increases of 1.4% annually. Poverty reduction, however, remains a challenge due to a heavy debt burden, weak institutional capacity, and ineffective public spending. According to the GRZ's 2004 budget, the current government's top three priorities are the fight against corruption; promotion of economic growth, focusing in the areas of agriculture, tourism and small scale mining; and combating HIV/AIDS. Over the past decade, Zambia's performance has declined on the majority of the United Nations Development Program's Millennium Challenge Goals. In 2000, an estimated 73% of the population lived below the official poverty line, compared to 70% in the early 1990s. The impact of the HIV/AIDS pandemic further undermines steps to reduce poverty. Zambia ranked 163 out of 175 countries in the 2003 UNDP Human Development Index which is the same as its 2002 rating. The agricultural sector continues to be central to the Zambian economy, with more than 67% of the workforce in agriculture, forestry and fisheries. Constraints in agriculture include high transportation costs; weak market infrastructure; uneven production and inconsistent quality; lack of access to market information, inputs, and credit; and cyclical drought.

A heavy external debt burden slows Zambia's development even further, with \$6.45 billion in external debt as of December 2003. The debt is owed primarily to multilateral institutions and bilateral creditors. Zambia was approved for debt relief under the World Bank's enhanced Heavily Indebted Poor Country Initiative (HIPC) in 2000. Under this initiative, the government expects to successfully implement and monitor the International Monetary Fund's Poverty Reduction Growth Facility (PRGF), helping it to reach the HIPC completion point in early 2005. Should the government attain the completion point, an estimated \$3.8 billion of foreign debt, more than half the country's foreign debt, would be cancelled, allowing resources to be channeled to productive sectors.

The GRZ continues to implement the Poverty Reduction Strategy Plan (PRSP 2002-2004) and Transitional National Development Plan (TNDP 2003-2005), two comprehensive economic and social plans written with the participation of donors and other stakeholders. Implementation of the PRSP/TNDP programs has been slow due to GRZ budgetary constraints. With the PRSP coming to an end in 2004 and the TNDP in 2005, the GRZ plans to develop a National Development Plan (NDP) which will cover the period 2006-2010, linked to the GRZ Medium Term Expenditure Framework (MTEF).

In 2004, following the Parliament's approval of the Decentralization Policy, the GRZ took steps to decentralize its functions. One goal is to improve communications between government institutions and Zambian citizens. Zambia has many active non governmental organizations (NGOs) and civil society groups, several independent newspapers and radio stations, two state-owned newspapers and the government-owned Zambia National Broadcasting Corporation.

Zambia plays an important role in advancing U.S. national interests by contributing to greater stability and prosperity in the southern Africa region. As a country with significant natural resources, a market-based economy, and a multi-party democracy, Zambia can play a constructive role in regional conflict resolution efforts and promote peace and stability in a region of growing importance to the United States.

The USAID Program: The USAID Country Strategic Plan for Zambia for 2004-2010 outlines an innovative approach to help Zambia address its challenges and accelerate growth. The strategy, "Prosperity, Hope and Better Health for Zambians," was developed with participation from the Zambian government and a wide range of private sector and civil society stakeholders. USAID's objectives directly

contribute to several sectors and cross-cutting areas of the government's PRSP/TNDP. These objectives concentrate on increasing private sector competitiveness in agriculture and natural resources, improving the quality of basic education for more school-aged children, improving the health of Zambians, and holding the GRZ more accountable. USAID plans to ensure gender-sensitive, people-level improvements, and information and communications technology, are incorporated throughout the portfolio.

USAID has continued to raise awareness and understanding of the concept and practice of public-private partnerships. USAID supported alliances in six key economic sectors: dairy, commodity warehousing, small and medium enterprise development, smallholder fresh vegetable exports, information communication and technology and economic diversification in the Copperbelt region. A seventh regional alliance on cooperative business development operates in both Zambia and Mozambique.

Other Program Elements: USAID's activities are complemented by several Presidential Initiatives and other centrally funded programs. The Africa Bureau manages the Trade for African Development and Enterprise Initiative and the Initiative to End Hunger in Africa (IEHA). USAID is using IEHA funds to support a Development Credit Authority (DCA) guarantee program aimed at promoting commercial bank lending against certified warehouse commodity receipts. In this program, the Zambia Agricultural Commodity Agency certifies warehouses to issue receipts to farmers, traders, millers and other commercial depositors of grain against which receipts credit may be obtained from participating banks. USAID's education activities are complemented by funding from the Africa Education Initiative, and funds from the Anti-Corruption Initiative also are being used for activities in Zambia. USAID's trade competitiveness "hub" for Southern Africa and the regional program for East Africa both address issues related to regional trade facilitation. USAID works closely with the Common Markets for Eastern and Southern Africa (COMESA) to harmonize regional trade policies. USAID's Regional Urban Development Office is exploring the possibility of obtaining Development Credit Authority loan guarantees for Zambia in partnership with Houses for Africa and Stanbic Bank.

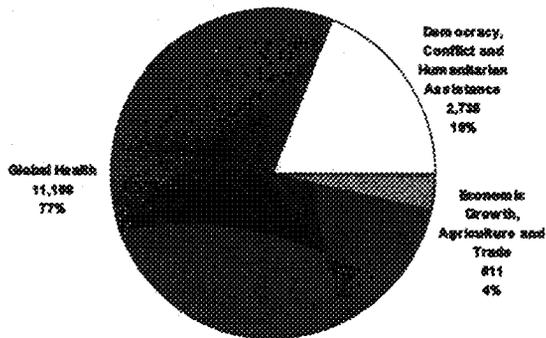
The U.S. Department of Agriculture provides technical assistance for pest risk assessments for the entry of horticultural products into the U.S. market. USAID's Economic Growth, Agriculture, and Trade Bureau provides technical assistance in Zambia for regulation and rural electrification through energy sector partnerships. USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) provides emergency food aid through the Consortium for the Southern African Food Emergency program. DCHA also has provided grants to several U.S. private voluntary organizations in Zambia. In addition, DCHA is helping to assess the threat to crops from locusts that are beginning to swarm in Namibia and western Zambia, to determine if mitigation is warranted to minimize the impact on the next harvest.

Zambia is a focus country under the President's Emergency Plan for AIDS Relief. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2005 and FY 2006. Zambia has been a recipient of funds from the Initiative to Prevent Mother-to-Child Transmission of HIV/AIDS, which is being incorporated into President's Emergency Plan in FY 2005.

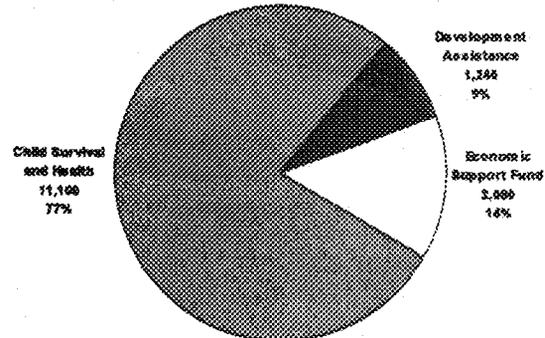
Other Donors: Overall donor assistance to Zambia totals about \$350 million a year. The United States and the United Kingdom are Zambia's first and second largest bilateral donors, respectively. Other major bilateral donors include Germany (small and medium business development), Norway (rural agribusiness development and the environment), and Japan (health and infrastructure). Multilateral donors include the United Nations agencies, the European Union, the World Bank, the International Monetary Fund, and the African Development Bank. USAID collaborates closely with other donors in implementing health, education, agriculture, and democracy and governance programs. There are several jointly-supported economic growth initiatives in Zambia: the Agricultural Consultative Forum, the Zambia Business Forum, Private Sector Donors Group, and the Agriculture Donors Group. All donors support the national Health Strategic Plan and sit on the donors' Health Sector Committee.

Zimbabwe

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

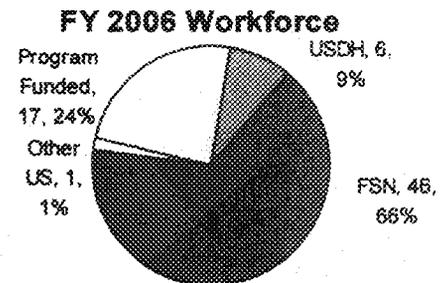


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Participation	613-008	4,328	2,719	2,735
HIV/AIDS	613-009	10,800	10,800	10,800
Economic Opportunities	613-010	529	500	1,011
Total (in thousands of dollars)		15,457	13,819	14,346

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,846	1,670	1,711
USDH Salaries & Benefits	1,083	855	874
Program Funds	1,341	1,453	997
Total (in thousands of dollars)	4,270	3,978	3,582



Mission Director: Paul Weisenfeld

Zimbabwe

The Development Challenge: Zimbabwe's interrelated political, economic, and social crises have continued for six years, with a humanitarian crisis added to the mix for the third consecutive year. As civil society has increasingly pushed for greater democracy and more participation in decision-making processes, the Government of Zimbabwe (GOZ) has responded by tightening restrictions on the independent media and journalists and proposing legislation that would restrict the operation of nongovernmental organizations (NGOs), including a prohibition on foreign funding for NGOs engaged in human rights and/or governance work. Parliamentary elections will be held on March 31, 2005.

Although some leading figures have recently spoken out in favor of political tolerance, most independent observers believe the electoral playing field will remain uneven. This assessment is due to the lingering effects of years of violence and intimidation, the ongoing suppression of basic constitutional freedoms such as speech and association, and state (i.e., ruling party) control of most media and all electoral institutions. Domestic and regional dialogue concerning the electoral environment provides an important opportunity for debate and potential progress on a number of critical rule of law issues, including freedom of association, speech, and the cessation of politically motivated violence. Nonetheless, fundamental constitutional issues, such as the separation and balance of powers, will likely continue to restrict political competition, hinder government accountability and, thus, potentially generate further political conflict.

Zimbabwe is completing its sixth consecutive year of economic decline, while sub-Saharan Africa has recorded an average gross domestic product (GDP) growth rate of 3.4%. The GOZ's failure to address fundamental economic distortions means that GDP is expected to decline by a further 5.2% in 2004. Official figures suggest that inflation decreased from over 500% at the beginning of 2004 to 209% in October. Foreign exchange is in critically short supply, due principally to the country's declining export performance. The country's inability to meet external debt obligations has resulted in the suspension of international balance of payments support and fewer available international lines of credit. The GOZ is attempting to offset this by encouraging investment from China and other Asian nations. The economic decline has resulted in renewed shortages of food, fuel, electricity, and other critical imports. A once-thriving industrial sector is suffering. Forty-eight formal businesses closed in 2004, bringing the number of closures to 350 since 2002. The official unemployment rate of over 70% excludes hundreds of thousands of former farm workers who were internally displaced by the GOZ's fast-track land reform program.

Zimbabwe's once robust social services continue to collapse due to the economic crisis, the AIDS epidemic and the extraordinary brain drain. Over the past five years an estimated 25% of the population has left Zimbabwe in search of economic opportunities and political protection. Zimbabwe has one of the highest HIV/AIDS prevalence rates in the world, with a prevalence rate of 24.6% among the adult population. Life expectancy dropped from 61 years in 1990 to 34 years in 2003; infant mortality is 76 per 1,000 live births; and under-five child mortality is 123 per 1,000 live births.

The U.S. Government's national interests in Zimbabwe are to prevent further deterioration of the political/economic situation and the consequent detrimental impact on the region; to strengthen the prospects for stability by fortifying civil society and democratic institutions; to implement an effective response to the HIV/AIDS pandemic; and to mount an effective response to the humanitarian crisis.

The USAID Program: USAID's program focuses on responding to Zimbabwe's HIV/AIDS, political, economic and humanitarian crises, through 1) mitigating the HIV/AIDS pandemic; 2) increasing dialogue between the citizenry and selected government institutions; and 3) enhancing access of the most disadvantaged groups to economic opportunities. The USAID program remains subject to the restrictions imposed by the Brooke-Alexander Amendment and Section 620q of the Foreign Assistance Act. USAID assistance to the GOZ is further restricted by U.S. policy until the resolution of the current political crisis.

In FY 2005, USAID will continue the HIV/AIDS program of behavior change and prevention activities, care and support initiatives, and efforts to promote effective leadership and policy development. USAID will continue to support voluntary counseling and testing services, the social marketing of condoms, and broadcasting balanced behavior change messages. USAID will continue to support community efforts for

the care of orphans and other vulnerable children, the prevention of mother-to-child HIV transmission, and provision of anti-retroviral therapy for those with AIDS. USAID will integrate HIV/AIDS activities into family planning programs, strengthen public sector and civil society capacity to advocate for improved HIV/AIDS policies, and support the engagement of church leaders in the fight against HIV/AIDS.

If enacted into law the proposed NGO Bill will influence the implementation of the Democracy and Governance program as will the March Parliamentary elections. Nonetheless, USAID anticipates continuing a robust advocacy program in order to increase public debate across a wide spectrum of issues. USAID activities focus on: 1) support to CSOs advocating for greater inclusion in national-level decision-making through increased engagement with Parliament; 2) support to the parliamentary reform program to strengthen the legislative process, the Parliamentary committee system, and the capacity of Parliament to involve citizens in parliamentary business; and 3) providing technical assistance and training to urban and rural local authorities who are committed to democratic reform.

USAID's Economic Opportunities program is designed to enhance food security and facilitate income-generating activities for the disadvantaged, mainly communal (rural) area residents, women, under- and unemployed youth, the urban poor, the disabled, orphans, farm workers, and households affected by HIV/AIDS. The Economic Opportunities program provides technical assistance; training services, including basic agronomic practices; low-cost drip irrigation technologies; and helps small farmers markets their produce.

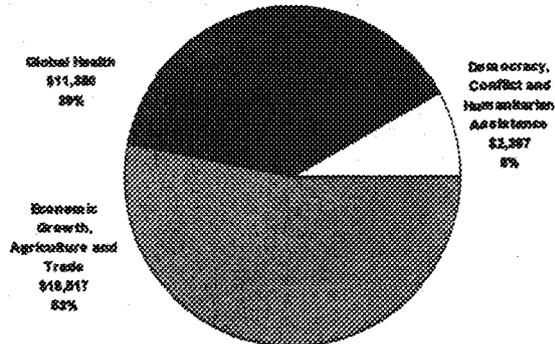
Other Program Elements: USAID's Democracy, Conflict and Humanitarian Assistance (DCHA) Bureau has a number of activities in Zimbabwe. DCHA provides emergency food and other humanitarian assistance; however, in the face of GOZ resistance, direct feeding programs may decrease sharply this year. DCHA's rule of law and human rights programs will phase out in 2005. USAID's American Schools and Hospitals Abroad program will continue assistance to Africa University. USAID's Regional Center for Southern Africa promotes regional river basin management, agricultural research and policy development, trade and economic competitiveness, and improved electoral processes. USAID's regional HIV/AIDS program focuses on HIV/AIDS mitigation along international trucking routes and at border sites. USAID's regional Famine Early Warning System (FEWS) Network supports regional food security monitoring, analysis and reporting throughout selected countries, including Zimbabwe. The U.S. Centers for Disease Control and Prevention (CDC) works with the GOZ to combat the AIDS pandemic and with the World Health Organization on other health-related issues.

Other Donors: Donor coordination in Zimbabwe is excellent. USAID, in conjunction with CDC, leads the coordination of HIV/AIDS activities in country, and participates actively in other donor coordination groups. In addition to the United States, the major non-food aid donors are the European Union (EU - governance, social services, health, agricultural recovery, and environment); the United Kingdom (UK - HIV/AIDS/health, agricultural recovery); Japan (environment, self help, HIV/AIDS/reproductive health, education, infrastructure, agriculture, and private sector); and Sweden (HIV/AIDS and governance). Several countries implement smaller programs, including the Netherlands (governance and HIV/AIDS) and Norway (democracy and governance, health and education, although these programs are now in abeyance). The UN agencies remain active in Zimbabwe in several sectors (HIV/AIDS/health, education, environment, governance and humanitarian assistance). Donors largely channel their aid through NGOs, rather than through the GOZ.

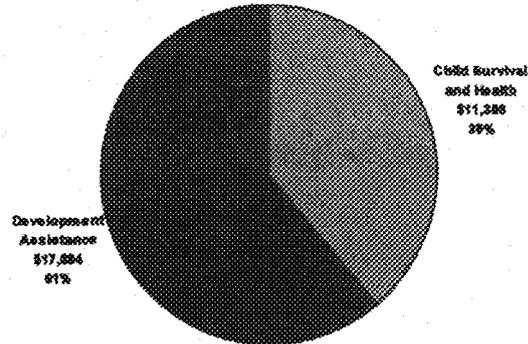
In 2004, food and other humanitarian assistance was provided directly or indirectly by Australia, Austria, the EU, Finland, Germany, Ireland, Italy, Japan, Netherlands, South Africa, Switzerland, the UK, and the UN agencies. However, since the GOZ prohibition on external food aid in June 2004, donors' food aid programs use only existing in-country stocks. The IMF and World Bank programs remain frozen due to Zimbabwe's poor performance, breakdown in the rule of law, and failure to repay arrears. A resumption of disbursements is contingent upon clearance of arrears. The World Bank plans to provide small grant assistance to Zimbabwe for economic research and HIV/AIDS programs. The IMF is engaged in on-going discussions on the withdrawal of Zimbabwe's membership or some other form of censure, with no prospect of renewed IMF financial support in the near term.

REDSO-ESA

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



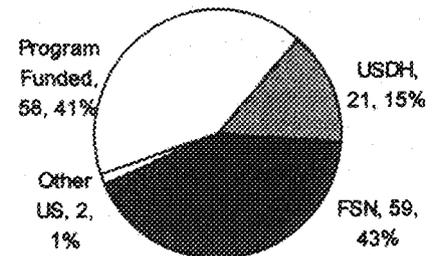
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Regional Food Security	623-005	19,221	16,946	14,466
Regional Conflict Management and Governance	623-006	3,756	4,337	3,418
Regional Health Systems Improvements	623-007	6,000	6,400	4,880
HIV/AIDs Pandemic	623-008	6,500	6,500	6,500
Total (in thousands of dollars)		35,477	34,183	29,264

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	6,395	5,472	5,608
USDH Salaries & Benefits	3,012	2,914	2,977
Program Funds	6,476	7,638	7,638
Total (in thousands of dollars)	15,883	16,024	16,223

FY 2006 Workforce



Mission Director: Andrew Sisson

REDSO-ESA

The Development Challenge: The 24 countries of east and southern Africa (ESA) have, for the most part, extremely low, or even negative, annual rates of economic growth. They are among the poorest and least developed countries in the world. Weak national leadership and pervasive corruption are realities that have inhibited economic progress, while reinforcing an atmosphere of political instability throughout the region. Persistent food insecurity and periodic recurrence of food emergencies negatively affect millions of people in vulnerable groups. Insufficient and deteriorating transportation and communication infrastructures, as well as major policy and bureaucratic obstacles, constrain intra-regional trade. As a result, political stability and economic development throughout the region continue to be fragile. In addition, the presence of an estimated 30 million HIV/AIDS-infected people in Sub-Saharan Africa amplifies the inadequacies of already overburdened public health systems that are unable to cope with severe health problems such as malaria and other infectious diseases, and high rates of maternal and child mortality. For the foreseeable future, the HIV/AIDS pandemic will continue to have a major and devastating impact on development -- across sectors -- throughout this region of Africa.

Notwithstanding this discouraging setting, FY 2004 witnessed some positive accomplishments. Peace in Burundi, however tenuous, continues to hold. The Arusha Peace Accords continue to provide the framework for the country's transition out of civil war and the move towards elections. In Somalia, the Intergovernmental Authority on Development's (IGAD) peace process has achieved a major breakthrough with the election by members of the transitional parliament of a new president and the selection of a prime minister. Formation of a cabinet is underway. In Sudan, the government and rebels from the south signed a comprehensive peace agreement in early 2005 to end years of civil war. In addition, elections in five ESA countries were declared free and fair - Malawi, Mozambique, South Africa, Namibia and Botswana, two ESA countries - Madagascar and Mozambique - were selected as Millennium Challenge Account (MCA)-eligible and four -- Kenya, Tanzania, Uganda and Zambia -- were selected as eligible to apply for Millennium Challenge Account Threshold Program funding. Under the Threshold Program, these countries are eligible to apply for funding to help them make key policy reforms in areas such as anti-corruption, rule of law, education and health, and economic and trade policy to qualify for MCA assistance.

USAID promotes U.S. national interests in ESA through innovative activities that seek to diminish the risk of economic disruption, political disintegration, impoverishment and conflict throughout the region. USAID programs promote economic growth by focusing on the expansion of regional economic cooperation and the opening of national markets to international and intra-regional trade; helping to strengthen public health systems to better address the impact of HIV/AIDS and other infectious diseases and reducing the tragically high mortality rate among women and children; and strengthening African capabilities to prevent, mitigate and respond to conflict in the region. USAID programs also support Presidential Initiatives and Agency priorities such as: the Trade for African Development and Enterprise (TRADE) Initiative, the Presidential Emergency Plan for AIDS Relief, the Initiative to End Hunger in Africa (IEHA), the Africa Education Initiative (AEI) and USAID initiatives on curbing corruption and building public-private alliances. USAID contributed to worldwide efforts to stem the spread of HIV/AIDS by developing an innovative, multi-sectoral approach to reducing the impact of the pandemic in the region. This approach directly supports the achievement of the goals and objectives articulated in the President's Emergency Plan for AIDS Relief.

The USAID Program: USAID's program at the Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA) is based on a unique three-part mandate to 1) manage an innovative regional set of activities; 2) provide services to other USAID programs in the region; and 3) manage USAID programs in Burundi, the Central African Republic, Djibouti and Somalia. USAID activities collaborate and partner with key multinational African entities to assist in the development and coordination of cross-border policies, procedures, and systems within four interconnected strategic objectives related to food security and economic growth, conflict prevention and mitigation, health systems improvement, and HIV/AIDS.

USAID has a regional perspective on many of the issues facing ESA and has the strength to respond to

opportunities and crises in the region. USAID activities aimed at improving regional food security concentrate on increasing production and facilitating international and intra-regional trade in specific agricultural products. For example, strengthening capacities of organizations, e.g., the Common Market for Eastern and Southern Africa (COMESA) and the Association for Strengthening Agricultural Research in Eastern and Southern Africa (ASARECA), has resulted in significant increases in the aggregate value of trade and the export of selected agricultural commodities. Technical assistance and training have helped African entrepreneurs to expand trade links with the United States through the African Growth Opportunities Act (AGOA). TRADE funds were used to enhance equal access to the benefits of international trade for both men and women. Thirty-four firms likely to succeed in global markets were sent to trade shows in the United States, generating over \$3.5 million in sales (one-third of which accrued to the 21 women-owned firms that employ substantial numbers of women -- 60% of the total sent). These efforts directly support two Presidential Initiatives: The Initiative to End Hunger in Africa (IEHA), and the TRADE Initiative.

Given the number and intensity of east African potential and actual cross-border conflict situations, USAID regional activities emphasize the identification and testing of innovative methodologies and systems to monitor key indicators of conflict in selected geographic areas and disseminate results and "best practices" through African organizations throughout the region. Activities in these "cluster areas" have enabled USAID to develop a unique index for measuring the capabilities of organizations to establish conflict early warning systems. In addition, USAID has provided technical assistance for important conflict vulnerability assessments.

USAID health sector activities concentrate on building management systems and technical skills of key partner entities that provide services related to the treatment of infectious diseases, including HIV/AIDS; reproductive health and family planning; maternal and child health; and nutrition. As a result, a growing technical resource base has dramatically increased the sharing of information and the utilization of "lessons learned" throughout the region. These efforts have, in turn, promoted a dynamic policy dialogue within national governments on health systems and their ability to deal with a variety of health issues.

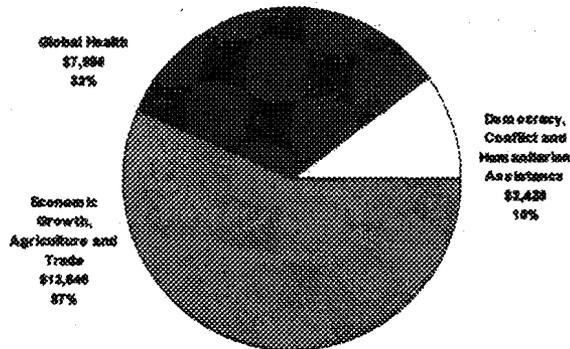
In FY 2004 USAID's regional office provided support (legal, financial, procurement, environmental assessment and food aid management) and technical advisory services to USAID programs in 24 countries in eastern, central and southern Africa. It also managed the USAID programs in Burundi, the Central African Republic, Djibouti and Somalia.

Other Program Elements: USAID continued to provide technical and managerial assistance to the large P.L. 480, Title II Emergency and Non-Emergency Food Assistance programs in 17 countries in the region, while supporting the U.S. Department of Agriculture's food aid program in 14 countries. USAID implemented humanitarian and emergency programs in the region and collaborated with the Centers for Disease Control and Prevention (CDC) and other U.S. Government agencies on HIV/AIDS activities and programs. USAID's Bureau for Africa's Conflict Fund supports the regional program's efforts to mitigate and manage regional conflict dynamics and regional responses to conflict. USAID facilitated ongoing activities of centrally funded programs that provide technical assistance and training to key regional African institutions in population, health and nutrition activities. As part of a regional policy dialogue, USAID reviewed policies and their implications for regional programs, with an eye to filling gaps between centrally funded programs and the regional population, health and nutrition program. Areas where centrally funded health projects worked in FY 2004 include 1) malaria and pregnancy; 2) prevention of mother-to-child transmission of HIV/AIDS; 3) and the impact of HIV/AIDS on reproductive health behavior.

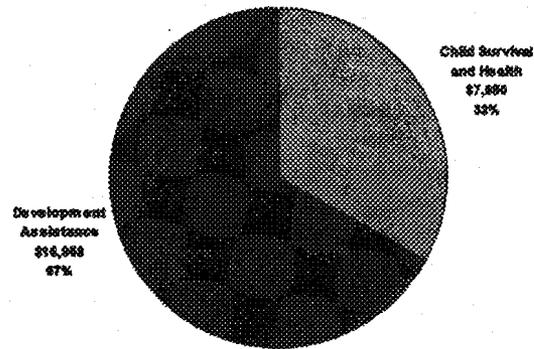
Other Donors: The European Union and the United States are the first and second largest donors, providing direct assistance to regional institutions such as the Intergovernmental Authority on Development (IGAD) and COMESA. Other important donors for food security, conflict prevention and health include the World Bank, Canada, Germany, the African Development Bank and the United Kingdom. In addition, USAID cooperates closely with United Nations agencies, such as the World Health Organization in maternal/child health and HIV/AIDS prevention, and the World Food Program in food assistance.

Regional Center for Southern Africa

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

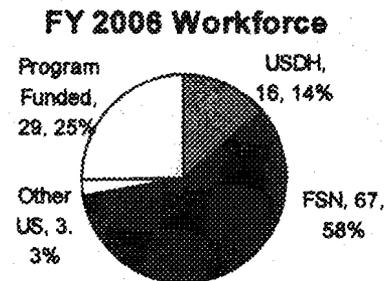


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
A More Competitive Southern African Economy	690-014	5,017	5,400	5,000
Improved Rural Livelihoods	690-015	7,534	5,418	6,400
Improved Electoral Competition in Southern Africa	690-016	3,787	2,456	2,428
Improved Management of Selected River Basins	690-017	2,583	2,023	2,240
Southern Africa Regional HIV/AIDS Program	690-019	6,950	7,486	7,950
Total (in thousands of dollars)		25,871	22,783	24,018

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	4,036	3,847	3,943
USDH Salaries & Benefits	1,527	1,608	1,642
Program Funds	2,184	2,267	2,508
Total (in thousands of dollars)	7,747	7,722	8,093



Mission Director: Gerald Cashion

Regional Center for Southern Africa

The Development Challenge: The Regional Center for Southern Africa (RCSA) manages the development assistance component of the Southern Africa regional program. However, USAID South Africa manages the Regional HIV/AIDS Program component of the regional portfolio. The Southern Africa regional program covers the 12 countries that are members of the Southern Africa Development Community (SADC). The SADC member countries range from very poor (Angola, Lesotho, Malawi, Mozambique, Tanzania, and Zambia) to low middle-income (Botswana, Mauritius, Namibia, South Africa, Swaziland, and Zimbabwe). However, even within the wealthier countries in the region, significant income inequality and poverty exist.

Although the region is anchored by the modern and diversified economy of South Africa, many of the countries continue to be predominantly agricultural. Agriculture accounts for an estimated 70% to 80% of employment, but contributes only about 17% to regional gross domestic product (GDP) because of low productivity. Several countries rely heavily on extractive industries, while a few have had some success in increasing non-traditional exports to the United States under the African Growth and Opportunity Act. In most countries in the region, the rate of GDP growth stagnated or fell in 2003; average GDP growth was 4.5% (not including Zimbabwe). This is far below the estimated 6.2% annual growth that the region needs to meet its poverty alleviation goals. Challenged by poverty and insufficient investment, hard hit by the HIV/AIDS pandemic, and continually beset by droughts and food insecurity, the region's population has seen its average life expectancy drop from 57 years to 33 years. The continuing political crisis in Zimbabwe illustrates the fragility of democratic institutions in the region.

Southern Africa remains the region of the world most severely affected by HIV/AIDS. In at least six countries—Botswana, Lesotho, Namibia, South Africa, Swaziland, and Zimbabwe—it is estimated that more than a fifth of the adult population is infected with HIV, and in Botswana and Swaziland (with prevalence rates of 37.3 and 38.8%, respectively) nearly two out of five adults may be HIV-infected. The burden of the epidemic on the region is staggering. With less than 2% of the world's population, the ten Southern African countries account for 30% of HIV-infected individuals, 27% of children orphaned by AIDS, and 32% of AIDS deaths. Moreover, the epidemic has not yet peaked (except, possibly, in Zambia) and the disproportionate effect on the region is likely to continue.

Contrasted with this bleak economic picture is the more positive one of a region with relatively well-developed infrastructure, diverse natural resources, generally better health and education than the rest of Sub-Saharan Africa (apart from HIV/AIDS) and nascent democratic governments. The region remains relatively peaceful compared to other sub-regions of Africa, which makes possible movement towards greater regional integration.

The United States has four main interests in southern Africa: increasing trade and strengthening economic ties with the SADC region; mitigating the region's HIV/AIDS crisis; recurrent food insecurity; and strengthening democracy to improve the climate for trade and reduce the risk of conflict in the region.

The USAID Program: USAID is requesting FY 2006 funding for programs which will focus on increasing competitiveness, improving rural livelihoods, increasing electoral competition, improving river basin management in the Southern African region, and HIV/AIDS. USAID began a new strategy in FY 2004, so implementation of the activities has just begun.

USAID provides a regional platform for several Presidential and Agency Initiatives, specifically the Trade for African Development and Enterprise Initiative, the Initiative to End Hunger in Africa, the Anti-Corruption Initiative and the Conflict Initiative. The first two initiatives and the regular program will finance activities that promote economic growth through trade and enhanced competitiveness, as well as increase opportunities for rural livelihoods via technical support for emerging commercial farmers and policy support to facilitate market access.

Funds from the Anti-Corruption Initiative will be added to the regular democracy and governance program to fund activities that address electoral frameworks and civil society involvement in the eight upcoming

national elections in 2005-2007. Conflict Initiative funding will be channeled to reduce electoral and governance-based conflict in fragile states in the southern Africa region.

Funding for the fourth area of activity, river basin management, will be used to support institution strengthening and community management of water resources in the Okavango River Basin.

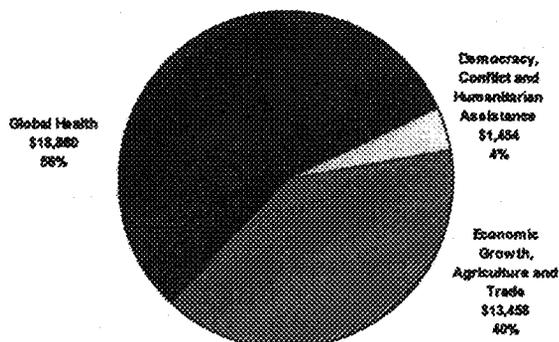
With Presidential Emergency Plan for AIDS Relief (PEPFAR) funding, USAID's Southern Africa Regional HIV/AIDS Program (RHAP) strengthens U.S. Government efforts to combat the impact of HIV/AIDS across the region. RHAP is implemented by the USAID/South Africa bilateral mission.

Other Program Elements: USAID's Africa Bureau supports the drought preparedness activities of the Famine Early Warning System Network (FEWSNET) across the countries in southern Africa that are most affected by the drought.

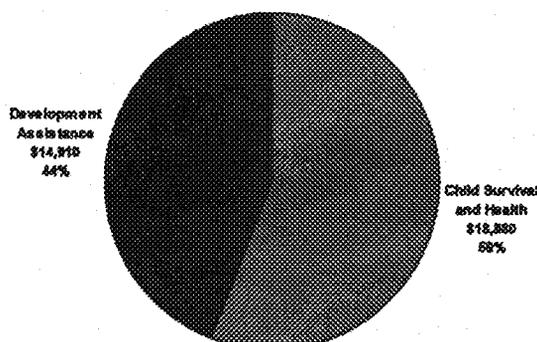
Other Donors: USAID uses the joint consultative meetings organized by the European Union (EU) and SADC for overall donor coordination. Sector-specific coordination has been developed in two sectors (trade and river basin management) and in sub-sectors of the democracy and agricultural areas (e.g., election monitoring and coordinated response to food shortages). Overall, the EU and the United Kingdom (UK) have the largest regional programs in southern Africa. The EU, USAID and the UK have the largest regional programs in economic growth and infrastructure. Similarly, the UK, USAID and Denmark have the largest regional democracy and governance programs. The EU, USAID, and Norway have the largest regional environment and natural resource management programs; and the EU, USAID, and the UK have the largest regional agriculture programs. The International Monetary Fund (IMF) works on anti-corruption initiatives, and the UK is involved in the development of electoral norms and standards. Sweden and the United Nation's Global Environmental Facility support river basin management activities in the Okavango River Basin. The economic growth areas in which USAID is working receive support from a number of donors, namely the EU, the UK, and Germany (regional trade); the EU, World Bank and IMF (economic and financial sector reform); the World Bank, EU, and the UKDFID (Customs reform and administration), Germany (private sector development), and the UK (food security). A range of donor governments are working in the area of HIV/AIDS in the region including the United Kingdom, Australia, and Denmark, as well as the EU. In addition, RHAP, together with the U.S. Centers for Disease Control and Prevention, will collaborate with UNAIDS and the World Health Organization to promote communication and collaboration in all areas of HIV/AIDS prevention, treatment and care and support.

West African Regional Program (WARP)

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

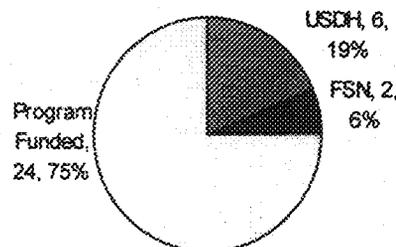
Objective	SO Number	FY 2004	FY 2005	FY 2006
Regional Economic Integration Strengthened	624-004	10,330	10,206	5,958
Regional Health Program	624-005	19,300	19,550	18,880
Food Security and Natural Resource Management	624-006	7,490	6,314	7,500
Conflict Prevention	624-007	2,669	2,289	1,454
Total (in thousands of dollars)		39,789	38,359	33,790

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	281	752	771
USDH Salaries & Benefits	614	848	866
Program Funds	4,262	3,691	3,717
Total (in thousands of dollars)	5,157	5,291	5,354

FY 2006 Workforce



Mission Director: Carleene Dei

West African Regional Program (WARP)

The Development Challenge: The ongoing violence and overall deterioration in Cote d'Ivoire, the former "economic powerhouse" of West Africa, symbolizes the fragile and volatile nature of political systems in the region. Political instability and conflict cause investment in development to decline in the afflicted countries and project a negative investment image for the entire region. Development efforts are diverted to the provision of humanitarian assistance for the thousands of refugees and internally displaced persons that conflicts, such as the ones in Cote d'Ivoire, Liberia, and Sierra Leone, leave in their wake. West Africa also faced a new menace this year: the locust invasions in the Sahel. The invasion, the most dramatic since the mid-1980s, posed a serious threat to food security in four countries and demonstrated the limited capacity of the affected countries to effectively handle the onslaught.

The challenges faced by the 18 countries that comprise West Africa are daunting indeed. Thirteen of the 30 countries categorized by the United Nations in their 2004 Human Development Report as "Least Livable Countries" are located in West African. Seventeen countries qualify for the World Bank's Highly Indebted Poor Countries (HIPC) Initiative to reduce their crippling external debt. At the human level, these statistics translate into a frightening 60% of the population of the region struggling to survive on less than a dollar a day. The challenge is underscored by the fact that West Africa's population will increase from 290 million people to 430 million by 2020. Finally, extreme poverty, ineffective state controls, and the illicit exploitation of high-value natural resources, make the region a target for the growth of Islamic extremism, particularly among the region's numerous unemployed and disaffected youth.

The bad news emanating from West Africa is tempered by the clearly demonstrated resolve of the region's premier intergovernmental organizations to tackle the problems. The Economic Community of West African States (ECOWAS) continues to operate peace keeping forces and mediate the conflicts in Cote d'Ivoire, Guinea Bissau, and Liberia. It is also successfully implementing key New Partnership for Africa's Development (NEPAD) projects in trade and energy, most notably the USAID supported \$600 million West Africa Gas Pipeline (WAGP), slated to begin construction in 2005, and the West Africa Power Pool (WAPP). The Permanent Interstate Committee for Drought Control in the Sahel (CILSS) led the effort to rapidly assess the impact of the locust invasions on food security in the concerned countries and the organization is gearing up to confront the outbreak predicted for next year. Most dramatically, the heightened resolve of West African governments to improve the conditions under which their citizens live in terms of ruling justly, investing in people, and economic freedom is evidenced in five countries being named eligible for the Millennium Challenge Account (MCA) in FY 2004 and two as Threshold MCA Countries in FY 2004 and FY 2005. Finally, West Africa remains a resource-rich region with enormous reserves of oil, gas, minerals, and other raw materials. These resources, when combined with the positive changes cited above, signal West Africa's potential for a bright future.

It is clearly within the interest of the U.S. Government to retain its demonstrated commitment to the development of a stable and prosperous West Africa. A well-functioning region will make a positive contribution to global conditions in multiple ways including increased trade, expanded democracy, and a decrease in the spread of infectious diseases including HIV/AIDS. West Africa's energy reserves, if managed properly and accountably, are a potential source of economic development and can contribute to global energy markets. Finally, a strong West Africa will also help to avert the forces that threaten the world today; namely international terrorism, sub-regional conflicts, and famine to name but a few.

The USAID Program: The mandate of the West Africa Regional Program (WARP) is to tackle long term development issues that are inherently regional in nature. Thus WARP works closely with the other USAID missions in the region, U.S. Embassies in countries where USAID does not have a mission, and the region's leading intergovernmental organizations such as ECOWAS, CILSS and the West African Economic and Monetary Union (WAEMU) to implement a program that benefits Benin, Burkina Faso, Cameroon, Cape Verde, Chad, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo, and most recently, Sao Tome and Principe.

The four program areas WARP is concerned with are: 1) fostering regional economic integration and trade; 2) increasing the adoption of effective policies and approaches to reproductive health, child

survival, and HIV/AIDS in the region; 3) enhancing capacity to achieve regional food security, improved management of natural resources, and agricultural growth and 4) improving the conditions for peace and stability in West Africa. Continued funding from the Presidential Initiative for Trade for African Development and Enterprise (TRADE) will be used to expand the range of goods traded within the region and exported to the United States under the African Growth and Opportunity Act and to propagate the principles of the World Trade Organization. Further funding from the Presidential Initiative to End Hunger in Africa (IEHA) will be used to implement the new regional market information system that will supply timely agricultural pricing information to farmers and traders. USAID will promote the development of biotechnology policies and regulations as a means of raising agricultural productivity and rural incomes. The three key regional intergovernmental institutions - ECOWAS, CILSS, and WAEMU - have all demonstrated their commitment to working collaboratively on biotechnology. USAID will address the anticipated reappearance of locusts in 2005 with targeted training and the provision of essential equipment to the affected countries.

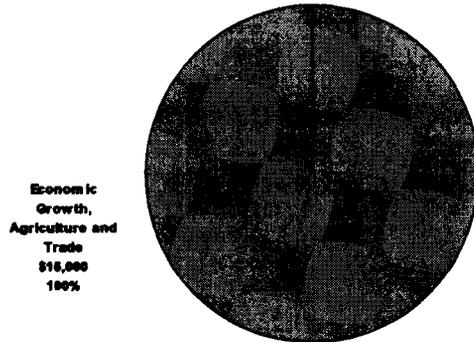
Child Survival and Health funds will be used to take the innovative regional health program into the second year of implementation. The program will focus on supporting the implementation of the Global Fund for AIDS, TB and Malaria (GFATM) through technical assistance, keeping in mind that the GFATM is the largest HIV/AIDS donor in the region, with one-third of its funding furnished by the United States. USAID is concentrating on developing systematic coordination between donors for HIV/AIDS prevention activities along major transport routes to improve the effectiveness and sustainability of HIV/AIDS prevention activities among vulnerable populations such as truckers and migratory workers. Anti-corruption funds will be used to implement an innovative program to ensure transparency in the use of oil revenues in Sao Tome and Principe, and thus protect U.S. interests in this sector.

Other Program Elements: USAID's Bureau of Global Health (GH) implements region-wide programs in the areas of health commodity security planning, developing Performance Management Plans; supporting selected Demographic and Health Surveys in the region; fostering malaria prevention efforts, particularly in pregnancy; enhancing maternal health and providing support for reproductive health and child survival. USAID's Bureau for Africa also implements an Africa-wide program in applied health research. USAID's Bureau for Economic Growth, Agriculture and Trade (EGAT) supports regional agricultural research services and programs, by funding commodity research networks in rice, sorghum, and maize. It also has programs to augment the incomes of sorghum farmers and processors by increasing demand and adding value to the cereals. EGAT's biosafety program supports the development of the regulatory framework for the application of biotechnology and furnishes access to biotechnology expertise available from U.S. universities. Finally, EGAT provides support to the region to develop a web-based portal on food security and agricultural information. USAID's Bureau for Africa also manages the Famine Early Warning System (FEWS) which works with CILSS to provide information on crop production and to avert potential famines.

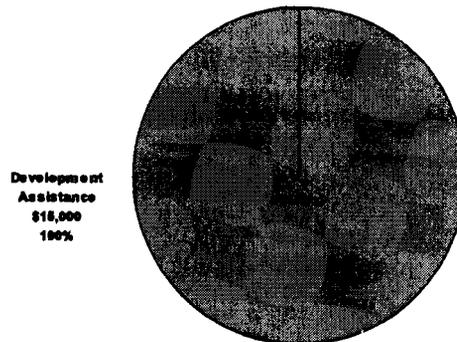
Other Donors: Donors have increasingly started to focus on partnerships with the region's premier intergovernmental organizations, above all in the areas of agriculture, energy, and conflict prevention. Improvements to ECOWAS' overall management capacity were supported by Canada, the United Kingdom, European Union (EU), and the United States through the funding of 11 short-term consultants, training, and office equipment to improve sectoral planning, budgeting and reporting. ECOWAS has demonstrated its commitment to becoming adequately staffed by hiring four new directors and 26 new professionals to its permanent staff. ECOWAS also received funding and technical assistance from the EU, United Nations Development Program, the Netherlands, and Denmark to improve the effectiveness of its conflict prevention department. A consortium of the United States, the World Bank, France, the African Development Bank (ADB) and others continue to fund the high-profile WAGP and WAPP energy programs, while the United States continues to be ECOWAS' lead donor for anti-trafficking activities, with support from Japan, Sweden, and the ADB. Finally, the EU is the major donor for economic integration and trade activities along with the United States and the World Bank. Donors have also agreed to help CILSS restructure to meet the twin challenges of expanding its geographic mandate and assuming a lead role in increasing agricultural productivity and reducing rural poverty. France, Canada and the United States will share a portion of the costs of the significant down-sizing of the CILSS headquarters. This will rid CILSS of redundant staff, lower operating costs, and make it a leaner and more effective organization.

Central Africa Regional

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



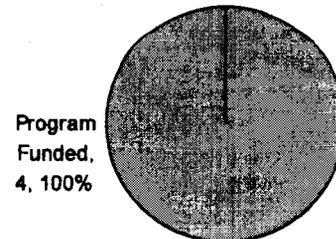
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Congo Basin Forest Partnership (CBFP)	605-001	17,025	15,000	15,000
Total (in thousands of dollars)		17,025	15,000	15,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation			
USDH Salaries & Benefits			
Program Funds	980	892	852
Total (in thousands of dollars)	980	892	852

2006 Workforce



Mission Director: Robert Hellyer

Central Africa Regional

The Development Challenge: Central Africa contains the second largest area of contiguous moist tropical forest in the world with dense forests that extend over 1.9 million square kilometers of Central Africa and cover almost 50% of the landmass. The countries of the Central African Congo Basin include Cameroon, Equatorial Guinea, Gabon, the Central African Republic, the Democratic Republic of the Congo (DRC), Republic of Congo, Burundi, Rwanda and Sao Tome/Principe. More than 80 million people living in the region depend on the rich forests and other natural resources for their livelihoods and economic development. Despite the richness of the biodiversity of the Congo Basin, the people of the Basin are among the poorest in Africa. The challenge facing decision makers, the global community and Basin citizens alike is to strike a balance in the conservation of these natural resources to satisfy current needs while protecting the resource base for future generations. This challenge is particularly acute in the face of prolonged political instability and conflict in many of the Basin countries, weak governance institutions, seriously depleted human and institutional capacity and a rapidly growing international demand for both tropical timber products and non-timber forest resources.

Over 50% of the forest outside of protected areas, which cover just 6% of the forest, has been allocated for logging concessions. Although only one of the many threats to the Congo Basin, commercial logging poses many challenges in maintaining the overall integrity of the forest. As loggers move across the Basin they significantly increase the pressures on the forest in and around the concessions they are logging. Logging attracts immigrants looking for good paying jobs and access to social services that are not provided by the state. This leads to increased agriculture and hunting pressures on the nearby natural resources, pressures that continue after the logging companies move on. Logging roads open up pockets of forest that were previously inaccessible to hunters and motorized transportation allowing more frequent, faster, and cheaper transportation between hunting areas and urban markets, and resulting in widespread decimation of local wildlife populations.

Recently, the war in the eastern region of the Congo Basin has had a significant impact on the forest because of its effect on the distribution of human populations in the region. Rural populations and immigrants fleeing from neighboring countries have been forced into the forest to escape soldiers and armed insurgents. As displaced populations are pushed further into the forest and cut off from local markets they are forced to rely on the natural resources in the forest for survival. Conflict also exacerbates competition over natural resources such as minerals, diamonds, timber and land, increasing the illegal exploitation of these resources in the areas experiencing conflict. Success in resource management often depends at the core on successful strategies to cope with conflict.

Central African countries tend to be politically centralized yet inefficiently administered, and economically weak. Authority over most of the forest management is in the hands of a few powerful politicians and private sector actors. This results in considerable inequity in the distribution of benefits derived from forest resource use, ignores the resource use concerns of the majority, creates incentives for people to flout unpopular laws and promotes unsustainable forest resource use. Effective, efficient and equitable forest management that contributes to broad based development in the Congo Basin must be governed by mechanisms that assure inputs from a broad range of societal actors and promote a system of institutional checks and balances, and separation of powers. Prudent use and conservation of the environmental resources in the Congo will support long-term development. The challenge, however, is how to use and conserve environmental resources without jeopardizing either the future of the human population or the biodiversity ecosystem in which they live.

The Central Africa Regional Program for the Environment (CARPE) is the principal vehicle for U.S. participation in the Congo Basin Forest Partnership (CBFP), a Presidential Initiative and international partnership. In addition to the CBFP, CARPE supports a broad range of U.S. interests, including biodiversity and tropical forestry conservation, global climate change, micro-enterprise and the Presidential Initiative Against Illegal Logging (PIAIL).

The USAID Program: The CARPE Strategic Objective (SO), to reduce the rate of forest degradation and loss of biodiversity through increased local, national, and regional natural resource management capacity,

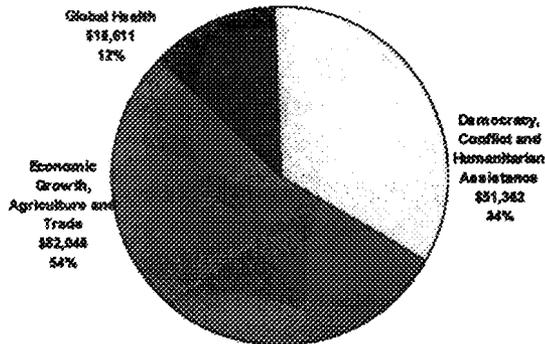
is managed by USAID in Kinshasa, DRC. Activities supporting this objective take place across the region, both within the nine Congo Basin countries and in trans-border areas. CARPE implements the U.S.'s principal contribution to the CBFP. The U.S. contribution to CBFP is designed to promote economic development, alleviate poverty, improve governance and natural resources conservation through a network of national parks and protected areas, well-managed forestry concessions, and to provide assistance to communities which depend upon the conservation of the forest and wildlife resources of 11 key landscapes in six Central African countries. CARPE is working to improve conservation and sustainable resource management across the Basin in over 65 million hectares. Areas where important species of plants or animal habitats occur are being identified and mapped, management plans are being developed and staff trained. Key activities include protected area management, improved logging policies, rational forest use by local inhabitants and improved environmental governance. CARPE partners are working with Central African institutions to develop specific land and resources use plans in targeted landscapes.

Other Program Elements: Management of the CARPE program was transferred from Washington to USAID in Kinshasa. Since then there have been no other significant environment programs active in the region that are centrally or financially managed. As the CARPE program is focused on the Congo Basin where only two USAID offices are present, it is heavily dependent upon collaboration among a large number of U.S. private voluntary organizations (PVOs) and other U.S. partners with policy support from U.S. embassies. Activities in non-presence countries (NPCs) of the Congo Basin are coordinated by USAID in Kinshasa, but actual implementation relies upon the U.S. PVOs and their relationships to the governments and societies of these NPCs.

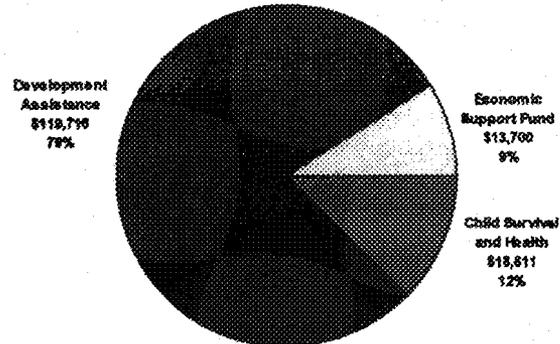
Other Donors: The CBFP was launched in September 2002 at the World Summit on Sustainable Development in Johannesburg, South Africa. The CBFP partners comprise 29 members including all six Central African countries, multilateral donors including the World Bank, a number of major bilateral donors including the European Union, France, Belgium, the United Kingdom, Japan, plus a number of research organizations and international conservation non-governmental organizations. CARPE implements the U.S.'s principal contribution to the CBFP and fosters strong collaboration with the multitude of donors in the region. Key donor CBFP partners include the European Union, World Bank, Global Environment Facility (GEF), French World-Wide Fund for the Environment, German Development Cooperation, DGIS (Netherlands), International Tropical Timber Organization (Japan), and British AID (DFID) among others.

Africa Regional

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Support for Cross-Cutting Programs	698-001	25,802	76,723	45,593
Strengthening Democracy and Good Governance	698-013	3,278		
African Economic Growth	698-014	196		
Improving African Agriculture	698-015	3,921		
Leland Initiative: African Information Technology	698-016	950		
Better Health Care in Africa	698-019	13,929		
Family Planning Promotion	698-020	1,727		
Improved Regional HIV/AIDS Programs	698-021	2,971		
Crisis Prevention, Mitigation and Recovery	698-022	258		
Environmental Assessment for Sound Development	698-023	600		
Polio Eradicated Through Sustainable Immunization	698-024	4,100		
Improving African Education	698-026	29,057	36,294	36,764
Better Health in Africa	698-027		29,037	17,111
Promoting Peace and Good Governance in Africa	698-028		8,727	29,837
Increased Program Impact	698-029		24,237	21,716
Improve Partner Communications	698-030		2,900	1,000
Total (in thousands of dollars)		88,789	177,918	152,021

Excludes P.L. 480. See Program Annex.

Mission Director: Harry Lightfoot

Africa Regional

The Development Challenge: In the eyes of much of the world, sub-Saharan Africa seems to be characterized by conflict, the HIV/AIDS pandemic, illiteracy, corruption, drought, hunger, and economic stagnation. The 2000/2001 World Development Report put the total number of Africans living below the World Bank's \$1-per-day benchmark for defining the core poor at 290.9 million in 1998--and that number has been rising steadily since. With more than 10% of the world's population, Africa accounts for just 2% of world trade, and it is the only continent where the problem of hunger is getting worse. Africa leads the world in armed conflict, in disease burden, in out-of-school children, and in deforestation. In Africa's HIV/AIDS "hot spots," average life expectancy is projected to fall from 68 to 33, and the continent is home to 1 million new AIDS orphans each year.

Yet there is promise that increased economic growth and new development opportunities will herald a better future for Africa's people. U.S. total trade with sub-Saharan Africa rose 27% in the first quarter of 2004 compared with the first quarter of 2003. New technologies, varieties, and approaches to finance and networking are beginning to transform the face of farming in Africa, and the community-based natural resource management movement is building local bulwarks against forest loss. HIV/AIDS prevention efforts are becoming more sophisticated and effective, and in many regions, the introduction of new medications is prolonging life and giving hope.

There is also widespread recognition among African leaders and policy makers of the importance of sound economic policies, good governance structures, and effective public institutions to create the conditions for more rapid economic growth and broad-based poverty reduction. This evolution drew worldwide attention in 2001 in the elaboration of the Africa-led New Partnership for Africa's Development (NEPAD). The United Nation's articulation of the Millennium Development Goals (MDGs)--which laid out ambitious targets for achievement by the year 2015--added specificity and urgency to this movement.

For the United States, support and technical guidance to African people and institutions represent a vital, long-term investment in global peace and safety. Africa not only has a wealth of natural resources but represents a growing market for U.S. goods and services. Reducing poverty, mitigating conflict, promoting democracy, and confronting HIV/AIDS are all vitally important to U.S. national security and regional stability.

The USAID Program: USAID's program for Africa comprises four distinct types of activities. First, USAID provides relevant information and helps African countries and partners use it to improve their policies, programs and strategies for development. Second, it builds Africa's capacity to manage its own development by strengthening African institutions, such as government units, universities, and non-government groups with training and other resources, leading to overall sustainability. Third, it helps African countries and institutions build more effective regional networks for economic and technical cooperation. Fourth, it helps Africans develop true partnerships with other development groups and with the private sector, including formal public-private alliances.

Economic Growth, Agriculture, and Environmental Management: Building free markets in Africa is a prerequisite for sustainable economic prosperity. The keystone of USAID's economic development efforts in Africa is therefore the President's Trade for African Development and Enterprise (TRADE) Initiative, created to help African countries improve their competitiveness and gain greater access to global markets. Led by USAID's three regional TRADE competitiveness centers ("hubs"), TRADE helps African markets and businesses take advantage of increased opportunities for U.S. trade under the African Growth and Opportunity Act (AGOA), strengthens their ability to develop African regional trade, and works to improve the infrastructure and policy climate for African businesses. Complementing USAID's economic development work in Africa is its program in agriculture. Agriculture is the major economic driver in most Africans' daily lives, underpinning household income, food security, and national economies. USAID's agricultural programs in Africa, including the Presidential Initiative to End Hunger in Africa (IEHA), link several sectors in helping agriculture generate more income and employment; strengthening regional collaboration; and promoting policy and program changes to liberalize trade, improve market access, and foster innovation. USAID will enhance these efforts by improving knowledge

management for food security and related goals, and by building missions' and partners' capacity to integrate sound environmental principles into their program design and monitoring.

Education: Education lowers infant mortality, reinforces democratization and political stability, raises farm productivity, decreases poverty, conserves environmental resources and reduces socioeconomic and gender inequality. USAID has combined the best elements of the former Education for Development and Democracy Initiative with effective basic education programs in designing and guiding the President's African Education Initiative. USAID works with schools and educators' networks to raise access to basic education for African children--especially girls--via scholarships, mentoring and informal instruction; to organize educators to respond to the effects of HIV/AIDS; to ensure that teachers are well trained for basic education and life skills instruction; to supply up-to-date textbooks; and to enable communities to become more involved in--and responsible for--their children's education.

Health and Population: Over the past decade, the health of Africans in many countries has deteriorated because of poverty, conflict, a rapid spread of infectious diseases such as HIV/AIDS and tuberculosis, and the continuing scourge of malaria. Inadequate health care looms as a major factor. USAID's activities to improve the quality and sustainability of African health care services emphasize increased African capacity to design, manage and evaluate health systems. USAID also promotes innovative financing schemes responding to Africans' widespread lack of access to health services. USAID supports multifaceted approaches to HIV/AIDS prevention in Africa, including abstinence, and works closely with the education, health and agricultural sectors. The program in family planning and reproductive health supports effective work in research, advocacy, and distribution of contraceptives, for which demand remains far greater than supply. Other programs target polio, TB, malaria, malnutrition, respiratory diseases, diarrhea, vaccine-preventable illnesses, and maternal/child health problems.

Democracy and Governance and Crisis Prevention: Conflict and political instability across sub-Saharan Africa endanger core U.S. policy interests in the region by encouraging weapons proliferation and breeding poverty, disease, terrorism, and corruption. USAID's regional democracy and good governance (DG) program advances U.S. security goals by fighting corruption, strengthening weak civic institutions, and promoting human rights. USAID's work involves innovative projects integrating DG principles into other sectors' activities for stronger impact; giving guidance and grants to African non-governmental organizations (NGOs) for activities to build peace, human rights and democracy; and managing USAID's initiative to combat corruption in Africa, which is testing diverse models that can guide anti-corruption work continent-wide. In addition, recognizing how severely violence threatens development, USAID's regional crisis prevention/mitigation programs will continue to seek solutions to conflict before it becomes acute and to give African decision-makers the tools to identify and ward off approaching conflicts, lessen their impact and help nations recover from them. Activities focus on programs such as mediation, community-based reconciliation, peace media, reintegration, and psychosocial counseling. USAID field missions benefit from country-specific conflict vulnerability analyses, which not only discuss areas and issues that may spark conflict but note resources for avoiding conflict.

Other Program Elements: As appropriate, USAID's Africa regional program works with USAID's pillar bureaus to ensure the most cost-effective use of appropriated funds. This programmatic synergy makes USAID more effective in terms of results, resources used, and overall long-term impact.

Other Donors: Coordination between USAID and other donors--such as the World Bank, the European Union, the United Nations Children's Fund, and the World Health Organization's African Regional Office--helps avoid program duplication, streamline efforts and combine funding to achieve the greatest possible impact. The program is also closely coordinated with host country development strategies and works with African NGOs, as well as the private sector, building partnerships, public-private alliances and networks with all of these actors to sustain long-term results.

ASIA AND THE NEAR EAST

The Development Challenge

Foreign assistance is an essential component of U.S. foreign policy in the Asia and Near East (ANE) region. This region, spanning East Asia, South Asia, the Middle East, and North Africa, includes 60% of the countries with USAID programs designated as strategic in USAID's development policy paper. Although each of the sub-regions has distinctive characteristics, instability, and conflict exist across the region. Many countries harbor extremist groups that prey on disenfranchised populations left vulnerable by their government's inability or lack of commitment to meet their daily needs. As these extremist groups grow, they threaten to destabilize their own countries and support terrorism directed at the United States. USAID plays an indispensable role in stabilizing and rebuilding Afghanistan and Iraq; mitigating conflict and improving conditions for peace in the Middle East and elsewhere; and increasing access to health care, education, and employment opportunities for youth who might otherwise be tempted to join terrorist organizations. Although widespread corruption, pervasive poverty, high maternal and child mortality, and severe environmental degradation are typical of the region, a number of good-performing transformational development countries have demonstrated the will to address these challenges. Three countries in ANE are eligible for Millennium Challenge Account (MCA) funding, and three have been selected as MCA threshold countries. Additionally, development progress will certainly be tempered by the impact of the catastrophic Asian tsunami in the countries most affected.

The ANE region has experienced a drastic demographic shift and now houses the largest generation of youth ever -- 368 million young people in the 19 countries where USAID has a presence. The youth population has grown disproportionately compared to the rest of the population, putting enormous pressure on governments with limited capacity and resources to provide education and employment opportunities. Many of those who enter primary school do not go on to secondary school. This is particularly true for girls. For example, in Yemen, Iraq, Morocco, and Cambodia, less than 30% of girls are enrolled in secondary school - half the rate of their male counterparts. Even those who complete school often do not have the skills the economy needs. Developing a workforce with the right mix of skills is a key issue across the region. Finally, economic growth is just not rapid enough to absorb all the new entrants into the workforce. As a result, high unemployment and underemployment rates are typical throughout the region. Approximately 62 percent of the population in ANE countries resides in rural areas, and one third of those live in abject poverty.

Some of the most important international security interests in Asia and the Middle East either derive from, or are significantly exacerbated by, trans-boundary water disputes over scarce water sources. Water needs in Jordan exceeded supply by 78% in 2000, and West Bank/Gaza has water to meet only one-third of its minimum drinking needs. Projections show that much of South Asia will be facing similar shortages of potable water by 2025. A serious challenge to maintaining the quantity and quality of water is land degradation due to deforestation and settlement by growing populations.

With over seven million HIV positive people in the region, HIV/AIDS is a serious threat to economic development and human security. By 2010, India and China together will have the largest number of HIV cases in the world. While adult prevalence is relatively low compared to Africa, the large populations in Asia mask rapidly expanding epidemics in Burma, China, India, Indonesia, and Vietnam. Youth aged 15-24 account for nearly half of all new cases. ANE also has 5.3 million new tuberculosis (TB) cases a year, the most of any region in the world. TB affects the working age population, especially the poor, and is the leading cause of death for people living with HIV/AIDS.

Corruption is rampant in many ANE countries, undermining both development and democracy. Corruption fuels political extremism and illegal activities such as trafficking in persons and illegal drugs, production and sales of counterfeit medicines, and unauthorized logging. The lack of transparency in economic and legal institutions and restrictions on human freedoms inhibit private investment and contribute to a sense of hopelessness for those who are victimized by corruption.

In December 2004, a major earthquake followed by a tsunami hit the ANE region, devastating many coastal areas. Over 220,000 people in eight countries perished in a few hours and many more had their

homes and livelihoods swept away. The coastal areas of Indonesia and Sri Lanka and two Indian island chains bore the brunt of the calamity and will require significant investments in rehabilitation and reconstruction. President Bush has pledged long-term U.S. commitment to help the tsunami victims rebuild their lives.

Major Accomplishments and Results

ANE's top priority in 2004 was realizing U.S. stabilization and reconstruction objectives in Iraq and Afghanistan. In Iraq, USAID laid the foundation for democracy, good governance, and the first free election in more than 40 years by training over 10,000 council members throughout Iraq in democratic principles, council rules and procedures, committee structure and management, budgeting, project management, accountability, and citizen input. More than 5,000 department and ministry officials at the provincial level received technical assistance in water treatment, waste management, agriculture, and financial and project management systems. Over 190 grants worth \$14 million were awarded to strengthen the capacity of local government offices to deliver essential services. Other programs also made progress despite a high level of insecurity.

In Afghanistan, eight million people, 40% of them women, voted in Afghanistan's first-ever presidential election despite Taliban threats of violence. USAID played a prominent role in this success, funding voter education activities and supporting the distribution, collection and fair counting of ballots. Other USAID accomplishments include substantial completion of the Kabul to Kandahar section of the national highway and progress on construction of provincial roads, supply of emergency fuel to four major cities, construction of schools, health clinics, courthouses, and women's centers. USAID made significant progress on rehabilitation of the Kajaki Dam for hydropower, initiated the provision of clean water to four cities, and implemented training for over 500 judges and prosecutors. To help deliver a quality education to the 5 million children who have enrolled in school since the fall of the Taliban, USAID printed and distributed over 27 million textbooks and trained over 30,000 teachers.

Supporting President Bush's Middle East Partnership Initiative and the Broader Middle East and North Africa Initiative was another key objective. USAID also emphasized engaging Muslim leaders and populations in development efforts and expanding basic education programs as part of the Presidential education initiative. The accomplishments described here and in the country programs are testimony to the eagerness for change in these countries and the vision and commitment of USAID staff and partners.

USAID assistance, with that of other donors, contributed to the success of other elections in the region during 2004, including in Indonesia where the population voted in a new President, Vice President, and national and local legislators in internationally recognized free and fair elections. By holding the largest and most complex single-day elections in history, the most populous Muslim nation demonstrated the compatibility of democracy and Islam. Mongolia's reputation as an effective emerging democracy was consolidated as a result of its fair and peaceful parliamentary election that resulted in the two winning parties' agreement to govern jointly. USAID worked vigorously with the parties in the lead-up to parliamentary elections, convincing the opposition parties to coalesce behind fewer candidates rather than splitting votes among many. Finally, USAID quickly mobilized support for voter registration and an observation initiative that helped build public and international confidence in electoral preparations in the West Bank and Gaza, following the death of Yasser Arafat, helping to ensure the legitimacy and acceptance of the election result.

Education accomplishments for FY 2004 include progress in increasing access to quality education opportunities (particularly for girls), strengthening school-to-work opportunities, and providing literacy training. In countries such as Yemen, Iraq, and Afghanistan, USAID is reaching out-of-school youth with accelerated learning programs. The Afghanistan program has reached approximately 170,000 students (55% of whom are girls) and trained 6,819 accelerated learning teachers (40% of whom were female teachers in rural areas). To systematically improve educational quality, Morocco's entire public primary school system has now been trained with USAID-developed training materials. School-to-work opportunities now exist in Indonesia, the Philippines, Sri Lanka, Morocco, and Jordan. In Jordan, a program modeling the American Junior Achievement program has trained 27,117 school and university students in entrepreneurship skills. Literacy programs that often include life-skills training have been

established in Egypt, Morocco, Pakistan, and Nepal. In Egypt, 6,088 out-of-school girls and boys attended literacy and life skills classes in FY 2004.

In FY 2004, health programs in the ANE region have improved the quality of and access to health services related to family planning, child and maternal health, and prevention, diagnosis and treatment of infectious diseases such as HIV/AIDS, TB, and malaria. These efforts included advocacy, education, surveillance, policy change, training and other capacity building, and development of new tools and approaches. Specific examples include: reaching more than one million people with HIV services and providing care to over 6,700 people living with HIV/AIDS in the Mekong Region of Southeast Asia; initiating programs to provide anti-retroviral drugs in Burma and Thailand; contributing to the development and implementation and monitoring of Global Fund activities for TB and malaria in Cambodia, Laos, and Vietnam; developing a program to address priority infectious diseases affecting Burmese migrants; and developing a study to examine how programs can improve the health of urban poor and slum dwellers. Illustrating the long-term commitment necessary to improve health status, USAID's program in Bangladesh was recently cited in a Bill and Melinda Gates Foundation study as one of seventeen proven successes in global health - contributing to a drop in the fertility rate from seven births per woman to three in the past 30 years.

USAID is helping Middle Eastern countries deal with acute water shortages by increasing water supply and promoting more efficient use of water. Work to replace and upgrade controls at the Abu Qir and Aswan High Dam power generation plants in Egypt was completed during FY 2004. The result is safer, more efficient operation of the plants improving the reliability of the Egyptian electric power system, which serves the entire nation. Construction on a wastewater collection and treatment system in Luxor progressed ahead of schedule, while major construction started on water and wastewater facilities serving four populous governorates. In Jordan, construction started on a water supply project serving Amman and on a wastewater treatment project for the Amman metropolitan area that will free up available drinking water through the reuse of reclaimed water for industry and irrigation, while also dramatically improving the quality of effluent currently discharging into the country's main reservoir. Jordan's first public water/wastewater company was established and commenced commercial operation, creating a model for private sector participation in the water sector.

USAID is increasing its attention to battling corruption throughout the region. In Iraq and Afghanistan, USAID provided substantial assistance for the establishment of anticorruption commissions to both prevent and prosecute corruption cases and a range of anticorruption efforts are incorporated in Iraq's extensive civil society programs. In Cambodia, a USAID-funded corruption assessment helped catalyze other donors to tackle the previously taboo subject of corruption. Newspapers from Thailand, Malaysia, Singapore as well as the Herald Tribune, the BBC and Newsweek all quoted the report's conclusion that "Cambodia loses as much as \$500 million a year to corruption." This is almost the same amount that Cambodia receives every year from donors. The report is cited as the impetus for donors deciding to get tough on Cambodian corruption.

Energy sector reform is a key issue for the region and a vehicle for strengthening regional cooperation. In 2004, USAID facilitated further progress in unbundling, privatizing, reducing subsidies, commercializing, increasing competitiveness, and/or regulating the energy sectors in the Philippines, Indonesia, Mongolia, Bangladesh, Bhutan, India, the Maldives, Nepal, Sri Lanka, and Egypt. With USAID support, the South Asia region moved towards establishing a regional energy network that will include India, Pakistan, and Afghanistan and agreed to harmonize energy efficiency codes and standards for the region.

USAID has been instrumental in increasing awareness and understanding of human trafficking in South Asia. When the regional anti-trafficking program began in 2000, the phenomenon of trafficking in persons was virtually unknown to governments and the general public. As a result of USAID-supported documentation, research, and advocacy, there is now greater understanding of the dimensions of trafficking region-wide. Approximately 27,000 persons have been directly assisted and many more have been reached indirectly. The program has spawned policy reforms in India, Nepal, and Sri Lanka. With USAID support, the Bangladeshi government has made significant progress in combating human trafficking, thereby removing the prospect of Tier III sanctions against the country.

Program and Management Challenges

ANE's top priority is providing adequate security and logistical support for personnel working in some of the most dangerous places in the world today. U.S. Government personnel and facilities are at substantial risk for terrorist attacks in virtually all ANE countries. Financing prudent security measures and adequate equipment and facilities is exceedingly difficult in an environment where the operating expense budget is stagnant while overseas costs are spiraling due to the devaluation of the dollar and the need to maintain competitive salaries for the host country national staff who are the backbone of overseas missions.

Recruiting staff with the leadership and technical skills to design and manage state-of-the-art programs throughout the region is ANE's second highest priority. With some of the most critical positions in high threat and hardship posts and significant numbers of the Agency's most experienced staff retiring, this is increasingly difficult. ANE aims to build surge capacity to assure the uninterrupted operation of critical programs while personnel in stressful posts take much-needed leave and to be able to respond to new priorities as they arise, such as the Asian tsunami and implementing MCA threshold country programs.

One of ANE's strategies for increasing surge capacity and enhancing management efficiency is the opening of regional offices in Bangkok (approved in 2003) and more recently in Cairo. These offices provide contracting, legal, and financial services to field missions as well as manage non-presence country programs and strategic regional programs. The Regional Development Mission for Asia is developing a new strategy that focuses on the regional dimensions of governance and economic reform, HIV/AIDS and infectious diseases, and environmental issues. The nascent regional office in Cairo will develop strategic initiatives for the Middle East and North Africa during 2005.

The ANE Bureau and USAID missions in Indonesia, Sri Lanka, India, and Thailand were instrumental in the rapid U.S. response to the Asian tsunami. Immediately after the tsunami struck, ANE staff worked with the Office of Foreign Disaster Assistance to begin delivering aid to the affected countries. Field staff with invaluable local expertise complemented the Disaster Assistance Response Teams. Over the next few years, designing and implementing reconstruction assistance will be a priority. Innovative use of information and communication technology and public-private partnerships are expected to feature prominently in the reconstruction program.

Supporting democratic, economic, and social transformation in Iraq and Afghanistan will continue to be top program priorities. Encouraging democratic and economic reforms in Middle Eastern countries is also high priority, particularly given the opportunity afforded by new Palestinian leadership. A new strategic planning framework for the ANE region is under development and will identify Agency goals for the region such as graduating at least one country from development assistance and strengthening basic education, workforce training, and democracy and governance initiatives.

Finally, raising awareness about how the United States is working to improve the lives of citizens in ANE countries is an important means of countering anti-Western propaganda. Research in the West Bank and Gaza found that, after 10 years of USAID operations, only 50% of Palestinians had ever heard of USAID and only 5% were aware that USAID projects were paid for by the American taxpayer. In Bangladesh, a society of devout Muslims receptive to modern ideas, USAID is reaching out to elements of influence and capitalizing on the relationships built up between our societies over the years. ANE plans to devote additional resources to outreach efforts to gain the greatest foreign policy impact from U.S. assistance.

Other Donors

The international donor community is very active throughout Asia and the Near East. U.S. official development assistance (ODA) in the region has increased significantly in the past four years, particularly in South and East Asia. The United States is now the largest bilateral donor in the ANE region, followed by Japan, France, the United Kingdom, Germany, the Netherlands, Australia, Norway, and Sweden. The largest ODA levels continue to be provided by the World Bank, the International Monetary Fund, and several agencies of the United Nations. In addition, the Arab Fund, Islamic Development Bank, and Saudi Arabia are major contributors in the Middle East, while the Asian Development Bank is a primary donor in South and East Asia. USAID coordinates with these donors both in Washington and at the

country level. USAID's active engagement in efforts to better harmonize ODA procedures and policies has strengthened coordination.

FY 2006 Program

ANE requests \$305,876,000 (\$47,456,000 DA, \$220,420,000 ESF, \$38,000,000 TI) to support the goal of promoting broader access to quality education. It is expected that more than 1.3 million children will attend schools supported by USAID and approximately 59,000 teachers and administrators will be trained in new education techniques, curriculum, and management in FY 2006.

Funds totaling \$401,969,000 (\$143,078,000 ESF, \$258,891,000 CSH) are requested for programs to improve health. Among other things, these funds will be used to train an estimated 214,800 health workers and provide voluntary counseling and testing for HIV/AIDS to approximately 115,600 people in the ANE region.

\$386,771,000 (\$27,478,000 DA, \$344,293,000 ESF, \$15,000,000 TI) will support USAID's work in Asia and the Near East to promote the development of transparent and accountable democratic institutions, laws, and economic and political processes and practices. This will include training over 29,000 people to improve government functions and approximately 6,900 people in anti-corruption in FY 2006.

Funds amounting to \$157,454,000 (\$52,394,000 DA, \$100,560,000 ESF, \$4,500,000 TI) are requested to support partnerships, initiatives, and international treaties and agreements that protect the environment and promote efficient energy use and resource management. In addition to other initiatives, these funds will improve sustainable access to safe drinking water for almost 8.5 million people in the ANE region.

A summary of resources requested for the ANE region is shown below by sub-region and funding source (in \$000).

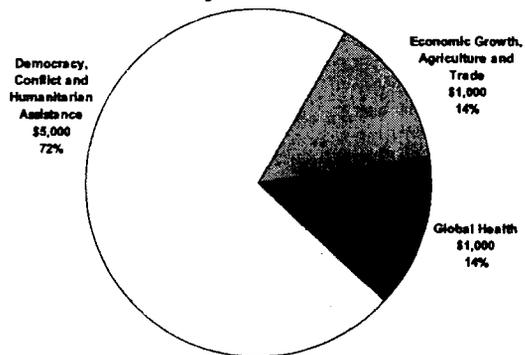
Sub-region	DA	TI	CSH	ESF	P.L.480	Total
East Asia	89,799	--	93,659	155,350	18,190	356,998
South Asia	92,316	150,000	161,622	765,500	93,751	1,267,441
Middle East & North Africa	6,000	--	--	1,722,000	--	1,728,000
Regional	18,852	--	3,610	--	--	18,210
Total	\$206,967	\$150,000	\$258,891	\$2,642,850	\$111,941	\$3,370,649

The allocation of these resources by Agency sector is shown below (in \$000).

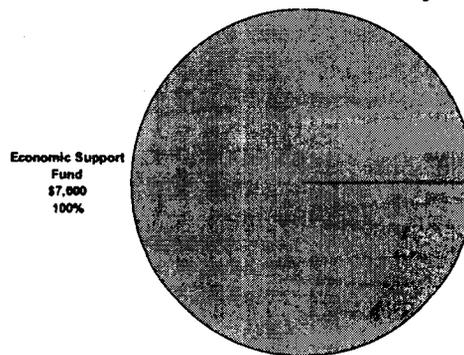
Economic Growth, Agriculture and Trade	\$2,447,224
Global Health	\$ 401,969
Democracy, Conflict and Humanitarian Assistance	\$ 409,515
Total	\$3,258,708
P.L. 480	\$ 111,941
Grand Total	\$3,370,649

Burma

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Promote Democracy and Aid Burmese Refugees	482-002	12,923	7,936	7,000
Total (in thousands of dollars)		12,923	7,936	7,000

Mission Director: Timothy Beans

Burma

The Development Challenge: Conditions in Burma have changed little over the past year. The State Peace and Development Council (SPDC) continues to maintain political and military control of the country. U.S. Government policies continue to place pressure on the SPDC to engage in a meaningful dialogue with the democratic opposition that ultimately leads to genuine national reconciliation and the establishment of democracy.

The SPDC has consistently refused to engage with the National League for Democracy (NLD), other members of the democratic opposition, and ethnic minority groups. On May 30, 2003, forces affiliated with the ruling junta brutally attacked Aung San Suu Kyi and her convoy of supporters. Several NLD supporters were killed or injured. Suu Kyi and many party leaders were arrested. Although several were eventually released, Suu Kyi remains under house arrest and unable to communicate with the NLD or others. These events, along with the lack of participation of the democratic opposition at the national convention to prepare a new constitution, reduced the potential for any type of reconciliation or power sharing discussions. Both the national convention and the SPDC's "roadmap" to democracy have been met with much skepticism by the international community.

On October 19, 2004, junta hard-liners further consolidated their hold on power by ousting former Prime Minister and head of Military Intelligence General Khin Nyunt. The junta replaced him with Lt. General Soe Win, who was reportedly directly involved in the decision to carry out the May 30, 2003 attack on Aung San Suu Kyi. It is unclear what impact these moves will have on the informal cease-fire agreements negotiated between Khin Nyunt and various former ethnic insurgent groups and on the ability of social, political, and educational entities to function in the country. Extra-judicial killings, torture, forced labor, portering, forced relocation, rape, and other abuses still commonly occur in most ethnic states.

The SPDC's economic mismanagement of the country's resources has led to a deterioration of social and economic conditions. U.S. sanctions following the May 30 arrest of Aung San Suu Kyi have made it much more difficult for Burma to operate in the international arena due to restrictions placed on financial transactions using U.S. dollars. In 2004, per capita income was estimated at \$225. According to the World Bank, Burma has relatively poor health indicators with an infant mortality rate of 77 per 1,000 live births, an under-five child mortality rate of 109 per 1,000 children and a maximum average life expectancy of 57 years. Health care facilities are eroding and HIV/AIDS and other infectious diseases are becoming endemic. Universities are sporadically open and the public education system is in very poor condition.

The intensifying economic hardship in Burma over the past decade has resulted in many Burmese relocating to the Thai-Burma border region because of the relative safety, prosperity, and economic opportunities available in Thailand. In the 10 Thai provinces along the thousand mile border with Burma, there are over 144,000 Burmese living in refugee camps, and hundreds of thousands registered and unregistered Burmese migrants.

U.S. interests in Burma include promoting democracy, supporting human rights and religious freedom, fighting HIV/AIDS, furthering effective counter-narcotics efforts, and promoting regional stability.

The USAID Program: Programming decisions are made jointly by the State Department and USAID. Programs in FY 2005 will be funded with carryover funds from the ESF earmark in the FY 2004 Foreign Operations Appropriations Bill and the current earmark in the FY 2005 Bill. USAID-administered activities are managed by the Regional Development Mission/Asia (RDM/A) in Bangkok, Thailand in consultation with the U.S. Embassy in Rangoon and the State Department in Washington, D.C. State administered activities are managed by the Bureau of Democracy, Human Rights and Labor (State/DRL).

Currently, USAID administers the following programs under the Burma earmark:

Humanitarian assistance to provide access to health care, support migrant rights activities, and strengthen control of priority infectious diseases for out-of-camp Burmese in Thailand: This assistance complements assistance from the State Department Bureau of Population, Refugees and Migration;

Democracy activities that finance training for Burmese journalists and public information workers to improve the quality and dissemination of news and information on the situation inside Burma;

Scholarships for Burmese refugees to study at colleges and universities in Asia, Europe, Canada, Australia, and the U.S.; and

Program support to the American Center in Rangoon, including publications, library services, English language and other training, and education and democracy-building programs that includes work with the media.

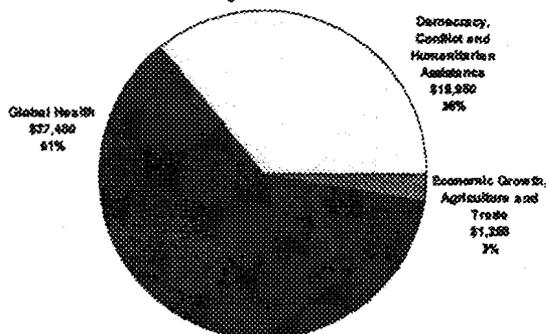
Other Program Elements: The regional HIV/AIDS and infectious diseases program works in Burma and along the Thai-Burma border to address these diseases through surveillance, behavioral change, training, research, and provision of care and support. The regional anti-trafficking program provides a strategic regional framework to address trafficking through better data collection, monitoring and evaluation, capacity building, and greater cross-border cooperation among non-governmental organizations, policymakers, and law enforcement entities. Both of these programs are managed by the USAID Regional Development Mission/Asia (RDM/A).

The Department of State's Population, Refugees and Migration Bureau funds refugee-assistance activities that complement USAID activities on the Thai-Burma border. State/DRL supports grants to the National Endowment for Democracy, the American Center for International Labor Solidarity, and Prospect Burma under the earmark.

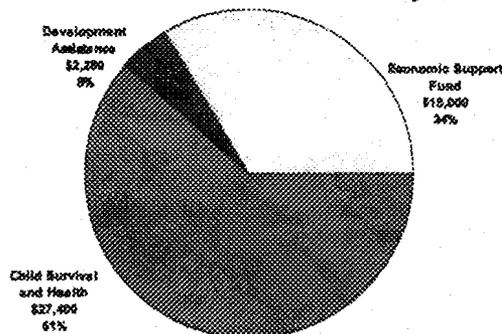
Other Donors: The activities being funded under the earmark operate independently of the Burmese regime and are coordinated with more than 30 other donor agencies through either the Burma Donors Forum or the Coordinating Council for Support to Displaced Persons in Thailand. There are regular coordinating meetings among HIV/AIDS donors, led by the Joint United Nations Programme on HIV/AIDS, to try and optimize the use of funds. Bilateral donor programs that focus on humanitarian assistance to Burma and to Burmese refugees include the Netherlands, Denmark, Sweden, Australia, Germany, the European Union, and the United Kingdom. Multilateral donors with activities in Burma include the United Nations Children's Fund, the United Nations Development Program, the World Food Program, and the United Nations High Commissioner for Refugees.

Cambodia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

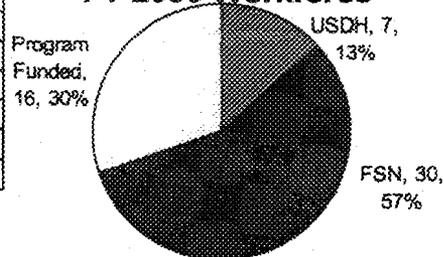
Objective	SO Number	FY 2004	FY 2005	FY 2006
HIV/AIDS & Family Health	442-009	30,360	28,700	27,400
Democracy and Human Rights	442-010	16,650	20,314	15,950
Improving Basic Education	442-011	2,000	6,000	1,250
Total (in thousands of dollars)		49,010	55,014	44,600

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	3,484	2,761	2,841
USDH Salaries & Benefits	825	884	905
Program Funds	1,276	1,494	1,494
Total (in thousands of dollars)	5,585	5,139	5,240

FY 2006 Workforce



Mission Director: Jonathan Addleton

Cambodia

The Development Challenge: Significant developments have taken place in Cambodia during the last 18 months, presenting unique opportunities as well as challenges. After a year of political stalemate, the country has inaugurated a new administration and a new monarch, signaling new prospects for stability. Many of the issues affecting Cambodians since the Paris Peace Agreement of 1991, however, remain unresolved. The impact of corruption within Cambodia permeates all aspects of daily life for citizens. Lack of good governance, unsatisfied social needs, and growing environmental threats are but a few hurdles the Royal Government of Cambodia will face in the coming years. The government lacks a separation of powers, with the executive branch dominating the legislature and the judiciary.

After a year of protracted negotiations following the 2003 National Election, Cambodia's political parties finally agreed to form a new government. Negotiations began with the National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia (FUNCINPEC) joining the Sam Rainsy Party to form the Alliance of Democrats. Although the alliance lasted longer than originally suspected, the chance to have a three party government ended when FUNCINPEC rejoined its old coalition party, the Cambodian People's Party (CPP). The election and subsequent one year stalemate demonstrate that democracy in Cambodia remains nascent.

A few months later, the King announced his abdication due to poor health. His son Norodom Sihamoni, formerly the country's representative to the United Nations Educational, Scientific, and Cultural Organization (UNESCO), was confirmed and assumed leadership of the country.

Although there have been improvements in education, these recent political developments have had little impact on the country's largely unmet social needs. The government is not investing satisfactorily in health and education. While the estimated HIV prevalence rate in Cambodia has fallen by nearly one-third since 1997, the country still faces an epidemic that could potentially threaten its development. The World Health Organization estimates that over 100,000 people, including children, will develop AIDS by 2005. High infant mortality (estimated at 96 per 1,000 births) and maternal mortality (placed at around 5 per 1,000 births) reveal the poor state of public health provision in Cambodia.

More than half of Cambodia's 13 million people are under the age of 18. Ensuring that they receive adequate education that will prepare them to be productive citizens remains a major challenge. During the late 1990s, only 48% of those over 25 years of age had completed primary education. In 2004, UNESCO estimated adult total literacy at 69% and adult female literacy at 59%.

The forests of Cambodia are one of its most valuable resources. According to the United Nations Food and Agriculture Organization, the forest cover has declined from 73% to 58% of the total land area over the last 40 years. The World Bank reports 94% of the timber is cut illegally thus providing no revenue for the public good. The Government has attempted to regulate forest exploitation, with limited success.

U.S. interests in Cambodia include strengthening democracy; expanding regional cooperation and integration; promoting greater economic openness and lower trade barriers; implementing the Association of South East Asian Nations (ASEAN) Cooperation Plan, which seeks to strengthen U.S. relations with ASEAN members; and addressing terrorism through a combination of careful intelligence liaisons and targeted foreign assistance.

The USAID Program: USAID is requesting FY 2005 and FY 2006 resources to fund activities that aim at accomplishing three objectives that concentrate on supporting critical elements of the primary health care information and service delivery system, especially related to HIV/AIDS and mother and child health issues; promoting good governance, human rights, and equitable treatment for all citizens; and promoting improvements in the relevance, quality, and accessibility of basic education. USAID will use FY 2005 funds to expand ongoing programs in HIV/AIDS prevention and care; expand access to maternal, child, and reproductive health services; increase the participation of political parties, non-governmental organizations (NGOs), and the private sector in promoting human rights and documenting evidence of Khmer Rouge atrocities; and improve the quality of basic education.

In FY 2006, USAID expects to implement a new country strategy in Cambodia. The new strategy will build on the successes of current activities and take the changing challenges and opportunities into account. For example, with elections having taken place, the democracy and governance objective would shift its focus from political competition to good governance. Environmental stewardship and improved economic management will also be considered. The specific activities to be funded by FY 2005 and FY 2006 appropriations are described in more detail in the Program Data Sheets of the Congressional Budget Justification.

Other Program Elements: In addition to the resources requested in the Program Data Sheets, USAID's Office of Foreign Disaster Assistance manages the Flood Forecasting and Early-Warning Systems in the Mekong River Basin. This project strengthens the Mekong River Commission's flood warnings by making them more responsive to the needs of at-risk populations.

USAID's Women in Development Office is supporting a grant to the International Justice Mission to combat human trafficking.

USAID's Center for Human Capacity Development is supporting two grants in Cambodia. Fisk University has partnered with the National Institute of Management in Phnom Penh to develop a Center for Entrepreneurship and Development at the National Institute of Management. Florida A&M has joined the Royal University of Phnom Penh to undertake environmental studies.

In partnership with California State University at Fullerton and Pannasastra University of Cambodia, the Partnership for Educating Leaders through Community Service Learning is establishing a Center for Community Service Learning at Pannasastra University. The focus of the partnership is to provide training that meets community needs, such as HIV/AIDS education, increase literacy, and promote education. Other health-related partnerships are funded through the Global Fund for HIV/AIDS, Tuberculosis, and Malaria.

Other Donors: The Consultative Group (CG), which brings together multilateral and bilateral donors, typically makes annual aid pledges in the \$500 to \$600 million range, although disbursed aid is often lower. The World Bank, Asian Development Bank, United Nations, and United Kingdom's Department for International Development are collaborating on a joint assistance strategy for Cambodia. Although USAID does not participate directly in this process, it intends to enhance donor coordination by using some of the preparatory work done by these organizations in the development of its own new country strategy.

Japan, Cambodia's largest bilateral aid donor, is active in almost every sector. The United Kingdom's activities involve health sector reform, HIV/AIDS, urban poverty reduction, teacher training, and environmental conservation capacity building. France is working on rural credit for agro-enterprises, higher education, rural water supply, public accounting support, tourism infrastructure support, and legal and judicial reform. Australia assists in agricultural extension services, policy development, and institutional capacity building.

Recent negotiations between China and Cambodia resulted in 25 bilateral agreements. The initiatives include feasibility studies for a hydropower plant and grant and loan agreements covering textile and cement plants, tourism, and highway construction. Although these agreements are relatively small in financial terms, they signify how China is using its newly won economic power to expand its presence and political influence among its southern neighbors. The USAID program helps ensure that the United States also remains fully engaged with Cambodia and other nations of Southeast Asia.

China

The Development Challenge: USAID's activities in China are limited to assisting Tibetan communities, a HIV/AIDS regional program operating in the two southern provinces of Guangxi and Yunnan, and support for American Schools and Hospitals Abroad.

The Tibetan areas of China include all of the Tibet Autonomous Region (TAR) and the Tibet Autonomous Prefectures and Counties in the provinces of Qinghai, Gansu, Sichuan, and Yunnan. The Tibetan population of about 5.4 million people is widely spread across the vast expanse of the Tibetan Plateau, mostly in remote and physically isolated locations. Home to the headwaters of Asia's major rivers, the Tibetan Plateau is one of the world's richest and most threatened reservoirs of plant and animal life. With more than 12,000 species of higher plants, the region is probably the most botanically rich temperate region in the world, and provides habitat to many rare wildlife species, including giant panda, the red panda, the golden monkey, the snow leopard, and the bovine-like takin.

The Tibetan people possess a unique and ancient cultural heritage, reaching back centuries and inseparable from their own distinct Buddhist tradition. Much of this heritage was lost during the 1960s and 1970s when many monasteries and cultural institutions were destroyed; however much remains, and Tibetans face daunting challenges in preserving and maintaining their cultural heritage in the face of economic development, modernization, and migration of non-Tibetans into the region.

Tibetan areas exhibit widespread poverty due in large part to an environment characterized by cold temperatures, fragile and infertile soils, drought, and severe snowstorms. The harsh environment of the Tibetan Plateau limits agricultural productivity, and the isolation of its inhabitants restricts their access to health care, education, financial services, markets, information, and technology to improve their lives. Heavy reliance on primary livestock and agricultural products for employment limits economic opportunities for most Tibetans and creates pressure on available land resources.

The Tibetan Plateau presents a challenging implementation environment for development assistance. Those most in need of assistance live in small nomadic communities scattered across vast rural tracts, unserved by roads or other public infrastructure. The harsh climate limits most assistance to the nine warmer months of the year, and the inaccessibility of many areas deters all but the most intrepid aid workers.

The USAID Program: Since FY 2000, funding has been provided for activities to promote sustainable development, environmental conservation and cultural preservation in Tibetan areas of China. In 2003 USAID, in close cooperation with the Department of State, assumed management of a portion of the program, and in FY 2004 and succeeding years will manage the entire program.

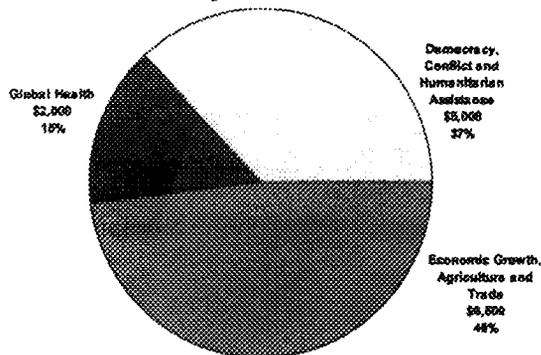
The principal goal of the program is to strengthen Tibetan communities' capacity for meeting their socio-economic needs, while conserving the environment and preserving their cultural heritage. The goal is being met through activities that directly assist Tibetan communities in China. This program is implemented through U.S. non-governmental organizations (NGOs) that provide Tibetan communities with access to financial, technical, marketing, environmental, and educational resources they need to sustain their traditional livelihoods, their unique culture and environment, and to take advantage of economic opportunities as China develops its western regions.

Other Program Elements: Outside Tibetan areas there are a small number of U.S. Government programs in China. As part of its regional HIV/AIDS and infectious diseases strategy, USAID is working on a limited scale with NGOs in the two southern provinces of Guangxi and Yunnan. Over the past eight years USAID's American Schools and Hospitals Abroad (ASHA) program has supported the construction and equipment of the Center for American Studies at Fudan University, Shanghai. American Schools and Hospitals Abroad (ASHA) has also supported the Hopkins-Nanjing Center for Chinese and American Studies in Nanjing and provided a grant to Project Hope to support training for the Shanghai Children's Medical Center.

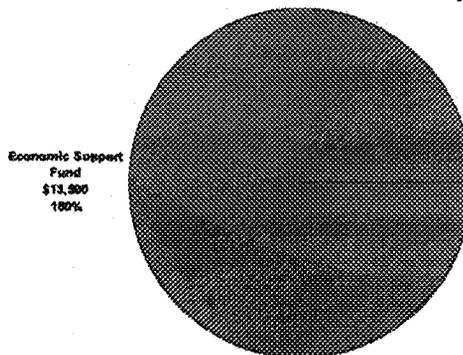
Other Donors: China does not have a formal aid group. Bilateral donors include Australia, Canada, Germany, Japan, the Netherlands, New Zealand, Sweden, and the United Kingdom. Multilateral donors include the World Bank, the European Union, the Asian Development Bank, and the United Nations Development Program. Donors providing support to Tibetan areas include Australia (health), Canada (humanitarian assistance and community development), Netherlands (humanitarian assistance and community development), and Sweden (education).

East Timor

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

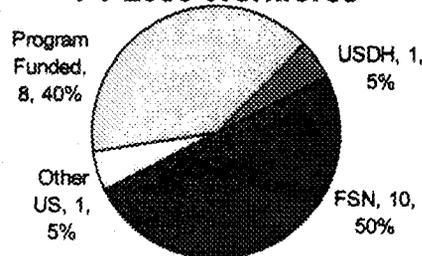
Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Revitalization	472-001	11,367		
Support for Democratic Transition	472-003	11,000		
Accelerated Economic Growth	472-004		9,956	6,500
Good Governance Strengthened	472-005		8,912	5,000
Improved health of the Timorese people	472-006		2,956	2,000
Total (In thousands of dollars)		22,367	21,824	13,500

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	509	1,000	1,000
USDH Salaries & Benefits		139	142
Program Funds	735	1,062	1,062
Total (In thousands of dollars)	1,244	2,201	2,204

FY 2006 Workforce



Mission Director: Flynn Fuller

East Timor

The Development Challenge: On May 20, 2002, after 24 years of Indonesian occupation, East Timor became the first newly independent nation of the millennium. East Timor is one of the ten poorest countries in the world with an estimated population of 924,642. Its small domestic market, island status, extreme mountainous terrain, and poor infrastructure present formidable challenges. Seventy five percent of the population is rural of which 80% rely on subsistence agriculture and live on less than one dollar per day. Unemployment is estimated to be higher than 19.5% and the illiteracy rate is 57% with an average household level of education of less than three years. Expanding rural poor families' access to financial markets, strengthening rural market institutions, and expanding productive employment opportunities in rural areas, especially for women, is critical to reducing the high level of chronic poverty facing East Timor. Demographics in East Timor reflect a young population with approximately 50% under the age of 15 and with low levels of education. Strengthening public institutions and building local capacity remain one of the most critical issues facing East Timor. The maternal mortality ratio of 830 per 100,000 live births and the under-five mortality of 125 per 1,000 live births are among the highest in the world.

The 2003 World Bank Poverty Assessment highlights the daunting economic and human development challenges East Timor faces, estimating that 39.7% of the population is under the chronic poverty level. Rural families have less access than urban families to basic infrastructure and services such as clean water, electricity, education, information access, health care, and sanitation. Extensive deforestation and subsequent erosion reduces agricultural productivity, degrades water resources, and decreases terrestrial and coastal biodiversity. The reduction of United Nations (UN) presence in May 2002 created a serious contraction in economic activity and a reduction in the overall growth rate. There has been a strong decline in new foreign and domestic investments. Furthermore, labor costs are higher and productivity lower than in neighboring countries.

Despite these challenges, East Timor has made solid progress since 1999 in establishing a democratic state and revitalizing its economy and export market for coffee. It developed a new constitution, held legislative and presidential elections that met international standards, and established working democratic institutions. East Timor has established a Bank and Payment Authority and is a member of the United Nations, the International Monetary Fund, World Bank, and the Asian Development Bank. The Government of East Timor (GoET) has strong political will to implement economic reforms and increase its public investments in social development. Although the country continues to advance economic and social reforms, high population growth and low economic growth continue to impede achievements in improving livelihoods and reducing poverty.

East Timor's leadership has shown a consistent commitment to economic growth and poverty reduction. As a result, East Timor was designated on November 8, 2004 as a Millennium Challenge Account (MCA)-eligible Threshold Country. However, work remains to achieve full MCA candidate country status. East Timor reportedly failed (or lacked information in) the economic freedom category, but passed two other categories. However, rapid progress is possible to achieve in the economic freedom category given the willingness of the GoET to respond, dedication of the international community, and concentration of MCA threshold resources in this area.

During the next few years East Timor will continue to depend on the donor community to meet its core operating costs and social development needs. Projected Timor Sea's oil and gas revenues are higher than expected due to the current historical high price levels. However, the uncertainty of the current price and the outcome of treaty negotiations with Australia continue to make future revenue in the short term difficult to predict. Furthermore, the low level of domestic and foreign investment hinders the ability of the GoET to collect revenue. The GoET's core budget is expected to be fully financed from its own resources by FY 2008 or FY 2009.

The overall goal of the USAID program will continue to address the long-term development needs in accordance with key U.S. foreign policy interests in East Timor: democracy, economic prosperity, improved global health, and regional security.

The USAID Program: The USAID's newly approved five-year Country Strategy focuses on two strategic objectives and one special objective in health. The activities being carried out under the new strategy directly address East Timor's most pressing concerns: accelerating economic growth and job creation; good governance; and improving basic health services. The Economic Growth program will support job creation by improving the business enabling environment, improving markets, and increasing the production of selected products and services. At the same time, it will focus on increasing the capacity and skills of Timorese to perform better in new roles and job responsibilities. USAID's Democracy and Governance program will contribute to strengthening the foundations of governance by improving the rule of law and establishing a more effective democratic governance. This will be supported by increased transparency, accountability, and participation in government. The Health program will contribute to improved health through increased use of maternal and child health practices. This will be supported by a community health network consisting of church and other civil society groups established to effectively support key maternal and child health practices at the local level, and increased use of effective interventions to reduce the threat of priority infectious diseases. Building capacity at the local and national level is a major emphasis of all three program areas.

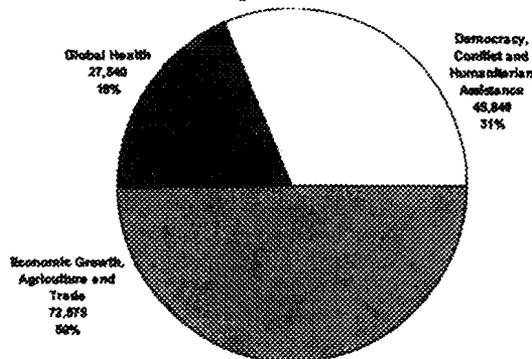
The three objectives of this strategic plan directly support the State/USAID Joint Strategic Goals for "Economic Prosperity and Security" and "Democracy and Human Rights" and the Performance Goal of "Improved Global Health, including child, maternal, and reproductive health, and the reduction of abortion and disease, especially HIV/AIDS, malaria, and tuberculosis". The economic growth program will assist the GoET in appropriate policy reforms, thus helping East Timor to transition from a threshold country to a full-fledged eligible country under the MCA program.

Other Program Elements: USAID's Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) has two programs in East Timor; a program to strengthen nongovernmental organizations (NGOs) that provide sustainable services to rural areas and a program that trains rural community groups to address the needs of survivors of torture. East Timor has received support for its national malaria program via the Global Fund for AIDS, Tuberculosis, and Malaria. A four-year program supported by the Global Health Bureau will strengthen key maternal and neonatal health. The Food for Peace Program will support a nutritional supplementation program by the World Food Program in coordination with government counterparts and the NGO community.

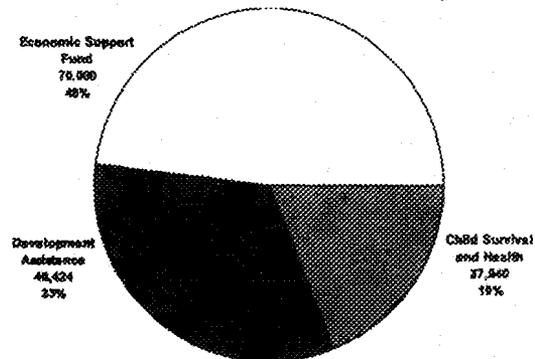
Other Donors: USAID actively participates in the GoET-led Donor Conferences and ad-hoc donor and GoET committee meetings to address urgent development issues. East Timor has been a primary recipient of foreign assistance since 1999 and USAID's overall contribution has amounted to approximately 18%. Thirty-five official donors and 18 UN agencies as well as the World Bank and the Asian Development Bank provide assistance to East Timor. The top three bilateral donors in East Timor are Portugal, Australia, and the European Union. The United States ranks fourth. Bilateral programs cover a wide area of activities such as budget support, health, education, and humanitarian assistance. These four areas account for 70% of the assistance provided to date to East Timor. Allocations for agriculture and rural development, basic infrastructure, water supply and sanitation, environmental protection and management, and private sector development received less support. The Transition Support Program (TSP), managed by the World Bank with contributions from the World Bank and nine bilateral donors including the United States, provides capacity building and balance of payment support to the GoET. The TSP is an important program for donor coordination and performance monitoring on a semi-annual basis. From FY 2002 to FY 2004, total TSP contributions amounted to \$77 million, including \$12 million from USAID. All activities have been closely coordinated with other donors to avoid duplication and to ensure synergy.

Indonesia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

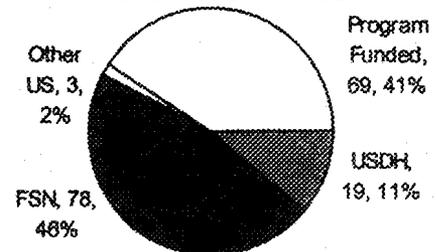
Objective	SO Number	FY 2004	FY 2005	FY 2006
Democracy Reform	497-007	22,105		
Health, Population and Nutrition	497-008	24,800		
Crisis Mitigation	497-009	7,000		
Strengthening Local Government	497-010	14,215		
Promoting Economic Growth	497-011	12,395		
Natural Resource Management	497-012	13,481		
Energy Sector Reform	497-013	12,000		
Education	497-018	10,000	26,500	32,011
Basic Human Services	497-019		40,948	39,051
Democratic and Decentralized Governance	497-020		35,000	45,849
Economic Growth	497-021		19,480	20,300
Healthy Ecosystems	497-022		7,500	8,753
Total (in thousands of dollars)		115,996	129,428	145,964

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	4,829	5,379	6,279
USDH Salaries & Benefits	2,953	2,584	2,640
Program Funds	10,226	11,541	11,541
Total (in thousands of dollars)	18,008	19,504	20,460

FY 2006 Workforce



Mission Director: William Frej

Indonesia

The Development Challenge: On December 26, 2004, an earthquake with a magnitude of 9.0 on the Richter Scale triggered massive tsunamis in the Indian Ocean. The impact on Indonesia's island of Sumatra was catastrophic with over 120,000 dead, 113,000 missing, and 400,000 displaced (estimates at the time of this publication). The former U.S. Secretary of State Powell described this as the worst disaster he has ever seen. Besides the new challenges created by the tsunami, significant social, political, and economic barriers continue to impede Indonesia's progress toward becoming a moderate, stable, and productive nation. More than half of Indonesia's population subsists on less than two dollars per day. Governing institutions remain weak and corruption is endemic. Approximately half of Indonesian children who start primary school do not complete junior secondary school, and drop-out rates are increasing. Poor health and environmental conditions contribute to millions of illnesses every year reducing incomes and productivity. Regional conflicts and terrorism continue to destabilize the country's fledgling democracy. While important strides have been made toward creating an open and democratic society since 1998 and the fall of Suharto, Indonesia still has tough social, political and economic development challenges to address that are critical for a prosperous future.

In 2004, Indonesians voted in a new President, Vice President, and national and local legislators in internationally recognized free and fair elections. The success of the elections cannot be overstated. By holding the largest and most complex single-day elections in history, the most populous Muslim nation demonstrated to the world the compatibility of democracy and Islam. The vote was also a clear mandate for political, social, and economic reform. The country chose reform-oriented Susilo Bambang Yudhoyono (SBY) as their first directly elected president. The new Government of Indonesia's (GOI) political will to implement essential reforms is high, but it has yet to be tested. SBY has set ambitious goals to fight corruption and terrorism, and to increase investment and employment. However, specific reform policies have yet to be implemented, and the President has warned the nation to abandon high expectations of quick fixes to rampant corruption, sectarian and separatist conflict, widespread unemployment, and the threat of terrorism. The tsunami presents an opportunity to address these endemic problems.

Indonesia's economic growth lags behind other countries in the region, and the current 4% to 5% gross domestic product (GDP) growth is insufficient to absorb new entrants to the labor force or reduce numbers of unemployed and underemployed. While key macroeconomic reforms have resulted in lower interest rates and a stronger Rupiah, poor business and investment climates continue to impede growth. Weak governing institutions, inadequate rule of law, and pervasive corruption are the principle obstacles facing the new government. According to a study co-sponsored by the World Bank and IFC in 2004, it takes 151 days to register a business in Indonesia. Corruption in business and government continues to rob Indonesia of its business development and investment potential.

Indonesia's poor are not receiving adequate human services necessary for productive and healthy lives. Public funding for education is estimated between 1% and 2% of GDP, the lowest in the region. An estimated 77 million people, particularly rural and low-income urban populations, lack access to safe and affordable drinking water. Diarrhea, which often results from water-borne diseases, causes over 100,000 deaths per year. Indonesia has one of the highest maternal mortality ratios in Southeast Asia. Rapidly developing sub-epidemics in HIV/AIDS are occurring. While it is true that tremendous progress has been made over the last 40 years toward improving the education and health of Indonesians, much more remains to be done. From the early 1970s to 1998, Indonesia achieved almost universal enrollment in primary school. Fertility rates have more than halved since 1971 (6.0 to 2.1) and life expectancy is now 68 years. However, the inadequate provision of essential health and human services in recent years threatens these positive trends.

Many local governments are still not providing accountable governance and services to their constituencies. The political decentralization process occurred rapidly and transferred substantial responsibilities to cities and districts. Local governments are now controlled by freely-elected councils that can hold local administrators accountable for performance. Communities and non-governmental organizations have greater opportunities to participate in government decision-making. However, most local governments are still struggling to plan, budget and manage their new responsibilities in a

transparent, efficient, and effective manner.

Indonesia has lost an estimated 75% of its original natural forest and the accelerated rate of loss threatens the country's remaining natural heritage. Habitat loss is the primary threat to the country's terrestrial biological diversity. People who depend on the forest for income also have their livelihoods at stake.

The GOI commitment to tackling terrorism and regional conflicts is strong, but the September 2004 terrorist bombing of the Australian Embassy and continued violence in Aceh in 2004 demonstrated that sustainable solutions to these issues remain elusive. The current ceasefire in post-tsunami Aceh, however, offers hope for future conflict resolution.

The outcome of Indonesia's democratic transition has profound implications for U.S. strategic interests in fighting terrorism; preserving regional stability in Asia; strengthening democratic principles, the rule of law, and respect for human rights; and expanding access for U.S. exports and investment in the fourth largest country in the world. Indonesia's importance also stems from its substantial natural resources, rich biodiversity, and strategic location across key shipping lanes linking Europe, the Middle East, and Asia.

The USAID Program: USAID immediately responded to the tsunami disaster with relief assistance. Additional relief and reconstruction activities will be developed to respond to the needs in Aceh. USAID's new five-year program in Indonesia addresses the same development priorities President Yudhoyono described in his inaugural speech: economic growth and job creation; clean and good governance; and improving the education and health sectors. By implementing activities under President Bush's education initiative, the United States will become the largest grant donor in this sector. USAID's program in Indonesia already has one of the largest and most active public-private alliances in the world and will increase the number of active alliances in the coming years. With new activities that increase access and skills to information and communication technologies, USAID/Indonesia has become one of only three Missions in the world participating in the Presidential Digital Freedom Initiative. In the next two years, USAID will use innovative Development Credit Authority approaches to improve the Indonesian water sector. With the majority of assistance being provided at the local level, USAID will work with Indonesians to reduce extremism and intolerance in favor of democracy, respect for diversity, and resolution of differences through non-violent means. The program data sheets provided in this document cover five development objectives in Indonesia for which USAID is requesting FY 2005 and FY 2006 funds.

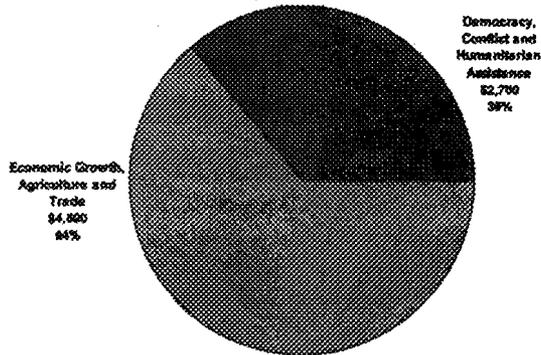
The Millennium Challenge Corporation has identified Indonesia as an eligible country for the Millennium Challenge Account. USAID will play an active role in helping Indonesia qualify for these new funds.

Other Program Elements: USAID's democracy and education activities are closely integrated with State Department's public diplomacy efforts. The U.S. Department of State's East Asia Bureau and the Pacific Women's Rights Initiative funds anti-trafficking programs in Indonesia. The Farmer-to-Farmer program provides volunteer technical assistance to promote horticulture production and marketing. USAID has funded a one-year cybercrime activity, which will continue with Department of Justice funding.

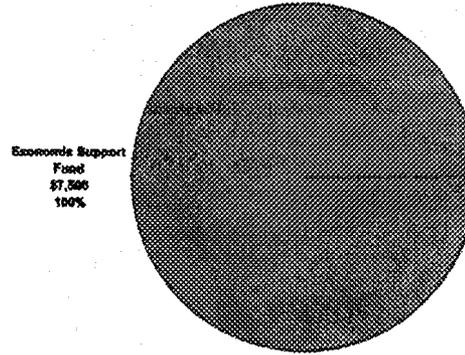
Other Donors: Outside of tsunami relief, there are four major bilateral donors to Indonesia (rank order by resource level): Japan (infrastructure, counter-terrorism, safe water supply, energy and biodiversity), the United States, Australia (education, governance, health, emergency assistance, environment), the Netherlands (community development, water management, education, human rights). Germany, the United Kingdom, Canada and New Zealand have smaller development programs. Major multilateral donors are World Bank (poverty reduction), United Nations Development Programme (democratic governance, poverty reduction, crisis prevention, energy and environment, HIV/AIDS), Asian Development Bank (poverty reduction), International Monetary Fund (macroeconomic stability), and the European Union (governance, natural resource management, economic growth). International pledges for tsunami relief are in process at this time.

Mongolia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



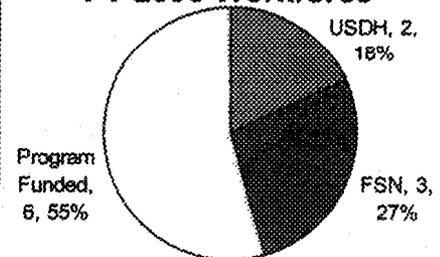
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Private Sector-Led Economic Growth	438-001	7,241	7,220	4,800
More Effective and Accountable Governance	438-002	2,700	2,700	2,700
Total (in thousands of dollars)		9,941	9,920	7,500

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	429	400	400
USDH Salaries & Benefits	131	242	247
Program Funds	523	539	539
Total (in thousands of dollars)	1,083	1,181	1,186

FY 2006 Workforce



Mission Director: Leon Waskin

Mongolia

The Development Challenge: Mongolia's harsh climate, small domestic market, land-locked status, and lack of infrastructure present formidable challenges. Yet the country provides an important example to others in East Asia, Central Asia, and elsewhere on how to manage an economic transition within a democratic political framework.

Mongolia's transition to democracy is a remarkable achievement with ramifications that go well beyond its frontiers. Ten elections have been held over the past decade, three each at the local and presidential levels and four at the parliamentary level. Governments have been chosen through elections that reflect the will of the people, and the transition from one government to the next has taken place in a largely positive and cooperative atmosphere. The most recent Parliamentary elections, held in June 2004, further demonstrated the country's progress toward democracy. In that election, the Motherland Democracy Coalition (MDC), which previously had held just four of the 76 seats in Parliament, won 34 seats against the 36 captured by the Mongolian People's Revolutionary Party (MPRP), the reformed Communists who had governed the country for all but four of the 14 years since the transition from socialism began in 1990. The MDC and MPRP now share power in a *de facto* coalition, with the MDC holding the Premiership and the MPRP the Speakership. Yet, important challenges remain. The judiciary and civil society remain weak, corruption remains high, public access to the decision-making process is limited or nonexistent, the Parliament has yet to emerge as an effective overseer of the executive branch, and the participation of women in the political process is strikingly low (women hold only five seats in Parliament, for example, and none of the 21 regional governorships).

The direction and pace of economic change also have been encouraging. Approximately 75% of the Mongolian economy is now in private hands, up from virtually nothing at the beginning of the 1990s. Total annual gross domestic product (GDP) is estimated at just over \$1 billion and per capita income is estimated at around \$500 per year. Tourism, construction, and light industry offer significant future potential, while international investor interest in mining increased significantly over the past year.

After several years of economic stagnation and decline, GDP growth rates reached 3.9% in 2002 and 5.6% in 2003. This encouraging development suggests that Mongolia's hard-won political stability is beginning to have an economic impact. A vibrant "underground" economy and informal "remittances" from the estimated 70,000 Mongolians working overseas may make the actual per capita income figure even higher, but the poverty rate remains high at 33%. The growing international debt burden--now approximately \$1 billion--is cause for concern, as is the level of corruption. Similarly, while the new coalition government has verbally expressed its commitment to continue the reform process and to maintain macroeconomic discipline, it is not yet clear that it will be able to do so in the face of significant political pressure on both parties to carry out unaffordable campaign promises.

U.S. interests in Mongolia stem from its important role in contributing to stability in a potentially volatile part of the world; the positive example it sets in promoting economic reform and democracy; and its visible support for the United States in the continued war on terrorism. Most notably, Mongolian peacekeeping contingents and advisors are currently on duty in both Iraq and Afghanistan. Mongolia's strategic location between Russia and China, two traditional rivals that are also nuclear powers and important players on the global stage, adds to its significance.

The USAID Program: The projects being carried out under USAID's strategy are tightly focused, directly addressing two of Mongolia's most pressing concerns: sustainable private sector-led economic growth and more effective and accountable governance. Every USAID project in Mongolia helps advance at least one of these two objectives.

Activities to promote sustainable, private sector-led growth are directed towards the policy, sector, individual firm, and "grassroots" levels. The Economic Policy Reform and Competitiveness (EPRC) Project provides training and advisory services to government institutions and the private sector. Project staff have worked closely with both major political groupings to develop a bipartisan package of legislative proposals for tax reform that will improve Mongolia's investment climate, increase domestic production,

and facilitate the creation of new jobs in the private sector. Significant work is underway on moving toward the privatization of Mongolia's energy sector. EPRC has helped establish an "Open Government" website that serves as a venue for the posting of new legislation and for the conduct of on-line chats between government and the public, and is moving to help strengthen Mongolia's nascent chapter of Transparency International to serve as a watchdog on corruption. EPRC is also helping Mongolia prepare for the impact that the expiration of the Multi-Fiber Agreement will have on its textile industry and is strengthening Mongolia's capacity to conduct trade negotiations.

Business training provided through USAID focuses on migrants from rural to peri-urban areas and on the harsh southern portion of the country and helps extend knowledge about the market economy, including sound business practices, to a much larger segment of the population. As a result of USAID assistance, over 500 small businesses were either created or significantly strengthened during the past year and more than 1,500 people were placed in jobs.

Judicial reform is the largest program within USAID's governance work. Following the introduction of new civil and criminal codes, USAID and its partner, the National Center for State Courts, launched a series of training and outreach programs for every judge in the country, which improved case management and court administration, introduced new approaches to continuing legal education, and helped address corruption in the legal sector. As a result, all courtrooms are now fully automated and public access to information is increasing dramatically. Additionally, in the past year, USAID-funded assistance to political parties led to a more representative parliament after the June 2004 general election, while work with the Parliament led to passage of a far-reaching reform bill intended to strengthen the ability of parliamentary committees to oversee the work of the government. USAID plans to continue and expand these efforts over the next several years and launch new initiatives aimed at increasing the transparency of government and expanding the participation of women in the political process.

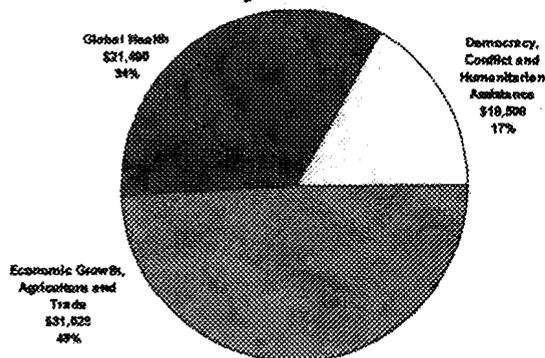
Other Program Elements: Several USAID Washington-funded programs are further enhancing the new USAID country strategy. These include a grasslands and wildlife management project in eastern Mongolia; support to a pioneering microfinance institution; strengthening of nongovernmental organizations (NGOs) related to human rights and rural development; and a variety of small information technology (IT) initiatives. Finally, the sale of wheat provided by the U.S. Department of Agriculture's Section 416 program is providing significant additional development resources, especially to NGOs working in rural areas.

Other Donors: Though its assistance level is gradually decreasing, Japan remains Mongolia's largest bilateral donor with a portfolio that includes a variety of infrastructure and training projects, as well as rural development and environmental protection efforts. The United States is third in terms of development assistance after Germany's GTZ with programs in legal reform, small and medium enterprise development, energy, conservation, and rural finance. The Asian Development Bank (ADB) is the largest multilateral donor in Mongolia with programs in agriculture, public sector reform, road construction, and regional development. The World Bank is funding projects in sustainable livelihoods, private sector development, water and sanitation, roads, information technology (IT), energy, and judicial/legal reform. The International Monetary Fund (IMF) focuses on fiscal and monetary policy through its \$37 million Poverty Reduction and Growth Facility. Other significant players are the United Nations (democratic governance, poverty reduction, microcredit and entrepreneurship, sustainable grasslands management, biodiversity) and the European Union (agricultural exports, rural services). Other donors providing support to Mongolia include: India (scholarships, IT); Australia (public sector reform, NGO capacity building, and scholarships); Canada (IT, NGO development); Russia (scholarships); Korea (training for civil servants and volunteers); and Norway (legislative strengthening). USAID works directly with the World Bank in the energy sector, with the IMF on policy reform measures, and with the GTZ on judicial reform.

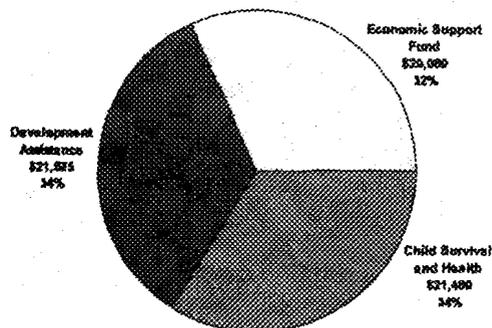
Mongolia has also been selected as a candidate for receipt of resources from the new Millennium Challenge Account (MCA). As of this writing, its proposal for an MCA compact is under review.

Philippines

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



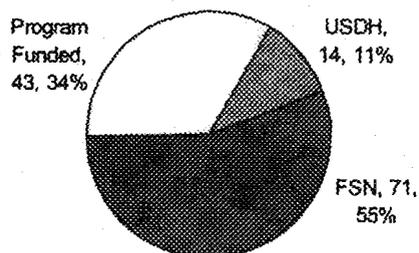
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Governance	492-002	12,143	16,000	15,000
Family Planning and Health	492-003	28,850	26,800	21,400
Environment and Energy	492-004	10,060	13,396	9,396
Conflict Resolution in Mindanao	492-010	13,010		
Education	492-011	4,000	9,680	6,680
Conflict Resolution in Mindanao and Other Areas	492-012		23,220	10,449
Total (in thousands of dollars)		68,063	89,096	62,925

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	3,616	3,227	3,524
USDH Salaries & Benefits	2,171	2,074	2,119
Program Funds	3,833	3,745	3,825
Total (in thousands of dollars)	9,620	9,046	9,468

FY 2006 Workforce



Mission Director: Michael Yates

Philippines

The Development Challenge: The Philippines has long been a close strategic ally of the United States and USAID's development assistance program is making important contributions to fighting terrorism and supporting national social and economic development. However, the Philippines continues to be held back by internal conflict and violence, especially with separatist rebels in Mindanao and the communist New People's Army throughout the country. Given the strategic location of the Philippines and clear regional links among terrorist organizations such as the Jemaah Islamiyah, developments in the Philippines have a demonstrable impact on regional stability. The sizeable Muslim population in Mindanao is marginalized economically and lacks adequate access to basic social services. Development needs are greatest in conflict-affected areas, particularly the Autonomous Region in Muslim Mindanao (ARMM). The ARMM has the country's highest poverty rates with an average per capita income of less than \$1 per day and disturbingly low human development indicators. Often the only alternative for poor Muslim families seeking to educate their children in the hundreds of communities in the ARMM region, where no public school is available, is to send them to local Islamic schools (madari), many of which provide only religious education and are not accredited.

The Philippines clearly faces serious development challenges. It remains East Asia's economic growth laggard and is falling further behind its neighbors in key areas. The country's rapid population growth, which at 2.36% is the fastest in East Asia, has diluted the impact of what economic growth has taken place and severely strains access to basic social services, from energy and sanitation to education. Poverty afflicts 34% of the population, the largest incidence in Southeast Asia. The country's natural resources are being severely depleted through population pressures, over-exploitation, and pollution, damaging globally-significant biodiversity. Corruption and ineffective institutions result in weak regulatory oversight, inhibit the development of competitive markets, and deter badly needed foreign investment. This, in turn, severely limits the government's ability to raise revenue and make needed investments in infrastructure, health, and education. Indeed, the Government of the Philippines (GRP) has suffered a fiscal decline that led in 2002 to a record high deficit of 5.3% of gross domestic product (GDP). The deficit to GDP ratio was 4.6% in 2003 and dropped to 3.6% in the first six months of 2004, but still remains dangerously high. Weak leadership (despite democratic institutions), powerful vested interests, and ongoing conflict feed the cycle of poor economic performance by discouraging private investors and tourism and draining public coffers. External debt is another major obstacle to development, reaching \$57 billion or 70% of GDP in March 2004, with debt servicing absorbing 15% of export revenue.

Nevertheless, the Philippines can accelerate its economic and social development as well as the ongoing peace process with the Mindanao-based Moro Islamic Liberation Front (MILF). Philippine democratic institutions have proved resilient, and the Philippines has maintained its market-based economy. Under the administration of President Arroyo, who was re-elected for a six-year term beginning in July 2004, some significant results have been achieved on various fronts. Macroeconomic performance has been respectable, with annual GDP growth estimated at 4% or higher in the past several years, and the rate of inflation has remained in the single digits. In FY 2004, the GRP managed to increase revenue collection from taxes and customs duties. This resulted in improvement in domestic tax collection to 13% of GDP for the first nine months of 2004, up from 12% in 2003. This accomplishment reflects spending restraint and, most importantly, more vigorous and successful efforts by the tax collection agencies to improve administration and enforcement. There are now a number of high-level champions in the battle against corruption (including some key figures with constitutionally-protected positions), as reflected in the increasing prominence of lifestyle checks on government officials and some ongoing prosecution of senior officials, including one military general. Efforts to improve transparency and effectiveness of government bureaucracies are beginning to bear fruit. The GRP is intensifying efforts to negotiate a lasting peace with the MILF and international monitoring teams are now on the ground. With USAID assistance, more than 24,000 former combatants from the Moro National Liberation Front (MNLF) have been successfully reintegrated into the productive economy. Their success is demonstrating the tangible benefits of peace, and in the event of a peace settlement with the MILF, USAID stands ready to provide similar assistance quickly to MILF ex-combatants who agree to forswear the use of violence and pursue peace.

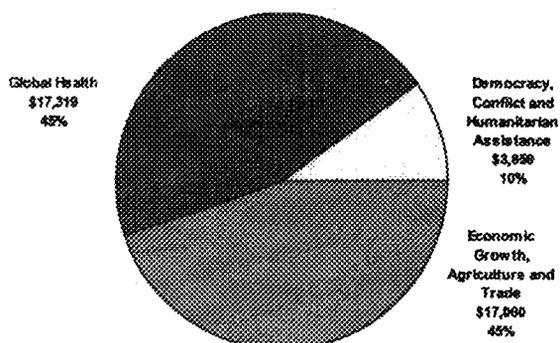
The USAID Program: The Program Data Sheets provided below cover the five objectives for which USAID is requesting FY 2005 and FY 2006 funds. These five objectives concentrate on reducing conflict in Mindanao and other areas vulnerable to violence; fighting corruption and supporting improved performance of selected government institutions; promoting health and well-being of Filipinos through support for improved and decentralized service delivery, increased private sector involvement, social acceptance of family planning, and policy reform; strengthening management and governance of life-sustaining natural resources, better urban environment management, and reliable and cleaner energy; and increasing access to quality education and livelihood skills in the conflict affected areas of Mindanao and supporting broader education sector policy reform. Assistance to the conflict-affected areas of Mindanao addresses the kinds of conditions that terrorist groups can exploit and crosscuts the portfolio. The specific activities to be funded by FY 2005 and FY 2006 appropriations are described in more detail in the following Program Data Sheets.

Other Program Elements: In addition to the resources requested in the Program Data Sheets, USAID is helping administer programs funded by USAID regional and central programs such as the anti-trafficking in persons program funded by USAID's Women in Development Office and the U.S. Department of State's East Asia and Pacific Affairs Bureau; the World Council of Credit Unions' credit union development program; a wheelchair program under the War Victims Fund; several central USAID Global Development Alliances such as the Sustainable Coastal Tourism in Asia, solar energy for renewable development, and a public-private alliance with the Knowledge Channel; the U.S. Asia Environmental Partnership program; a disaster assistance program funded by USAID's Office of Foreign Disaster Assistance; and USAID's Collaborative Research Support Program for integrated pest management.

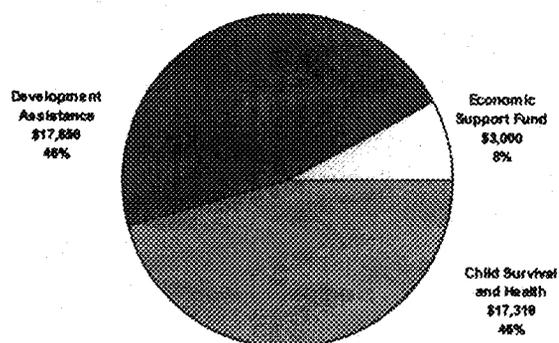
Other Donors: There is good coordination among bilateral and multilateral donors and general consensus on the priority development challenges. Overall, total development assistance to the Philippines over the last several years has averaged \$1.5 billion a year, or less than 2.5% of GDP. The largest donor is the Japan Bank for International Cooperation (JBIC), followed by the Asian Development Bank (ADB), and the World Bank, all of which primarily provide loans for infrastructure or sector policy programs. USAID is the largest donor of grant assistance. USAID collaborates with the ADB and the World Bank on sectoral policy reform in energy, basic grains, bank and non-bank financial regulation, and expenditure management. The overall U.S. Mission maintains an active dialogue with the International Monetary Fund, which has a small but influential technical assistance program that includes tax administration. The United Nations Development Program helps coordinate donor activities in Mindanao, and USAID communicates regularly and looks for opportunities to coordinate with JBIC and the Japan International Cooperative Agency. For example, USAID is currently discussing with them collaboration on renewable energy and urban water financing. Assistance from Australia and Canada includes an emphasis on Mindanao, corruption, and governance that complements USAID's programs. Several donors have education initiatives and have formed a working group on education. Other bilateral donors include the European Commission and other European Union members who emphasize direct assistance to small enterprises and small farmers.

Regional Development Mission-Asia (RDM-Asia)

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

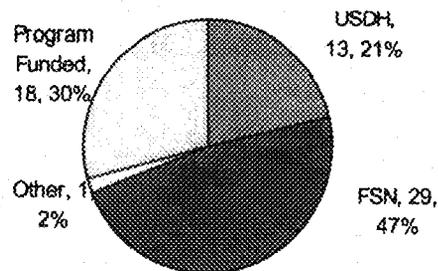


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Foreign Policy Interests	486-001	1,194	2,886	3,650
Improved Governance and Economic Reform	486-XXX		6,000	6,000
Improved Regional Environmental Conditions	486-ZZZ		9,736	11,000
U.S. Asia Environmental Partnership	498-009	9,000		
Regional HIV/AIDS and Infectious Diseases	498-022	17,073	18,651	17,319
Total (in thousands of dollars)		27,267	37,273	37,969

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,756	2,661	3,321
USDH Salaries & Benefits	652	1,367	1,396
Program Funds	908	1,189	1,299
Total (in thousands of dollars)	4,316	5,217	6,016



Mission Director: Timothy Beans

For more information, please visit our Website, www.usaid.gov

Regional Development Mission-Asia (RDM-Asia)

The Development Challenge: The East Asia and Pacific region is one of the world's most important trading routes, and consequently, a key region for facilitating the spread of HIV/AIDS and other infectious diseases, as well as trafficking of persons and illicit narcotics. It is a land full of dichotomies. For example, it is home to some of the world's poorest populations right along side of some of the world's fastest growing economies; it has one of the world's most diverse environments and has an alarming history of ecological destruction; and it has some states that are firmly integrated into the society of free nations, while others remain at odds with the principles of democracy and universal human rights.

Overall, East Asia's economies are growing at their swiftest pace since the 1997 Asian Financial Crisis with fewer people than ever living in extreme poverty. Economic growth is expected to exceed 7% in 2004 for the region (excluding Japan), and developing economies in the region are expected to expand by more than 8%. Exports have been buoyant since late 2002, supported by unexpected strong recovery in the developed world, cyclical rebound in the global high tech industry, and a surge in intra-regional trade, led by booming exports from countries in the region to China.

The November 2004 World Bank report on East Asia and the Pacific estimates that the number of people living on less than US\$2 a day in East Asia will fall below one third of the population by 2005. As recently as 1999 that proportion was 50%. That is to say, around 300 million people will have escaped from extreme poverty in the years of recovery since the financial crisis. More strikingly, in addition to economic progress, remarkable political advances have been made. This year saw a sweep of legislative and presidential elections across the region, including in Cambodia, Indonesia, Malaysia, Korea, Philippines, and Taiwan. Most were peaceful transitions of authority.

Despite these successes, many challenges remain for the region, not the least of which is recovering from the recent tsunami that devastated much of the area. (A separate regional Strategic Objective is included in this Congressional Budget Justification that speaks to the U.S. Agency for International Development's response to the tsunami.) Many countries in mainland Southeast Asia are still unitary states with relatively centralized systems of government. Vietnam and Laos are essentially authoritarian states. The military junta of Burma continues to detain Aung San Suu Kyi and other political prisoners and refuses to engage in meaningful dialogue with the democratic opposition. Burma's gross human rights abuses contribute to large numbers of internally displaced persons in Burma and refugees in neighboring countries. Trafficking in persons remains a serious concern. According to the Asian Development Bank, about 225,000 persons from Southeast Asia are trafficked yearly.

Another threat is the health and economic impact of poor air quality, unclean water, and lack of safe sanitation. Weak or nonexistent environmental management combined with poverty has led to continued degradation of forests and exploitation of endangered species. Lack of integrated regional planning in water management, as evidenced by myopic planning of upstream dams in China, could further stress the region's major river systems. Sixty-three percent of the population of Asia does not have access to clean water and 80% are without access to sanitation. Rapid urbanization exacerbates these problems. Most countries in the region do not have adequate transport networks and are slow in developing cleaner industries and vehicle controls to keep air pollution at safe levels.

Countries in the region continue to suffer from the scourge of HIV/AIDS, malaria, and tuberculosis (TB). More than six million persons are already estimated to be infected with HIV in Southeast Asia, making this the region with the second largest population living with HIV outside of Sub-Saharan Africa. Each day, more than 1,000 people die of AIDS and some 2,700 people become infected. Although infection rates have gone down in Thailand, the war against HIV/AIDS in the region is far from won. Similarly, prior advances to reduce malaria and tuberculosis in the region are being threatened with the emergence of drug-resistant strains throughout the Asia Pacific region. Diarrheal diseases, especially in areas lacking clean water and proper sanitation, continue to take a deadly toll, particularly among the region's children. Emerging zoonotic infectious diseases, such as Severe Acute Respiratory Syndrome and avian influenza have already had a major impact on the health and economies of the region and have the potential to resurface at any time.

A secure, robust, and integrated Southeast Asia Pacific region would bode well for the economic well-being of all nations in the world. Highly unbalanced growth and political or social instability could jeopardize vital U.S. strategic interests in the region.

The USAID Program: USAID's Regional Development Mission/Asia (RDM/A) which opened in Bangkok, Thailand in June 2003 manages regional and country-specific programs in mainland Southeast Asia (Burma, China, Laos, and Vietnam) as well as HIV/AIDS and environmental programs that extend east into the Pacific and west into South Asia. RDM/A also acts as the regional hub for services including contracting, administration, and disaster response.

RDM/A currently manages five country-specific strategic objectives and four regional strategic objectives (SOs). For the most part, activities under these SOs are a collection of programs previously managed by USAID in Washington D.C. or Phnom Penh, Cambodia and transferred to RDM/A. RDM/A is developing a regional strategy that is expected to be approved by FY 2005. There are currently a couple of approaches to the strategy that are being discussed to reorganize and streamline these objectives into fewer operational units to provide greater strategic coherence and to enhance program management. Reducing the burden of already overtaxed RDM/A staff is a major consideration of strategy development to ensure adequate oversight of the activities. Another consideration in the development of the strategy is to ensure that politically sensitive programs receive the attention they deserve.

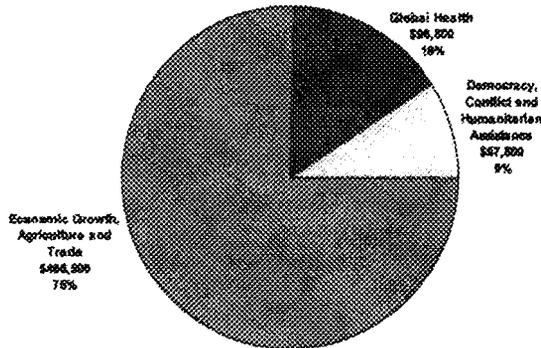
USAID programs managed through RDM/A support five Presidential Initiatives: Clean Energy; Emergency Plan for AIDS Relief; Global Climate Change; Global Fund to Fight AIDS, TB, and Malaria; and Mother and Child HIV Prevention.

Other Program Elements: RDM/A manages the regional programs summarized above in close coordination with bilateral programs in China, Laos, and Vietnam. USAID's Burma program promotes democracy and addresses humanitarian needs among Burmese populations living outside Burma and works to prevent the spread of HIV/AIDS inside Burma. USAID's activities in China attempt to strengthen the rule of law, aid Tibetan communities, and prevent the spread of HIV/AIDS in targeted provinces. USAID's work in Laos attempts to develop a viable economic alternative to opium production, hinder the spread of HIV/AIDS, and improve the well-being of vulnerable populations. USAID's program in Vietnam focuses on accelerating Vietnam's transition to an open and market-based economy, fighting the HIV/AIDS epidemic through the President's Emergency Plan for AIDS Reduction, and improving access to services for selected vulnerable groups.

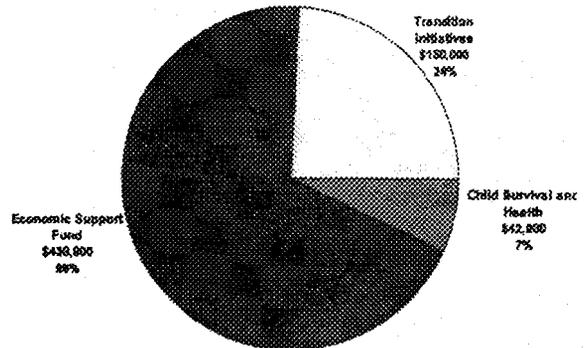
Other Donors: USAID coordinates closely with other donors in the region in implementing country-specific as well as regional activities. The HIV/AIDS and environment programs have benefited from regional partnerships with multilateral and bilateral donors that have helped to bolster the results achieved by USAID initiatives. Major donors include the World Bank, the Asian Development Bank, the European Union, the Japan International Cooperation Agency, and the United Nations.

Afghanistan

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



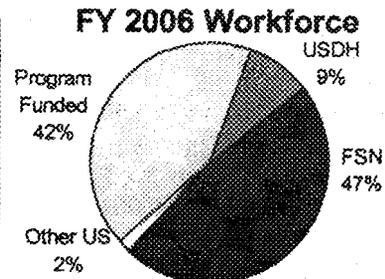
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Agriculture and Alternative Livelihoods	306-001	50,500	95,690	
Basic Education and Health	306-002	187,555	70,725	
Infrastructure, Economic Governance & Democracy	306-003	820,818	245,085	
Program Support	306-004	20,507	15,500	48,000
A democratic government with broad participation	306-XXX			40,000
A thriving economy led by the private sector	306-YYY			412,000
A better educated and healthier population	306-ZZZ			122,800
Total (in thousands of dollars)		1,079,380	427,000	622,800

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	10,501	37,293	9,700
USDH Salaries & Benefits	1,406	2,286	2,335
Program Funds	11,527	11,527	11,527
Total (in thousands of dollars)	23,434	51,106	23,562



Mission Director: Patrick Fine

Afghanistan

The Development Challenge: USAID opened its Mission in Afghanistan in 2002 in response to pressing humanitarian needs confronting the country following the removal of the Taliban regime. Between 2002 and 2004, USAID transitioned from an emergency response to a developmental approach, focusing assistance on sustainable, capacity-building activities that support U.S. interests in a stable, self-sufficient nation. Now, following the first national democratic elections, development support to Afghanistan remains at the center of U.S. strategic national interest. President Bush's National Security Strategy pledges that the United States will provide assistance to "rebuild Afghanistan so that it will never again abuse its people, threaten its neighbors, and provide a haven for terrorists." In support of this pledge, the State Department and USAID have developed a joint strategic plan that specifically provides for continued commitment of assistance to Afghanistan as a priority.

Afghanistan enters its third year since the fall of the Taliban and the end of 23 years of civil war with optimism and hope for a bright future. The most important development in the post-Taliban era occurred this past October with the completion of highly successful Presidential elections in which over eight million people voted, with over 40% of voters being women. The peaceful election was a major statement by the Afghan people that they are ready to choose new leadership that will focus on rebuilding the country. Because Afghanistan is in the front lines of the war on terror, the U.S. Government (USG) and USAID in particular are in a unique position to respond with appropriate programs to create new opportunities for this deserving population. The USAID Mission in Afghanistan plays a key role in the reconstruction and development of the country and works closely with other USG agencies, including the military, on program development and implementation.

Despite remarkable progress in such a short time, much crucial work remains in order to provide Afghans a more stable and productive life and an antidote for terrorism. Many social and economic indicators continue to be the worst or close to worst in the world. The under-five infant mortality rate is 172 per 1,000, and maternal mortality is 1,600 per 100,000. Infectious diseases continue to constrain the ability of many Afghans to contribute to the rebuilding of their society. Malaria and tuberculosis affect thousands of Afghans each year, and Afghanistan is one of five countries that still has the wild polio virus. Many Afghan children, particularly girls, do not have access to education. The agriculture sector, which makes up well over 60% of the Gross Domestic Product (GDP), is hampered by a lack of market access. The growth of poppy threatens the long-term stability of Afghanistan and undermines the legitimate economy. Many obstacles to economic investment and growth remain, and unless friendlier private sector rules and regulations are adopted, the country will not be able to keep up its current rate of GDP growth. In addition, Afghanistan's ruined infrastructure continues to impede economic growth. The rule of law is inconsistent, and local governing bodies employ questionable methods of dealing with crime. NGOs and civil society could contribute significantly more to the country's economic growth.

The most important and continuing constraint to USAID programming, as well as private sector investment, is the security situation. The country remains a high threat post, and security considerations often constrain USAID's ability to implement and monitor projects throughout the country. While the security situation is difficult, USAID believes that the Government of Afghanistan (GOA) and the large majority of the Afghan people appreciate USAID and want the Agency to continue its work.

The USAID Program: USAID/Afghanistan is requesting FY 2005 and FY 2006 funds for three strategic objectives and one program support objective. These objectives are focused on providing support to Afghanistan's transition from a failed state to a stable, productive nation. Areas of support include: economic growth, particularly economic policy and regulation and expanded rural incomes; access to basic health services particularly for women and children; increased access to basic education; and the growth of democratic practice through support to elections, media, and civil society. FY 2005 funds will be used to implement the ongoing programs in agriculture, basic health and education, infrastructure, economic governance and democracy, as described in the FY 2005 Congressional Budget Justification (CBJ). In FY 2005, USAID will also initiate a new program providing alternative livelihoods options to poppy cultivation. The specific activities to be funded by FY 2005 and FY 2006 appropriations are described in more detail in this year's CBJ.

Despite remarkable progress in a short time, much work remains to rebuild the country's social fabric and infrastructure and chart a successful transition to democratic self-rule. Transition Initiatives (TI) funds will provide the necessary resource flexibility to support economic and political transition in Afghanistan, where political and economic conditions remain volatile. USAID requests TI resources in FY 2006 to:

- support economic growth by expanding rural incomes, improving access to economic and social infrastructure, and assisting with economic policy and regulation reforms;
- improve access to basic education;
- provide alternative livelihoods options to poppy cultivation through small business development, public works and infrastructure support, production of competitive agricultural products, and greater public access to credit and financing institutions; and
- strengthen public and private institutions necessary for democratic governance through enhancing capacity within the justice sector, supporting decentralization and local government, and strengthening civil society.

Other Program Elements: In addition to the activities described in the CBJ, USAID's Democracy, Conflict and Humanitarian Assistance Bureau (DCHA) provides support to development and humanitarian response programs. During 2004, food for peace support from DCHA was approximately \$49,158,400 and provided 79,330 metric tons of commodities to the United Nations (U.N.) World Food Program for development and humanitarian relief programs. These activities and resources benefited over five million individuals. DCHA provided an additional \$9,896,870 in foreign disaster assistance during FY 2004, including more than \$4.7 million in transitional shelter assistance, approximately \$3.6 million towards winter programs, such as snow clearance and road rehabilitation, and \$1 million for assisted returns of refugees.

Also, in FY 2004, \$22,732,244 from DCHA was used to continue to build citizen confidence in the political development process, empower citizens to address basic community needs, and build an alliance between legitimate government structures and citizens. DCHA's rapid and flexible support for activities central to Afghanistan's transition also helps establish credibility and space for longer-term development assistance.

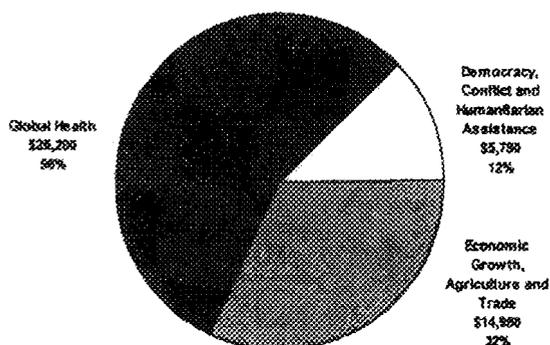
Other Donors: The top three donors are the United States, Japan, and the European Commission with the Government of Afghanistan (GOA) leading overall donor coordination through a system of Consultative Groups (CG). The Minister of Finance leads the core CG, which is composed of high-level representatives of each donor country, as well as representation from U.N. agencies and Afghan ministries. In addition, there are 13 technical CGs that focus on specific areas such as health, education, and economic growth, which are attended by representatives of key donors and ministries for each sector. In coordination with the CG process, the GOA has established the Donor Assistance Database which tracks reconstruction activities by donor and supports the implementation of the National Development Budget.

The Afghanistan Reconstruction Trust Fund (ARTF), administered by the World Bank, provides a consolidated funding mechanism to permit the GOA to fund projects and programs. USAID has contributed \$147 million to the ARTF, including \$89 million in FY 2004. The ARTF provides a convenient mechanism through which USAID can provide support to the GOA, including direct support to recurrent costs such as salaries and operation of key government buildings, as well as special projects and investment programs. As the World Bank manages the ARTF, it meets the USG's criteria for accounting standards and allows USAID to closely monitor the use of U.S. taxpayers' funding for support to the GOA.

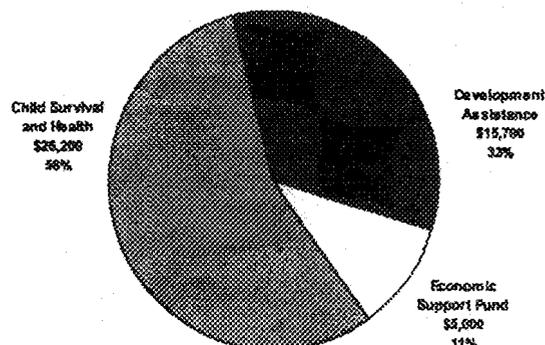
In addition to GOA-led coordination meetings, USAID meets directly with donor and U.N. representatives to discuss coordination of development activities. Through regular consultation with key donors, USAID is able to gauge the needs for support in critical sectors, as well as identify areas of unmet need.

Bangladesh

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

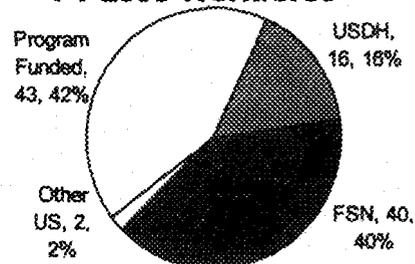
Objective	SO Number	FY 2004	FY 2005	FY 2006
Integrated Family Planning and Health	388-001	34,500	30,850	26,200
Private Enterprise Development	388-005	5,500	5,343	4,238
Environment	388-006	2,500	1,900	1,900
Bilateral Energy	388-007	2,500	2,000	2,000
Food Security and Disaster Management	388-008	4,171	2,775	2,400
Democracy and Governance	388-009	4,750	6,577	7,162
Education	388-010	4,750	3,500	3,000
Total (in thousands of dollars)		58,671	52,945	46,900

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	3,822	3,710	4,213
USDH Salaries & Benefits	2,184	2,300	2,349
Program Funds	2,130	2,130	2,263
Total (in thousands of dollars)	8,136	8,140	8,825

FY 2006 Workforce



Mission Director: Gene George

Bangladesh

The Development Challenge: Three U.S. national interests dominate U.S. relations with Bangladesh. The United States is interested in building a better functioning, more stable democracy that would support free and fair elections, respect human rights, and combat trafficking in persons. Secondly, the United States seeks continued economic prosperity to provide stability and hope for all Bangladeshis to stem the potential growth of extremism. Thirdly, the United States seeks to improve understanding between the two countries, which underscores the importance of USAID's development assistance program.

With economic growth rates averaging 5% for the past decade and noteworthy progress in agriculture, health, and education, Bangladesh is considered a well-performing transitional development country. A populous and important ally of the United States in the Islamic world, the Government of Bangladesh (GOB) has increased its investments in education, health, food security, and other social services to reduce poverty by roughly 1% per year. The GOB seeks further improvement by 2015 to meet its Development Goals of the Millennium Declaration and hopes to be considered for eligibility for the U.S. Millennium Challenge Account (MCA). It has also responded with remarkable promptness to the threat of Tier III sanctions under the Trafficking Victims Protection Act. At the same time, endemic corruption is the paramount problem impairing consolidation of democracy and crippling prospects for further economic prosperity for its population of approximately \$140 million.

Nearly half of Bangladeshis live below the national poverty level of \$1 per day. Natural disasters, including annual flooding, arsenic contamination, and seismic risk, compounded by substandard and unavailable public services, condemn millions of people to misery and misfortune. Regrettably, the deterioration of law and order, government ineffectiveness, and large-scale corruption reveal governance issues that could derail the country's fragile progress, thwart democratic development, and threaten stability. At the heart of the country's governance conundrum is the longstanding political impasse between the two major parties. More decisive steps on the road to a functioning democracy will be required to confront rampant corruption and clientelism, depoliticize political dialogue and policy decisions, cultivate constructive operations in the parliamentary and political parties, establish an independent judiciary and regulatory institutions, improve transparency and accountability, and decentralize decision making. Improved governance is both an imperative and a prerequisite for Bangladesh to progress and remain on course as a transitional development country considered for MCA.

The USAID Program: USAID is requesting funds for FY 2006 and 2007 based on its 2000 - 2007 Strategic Plan with the overarching development objective of poverty reduction through economic growth. USAID/Bangladesh concentrates on seven objectives including reducing fertility and improving family health; increasing growth of agribusiness and small business; improving management of open water and tropical forest resources; improving the performance of key institutions in the energy sector; improving food security for vulnerable groups and enhancing local disaster management capacity; promoting democracy and governance; and improving the quality of Bangladesh's basic education system. FY 2005 funds will implement the ongoing programs in health, small and medium enterprise and agribusiness development, water and forest resource management, energy, food security, democracy and governance, and basic education as described in the FY 2005 Congressional Budget Justification. A noteworthy change from previous years is that USAID plans to consolidate the bulk of the ESF resources under a strengthened and evolving effort to confront governance challenges and contribute to the fight against corruption. It is particularly important to safeguard democratic development in the lead up to the 2006/2007 parliamentary elections and to focus on economic opportunities outside of the Ready-Made Garment sector. As this new assistance evolves, it may require changes in other program areas. Such changes will be planned and approved in cooperation with USAID/W and the State Department and notified to the Congress.

Much of USAID assistance is directed through private and non-government entities, as these tend to be more responsive, effective, and efficient than government bodies. At the same time, USAID has increased cooperation with the GOB and this year expects to sign another Strategic Objective Agreement, bringing the number of such agreements to five. While the Mission reexamines its strategic priorities, it will actively seek new ways to work more closely with the government and to strengthen local

institutions. Meanwhile, USAID/Bangladesh has already embarked on what many see as a model outreach approach. USAID proactively identifies diverse opportunities to engage current and future opinion leaders on key development issues while demonstrating U.S. commitment and effectiveness in addressing these challenges. By exposing influential Bangladeshis to its development activities throughout the country, the ways that U.S. assistance makes a difference in the lives of ordinary Bangladeshis is becoming known, recognized and appreciated. Some examples include reaching out to imams through our anti-trafficking program, engaging university law students in discussions on constitutional law and fostering their enthusiasm to share civics lessons with younger students, and introducing journalists to USAID program beneficiaries.

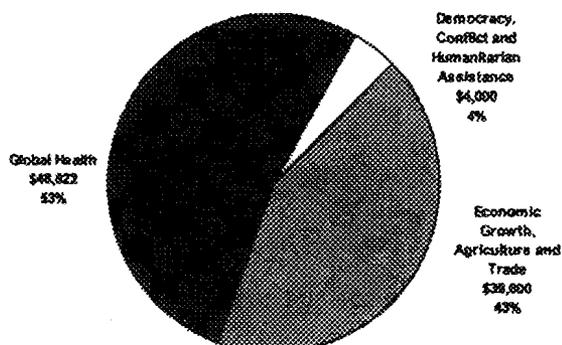
Other Program Elements: In addition to USAID/Bangladesh's activities, a Global Health Child Survival grant (with supplemental funding from the Mission) contributes to the reduction of maternal and child mortality and morbidity, and improves the health status of women and children through the development of sustainable municipal health services in two target areas. A second Global Health Child Survival Health and Grants Program grantee works with local NGO partners to improve the quality of child and maternal health and nutrition. Catalyst, another Global Health program, supports partnerships with local NGOs that promote corporate social responsibility. Collaborative Research Support Project funded by USAID's Bureau for Economic Growth and Trade (EGAT) works to improve agriculture productivity by introducing integrated pest management. EGAT also supports the Farmer-to-Farmer program that contributes agricultural expertise to Bangladesh. USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) has funded a capacity-building project in sustainable, safe water systems for the past three years. DCHA funding to a local Center for Rehabilitation of Torture Survivors provides support for medical and psychiatric services for more than 100 former prisoners who have been victims of physical and mental trauma and torture in jails. An USAID Regional Project, Program for Enhancement of Emergency Response Phase 2, is helping to improve earthquake response readiness through emergency response training, institutional strengthening, networking, and coordination. Another Regional Project, the Community-Based Flood Information System, reduces vulnerability to damage from future floods in the floodplains of Bangladesh.

Under an Interagency Agreement with the U.S. Geological Survey, research on arsenic is continuing, and a study on seismic risk is planned. Another agreement with the U.S. Department of Treasury provides a resident advisor to assist the Central Bank in banking supervision and other sector reforms that contribute to countering terrorist financing and money laundering. USAID also coordinates with the Department of State's Bureau of South Asian Affairs in the Education, Democracy, and Development in South Asia program supporting Muslim Outreach activities, and with Department of Defense regarding plans for military/civilian cooperation in humanitarian activities in Bangladesh.

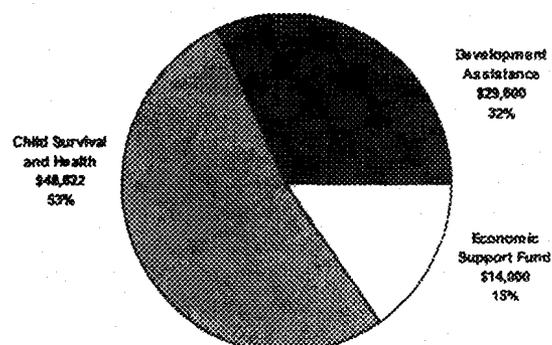
Other Donors: The largest donors to Bangladesh in order are Japan, the World Bank, the Asian Development Bank, the United Kingdom, the United States, the European Union, and the Netherlands. USAID coordinates with multilateral finance institutions and with the United Nations Family Planning Agency, United Nations Children's Fund, International Labor Organization, World Food Programme, United Nations Development Programme, and World Health Organization.

There are several sizeable, sector-wide programs with the GOB to which other donors contribute funding, most notably in health, education, and arsenic mitigation. Although USAID is not a direct contributor to many of these programs, USAID supports parallel activities and plays a significant role in policy dialogue and in vigorous donor coordination through numerous local consultative groups: energy, democracy, food security, health, education, governance, poverty reduction, human rights, agriculture, enterprise development, environment, and emergency relief. Successful donor coordination has resulted in substantial leveraging of USAID's expertise and funding. For instance, the USAID-funded pioneering efforts in home gardening and fish cultivation are being replicated by NGOs throughout the country, with and without other donor support. In addition, USAID's substantial and enduring commitment to rural electrification has garnered more than \$1 billion in other donor support against USAID's \$210 million.

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



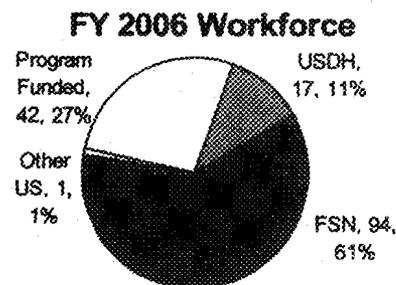
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Growth	386-013	9,839	12,100	13,600
Improved Health and Reduced Fertility	386-014	49,800	51,022	48,822
Disaster Management Support	386-015	4,000	3,700	4,000
Environmental Protection	386-016	11,050	13,500	16,800
Education/Equity	386-017	11,112	9,580	9,200
Total (in thousands of dollars)		85,801	89,902	92,422

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	5,246	4,414	4,989
USDH Salaries & Benefits	2,458	2,655	2,712
Program Funds	4,572	4,572	4,572
Total (in thousands of dollars)	12,276	11,641	12,273



Mission Director: George Deikun

India

The Development Challenge: India is home to 1.1 billion people, roughly one-sixth of the world's population, and has the world's 12th largest economy. Approximately 81% of India's people are Hindu, but India also has the world's third largest Muslim population (estimated at 145 million). The United States and India, the two largest democracies in the world, share many values and strategic interests. The nations are dramatically and positively transforming their relationship. India is intensifying its economic and social policy reforms to decrease poverty and increase social equity. It is committed to halving poverty rates by the year 2020. India is both a key U.S. partner in the war on terrorism and an anchor for security and economic growth in strategically important South Asia.

India's strong democratic traditions and financial stability are forces of equilibrium in a volatile region. However, economic development in India is uneven and varies by region and social factors. India's consolidated fiscal deficit (national, state, and public sector undertakings), at 10% of gross domestic product, is one of the highest among large countries. Inadequate infrastructure and public sector ownership of most core infrastructure are principal constraints to more rapid economic growth and poverty reduction. Following the formation of the new Congress Party-led government in May 2004, India began an historic political transition. The new government has pledged to focus heavily on economic reform and development.

Low human capacity levels and poor health are central to India's development challenges. More than 300 million Indians live in abject poverty -- more than all the poor in Africa and Latin America combined -- resulting in India having the world's largest concentration of desperately poor people. A child is born every two seconds in India. At the current population growth rate, India will overtake China as the world's most populous country by 2050. India has over 5.1 million people infected by HIV, second only to South Africa. More than half of the country's children are malnourished. Thirty percent of the world's births occur in India, resulting in 20% of the world's maternal deaths and 20% of the world's child deaths. Forty-two of every 1,000 girl children (compared to 29 boy children) die before reaching the age of five. More than two million Indian children die every year from preventable or curable diseases. India accounts for one-third of the global burden of tuberculosis, which kills over 1,000 people a day. India is one of the world's last countries where concentrations of polio still remain.

Fewer than half of Indian women are literate. Despite extensive constitutional and statutory safeguards, large sections of the Indian polity remain disadvantaged in their quest for equitable treatment under the judicial system. Human rights abuses are often generated by intense social tensions that disproportionately touch women, the poor, religious minorities, and other disadvantaged groups. Discrimination against women remains entrenched in India. Deep-rooted cultural beliefs and traditional practices deprive women of education, health care, and nutrition. Violence against women is widespread, and includes girl child feticide/infanticide, child abuse, and rapes. India is a significant source and transit country for trafficked women and children. Victims of trafficking in India include economically vulnerable women and children from impoverished households in rural areas and urban slums, separated or widowed women, ethnic minorities, refugees and illegal migrants, and children from disrupted families.

Compounding these serious problems in health and education is India's lack of financial viability in the power sector. Only one-third of households have electricity, and Indians have access to 30 times less water than individuals in the United States. Significant power shortages plague the country due to unsustainable subsidization policies, a lack of cost-recovery by utilities, and the subsequent inability of utilities to provide reliable, high quality power. Widespread financial insolvency of the utilities, and the state governments that are forced to bail them out, significantly contribute to increasing levels of state fiscal deficits. The current losses in the Indian power sector amount to more than \$7 billion per year and the figure is growing at 15% to 20% every year.

India is one of the most disaster-prone countries in the world. The Orissa cyclone (1999) and the Gujarat earthquake (2001) killed more than 22,000 people and damaged more than three million houses. About 70% of crop land is vulnerable to drought and about 55% of land area is prone to earthquakes. An estimated 40 million hectares of land (nearly the size of California) are susceptible to floods. Weather-

related events cause the bulk of destruction and loss to life in India. The December 2004 Asian Tsunami underlines the importance of ongoing investments in disaster management.

The USAID program directly addresses the challenges described above and advances four U.S. national interests: (1) economic prosperity achieved through opening markets; (2) global issues of population growth, infectious diseases, and climate change; (3) development and democracy concerns of alleviating poverty, reducing malnutrition, and improving the status of women; and (4) humanitarian response by saving lives and reducing suffering associated with disasters.

The USAID Program: USAID is requesting FY 2005 and FY 2006 funds for five objectives that concentrate on: (1) Economic Growth - targeting increased transparency and efficiency in the mobilization and allocation of resources; (2) Health - targeting improved overall health with a greater integration of food assistance, and reduced fertility; (3) Disaster Management Support - targeting reduced vulnerability to disasters for marginalized people; (4) Environmental Protection - targeting improved access to clean energy and water; the reduction of public subsidies through improved cost recovery; and promoting more efficient technology and management; and (5) Education/Equity - targeting improved access to elementary education, justice, and other social and economic services for vulnerable groups, especially women and children.

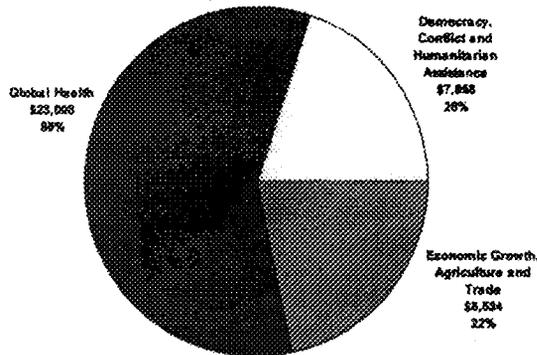
Other Program Elements: In addition to USAID/India's bilateral programs, USAID's South Asia Regional Initiative/Energy (SARI/Energy) program promotes regional peace and prosperity by encouraging cooperation in energy development and eventual trade among South Asian countries. The SARI/Equity program promotes collaborative regional efforts to address inequity as it affects women and children. It funds efforts to combat cross border human trafficking and abusive child labor practices and to improve women's microfinance services. The regional United States-Asia Environmental Partnership promotes the adoption of clean and efficient technologies, policies, and practices to support the positive relationship between economic growth and environmental protection in India. USAID also manages a project promoting community management of forests which have been continuously degraded due to industrial logging pressure, agricultural expansion, mining operations, and a lack of financial, technical, and political support.

The Bureau for Global Health funds an activity in India to reduce fertility through voluntary practices. USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance has activities in India to promote child survival, reduce the spread of HIV, treat victims of torture and violence, help electric cooperatives meet growing service needs, train disaster responders, increase food quality and quantity, and demonstrate U.S. educational and medical technologies and practices. The Bureau for Economic Growth, Agriculture, and Trade works with the Government of Japan to implement the U.S.-Japan Clean Water for People Initiative in four pilot countries - India is one of them.

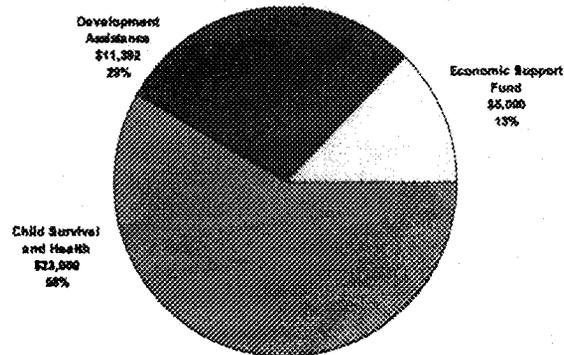
Other Donors: The United States is the fifth largest bilateral donor to India, after Japan, the United Kingdom, Germany, and the European Union. USAID collaborates with other donors on economic growth, reproductive health, HIV/AIDS and other infectious diseases, disaster preparedness and management, air pollution control, urban environmental infrastructure, water, children's basic education, and women's empowerment.

Nepal

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

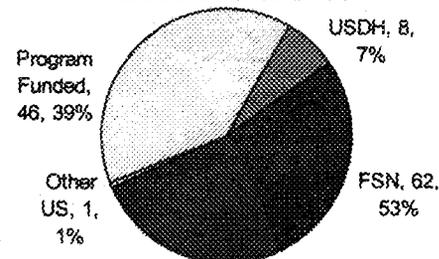
Objective	SO Number	FY 2004	FY 2005	FY 2006
Sustainable Forest and Agricultural Products	367-001	1,900	2,637	3,192
Health and Family Planning	367-002	23,840	23,540	23,000
Hydropower Development	367-006	1,600	1,700	1,900
Democracy and Governance	367-007	5,611	5,224	5,400
Ending Conflict and Expanding Democracy	367-008	5,734	5,399	5,900
Total (in thousands of dollars)		38,685	38,500	39,392

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,869	2,326	2,326
USDH Salaries & Benefits	1,072	1,129	1,153
Program Funds	2,759	3,021	3,021
Total (in thousands of dollars)	6,700	6,476	6,500

FY 2006 Workforce



Mission Director: Donald Clark

Nepal

The Development Challenge: In the last 54 years, Nepal has made a remarkable transition from an isolated kingdom with limited basic services and infrastructure to a functioning constitutional monarchy. Progress has been notable: substantial road infrastructure; large decreases in child mortality and fertility rates; functioning ministries such as education, finance, and health; gains in agriculture, forestry, and literacy; and increased access to basic services.

The most pressing problem facing the country today is a rebel insurgency and its profound impact on Nepal's political and economic development and overall security. The Maoist insurgency, which began in 1996, found fertile ground largely in response to Nepal's poor governance, poverty, and exclusion. The initial pro-people approach, which won the Maoists converts among the disenfranchised, has mutated into a campaign of violence, lawlessness, intimidation, and destruction. More than 10,000 people have been killed by the Maoists and security forces, with the bulk of these deaths, almost 9,000, occurring since 2001. While the Maoists have adopted terror as an instrument of policy, human rights abuses are committed by both parties to the conflict. In addition to the human toll, the continuing violence drains budget resources, restricts delivery of services and prospects for socioeconomic development, and stifles economic growth. The conflict has inflicted combined estimated costs to national property and the economy of over \$1.5 billion in the already-impooverished country.

On the political front, there are new reasons for concern given the King's February 1 dismissal of multi-party democracy, declaration of a state of emergency, suspension of fundamental constitutional rights, and detention of politicians, journalists, and human rights activists. This serious setback for Nepalese democracy risks eroding even further the Nepalese Government's ability to resist the Maoist insurgency.

On the economic front, government measures to improve the business environment, encourage investment, reduce avenues for corrupt practices, and improve the service orientation of key government agencies are progressing. In addition, Nepal joined the World Trade Organization in 2004.

Absolute poverty declined from 42% to 30% between 1996 and 2002, attributable largely to increased remittances from Nepalis living abroad. Nonetheless, Nepal remains one of the poorest countries in the world, with an annual per capita income of \$276 and 38% of the population living below the national poverty line. Life expectancy at birth has increased but at 59 years, is still lower than its neighboring South Asian countries. The literacy rate is 54% nationwide. Population growth has fragmented land holdings and depleted forest resources, negatively affecting the livelihoods of the 80% of Nepalis that depend on agriculture for their livelihood. Maternal mortality is amongst the highest in the region. One of 11 children dies before they reach their fifth birthday - the majority during their first year. Moreover, Nepal is in the midst of a concentrated HIV epidemic. The World Health Organization/UNAIDS estimate that 14 Nepalese adults become infected with HIV in Nepal every day.

The United States has an interest in an economically and politically stable multiparty democracy in Nepal. Nepal serves as a geographic buffer between the world's two most populous nations in a volatile region. By supporting efforts to resolve the Maoist insurgency and addressing the underlying causes of poverty, inequality, and poor governance in Nepal, the United States is making an important contribution to fighting terrorism, promoting regional stability, and diminishing the likelihood of a humanitarian crisis.

The USAID Program: Since 1951 and through the end of FY 2004, the United States has provided more than \$791 million in bilateral economic assistance to Nepal; U.S. contributions to multilateral organizations working in Nepal to date approach an additional \$725 million, including humanitarian assistance. The principal aims of USAID programs are to promote peace through good governance and increased incomes, improve primary health care, curb population growth, improve democracy and governance, advance economic development, and promote the expansion of environmentally-friendly hydropower. All components of the USAID program support improved governance and mitigation of the root causes and major effects of the Maoist insurgency. Although government capacity at the central and local level is weak, the Government of Nepal (GON) works cooperatively with USAID to implement programs through numerous partners, primarily international nongovernmental organizations that work

both directly and through local nongovernmental organizations.

Other Program Elements: Beyond the efforts described above, other USAID regional and central programs assist Nepal. USAID's South Asia Regional Initiative for Energy is actively involved in regional energy cooperation, and its South Asia Regional Initiative on Equity for Women and Children strives to eliminate the trafficking of women, violence against women, and child labor. Through a regional economic growth program, USAID/India granted the Kathmandu Metropolitan City Office funds to improve household and medical waste management through community mobilization and the training of policymakers. The Asia regional office dedicated to foreign disaster assistance enhances medical first response, collapsed structure search and rescue, and hospital preparedness capacities of emergency response agencies, thereby reducing the potential for earthquake damage and injury in the Kathmandu Valley. It also enhances regional cooperation between countries in the Hindu Kush Himalayan region to exchange flood information and data, develops adaptive strategies for flood and drought mitigation to enable basic and tangible reduction in vulnerability, and provides training in emergency management to nongovernmental organizations. The Democracy, Conflict and Humanitarian Assistance Bureau has provided Nepal with a pilot NGO-strengthening grant to improve the impact of NGO activities through organizational capacity building.

Other Donors: Donors provided roughly \$147.8 million in grants and \$143.4 million in loans directly to the GON during its 2003-2004 fiscal year, as well as approximately \$230-\$280 million to support Nepal's development outside of the GON budget. The United States is the second largest bilateral donor, after Japan, in terms of funds disbursed.

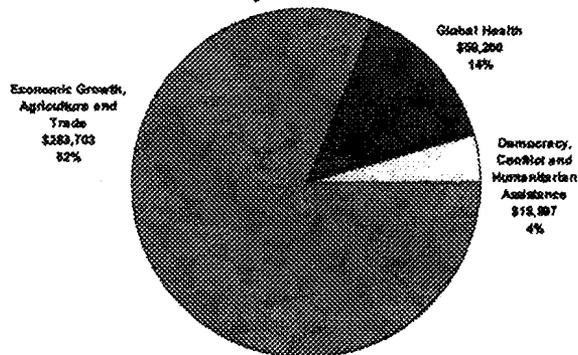
Other major bilateral donors and their principal areas of focus include Denmark (education, decentralization, governance, and environment), the United Kingdom (governance, rural development, health, and HIV/AIDS), Germany (rural and urban development and health), Switzerland (roads and rural infrastructure and technical training), Norway (hydropower, water, governance, and human rights), Netherlands (community development), Finland (environment and rural water), and Canada (civil society, environment, and gender).

The major multilateral donors include the United Nations Development Programme (local planning and governance, urban infrastructure, rural energy, and HIV/AIDS), the Asian Development Bank (governance, education, water, power, agriculture, and roads), the World Bank (education, roads, water, power, telecommunications, financial sector reform, and health sector reform), the European Union (urban development and education), and the United Nations World Food Program (food for work programs). Other multilateral agencies such as the United Nations Children's Fund, United Nations Population Fund, Joint United Nations Programme on HIV/AIDS, and International Labor Organization are also active in Nepal.

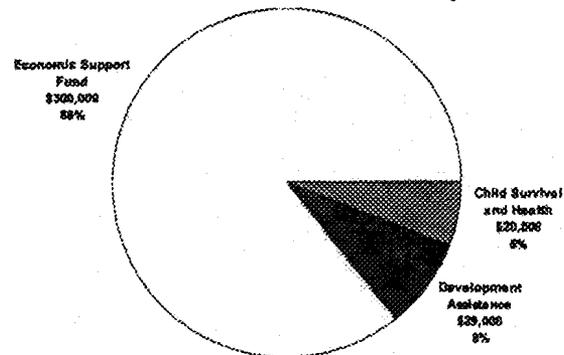
The donors coordinate closely in terms of both program coordination at the strategic level and developing common approaches for implementing development programs in the context of the Maoist conflict. Donors coalesced around these themes in the May 2004 Nepal Development Forum, although they differed on how much control to cede to the GON in terms of managing their funds.

Pakistan

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



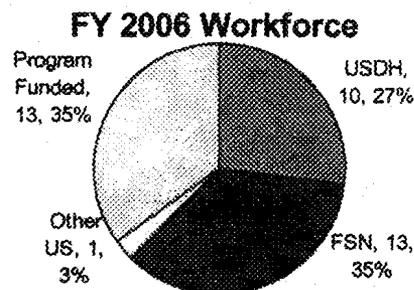
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Primary Education and Literacy	391-003	28,000	66,673	66,703
Democracy and Governance	391-004	11,200	13,227	15,597
Emergency Economic Assistance	391-005	200,000	200,000	200,000
Economic Growth	391-006	10,200	17,000	17,000
Basic Health	391-007	25,600	50,700	50,200
Total (in thousands of dollars)		275,000	347,600	349,500

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,588	1,754	2,074
USDH Salaries & Benefits	1,136	1,395	1,425
Program Funds	555	591	591
Total (in thousands of dollars)	3,279	3,740	4,090



Mission Director: Lisa Chiles

Pakistan

The Development Challenge: Pakistan is of unquestioned strategic importance to the United States. With 159 million people, it is home to the world's second largest Muslim population. Pakistan has been a key cooperating nation in U.S.-led counterterrorism efforts in South Asia, and over the past year has made progress in improving relations with its neighbor to the east, India, in the conflict over Kashmir, and with Afghanistan, its neighbor to the west. In its endeavor to develop its own economy and restore full democracy, Pakistan faces daunting challenges: poverty, low literacy, little foreign investment, sectarian strife, and terrorism. A stable, democratic, economically thriving Pakistan is vital to U.S. interests in South Asia. The 9/11 Commission Report recommended that the United States "should be willing to make the difficult long-term commitment to the future of Pakistan."

Following the military overthrow of an elected government in 1999, national elections in October 2002 partially restored civilian government, with a National Assembly, four Provincial Assemblies, and a Prime Minister. The President is also the Chief of Army Staff. However, the legitimacy of the elections and continued control by a pro-military alliance continue to be the subject of concern. Civil society is emerging as a mechanism of citizen voice and accountability in a climate where feudal, tribal, and military authorities have long dominated, but much more needs to be done. The legislative and judicial branches of government also need considerable strengthening to be fully functioning democratic institutions.

The Musharraf Government, with support from the United States and other donors in the form of debt relief, pulled Pakistan from the brink of bankruptcy in 2001. With strong financial leadership by Finance Minister Shaukat Aziz (who became Prime Minister in August 2004), Pakistan has shown the political will for macro-economic and fiscal reform. Real gross domestic product (GDP) growth accelerated from 2.9% in 2002 to 6% in 2003 and 2004, led by strong manufacturing growth, increased exports, and moderate service-sector and agricultural growth. However, progress in macro-economic reforms has not directly led to a decrease in poverty which remains widespread, particularly in agriculture, which constitutes roughly 25% of GDP but accounts for 50% of rural employment.

The current government also completed a Poverty Reduction Strategy and set ambitious targets for achievements in education, health, judicial reform, and the alleviation of poverty. Pakistan's literacy rate, among the world's lowest, greatly hampers its ability to become a modern, moderate state and to expand its economic base. Literacy averages 49% nationwide, but in remote tribal areas of the country can be as low as 0.5% for women. It is estimated that more than six million school age children are out of school. Because of the dearth of good public schools, hundreds of thousands end up in schools teaching only religious subjects (madrassahs). Public sector spending on education has increased slowly as the country emerges from its financial crisis, but is still low, around 1.9% to 2.2% of GDP. Continued high fertility rates -- well above four births per woman -- and the large number of youth mean that demand for schools, health care, water and sanitation services, and jobs will place increasing strains on Pakistan's fundamentally weak service delivery systems in the coming years.

The USAID Program: The Program Data Sheets provided below cover the four objectives for which USAID is requesting FY 2005 and FY 2006 funds. These four objectives concentrate on efforts to improve quality of education, increase reproductive health and health care services for women and children, build democratic governance, and increase rural incomes and create employment. These objectives not only address Pakistan's fundamental social and economic challenges, but also exemplify the long-term commitments needed to establish the United States as a reliable partner and ally to this strategically important nation. FY 2005 funds will be used to implement the ongoing programs of education reform, reproductive health and health care services, democratic governance, and increased rural incomes and employment. FY 2006 funds will be used to continue these ongoing efforts. The specific activities to be funded by FY 2005 and FY 2006 appropriations are described in more detail in the following Program Data Sheets.

Other Program Elements: The USAID South Asia Regional Initiative for Energy (SARI/E), managed by USAID in India, promotes regional cooperation between Bangladesh, India, Nepal, and Sri Lanka on common energy issues, including energy security and rural electrification. Pakistan, along with

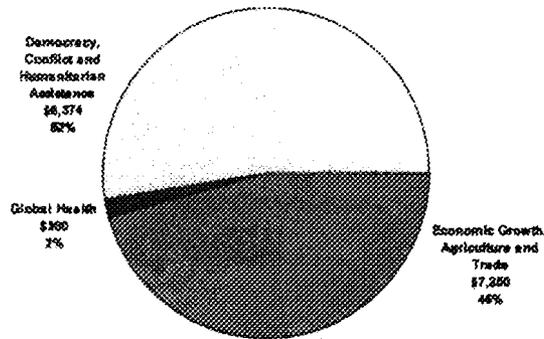
Afghanistan, became eligible participants late in 2004. The Global Health Bureau funds a program to promote birth spacing in Pakistan. ANE regional funds support cooperation between Afghanistan and Pakistan in independent media programs.

Other Donors: USAID is jointly financing several programs with other donors. These include partnerships with the Japanese to reconstruct 130 schools in the Federally Administered Tribal Areas (FATA); with the United Kingdom and the United Nations to raise the quality of and expand access to reproductive health services; with the United Kingdom to improve management of public healthcare resources and services at the provincial and district levels; and with the United Nations Development Program (UNDP) to improve community infrastructure, services, and participation in local governance. In addition, USAID and Switzerland are financing the launch of Transparency International/Pakistan to bring attention to corruption issues.

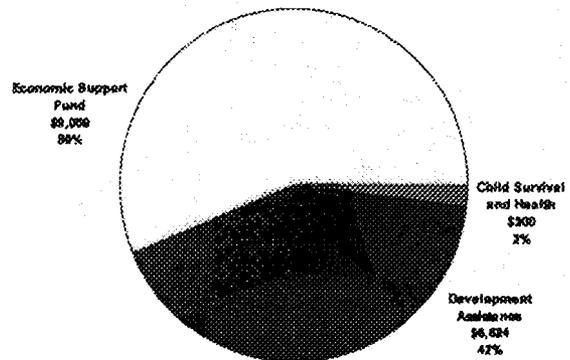
The United States, Japan, and the United Kingdom are Pakistan's three largest bilateral donors. Multilateral donors and their principal areas of focus include the Asian Development Bank (health, education, access to justice, roads and energy), the World Bank (health, microfinance, education, civil service reform, governance), and the UNDP (governance, election support). China has been the most consistent donor since the 1970s (primarily military assistance) and is perceived to be a close ally due to their unwavering political support over the past 30 years.

Sri Lanka

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

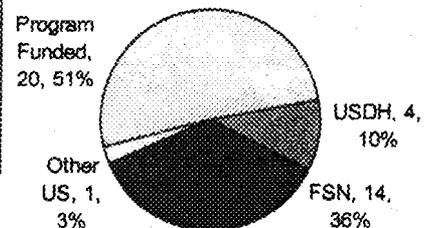
Objective	SO Number	FY 2004	FY 2005	FY 2006
Supporting the Benefits of Peace	383-006	5,429	2,750	3,000
Humanitarian Assistance	383-007	1,800	1,550	900
Economic Growth	383-008	5,750	7,670	7,250
Democracy and Governance	383-009	4,000	5,024	4,774
Total (in thousands of dollars)		16,979	16,994	15,924

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,112	1,296	1,446
USDH Salaries & Benefits	310	571	583
Program Funds	1,119	1,588	1,838
Total (in thousands of dollars)	2,541	3,455	3,867

FY 2006 Workforce



Mission Director: Carol Becker

Sri Lanka

The Development Challenge: Sri Lanka is struggling to recover from two decades of armed conflict and will now have to confront the challenge of recovering from the Tsunami calamity of December 26, which flooded coastal areas and wiped away communities along the south and east coasts of the island nation. As of January 26, 2005, official death toll estimates in Sri Lanka are 38,195 dead and 504,440 displaced. In the affected areas, economic life has ground to a halt, and businesses have collapsed. Millions of people have seen their families and communities torn apart. USAID is presently developing a strategy for long-term recovery and reconstruction to address the impact of the Tsunami in Sri Lanka.

USAID/Sri Lanka's program before the Tsunami focused on the opportunities presented by the February 2002 ceasefire agreement between the Government of Sri Lanka (GSL) and the separatist Liberation Tigers of Tamil Eelam (LTTE). Now, along with ongoing activities to support the peace process, foster economic growth and civil society participation, and provide physical and psychological rehabilitation for those affected by the war, the Mission will need to undertake a range of recovery and reconstruction activities.

FY 2004 was a tumultuous year. The President's decision to dissolve Parliament and call for elections in April 2004 resulted in a new government with a different political and economic focus. It brought into power the President's party with the neo-Marxist and Sinhalese nationalist Janatha Vimukthi Peramuna (JVP) as a key Alliance partner. JVP support plus "crossovers" resulting from concessions made to members of opposition parties gave the Alliance a Parliamentary majority. The new Government has shifted focus from an export-led market economy to rural development in order to address regional income disparities.

The peace talks have been on hold since they were suspended in April 2003. The JVP is opposed to the LTTE's proposal for an Interim Self Governing Authority (ISGA), while the LTTE views the ISGA as the basis for resuming formal peace talks. Although the President made a commitment to restart talks with the LTTE, she has yet to find a compromise that will satisfy both her Alliance partner and the LTTE. Progress in the peace process was a condition set by the international community for the disbursement of the development assistance portion of the \$4.5 billion pledged at the June 2003 Tokyo Conference on Reconstruction and Development. The failure to resume peace talks slowed development activities in the conflict-affected regions of North and East Sri Lanka.

U.S. Interests and Goals: U.S. national interests in Sri Lanka include supporting a negotiated settlement to the conflict, improving democratic institutions and processes, promoting respect for human rights, and enhancing economic growth through market-oriented policy reform and financial stability. By helping resolve Sri Lanka's internal war, the United States contributes to regional stability and the global war on terrorism. Sri Lanka is also a Millennium Challenge Account eligible country that has submitted a concept paper focusing on integrated rural development.

The USAID Program: USAID and the Office of Transition Initiatives (OTI) jointly fund a program that bolsters public support for a negotiated peace settlement. The field presence, relentless pace, and effective outreach of OTI's program helped restore the Mission's high profile among Sri Lankans and other donors. USAID's contribution to peacebuilding was further maximized by the synergies created between the OTI program and the Democracy and Governance Peace Support Project. For example, USAID built on a teledrama with a peaceful coexistence theme by supporting the creation of a movie version. Grants were provided for small-scale infrastructure, livelihoods, conflict mitigation, and information.

The democracy and governance program focuses on sustaining a multistakeholder peacebuilding process that supports Sri Lanka's transition to peace. The USAID-funded teledrama, "Take this Road," chronicled the impact of the war on three families - Muslim, Sinhalese, and Tamil. The program aired on national television and enjoyed wide viewership. The "One Text Initiative," funded through USAID's Sri Lanka Peace Support Project, provides a multipartisan dialogue for Sinhalese, Tamil, and Muslim political stakeholders in the peace process. All the major political parties in the country are participating or

have agreed to participate in this dialogue. No other donor in Sri Lanka has been able to establish a similar initiative with all stakeholders.

Three achievements in the humanitarian assistance sector stand out this year, all under the Disability Support Project (DSP): all four partner rehabilitation centers began producing prosthetics (artificial limbs) and orthotics (braces) made from materials which meet international quality standards - a first for Sri Lanka; the DSP completed the design phase for greatly improved hand and motor powered wheelchairs and tricycles; and USAID's local partners can now independently design, construct, and distribute high-quality assistance devices that meet the needs of disabled clients.

The economic growth program provided technical assistance to the government and private sector, promoted business education for youth, and strengthened Sri Lanka's participation in regional energy and environment issues, including the development of initiatives in coastal and environmental tourism. The Competitiveness Program continued to assist eight export industry clusters - tea, rubber, spices, coir, gems and jewelry, ceramics, information and communication technology, and tourism. One example of a success is in the gem and jewelry sector. During 2004, an international jewelry designer submitted designs for a new line of sapphire jewelry. Fabrications of these designs for buyers' shows are now being produced in Sri Lanka.

Gender Implications: Gender concerns are integrated into USAID's assistance strategy. USAID's humanitarian assistance programs stress participation by women in all aspects of the disability program. To address gender imbalances among the specialists who provide services to disabled beneficiaries, 50% of all trainees sent for long-term training have been women. Under the OTI program, gender impact is factored into all discussions with potential grantees. The democracy and governance program encourages participation by women and women's organizations in stakeholder dialogues on the peace process. USAID's competitiveness program includes women entrepreneurs as key beneficiaries. In FY 2004, 17% (341 of 2000) of the trainees were female professionals and managers, e.g., from the rubber and ceramics industries.

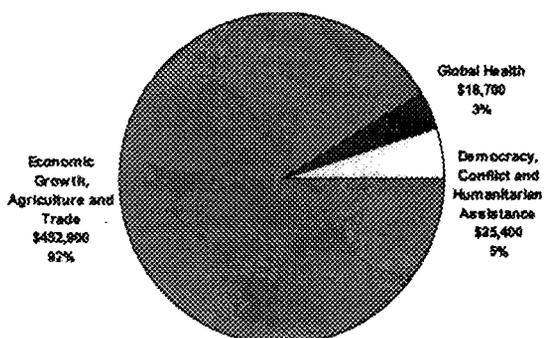
Conflict-sensitive Programming: The decision in FY 2002 to reverse a Mission closeout plan and increase USAID's presence was a response to changing dynamics in the protracted conflict and associated opportunities for U.S. Government assistance. The Conflict Vulnerability Assessment conducted in November 2002 led to the subsequent revised Country Development Strategy for 2003-2007. The revised strategy included the new OTI program, as well as redesigned programs under democracy and governance and humanitarian assistance. The aim of the new strategy is to address the underlying causes and consequences of the protracted conflict.

Other Program Elements: Full results from the Sri Lanka country program for the US-Asia Environmental Partnership (US-AEP) are presented in US-AEP's Annual Report. Especially notable is the award of two Global Development Alliance grants, facilitated by US-AEP activity, leveraging existing USAID investments through the Mission's Competitiveness Program and US-AEP.

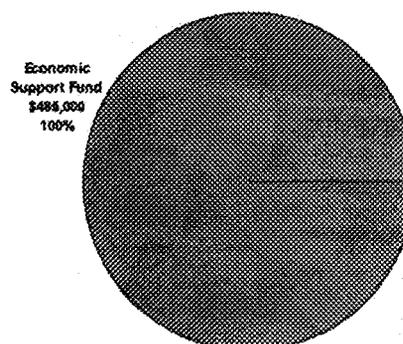
Other Donors: In a show of support for the peace process in Sri Lanka, the international financial institutions and bilateral donors pledged \$4.5 billion in development assistance at the Tokyo donor conference in June 2003, for the period 2003-2006. Japan and the Asian Development Bank are the two largest contributors in Sri Lanka, pledging \$1 billion each for projects related to reconstruction, transportation, and power sector reform. The International Monetary Fund and the World Bank are providing multi-year loans supportive of the GSL's Poverty Reduction Strategy Paper.

Egypt

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

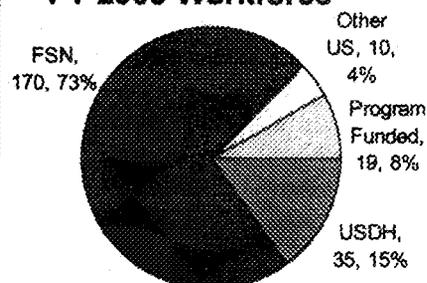
Objective	SO Number	FY 2004	FY 2005	FY 2006
Creating Jobs through Trade and Investment	263-016	472,340	428,309	426,500
Infrastructure	263-018	7,400	2,000	1,100
Environment and Natural Resources Management	263-019	9,940		
Healthier, Planned Families	263-020	29,230	26,900	17,200
Democracy and Governance	263-021	37,050	34,900	25,400
Improved Basic Education	263-022	15,648	38,611	24,800
Total (in thousands of dollars)		571,608	530,720	495,000

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	17,442	18,873	15,266
USDH Salaries & Benefits	6,574	4,606	4,707
Program Funds	5,591	5,591	3,873
Total (in thousands of dollars)	29,607	29,070	23,846

FY 2006 Workforce



Mission Director: Kenneth Ellis

Egypt

The Development Challenge: Egypt, a strong moderating force in the Middle East, has long been an important U.S. ally. Egypt and the U.S. share strategic interests that include combating terrorism, resolving regional conflicts, advancing regional peace, ensuring domestic and regional security, and promoting economic development. USAID's continuing bilateral assistance program serves the national security interests of both countries. It promotes prosperity and stability in Egypt by assisting the country's ongoing, but incomplete, transition from a state-dominated economy and polity to a free market-oriented, participatory one. A key U.S. goal is for Egypt to become a fully integrated and competitive participant in the global economy.

The greatest threat to domestic stability results from popular frustration with recent economic performance and a persistent lack of economic opportunity. According to the World Bank's World Development Indicators, about 40% of the 70.5 million Egyptians live on less than \$2 a day, despite a per capita gross domestic product (GDP) of about \$1,470. Official figures put the unemployment rate at close to 11 percent in 2004; various independent estimates, however, place the real rate much higher, especially when underemployment is a factor.

The government recognizes the need for increased investment, both foreign and domestic, to create jobs for an estimated 750,000 new entrants to the labor market annually and, during the 1990's, it improved the investment climate and raised the private sector share in the economy. Reform then lagged starting in the late 1990s, and the economy slowed and suffered from external shocks. Notable problems include cumbersome customs and business registration processes, a growing fiscal deficit, lagging privatization (particularly in the financial sector), lack of transparency, and an educational system that does not meet Egypt's needs. Following the Government's January, 2003, announcement of its intent to free the foreign exchange rate, the Egyptian pound depreciated 25% against the dollar in six months, but it has stabilized over the past year and foreign exchange availability has steadily improved since early 2004. Challenges facing the Government of Egypt (GOE) this year included managing the inflationary impact of the initial effort to float the pound. Central Bank statistics showed the Consumer Price Index rising over the year ending in July 2004 by 10 percent, while the Wholesale Price Index climbed 18 percent over the same period. This impact inhibited full floating of the exchange rate. The budget deficit continued to grow as well, exceeding \$1.62 billion, and economic growth slowed down to about 2.4 percent of GDP in 2004.

On the other hand, several favorable events in 2004 fed on important successes realized in the past two years - including advances in intellectual property rights protection, new legislation promoting business competition, and accession to several important trade agreements. In all of these areas, USAID worked closely with the GOE to reach these goals, each of which plays an important role in improving the country's investment environment and export prospects. Additionally the anticipated negative effect on the Egyptian economy from the Iraq war - especially on the vital foreign exchange earning tourism and Suez Canal sectors - was much smaller and briefer than expected, with both sectors recovering rapidly to see record earning levels in 2003, with even higher levels reached in 2004. Similarly, the trade deficit has reacted favorably to the pound's devaluation in both years, narrowing significantly, with 2004 seeing the addition of what will quickly become a major element among Egypt's exports - liquefied natural gas.

Perhaps the most important economic event of 2004 was the appointment of a new prime minister and cabinet in July. Emphasis was on younger, reform-oriented ministers, some with extensive private sector experience, taking up the posts with the greatest connections to economic performance. After July, there have been a number of steps, both large and small, implemented that seem to re-establish the GOE's economic reform credentials. Prominent among these was a restructuring of the tariff regime, with duties on many items eliminated and the average tariff level reduced by 40 percent, replacing exemptions and subsidies targeting the promotion of local production with reductions in corporate and income taxes, and renewed moves toward state enterprise privatization after a long period of dormancy. The GOE recently indicated that it expects growth to reach 5 % in FY2004/2005, a goal perhaps too optimistic, but there are many indications of improvement. The new government has now espoused and begun to implement financial sector, trade, foreign exchange, and other reforms which USAID and other donors have been advocating for years, with consequent improvements in economic growth, the balance of payments,

availability of foreign exchange, and the overall business environment.

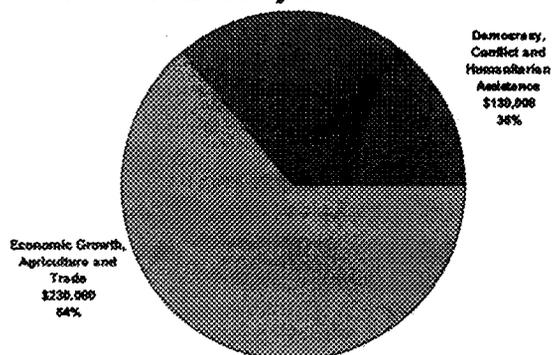
The USAID Program: USAID intends to obligate \$530.7 million in ESF in FY 2005 and to request \$495 million in ESF for FY 2006. The program data sheets herein cover five strategic objectives. The strategy has focused first on accelerating economic growth - essential to strengthening Egypt as a stable and prosperous U.S. ally. Two objectives have emphasized the creation of private sector jobs: strengthening the trade and investment environment; and increasing access to sustainable utility services. Three objectives have targeted the enhancement of the human resource base: providing health services; strengthening governance and participation in the political process; and improving basic education.

Both on-going and new activities under each of these objectives will receive FY 2005 and FY 2006 funds, and the program data sheets provide details on these programs. In response to Egypt's development needs and to the Administration's Middle East Partnership Initiative, special programs in two areas that had their beginnings in FY 2003 are continuing in FY 2005 and beyond: first, the education program will expand significantly to spread the benefits of community-based education reform to selected areas both in southern Egypt and in poorer parts of Cairo, and, second, the democracy and governance and participation program will significantly expand to provide for programs to increase transparency and participation in government and the political process (particularly through direct grants to non-governmental organizations-NGOs for such activities) and for the training of judges and journalists.

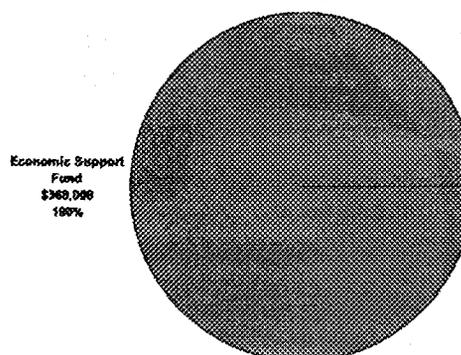
Other Program Elements: Supplementary USAID-funded programs contribute to the achievement of the overall development goal pursued in USAID's Egypt strategy. Agriculture Cooperation Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA), using funding from the central Economic Growth and Agricultural Development (EGAT) office, is implementing a three-year, \$1.39 million activity under the Dairy Directive Program, which increase the availability of safe, hygienic processed dairy products as a means of decreasing the rate of malnutrition and infant/child mortality in Egypt.

Other Donors: Two key areas of common interest for bilateral and multilateral donors are: a comprehensive poverty action program, with emphasis on women and children; and further reform of the macroeconomic and investment-enabling environment. These areas were emphasized by donors at the 2002 Consultative Group (CG) meeting, and they have been stressed during 2003 and 2004 in donors' dealings with the GOE. The U.S. and European Union are the largest providers of assistance, and other major donors include Japan, Germany, the World Bank, bilateral and multilateral Arab Funds, the Islamic Development Bank, and the African Development Bank. USAID collaborates with other donors in all technical areas under its strategic program through regular plenary and sectoral subgroup meetings and other venues. The UNDP, which acts as the secretariat for donor coordination, has compiled an extensive data base showing the sectors, types, sizes, and locations of donor programs, the compilation will be updated annually and is now available in CD-ROM form.

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



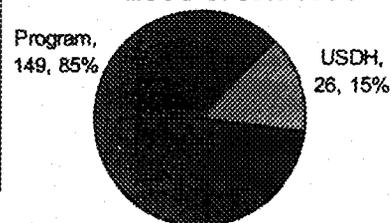
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Restore Economically Critical Infrastructure	267-001	1,494,287	127,481	
Education, Health, and Other Social Services	267-002	185,175		
Expand Economic Opportunity	267-003	135,868	365,236	230,000
Efficiency and Accountability of Government	267-004	386,074	169,417	130,000
Program Support and Development	267-006	4,500		
Total (in thousands of dollars)		2,205,904	662,134	360,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	93,851	90,078	26,600
USDH Salaries & Benefits	1,375		4,756
Program Funds			
Total (in thousands of dollars)	95,226	90,078	31,356

FY 2006 Workforce



Mission Director: Spike Stephenson

Iraq

The Development Challenge: Misguided economic policies and three wars wrought terrible damage to Iraq's society and economy. Per capita income fell to very low levels, unemployment increased, poverty expanded, and basic services deteriorated along with social indicators in areas such as health and education. The legacy of economic sanctions, such as deteriorated basic infrastructure, poor economic performance, and unemployment, are a significant burden on the general population and challenge to the Coalition and Iraq's Transitional Government. The reconstruction efforts of the Coalition and the Iraqi Interim Government (IIG) have been undertaken in the midst of a growing violent insurgency of former regime elements, foreign fighters, and other enemies of democracy. During the past year, in spite of military successes, the insurgency has intensified, creating an atmosphere unlike any other in which an international donor community has ever attempted such large-scale reconstruction. In an effort to sow fear, create an atmosphere of chaos, and prevent democracy from taking root, foreign-aid workers and Iraqis who work with, or benefit from, reconstruction efforts are intimidated and killed daily, and projects are routinely attacked.

Even absent an insurgency, the transition from authoritarian rule to democratic governance poses considerable challenges to the people of Iraq. During the interim and transitional periods, the disparate ethnic, religious, and sectarian groups of Iraq are challenged to form a common vision for their country based on tolerance and other democratic principles. In this decisive period in history, the people of Iraq will draft their new constitution and develop a new system of governance based on checks, balances, decentralization, and separation of powers. For the first time in decades, Iraqis have the opportunity for free, fair, and transparent voting, to express their views publicly, to debate important issues and policy alternatives, and to have a part in the decision-making process.

Over the past decades, Iraq has deteriorated from a nation with enormous natural resources and a relatively healthy, educated population to a failed nation. Literacy currently stands at only 39% and general health is far below the level in any other country in the region. The highly centralized bureaucracy resulted in inefficient and inequitable service delivery at the local level.

It is in the U.S. national interest to create a stable, democratic Iraq with a free-market economy. If this can be achieved, it will have a far reaching impact on an unstable region with little experience in democracy. Without economic growth and democratic pluralism, the Middle East will continue to be a pool of the disenfranchised and disenfranchised - a reservoir of recruits for Al Qaeda and other terrorist and extremist groups.

The USAID Program: When the Coalition Provisional Authority dissolved on July 27, 2004 and the IIG assumed sovereignty, USAID officially announced the opening of its Mission in Baghdad. The USAID Mission works as part of the U.S. Embassy team and contributes to the achievement of overall U.S. Government (USG) objectives in Iraq. Prioritization of reconstruction projects to be funded is done by the Iraq Reconstruction Management Office (IRMO), in conjunction with Iraqi ministries, and within the mandates of USG funding legislation. To implement its activities, USAID collaborates closely with the people of Iraq, non-governmental organizations (NGOs) and private sector partners, the United Nations, and Coalition partners involved with relief and reconstruction efforts. In 2004, USAID implemented assistance programs in agriculture, economic growth, infrastructure, transportation, telecommunications, seaport and airport rehabilitation/operation, local governance, health, education, electricity, water, and sanitation.

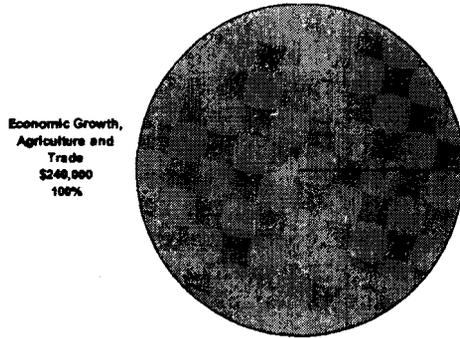
Other Program Elements: Several USAID/Washington-funded programs further support achievement of USG objectives in Iraq. USAID's Asia and Near East Bureau provides technical support. The Office for Transition Initiatives implements critical job creation and conflict mitigation activities. The Office of Foreign Disaster Assistance provides assistance to Internally Displaced Persons and the Office of Food for Peace works with the U.S. Embassy to assist the Ministry of Trade's management of the Public Distribution System.

Other Donors: In October 2003, representatives from 73 countries and 20 international organizations

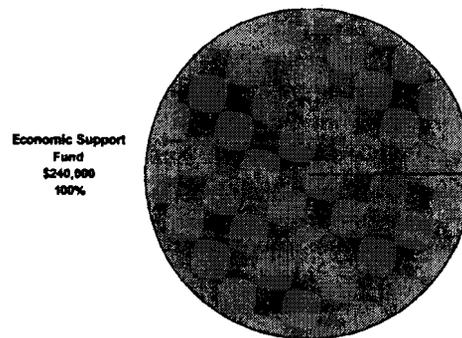
met in Madrid, Spain for the "International Donors Conference for the Reconstruction of Iraq." Major pledges totaling approximately \$13 billion were received from donor countries including Japan, Saudi Arabia, Kuwait, United Kingdom, Italy, Spain, United Arab Emirates, Korea, Canada, Qatar, and others. This pledged amount also includes significant lending from the World Bank and the International Monetary Fund, and is based on the low end of their potential lending. The World Bank pledged lending between \$2.5-4.5 billion, and the International Monetary Fund pledged between \$1.7-3.4 billion. With the U.S. contribution of \$18.4 billion, the total amount of grants and loans that the international community pledged toward Iraq reconstruction at the Madrid conference was approximately \$32 billion.

International support for humanitarian assistance and reconstruction in Iraq is being provided either bilaterally as grants, loans, export credits and guarantees, or assistance-in-kind or multilaterally through international organizations such as the World Bank and United Nations (including through the International Reconstruction Fund Facility for Iraq (IRRF) consisting of separate World Bank and UN Trust Funds). The top three country donors are: the United States with \$21 billion in grants (IRRF I & II); Japan with \$1.5 billion in grants and \$3.5 billion in concessional loans; and the United Kingdom with approximately \$1 billion in grants. In addition to the donors listed above, other donors that have pledged significant funding include the European Commission, Australia, Denmark, Sweden, Turkey, the Netherlands, and Norway.

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Israel Cash Transfer	271-001	477,168	357,120	240,000
Total (in thousands of dollars)		477,168	357,120	240,000

Office Director: Larry Brady

Israel

The Development Challenge: The close bilateral relationship that the United States has with Israel serves the national security interests of both countries. The Government of Israel's (GOI) political and economic stability continues to be a key objective of U.S. foreign policy in the Middle East.

The fundamental USAID objective in Israel is to support the Israeli economy, a task of special importance as the Government of Israel implements a series of ambitious reforms required for financial stability and sustainable growth. Though the U.S. cash transfer is not conditioned on economic policy reform, the United States continues to encourage Israeli efforts to reduce government spending and deficits, improve tax and public wage structures, increase privatization, reform labor markets, and liberalize its trade regime. Over the last year, export competitiveness has improved, and inflation has been reduced. Expanding business investment and governmental infrastructure investment, coupled with current export growth, will help Israel reach its gross domestic product (GDP) growth rate potential. U.S. assistance provides Israel the funds it needs to promote its economic reforms. The United States also supports Israel's economic and political stability and helps relieve the impact of the economic burdens Israel has incurred due to its isolation in the region and the unstable security situation in the Middle East.

Israel's economy responded favorably in the previous decade to the restructuring imposed after the crises and hyperinflation of the mid-1980s. Since 1990 the economy has become increasingly sophisticated and technologically advanced. In FY 1999, Congress began a structured, steady yet gradual reduction of the economic assistance earmark in recognition of this progress.

Israel's economic boom in the 1990s was based on a thriving high-technology sector, sharply increased investment by venture capital firms, the opening of new markets to Israeli exports, and a record level of tourism. With the downturn in the global economy, problems in the high-technology sector, and a worsening security situation in Israel, the period of 2000-2003 saw increasing unemployment and declining tax revenues. In addition to the obvious effect on tourism, the ongoing violence resulting from the Israel-Palestinian conflict impacted foreign investment and overall economic confidence. The end of 2003 provided some positive signs, however. After nearly three years of economic recession (GDP contracted by 0.5% in 2001 and 0.9% in 2002), the economy grew by 1.2% in 2003. Growth reached approximately 3.8% in 2004, although this economic recovery remains vulnerable to global economic developments and Israel's security situation.

The United States Government (USG) strongly supports the GOI's economic reform measures and underscores its support at the U.S.-Israel Joint Economic Development Group (JEDG), which usually meets annually. Beyond maintaining a stable macroeconomic environment, the JEDG provides a forum to encourage the GOI to reform its financial sector, reduce labor market rigidities, proceed with further trade liberalization, and accelerate its privatization program. The provision of \$9 billion in loan guarantees over fiscal years 2003 - 2007, with an available rollover provision in 2008, was authorized in the Emergency Wartime Supplemental Appropriations Act of 2003 and the Foreign Operations Appropriations Act of 2004. The provision of the guarantees, which is predicated on the continued implementation of the GOI's reform program and declining government deficits, will further contribute to Israel's economic and political stability.

The USAID Program: The United States, acting through USAID, will provide \$240,000,000 in FY 2006 Economic Support Funds (ESF) to Israel as a cash transfer. These funds will be used by Israel to repay debt to the United States, including refinanced Foreign Military Sales debt, and to purchase goods and services, as a general rule, from the United States. The United States will continue to encourage Israel to reduce government spending and deficits, improve tax and public wage structures, increase privatization, reform labor markets, and liberalize its trade regime.

Other Program Elements: In addition to and separate from the cash transfer to Israel, there are a number of programs managed by USAID's Bureau for Economic Growth, Agriculture and Trade that involve Israel. The Cooperative Development Research (CDR) Program is a peer-reviewed, competitive grants program. It funds the collaborative research of scientists from Israel, the United States, and their

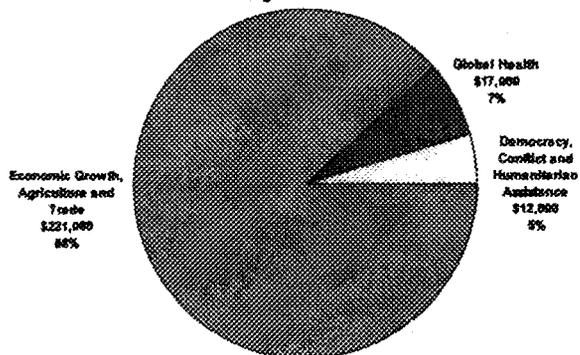
counterparts in developing countries throughout the world on topics relevant to the needs of the developing countries. The Middle East Regional Cooperation (MERC) Program is a competitive grants program that supports joint research projects between Arab and Israeli scientists on topics relevant to the development of the Middle East region. Both MERC and CDR are directly managed by USAID and involve a wide variety of technical topics and institutions. CDR and MERC are presently funding nearly 100 separate grants, including projects on water resource management for agricultural and other uses, development of new crops, protection against agricultural pests, protection of the environment, development of aquatic resources, and the study of diseases and other health threats common to many developing countries.

Also, the American Schools and Hospitals Abroad (ASHA) program provides assistance to overseas institutions to demonstrate U.S. advances in educational and medical technology and practices in the areas of research, training, and patient care. In Israel, ASHA provides grants, on a competitive basis, to schools, hospitals, libraries, and other academic and medical institutions overseas to upgrade and enhance their research and training facilities.

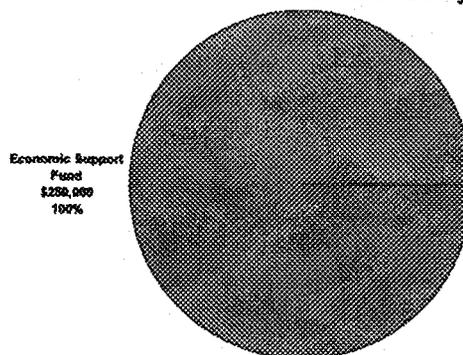
Other Donors: The United States is the largest bilateral donor to Israel.

Jordan

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



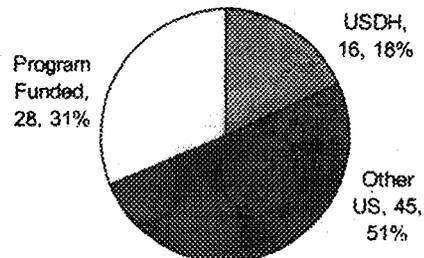
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Water Resources Management	278-008	39,600	50,000	45,000
Social Sector Development and Governance	278-009	32,850	37,500	43,000
Economic Opportunities for Jordanians	278-010	37,550	42,500	42,000
Cash Transfer	278-011	238,525	118,000	120,000
Total (in thousands of dollars)		348,525	248,000	250,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	3,974	4,158	4,418
USDH Salaries & Benefits	1,475	1,891	1,931
Program Funds	2,231	2,471	2,611
Total (in thousands of dollars)	7,680	8,520	8,960

FY 2006 Workforce



Mission Director: Anne Aarnes

Jordan

The Development Challenge: Jordan continues to play a vital role in the Middle East as both a key U.S. ally in the war on terror and a model of reform for the rest of the Arab world. This role is enhanced by the strong will and dynamism of King Abdullah II, who has actively promoted major reform initiatives in all sectors to create a better future for Jordanians. However, the Jordanian economic, political, and social sectors are still very vulnerable to regional developments, particularly in Israel and the Palestinian Territories and Iraq.

In this overall context, the Government of Jordan (GOJ) has forged ahead with economic reform. Recent figures show 7.2% growth for the first half of 2004. However, with unemployment at 12.5% and 68% of Jordan's population under the age of 25, economic growth must maintain a swift pace to ensure that the standard of living improves. Also significant for economic growth is Jordan's external debt of approximately \$7.3 billion, or 67.7% of gross domestic product. This debt has been declining but is still quite large.

Jordan has also expressed increasing interest in improving democracy and governance. In October 2003, the GOJ launched an ambitious set of political reforms aimed at promoting greater press freedom, decreasing corruption, and promoting greater civil society participation in the public realm. Under this agenda, democratic reform is seen as a tool to maintain stability and engender support for ongoing economic structural adjustment.

Serious social challenges clearly exist in Jordan. First, Jordan's growing population has now reached 5.29 million. While the total fertility rate has declined to 3.5%, with a population growth rate of 2.5% the population is still expected to double by 2026. Second, although literacy rates are high at 90%, most schools do not provide students with the skills they need for work. Third, the vast majority of early childhood education services are provided by the private sector and only affordable by the upper classes. This overall situation underscores the gap between Jordanians that are able to participate in the modern economy in all its forms, including education, and those Jordanians that have yet to see the benefits from Jordan's reform agenda.

The anticipated population increase will also place a tremendous strain on Jordan's limited water resources. In fact, water is scarce throughout the Middle East, and will be a critical issue for peace and stability for decades to come.

The USAID program advances U.S. interests by targeting the priorities of Embassy/Amman's Mission Performance Plan. These priorities include combating terrorism, increasing economic growth, promoting democratic practices and better health care, and increasing water supplies. The two highly critical U.S. foreign policy and Congressional priorities of democracy and education are prominent in our new social sectors program. Also, USAID/Jordan's new focus on public outreach is creating an understanding of the benefits that Jordan's partnership with the United States brings to the Jordanian people.

The USAID Program: USAID/Jordan is requesting FY 2005 and FY 2006 funds for four objectives that focus on: increasing water supplies and using existing water resources better; improving economic opportunities for all Jordanians through private sector development; fostering the democratic process; improving Jordan's educational system; and improving primary and maternal health care.

Throughout USAID's program, the GOJ, the private sector, and the non-governmental organization (NGO) community are heavily involved. Specifically, USAID maintains a strong partnership with the GOJ. Indeed, our close cooperation with the Jordanian Government, led by the reform agenda of King Abdullah II, has ensured that major reform initiatives in all sectors are helping to transform Jordan into a model of political and economic reform. Also, the Jordanian private sector is actively participating in and implementing the Mission's programs, particularly in the economic arena. For example, local business associations are fully engaged in directing economic reform efforts to develop new sectors and increase exports. In addition, Jordanian NGOs are key implementers in USAID's health, water, and economic programs. A local NGO, for instance, is spearheading efforts to manage and preserve Jordan's natural

wonders and generate revenues from them for local populations without endangering the environment.

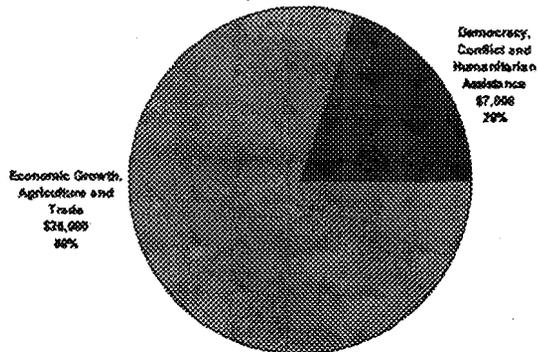
Other Program Elements: Several programs are underway in Jordan that are primarily managed or funded by USAID/Washington but facilitated or partially funded by the Mission. Specifically, USAID/Jordan partially funds and manages the International City/County Management Association project for hazardous waste management and the City Links Associate Award for medical waste management, both of which are funded and managed by the Bureau for Economic Growth, Agriculture and Trade (EGAT). USAID/Jordan also coordinates the Middle East Regional Cooperation and the U.S.-Israel Cooperative Development Research initiatives that are funded and managed by EGAT. The work of the International Arid Lands Consortium, managed and partially funded by the Bureau for Asia and the Near East, is facilitated and partially funded by USAID/Jordan. USAID/Jordan provides management support for Jordan Financial and Operational Restructuring and the Partnership for Financial Excellence projects funded by the Middle East Partnership Initiative (MEPI) and managed by EGAT. The Mission facilitates the Freedom House, National Democratic Institute, and International Republican Institute programs in Jordan, which are funded by MEPI and managed by the Democracy and Governance Office of the Democracy, Conflict, and Humanitarian Assistance Bureau. Furthermore, the MEPI-funded INJAZ Arabia project is fully managed by USAID/Jordan.

Other Donors: Total development assistance to Jordan totaled \$488 million in 2004, with the United States as the largest donor to the country. The European Union is the second most important donor. USAID is the lead donor in the water sector and works closely with the Germans (construction and technical assistance) and the Japanese (construction and technical assistance), the second and third largest bilateral partners in the sector. A USAID representative manages the United Nations (UN) Donor/Lender Water Group, which includes international financial institutions and other bilateral donors. USAID is also a key member of a donor group rehabilitating Amman's water distribution system. This group includes the World Bank, the European Investment Bank, the Germans, and the Italians.

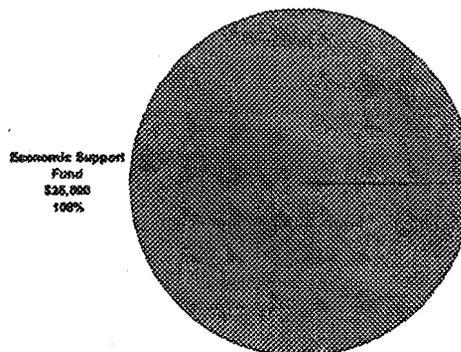
In other sectors, USAID/Jordan closely cooperates with other donors. In health, USAID is the largest donor in terms of grants and technical assistance. Coordination in this sector occurs through the UNAIDS monthly group meetings and regular contact with the United Nations Family Planning Association and the United Nations Children's Fund (women's and children's health). In education, USAID also leads donor efforts, with the Germans (school construction) and the Canadians (educational reform) deeply involved. Impressively, USAID is the sole donor on the Ministry of Education's steering committee to set educational policy. USAID also participates in technical level committees at the Ministry of Education with other donors. The Arab Gulf countries play a significant role in the integration of information and communications technology in the classroom. In democracy, as the primary donor with the European Union (judicial reform, governance, and legislative strengthening), USAID plays a leadership role on the UN donor/lender committees for social development and public sector reform. The British (public sector reform) and other European Embassies also contribute to the democracy sector. Notably, USAID leads ad-hoc democracy donor committees which include the European Union and Canada. Coordination has produced solid results, with the European Union and the United Nations Development Programme focusing on strengthening human resources at the Ministry of Justice, while USAID uses its resources for high-impact programs to fully automate the courts and train judges. Finally, USAID is the lead donor in the economics arena, with the European Union (small and medium enterprises, regulatory reform, and privatization) the second largest donor. The Japanese (small and medium enterprises) and the Germans (community development) also play significant roles. However, a formal high-level donor group does not exist in the economics sector, primarily because other donors do not contribute major resources to this area. Nevertheless, technical groups closely coordinate programs in public sector reform, microfinance, labor, and poverty.

Lebanon

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



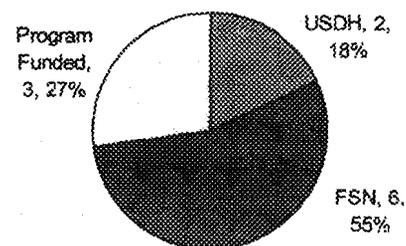
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Development	268-001	18,794	23,220	22,000
Promoting Democracy and Good Governance	268-002	4,000	5,000	7,000
Improved Environmental Policies and Practices	268-005	12,400	7,000	6,000
Total (in thousands of dollars)		35,194	35,220	35,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	903	965	965
USDH Salaries & Benefits	196	363	371
Program Funds	153	153	153
Total (in thousands of dollars)	1,252	1,481	1,489

FY 2006 Workforce



Mission Director: Raouf Youssef

Lebanon

The Development Challenge: Significant events took place in Lebanon last year that were considered to be major turning points for change in the political life of the country. The Municipal elections of May 2004 resulted in the formation of around 180 new Municipalities reflecting a stronger trend towards decentralization. The controversial extension of the President's term for an additional three years, and the formation of an unpopular government brought Lebanon's internal politics to the forefront of the international arena. The United Nations Security Council adopted resolution 1559, that advocates the full sovereignty of Lebanon and calls for the withdrawal of all foreign troops from Lebanese territory, and the disarmament and disbanding of all foreign and non-foreign militias operating in the country. Internally, as a reflection of discontent, a coalition of diversified factions and parties joined forces and formed the largest opposition block the country has witnessed since before the 1975-1990 civil war. These developments clearly show a strong domestic desire for change while maintaining the multifaceted image of Lebanon in the region. However, despite these encouraging developments, the divisiveness that is inherent in Lebanon's confessional system of government continues to contribute to neighboring Syria's ability to interfere in the political affairs of the country. As a result, Lebanon has kept its Syrian and Iranian-supported "resistance" alive, using the argument that the Israeli-occupied Shebaa Farms area is legally Lebanese, not Syrian territory.

The economic situation in Lebanon continues to worsen. Lebanon's accumulating public debt has reached \$35 billion, which is equivalent to approximately 180% of gross domestic product (GDP), one of the highest ratios in the world. This is leading the government to dedicate around 70% of its public revenues to pay interests on the debt instead of financing public services. This has also resulted in widening disparities between the rich and the poor and an increased rate of unemployment (around 20%). The pace of economic and administrative reform is slow. The investment climate remains hazy, with decreasing investor confidence in the country's economy. Only Arab and Gulf financing account for a considerable portion of direct foreign investment in Lebanon. Slight improvements have been noted, with an increase of 29% in industrial exports and an improvement in the tourism sector. Lebanon surpassed the million tourists mark for the first time in 30 years, an increase of 33% in tourist arrivals and the highest average per tourist expenditures (\$1,500) in the Middle East.

At another level, the environment in Lebanon is in a deteriorating state due to years of neglect. This, coupled with a lack of government investments in remedies has resulted in polluted air, soil, rivers, beaches, open dumping, and lack of control on industrial emissions. With USAID's help, attitudes and perspectives of environmental protection and preservation are slowly changing.

As a response to the challenges facing the country, the USAID program is contributing to the USG policy priorities of promoting democratic principles and free economies through investing in the people. It is helping the people of Lebanon by improving their standard of living, protecting their environment and health, building their local institutions, addressing their legal rights as citizens, and addressing their humanitarian needs.

USAID's key strengths reside in its flexibility and technical know-how. Over the years, USAID has built a reputation as one of the most active donors in Lebanon and is viewed by many as having one of the more responsive and targeted programs - though far from the largest. USAID attributes this to the following:

- Purpose of promoting equitable and sustainable development in Lebanon over the long-term;
- Products that are demand driven and focusing on the people;
- Highly skilled group of partners -NGOs, foundations, universities, business associations- capable of operating effectively at high governmental levels as well as at the community level;
- Procedures that demonstrate efficiency by channeling funding directly to implementing partners in contrast with other donors.

The USAID Program: The USAID program in Lebanon addresses the economic, political and environmental challenges prevalent in the country. USAID concentrates on improving living standards by revitalizing and expanding economic opportunities of small entrepreneurs and disadvantaged mine-

affected people, encouraging trade and investment with World Trade Organization (WTO) accession, strengthening American educational institutions, and building the capacities of indigenous groups. USAID also aims to improve environmental policies and practices by developing appropriate waste management practices, creating environmental awareness, and promoting water sector restructuring and efficient water management. Finally, USAID emphasizes building democratic practices and encouraging good governance and transparent practices through strengthening municipalities all over Lebanon and providing assistance to civil society groups and advocacy programs. As a cross cutting theme, USAID works on cultivating citizen awareness of landmine affected areas and prevention practices. In addition, special emphasis is given to women's empowerment all across the activities. For instance, 41 landmine-affected women have benefited from USAID assistance and 21 rural women's production centers have been formed. Also, under the humanitarian assistance program, 60 poor and abandoned elderly women, 40 abused women, and 50 hearing impaired women have been supported this year.

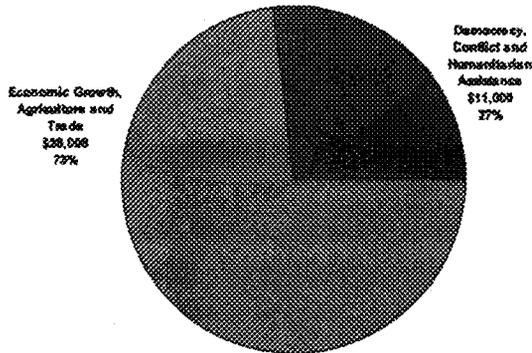
Other Program Elements: The American Schools and Hospitals Abroad (ASHA) program provides an annual level of assistance to four American educational institutions in Lebanon, namely the American University of Beirut (AUB), the Lebanese American University (LAU), the American Community School (ACS) and the International College (IC). In FY 2004, ASHA's level of assistance amounted to \$2,700,000. The funds are typically used to purchase commodities and equipment to improve the institutions' teaching capabilities, including classroom furniture, laboratory equipment, computers, and hardware and school books.

Lebanon benefits from the Leahy War Victims Fund for a number of mine action activities, chief of which is a "Resource Cooperative" aimed at creating economic opportunities for mine-injured survivors and their families in the Southern district of Jezzine, Lebanon's most heavily-mined and casualty afflicted area. As of this date, Leahy has allocated \$3.1 million to the program in Jezzine.

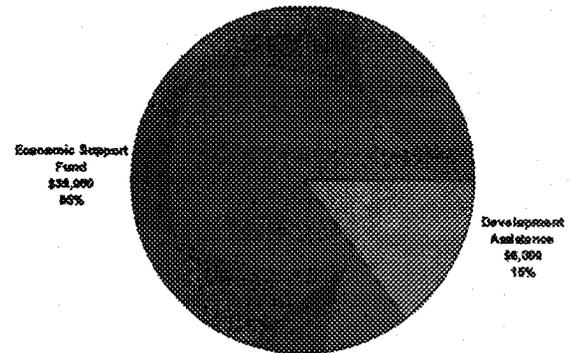
Other Donors: Donor coordination in Lebanon was less active this year compared to previous years. The most recent Council for Development and Reconstruction report lists Arab countries as the main source of Lebanon's external funding, led by the Arab Fund for Economic and Social Development (AFESD) in infrastructure and capacity building; the Islamic Development Bank (IDB) in energy and infrastructure, the Kuwaiti Fund for Arab Economic Development (KFAED) in health, education, and energy; within the same category is funding from the International Bank for Reconstruction and Development (IBRD) of the World Bank in infrastructure, water, energy, and tourism; followed by the European Investment Bank (EIB) in transportation, the European Union (EU) in education, and capacity building; the Saudi Fund for Development (SFD) in education and transportation. France, Italy, Germany, Japan and the United Arab Emirates follow with capacity building and infrastructure projects. Most of the funding comes in the form of loans or soft loans that are channeled to the Council for Development and Reconstruction (CDR) and approved by the Council of Ministers contrary to the USAID assistance that is totally channeled to the NGO community in the form of grants or contracts. USAID assistance is among the top three donors in aggregate spending. USAID's main donor partners are the World Bank, the EU, the Italians and UNDP for rural development, agriculture and environment; the EU, the Italians and UNDP for administrative reform and municipal development; the EU for trade (Euro-Med and WTO agreements); and the French Development Agency for water resources management.

Morocco

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



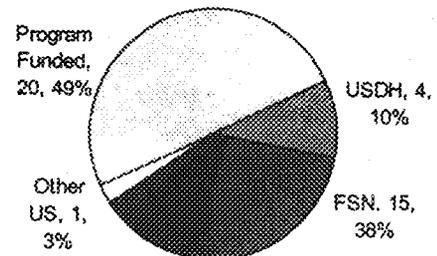
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Free Trade Agreement Support	608-011	3,400	7,200	17,600
Education For a Better Future	608-012	2,000	14,640	12,400
Improved Government Responsiveness to Citizens	608-013		4,000	11,000
Total (in thousands of dollars)		5,400	25,840	41,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,720	1,945	2,069
USDH Salaries & Benefits	407	429	438
Program Funds	1,235	1,686	2,376
Total (in thousands of dollars)	3,362	4,060	4,883

FY 2006 Workforce



Mission Director: Monica Stein-Olson

Morocco

The Development Challenge: Morocco has a per capita income of \$1,200, placing it in the lower class of middle-income countries in the region. Its social indicators are among the lowest in the region. Approximately 49% of adults aged 15 and above were illiterate in 2002, placing Morocco at 20th among the 22 Arab League countries (surpassing only Mauritania and Yemen). Women are particularly affected, with female illiteracy rate at 62 percent, and significantly higher in rural areas.

Progress made in the early nineties in poverty alleviation has been lost: approximately 20% of the total population remains under the absolute poverty line (about one dollar per day), with two-thirds being located in rural areas (3.5 million, or more than 10% of the population). Moreover, about 55% of the rural population and 33% of the urban population were considered "economically vulnerable" in 2003. The country's economy remains overly dependant on rain, and adverse climatic conditions directly impact the level of rural poverty. Economic growth is further constrained by government policies that retard rapid modernization of the rural economy, diversification of cereal production, and efficient use of scarce water resources. Urban poverty is a direct consequence of unemployment, which is particularly high among youth (up to 35.4% in 15-24 year olds in 2004 alone). Such a high unemployment among youth contributes to insecurity and instability in urban areas.

In 2004, the government managed to maintain macro-economic stability, continue its investment program and advance the implementation of its reform agenda. At around 3.5% of the gross domestic product (GDP), the fiscal deficit will not exceed affordable levels and inflation will be contained around 2%. With regard to public investment and policy reform, achievements exceeded targets in many sectors. For example, the number of students enrolled in vocational training doubled as compared to the previous year. Social programs, including rural electrification, potable water and rural roads met or exceeded targets. A new family code -- Moudawana -- considered as one of the most progressive in the Arab region, was promulgated. Free trade agreements were signed with the U.S. and several countries in the region. The health coverage scheme began as planned and the liberalization of several sectors (air transportation, radio-TV, and telecommunications) met set deadlines.

The above progress was achieved despite several adverse exogenous events. In February, a violent earthquake hit the northern region of Al Hoceima. The disaster killed more than 1,000 people and damaged basic infrastructure and houses in an already poor, underserved region. Despite donor support, the country continues to carry a significant financial burden, and the living conditions in that region are still substandard. In February, locusts began to invade the south of the country. The government mobilized substantial equipment and resources to successfully stop the expansion of the swarms. Morocco also provided significant support to its neighboring countries (Mauritania, Senegal, and Mali) to contain the plague. Despite these efforts, locusts returned in large numbers in the fall, with swarms reaching the north-eastern region and spreading from the Canary Islands to the Middle-East. The unprecedented increase in oil prices was a significant shock that affected Morocco's economy as well. Unlike most countries in the region, Morocco imports almost 100% of its oil. The Government of Morocco's (GOM) policy to preserve the purchasing power of the poor requires keeping energy prices at a stable, affordable level. Thus, instead of raising the prices to keep up with imported oil levels, the government automatically reduces the level of taxes, which directly impacts its revenues and widens the fiscal deficit.

Morocco is important for U.S. interests in the region as its oldest ally and as a stable, democratizing, and liberalizing Arab Muslim nation. It is also important as a partner in the global war on terrorism and as a constructive force in the pursuit of Middle East peace and other regional security challenges. The key challenges for the country are creating jobs for a fast growing labor force and addressing the gaps in meeting the basic needs of the population.

The USAID Program: For USAID/Morocco, FY 2004 was an intense and challenging year because of the transition between two strategies and the overlap of old and new activities. This transition between two strategies was smoothly done at the same time that the Mission was managing a 50% reduction in force. The Mission smoothly closed out five old Strategic Objectives (SOs): increased opportunities for domestic and foreign investment; improved water management; population, health and nutrition; basic

education for girls; and support for civil society. Also during this year, the Mission designed new activities in the areas of economic growth and job creation, education and workforce training, and democracy and governance. Brief descriptions of three objectives are below.

Increased Economic Growth and Job Creation (Strategic Objective 11): USAID Morocco initiated the design of three separate but complementary programs whose objectives are: 1) increased productivity in agriculture and agribusiness; 2) the creation of new business opportunities in areas outside of agriculture and agribusiness; and 3) an improved business environment. A contract for the first program will be awarded by late December 2004 or early January 2005, while the other two will be contracted in early 2005.

Improved Education and Training for Employment (Strategic Objective 12): USAID finalized the design of the new activity and launched a major procurement through full and open competition. The contract was awarded after the fiscal year ended. Concurrent to this major procurement, USAID launched two new, visible start-up activities for the new SO: 1) a Global Development Alliance (GDA) public-private partnership between USAID, CISCO, UNIFEM and the GOM, entitled Achieving E-equality in Information Technology, and 2) the National Education Accounts (NEA) pilot project with the Ministry of National Education (MNE).

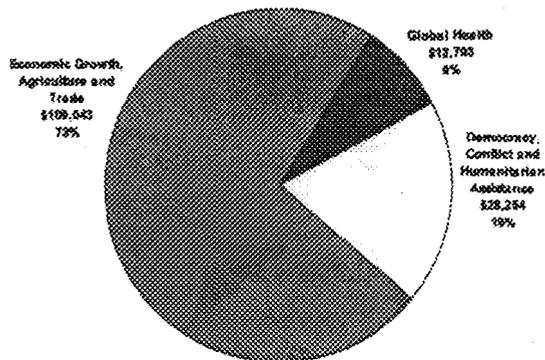
Improved Government Response to Citizen's Needs (Strategic Objective 13): The DG team finalized the design and concluded a contract for assistance to the parliament (Intermediate Result 13.1). Other procurements are underway. In addition, programming continued from the previous SpO 9 to improve government responsiveness to the needs of women. The adoption in 2004 of the revised Moudawana requires increased awareness of these new and expanded rights for women on the part of many government officials and Moroccan women alike.

Other Program Elements: As of 2004, 22 Middle East Partnership Initiative (MEPI) activities were implemented in Morocco through USAID mechanisms. Eighteen of these were directly managed by USAID/Morocco under the pillars focusing on politics, economics, education and women. Total Morocco-specific commitments/earmarks amounted to \$16,624,000, including multi-country programs. While approximately half of MEPI funds transferred to USAID/Morocco were obligated under existing or new agreements, unilateral commitments have dramatically increased the number of management units. The amount of management units has affected the Mission's ability to implement and manage the programs efficiently. In addition to operational challenges, USAID/Morocco faces programmatic challenges, as an internal audit demonstrated that not all of the MEPI-funded activities contribute to its strategic objectives, and performance indicators were not defined. The quick-response nature of selected activities is not always consistent with the need for sustainability.

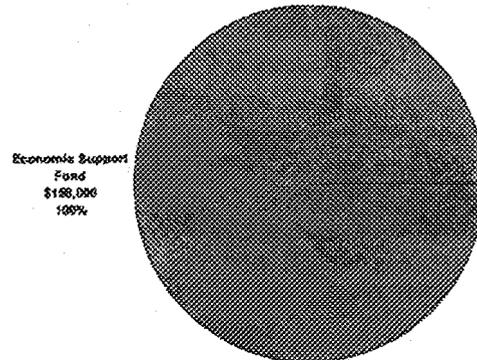
Other Donors: In 2003, official development assistance (ODA) to Morocco declined by about 6% as compared to the previous year (\$316 million vs. \$336 million). Grants represented about 72% of the total. The main characteristic of ODA this year is a significant shift from macro-economic to infrastructure aspects, including roads, ports, railroads, telecommunications, airports, hydro-electricity and irrigation. Assistance to social sectors stabilized at about one third of total ODA. The European Union provided almost half (48.9%) of the foreign assistance. In 2003, USAID was the second bilateral donor, on a par with Germany (4.5%) and behind France (21.6%). Coordination among donors has improved somewhat in 2004, with impetus from multilateral and bilateral donors, including USAID. Channels for exchange of information and sector coordination have been established and the host country government is engaged and playing an increased role in the process.

West Bank and Gaza

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

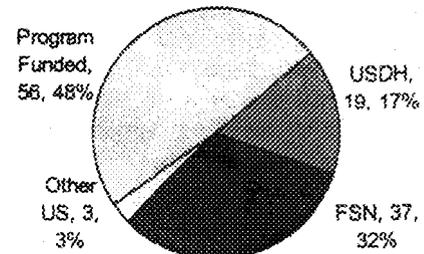
Objective	SO Number	FY 2004	FY 2005	FY 2006
Private Sector Development	294-001	13,950	7,649	23,000
Water Resources Development	294-002	22,808	31,943	51,000
Democracy and Governance	294-003	13,350	23,255	20,000
Higher Education and Training	294-005	2,250	700	14,000
Family Health	294-007	6,200	4,823	16,000
Community Services Program	294-008	16,000	1,430	19,000
Program Support Objective	294-009		4,600	7,000
Total (in thousands of dollars)		74,558	74,400	150,000

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	5,459	5,501	5,901
USDH Salaries & Benefits	2,790	2,873	2,935
Program Funds	4,774	4,774	4,774
Total (in thousands of dollars)	13,023	13,148	13,610

FY 2006 Workforce



Mission Director: James Bever

West Bank and Gaza

The Development Challenge: USAID/West Bank and Gaza (USAID/WBG) continues to play an integral role in promoting the U.S. Government's strategic foreign policy priority of advancing the Middle East peace process and creating two independent, viable, democratic states living side by side in peace and security. An underlying objective of U.S. Government support is to improve the quality of life for Palestinians. The conflict with Israel has severely constrained development, especially since the Intifada began in September 2000. According to the World Bank, approximately 16% of the population, or 607,000 persons, live below the poverty line of \$280 per month for a family of six and cannot afford the basics for survival. In 2003, per capita real Gross Disposable Income (GDI) in the West Bank and Gaza stood at \$1,467 (\$1,621 in the West Bank and \$1,227 in Gaza), a level that is comparable with Egypt. This figure includes official donor assistance of \$300 per capita, an extraordinary level of donor support. Without this assistance, Palestinian consumption and social indicators would all be appreciably lower, and Gaza's per capita GDI would be the second lowest in the region after Yemen. The January 2005 election of a new president lays the groundwork for the cessation of violence, the implementation of security, democratic and governance reforms, and a return to the Roadmap process. These developments create new opportunities for U.S. assistance to help the Palestinians return to economic growth and an improved quality of life for residents of the West Bank and Gaza.

Apart from the violence itself, the proximate causes of this decline in the well-being of Palestinians were the physical fragmentation of the West Bank and Gaza and the much higher transactional costs associated with Israeli closures and curfews (implemented in response to terror attacks) and other restrictions on Palestinian mobility of both goods and people. In addition, for two years beginning in December 2000, in response to the Intifada, Israel began withholding the customs, excise, and value added taxes that it had been collecting on behalf of the Palestinian Authority (PA) as part of the Customs Union arrangement under the Oslo Accords. Since Israeli revenue clearances constitute about two thirds of the PA's total revenues, this period of revenue transfer suspension had an immediate and crippling effect on both the PA and the Palestinian economy. This crisis elicited a major donor response, which now totals approximately \$1 billion per annum.

A forceful and well-coordinated donor response during the past four years, and the resumption of Israeli revenue clearances in the past two years, has meant that an outright humanitarian disaster, especially in Gaza, has been averted. At the same time, high fertility and population growth rates persist, dependence on foreign aid has been further entrenched, and the economy now needs to be reoriented away from its former dependence on labor exports to Israel. Critical infrastructure needs, particularly in water, also need to be addressed. Along with the need to proceed rapidly with democratic governance, institution building, social service delivery, and other reforms, these represent the major development challenges.

The World Bank, in its December 2004 report on "Israeli Disengagement and Palestinian Prospects," suggested that if Israel works to remove its constraints on the movement of goods and people following its withdrawal from Gaza and four settlements in the Northern West Bank, and if the PA can demonstrate commitment and achieve progress in the areas of elections, security, and other key reforms, then the basis for economic regeneration and a return to the Roadmap process would be in place. In accordance with the Palestinian Basic Law, and following the election of President Abbas, plans for Legislative elections in May 2005 and for local municipal elections are similarly underway. In a further sign of progress on the reform front, President Fattouh has signed all pending Palestinian Legislative Council (PLC) laws. Israel, meanwhile, has been steadily advancing its unilateral Disengagement Plan that is expected to lead to a withdrawal from the Gaza Strip and the Northern West Bank by the end of 2005. These defining events are giving rise to renewed but cautious optimism among both Israelis and Palestinians.

It is important to note that the political uncertainty and accompanying instability increase the planning and implementation challenges of the Mission. Within this context, the Mission continues to develop innovative approaches to ensure that U.S. taxpayer dollars are serving the intended purposes and not being provided to terrorist organizations or their affiliates. Per a congressional mandate, the U.S. Inspector General supervises audits of all ongoing projects; all local organizations that receive USAID

funds and their key officials are vetted for terrorist affiliations; and the Mission conducts regular project evaluations to ensure that critical development needs are addressed.

The USAID Program: Prior to the Intifada, the Mission operated under a five-year strategic plan (1996-2000), which focused on the development of the private sector, water resources and democratic institutions. During the course of the Intifada, the Mission's program (beginning in the spring of 2001) was guided by a more flexible Transition Plan which sought to promote stability by addressing four main themes: a) responding to emergency needs; b) promoting reform; c) revitalizing the private sector; and d) maintaining infrastructure and human capital development. These efforts were funded by an operating year budget of \$75 million, \$400 million which became available in 2000 as part of the Wye Supplemental, and \$50 million which was allocated to the Mission as part of the Iraq Supplemental in 2003, primarily for emergency needs. The additional funding enabled the Mission to disburse more than \$170 million in fiscal year 2003 and more than \$150 million in fiscal year 2004.

The Mission is preparing a new interim strategy to respond to the opportunity -- presented by Gaza disengagement and political reform by the Palestinians -- to support the President's vision of a sovereign, independent, viable, democratic and territorially contiguous Palestinian state, living side by side in peace and security with Israel. This new strategy retains all of the flexibility and innovative program management used over the past four years. Although the details and overall funding levels of this plan are still being formulated, this reflects a doubling of the Operating Year Budget from \$75 to \$150 million in FY 2006. With this increased funding, the Mission's broad operational goals will be to: 1) achieve political stability; 2) achieve economic stability; 3) achieve social stability; and 4) provide needed infrastructure.

USAID will respond to the opportunities created by the January 2005 Presidential by providing tangible support to Palestinian leadership committed to reform. We plan to use existing program vehicles to demonstrate the tangible benefits of transition through projects that can deliver immediate impact and results including in the areas of reconstruction, job-creation, and respect for the rule of law, and support for the secular moderate mainstream. In addition, the Mission has already developed a specific plan that will enable rapid response to increased funding. These interventions are in addition to the December 2004 \$20 million cash transfer to the Palestinian Authority.

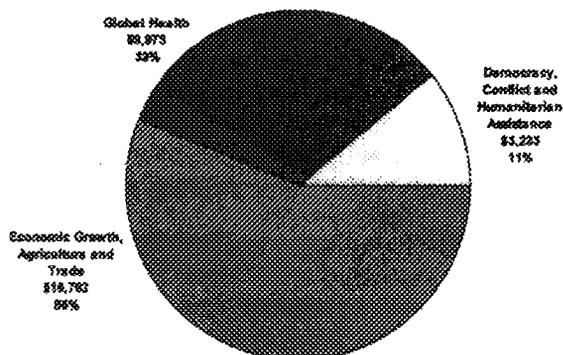
Other Program Elements: During FY 2004, all activities were funded by the West Bank and Gaza Mission. The Mission did not implement programs funded by pillar bureaus, or regional missions or bureaus. In FY 2005, the Mission expects to implement awards of up to \$750,000 made by USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance for conflict mitigation. USAID was a major participant in the preliminary field review process.

Other Donors: During the past four years, and particularly since 2002, the United States, the European Union (EU), the Arab League countries, the World Bank, and other donors have all played a critical role in preventing a humanitarian crisis and in maintaining a minimum level of economic, social, and political stability. The United States was the largest donor to the West Bank and Gaza in 2003, expending funding to more than \$253 million: \$172 million from USAID, and \$81 million from the State Department through the United Nations Relief and Works Agency (UNRWA). The latter amount does not include assistance delivered by UNRWA to Palestinians in Lebanon, Syria, and Jordan. Total U.S. contribution in 2003 represented more than a quarter of the \$927 million disbursed by all official donors as budget support, humanitarian, and development assistance. In 2003, the EU was the second largest donor, contributing \$235 million, and Saudi Arabia was the third largest donor, contributing \$77 million.

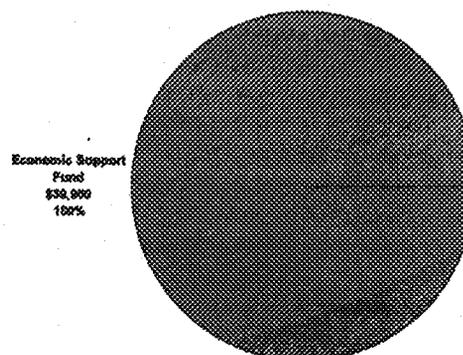
Following the start of the Intifada, the EU, the Arab League Countries, the World Bank, and other donors shifted the bulk of their assistance to direct budget support for the PA, 90% of which went for salaries and transfer payments. The United States responded to critical and humanitarian needs but maintains its medium-term focus on infrastructure and institutional development. As a result, the United States is now the leader in delivery of both tangible goods and services to Palestinians and to the PA. An international donor pledging conference may be convened in the first half of 2005, where a request to donors will be made for assistance over and above the current existing level of just under \$1 billion annually.

Yemen

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



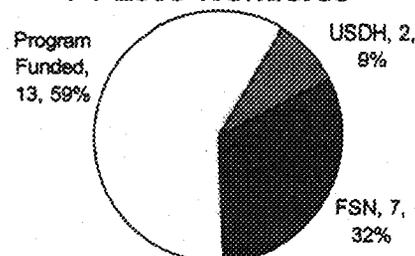
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Reproductive, Maternal and Child Health Services	279-005	5,140	7,574	9,975
Basic Education, Especially for Women and Girls	279-006	3,270	4,996	12,703
Increased Income Opportunities and Food Security	279-007	2,342	1,770	4,089
Expanded Democracy and Governance in Yemen	279-008	680	540	3,233
Total (in thousands of dollars)		11,432	14,880	30,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	607	907	945
USDH Salaries & Benefits	187	121	124
Program Funds	633	1,336	1,366
Total (in thousands of dollars)	1,427	2,364	2,435

FY 2006 Workforce



Mission Director: Douglas Heisler

Yemen

The Development Challenge: Following the unification of Marxist South Yemen and North Yemen in 1990, the new Republic of Yemen Government (ROYG) made impressive progress with the establishment of a constitutional government, a parliamentary system with multiparty elections, and laws to strengthen non-governmental organizations. The new Government began to decentralize resource allocation decisions and local management of social services, and define development goals. The ROYG demonstrated a strong commitment to stabilization and reform through price and market liberalization, fiscal prudence, liberalization of foreign exchange and trade, and striving to cut foreign debt and increase foreign exchange reserves. Recently, economic reform has slowed, and Yemen's internal stability is threatened by a combination of forces challenging the Government's movement to increased democracy. These forces include extreme poverty, Islamic extremism, internal and international terrorism, and the alienation from the central Government by relatively independent tribal leaders in remote areas.

Despite progress made over the last decade, Yemen remains one of the least developed countries in the world and ranks 148 out of 175 countries on the United Nations Development Programme's Human Development Index (2003). It has a per capita gross domestic product of \$460. Forty-two percent of the people live in poverty (45% in rural areas) and one in five is malnourished. Yemen's 18.5 million population, which is predominantly rural, faces enormous economic and social challenges. Among the major problems are limited access to basic services, a very high fertility rate (6.7%), high illiteracy rates especially among females (73.5%), high unemployment (40%), significant gender inequality, diminishing oil reserves, and a non-renewable water supply, which is dwindling at an alarming rate.

Thus, poverty reduction remains Yemen's most compelling challenge. To make a significant impact on poverty reduction, Yemen must increase its focus on rural communities, where 75% of the population resides. The rugged terrain, which has already been a significant challenge for agricultural development and service delivery, will present a challenge for this task as well.

The USAID Program: USAID's overall goal in Yemen is to support the United States Government's (USG) foreign policy objectives in the war on terrorism by helping to develop a healthy and educated population with access to diverse economic opportunities. To gain support from tribal leaders for government decentralization, development, democracy, and counterterrorism objectives, the USAID/Yemen program is helping to create jobs, increase income, improve health, education, and community empowerment, and strengthen democratic institutions. The program focuses on the five target governorates of Amran, Sa'ada, Al-Jawf, Marib, and Shabwa, long known to be the main sources of, and havens for, domestic and international terrorism in Yemen.

USAID/Yemen is requesting FY 2005 and FY 2006 ESF funds for four strategic objectives. These four strategic objectives will improve the delivery of tangible, practical support in basic sectors (health, education, agriculture, and democracy and governance) that touch the lives of the average Yemeni living in the target governorates. FY 2005 funds will be used primarily to implement ongoing programs to increase access to reproductive, maternal and child health services, and basic education, especially for women and girls. The specific activities to be funded with FY 2005 and FY 2006 appropriations are described in more detail in the Yemen's Congressional Budget Justification.

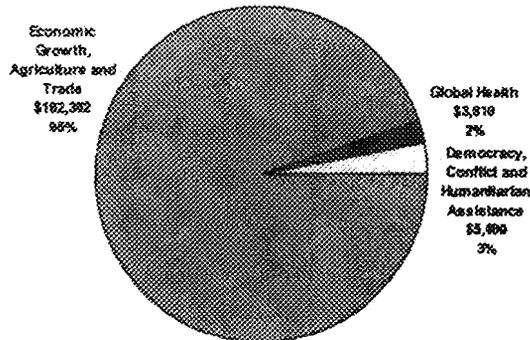
Other Program Elements: USAID/Yemen has focused its resources on activities in the health and education sectors -- two areas that are in dire need of support in Yemen, especially in the five targeted governorates. USAID/Yemen has been able to significantly leverage its funds by partnering with other U.S. Government agencies such as the Middle East Partnership Initiative (MEPI) at the State Department, U.S. Department of Agriculture (USDA) [P.L. 480 and 416(b)], and the Department of Defense (DOD). Partnering with MEPI has allowed the Mission to strengthen its democracy and governance program, enabling the Mission to conduct significant work in decentralization implementation and parliamentary reform. The Mission has also leveraged its funds in agriculture, health, and education by working closely with the U.S. Embassy as the Embassy programs USDA P.L. 480 and 416(b) funds to build more schools, hospitals, and implement numerous agricultural projects such as research and extension at the village level, integrated livestock development, horticulture marketing, support for the Ministry of

Agriculture, and the building of roads. In addition, USAID/Yemen has partnered with DOD to construct a school in Saada and intends to expand cooperative partnerships with DOD in FY 2005 and 2006.

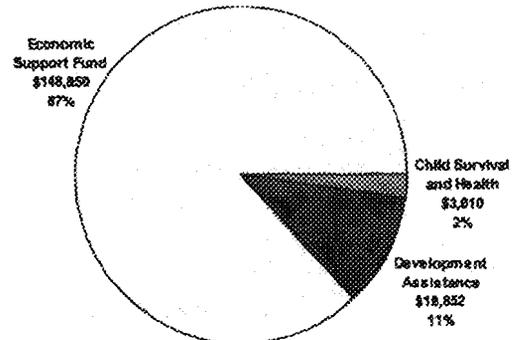
Other Donors: USAID/Yemen coordinates very closely with the donor community to assure that the impact of relatively scarce donor resources is maximized in response to the overwhelming development needs in Yemen. The United States is the number one bilateral donor in Yemen, followed by the Netherlands, Germany, the United Kingdom, and Japan. Multilateral donors include the World Bank, the European Union, United Nations Development Programme, United Nations Population Fund, United Nations Children's Fund, World Health Organization, United Nations World Food Programme, International Fund for Agricultural Development, and Abu-Dhabi Fund. Very few donors work in the five remote governorates targeted by USAID. U.S. development efforts in these governorates are seen as the vanguard in opening up other donor assistance programs to Yemen's critical areas.

ANE Regional

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Program Development and Learning	498-007	12,714	22,600	18,210
E. Asia Regional Democracy Fund	498-016	1,988		
South Asia Regional Initiative for Energy	498-023	6,700	4,000	2,252
East Asia and Pacific Environmental Initiative	498-024	1,740		
South Asia Regional Democracy	498-037	4,558	2,992	4,500
Tsunami Reconstruction	498-045		13,879	
State Department Programs		119,291	108,376	146,350
Total (in thousands of dollars)		146,991	151,647	171,312

Mission Director: Larry Brady

ANE Regional

The Development Challenge: Political instability, the continuing threat of terrorism, and significant development challenges (high population growth rates, weak governance systems, human rights violations, the growing threat of HIV/AIDS, tuberculosis, and malaria, environmental degradation, and increasing water scarcity) plague much of Asia and the Near East.

The USAID Program: USAID's regional programs are vital to the Agency's efforts to address transnational issues and opportunities, promote public-private partnerships, and facilitate the exchange of information and ideas between countries. These programs are in addition to those managed by the Regional Development Mission/Asia (RDM/A) in Bangkok, Thailand. The four regional programs that will be managed by USAID/Washington in FY 2005 and FY 2006 are:

Program Development and Learning. Funds will support the development and refinement of new strategies for country and regional programs and forward-looking analyses that identify emerging development problems and opportunities in the region. The program also supports planning, analysis, program assessments and evaluations, and Agency compliance with reporting and public information requirements.

South Asia Regional Initiative for Energy. This program supports regional energy cooperation and the eventual trade in clean energy resources in South Asia.

South Asia Regional Initiative on Equity for Women and Children. This program supports efforts to combat trafficking in persons, implement rules of law prohibiting violence against women and children, promote safe migration, and provide care for the survivors of gender-based violence and child abuse.

Tsunami Recovery and Reconstruction. The ANE Bureau is presently developing a strategy for long-term recovery and reconstruction to address the impact of the Tsunami that hit several ANE countries on December 26, 2004. Activities under a regional Tsunami strategic objective will cut across all sectors, including humanitarian assistance, education and job creation, natural resource management, infrastructure building, and economic growth.

Other Program Elements: None

Other Donors: These programs are coordinated with other donors operating in the region. The HIV/AIDS, economic growth, and environment activities have especially benefited from partnerships with the World Bank, the Asian Development Bank, and several United Nations agencies. These partnerships bolster the overall results of these activities and help USAID achieve its objectives in the region.

Europe and Eurasia

DEVELOPMENT CHALLENGE

The Foreign Policy Context

The United States has significant national interests in the Europe & Eurasia (E&E) region. Countering authoritarianism and economic stagnation, which provide fuel for domestic unrest, religious extremism, and international terrorism, is key to protecting American interests. In the aftermath of September 11, Central Asia and the Caucasus have become front line states in the war against terrorism. The Caspian region's tremendous oil and gas resources add to its importance to the United States; the proven oil reserves of just two states in the Caspian Sea Basin (Kazakhstan and Azerbaijan) are just slightly less than those of the United States. The internecine warfare accompanying the collapse of the former Socialist Federal Republic of Yugoslavia in the 1990s not only caused humanitarian catastrophes but also threatened the peaceful democratic and economic transitions in neighboring post-communist states. While marked progress has been made since the United States and its NATO allies intervened with military, diplomatic, humanitarian, and technical assistance, ethnic and nationalistic tensions combined with ongoing economic hardship and soaring unemployment continue to drive instability. The United States has broad trade relationships with the region; U.S. exports totaled almost \$7 billion in 2002 with direct investment adding to no less than \$3.3 billion in that same year. Extremism threatens to destabilize several areas within the E&E region; USAID must work to encourage political pluralism and unfettered access to the choice of religious affiliation as an effective buffer against the appeal of Islamic extremism. Finally, America's most important geopolitical and security interest in the region is its relationship with Russia. Given Russia's vast size, resources, and weapons stockpile, neither its neighbors nor we are secure if it is unstable. Russia holds one-third the world's proven natural gas reserves and was the world's second largest exporter of oil in year 2000.

Transition Status and Obstacles

Since USAID's work in the E&E region began over a decade and a half ago, extraordinary progress has been registered, particularly in the democracy/governance and economic growth assistance areas. Notable achievements include: a) the re-emergence of positive economic growth since 2000 after years of contraction; b) Freedom House's ranking of 21 of the former communist states as free or partly free with a return to communism unlikely in most countries; and c) the significant integration of the states into regional and global organizations such as the World Trade Organization, the European Union (EU), and the North Atlantic Treaty Organization. Performance has been sufficiently good that USAID's E&E Bureau no longer has bilateral programs for the eight Northern Tier Central and East European countries, allowing the closure of the five Missions that once serviced them.

While the eight Northern Tier countries have graduated, USAID has much unfinished business in the remainder of the region, especially in Eurasia. Both Eurasia and Southeast Europe have yet to regain income levels achieved prior to the fall of the Berlin Wall. In 2003, gross domestic product (GDP) in Southeast Europe averaged 10% below 1989 levels, and, in Eurasia, it averaged 30% below.

It is true that, with the exception of Kosovo, the seven Southeast European countries can now be classified as "middle income." Progress has been sufficiently good that graduation dates have been established for Bulgaria, Croatia, and Romania; FY 2006 will be the last year of bilateral assistance for Eastern Europe and the Baltic States (AEEB) funding for Bulgaria and Croatia with funding not to extend beyond FY 2007 for Romania.

Yet, Southeast Europe continues to be plagued by instability from ethnic conflict and the disintegration of former Yugoslavia. In particular, unemployment looms large as an issue in Southeast Europe where rates on average exceeded 20% in 2002, including a most consequential 41% in Bosnia-Herzegovina. Within Southeast Europe, economic progress in the western Balkan countries remains fragile due to large macro-economic imbalances (fiscal and current account deficits averaged more than 10% of GDP in

2002) and weak global integration (small export sectors and little foreign direct investment). And, despite registering increases in life expectancy since 1989, social safety nets have deteriorated, especially in the war-affected countries of the Western Balkans, producing a lack of protection for the unemployed, retired, and vulnerable.

In Eurasia, only three countries have achieved "middle-income" status, notably Belarus, Kazakhstan, and Russia. Eurasian countries encounter considerable difficulties penetrating global markets owing to the lack of competitiveness of their economies. The region is characterized by considerable underemployment; many workers in the region have low-paying jobs in the informal sector. Several Eurasian countries (Belarus, Tajikistan, Turkmenistan, and Uzbekistan) have very poor economic policy environments. Since the collapse of the Soviet Union, democratic freedoms have stagnated in most of Eurasia, and the gap between Southeast Europe and Eurasia in building democracies continues to widen. In 2004, three Eurasian countries, including Russia, evidenced backsliding with Turkmenistan sharing the global distinction with seven other countries of possessing the worst record in democracy. Finally, an alarming pattern of decline is occurring in social indicators in Eurasia, including falling life expectancies together with the largest gender differences in life expectancy worldwide, fast growing HIV rates, a soaring tuberculosis (TB) epidemic, high infant and child mortality rates, continued high rates of abortion and maternal morbidity, significant heart disease, and declining secondary school enrollment shares.

USAID-State Strategic Plan and the E&E Strategy

The E&E Bureau's assistance program is encompassed in three subject areas under the strategic goal "Advance Sustainable Development and Global Interests" of the joint State/USAID Strategic Plan covering the period 2004-2009 that makes operational the U.S. National Security Strategy. These subject areas include: a) economic prosperity and security; b) democracy and human rights; and c) social and environmental issues. While the E&E Bureau has a number of countries that the USAID White Paper would categorize as fragile or geo-strategic, the lion's share of E&E's work is transformational development in nature, encompassed by these three subject areas. In addition, USAID programs in the E&E region advance the joint strategy's subject areas of regional stability, humanitarian response, and public diplomacy.

Economic Prosperity and Security: In FY 2004, roughly 33% of all AEEB and FREEDOM Support Act (FSA) resources were targeted to programs in the economic transition area, including: a) the installation of a facilitative business environment that would assist in the establishment of competitive industries; b) trade and investment promotion with the aim of penetration of overseas markets; c) small and medium-size enterprise (SME) development, the provision of business development services, and the stimulation of agriculture; and d) the restructuring and rationalization of both financial and energy sectors. Most first stage economic reforms (liberalization of domestic prices, trade, and foreign exchange regimes and small-scale privatization) have been accomplished. Already, with USAID's help, the share of the economy controlled by the private sector has increased very impressively in nearly all E&E countries, producing vibrant and more inclusive private sectors especially in Southeast Europe. SMEs also are increasingly serving as engines of growth, enhancing productivity, creating jobs, providing incomes for an emerging "middle" class, and spear-heading integration into regional and global economic systems. In energy, USAID is making headway in providing for transparency in management (Georgia), and a number of its Southeast European recipients are now participating in regional electricity and gas markets integrated with Western Europe. And, finally, USAID has made sufficient progress to allow the termination of its work in the economic transition in six E&E countries over the next five years - Bulgaria, Croatia, Kazakhstan, Romania, Russia, and Ukraine.

Democracy and Human Rights: Democracy and human rights programs received 32% of AEEB and FSA resources in FY 2004. Southeast European countries are making good progress. They have independent media outlets that provide citizens with objective information and analysis they need to make decisions and engage in public and policy issues. They also have established viable, independent civil societies providing venues for citizens to join together to advocate for their interests. However, there is still work to be done on electoral, local governance, and rule of law issues. The state of democracy in Eurasia is much more fragile. In addition to deficiencies in the media and civil society areas, in Eurasia,

free and fair elections contested by political parties espousing a plurality of viewpoints and respecting the rules of democratic processes must be held; human rights must be protected and civil liberties guaranteed; and citizens must have a say in how they are governed at the local level. Recent efforts by civic activists to instill transparency in elections in Georgia and Ukraine provide optimism that the will of the people will be increasingly respected, notwithstanding the worsening situation for civic activists in Central Asia.

Social and Environmental Issues: Roughly 13% of FY 2004 AEEB and FSA funds went for work supporting social transition - health and education. Infant mortality rates are coming down across the region, owing, in part, to the E&E Bureau's aggressive programs to address the causes of infant and child morbidity. In addition, education expenditures are rebounding, slowly increasing in a majority of E&E countries. Moreover, USAID's ambitious and multi-faceted programs in economic growth are having an impact on social indicators within the region; poverty rates are declining and real wages are on the increase. Yet, progress is anything but uniform in the region. On the one hand, Southeast European countries are experiencing an improvement in social indicators; e.g., life expectancy is rising, averaging between 72 and 74 years in 2002. On the other hand, social indicators are deteriorating in Eurasia. A health crisis is unfolding in the sub-region attributed to the rapid spread of infectious diseases (HIV/AIDS, multi-drug resistant TB) combined with lifestyle behaviors and resultant diseases. A crisis also has emerged in Eurasia in education where secondary school enrollment shares have declined from 60% - 70% in 1989 to 45% - 55% in 2002. In response, USAID is continuing its secondary education program in Central Asia.

Cross-Cutting Programs: E&E is pursuing programs in cross-cutting areas, including values and social capital, corruption, trafficking in persons (TIP), and conflict.

- Social capital refers to the prevalent mindset that results in voluntary compliance with established laws, trust, and cooperative behavior. The evidence shows that social capital has deteriorated significantly in the E&E region since the transition began a decade and a half ago. The E&E Bureau, where feasible, is seeking to incorporate a values and social enhancement dimension in existing programs.
- Corruption is endemic to much of the region. Sixteen E&E countries score five or higher on a Freedom House scale where "7" represents the worst level. The E&E Bureau approach to corruption promotes transparency, accountability, prevention, enforcement, and education.
- With as many as 25% of trafficking victims worldwide emanating from the E&E region, TIP is a problem within the E&E region. In addressing TIP, USAID focuses on prevention via economic empowerment, public education, capacity-building of public institutions, and legal reform, and direct support to victims through assistance for government- and NGO-sponsored referral services and protection of witnesses.
- Bloody conflict has ensued in the wake of the collapse of the Soviet Bloc; over 300,000 people alone lost their lives over 1991-95 in the violence associated with the break-up of Yugoslavia. To address conflict, USAID integrates conflict mitigation efforts within its work in each of the three transition areas (economic, democratic, and social).

External Debt: While external debt levels and burdens vary widely in the transition region, they generally remain manageable in most countries. The countries of greatest concern are five relatively poor Eurasian countries where the debt service burden (annual debt service as a percent of annual exports) remains very high. These proportions in 2003, though lower than those in 2002, are estimated to be 263% in the Kyrgyz Republic, 172% in Moldova, 162% in Georgia, 121% in Armenia, and 115% in Tajikistan. Total debt as a percent of GDP, another indicator of the debt burden, is highest in the Kyrgyz Republic: 121% of GDP in 2003. Some concerns also exist for Northern Tier and Southeast European countries as they integrate into the EU. Latvia, Estonia, and Bulgaria all have debt levels that exceed the Maastricht debt ceiling of 60% of GDP, including respectively 83%, 71%, and 66% for 2003.

PROGRAM AND MANAGEMENT CHALLENGES

A number of programmatic challenges emerge for the E&E Bureau. One, most Eurasian countries have no more democratic freedoms than in 1991, when the Soviet Union collapsed. USAID's efforts have planted fertile seeds (e.g., Georgia, Ukraine), but the pull of the authoritarian past remains strong in

Russia, the Central Asian Republics, and Belarus. Two, missions in Bulgaria, Croatia, and Romania will be closing in the near future. Ensuring that sustainable, lasting legacies are in place prior to close-out will pose challenges. Three, while USAID is spending a greater proportional share of our declining budget on the HIV/AIDS scourge, the spread of this disease has only slowed. The impact of HIV/AIDS in Russia, for example, could unleash internal and regional instability. Four, unemployment is very high in Southeast Europe with a high of 70% among Macedonian youth. This lack of economic opportunity is fertile soil for extremism.

On the management side, USAID's Regional Service Center in Budapest will be closing in FY 2008; compensating for the losses of its services as a regional platform for Southeast Europe will not be easy.

DONOR FLOWS

Donor flows to AEEB and FSA recipients totaled \$8.1 billion in 2003, having peaked at \$9.2 billion the year before (these data consist of net disbursements of official development assistance from all donors, including the United States). The United States is by far the most significant donor for Eurasian recipients, outpacing by a large margin Japan, the EU, the World Bank's soft loan window "International Development Association (IDA)" and Germany. For Southeast Europe, the EU is the largest donor, contributing more than twice the amount of that of the United States Government. EU programs include technical assistance to transition countries in Europe (PHARE) as well as Eurasia (TACIS). While trailing far behind, IDA is the next most important multilateral donor. Following the United States, which is the single largest bilateral donor to Southeast Europe, are Germany, France, Japan, Greece, Switzerland, and the Netherlands.

FY 2006 PROGRAM

The FSA FY 2006 request level for Eurasia totals \$482 million to fund USAID and other USG agencies' programs in the economic, democratic, social, and security transition areas. The FY 2006 FSA request level is approximately a 13% decrease from the FY 2005 level. The FY 2006 AEEB request level is \$382 million, a decrease of a little less than 3% from the FY 2005 level.

Proposed FSA and AEEB funding includes monies for other USG agencies that manage technical cooperation activities using inter-agency transfers from USAID. These other agencies consist of the Department of State (democracy programs, law enforcement & police training, exchange programs, and support for the International Commission for Missing Persons), Treasury (fiscal affairs advisors), United States Department of Agriculture (agricultural marketing assistance), Energy (nuclear reactor safety), Department of Homeland Security (customs and border protection), and National Science Foundation (support for the Civilian Research and Development Foundation).

In addition, the FY 2006 request includes \$42 million in Economic Support Funds. As a front line state in the war against terrorism, Turkey will benefit from \$10 million for activities, including: a) support for a World Bank pre-natal care and education activity; b) an International Office of Migration anti-trafficking activity; and c) a business partnering program implemented through the American Chamber of Commerce. In addition, \$20 million is requested for Cyprus and \$12 million for the Republic of Ireland and Northern Ireland, both allocations supporting reconciliation and conflict resolution amongst warring factions. The Cyprus monies also will fund partnership activities for economic growth and a scholarship program.

Under the Economic Prosperity and Security assistance area, broad-based economic growth will be supported at FY 2006 request levels of \$133 million in FSA monies and \$114 million in AEEB allocations. Focus areas will consist of SME development, agricultural stimulation, second stage reforms emphasizing building market-based institutional capacity and better public governance, elimination of "red tape," financial sector restructuring, property rights adjudication, and energy sector rationalization. Promotion of competitiveness will take center stage because USAID believes that it is key to the generation of meaningful employment opportunities.

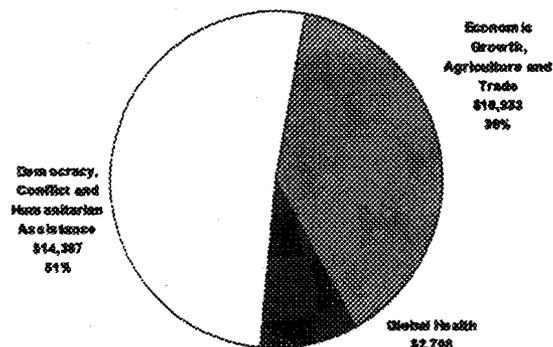
Levels of \$127 million in FSA monies and \$140 million in AEEB funds in FY 2006 are requested for the Democracy and Human Rights goal area. Traditional democratic transition themes such as municipal governance, rule of law, independent media, civil society, political party development, and elections, not to mention anti-corruption, will be pursued. These resources will encourage additional advances in Southeast Europe and help stem the backsliding in Eurasia.

To address Social and Environmental Issues, \$74 million in FSA and \$28 million in AEEB resources are requested in FY 2006. In health, these funds would emphasize reproductive health where there are high abortion rates and low contraceptive rates, implement child survival and maternal health interventions, target HIV/AIDS and TB funds where infection rates for these diseases are highest, take on health systems and administration where there is commitment to reform, and pursue innovative efforts to combat the enormous deleterious effects of non-communicable disease. In education, secondary education will take top rung, followed by vocational education, general university education, and university-level business management education. Other issues to be addressed include targeted social assistance and safety net programs, pension reform, labor market reforms, and rent-seeking in the delivery of social services.

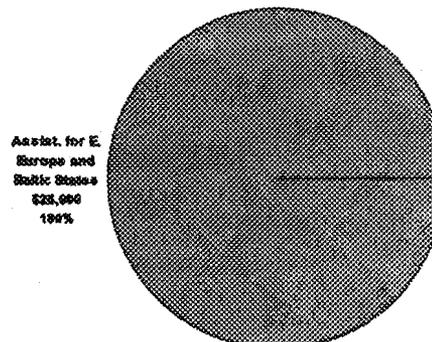
Finally, the FY 2006 request for the humanitarian assistance goal area includes \$19 million in FSA monies and \$458,000 in AEEB resources. These allocations will support an array of activities, consisting of assistance for minority returnees, community-based care for the elderly, help for conflict-affected communities, micro-credit and small business development, health services, and soup kitchens, among others.

Albania

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



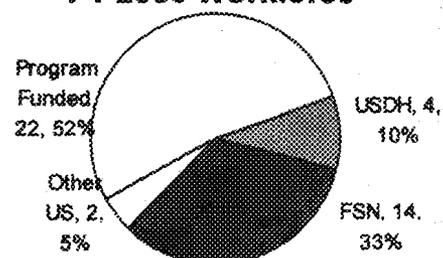
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Restructuring and Agriculture Development	182-0130	6,413	6,438	6,438
Civil Society	182-0210	4,727	4,077	4,077
Rule of Law	182-0220	2,150	2,200	2,200
Health Sector Improvement	182-0320	2,450	2,700	2,700
Special Initiatives	182-0410	3,180	3,130	3,130
Cross-Cutting Programs	182-0420	2,780	2,955	2,955
Transfers		6,525	6,500	6,500
Total (in thousands of dollars)		28,235	28,000	28,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,896	1,790	1,850
USDH Salaries & Benefits	713	657	671
Program Funds	1,228	1,009	1,009
Total (in thousands of dollars)	3,837	3,456	3,530

FY 2006 Workforce



Mission Director: Harry Birnholz

Albania

The Development Challenge: The legacy of nearly five decades of misguided economic policies continues to leave Albania with widespread poverty, a deteriorated infrastructure, and weak public institutions. Thirteen years into its transition, Albania's 3.14 million people have a per capita gross domestic product of \$1,950, among the lowest in the region. The economy is dominated by subsistence agriculture, providing more than 25% of output and nearly 51% of employment, and a large informal sector. Foreign Direct Investment in Albania is extremely low and limited by poor infrastructure, corruption, and unevenly enforced commercial law that discourage private investment.

Albania's economy demonstrates several structural imbalances. Unemployment is high at 15%, and underemployment is endemic - only 22% of individuals aged 15 and older are fully employed. Almost 25% of all Albanians fall below the poverty line. Less than half of Albanian households have running water inside the dwelling. Only 14% of all households receive electricity continuously. The poor lack ready access to key public and private services and they face major physical and economic barriers to accessing quality health care. These conditions undermine public support for the government in general, and its reform program in particular.

Albania faces the major but not unique challenge of maximizing economic growth, employment, and income through increased private investment, while simultaneously increasing tax revenues, improving public services, and strengthening democracy, governance, and rule of law.

Democracy in Albania is still becoming established. Elections are frequent, but there has not yet been an election declared free and fair by international standards. Polls show that citizens want democracy but express low levels of confidence in their institutions: political parties, the legislature, ministries, and the courts. Only local government has achieved a degree of public regard. The rule of law in Albania is compromised by pervasive corruption, executive intervention, and ineffective judges and prosecutors. The state's ability to provide public order, maintain infrastructure, and deliver services is improving, but it remains hampered by low revenues and rent-seeking behavior among tax and customs officials. Shortcomings in basic governance generate the "support gap" common in other transition countries and other low-performing nascent democracies.

With the end of Albania's isolation, dramatic changes in demographic and health trends emerged. In the past 15 years, health systems and infrastructure received inadequate resources, which impeded service delivery, maintenance, and modernization. Simultaneously, an unparalleled population redistribution with rapid urbanization and extensive in-migration occurred. The dramatic outflow and movement of people has posed a serious challenge to public health in Albania. Compounding the situation is the threat of HIV/AIDS, TB, and a worldwide pandemic of influenza. A general low priority on health care and public health care expenditures, combined with other social sector realities, increases the vulnerability of the country's economic and democratic transition.

Continued U.S. Government assistance will help to accelerate Albania's transition to a market economy, and a participatory democracy based on the rule of law, as well as support integration with the European Union (EU) and neighboring states. It will also enable Albania, as the largest Muslim country in the Balkans, to continue to contribute to regional stability and to support U.S. foreign policy. The latter is illustrated by the Government of Albania's (GOA) support for the U.S. in its war on terrorism and its position on Iraq. The GOA entered into the Article 98 agreement and has deployed troops to Iraq, Afghanistan, and Bosnia-Herzegovina.

The USAID Program: The USAID program in Albania supports economic growth and micro-, small- and medium-enterprise (SME) development, democratic development and rule of law, and social stability. Program objectives directly support and are consistent with multi-dimensional U.S. interests identified in the President's 2002 National Security Strategy and the Joint State Department-USAID Strategic Plan. These objectives concentrate on the following three general development themes:

- 1) Economic growth and SME development through increased private investment, improving the availability of credit, supporting capital formation, and strengthening the banking system;
- 2) Democratic reform and rule of law to support civil society through increased citizen awareness of public issues, assisting in elections, strengthening legal institutions, supporting the GOA decentralization program, and mitigating corruption and trafficking of persons; and
- 3) Health sector reform designed to improve primary health care by developing and implementing quality primary health care models, strengthening management capacity at the primary health care level, and encouraging community participation to ensure improved health care for Albanians.

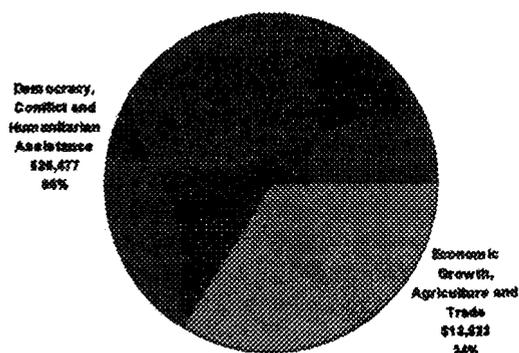
Other Program Elements: USAID provides assistance to Albania through numerous programs that do not draw on bilateral funding. For example, regionally-funded activities in Albania support: non-governmental organizations (NGOs) which monitor government accountability; NGOs working on anti-corruption, advocacy and information sharing via the Organization for Economic Cooperation and Development's (OECD) Anti-Corruption Network; women's legal rights; training for journalists, labor leaders, health professionals, bankers, and other professionals; and a program of energy activities that seek greater efficiency in power generation and distribution, as well as management of energy resources.

Other Donors: The U.S., after Italy and Greece, remains Albania's third largest bilateral donor. Multilateral contributors and International Financial Institutions include the World Bank, International Monetary Fund (IMF), European Union (EU), European Bank for Reconstruction & Development (EBRD), European Investment Bank, Open Society Foundation, United Nations Development Program, Food and Agriculture Organization, International Fund for Agricultural Development, and United Nations Children's Fund (UNICEF). Bilateral contributors include: Germany, Swedish International Development Agency (SIDA), British Department for International Development, Danish Agency for International Assistance, and SNV (Dutch Development). Key elements of donor support focus on democratization and institutional development, with an emphasis on the judiciary, political cooperation, media, local government, and civil service reform, and the fight against crime and corruption. USAID is the leading donor agency in anti-trafficking, agriculture, enterprise development, and economic competitiveness.

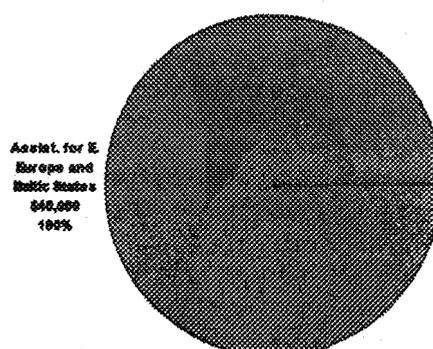
Cooperation between USAID and other donor organizations active in Albania is robust. USAID coordinates with the Organization for Security and Cooperation in Europe (OSCE) and the British and Dutch governments on election issues. USAID closely coordinates anticorruption programming with the World Bank. With the OSCE, USAID provides technical assistance to the new High Inspectorate for the Declaration and Audit of Assets. In economic development, USAID coordinates assistance to the Bank of Albania with the World Bank, and small and medium enterprise development with the World Bank, EBRD, and Germany. The EU, World Bank, IMF, and EBRD are involved in the promotion of trade and investment, complementing U.S. Government programs. In the health sector, USAID coordinates with the World Bank, the major financier in the health field. As part of a transnational and bilateral approach to anti-trafficking, USAID partners with Terre des Hommes, SIDA, UNICEF, the Oak Foundation, and the National Albanian American Council. In the energy sector, USAID collaborates with the World Bank, EBRD, the European Investment Bank, and the Governments of Germany and Italy.

Bosnia and Herzegovina

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

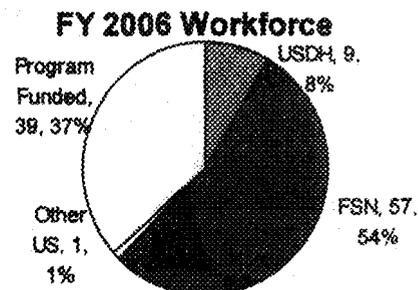


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Restructuring	168-0130	7,826	6,726	7,117
Multi-Ethnic Democratic Society	168-0210	11,999	13,101	12,790
Minority Returns	168-0311	3,856	650	
Cross-Cutting Programs	168-0420	2,919	2,900	2,900
Transfers		18,135	17,623	17,193
Total (in thousands of dollars)		44,735	41,000	40,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	3,680	3,615	3,650
USDH Salaries & Benefits	1,406	1,295	1,323
Program Funds	2,927	3,027	2,534
Total (in thousands of dollars)	8,023	7,937	7,507



Mission Director: Howard Sumka

Bosnia and Herzegovina

The Development Challenge: Bosnia and Herzegovina (BiH) has come a long way in the nine years since the end of the war. The economy has recovered substantially. Gross Domestic Product (GDP) growth is projected to be 5% in 2004, up from an estimated 2.7% GDP growth rate in 2003. More than one million refugees have returned to their pre-war homes. The banking sector has flourished, with numerous foreign banks entering the market, increasing the availability of credit. Bosnians have administered two free and fair elections. These achievements were made possible by the presence of NATO troops, adherence to the Dayton Peace Accords, and, in some cases, intervention by the Office of the High Representative (OHR).

Nevertheless, as the country strives toward European integration, it is becoming increasingly obvious that more responsible, effective, and efficient government in Bosnia is necessary for long term political stabilization and economic growth. Too many layers of government, especially in the 10 canton-Federation, have created poor definitions of responsibility and insufficient financing. Some improvements in the governance structure have been made. The Federation Constitution was amended prior to the municipal elections in October 2004 to enable the direct election of mayors.

On the economic front, while the country has achieved a remarkable degree of fiscal stability, the current account deficit (imports are three times exports) indicates that BiH has not yet managed to become competitive on the regional or the world market. Employee pension and social welfare contributions are too high and have contributed to the growth of the informal economy, a sector that may account for as much as three-fourths of the employment of young people. The dearth of foreign investment in BiH is also a significant factor in its slow development. Small market size with little spending power, weak rule of law, and poor or non-existent infrastructure all impede investment. BiH's main assets are its natural resources including hydro-electric power, which has the potential to make BiH the region's only electricity exporter.

Bosnia and Herzegovina's growth as a state is further stymied by a lack of consensus on a shared vision. The Serb entity is fiercely protective of its separate status and resists attempts to consolidate governance at the State level. Nonetheless, progress has been made in establishing a State-level Ministry of Defense, intelligence service, indirect tax administration. In addition, steps have been taken to establish a value added tax. Hard-line nationalist parties are still in power and often lack the political will to effect change, while opposition parties, especially in the Federation, remain weak and unfocused. BiH still functions as an international protectorate with the OHR acting as the ultimate governing authority. While OHR has certainly driven the reform process, their continuing international presence has also stifled political maturation by allowing politicians to avoid responsibility for taking tough decisions. This lack of ownership has delayed a thorough implementation of certain reforms.

U.S. anti-trafficking efforts helped BiH move from a Tier Three country to Tier Two and are ensuring BiH does not become a country-of-origin for trafficking. USAID assistance in creating new laws and robust institutions will help prevent terrorists from using BiH to threaten U.S. citizens and interests, a high priority goal. The overriding U.S. interest in BiH remains the conversion of this multi-ethnic country from a source of regional instability to a peaceful, viable state on the road to European integration.

The USAID Program: USAID is addressing BiH's challenges through a program targeted at economic transformation, democratic reform and the reestablishment of a multi-ethnic society. USAID's economic programs focus on supporting small and medium-size enterprise development, implementing a tax administration system, and formulating a prioritized, transparent, and efficient government budget. USAID supports commercial court reform, assists in the strengthening of the banking regulatory sector, and helps to develop and implement a national energy strategy. These efforts contribute to creating an environment that encourages long-term investment in BiH.

The mission's democracy programs are focused on reforming political parties, promoting greater transparency and efficiency in government, improving the quality of and citizens' access to justice, strengthening local governance, and increasing citizen participation through support to non-governmental

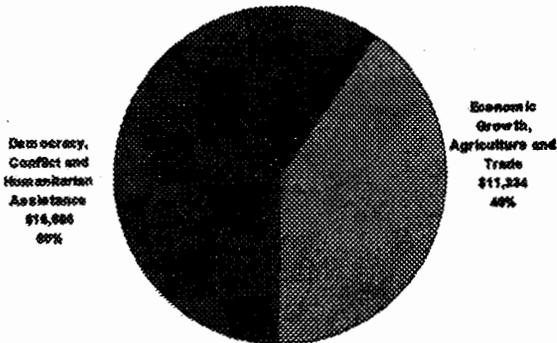
organizations (NGOs) and independent media. Cross-cutting programs support USAID's strategic objectives with a wide range of participant training activities, also addressing such issues as trafficking in persons. In the area of refugee returns, USAID provides income-generation grants and loans, promoting economic self-sufficiency in minority-return areas.

Other Program Elements: In addition to the resources managed by USAID/BiH, USAID's Europe and Eurasia Bureau's Office of Economic Growth is managing a program to promote, develop and support approaches to the resolution of commercial dispute. Also, the USAID Regional Services Center (RSC) in Budapest manages several programs in the BiH. These include support for: 1) the Balkan Children and Youth Foundation (BCYF) to strengthen the capacity of youth-serving NGOs in the Balkan region through sub-grants, technical assistance, exchange programs and networking, and promoting public-private alliances; 2) the Center for Democracy and Reconciliation in Southeast Europe (CDRSEE) to promote increased mutual understanding and the reconciliation process in Southeast Europe; 3) the Balkan Trust for Democracy which provides small grants to promote democracy and good governance in Southeast Europe; 4) the Cross-Border Cooperation and Reconciliation project that advances inter-ethnic reconciliation and local democracy in targeted border areas of Southeastern Europe; 5) the Stability Pact Anti-Corruption Initiative (SPAI) which fosters more effective implementation of anti-corruption reforms including anti-corruption training and public awareness campaigns; 6) the Fiscal Decentralization Initiative (FDI) to improve accountability and effective intergovernmental relations in transition countries. FDI supports debate and consensus-building among central and local governments, facilitates regional transfer of experience and exchange of best practices, and provides opportunities for local government reform advocacy; 7) the Europe Regional HIV/AIDS Initiative: Southeast Europe reduce HIV/AIDS and Sexually Transmitted Infections (STI) among high-risk groups.

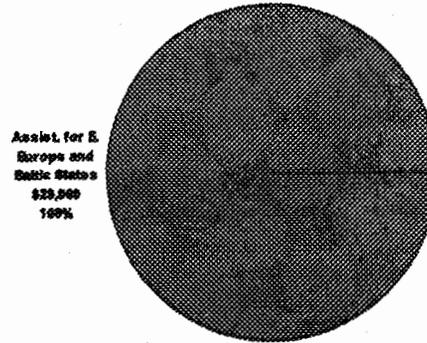
Other Donors: The World Bank and European Union (EU) are the two largest donor institutions in BiH, with the U.S. being the largest bilateral donor. Other significant contributors include the governments of Germany, Sweden, the Netherlands and Japan as well as the European Bank for Reconstruction and Development (ERBD). USAID works closely with the German, Swedish, and Dutch governments who support minority returns through housing reconstruction in areas when USAID funds infrastructure. USAID has worked closely with the World Bank in the water sector, and the EU has played a major role in reforming water laws and policies on the entity level. USAID also has close collaboration with other major donors in the World Bank Power III project. Partners in this project include Spain, Italy, Norway, Japan, Canada, and the EBRD. On the economic front, USAID works closely with the European Commission, the World Bank, German SME bank (KfW), Japan International Cooperation Agency, EBRD, and GTZ (German Development Agency) in carrying out its activities. Rule of Law activities are coordinated closely with the Office of the High Representative. USAID and the Swedish International Development Cooperation Agency are each contributing \$10 million to support the Governance Accountability Project, which will improve customer service and management in 40 municipalities throughout the country.

Bulgaria

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

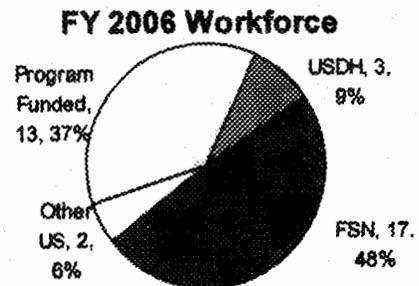


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Private Sector Development	183-0130	8,221	7,120	6,790
Rule of Law	183-0220	5,744	7,050	7,900
Local Governance	183-0230	4,850	4,860	5,082
Cross-Cutting Programs	183-0420	3,610	2,989	3,082
Transfers		5,410	4,981	5,168
Total (in thousands of dollars)		27,835	27,000	28,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,390	1,350	1,350
USDH Salaries & Benefits	381	422	431
Program Funds	490	610	609
Total (in thousands of dollars)	2,261	2,382	2,390



Mission Director: Debra McFarland

Bulgaria

The Development Challenge: Bulgaria's transition to a fully-functioning, free-market democracy is marked by strong public support for full Euro-Atlantic integration. In 2004, the country achieved its primary foreign policy goal of entering NATO, finalized negotiations with the European Union (EU), and is expected to sign its EU accession treaty in early 2005, thus making EU membership in 2007 almost certain. The country has asserted itself as a stabilizing force in Southeast Europe. Bulgarians have a clear sense that their future lies with the political, economic, and social values of the West and are eager for that future to arrive.

U.S. national interests in Bulgaria are two-fold: Bulgaria remains a dependable and reliable ally in the war on terrorism and has the potential to continue as a stable political and economic anchor in Southeastern Europe. In this context, after U.S. presence in Bulgaria for 15 years, Bulgaria has demonstrated repeatedly that it is a staunch friend of the U.S. and a reliable partner in a conflict-ridden region. USAID believes that by the time U.S. Government programs end in 2007, Bulgaria will be securely grounded at all levels and its successful market economy will be better integrated in the international markets. USAID legacy programs are expected to continue the tradition of a strong and strategic alliance between the U.S. and Bulgaria.

Despite Bulgaria's impressive developments and the irreversibility of Bulgaria's transition, the majority of the population has yet to feel the change for the better. Bulgaria remains a lower middle income country with reforms that are far from complete. Like many countries in the region, Bulgaria suffers from high levels of organized crime and corruption. Reform of the judicial system is a pressing need. Lack of transparency and accountability; serious delays in the judicial system; legal professionals with inadequate legal expertise and experience; the politicization of the judiciary; human trafficking; and waste, fraud, and abuse in government procurement feed general distrust in public institutions, hamper business investment, and prevent Bulgaria from meeting international and EU standards in regards to the rule of law. Fiscal decentralization is far from complete and requires political will to speed it up. Notwithstanding the favorable legal environment and increased number of active non-governmental organizations (NGOs), the sustainability of the civil society sector remains fragile, with more than 80 % of its funding still coming from foreign sources. Media, while generally free, face pressure from the government and special interest groups. People from ethnic and cultural minorities, notably the Roma, continue to be marginalized.

Bulgaria has achieved sustained economic growth of over 4% annually during the past six years. In spite of the solid macroeconomic performance and sound fiscal discipline, the country has failed to regain its actual pre-transition gross domestic product levels and remains among the poorest of the EU applicants. Per capita income is still about 30% of the EU average and unemployment and low living standards persist. With a monthly minimum wage of \$76, average monthly salary of \$190, and an average pension of \$80 monthly, the compensation received by Bulgarians, on average, is among the lowest levels in Southeast Europe. Living standards have not yet improved for all Bulgarians. Ethnic minorities, the long-term unemployed, and people with low education continue to face poverty. One of the key challenges, therefore, is to ensure that growth generates wealth for all groups in society. To realize Bulgaria's potential and meet the aspirations of all, the country will need to continue to tackle the remaining challenges in its transition agenda such as: creating an efficient and competitive business environment, finalizing second generation economic reforms, creating better and more transparent government systems, and improving the quality and access of social services for all citizens.

The outcome of the upcoming Parliamentary elections in the spring of 2005 poses a major challenge to the pace of the reforms in Bulgaria. The lack of strong support for any of the political parties that will run for the new Parliament imposes the need for establishing coalitions. This in turn raises concerns about the political stability of the new cabinet and its efficiency to drive the reforms. These issues will possibly be exacerbated by the lack of appropriate administrative capacity to absorb the upcoming EU structural funds, particularly at local and regional levels.

The USAID Program: USAID's objectives are in compliance with the priorities identified in Bulgaria's approved Graduation Strategy from AEEB assistance after FY 2007 (with no new funding after FY 2006). These are: enhanced rule of law, economic growth and increased prosperity, local governance, and program support. These objectives will continue to help USAID in FY 2006 achieve the highest impact possible and to ensure sustainability of USAID's legacies in Bulgaria. To assist in the process of institutionalizing the rule of law, USAID devotes resources to modernizing court administration, increasing the capacity of legal professionals to apply the law equally and swiftly, combating corruption, and anti-trafficking in persons. On the economic front, USAID fosters the development of a competitive and thriving market economy as an approach to spread the benefits of increased prosperity for the majority of Bulgarians. USAID will seek to improve the Bulgarian business climate, boost economic growth, and contribute to job creation by improving the legal/regulatory environment to attract investments and encourage the growth of small and medium enterprises, enhancing the competitiveness of priority industry clusters, facilitating trade, and providing access to credit. USAID will continue to support the reform of the labor market by targeting efficiency as a prerequisite for economic growth. In the area of local governance, USAID focuses on fiscal decentralization, building the capacity of municipalities to cope with increased responsibilities, and supporting NGOs that advocate on behalf of local governments. This effort is complemented by community level activities which provide increased opportunities for ethnic minorities and encourage greater ethnic tolerance.

FY 2005 funds will be used to implement ongoing programs primarily in the areas of the rule of law, economic growth and prosperity, and local governance, community development, and ethnic integration. USAID also intends to use FY 2005 funds to carry out a limited number of new activities such as political parties' election assistance and loan guarantee programs or modify existing ones in response to changing circumstances. Given the country's graduation from AEEB assistance after 2007, USAID will actively work with other donors and partners in FY 2006 to leave viable legacy mechanisms after U. S. funding ends. A significant part of FY 2006 funding (the last year of new funding) will be used to enhance the sustainability of indigenous institutions.

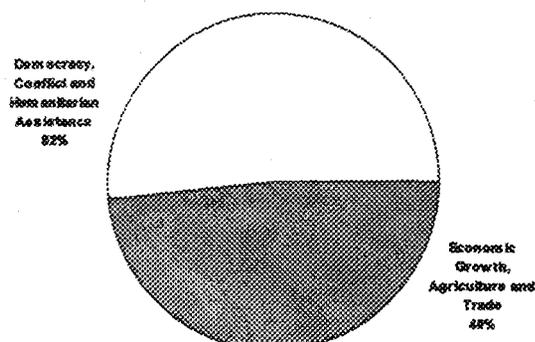
Other Program Elements: In addition to assistance managed by USAID/Bulgaria, the country receives assistance through USAID regional programs dealing with competitiveness, infrastructure, financial stability, the Southeast Europe energy market, energy regulators, academic training (the Eastern and Central Europe Scholarship Program), and media. Bulgarian non-governmental organizations benefit from the Balkan Trust for Democracy and the American University in Bulgaria continues to receive USG support.

Other Donors: With the EU currently being the largest multilateral donor, EU support to Bulgaria has progressively increased, providing nearly \$350 million per year. Assistance from the EU encompasses institution building, regulatory infrastructure development, and economic/social cohesion; agricultural and rural development; and environment and transport infrastructure. The EU Accession Roadmap envisions a progressive increase in assistance towards 2006. Given that increased funding is subject to the country's absorptive capacity, Bulgaria might not be able to take full advantage of this opportunity. World Bank assistance to Bulgaria has been set at \$750 million for 2002 - 2005. The United Nations Development Program centers its Country Cooperation Framework on good governance, job creation, information technology, and environmental protection.

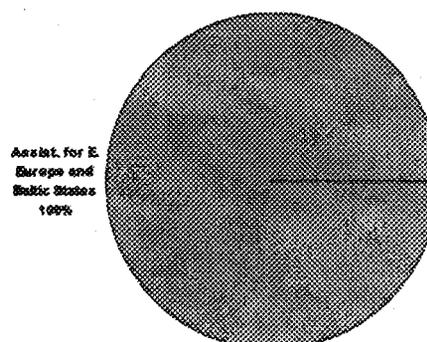
USAID is the leading bilateral donor in Bulgaria actively working with other major donors to streamline coordination efforts. Other major bilateral donors include the Swiss Government (natural resources management, social services, small and medium enterprises (SMEs)); Dutch Government (agriculture, industry and technology, energy and environment, transport and infrastructure, civil society); German Government (agriculture, SMEs); Japanese Government (management training), and the British Know-How Fund (public sector, civil society, social welfare). While most bilateral donors have not officially tied their support to Bulgaria's EU accession date, their timing and priorities are in line with the major accession requirements.

Croatia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



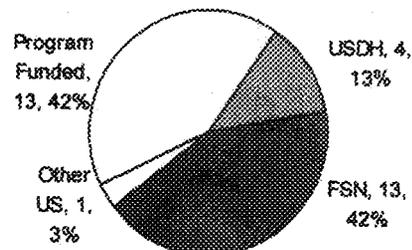
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Growth of a Dynamic & Competitive Private Sector	160-0130	9,935	8,235	5,463
Citizen Participation & Improved Governance	160-0210	9,905	7,435	6,806
Mitigation of Adverse Social Conditions & Trends	160-0340	528		
Cross-Cutting Programs	160-0420	1,175	1,830	1,806
Transfers		3,310	2,500	925
Total (in thousands of dollars)		24,853	20,000	15,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,645	1,800	1,750
USDH Salaries & Benefits	609	581	573
Program Funds	1,111	1,111	1,176
Total (in thousands of dollars)	3,365	3,472	3,499

FY 2006 Workforce



Mission Director: William Jeffers

Croatia

The Development Challenge: Croatia has made significant progress toward macroeconomic stability, growth, and strengthening of democratic institutions. However, it has yet to reach key reform targets achieved by Northern Tier East European nations (Poland, the Czech Republic, Hungary, Slovakia) that signaled their readiness to successfully graduate from U.S. assistance. As the AEEB assistance graduation date approaches (no new funding is planned after FY 2006), Croatia will be intensifying its attention to complete its economic and social transition and to bring its systems in line with European Union (EU) and NATO requirements. USAID's graduation strategy will support Croatia in these efforts.

The current Croatian Government came to power in January 2004, and is led by the Croatian Democratic Union (HDZ), the same political party which voters rejected in elections in January 2000 for their corrupt and nationalist policies. The HDZ has demonstrated that the internal reform the party underwent during four years in opposition was genuine. During its first year in power, the HDZ has surprised critics with its unwavering pro-integration and pro-reform policies. The government achieved EU candidacy status in June 2004 and has been a leader in regional cooperation and reconciliation. Some hardliners, however, remain within HDZ leadership circles. While their views are becoming less relevant within the party, international engagement remains a key element in keeping this government on track.

Since 2000 Croatia has been one of the fastest growing economies in Central Europe with gross domestic product growth averaging 4%. Tight monetary policy and increased competition have helped keep inflation below 3% for the last two years. Unemployment decreased to 13.8% (International Labor Organization methodology) for the first half of 2004, down from 14.1% for the first half of 2003, and 14.4% at the end of 2002. Economic growth has been driven by a recovery of the tourist sector from the travails of the war years; strong government investment – especially in roads; and a boom in consumer spending. The latter understandably was fueled by the injection of foreign capital into the almost completely privatized banking sector and low tariffs.

In 2004 the Government of Croatia (GoC) made progress toward reintegrating the ethnic Serb minority displaced by the war. The signing of an agreement between the GoC and Serb representatives in the Parliament to resolve refugee return issues, including property reconstruction and repossession assistance, symbolized a new era of inter-ethnic cooperation and a move toward decreasing discrimination against minorities. Despite the slow implementation of that agreement, the GoC's success in encouraging local authorities to establish Minority Councils throughout Croatia at the local level demonstrated their commitment to ensuring that minorities have equitable representation. Increased dialogue between local government officials, minority representatives, and civil society organizations has created a welcomed atmosphere of tolerance and cooperation in most return communities.

Croatia's continued progress toward integration into regional and Euro-Atlantic security institutions and developing positive relations with other states in Southeast Europe is essential to achieving U.S. foreign policy goals of improving regional security in the Balkans and managing transnational threats. In 2004 Croatia made important progress in building stronger relationships with its neighbors in the region. Relations with Serbia and Montenegro are moving toward normalization as clearly demonstrated by President Mesic's and Prime Minister Sanader's symbolically important, first-ever official visits to Belgrade in 2004. Likewise Croatia's relations with Bosnia became more transparent as the Croatian Government continued to support international community efforts to build and strengthen state institutions in Bosnia and Herzegovina.

The USAID Program: USAID's assistance program continues to be an integral tool in achieving U.S. national interests. AEEB assistance resources enable USAID to support and, in some cases, accelerate Croatia's successful transition to a fully democratic society and productive market-oriented economy that will serve as a cornerstone for peace and stability in Southeast Europe and promote Croatia's aspirations to join NATO and the EU.

USAID Croatia's bilateral program will receive its final installment of funding in 2006. The funds will be fully disbursed and the program closed in 2008. These funds will be used to complete measurable and

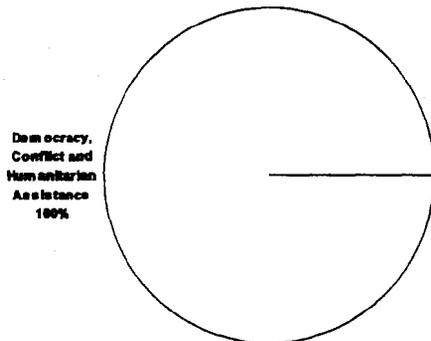
sustainable reforms comparable to other East European countries which have graduated from AEEB assistance. In preparation for graduating the program, USAID has consolidated its portfolio from four Strategic Objectives to two placing the highest priority on securing the remaining reforms necessary for a dynamic private sector and participatory democratic governance. Economic programs will accelerate small and medium enterprise (SME) and agribusiness development; facilitate new investment, accelerate the privatization process; and develop a competitive energy sector. Democracy programs will strengthen local government; enhance the capacity and role of non-governmental organizations (NGOs); and improve Croatia's anti-trafficking in persons efforts. In addition, the USAID program will support cross-cutting initiatives that incorporate anti-corruption, participant training, and support for legacy institutions in all areas of the portfolio.

Other Program Elements: The Small Enterprise Assistance Fund (SEAF) provides early stage financing and expansion capital to SMEs in Croatia through equity investments in those companies and is part of the Trans-Balkan Fund. The International Center for Not-for-Profit Law (ICNL) provides legal advice to the NGO sector and has been instrumental in developing a positive legal environment for NGOs to operate. RiskNet - the Southeastern Europe Regional HIV/AIDS Prevention Project increases outreach activities for HIV prevention among vulnerable populations. The Balkan Children Youth Foundation provides capacity building assistance to youth groups to enhance their service-delivery skills and sustainability. The Balkan Trust for Democracy (BTD) raises youth and policymaker's awareness of the role youth NGOs play in civil society through a series of workshops and seminars to be held throughout Croatia.

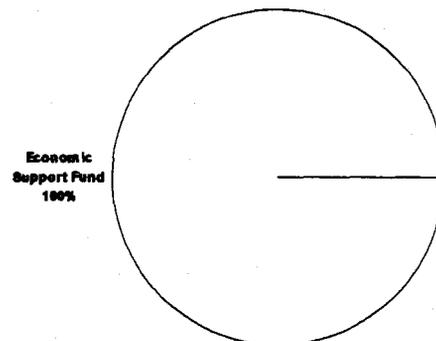
Other Donors: As U.S. Government resources decline, EU and international financial institution programs are increasing significantly to support harmonization of Croatia with EU laws and policies. USAID is engaged with the European Commission (EC) and EU member state donors (as well as the International Financial Institutions) in ensuring our specific programs and long-term visions are complementary and reinforcing. Specifically, USAID collaboration with the World Bank Program Assistance Loans and the EC's Community Assistance for Reconstruction and Development and Stabilization programs has been advantageous to Croatia and the donors. USAID's Local Government Project closely coordinates its program with the EC's regional economic development program. Recently, the GoC welcomed a competitive program using public administration "Best Practices" which was jointly designed by the EU, the Council of Europe and USAID. Likewise USAID experts led a collaborative World Bank/International Monetary Fund/EU/Ministry of Finance review of GoC debt management practices which enabled the GoC to eliminate major management vulnerabilities and keep its standby arrangement with the IMF on track.

Cyprus

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

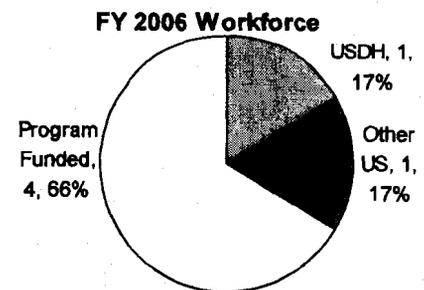


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Cyprus Bicomunal Program	233-0410	33,520	8,492	14,400
Transfers		4,900	4,900	5,600
Total (in thousands of dollars)		38,420	13,392	20,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation		350	250
USDH Salaries & Benefits		140	143
Program Funds		275	275
Total (in thousands of dollars)		765	668



Mission Director: Thomas Mefford

Cyprus

The Development Challenge: USAID assistance to Cyprus began as a humanitarian relief operation in the summer of 1974 and has since evolved into a multi-sector development program aimed at increasing the quality and quantity of interaction between the estranged and geographically-separated Greek Cypriot and Turkish Cypriot communities and reducing the significant economic disparity between the communities to reinforce the practical, economic foundation for reunification under a future bi-zonal, bi-communal federation. USAID assistance supports cooperation between individuals and organizations from the two sides in order to reduce tensions and promote a climate that will foster reconciliation and a durable peace settlement.

The division of the two physically separated communities is reinforced by economic differences. While Greek Cypriot per capita gross domestic product (GDP) is approximately \$19,200, Turkish Cypriot per capita GDP is approximately \$5,600. The disenchantment of the Turkish Cypriot community is reflected in an ongoing process of emigration, including many of the young, and a resulting brain drain.

Facilitating a resolution to the Cyprus dispute, defusing tensions between NATO allies Greece and Turkey, and promoting stability in the Eastern Mediterranean remain key U.S. foreign policy priorities. The United States supports the mission of the United Nations Secretary General in working to achieve a just and lasting settlement that protects the legitimate interests of both Greek Cypriots and Turkish Cypriots. Since April 2004, when Greek Cypriots rejected the Annan Plan in referendum 76% to 24% and the Turkish Cypriots approved the Annan Plan 66% to 34%, the international community, led by calls from the United Nations Secretary General and the European Union (EU) Council of Ministers, has worked to reduce Turkish Cypriot isolation. The international community, especially the United States, has reiterated its position that the Annan Plan remains the best and only basis for a permanent solution and has encouraged the two sides to engage in a productive dialogue to convince the Secretary General to resume negotiations based on the will for a solution on both sides. This remains a challenge in a complex context in which the Republic of Cyprus is an EU member since May 1, 2004 and Turkey's EU accession negotiations are set to begin on October 3, 2005.

The USAID Program: U.S. objectives for Cyprus include reunification of the island, reduction of tensions, and promotion of peace and cooperation between the two communities on Cyprus. USAID's approach supports these objectives by focusing on increasing and strengthening cooperation and mutual tolerance between Greek Cypriots and Turkish Cypriots, supporting initiatives that encourage a comprehensive settlement. These include recent initiatives to reduce economic disparities between the communities, so that the Turkish Cypriot community can shoulder its share of the economic costs of settlement. The resulting cooperative relationships and activities are expected to strengthen each side's ability to compromise on a just and lasting settlement; provide opportunities for multi-sector contacts to increase the number of stakeholders in a solution; provide tangible examples of the benefits of cooperation and permanent settlement; and promote tolerance and mutual understanding between the two communities in support of a comprehensive settlement.

USAID's ESF grant to the United Nations Development Programme (UNDP) for the Bicomunal Development Program (BDP) supports technical assistance, commodities, and training and workshops related to multi-sector cooperation, including in agriculture and veterinary science, education, civil society, and non-governmental organization (NGO) strengthening, information technology, communication, and telecommunications. Activities also involve local governance through improved services and public infrastructure, environmental management, public health, economic development, urban renewal, and historic restoration and preservation. The program has fostered cooperation despite an unevenly enforced prohibition on bi-communal meetings by the Turkish Cypriot leadership. According to the UNDP October 2002 Annual Report there were over 155 bi-communal meetings in 2001. In 2002, the number of BDP-facilitated bi-communal meetings (over 200) far exceeded the number that took place in 1996, previously considered the high point of bi-communal activities. The opening of the checkpoints between the north and south in April 2003 has enabled a deepening of bi-communal activities. Meetings between Greek Cypriots and Turkish Cypriots to plan and implement projects of island-wide interest are becoming commonplace, as are activities that bring the two communities together for a common cause. There are

approximately 40 ongoing activities with the authorities of the two Cypriot communities, with 60 more initiatives being implemented by NGOs in both communities.

USAID's Cyprus Partnership for Economic Growth Program (CyPEG), which began at the end of 2004, firmly supports the goal of reunification and empowered cooperation of all Cypriots. CyPEG will accelerate economic growth in the Turkish-Cypriot community to directly support north-south economic integration and the adoption and implementation of EU standards, and lead to a Turkish-Cypriot community that can shoulder its share of the economic costs of settlement and reunification. It will strengthen the domestic and international competitiveness of the Turkish-Cypriot small and medium enterprises (SMEs) and help restructure the financial sector so that the SMEs can thrive. Assistance will include direct firm-level technical assistance to improve quality, adopt standards, implement best practices, establish lending programs and bank guarantee programs, and provide infrastructure support for business (e.g. efficiencies in the use of energy and related markets consistent with European markets, and transportation and storage facilities). The restructuring of the financial sector will include bank reform, restructuring and consolidation assistance, adoption and implementation of EU and international standards, and training.

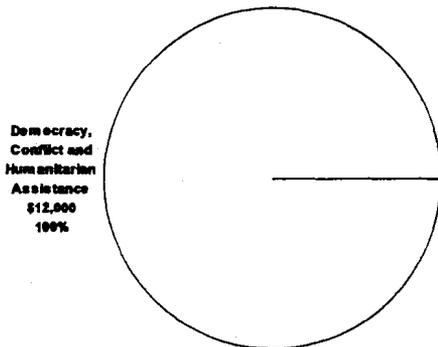
In case of actual political settlement, the program would support the terms of the approved peace agreement in strategic areas, facilitate the transition, help to ensure its implementation, and be dedicated to the success and viability of the UN-brokered agreement between the two communities.

Other Program Elements: Other agencies' activities include the U.S. State Department's Cyprus-America Scholarship Program, implemented by the Cyprus Fulbright Commission, and the Bicomunal Support Program, implemented by the U.S. Embassy in Nicosia.

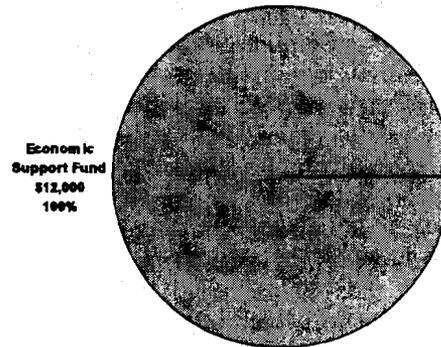
Other Donors: The United States is the principal bilateral donor supporting bi-communal activities in Cyprus. The U.K., Germany, Norway, Slovakia, and the Czech Republic are funding modest initiatives focused on civil society, urban restoration, women, political parties, entrepreneurs, journalists, and labor unions. With Cyprus' recent EU accession, the EU will presumably become the largest overall donor to Cyprus, supporting the development of the entire island. A total of Euro 259 million has been proposed to help economic development in the Turkish Cypriot Community, with particular emphasis on alignment with EU legislation and policies, social and economic development, and development of infrastructure.

Ireland

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
International Fund for Ireland	190-0410	18,391	18,352	8,500
Transfers		3,479	3,472	3,500
Total (in thousands of dollars)		21,870	21,824	12,000

Mission Director: Thomas Mefford

Ireland

The Development Challenge: Tremendous changes have taken place since the 1998 approval of the Good Friday Agreement (GFA) by an overwhelming majority of the populations in Northern Ireland and the Republic of Ireland. After general acceptance of the GFA and ceasefires by paramilitary organizations, Northern Ireland has experienced economic renewal. Nonetheless, political stability is still not fully realized and remains a key objective of U.S. policy. Sectarian confrontation within Northern Ireland, or more commonly, isolation or voluntary segregation between the unionist and nationalist communities, remains a challenge to building a diverse society founded on tolerance, equal rights, and a commitment to nonviolent political means for the common good.

Support for cross-community reconciliation has long been the focus of U.S. assistance to Northern Ireland and the six border counties of the Republic of Ireland: Donegal, Sligo, Leitrim, Cavan, Monaghan, and Louth. The U.S. Government makes significant contributions to the peace process through its support of the International Fund for Ireland and the Walsh Visa Program.

The USAID Program: International Fund for Ireland: As the major donor to the International Fund for Ireland (IFI), the United States provides assistance for economic development and cross-community reconciliation throughout Northern Ireland and the border counties.

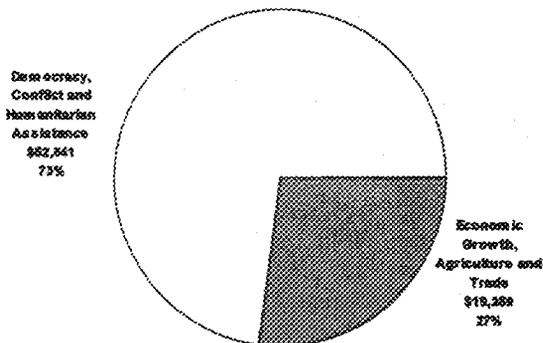
The objectives of the IFI are to promote economic and social advancement, and encourage contact, dialogue, and reconciliation between nationalist and unionist communities throughout Northern Ireland and the Republic of Ireland. The IFI has been instrumental in providing new investment that creates jobs and reconstructs disadvantaged areas. Reconciliation projects have fostered cross-community exchanges involving youth and community leaders. Fund policy requires that all projects benefit both nationalist and unionist communities, and that the implementing organization includes members of the two communities. Through this policy, the IFI has been successful in encouraging communities to take ownership of projects. The jobs and social stability that have resulted from the U.S. contribution to the IFI are tangible expressions of U.S. policy in Northern Ireland.

Other Program Elements: The Irish Peace Process Cultural and Training Program Act of 1998, also known as the Walsh Visa Program, provides employment and job training for young people who are residents of Northern Ireland or one of the six border counties of the Republic of Ireland. The Walsh Visa Program supports economic regeneration as well as peace and reconciliation in these areas. After the participants complete a training program in Ireland, they are hired by a Walsh employer in the United States for up to 36 months.

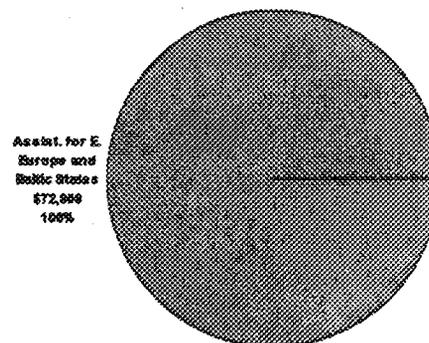
Other Donors: IFI activities are financed through international contributions from the United States, European Union, and Canada. Each of the donors sends a non-voting observer to IFI Board meetings. New Zealand, and Australia, former donors which do not actively contribute to the Fund, retain the right to send non-voting observers to IFI Board meetings. In 2004, the United States was the largest donor to the fund, providing approximately 50% of total donor funding for the year.

Kosovo

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

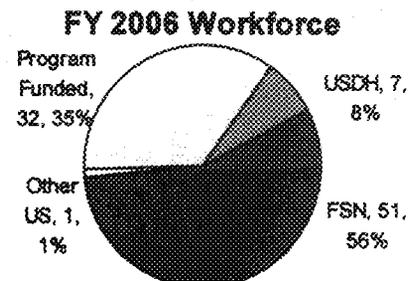


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Policy and Institutions	167-0120	7,660	6,490	6,230
Private Sector Growth	167-0130	4,750	5,500	6,289
Accountable and Transparent Governance	167-0210	7,250	8,000	7,680
Democratic Institutions	167-0220	5,490	5,776	5,550
Social stabilization through special initiatives	167-0410	1,816	2,323	800
Cross-Cutting Programs	167-0420	4,314	3,011	3,307
Transfers		47,254	43,900	42,144
Total (in thousands of dollars)		78,534	75,000	72,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	3,928	3,550	3,550
USDH Salaries & Benefits	571	1,052	1,075
Program Funds	2,069	2,069	1,854
Total (in thousands of dollars)	6,568	6,671	6,479



Mission Director: Ken Yamashita

For more information, please visit our Website, www.usaid.gov

Kosovo

The Development Challenge: Kosovo faces three major near term challenges. First is the creation and/or strengthening of newly-formed economic and democratic institutions and procedures. Paramount among these are fiscal and budget institutions, a fair and transparent justice system, central and municipal government organizations functioning openly in response to society's needs and aspirations, and a body of laws and procedures permitting social and commercial life to function smoothly. Second is stimulating the private sector to create jobs and generate profits to feed growth, to produce tax revenues, to finance service delivery and development, and to provide employment. Third is preparing Kosovo for integration into Europe, the logical center of Kosovo's economic and political future. Integration will stimulate economic activity and assure a better life for all of Kosovo's population.

Over the last five years, the combination of accelerated institution building and sound economic policies has resulted in many impressive accomplishments in the economic sphere. Kosovo is moving deliberately from a command to a market economy, adopting new systems and values in the process. Gross domestic product (GDP) has risen over 40% since 2000, although much of this growth can be attributed to the presence of the international community and its impact on the consumer economy. Total deposits in the banking system have increased by 24% during 2004 and the loan-to-deposit ratio increased from 42% at the end of 2003 to its current level of around 57%. A sound tax system now finances all expenditures in the Kosovo Central Budget from domestically collected revenues. A modern pension system has been installed. The budget process and Treasury systems compare favorably with others in the Balkans, and Kosovo is progressing well in meeting the set of Economy Standards. Inflation, as in the broader Euro Zone, is around 2%. Nonetheless, while functioning at an adequate level, economic structures are weak and capabilities thin. Analyses reveal weaknesses that over the medium-term make the economy vulnerable. The economy continues to absorb expenditures at a level much larger than GDP. Private remittances plus donor inflows at levels not sustainable finance this huge imbalance. More recently, there are signs that the economy has stabilized and that growth has slowed. Most of Kosovo's neighbors are now growing faster than Kosovo, which still has the lowest GDP per capita in the region at \$1,280. It also has the largest percentage of population living at a subsistence level, with 47% of the populace living on under \$2 per day. Both foreign and domestic investment are constrained by uncertainty associated with Kosovo's future status. The private sector accounts for only around 35% of the official economy with the public sector being the driving force. Unemployment, which many estimates place at 50% - 55% is arguably the key social and economic problem for Kosovo. Twenty-five thousand new individuals join the labor force annually.

Kosovo's political structures are maturing. Assembly elections were held in October, and were considered to have been free and fair, despite a boycott by the Kosovo Serb population. No single party won a clear majority, leading President Rugova's party and Ramush Haradinaj's party to form a new coalition government with several other smaller Kosovo Albanian and non-Serb minority parties. Additionally, a true opposition emerged for the first time from these elections. Civil society was active in the elections, running a "get out the vote" campaign which helped encourage all communities to vote. Unfortunately, most Kosovo Serbs did not participate in the election due to mixed signals from Belgrade about participation and local dissatisfaction with the state of affairs in Kosovo (less than 1,000 out of 130,000 Kosovo Serb eligible voters participated in the elections). Regardless, Kosovo Serbs will retain 10 set-aside seats in the Assembly and several positions within the government. International advisors and assistance will continue to be needed in the Assembly to help make this body a responsive part of the provisional government.

The tragic events of March 2004 in Kosovo, when ethnic tensions flared up into violence leading to loss of life and property damage, are a reminder of the fragility of the ethnic relations in Kosovo and the importance of efforts to address issues facing all of Kosovo's communities. Kosovo is making progress on implementing the "Standards for Kosovo," and in mid-2005 the Contact Group (Britain, France, Germany, the United States, Russia and Italy) will formally assess Kosovo's progress in achieving these standards. If the international community decides after the formal review that Kosovo has made sufficient progress on the standards, a political process to determine Kosovo's future status will begin.

The USAID Program: USAID's strategy concentrates on two broad areas, economic development, and democracy and governance.

USAID's two economic growth objectives focus on building human and industrial capacity and the legal, policy, and regulatory frameworks necessary to support economic growth and investment. A major element in this sector is USAID's provision of technical assistance to the Ministry of Economy and Finance, the Banking and Payments Authority, the Assembly of Kosovo, and the Kosovo Trust Agency. With USAID assistance, these institutions are developing sound economic, budget, and tax systems including a medium-term expenditure framework, an improved financial regulatory system and legal environment, and the privatization of former state-owned enterprises. The development of competitive industries is key not only to growth, but to the problem of unemployment, so USAID supports an initiative to build successful business clusters in construction materials, dairy/meat/poultry, and fruits and vegetables. As loan capital is critical to growing an enterprise, USAID is exploring steps needed for Kosovo to become eligible for Development Credit Authority to provide partial loan or bond guarantees to banks as an incentive to increase loans to the businesses in these clusters.

The democracy objectives support the strengthening of the rule of law, civil society, political parties, independent media, and local governance. USAID is working with Pillar I (Police and Justice) of the United Nations Interim Administration Mission in Kosovo (UNMIK) in helping build greater local capacity to assume more responsibilities in the judiciary. Civil society, including political parties, is active in Kosovo, but lacks organizational and financial capacity. To help keep the emerging governmental institutions in check, both an effective civil society and an independent media are critical, and USAID's assistance works to ensure both. USAID's new local government initiative has placed resident advisors in six of Kosovo's municipalities to help authorities more efficiently manage their resources and meet their citizens' needs. In addition, the program is helping develop the legal framework to devolve governmental authorities to the local level.

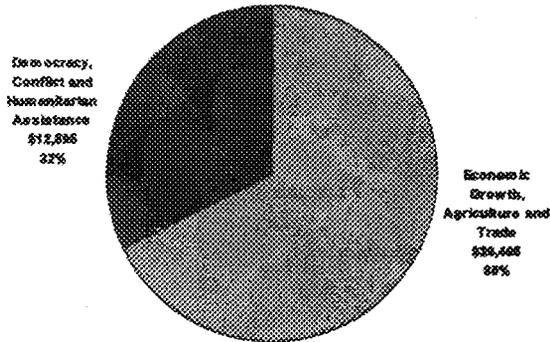
Special initiatives support an anti-trafficking program, literacy classes for poor women, targeted assistance to the health sector through prenatal care and tuberculosis control programs, and assistance for effective management of Kosovo's electric company to ensure energy for homes and businesses. USAID continues to support the restructuring and revitalization of the Kosovo Electric Company (KEK) and works synergistically with the new Irish management team responsible for KEK's operations. In FY 2005 a Global Development Alliance partnership will be explored with potential U.S. partners in the energy field.

Other Program Elements: Strengthening local democracy: Regional (Kosovo-Macedonia) activities are building cooperation and reconciliation through regional committee-implemented collaborative projects.

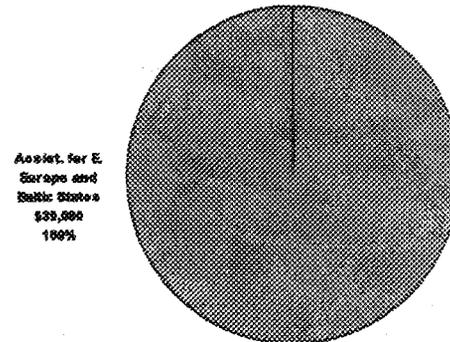
Other Donors: Donors are rethinking their role and presence in Kosovo. Both the European Union (EU) and the United Nations Development Program (UNDP) have opened offices and UNMIK is downsizing as competencies are transferred to the Provisional Institutions of Self-Government. The EU, through the European Agency for Reconstruction and its support for UNMIK's Pillar IV (Economic Restructuring), has been and remains the largest donor, with activities in public administration reform, decentralization, judiciary, customs and taxation, energy, environmental management, economic development, minority return, rural development, civil society, and university education. Other major donors and their principal areas of focus include: Germany (energy, water, transport, private sector development); Sweden (agriculture, returnees, youth, anti-trafficking, energy, civil society); the United Kingdom (civil society, access to justice, customs, health, social policy, public administration); Switzerland (business development, agricultural, environmental protection, vocational education); and the UNDP (security, job creation and minority programming, local development). Although there are few formal mechanisms for donor coordination, donor collaboration increased this past year, most significantly in support to the central and municipal assemblies, legal reform, judicial reform, and media. UNMIK is identifying and categorizing capacity building efforts of the donor community by ministry, a significant step forward in donor coordination. The World Bank, International Monetary Fund, European Bank for Reconstruction and Development, and the EU all maintain a presence in Kosovo.

Macedonia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

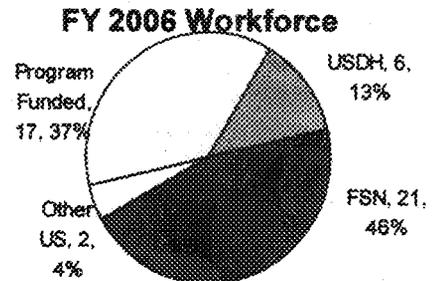


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Growth	165-0130	10,350	12,050	13,248
Democracy and Governance Reform	165-0200	11,750	11,780	10,931
Social Transition	165-0340	8,200	7,275	8,345
Cross-Cutting Programs	165-0420	4,320	3,720	3,980
Transfers		4,150	2,175	2,496
Total (in thousands of dollars)		38,770	37,000	39,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,889	1,950	1,900
USDH Salaries & Benefits	821	826	843
Program Funds	1,121	795	795
Total (in thousands of dollars)	3,831	3,571	3,538



Mission Director: Richard Goldman

Macedonia

The Development Challenge: Macedonia continues the transition to a free market-based, multiethnic democracy, with good governance and social equity. While political will exists, the process has proven difficult and prolonged. As with other former socialist states, the political and economic institutional structures supporting democracy and economic freedom require time to foster and flourish. Weak governmental institutions, ethnic division, high unemployment, and regional instability slow the process. Nonetheless, progress is being made. A political modus vivendi, the Framework Agreement (FWA), halted open ethnic conflict in 2001. Adherence to the framework provides the basis for a stable, multi-ethnic society. In the aftermath of the tragic death of President Boris Trajkovski in an airplane crash, constitutional process was followed and a successor elected in what international observers declared free and fair elections. Inefficiency and corruption remain serious problems in all three branches of government. The checks and balances on all branches of government need to be reinforced. The decentralization plan to devolve power to local government is central to many other reforms and had been stalled by a referendum but is now back on track. The governance process and regulatory framework are being strengthened - incrementally but continuously. Over the longer term, the Macedonian economic outlook is positive; however, it remains the poorest of the former Yugoslav republics. The unemployment rate is over 30%; the gross domestic product has risen at an average rate of only 1% since independence; and the volume of foreign direct investment averaged \$451 per capita, one of the lowest in Southeast Europe.

A Europe whole, free, and at peace is the overriding U.S. strategic interest in the Balkan region, including Macedonia. Throughout the region, the United States supports continued peace and stability, ethnic reconciliation, neighborly relations among states, development of market-based economies, and integration into Euro-Atlantic institutions. The relatively well-educated population, strategic location as a Balkan crossroads, rich farmland, and mineral resources also make Macedonia a potential force for economic growth and stability in the Southern Balkan region. Moreover, Macedonia is working hard to overcome a legacy as the transit route for smugglers, traffickers, and money-launderers. Macedonia supports Operation Enduring Freedom and has troops serving in Iraq and Afghanistan.

The USAID Program: USAID programs target Macedonia's critical economic, social, and democratic needs and are interrelated and mutually supportive. As a result of USAID assistance, better financial market regulation and integrity is creating investor confidence and better capital allocation. Working with the private sector, USAID has identified the five sectors with the highest growth potential and will increase competitiveness as well as add value to agriculture, food processing, artisan enterprises, and small business. The credit programs targeted to small and medium enterprises have helped create and retain jobs in this critical segment of the economy. For larger firms, better corporate governance and raising accounting standards are the goals. USAID programs are supporting the Ministry of Education to improve quality in primary and secondary schools, modernize curricula and teaching methods as well as offering special programs to attract and retain Roma, the most marginalized ethnic group in Macedonia. Systemic improvements in education will boost productivity and improve economic opportunity in all sectors of the economy. The support to the first private multiethnic university in Macedonia has prompted changes in the state-run university system. More effective, responsive, and transparent government, with increased devolution of authority to local government, is helping move government closer to the citizens. Parliamentary skills, procedures, and constituent responsiveness are continuing to improve. Court reform -- reducing backlogs, streamlining procedures, providing greater independence for the judiciary and better trained court personnel - is furthering social justice and facilitating commerce and investment. USAID and non-governmental organizations (NGOs) are helping communities to work together on small-scale infrastructure improvement projects as well as building capacity to lobby for needed reforms. The introduction and expansion of information, communication, and technology in business, government, and schools is a crosscutting theme.

Other Program Elements: The Europe and Eurasia Bureau funds several regional projects. Eight grants were made to Macedonian NGOs in 2004 to strengthen democratic governance and promote political, social, and economic development. The Strengthening the Youth Sector Program builds youth NGOs in South Eastern European countries through grants, coaching, mentoring and workshops. So far

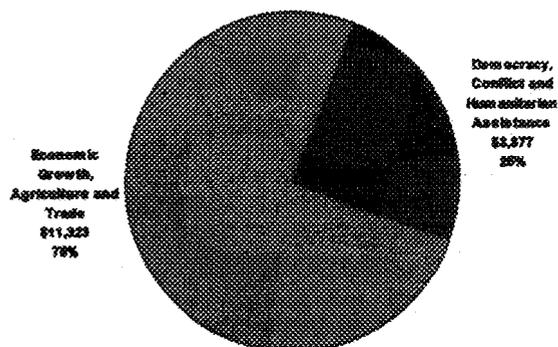
Macedonia has received 11 grants for youth NGOs, and 27 NGOs have participated in training and workshops. A regional property tax policy forum was co-hosted in Skopje. This was the first time that local mayor associations, government officials, and experts from the former Yugoslavia came together to share fiscal decentralization experiences and challenges with a focus on property valuation and tax systems. The Hungarian American Partnership Initiative organized two study tours for Macedonian representatives to learn from Hungary's transition to European Union (EU) membership. The Federation of Trade Unions of Macedonia is participating in the Balkan Regional Labor Education's Network program, implemented by the American Center for International Labor Solidarity, which promotes multi-national cooperation among Balkan labor unions.

Three projects relate to Stability Pact objectives. The American Bar Association's Central and East European Law Institute provides technical and financial assistance to Macedonia and six other Southeastern European states under the Anti-Corruption Initiative, organizing training programs and public awareness campaigns. Cross-Border Cooperation and Reconciliation implemented by Catholic Relief Services promotes inter-ethnic reconciliation and local democracy through sub-grant activities responding to common concerns among ethnically diverse border communities. The communities from Kumanovo, Macedonia and Gnjilane, Kosovo are among the first pilot sub-grants. Lastly, the History and Reconciliation in Southeast Europe Project, being implemented by the Center for Democracy and Reconciliation in South East Europe, is developing modern English language teaching materials for history teachers at primary and secondary school levels in the Balkans.

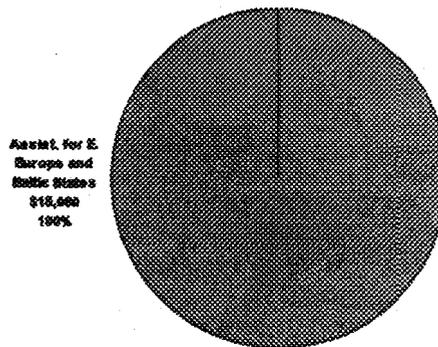
Other Donors: Coordination with other donors is especially important as integration into the European Union is essential to the long term political development and economic prosperity of Macedonia. The national institutions must ultimately be EU-compatible. Accordingly, USAID closely collaborates with European donors in helping to shape these institutions. The EU and the United States are the two largest donors in Macedonia. EU assistance is largely provided through the European Agency for Reconstruction (EAR). The EAR program focus is court reform, local government, and trade liberalization. The Dutch government is the third largest donor and supports primarily education modernization. The World Bank is active in education and financial sector reforms. The German, British, Swiss, and Swedish governments are also active donors. Donor coordination is excellent and programs are consistent and complementary. Several sector specific donor coordination groups have been established in addition to regular meetings hosted by the European Union for donor agencies.

Montenegro

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



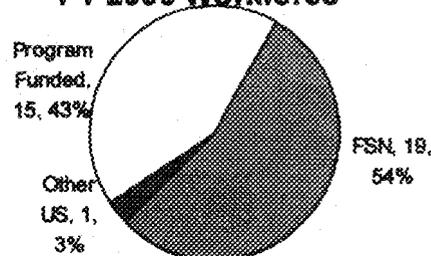
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Policy and Finance	170-0130	8,794	5,892	3,738
Democracy and Governance	170-0200	6,255	1,398	1,320
Community Development and Local Governance	170-0210	13,745	7,410	5,292
Cross-Cutting Programs	170-0420	1,900	1,500	1,650
Transfers		4,100	4,000	3,000
Total (in thousands of dollars)		34,794	20,000	15,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	710		
USDH Salaries & Benefits			
Program Funds	1,833	2,327	2,327
Total (in thousands of dollars)	2,543	2,327	2,327

FY 2006 Workforce



Mission Director: Keith Simmons

Montenegro

The Development Challenge: Montenegro is one of two republics of the country of the State Union of Serbia and Montenegro. According to the final results of the November 2003 population census issued by the Bureau of Statistics, Montenegro is approximately one-sixth the geographical size of Serbia with 616,000 inhabitants (less than one tenth of Serbia's population). The ethnic composition is considered to be predominantly Montenegrin (43.16%) and Serbian (31.99%). The remaining 24.85% of the population is made of Bosniak (7.77%), Albanian (5.03%), Muslim (3.97%), Croatian (1.1%), Roma (0.42%), and other (6.56%) population.

Driven by the goal of European Union integration, the Government of Montenegro (GOM) launched a substantial Economic Reform Agenda in March 2003. The legislative and institutional frameworks needed for moving toward a consolidated democratic system, free market, and Euro-Atlantic integration have progressed significantly but are not yet complete. The profound divisions present in Montenegro over the issue of redefining or terminating the relationship between Montenegro and Serbia, the systemic deficiencies, and the endemic corruption, political patronage and nepotism continue to constrain the reform process. Opportunity to address critical political issues in 2004 stalled as the opposition party boycotted Parliament through October. On the other hand, in the absence of a parliamentary opposition, the governing party succeeded in passing 67 pieces of important reform legislation.

Public opinion tracking shows that satisfaction with the government and its performance has increased 3%. Inflation continued to fall from 7.5% in 2003 to 5% in 2004, the financial sector showed marked improvement and new commercial laws were implemented at a reasonable pace. Although Montenegro continues to have a relatively high current account deficit, the gap appears to be more than made up by unrecorded financing flows, including some portion of flows from tourism receipts that fall into the gray economy. Nevertheless the active economic reforms have not yet led to markedly higher levels of growth or decreased unemployment. The 2003 Poverty Reduction Strategy Paper reported an absolute poverty rate in Montenegro of 12.2%, with more than one third of the population classified as economically vulnerable. Given regional variations, this figure is 19.3% in the north, representing 45% of the total poor in the republic. The average recorded net monthly wage in the formal sector according to official statistics is about 145 Euros (\$194) (or according to other sources about 250 Euros (\$334) per month when the informal sector is accounted for). Gross domestic product remains near 1990 levels (about 1.4 billion Euros) (\$1.87 billion) and unemployment once adjusted for the gray market is around 17%. The ongoing struggle with corruption continues to impede private sector growth as continuing distrust in the system drives entrepreneurs into the gray economy.

The GOM must address the task of passing remaining legislation to address social, economic, and political problems in the coming year, and continue to demonstrate the capacity to implement those laws that have already been approved. The status of the State Union of Serbia and Montenegro will influence the reform process in Montenegro over the next year.

The USAID Program: USAID activities, summarized below, will be carried out through three Strategic Objectives (SOs).

Strategic Objective 170-0130 (Accelerated Development and Growth of Private Enterprises) concentrates on economic growth and job creation, competitiveness building activities that seek to attract investment and drive exports, increased access to credit and financial services, preparation of Montenegro for membership in the World Trade Organization, restructuring of fiscal, financial, and banking systems, sound and prudential practices implemented in bank and non-bank financial institutions, reorganization and strengthening of tax administration, strengthening of private enterprise and free market institutions, and strengthening of commercial laws and related institutions.

Strategic Objective 170-0200 (More Effective, Responsive, and Accountable Democratic Institutions) will focus its assistance on improving justice sector/legal framework, significantly expanding its efforts during FY 2005 and FY 2006 in this area. In addition, it will focus on strengthening civil society capacity, legal aid, human rights programs, technical assistance for selected government institutions, participatory and

fair election processes, and support for democratic political parties, and anti-trafficking efforts. Assistance to independent media and trade unions is slated to end during FY 2005.

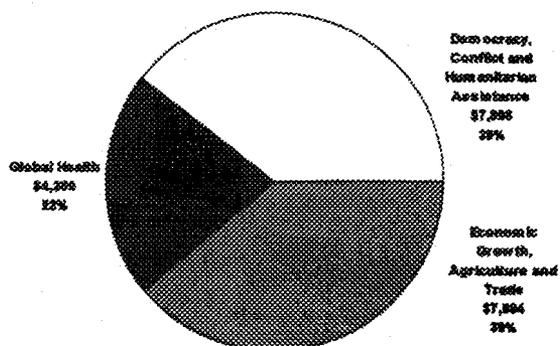
Strategic Objective 170-0210 (Increased, Better Informed, Citizens' Participation in Political and Economic Decision-Making) manages local democratic and economic development processes at the community level, sub-municipal and municipal levels through which citizens, their local governments, local businesses and producer associations and other relevant public and private stakeholders act together to achieve responsive local governance and local and regional development. The SO will focus during FY 2005 and out-years on development projects that link economic opportunities with resources thus generating income and jobs, improve local living conditions, increase financial stability, and hold local governments accountable.

Other Program Elements: In conjunction with U.S. Treasury advisors, USAID will continue to advance the policy and economic framework for sustainable economic growth and the emergence of a viable private sector. The Department of Treasury advisors will complement USAID's program and focus on financial crime investigation, tax implementation, and budget and banking reforms. The Department of State will support Public Diplomacy and similar high priority programs, such as policy reform and training. The Department of Agriculture will complement USAID activities to make this sector more competitive.

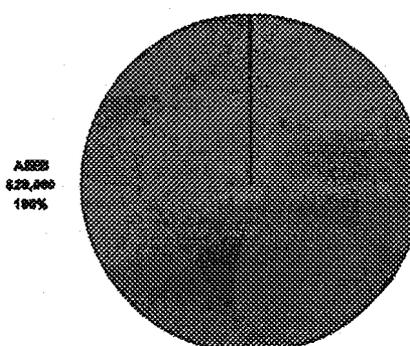
Other Donors: USAID remains the primary donor in Montenegro. The European Agency for Reconstruction (EAR), Germany, and the United Kingdom have smaller budgets and like USAID work in the areas of economic policy reform and enterprise development, civil society and independent media development, and rule of law. The World Bank and the European Bank for Reconstruction and Development programs are principally focused on economic growth and infrastructure investments. The International Finance Corporation's program is centered on small and medium enterprise development. The United Nations Development Program (UNDP) with funding from EAR, Germany, Canada and the Netherlands, is working in the environment, enterprise development and civil society development. The Open Society Institute, the Organization for Security and Cooperation in Europe and the Council of Europe have small rule of law programs. Funding for humanitarian aid is much smaller than in previous years, with remaining programs coordinated by the United Nations High Commissioner for Refugees. Coordination takes place at all levels, starting from the high-level collaborative framework of the Government of Montenegro's Economic Reform Agenda and continuing through regular meetings at the technical level of program managers and of technical assistance implementers. USAID participates in donor coordination committees on infrastructure, local government, and border crossing managed by EAR, an environment donor coordination body managed by UNDP, and a reproductive health strategic working group with the World Bank and British Department for International Development. In drafting their 5.5 million Euros Community Assistance for Reconstruction, Development and Stabilization regional program to be implemented in 2005-2007 primarily by the EAR, the European Commission coordinated with USAID to ensure their efforts would complement U.S. activities.

Romania

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



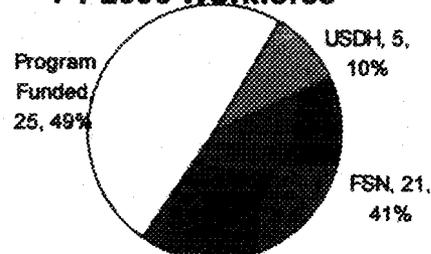
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Expanding the Market-Driven Private Sector	186-0130	10,170	9,950	7,137
Improved Local Democratic Governance	186-0230	7,255	7,560	6,000
Child Welfare and Women's Health Care Reform	186-0340	5,635	6,050	4,300
Transfers		4,775	3,450	2,563
Total (in thousands of dollars)		27,835	27,000	20,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,800	1,850	1,705
USDH Salaries & Benefits	551	508	519
Program Funds	2,118	2,118	2,118
Total (in thousands of dollars)	4,469	4,276	4,342

FY 2006 Workforce



Mission Director: Roger Garner

Romania

The Development Challenge: Economically Romania lags behind most of its neighbors in Europe that have graduated from AEEB assistance. The European Union (EU) granted Romania "functioning market economy" status with some reluctance and included several serious caveats in its 2004 report. However, significant economic growth in the past year of eight percent and the notable privatizations that have been completed, such as the huge state oil company Petrom, and two large electricity generating companies, are signs that the Romanian economy is heading in the right direction at an increased pace. Romania has concluded negotiations to join the EU, and it is committed to meeting the requirements for joining in 2007. Still, the EU is monitoring Romania closely. By 2007 Romania will need to significantly de-bureaucratize the business environment and considerably lower corruption to enable increased foreign investment, and raise the competitiveness of Romanian products. USAID plans to stay fully engaged in assisting Romania through the EU accession in 2007.

The democratic transition has stalled since 1997 and there had been backsliding in several areas during 2004. The freedom and independence of the press declined as the party and government then in power continued its practice of directing advertising revenues to docile media outlets, and pressuring foreign owners of local newspapers to reduce critical coverage of the ruling party, the government, and its leadership. The government failed to investigate effectively a series of physical attacks on journalists. The virtual domination of the media by the ruling party, and the use of state funds for the political campaign by the ruling coalition had reduced the likelihood of free and fair elections.

However, the change in government in 2004, first after the local elections in June, and then after the national elections in November and December, surprised most political pundits and many in the Romanian electorate. The election of a political alliance running on a strong platform, and of a President from the democratic opposition were the most concrete signs in several years that the democratic transition is taking place and a pro-democracy electorate is prepared to turn out and to exercise its power.

The Government of Romania (GOR) passed judicial reforms at a rapid pace in order to close the EU chapter on judicial reform. However, the rapid pace has caused substantial confusion in the courts and created an atmosphere of subjective interpretation and implementation. Moreover, there were disturbing signs of politicization of the judiciary, as indicated by selective prosecutions of politically connected figures. Civic groups who have raised concerns and issues have either been ignored, or worse, threatened.

The provision of social services continues to be plagued with endemic corruption with health care particularly affected by pervasive corruption. There is much that the United States can do to help Romania develop better policies to reform the social sector, provided that the GOR is genuinely committed to fundamental reform, which has not been the case in past years. Reforms include the expansion of reproductive health services, increased resources for preventive health care, and improved efficiency and quality of hospital services.

The USAID Program: USAID Romania's bilateral program will receive its final installment of funding in 2007. The USAID portfolio has three groups of activities to facilitate the economic, democratic, and social transitions in Romania.

Improving the troubled business climate, by reducing red tape and corruption, is essential to making Romania more competitive. Strengthening small businesses is an important goal of USAID's assistance. Business associations, chambers of commerce, and government agencies are being helped to improve their services for small businesses. Micro-lending services are being provided in 23 of 41 counties. New financial instruments are being developed to provide long-term capital and to encourage new companies to list shares, issue bonds, and trade debt instruments. In agriculture, U.S.- funded programs help the privatization of state-owned irrigation systems, reform subsidies, improve food sanitation standards, and draft legislation for a market information system that will make Romanian agriculture more competitive. As water becomes an increasingly scarce resource, USAID also helps the National Water Authority to improve water management, enabling Romania to move closer to the EU's requirements.

As investment, both local and foreign, accelerates, USAID - funded training in the oversight of the financial markets will become even more critical. Anti-money-laundering and other fraud-detecting measures at the National Securities Commission, Anti-Corruption Prosecutor's Office, and the National Bank of Romania are being improved. SEED funded training is helping the staff of the National Securities Commission and the National Bank of Romania to increase their supervisory capacity.

USAID programs assist local governments to improve the delivery of services, strengthen financial management, increase their responsiveness to constituents' needs, and open decisions to citizen participation. The program is helping civil society organizations to monitor and improve local government performance, and increase participation in local politics. To further decentralization, advisors continue to recommend changes in legislation governing local governments. The democracy programs also promote the rights of ethnic minorities, and press for expanded opportunities for Romanian youth through active civic involvement.

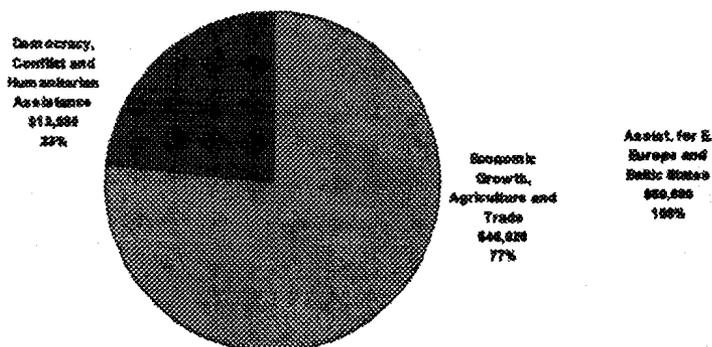
USAID programs improve child welfare, family and reproductive health, and infectious disease services. Their objectives include improving legislation and the quality of services; developing professional associations in child welfare and reproductive health; and educating the public and policy makers. The programs increase community child welfare services provided by non-governmental organizations (NGOs), in partnership with local governments. This growth of community services has facilitated the closure of hundreds of state-run "homes" for children. USAID assistance is contributing to increased access to and quality of family planning services, pre- and post-natal care, and prevention of sexually transmitted infections, including HIV/AIDS. USAID funded activities increase the early detection of breast and cervical cancer, and help fight domestic violence.

Other Program Elements: USAID/Romania's portfolio is supplemented by several AID/W and AID/regional projects. Some of these activities contribute directly to Mission strategic objectives, while some are special initiatives. They include: Agro-industry Competitiveness; DCA Mortgage Finance; Southeast Europe and Regional Electricity Market; Regional Energy Efficiency; Regional Mortgage Market Development; Balkan Infrastructure Development Facility; Trans-Balkan Romania Fund; Small and Medium Enterprise Financial Facility; Corruption Assessment of Romania; Fiscal Decentralization Initiative; Local Government Information Network; Tuberculosis Control; RiskNet HIV/AIDS Program; Rational Pharmaceuticals Management; Radiology Training for Early Detection of Breast Cancer; Drug Information Center; Global Fund for HIV/AIDS, Malaria and Tuberculosis.

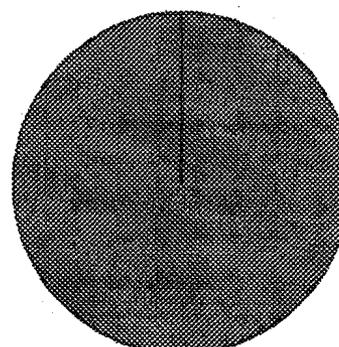
Other Donors: Coordination of USAID assistance with that provided by other donors is an important element of the program. USAID assistance covers niches and issues not addressed by the other donors. It also provides technical assistance to help Romania use significant assistance funds provided by the multilateral donors. USAID works closely with the EU, the United Nation agencies, the multilateral banks, and other donors to ensure coordination and avoid duplication. The EU is the main donor, with its funding set to rise to approximately \$1 billion annually by 2006. In its current Country Strategy for Romania, the World Bank programmed up to \$995 million for FY 2002 - FY 2004.

Serbia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

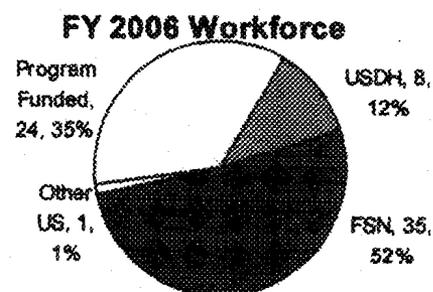


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Policy and Finance	169-0130	9,370	20,400	17,333
Democracy and Governance	169-0200	12,850	5,250	6,813
Community Development and Local Governance	169-0210	49,410	31,950	22,755
Cross-Cutting Programs	169-0420	2,999	3,000	2,500
Transfers		24,580	13,000	10,599
Total (in thousands of dollars)		99,009	73,600	60,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	3,298	3,460	3,750
USDH Salaries & Benefits	897	1,202	1,228
Program Funds	1,690	1,678	1,678
Total (in thousands of dollars)	5,885	6,340	6,656



Mission Director: Keith Simmons

Serbia

The Development Challenge: Serbia is one of the two republics in the State Union of Serbia and Montenegro. According to the 2002 census, Serbia has a population of 7.5 million (excluding Kosovo), more than 12 times larger than that of Montenegro. The ethnic composition is considered to be predominantly Serbian (82.86%) while the rest of the population is made up of Hungarian (3.91%), Bosniaks (1.82%), and Roma (1.44%), Croats (0.94%), Albanians (0.82%), Slovaks (0.79%), Vlachs (0.53%), Romanians (0.46%), Bulgarians (0.27%). Refugees and internally displaced persons make up around 6.7% of the population.

Serbia's economy picked up pace in FY 2004. After low economic growth of 2% in 2003 due to drought and industrial sector weakness, gross domestic production is projected to grow by 6% or more in 2004; this would be the highest growth since 1997. Inflation increased slightly after a three-year decline, but is expected to remain at 11% to 12% for 2004. Total foreign exchange reserves remain solid and stable at a value equal to nearly five months of imports, bolstered by large unrecorded remittances from abroad. However, the Republic continues to lag behind other countries in the region. Throughout 2004, the process of enterprise restructuring in Serbia remained stagnant due to a lack of political leadership and a preoccupation with past privatizations. It is expected to increase in FY 2005. The underdeveloped business environment constrains the growth of the private sector, and investment remains low due to perception of high risk. Serbia's key macroeconomic challenge remains the sustainability of external accounts in an environment of reduced but still significant foreign currency debt and a growing trade deficit expected to reach \$7 billion in 2004.

Such macroeconomic progress stood in marked contrast with the political reforms that slowed considerably in the aftermath of the assassination of Prime Minister Zoran Djindjic in March 2003. Parliamentary elections in December 2003 led to a coalition government that has not advanced reform substantially. The government formed by Prime Minister Vojislav Kostunica of the Democratic Party of Serbia (DSS), depends on Milosevic's Socialist Party (SPS) to achieve a parliamentary majority. The Democratic Party (DS) of former Kostunica rival Djindjic, remains in opposition. Following three failed presidential contests, Boris Tadic of the DS was elected President of the Republic. He remains popular, and has taken a number of forward-leaning positions on Kosovo, ICTY, and EU integration, but due to limited constitutional powers has not been able to achieve government action. Local elections held in September 2004 left anti-reform forces with more influence or even control in 22 out of 162 municipalities, including Novi Sad, Serbia's second-largest city.

In the absence of additional progress, this year the real challenge was sustaining the implementation of previously accomplished reforms. Despite international pressure, the Serbian Government has failed to cooperate fully with the International Criminal Tribunal for the former Yugoslavia (ICTY). Following Serbia's lack of cooperation with the ICTY and non-compliance with the requirements defined under the Sections 570 and 572 of the FOAA, of the total assistance allocated in FY 2004, \$99.4 million, Serbia lost \$20.4 million (20%), of which \$13.6 million was managed by USAID. It is possible that USAID will be able to recoup \$3.65 million of these withheld funds for specific democracy and governance activities. There remains a real risk of additional planned funds being lost in FY 2005 for lack of certification in the next fiscal year.

In March 2004, violence in Kosovo fueled the revival of extreme nationalist feelings that dominated Serbian politics for most of the spring. The violence largely did not spill over into the ethnically-mixed region of Southern Serbia. Pressures from both sides over the relationship of Serbia and Montenegro in the state union have increased. The unresolved political issues and stagnating reform process have all put a strain on the situation, and early and extraordinary elections are now possible in the first half of 2005. Compliance with ICTY, addressing Kosovo's status and the future of Serbia and Montenegro State Union, and preserving and consolidating macroeconomic gains through fiscal discipline and prudent monetary policy, with an increased focus on micro-economic issues to increase jobs and spur economic development, will be among the challenges for Serbia's leaders in the coming year.

The USAID Program: USAID activities, summarized below, will be carried out through three Strategic Objectives (SOs).

Strategic Objective 170-0130 (Accelerated Development and Growth of Private Enterprises) will focus on removing the principal obstacles to growth, namely weaknesses in the legal/regulatory and judicial system, excessive fiscal and tax-related burdens, and a lack or absence of working and investment capital. At the same time programs will improve the business regulatory environment, enhance competitiveness to attract investment and drive exports, and prepare Serbia for World Trade Organization membership.

Strategic Objective 170-0200 (More Effective, Responsive, and Accountable Democratic Institutions) will continue to support rule of law, civil society, political processes, independent media and anti-trafficking efforts. Assistance toward non-governmental organizations (NGOs) in 2005 will focus on strengthening the advocacy skills and financial/organizational management of a small set of NGOs. Direct support to independent media will be reduced, with assistance focused on advocating for a regulatory structure that supports a private and independent media.

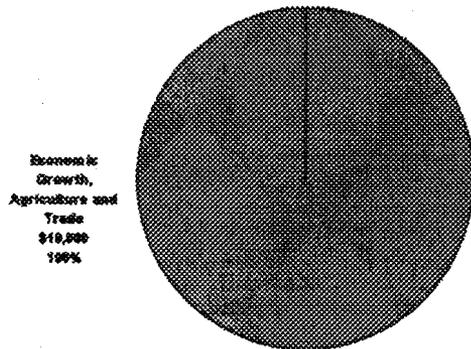
Strategic Objective 170-0210 (Increased, Better Informed, Citizens' Participation in Political and Economic Decision-Making) will concentrate in 2005 on increasing economic prosperity, employment generation, and job security at the community, sub-municipal and municipal level through improving private sector growth, expanding and improving access to economic and social infrastructure and supporting local democratic government and decentralization.

Other Program Elements: The Department of Treasury will continue to work closely with USAID in addressing financial crimes and money laundering, macroeconomic institution building, tax implementation, developing financial markets, and budget and banking reforms. The Department of Agriculture's program will include farm management training, curriculum development, food safety and standards, and continuing work on a management information system for farmers. Department of Commerce will assist Serbia in attracting additional foreign direct investment and Department of State will support Public Diplomacy.

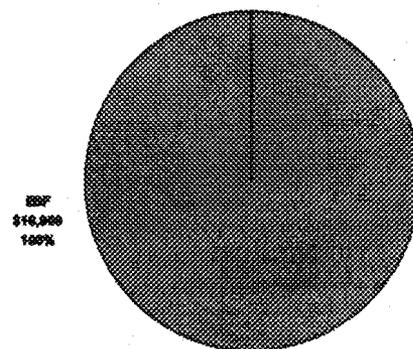
Other Donors: The United States is Serbia's largest bilateral donor. USAID coordinates its work closely with the Government of Serbia, other bilateral and multilateral donors and international financial institutions some of which include Germany (macroeconomic reform, municipal development, infrastructure loans); Sweden (education and training, donor harmonization); Canada (social sector restructuring); the United Kingdom (macroeconomic reform, local government); the primary multilateral donor in Serbia, the European Agency for Reconstruction (in 2004, €212 million) (\$283.4 million) program focused on strengthening the partnership with the government, fostering economic development, and paving the way for investment from international financial institutions); the World Bank (macroeconomic reform); the International Monetary Fund (fiscal and monetary policy); the European Bank for Reconstruction and Development (infrastructure and trade); the European Investment Bank (infrastructure); and the Organization for Security and Cooperation in Europe (civil society reform, rule of law). The United Nations Development Program with funding from EAR, Germany, Canada and the Netherlands, is working mainly in civil society development and rule of law. On the strategic level, USAID participated in the Donor Coordination Group "Law in Transition" a group of major bilateral and multilateral donors that jointly presented a list of critical laws to the new ruling coalition. On the program level, USAID staff and implementers participate in working groups in the areas of Southern Serbia, commercial law, and the rule of law. In 2005, the World Bank will introduce an investment project in order to complement the work already undertaken by USAID in the area of pension reform.

Turkey

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Cash Transfer Program	277-0410	10,000		10,000
Total (in thousands of dollars)		10,000	0	10,000

Mission Director: Thomas Mefford

Turkey

The Development Challenge: In 2004, Turkey continued to make progress in pursuing challenging legislative and economic reform efforts toward building further democracy and strengthening the private sector orientation of its economy. Prime Minister Recep Tayyip Erdogan, who was elected in 2003, has sought to have the Government maintain sound economic policies and institute further reform in order to increase market confidence and create an internationally competitive economy. Turkey's current economic reform program, with support from the International Monetary Fund (IMF), has two main goals: conquer high inflation and associated macroeconomic instability, and reduce public debt. Results during 2002-2004 improved, with inflation falling to 9.3% in 2004. However, Turkey still needs to improve its investment climate and reduce the large state role in the economy, especially in basic industry, banking, transport, and communication. Foreign direct investment remains at less than \$1 billion annually. In December, 2004, the EU announced its decision to begin accession negotiations with Turkey on October 3, 2005. A major political and economic issue over the coming years will be Turkey's process for acceding to the European Union (EU).

The United States supports Turkey's accession process and eventual membership in the EU, and is confident of the benefits it would bring to both Turkey and the EU. The United States believes that having Turkey firmly anchored in Europe and sharing European values will be a positive force for prosperity and democracy. The United States recognizes Turkey as a major coalition partner in the global war on terrorism, an active ally and partner in the reconstruction of Iraq and Afghanistan, and a pro-Western democracy in a troubled region. The tragic terrorist bombings in Istanbul in November 2003 only strengthened Turkey's resolve to participate with the United States in the struggle against international terrorism. Strategically located between Europe and the Greater Middle East, Turkey is a key NATO ally which has been providing important support for the stabilization and rebuilding of Iraq. Turkey's support for U.S. operations comes despite a fragile economy, tight fiscal restrictions, and a reluctant public. U.S. assistance through the Economic Support Fund helps address poverty and employment problems, which aids Turkey in complying with requirements for accession into the EU.

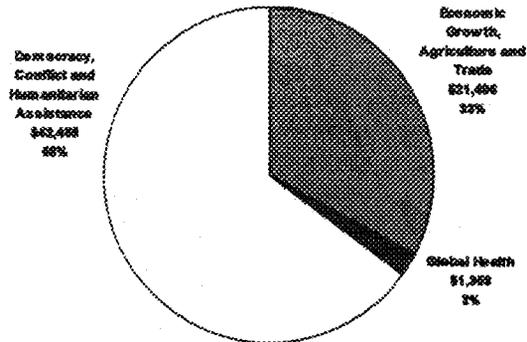
The USAID Program: USG programs to address poverty and unemployment problems endeavor to help mitigate Turkey's economic losses from its anti-terrorism efforts. In FY 2005, funds will be applied to implement three activities: 1) co-financing of the Conditional Cash Transfer Program of the World Bank's Social Risk Mitigation Project to improve education for girls and health of children; 2) anti-trafficking in persons program implemented by the International Organization for Migration to reduce trafficking and aid victims of trafficking; and 3) a U.S.-Turkey business partnering program implemented by the U.S. Chamber of Commerce to encourage bilateral trade. In FY 2006 assistance will support ongoing anti-poverty programs and micro-credit programs designed to assist the poor generate income. ESF funds will help Turkey address severe poverty and employment problems, and contribute to internal stability.

Other Program Elements: A water resource management plan for the city of Istanbul continues to be developed under a USAID centrally-funded activity implemented by Mississippi State University.

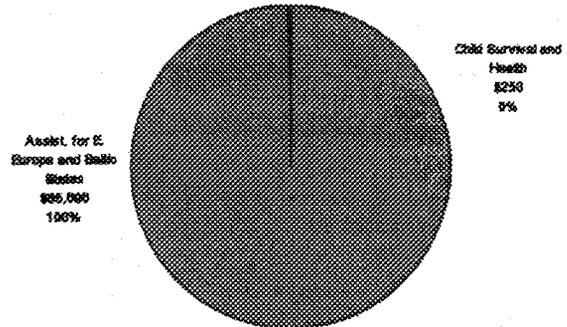
Other Donors: Other major donors to Turkey include the EU and World Bank. Turkey has also received large-scale lending from the IMF to address its economic difficulties.

Europe Regional

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Fiscal Reform	180-0120	239	299	177
Private Enterprise Development	180-0130	821	541	500
Strengthening the Financial Sector	180-0140	789	877	400
Sustainable Energy Systems	180-0150	1,595	1,500	1,500
Better Environmental Management	180-0160	3,259	989	400
Democratic Governance	180-0200		693	1,180
Civil Society	180-0210	1,277		
Rule of Law	180-0220	471		
Local Government and Urban Development	180-0230	573		
Health Promotion and Care	180-0320	2,289	1,390	1,359
Social Sector Reform	180-0340	223	800	450
Cross-Cutting Programs	180-0420	4,799	4,661	5,304
Transfers		21,710	33,327	54,000
Total (in thousands of dollars)		38,025	45,077	65,260

Deputy Assistant Administrator: Thomas Mefford

Europe Regional

The Development Challenge: USAID's review of country performance, which takes into account over two dozen transition indicators, shows that although considerably beyond Eurasian countries with respect to key democratic, economic, and social transition measures, the Southeast European transition countries lag behind the "northern tier" European countries that have graduated from bilateral USAID assistance. While moving in the right direction, they still face a number of obstacles to reach these reform targets and ensure a sustainable transition. Unresolved ethnic tensions lay below the surface and could easily re-emerge without institutional mechanisms for inter-ethnic understanding and cooperation. Weak labor markets combined with large youth populations pose special challenges, and corruption remains an issue across the region.

Many of the European transition countries aspire to membership in regional organizations such as the European Union (EU) and NATO, and while countries scheduled for EU accession will gain immediate benefits, there may be a cost to those not yet ready for membership (e.g., The Republic of Macedonia, Albania, Kosovo, Serbia and Montenegro, Bosnia and Herzegovina, and Croatia). These entities are small and poorly integrated among one another, and maintaining momentum for reform among them will be particularly challenging.

The USAID Program: The regional program in Europe includes multi-country and region-wide interventions that promote the achievement of bilateral assistance goals, but cannot be easily funded bilaterally. The regional program focuses on three distinct types of activities: 1) analytical efforts which support strategic budgeting and performance monitoring; 2) economic and democracy initiatives which promote regional integration; and 3) Administration priorities and Congressionally-mandated programs, particularly in health such as women's reproductive health and HIV/AIDS prevention.

1) Under sector-specific cross-cutting program support objectives, USAID will carry out an analytical agenda to strengthen strategic budgeting and program effectiveness. Activities will include monitoring and analysis of country progress, implementing a modest regional evaluation program, participant training oversight, carrying out various sector-specific analyses, and maintaining demand-driven regional technical support and training contracts.

2) Economic growth activities support regional infrastructure development and foster innovative approaches to enhancing competitiveness and meeting international standards. Building on the successful Regional Infrastructure Project for Southeast Europe under the Stability Pact, USAID is developing the capacity and sustainability of two legacy institutions it has established: the Balkans Infrastructure Development Facility (a revolving fund to develop public infrastructure in water, transportation and energy), and the Sava River Basin Commission for managing navigation and flood control. In addition, USAID will begin implementing its Balkans Infrastructure Investment Guarantee Fund (applying Development Credit Authority support to private investment in public infrastructure). Other regional initiatives will seek to accelerate financial market integration, promote cross-border trade, increase financial transparency and accountability, and promote the development and use of debt and mortgage instruments. In the energy arena, USAID assistance will support Southeastern European and European Union efforts to create a regional electricity market in Southeast Europe and will support more efficient and reliable energy systems. In democracy, USAID will support the development of independent media, will promote citizens' community participation, will continue to engage civil society in pressing for legal reform, and will promote regional networking among local non-governmental organizations (NGOs).

3) USAID will continue to carry out a number of activities related to social transition. These include efforts directed at infectious disease control (including tuberculosis control), HIV/AIDS, reproductive health, and iodine deficiency. In Southeastern Europe, a cross-border HIV/AIDS initiative will link NGOs to promote safer reproductive health practices. In addition, USAID will continue to support improved access to health through partnerships. To combat trafficking in persons, USAID will support the establishment of a regional anti-trafficking partnership.

4) USAID will also support innovative regional initiatives aimed at fostering reform through strengthening

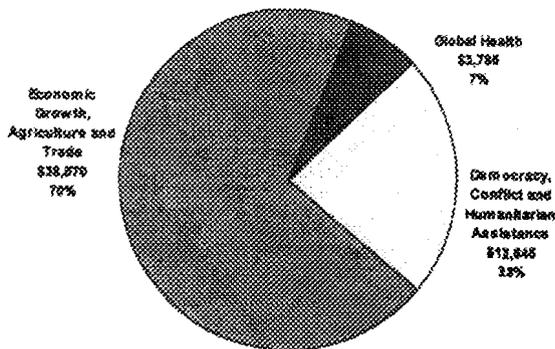
values. USAID awarded grants to qualified organizations to implement innovative ideas that cultivate and strengthen universally recognized values that support USAID goals and objectives in the region. The goal of this initiative is to achieve positive, lasting attitudinal change, reflected in realizing more permanent advancements in social, economic and political practices. Funds in FY 2005 are for the current requirements of the previously approved grants.

Other Program Elements: The Europe regional program complements bilateral assistance programs and does not contain other program elements of its own.

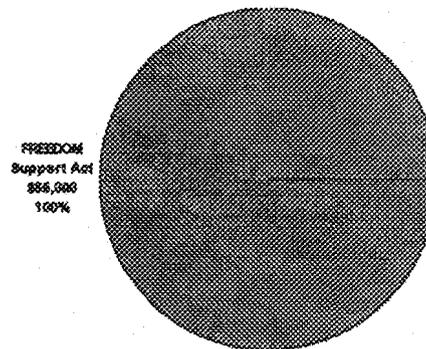
Other Donors: Other donors are discussed in the country overviews of the bilateral programs supported by the regional program.

Armenia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



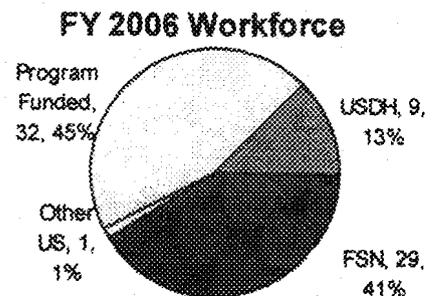
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Increased Employment	111-0130	15,000	14,000	10,000
Energy and Water Sectors Reform	111-0150	10,430	8,300	6,000
Democracy and Governance	111-0210	7,425	7,500	6,000
Primary Health Care	111-0320	6,251	5,170	4,000
Social Protection	111-0340	8,646	7,400	5,500
Cross-Cutting Programs	111-0420	8,381	6,985	4,560
Transfers		20,425	25,045	18,940
Total (in thousands of dollars)		74,558	74,400	55,000

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,685	2,835	2,850
USDH Salaries & Benefits	970	1,072	1,095
Program Funds	2,643	3,128	3,128
Total (in thousands of dollars)	6,308	7,035	7,073



Mission Director: Robin Phillips

For more information, please visit our Website, www.usaid.gov

Armenia

The Development Challenge: In the 1990s, USAID shifted increasingly from providing humanitarian assistance to development assistance in response to the Government of Armenia's reform initiatives. USAID now concentrates its efforts on helping Armenians achieve a stable, open democracy and a law-based market economy.

Despite steady macroeconomic progress reflected in consistently high growth and low inflation rates, Armenia's poverty rate remains very high. At the end of 2003, 42.9% of Armenians lived below the poverty line, spending less than \$24 a month. Government data show an increase of 10.3% percent in gross domestic product (GDP) for the first nine months of 2004. Much of the growth rate in 2004 was due to high donor financing, while growing exports and deepening import substitution account for the remainder. The exchange rate has seen a steep increase in the value of the dram versus the dollar, partly due to a high level of remittances. Exports grew by 1.5% in the first nine months of the year, while imports rose by 3.9% in the same period. Nevertheless, export levels remain very low, at \$332 million in 2003 excluding diamond exports, which contribute little to the total economy. Imports are twice the value of exports and are made possible by remittances, which according to a USAID study amounted to about \$900 million in 2003, or nearly one-third of GDP. This extremely high level of remittances as a percentage of GDP also indicates a high number of Armenians working abroad, likely due to the lack of well-paying domestic jobs. A low level of exports and dependence on outside financing suggests that the Armenian economy is not yet sustainable.

Armenia remains politically and economically isolated due to the ongoing the Nagorno-Karabakh (NK) conflict. Borders with neighboring Turkey and Azerbaijan remain closed. Closed borders have a negative impact on Armenia's economy and its prospects for growth, even though highway and rail traffic continues across the border with Georgia to the north and lighter highway traffic continues with Iran to the south. Some trade continues with Turkey through Georgia. Successful resolution of the NK dispute would allow the reopening of trade routes, making Armenia more attractive to potential investors.

The Government of Armenia's achievements toward strengthening democracy have been overshadowed recently by a number of incidents of violence against journalists and by the harsh crackdown on demonstrators in April 2004, when peaceful demonstrations held throughout the country and in Yerevan culminated in the forcible dispersal of demonstrators in front of the Parliament. Executive dominance of the political system continued to pose a significant challenge to Armenia's transition to democracy, resulting in reduced political and economic competition and providing little recourse for citizens to challenge the use of public office for personal gain. Various international organizations, including the OSCE, criticized the actions of authorities against the demonstrators in April 2004 and the overly lenient handling of the perpetrators of the attacks on journalists.

An overall lack of transparency and accountability, along with the country's relatively weak economy, has created an environment in which corruption can flourish. Entrenched state and business interests have little will or incentive to change the status quo. Corruption in Armenia includes bribery, illegitimate acquisition of assets, clientelism, as well as political corruption and conflicts of interest in the judicial and law enforcement sectors. The dominance of the Executive branch of government has reduced competition in Armenia's political and economic spheres. As a result, rule of law is problematic, political parties are weak and the media are not truly independent. Combating corruption is key to advancing Armenia's economic, political, and social reform process.

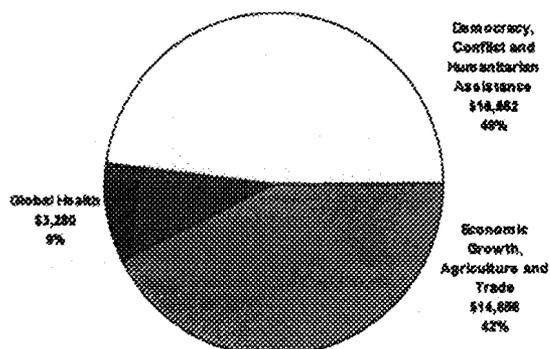
The USAID Program: USAID works in five strategic areas: economic reform, energy/water, democracy, health, and social sector reform. In these areas, five strategic objectives concentrate on: creating a more widely shared economic base; continuing democratic progress through increased political pluralism and the participation of civil society; improving the health and welfare of the population; protecting those still in vulnerable social conditions; and improving Armenia's access to energy and water resources. Also in FY 2005, the housing certificate program in the Earthquake Zone will come to an end. The first phase of USAID support to a reformed social protection system will be completed. USAID will begin to transition its work on capital markets to Armenian organizations.

Other Program Elements: Through its farmer-to-farmer program, the office of Economic Growth, Agriculture, and Trade (EGAT/AG) funds short-term, U.S. volunteer technical assistance to increase farm and agribusiness productivity and incomes.

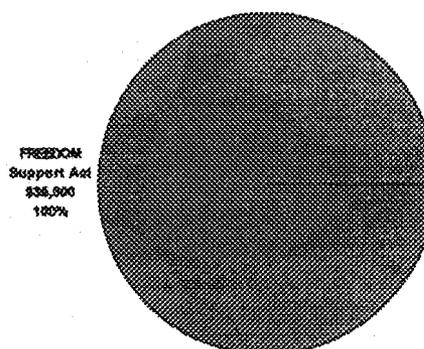
Other Donors: Other multilateral donors include the World Bank, European Union (energy, legal reform, governance, higher education, vocational education, agriculture, social protection, and information technology), the International Monetary Fund (macroeconomic policy), the United Nations network of agencies, e.g. UNDP (poverty reduction, democracy and governance, post-crisis management, HIV/AIDS, energy and environment, and information technology), UNHCR (refugee support), UNICEF (health, education, and social sector), World Food Program, World Health Organization, and the OSCE (anticorruption and elections). USAID also coordinates its activities with private donors active in Armenia, in areas as diverse as civil society, education, public health, media, private enterprise development, and judicial reform. Most donors participate in formal monthly donor meetings, co-chaired by the World Bank, UNDP, and USAID.

Azerbaijan

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

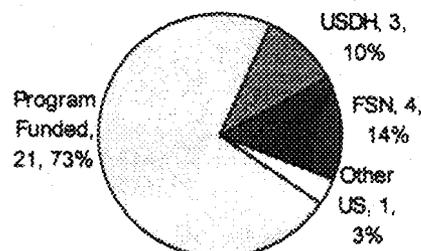
Objective	SO Number	FY 2004	FY 2005	FY 2006
Development of Small and Medium Enterprises	112-0130	10,807	11,000	10,000
Civil Society	112-0210	5,900	6,470	6,270
Humanitarian Assistance	112-0310	8,790	7,907	7,907
Cross-Cutting Programs	112-0420	5,927	5,978	4,633
Transfers		7,358	6,000	6,190
Total (in thousands of dollars)		38,782	37,355	35,000

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation			
USDH Salaries & Benefits	567	522	534
Program Funds	1,379	1,708	1,708
Total (in thousands of dollars)	1,946	2,230	2,242

FY 2006 Workforce



Mission Director: Denny Robertson

Azerbaijan

The Development Challenge: Azerbaijan is a strategic gateway between Europe and Asia, bordering Russia, Georgia, Armenia, Turkey, Iran and the oil-rich Caspian Sea. Azerbaijan has been able to successfully develop its oil and gas resources and to achieve macroeconomic stability. However, it is still far from being a functioning economy with gainful employment, rule of law, or health and other social systems for its eight million citizens.

The oil wealth of Azerbaijan has the potential to help shed the legacy of the Soviet Union and build an efficient nation-state. However, the current, carefully-designed government consists of heavy reliance on family and clan relationships, oil revenues, and patronage. Corruption systemically permeates the political, economic and social spheres. If these issues are not addressed before the estimated fifteen-year supply of oil and gas revenues comes online next year, development of a competitive free market economy with reallocation of oil revenues to the majority of the population and the development of a functioning democracy will not succeed. Eliminating corruption and building the capacity to use these resources wisely are the two most significant development challenges facing Azerbaijan.

Ilham Aliyev was victorious in October 2003 presidential elections that regrettably did not meet Organization for Security and Cooperation in Europe (OSCE) standards. However, the political debate prior to the election and the newly-adopted Unified Election Code were considered steps forward for Azerbaijan. Municipal elections in December 2004 did not even meet even the standard of the Presidential election - a disappointing development in the run up to the Parliamentary elections in late 2005. However, progress in transparent governance can be seen in adoption of a Judicial Code of Ethics and a law on corruption. However implementation has not occurred and political will to encourage improvements in democratic and judicial systems and combat corruption is not evident. Transparency International ranks Azerbaijan 140 out of 146 in its 2004 corruption perception index. The recent signing by the Government of Azerbaijan (GOAZ) of the first Extractive Industries Transparency Initiative worldwide will provide it an opportunity to demonstrate commitment to combating corruption in handling the nation's oil revenues.

Azerbaijan's economic situation remains stable with a slight increase in the rate of inflation. Per capita gross domestic product (GDP) has increased to \$3,400. However, 49% of the population remains below the poverty line indicating that the poor are not benefiting from increased oil revenues or improvements in economic legislation. Factors impeding economic growth in the non-oil sector include corruption, lack of legal and regulatory frameworks and implementation, and lack of access to investment capital. Oil contracts are honored and enforced by law based on production-sharing agreements (PSAs). Non-oil enterprises in the private sector do not have similar protections. Most sectors from pharmaceuticals and agriculture to transport and construction are closely controlled monopolies, preventing a free market economy from developing.

The education and health ministries are notoriously corrupt at every level, which is demonstrated in the deplorable conditions of the majority of school buildings and materials, ancient and irrelevant curricula from the Soviet era and severely underpaid education personnel. The same is true in the health sector. While the health system has a surplus of doctors, nurses and other personnel, their training and knowledge is outdated, they are inadequately trained for preventive medicine, the system is financially starved, many facilities are poorly maintained, equipped and supplied, and quality of care is falling while costs to consumers rise, so utilization is declining. According to the Center for Disease Control Reproductive Health Survey in 2001, the infant and under five mortality rates are 81 and 92 per 1000 live births, respectively. These rates are the highest in Europe and Eurasia, and comparable to many countries in South Asia and Sub Saharan Africa. UNICEF (MICS, 2000) estimates the maternal mortality ratio at 79 per 100,000 live births.

Azerbaijan is a U.S. ally in the global war on terrorism and the United States seeks Azerbaijan's cooperation in combating terrorism and other trans-border threats. The United States also wants Azerbaijan to successfully transition to a democratic market economy. It is the interest of the United States to help Azerbaijan become a reliable supplier of oil and gas to international markets in the West as

it will be an important source of non-OPEC oil in the future. The President's December 2003 waiver of Section 907 of the FREEDOM Support Act allowed the U.S. Government to continue assistance to the GOAZ in key policy areas of economic reform, energy reform, and democracy and governance.

The USAID Program: USAID's four objectives concentrate on promoting economic growth and reform, including guiding energy wealth toward developing infrastructure and a sustainable social system, and strengthening and expanding democratic institutions and rule of law. FY 2006 funds will be used to: foster democratic progress; develop a market economy with a well-functioning private sector to include job creation and regional economic development; and promote social service systems for vulnerable communities. Several new activities will work closely with the GOAZ to implement these activities.

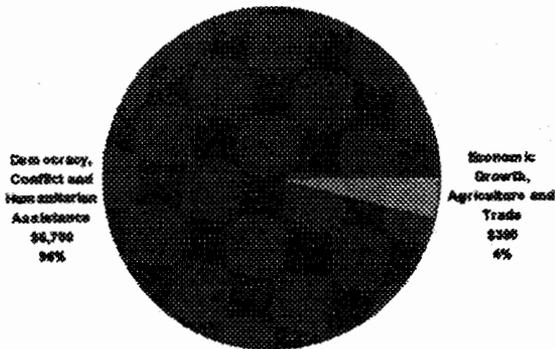
Other Program Elements: USAID's Global Health Bureau manages the Child Survival Program which funds technical assistance to reduce infant, child and maternal mortality and morbidity. USAID's Bureau for Economic Growth, Agriculture, and Trade (EGAT) Bureau manages the Cluster Access to Business Services Program. Both are implemented by Mercy Corps in southeast Azerbaijan. EGAT also manages the Farmer-to-Farmer Program, which provides short-term, U.S. volunteer technical assistance to increase farm and agribusiness productivity.

Other Donors: Other donors in Azerbaijan are the World Bank, International Monetary Fund (IMF), Governments of Germany and United Kingdom, United Nations Development Programme (UNDP), the European Bank for Reconstruction and Development (EBRD), the European Union, the United Nations Children's Fund (UNICEF), the World Health Organization (WHO), and United Nations High Commissioner for Refugees (UNHCR).

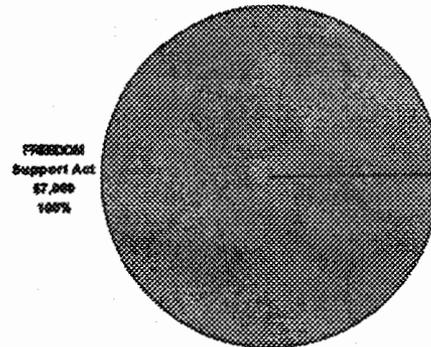
Donor coordination continues to be strong in rule of law, democracy and governance, financial, economic and energy sector reforms, and community health activities. USAID is taking the lead to focus donor coordination on anticorruption strategies and to forge new ties with key donors, such as the Global Fund for AIDS, TB and Malaria. USAID coordinates with the European Union, German and British governments, and the Organization for Security and Cooperation in Europe (OSCE) on rule of law and elections, Council of Europe on municipalities, the United Nations Population Fund (UNFPA) on reproductive health, World Bank, EBRD and IMF on financial, economic, and energy sector reform.

Belarus

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



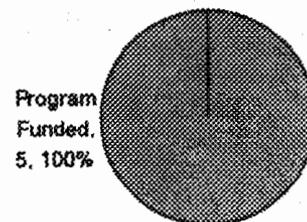
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Citizen Participation in Democratic Practices	113-0210	5,588	3,960	3,960
Transfers		2,467	2,540	3,040
Total (in thousands of dollars)		8,055	6,500	7,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation			
USDH Salaries & Benefits			
Program Funds	251	251	251
Total (in thousands of dollars)	251	251	251

FY 2006 Workforce



Mission Director: Chris Crowley

Belarus

The Development Challenge: Fourteen years after independence, Belarus continues to regress steadily from aspirations for pursuing democratically-oriented governance and transitioning into a competitive, market-based economy proclaimed in the early 1990s. Ostensibly a presidential republic, President Lukashenko continues to dominate political, social and economic aspects of government decision making. In 2004 Belarus' fourth round of elections since 2000 was described by the Organization for Security and Cooperation in Europe, as "fundamentally flawed." Ten years into his rule, the referendum associated with the National Assembly election allowed President Lukashenko unlimited terms as President. Further, not a single opposition candidate has won a seat to the 110-member National Assembly this year. As a result, the handful of moderate reformers will be replaced by Lukashenko's loyalists.

The current Government of Belarus (GOB) lacks an effectively organized opposition as emerging political parties still do not have wide electoral support and are not allowed to pass parliamentary reform measures. The independent media continues to face escalating pressures, and civil society organizations, while still emerging, remain marginalized from national development dialogues or initiatives. This year, members of the parliamentary Respublika group staged a hunger strike because election reform was not put on the parliamentary agenda. Those initiatives were voted down and resulted in harassment of their proponents through criminal investigation, violation of immunity, and physical abuse. The Constitutional Court also remains ineffective, never challenging presidential initiatives, and consistently endorsing the constitutional nature of presidential referendums. The licensing of lawyers and the bar association remains under the Ministry of Justice's control, seriously compromising the independence of lawyers, several of whom reported they would be denied licenses due to their activities in non-governmental organizations (NGOs) or political parties. Numerous human rights abuses also were reported throughout Belarus, with authorities disregarding credible disappearance cases, harassing independent labor unions, and beating or arresting pro-democracy leaders or activists. The Belarusian Orthodox Church is the only church officially recognized in Belarus and enjoys preferential government treatment. Authorities deploy a range of measures which continue to deny citizens the right to learn about, influence, or change government policies or representatives.

Belarus continues to rank extremely poorly in both investment climate and economic freedom, with the authorities remaining committed to only "socially-oriented" market reform. The GOB's industrial sector policy intends to favor employment but remains uncompetitive given the government's practice of increasing wages more quickly than productivity growth. In the agricultural sector, the rural population remains dependent upon budget subsidies designed to keep afloat unviable collective and state farms. Private ownership of agricultural lands also remains prohibited.

In 2004, the government continued to campaign against NGOs and political parties, and to restrict media, assembly, and association freedoms. State-owned printing houses have refused to publish many independent newspapers, while state-run distribution agencies have either refused to distribute independent newspapers or severed distribution agreements with such newspapers. Other economic and social constraints include: difficulty in obtaining small and medium enterprise licensing; inconsistency in honoring private ownership and contract rights; and difficulty in establishing working relationships between domestic and foreign businesses, and central and local governments.

Despite having presided over an authoritarian regime, Mr. Lukashenko still enjoys the support of an estimated one-third of the electorate. This is explained by the fact that Belarus, unlike other former Soviet states, has avoided dislocations caused by more substantive economic restructuring and market reforms. Unemployment and inflation remain low, while real annual gross domestic product (GDP) growth in 2004 is about 9%. Budget deficits are low, and social benefits and wages have been maintained better than in other former Soviet republics. Whereas political and economic relations with Russia have improved since 2003, the government continues to be isolated internationally. Despite extensive international criticism, Lukashenko is unlikely to introduce more liberal and democratic practices.

Poverty has reportedly decreased since the mid-1990s. However, its reduction has been uneven throughout the country. Significant inequalities are seen in the uneven ability of different households to access education, child care, and health services. Many Belarusians experience decreasing affordability of health and social services as well as pronounced gender poverty traps among female-headed households, and even a broader, increasing reliance on cheap dietary coping strategies. Trafficking in women and children also remains a problem, as does environmental management and HIV/AIDS, but the government appears to be collaborating more willingly with donors to address these particular issues.

U.S. strategic interests in Belarus are significant. Belarus requires assistance to advance to a more democratic and accountable political and economic environment, which would in turn potentially lead to increased integration with neighboring EU members and Western security and economic institutions. Belarus also faces social development concerns, i.e. developing strategies to combat HIV/AIDS and trafficking, two key U.S. foreign policy priorities. Belarus is a signatory of international agreements, including those on anti-terrorism, which could contribute to important advancements with continued U.S. development and diplomacy assistance.

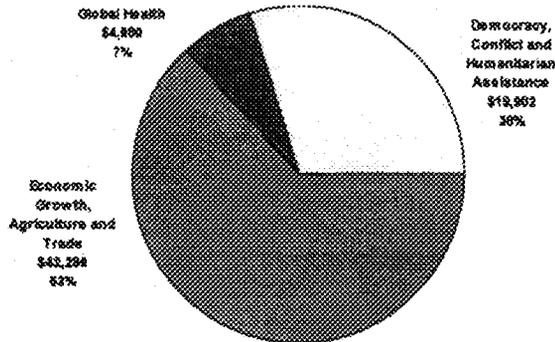
The USAID Program: The focus of USAID's assistance in Belarus is to increase citizen participation in democratic practices through engagement with diverse and still-undeveloped elements of Belarusian society, including the independent media, civil society organizations and NGOs, and other democratically-oriented actors. Activities include support for: a particularly vulnerable independent media; basic social, economic, and political participation and pluralism; rural entrepreneurial initiatives; and protection of the health and welfare of women and children. USAID plans to use \$4 million of FY 2006 funds to modify and expand opportunities for Belarusian citizens and NGOs to participate in civil society and to address key development priorities such as anti-trafficking, economic policy, and HIV/AIDS prevention and treatment.

Other Program Elements: The Farmer-to Farmer Agribusiness Volunteer Program (Citizens Network for Foreign Affairs) is managed by the USAID Bureau for Europe and Eurasia. The program objective is to provide technical and consulting services to private farmers and agricultural organizations to stimulate rural entrepreneurial initiatives, and is in harmony with the Presidential Volunteers for Prosperity Initiative. It is also expected that USAID's Disadvantaged Children and Orphans Fund could provide \$2 million in FY 2006 and FY 2007 to provide capacity development activities and needed social development assistance to vulnerable Belarusian children. Such humanitarian assistance programs currently operate without governmental interference.

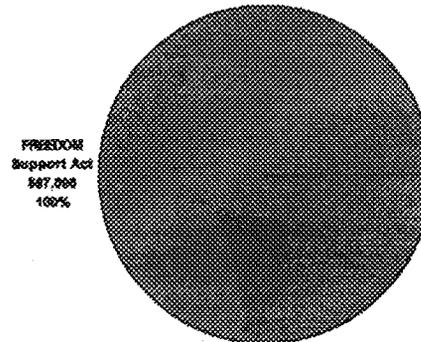
Other Donors: The United Nations Global Fund to Fight AIDS, Tuberculosis and Malaria approved Belarus for HIV/AIDS prevention projects in 2004 and 2005. The United Nations Children's Fund (UNICEF) signed a joint \$3 million plan with the GOB for the period until 2006 to promote children's and youth's health, and protect their rights. The United Nations Development Program has an active Global Environmental Facility (GEF) project, which assists the GOB in meeting environmental management objectives.

Georgia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

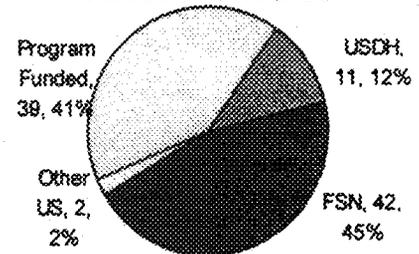
Objective	SO Number	FY 2004	FY 2005	FY 2006
Increased Economic Growth	114-0131	9,600	14,000	11,000
Energy and Environment	114-0151	12,448	13,400	10,000
Good Local Governance	114-0231	8,415	10,850	8,000
Social and Health Services	114-0340	9,777	11,825	9,000
Special Initiatives and Cross-Cutting Issues	114-0410	1,100		
Program Support	114-0420	4,168	5,575	5,050
Transfers		26,709	30,350	23,950
Total (in thousands of dollars)		72,217	86,000	67,000

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	4,750	4,185	4,100
USDH Salaries & Benefits	1,984	1,787	1,826
Program Funds	3,194	2,919	2,919
Total (in thousands of dollars)	9,928	8,891	8,845

FY 2006 Workforce



Mission Director: Denny Robertson

For more information, please visit our Website, www.usaid.gov

Georgia

The Development Challenge: Georgia's "Rose Revolution" has significantly refocused the Georgian public, its government, and the international community on the promotion of democracy, good governance, the rule of law, and sustainable social and economic development. On November 23, 2003, Georgia's President Edward Shevardnadze resigned in the wake of mass demonstrations and peaceful protests following the November 2nd Parliamentary elections, which observers condemned as fraudulent.

Shevardnadze's resignation ushered in a new reform-minded administration led by Mikheil Saakashvili, who was elected President on January 4, 2004. This brought to power a young, energetic, largely Western-educated team of reformers who declared themselves committed to accelerating reforms. The new government focused first on eliminating government corruption. Several high profile arrests were made and large numbers of employees were removed from agencies such as the Ministries of Justice and Internal Affairs. The government also began efforts to legitimize the shadow economy. In late 2004, Parliament proposed a financial amnesty bill that would allow citizens to register their undeclared assets and incomes in return for freedom from criminal charges or investigation. Reforms of many outdated legal codes, including the Criminal Procedure Code and the Administrative Code, are underway. All of the government ministries and agencies are being reconfigured and downsized to reduce redundancy, and various functions are being reorganized so that they are placed under more appropriate structures.

Georgia's commitment to reform has raised confidence in its economic management and, in turn, has attracted large inflows of bilateral and multilateral loans. In 2003, Georgia's debt to gross domestic product (GDP) ratio was almost 50%, and the country was some \$51 million in arrears. In June 2004, the International Monetary Fund approved a three-year Poverty Reduction and Growth facility equivalent to \$144 million, which enabled debt rescheduling and reduced Georgia's Paris Club debt service from \$169.2 million to \$46.4 million for the years 2004 - 2006. Due to the new administration's efforts to curb corruption, revenue collections almost doubled in 2004. This is a dramatic change from 2003, when Georgia's tax revenues were around 14% of GDP and among the lowest in the Commonwealth of Independent States. However, economic growth and foreign direct investment per capita remain low because of territorial conflicts, pervasive corruption, deteriorating infrastructure, unreliable energy, a perceived lack of contracts and property rights protection, structural impediments, and administrative barriers.

Georgia's ability to restore a reliable energy generation transmission and distribution sector will significantly impact its long-term economic growth. Reform and capital investment are necessary to more fully commercialize the sector, attract outside investment, and improve services. The energy sector continues to be among the Government of Georgia's (GOG) highest priorities. Nonetheless, energy independence, or even reliable energy, is years away and highly dependent on capital investment. In 2004 the state-owned United Electricity Distribution Company streamlined its staff, increased its electricity collections by over \$2.2 million, and almost tripled its payments to the Georgia Wholesale Electricity Market. Further progress in energy reforms is needed to achieve the ultimate goal of a reliable, financially stable energy supply. Until then, interruptions in generation and transmission will undercut economic growth and the quality of life.

The enthusiasm behind reform and the shift to the market economy has failed to meet the expectations for social improvements. Although the GOG has doubled monthly pensions from \$8 to \$16 and is now discussing needed systemic health and education reforms with donors, the country's low levels of new job creation and its low public health and education expenditures place its recent economic and political gains at risk. Fortunately, the current GOG welcomes assistance for social sector reform and has taken a much more proactive role in addressing these challenges.

The GOG has also made re-integration of breakaway territories a priority. In the spring of 2004 the autonomous region of Adjara was peacefully and rapidly reunited with Georgia. Over the long term, the GOG is also seeking solutions to the conflicts in South Ossetia and Abkhazia.

The U.S. Government's (USG) priorities in Georgia are to promote democratic reform, bolster regional

stability, and foster economic growth. As a front-line state, Georgia continues to be a strong ally in the Global War on Terrorism and currently has over 800 soldiers serving in Operation Iraqi Freedom. USAID is working in close collaboration with its partners to incorporate minority communities into its activities while promoting ethnic tolerance and conflict prevention. Georgia's location at the crossroads for east-west and north-south transit of goods and services positions it to benefit from trade expansion within the region and with Europe and the United States. Other U.S. national priorities in Georgia include the containment of organized crime and the trafficking of persons, arms, and narcotics. Strengthening Georgia's weak governmental institutions and fostering broad-based economic growth are essential to combat these dangers and other threats to U.S. homeland security.

The USAID Program: USAID's objectives support institutional changes that reinforce democracy, civil society, and the rule of law, improve the quality of public education and health services, increase incomes and economic development, promote energy sector reform, and support pressing issues (e.g., anti-corruption). Funds are being used to implement ongoing programs in agriculture, microfinance, banking sector reforms, energy sector reforms, local government management, rule of law, community development, health, and human services development.

USAID will begin support activities in economic policy and fiscal reform, small- and medium-sized enterprise finance and development, energy reform, community policing, education, and assistance to the GOG (e.g., President and Prime Minister's Office and ministries). In addition, USAID intends to use FY 2006 funds to start new activities in election reform and health. The program will focus on improving those economic, social, and democratic parameters that remain below the benchmarks for the more advanced developing countries of the region.

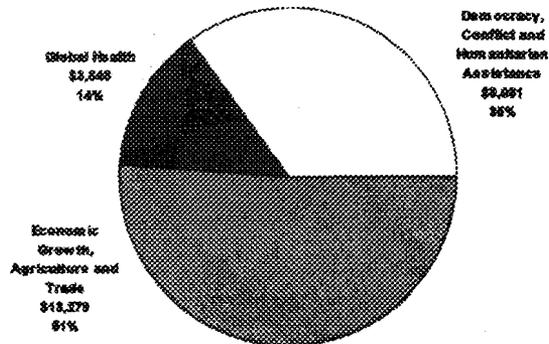
Other Program Elements: In addition to USAID's program management in Georgia, USAID's Global Health Bureau administers USAID's Child Survival Program, which funds technical assistance to reduce infant, child, and maternal mortality and morbidity. The Bureau for Economic Growth, Agriculture, and Trade manages the Farmer-to-Farmer Program, which provides short-term, U.S. volunteer technical assistance to increase farm and agribusiness productivity.

Other Donors: USAID has played a central role in donor coordination, and helped the U.S. prepare for the June 2004 Donor Meeting on Georgia in Brussels, which involved all donors. In 2004, Georgia was selected in the first round of countries eligible for funding through the Millennium Challenge Account. The United States and Germany are Georgia's first and second largest bilateral partners, working in the areas of poverty reduction, governance, and food security. Other major bilateral donors (listed in order of program size) include the United Kingdom (health and governance), Sweden (governance, poverty reduction, food security, and infrastructure), the Netherlands (infrastructure and governance), and Switzerland (governance, natural resource management, and humanitarian assistance).

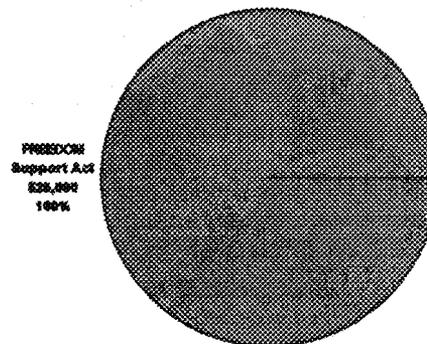
Multilateral donors, listed in order of the size of their program, include: the World Bank (education reform, energy, and infrastructure); the International Monetary Fund; the European Bank for Reconstruction and Development (banking, energy, and small- and medium-sized enterprise development); the European Union (legal and administrative reform, conflict prevention, and infrastructure); the Organization for Security and Cooperation in Europe (conflict prevention); and the United Nations system/agencies, including the World Food Program, the United Nations Development Program, the United Nations Children's Fund, and the World Health Organization.

Kazakhstan

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Small and Medium Sized Enterprise Program	115-0131	12,221	9,100	8,827
Energy and Water	115-0181	1,961	900	872
Strengthened Democratic Culture	115-0211	5,318	5,795	5,821
Conflict Prevention	115-0240	398		
Health and Population	115-0320	4,866	3,750	3,640
Cross-Cutting Programs	115-0420	3,349	1,950	1,500
Transfers		5,229	5,195	5,540
Total (in thousands of dollars)		33,342	26,690	26,000

Mission Director: George Deikun

Kazakhstan

The Development Challenge: Thanks to the Government of Kazakhstan's (GOK) commitment to market reforms and the rise of the energy sector, Kazakhstan has achieved steady economic growth, with an estimated 9.2% GDP growth rate in 2003. The country made major advancements in banking reform and supervision, fiscal reform, small-scale privatization, pension reform, and attracting foreign investment to the energy sector. The country's output has increased 50% in the past four years. However, there is a growing danger of over-reliance on the oil sector. Kazakhstan faces major challenges of diversification and corruption that hamper the growth of a middle class. About 25% of the population lives below the poverty line, and there are huge disparities between urban and rural areas, and among regions. This underscores a need to further develop small and medium enterprises (SMEs), create a vibrant middle class, promote enhanced rule of law, greater transparency, and public accountability, and expand domestic and foreign investment outside extractive industries.

Compared with the rapid pace of economic reform, Kazakhstan is showing little inclination to embrace greater democracy. Recent developments in Ukraine and Georgia are likely to make work in this area even more difficult. September Parliamentary elections fell well short of international standards. Despite some positive developments, such as the President's refusal to sign a new restrictive media law and the fact that the September elections attracted more public attention than any previous election, the media, political institutions, civil society, and the judiciary are at nascent stages. Accountable and transparent government processes are not yet well established. Freedom House rated the country with a six on political rights and with a five on civil rights, both on a scale of 1 to 7 (with seven being the lowest), and considers Kazakhstan to be not free. Corruption remains a significant issue. According to Transparency International, Kazakhstan ranks 124 out of 146 countries in terms of perceptions of the extent of corruption, with an extremely low score of 2.2 out of 10. Development of civic consciousness and advocacy throughout society will contribute to a strong grassroots effort to press for transparency and democratic reforms. Without a more pluralistic political power structure, this fledgling democracy will continue to struggle. One critical human rights issue where continuous USAID assistance has been successful is in keeping Kazakhstan off Tier 3 on the State Department's annual Global Trafficking in Persons Report.

With respect to social development, Kazakhstan has experienced unprecedented declines in life expectancy and health status. Men's life expectancy fell from 67.5 years in 1992 to 60.6 in 2001. Kazakhstan currently invests a meager portion of its gross domestic product (GDP) in its health system, less than 2% compared with World Health Organization (WHO) recommendations for 5% and the current Western European trend of 6% to 7%. A resurgence of infectious diseases is underway, which poses an immediate threat to the sustainability of the country's transition. Tuberculosis (TB) case notification rates are the highest in the world and threaten to grow higher as multi-drug resistant TB becomes more difficult and costly to cure. While by global standards HIV prevalence in Kazakhstan remains relatively low, an escalating trend from 100 HIV cases in 1996 to 4,500 cases today, and possible bridging of HIV/AIDS into the general population, are of great concern. Recently, the GOK designed a health care reform program, which calls for a doubling of the health budget (up to 4% of GDP). It focuses on primary health care and the provision of guaranteed medical services to vulnerable populations. This paves the way for greater involvement by USAID in creating the legal framework for health financing reforms; promoting evidence-based practices; improving medical and nursing education; addressing infant, child, and maternal health issues; and helping to produce valid, scientifically-sound data on the status of infectious diseases.

Kazakhstan's strategic location makes it a major player in the Global War on Terror, and its tremendous oil and gas resources make it key to economic development for Central Asia. U.S. investments in Kazakhstan's oil and gas sector have the potential of contributing to U.S. energy security. Genuine economic and democratic reform also would directly advance U.S. national interests, as would a decline in growing infectious disease rates. Given these factors, the fact that GDP growth for Kazakhstan is one of the highest in the world should not distract attention from the need to address the undercurrent of issues that could eventually destabilize the country.

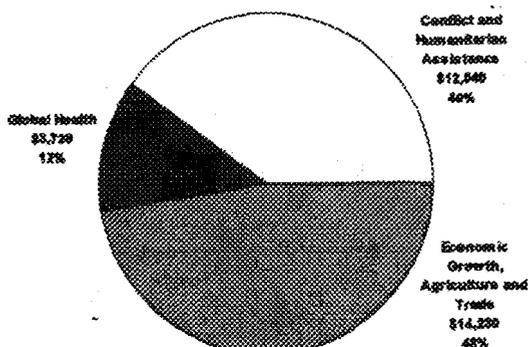
The USAID Program: USAID's six objectives include: the growth of small and medium enterprises (SMEs); promotion of democratic culture; improvement in the primary health care system and prevention of infectious diseases; better use of the region's transboundary water and energy resources; conflict mitigation; and support for cross-cutting programs related to gender, youth, corruption, and rule of law. In the economic sector, USAID priorities are SME growth, strengthening SME competitiveness, promoting diversification, rule of law, greater transparency, and public accountability, and improving the business environment. All of these elements are critical to development of a vibrant middle class and to ensure wider distribution of the benefits of economic growth. A new feature of USAID's assistance to Kazakhstan is a partnership for economic development, under which the GOK will share in the costs of USAID's economic portfolio and play a greater role in its design and execution. Kazakhstan's economic growth brings with it great expectations of higher living standards, which, if unfulfilled, could fuel discontent and instability. Therefore, irreversibility of economic reforms largely depends on democratic changes, active participation of civil society, and Government spending on the social sector. Recent parliamentary elections demonstrated that the Government's political will for democratic reform remains lacking, but public pressure for such reforms is increasing. USAID's strategic approach to supporting democracy in Kazakhstan focuses on strengthening and developing civil society, supporting and advocating for independent media, and providing training for political parties and civic education. In the health sector, USAID supports health reform and promotes primary health care and evidence-based medicine as well as the reduction of infectious disease rates. USAID and ExxonMobil began a global development alliance (GDA) in January 2004 to improve the health and quality of care provided to young children in Astana through implementation of the WHO-recommended Integrated Management of Childhood Illnesses strategy. The Mission also began a Development Credit Authority (DCA) in FY 2004 to promote energy efficiency. The Water for the Poor and Clean Energy Presidential Initiatives are supported with country level funding.

Other Program Elements: Several centrally-managed USAID programs assist the Mission to achieve its goals. The Monitoring and Evaluation to Assess and Use Results Program allows USAID to tap into cost-effective and efficient data collection to support monitoring and evaluation efforts in the health and nutrition sectors. The Farmer-to-Farmer Program, funded by P.L. 480, complements USAID agricultural enterprise development work. The Eurasia Foundation's small grants program, managed by USAID in Washington, supports small business development, encourages civic advocacy, and increases local government responsiveness to citizens' needs. The U.S. Centers for Disease Control and Prevention (CDC) will be an implementing partner for the Defense Threat Reduction Agency's biological threat agent surveillance network under the Threat Agent Detection and Response Program. USAID's Office of Foreign Disaster Assistance manages a regional earthquake preparedness activity that targets Almaty, Kazakhstan. The Department of State's Bureau for International Narcotics and Law Enforcement Affairs and Bureau of Democracy, Human Rights, and Labor continue to collaborate closely with USAID in areas of mutual interest. The Departments of Commerce, Defense, Energy, Agriculture, and State manage programs complementary to USAID field activities in various sectors.

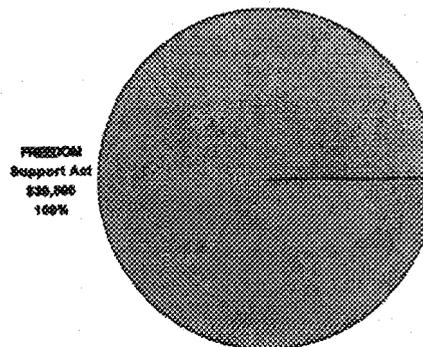
Other Donors: The United States is the largest bilateral donor, but a number of other donors are active, all of whose assistance is coordinated with that of USAID. The European Bank for Reconstruction and Development (EBRD), International Bank for Reconstruction and Development (IBRD), European Union (EU), Islamic Development Bank (IDB), U.N. Development Program (UNDP), and the Germans provide assistance for the development of SMEs. Promotion of international trade (EBRD, IBRD, UNDP, IDB, Germany, and Japan); construction of public infrastructure to advance economic growth (the Asian Development Bank, EBRD, and Germany); and modernization of the tax, treasury, and banking systems (EU, EBRD, the World Bank, GTZ, and Japan) attract many donors. The EU and the Germans are providing assistance in the agricultural sector, and the UNDP, WB, EBRD, Swiss, Canadians, British, and Danish are assisting with energy and water sector reforms. The Open Society Institute, EU, and the Organization for Security and Cooperation in Europe support initiatives related to democracy and governance while the U.N. organizations, World Bank, International Federation of Red Cross and Red Crescent Societies, German Development Bank, and Japanese International Cooperation Agency are engaged in the health sector. MASHAV, the Israeli foreign assistance agency, provides training and implements demonstration projects related to natural resource and business development.

Kyrgyzstan

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Small and Medium Enterprises	116-0131	12,528	10,300	9,870
Energy and Water	116-0161	1,810	1,500	1,630
Democratic Culture and Institutions	116-0211	6,437	5,400	5,170
Conflict Prevention	116-0240	640	1,210	950
Health and Population	116-0320	5,312	3,900	3,730
Strengthened Basic Education Sector	116-0340	155	120	120
Cross-Cutting Programs	116-0420	2,265	1,540	1,520
Transfers		7,091	7,030	7,010
Total (in thousands of dollars)		36,238	31,000	30,000

Mission Director: George Deikun

Kyrgyzstan

The Development Challenge: With both Parliamentary and Presidential elections scheduled for 2005, the primary development challenge in Kyrgyzstan remains to discern and support those seeking a true democracy and an open, market oriented economy. Small, landlocked, and with limited natural resources, Kyrgyzstan is still the most progressive country in Central Asia, with a more free press and open civil society. While very poor, it at least is holding its own economically, with gross domestic product (GDP) growth for 2004 estimated at 6.8%. High debt levels and inadequately maintained infrastructure, however, make this growth fragile. Kyrgyzstan leads the region in both local government and health care reform. Civil society and media are, at times, able to influence government policy and legislation. Parliament is increasingly active and responsive and often provides a check on the Executive Branch, although this could change after 2005 parliamentary elections. The budget process is one of the most transparent in the region. The collected national budget in 2004 was 100% of the planned figure, the best performance since independence. Kyrgyzstan is the only country in Central Asia in which a majority of local government officials is elected, and more than 40% of incumbents were ousted in 2001 local elections. Nevertheless, corruption, stemming in part from very low government salaries (many below the poverty line) and a powerful ruling oligarchy has become a primary concern of donors. Poverty-level wages and deteriorating infrastructure in the education sector are jeopardizing an entire generation. The Government's control of important media, and its harassment of critics, is generating increasing cynicism. Essential social services are still inadequate, but growth was such that from 2002 to 2003 poverty fell from 44% to 41% of the population. Extreme poverty fell from 14% to 9% over the same period. About 12% of the rural population is in extreme poverty, compared to only 5% of the urban population. Hard independent data on poverty levels, however, is outdated. Kyrgyzstan will have a busy elections cycle in 2005, with parliamentary elections in February, presidential elections in October, and elections of heads of local governments in December. Parliamentary elections are expected to be hotly contested. President Akayev has publicly declared that he will not run for office again, perhaps setting the stage for the first democratic transition of power in Central Asia.

Government data show that annual per capita income for 2003 was \$367. The average monthly salary was equivalent to approximately \$50, an increase from last year's monthly rate of \$40. There was a slight increase in the volume of exports to \$523 million, but imports grew by 25.6%. External debt was \$1.9 billion at the end of the first quarter of 2003, a 7.8% increase over the same time in 2002. Tax collections increased by about 11.8% and inflation is projected to be 4.5% for the year. The currency has remained stable against the dollar at 42-43 soums to the dollar. Trade barriers such as the border closure with Uzbekistan, protectionist measures from Kazakhstan, and corruption continue to be formidable. Many lucrative businesses and investment projects have been monopolized by a small group of politically well-connected entrepreneurs. A maze of uncodified "fees" continues to constrain free enterprise. Banking deposits increased by 32% in 2003 and the average interest rate on loans decreased to approximately 25% per annum. Foreign Reserves were approximately \$180 million on October 1, 2003. Although many laws promoting free enterprise activity have been passed, implementation of these reforms has stalled due to a lack of demand on the part of the private sector.

Kyrgyzstan is a firm U.S. ally in the Global War on Terror, and its support in the form of the vital coalition airbase in Manas and over-flight rights were essential to successes in Afghanistan. Kyrgyzstan's reform agenda directly advances U.S. national interests in ensuring stability by promoting economic and democratic reform. Its location at the headwaters of major river systems in Central Asia also enables it to affect critical issues such as irrigated agriculture, power generation, and flooding in the downstream countries. The challenges described above and protectionist measures from neighbors are potential sources of conflict that could threaten regional stability and U.S. economic and political interests in Central Asia.

The USAID Program: The U.S. assistance program in Kyrgyzstan advances U.S. national interests by strengthening democratic culture, reducing potential for conflict, fostering an environment that better supports private sector economic development, delivering higher quality primary health care to more people, supporting anti-trafficking programs, improving basic primary education, and promoting rational and effective management of water and energy. These mutually reinforcing objectives help to establish

the environment necessary for both democracy and markets to flourish, thereby promoting internal stability and greater prosperity. USAID programs build on Kyrgyzstan's relatively open civil society and governmental reforms to meet the challenges of continuing oligarchy, corruption, debt burden, lack of trade, broad poverty, and weak governance. USAID is helping to promote the Clean Energy and Water for the Poor Presidential Initiatives through innovative natural resource management programs. These programs have resulted in electricity loss reduction and development of water users associations, as well as assistance in transboundary water management. The Mission also funds a Development Credit Authority (DCA) in Kyrgyzstan, aimed at rehabilitating rural water infrastructure.

All of the programs work directly through private firms or NGOs, both U.S. and local; no funds are given directly to the Government. Many of the programs, however, provide technical assistance to Government Ministries and agencies involved in reforms. Technical assistance is also given to the Parliament to improve the hearing and law making process. Human capacity building is a key component of all programs, since the Government has suffered a steady brain drain to the private sector since independence in 1991.

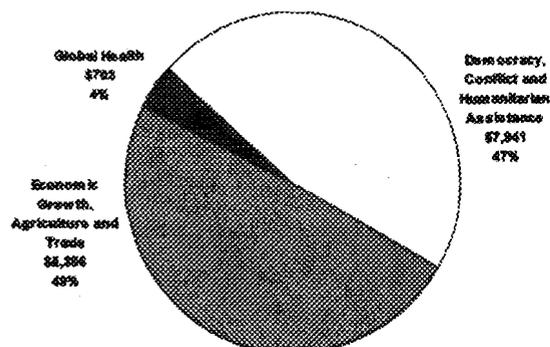
USAID's seven strategic objectives promote reforms that foster the growth of small and medium enterprises, promote democracy and civil society, improve primary health care and prevent infectious disease, encourage better use of the region's water and energy resources, increase access to basic education, mitigate resource-based or inter-ethnic conflict, and address cross-cutting issues such as gender, corruption, rule of law, and youth.

Other Program Elements: The Farmer-to-Farmer Program, managed by USAID's Bureau for Democracy, Conflict and Humanitarian Assistance, is active in Kyrgyzstan. The Eurasia Foundation has a small grants program, which complements USAID assistance related to education, media, small business, local government, and civil society. Centrally-funded activities include applied research in health and efforts to improve maternal and child health. The State Department's Bureau for International Narcotics and Law Enforcement Affairs and Bureau of Democracy, Human Rights, and Labor continue to collaborate closely with USAID in areas of mutual interest. The Departments of Commerce, Defense, and State also manage programs complementary to USAID field activities in various sectors. USAID also coordinates a very large program of donated humanitarian commodities, transported with State Department funding. Additionally, USAID supports the American University of Central Asia with both State Department and USAID/Washington funding.

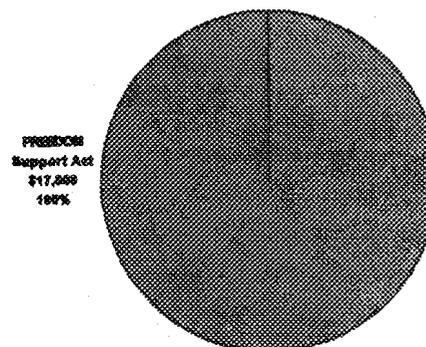
Other Donors: Most major multinational donors are active in Kyrgyzstan, as well as bilateral donors such as the European Union, Great Britain, Germany, Switzerland, and Japan. The World Bank leads the donor coordination efforts in the country. USAID collaborates in all areas, but most significant are the joint efforts in health reform, HIV/AIDS, and policy discussions on governance issues. The largest donors are the Asian Development Bank (ADB), the International Monetary Fund (IMF), and the World Bank. Also important are the European Bank for Reconstruction and Development; Organization for Security and Cooperation in Europe (OSCE); World Health Organization; the Global Fund to Fight AIDS, Tuberculosis, and Malaria (GFATM); the International Organization for Migration; the Islamic Development Bank; the Aga Kahn Foundation; and the Open Society Institute. In the education sector, the ADB is the largest donor, followed by the World Bank. The ADB is involved in curriculum reform, textbook development, infrastructure repair, and development of distance education for teachers. The World Bank primarily supports the development of rural education. In the democracy and media sector, other key donors are the OSCE, Soros Foundation, the United Nations, and the European Union. In the health sector, the World Health Organization, GFATM, the World Bank, and ADB are the primary donors. USAID helps to leverage World Bank activities by providing technical assistance for the implementation of World Bank-funded commodities. In the area of economic development, the World Bank, IMF, ADB, and European Union are the largest donors. In the energy sector, the World Bank and Swiss Government are active players, both funding electricity loss reduction projects developed from the USAID-sponsored model. USAID makes unique contributions in terms of financing university business education, investment climate improvement, land reform, and development of the agricultural supply market.

Moldova

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



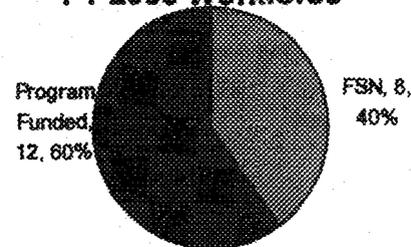
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Private Enterprise Development	117-0131	12,728	6,231	6,656
Democratic Transition	117-0230	2,320	5,582	5,314
Social Transition	117-0340	3,929	2,722	1,690
Transfers		3,566	2,815	3,340
Total (in thousands of dollars)		22,543	17,350	17,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation			
USDH Salaries & Benefits	213		
Program Funds	484	484	484
Total (in thousands of dollars)	697	484	484

FY 2006 Workforce



Mission Director: Chris Crowley

Moldova

The Development Challenge: The dismal economic condition of Moldova inherited from the former Soviet Union worsened with the loss of traditional markets in the East and a painful economic transition during the 1990s. The reform process, which proceeded slowly throughout the 1990s, has imposed hardships on the Moldovan people, and there is a general perception that the process was tainted with corruption and has unjustly benefited a well-positioned elite. After the 2001 parliamentary election, the reform process saw some setbacks and some progress. At that time, members of the Communist Party of Moldova (CPM) were elected to office in what most observers considered to be a reasonably free and fair process. The election of the CPM resulted from the perception that the previous "reform" government was corrupt, unaccountable, and not proactive in helping improve the economic and social conditions within the country.

Nearly 50% of Moldovan gross domestic product (GDP), 40% of employment, and 65% of exports are related to agriculture (agribusiness included). More than half the country's population lives in rural areas and makes its living from agricultural activities. According to the European Bank for Reconstruction and Development (EBRD), GDP per capita is \$448. According to a 2002 household survey, more than 40% of Moldovans live in absolute poverty. More than 70% of the poor live in rural areas, and 8% in large cities. According to the Moldovan Security Service, between 600,000 and 1,000,000 Moldovan citizens (approximately 25% of the population) work abroad, many illegally. In some villages, half the population has migrated. Some of those who seek legitimate employment abroad do succeed in finding it. Others, primarily young women, are not as lucky and are lured into forced prostitution. The International Organization for Migration (IOM) estimates that every year approximately 10,000 women go abroad in search of work. Although no official statistics exist, IOM estimates that the majority of women trafficked come from rural areas.

Although the GOM has not denounced the pro-democratic, economic and social reform initiatives that were introduced during the 1990s, they have been selective in their support of some reform measures and have worked hard to reverse or derail others. USAID and the U.S. Embassy have worked to maintain a strong working relationship with the GOM, despite initial concerns about Communist Party rhetoric, and a number of anti-reform measures taken by it. However, for the past two years, the GOM's commitment to economic and market reforms has been questionable. The International Monetary Fund (IMF) does not have an active program in Moldova. The World Bank (WB) program is proceeding extremely cautiously. Though the GOM continues to issue statements about its commitment to the reform process, its actions often speak otherwise.

In 2004, the Parliament passed a law on production cooperatives to facilitate the return to the old style Soviet collective farms. The GOM also established a requirement that grain transactions be registered with the Universal Commodity Exchange, and set export prices for grains with the apparent intention of hindering grain exports and maintaining artificially low bread prices. Bureaucratic restrictions continue to impede the import of U.S. poultry in an apparent attempt to promote the establishment of state-affiliated poultry operations. On a more positive note, the GOM has established a national working group (with private sector participation) to promote regulatory reform in business activity.

Currently, the GOM's commitment to reform is uncertain, being influenced by politics surrounding the March 2005 elections, and the breakdown in negotiations over a new federal constitution, which would reintegrate the breakaway republic of Transnistria with Moldova. The limited polling conducted in Moldova points to another win for the Moldovan Communist Party in the upcoming elections. President Voronin remains the single most popular political personality in Moldova.

Important foreign investors have left the country, while others have faced substantial levels of intervention from the authorities. Corruption remains a serious problem. Other factors that have adversely affected the situation in Moldova include the reduction in trade with its historically largest trading partner, Russia, and the economic dislocations caused by the breakaway of the Transnistria region, which has the majority of Moldova's heavy industry.

The key challenge to achieving economic growth, accountable government, and improved social conditions is the GOM's apparent lack of commitment to reform. The Parliament has not acted on many of the laws that have been recommended by USAID and other donors. The GOM's heavy handed approach to privatization and lack of transparency in the energy sector has resulted in setbacks in energy privatization. The environment for investment was soured by the GOM harassment of Union Fenosa, a foreign investor in the energy sector. The energy regulatory agency is not an independent agency inasmuch as it is constantly under pressure from the highest levels of government not to increase tariffs and not to investigate questionable transactions. During FY 2004, all USAID energy sector activities (with the exception of a few minor activities managed by USAID in Washington) were phased out. This early phase-out from the energy sector sent a strong message to the GOM with regard to its lack of commitment to the reform process.

The CPM is trying to reassert control at the national and local levels. The international community observed procedural irregularities and expressed concern about the GOM's abuse of power. The GOM intimidated key political opposition members with a series of investigations and arrests on questionable charges, reversed local government reform intended to devolve power from the central authorities; and increased manipulation of the media. The competing interests of the Parliament and the Presidency have resulted in weak governmental institutions.

The USAID Program: The principal beneficiaries of the USAID strategic assistance for Moldova are the unemployed and the working poor, who constitute the majority of the population, particularly in rural areas. USAID's strategy concentrates on job creation, income generation, and economic opportunity in rural areas. USAID encourages growth through investment in agribusiness and improving the environment for private enterprise. It also focuses on developing effective, responsive and accountable democratic institutions by strengthening local government autonomy, and civil society; and helping to assist Moldova's most vulnerable citizens.

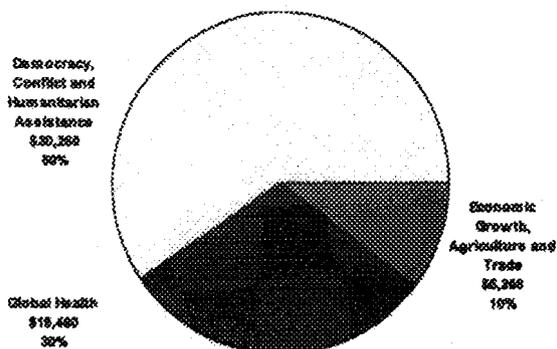
Other Program Elements: The Farmer-to Farmer Agribusiness Volunteer Program (Citizens Network for Foreign Affairs) is managed by the USAID Bureau for Europe and Eurasia. This program fielded 18 volunteers during FY 2004, who assisted farmers' cooperatives and associations and provided technical advice to milk receiving stations, credit associations, farm service centers, and farm stores.

The USAID Bureau for Economic Growth, Agriculture, and Trade manages the Micro and Small Enterprise Development (MSED) and Development Credit Authority (DCA) Loan Portfolio Guarantee (LPG) Projects. Through these projects, USAID helped the Moldovan banking sector to increase its lending activity with SMEs and agriculture entrepreneurs. Seven banking and non-bank financial institutions are participating. Over 1,000 beneficiaries have received loans totaling more than \$13 million. Agroindbank's new program targeting start-up SMEs and agriculture businesses is an example of the new interest of banking institutions to these sectors in Moldova.

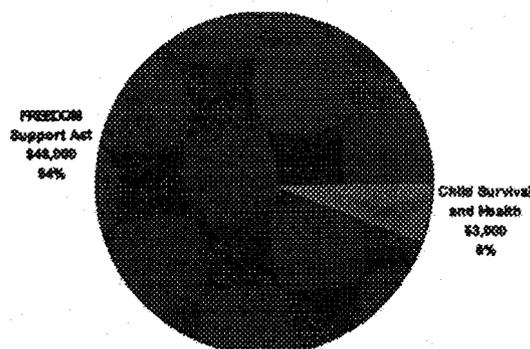
Other Donors: Donor coordination is maintained through frequent meetings with all bilateral and multilateral donors. Until recently, the U.S. was the only major bilateral donor. However, Sweden is now the largest bilateral donor. Germany, the Netherlands, Japan, and Great Britain also have bilateral programs. The Soros Foundation and private organizations run development programs in Moldova. In addition to U.S. bilateral assistance, there are multilateral donors: the IMF (economic policy); the World Bank (economic policy, social investment fund, micro-projects at the village level and energy); the EU Technical Assistance to the Commonwealth of Independent States (agricultural sector); and the International Fund for Agriculture Development (agriculture sector). The United Nations Development Program also provides support.

Russia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



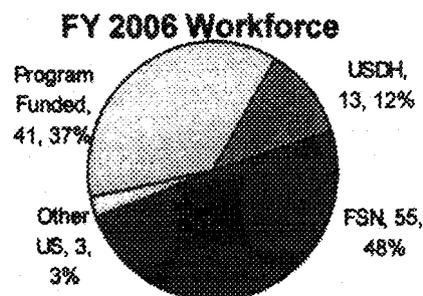
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Small Business Development	118-0131	8,574	7,215	3,100
Economic Policy Reform	118-0141	4,221	680	
Environment	118-0161	3,590	625	
More Open, Participatory Society	118-0211	12,290	19,800	12,280
Legal Systems Strengthened	118-0221	3,395	5,587	3,800
Improved Local Governance and Economic Development	118-0231	2,850	3,553	1,520
Health and Child Welfare	118-0321	19,720	22,800	14,480
Special Initiatives	118-0410	12,000		
Cross-Cutting Programs	118-0420	13,709	11,750	6,820
Transfers		19,001	15,990	9,200
Total (in thousands of dollars)		99,350	88,000	51,000

Excludes P.L. 480. See Program Annex.

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	5,082	4,400	4,500
USDH Salaries & Benefits	2,082	1,720	1,757
Program Funds	2,986	2,840	2,830
Total (in thousands of dollars)	10,150	8,960	9,087



Mission Director: Terry Myers

For more information, please visit our Website, www.usaid.gov

Russia

The Development Challenge: Russia's history, cultural and demographic complexity, massive land area, and stage of development pose unique challenges and unprecedented opportunities for the U.S. foreign assistance program. The goal of USAID programs is to help Russia become a reliable and effective partner working on key transformational development, geo-strategic, and transnational issues of importance to both countries. USAID's program develops and strengthens policies, mechanisms, and legacy institutions to support that partnership.

Russia's strategic importance is clear. It has 17,000 nuclear warheads and a large standing conventional military force. It has stockpiles of chemical and biological weapons. It is the world's second largest producer of oil and natural gas and has vast timber, mineral, and petroleum resources. With almost a quarter of the world's forest acreage, it provides nearly a third of the planet's carbon dioxide absorption.

Because of Russia's strategic importance, there are a number of issues where cooperation will continue to be of critical interest to the United States for the foreseeable future. These range from concerns about Russia's own social and economic stability to global issues such as trafficking in persons, climate change, combating terrorism, and access to weapons of mass destruction. At the moment, Russia faces a growing health and social crisis. Increased infectious disease transmission and unhealthy lifestyles overburden an already-stretched health care system. In 2004, male life expectancy is 60 years, the same as that of Bangladesh. HIV/AIDS and multi-drug resistant tuberculosis (TB) infection rates are growing rapidly. The birth rate is one of the lowest in the world with 9.63 births per 1,000 people. If these trends continue, Russia's population could decline by one third in the next 45 years.

Poverty is rife. Despite recent dramatic petroleum-led economic growth, it is estimated that about 20% of Russia's population lives in poverty. Small and medium enterprises account for only 12% of the gross domestic product (GDP) compared to 50-70% in other European countries. Scarce job opportunities raise social challenges. Continuing internal migration and consequent co-location of disparate people and cultures coupled with large income disparities are introducing new strains into the social fabric. Democratic reforms have drastically slowed over the past several years as the government has moved to limit independent media and recentralize power.

The USAID Program: USAID's assistance objectives in Russia extend beyond traditional economic and social development. They include broader geostrategic and transnational issues such as counter-terrorism, non-proliferation, infectious disease control, global warming, and trafficking in persons. USAID's development experience and instruments complement the work of other agencies on such issues. In particular, the focus is to strengthen partnerships and to establish lasting mechanisms to link United States and Russian agencies, institutions, governments, organizations, and citizens in common efforts to address key concerns of both countries. The program addresses Congressional interests in: combating infectious diseases; promoting reproductive health and family planning; child survival and maternal health; the needs of vulnerable children and orphans; combating trafficking in persons; domestic violence; and focused support for the Russian Far East (RFE). In FY 2006, more prominence will be placed on democracy and health, with an emphasis on HIV/AIDS, while support to the economic area will be phased out.

Overwhelmingly, USAID assistance is implemented by non-governmental organizations (NGOs) and other private sector entities. Over the short- to medium-term, this support will target the achievement of increased self-sustainability for these groups to ensure continuation of their positive impacts on Russia's politics, society, and economy.

During FY 2005, USAID will prepare its program strategy for the next five years. Evaluations and assessments previously carried out and planned will be drawn upon for lessons learned and to identify priority activities for the future.

USAID's program in Russia has three primary objectives: economic growth (to be phased out over this period); democracy and governance; and health. Within those areas, special efforts will be made to focus

on selected local communities and regions in order to introduce proven models that can eventually be applied in other communities and nationally, when appropriate. The requested funds will be used to implement ongoing programs in these areas.

Other Program Elements: There are a number of other significant programs active in Russia for which non-bilateral funds are provided and activities managed by USAID in Washington. These include U.S./Russian health and environmental partnerships supported by the USAID's bureau for Global Health and Economic Growth, Agriculture, and Trade; focused regional programs to fight corruption, strengthen NGOs, and promote international accounting standards; activities of the Eurasia Foundation; the U.S. Russia Investment Fund (TUSRIF), small business loan guarantees, as well as P.L. 480 activities through the World Food Program and modest efforts to promote tolerance in Chechnya.

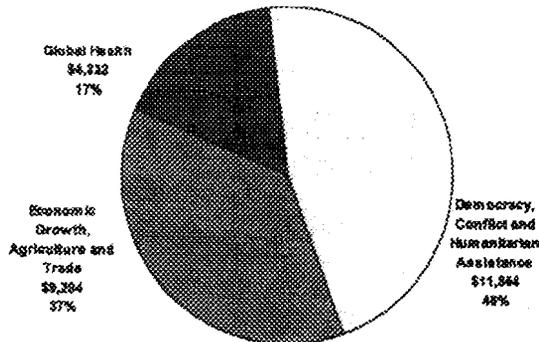
In addition, USAID works closely with other U.S. Government agencies present in Russia, especially in supporting Department of Energy programs in formerly "closed cities," the Department of State on public diplomacy (along with the Library of Congress) and counter-terrorism, and the Department of Justice on the prevention of trafficking in persons.

Other Donors: The United States is the largest bilateral donor to Russia providing well over half of all bilateral assistance according to Organisation for Economic Co-operation and Development data. Total bilateral aid was estimated to be over \$892 million in FY 2004. Other donors, both bilateral and multilateral, include the European Union, World Bank, the United Nations, Germany, Israel, and the United Kingdom. Key emphases for bilateral assistance include: health, education, and other social sectors (48%) and economic infrastructure and services (38%).

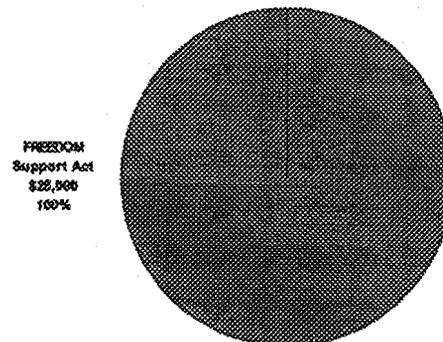
Local and foreign private foundations also play an important role, particularly in the areas of civil society and health. However, recent GOR attacks on some of Russia's most successful entrepreneurs and their companies have chilled enthusiasm for charitable giving. Whether corporate charitable giving recovers the strength it showed in 2003 (estimated at \$50 million) depends in great part on whether the Kremlin demonstrates that such giving is welcomed and encouraged.

Tajikistan

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Small and Medium Sized Enterprises	119-0131	4,402	3,525	4,581
Energy and Water	119-0161	857	1,470	1,350
Democratic Culture and Institutions	119-0211	8,215	3,475	4,600
Conflict Prevention	119-0240	1,498	780	718
Health and Population	119-0320	5,265	3,593	4,232
Improved Quality of and Access to Basic Education	119-0340	300	230	212
Cross-Cutting Programs	119-0420	1,522	1,790	1,647
Transfers		4,392	12,137	7,660
Total (in thousands of dollars)		24,451	27,000	25,000

Excludes P.L. 480. See Program Annex.

Mission Director: George Deikun

Tajikistan

The Development Challenge: Tajikistan continues to play a pivotal role as a U.S. ally in Central Asia with respect to the Global War on Terror and the cessation of counter narcotics trade. Tajikistan was the poorest republic within the Soviet Union and today is the poorest country in the region. According to the World Bank, nearly two thirds of the population (64%) lives below the poverty line. Economic growth has remained constant and is above 8% annually since 1999. This impressive growth is attributable to three factors unrelated to sustainable structural economic reforms: the cessation of the civil war, the initial impact of macroeconomic stability, and the large increase in remittances from migrant workers. However, national unemployment remained fairly stable at about 12% to 15% during this same period. Employment in the agriculture sector, unskilled labor markets, and family workers all increased with a comparable decline in employment in manufacturing, transport, health, education, and social work. According to Transparency International, Tajikistan continues to fall within the bottom 10% of countries worldwide in its control of corruption (133 of 145), largely attributed to its failure to address administrative reform and weak public institutional structures.

Russia recently began the process of demobilizing its border guards along the 1,400 kilometer Tajik border with Afghanistan. The border is highly porous and inconsistently patrolled, which makes the Russians' departure worrisome given the poorly-equipped and trained Tajik border control unit. Narcotics trafficking remains a significant problem as heroin producers use Tajikistan as a primary transit route for exports to Russia and Europe. Poor government expenditures in the social sector, and particularly in education, are also of growing concern. The number of students attending school is declining, from 90% in 2000 to 88% in 2003. In rural areas (73% of the country), twice as many girls drop out of school as boys because families place little value on the poor quality of education and there is a lack of jobs post-graduation. The resurgence of HIV/AIDS and tuberculosis (TB) are other worrisome trends. With regard to TB, the actual number of people infected is probably five times higher than the official figure and more deaths are occurring due to the disease.

In spite of the problems it faces, the Government of Tajikistan (GOT) continues to press for reforms in notable areas. Buoyed by increased donor support, the GOT is moving on a broad front to improve the transition to a market economy through improved macroeconomic management and monetary policy, banking supervision, tax administration, and commercial law. Public spending on health and education has increased in real terms, primarily to meet salary increases. The GOT is implementing fundamental reforms in health care and education financing in pilot regions. The USAID program directly supports the GOT's reform agenda. It advances U.S. national interests to stem drug trafficking and promote political and social stability through democratic and economic reform, improved quality of life, and enhanced productive capacity.

The USAID Program: USAID's seven strategic objectives in Tajikistan promote reforms and training that foster the growth of small and medium enterprises (SMEs), promote civil society and expand access to information, improve primary health care and prevent infectious disease, encourage better use of the region's water and energy resources, improve primary education, mitigate or prevent conflict, and address cross-cutting issues such as gender, corruption, and youth. Elements of the program also address the Water for the Poor and Clean Energy Presidential Initiatives through work to improve water resource management at the national and local level and to promote efficient energy use.

The Government's capacity to effect reform is considered weak due to the lack of trained staff. The private sector is poorly developed and continues to be constrained by inconsistent Government regulation. International non-governmental organizations (NGOs), in cooperation with local NGOs, are partially able to provide basic services at the community level. The design of this program is effectively building both public and private capacity to develop and implement public policies and reforms, particularly in the area of economic reform and regional trade, as well as at the local level where USAID is re-establishing links between communities and local government. Such efforts are critical to USAID's success in a country where neither businesses and communities nor government structures are accustomed to working together to address development needs.

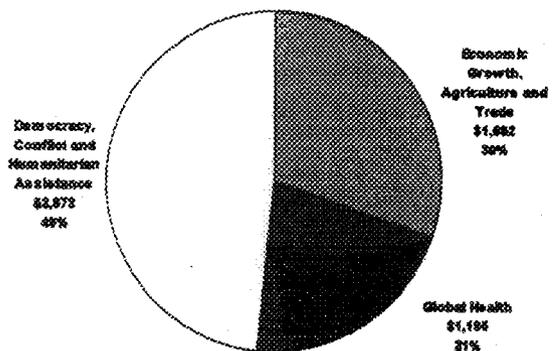
USAID continues ongoing activities in Tajikistan such as fiscal reform, banking supervision, microfinance development, World Trade Organization (WTO) accession activities, customs reforms, identification and removal of investment constraints, restoration of primary irrigation infrastructure, local government, maternal, child, and reproductive health, drug demand reduction, and basic and civic education. USAID has initiated new activities relating to land tenure reform and infectious disease control and expanded programs in HIV/AIDS and tuberculosis and political party development.

Other Program Elements: With funding from USAID's Child Survival Matching Grant Program, a very successful primary and reproductive health care activity is continuing in Penjikent District, which is cut off from the rest of Tajikistan by the closed Uzbekistan border to the east and mountain passes to the north and south that are closed six months per year. USAID's Office of Food for Peace has provided essential support for the World Food Program's school feeding and other vulnerable group feeding programs using P.L. 480 Title II resources. A recently-approved five-year, \$60 million P.L. 480 Title II Development Assistance Program was awarded to a consortium of NGOs to further provide assistance to communities and schools for health activities. However, the demand for food aid in other regions of the world threatens the viability of this program. The Farmer-to-Farmer Program, also financed through P.L. 480 and managed by USAID's Bureau for Economic Growth, Agriculture, and Trade, has actively supported agriculture-related SME development efforts in Tajikistan. USAID's Office of Foreign Disaster Assistance is undertaking a new regional earthquake preparedness project that targets Dushanbe, Tajikistan. Additionally, the Eurasia Foundation manages small grants in education, small business, local government, and civil society, which reinforce USAID's strategic objectives. The Departments of Commerce, Defense, Agriculture, and State also manage programs complementary to USAID field activities in exchange programs, training opportunities, support to border guards and customs officials, and emergency feeding programs through the World Food Program. For example, the State Department's Bureau for International Narcotics and Law Enforcement Affairs and Bureau of Democracy, Human Rights, and Labor continue to collaborate closely with USAID in areas of mutual interest.

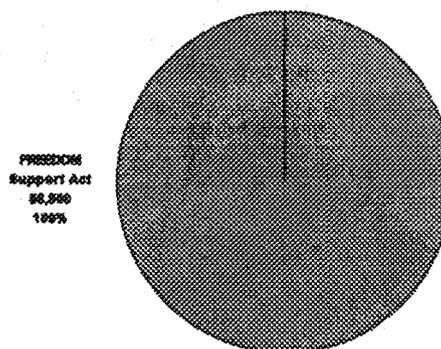
Other Donors: The U.S. Government is the largest bilateral donor in Tajikistan. The second largest bilateral donor is Japan, which is active in the agricultural sector and implements food security and poverty reduction programs. The European Union has re-established its Technical Assistance for the Commonwealth of Independent States as well as a new food security program. These programs complement the European Union's continuing humanitarian assistance program funded through the European Community Humanitarian Office. Other bilateral donors include Switzerland, Canada, Denmark, Germany, Norway, Sweden, and the United Kingdom. The long-established Swiss program is closely coordinated with USAID efforts related to regional water programs, WTO accession, and judicial reform. Similarly, USAID has worked in close partnership with the newly-arrived Swedes and Canadians to ensure close coordination as they design their programs in agriculture and land reform areas. The largest non-state donor is the Aga Khan Development Network, which supports a number of economic development and educational activities throughout the country. Multilateral donors include the World Bank (health reform and private sector development), the Asian Development Bank (social service sector rehabilitation, transportation, irrigation, hydroelectric generation, and microfinance), Islamic Development Bank (road construction, energy sector rehabilitation, and school and irrigation rehabilitation), and the European Bank for Reconstruction and Development (telecommunications, airport navigation, and microfinance). USAID works closely with the Asian Development Bank and the World Bank in land reform, microfinance, irrigation rehabilitation, health care reform, and basic education.

Turkmenistan

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Small and Medium Sized Enterprises	120-0131	765	900	624
Energy and Water	120-0161	275	200	
Democratic Culture and Institutions	120-0211	1,075	1,200	972
Health and Population	120-0320	1,540	1,580	1,166
Cross-Cutting Programs	120-0420	870	630	438
Transfers		1,175	1,895	2,300
Total (in thousands of dollars)		5,700	6,505	5,500

Mission Director: George Deikun

Turkmenistan

The Development Challenge: Over the past year, the Government of Turkmenistan has rekindled some cooperation efforts with international organizations, especially in the area of security, but still lacks political will to deal with the developmental challenges faced by its people. Social indicators continue to be alarming. While the Government is making expenditures of marginal public utility, investments in health and education continue to decline. Less than 4,000 students out of a graduating class of about 105,000 were able to enter higher educational institutions last year. Of that, only 32% were women. This does not bode well when approximately 45% of the population is under the age of 25. Only 42% of rural families have access to potable drinking water. Child and infant mortality are alarmingly high and there is little will to tackle the spread of HIV/AIDS. Unemployment continues to be a concern, with some estimates putting it as high as 70% outside of Ashgabat. Brain drain is a real issue as educated workers seek employment opportunities abroad, mainly in Russia, especially since foreign diploma holders are not looked upon fondly. There are only 0.24 internet users per 1,000 people in Turkmenistan. The only internet service provider is the Government-owned telecom, which controls its use. Although satellite television from Russia is tolerated, there are no internal independent media outlets.

When addressing the developmental needs of Turkmenistan, it is important to differentiate between reforming the Government and investing in the people. The citizenry continues to crave engagement by international partners and is building human capacity to advance reforms once a new era dawns on Turkmenistan. Although by nature the Turkmen people are patient and largely non-confrontational, USAID is seeing small examples of advocacy at the local level for the development of society. Investing in those people is the foundation of USAID's assistance program in Turkmenistan. Giving them the tools to create an environment of change is essential. All the while, USAID has substantially limited its assistance to the Government of Turkmenistan (GOT). All programs work directly through private firms or non-governmental organizations (NGOs), both U.S. and local; no funds are given directly to the Government to manage.

The U.S. national interest in Turkmenistan is significant. Turkmenistan is situated in a neighborhood in flux, bordering Afghanistan, Iran, and Uzbekistan. U.S. involvement keeps rogue elements from gaining a foothold. Turkmenistan has been supportive of the war on terror and is particularly important to our campaign in Afghanistan. Although many may consider Turkmenistan a failing state, disengagement would only solidify that. Political will is lacking in Turkmenistan, but the quality of USAID's relationship with the people of Turkmenistan is excellent. USAID has helped many organizations overcome burdensome laws to register as public associations legally able to carry out activities in Turkmenistan. Training efforts in advocacy have led to the development of social partnerships between local associations and their communities, including at times local governments. For example, in a small village in Dashoguz Region, a local association teamed with a group of neighbors to address the need for gas lines in their neighborhood. The neighbors subsequently approached local government officials to repair unsuitable and environmentally unsafe lines and extend existing pipelines to cover preschool facilities and far-reaching streets in the village. The local government officials agreed and together the local organization, the neighbors, and relevant governmental bodies concluded the project.

The USAID Program: USAID invests in the future generation of leaders in Turkmenistan and focuses on mitigating social challenges the Government fails to address. The Government does not reward risk or progress, thus severely limiting the capacity of civil servants to address pressing needs like public health, education, and expansion of the private sector. Meeting the challenges in Turkmenistan necessitates a long-term view with a focus on human capital development. USAID has five strategic objectives in Turkmenistan: democratic culture and citizen advocacy; primary health care; small enterprise development; water and energy management; and cross-cutting activities such as youth and education, gender, anti-corruption, and respect for the rule of law. The majority of FY 2005 funding is to continue support for multi-year initiatives that are ongoing. At the end of the reporting year, the Ministry of Health finally entertained discussions about HIV/AIDS in Turkmenistan and committed to building a program for funding from the Global Fund to Fight AIDS, Tuberculosis, and Malaria. Turkmenistan contributes to the Water for the Poor Presidential Initiative through hydro-meteorological work that focuses on improved water resource management and through assistance to local level water user associations.

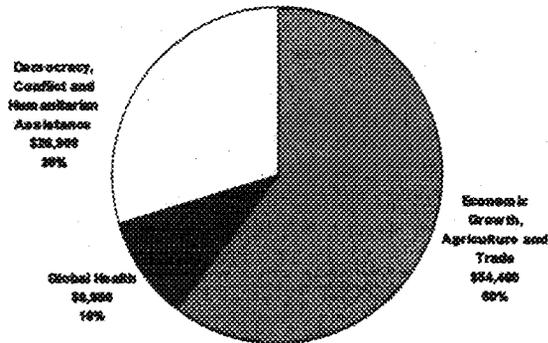
Other Program Elements: The Farmer-to-Farmer Program, managed by USAID's Bureau for Democracy, Conflict and Humanitarian Assistance, is active in Turkmenistan. In FY 2004, 15 agricultural specialists worked with Turkmen practitioners to improve the lives of rural citizens. Volunteers worked on youth agriculture association development, crop diversification and processing, and cooperative credit. Other USG programs, such as the Bureau for International Narcotics and Law Enforcement Affairs, Export Control and Related Border Security Assistance, and Defense Security Assistance, continue to collaborate with USAID in areas of mutual interest.

Other Donors: Donor coordination has improved over the past year in Turkmenistan but still lacks focus to mitigate duplication and foster cooperation. The Organization for Security and Cooperation in Europe has taken a leadership role in donor coordination, especially in the areas of democracy and education. USAID fully participates and often adds supporting funds to other multilateral development programs. Overall, development assistance to Turkmenistan continues to be relatively small. Bilateral and multilateral development agencies face the same challenges as USAID. The European Union Technical Assistance to the Commonwealth of Independent States (EU-TACIS) is facing programming cuts. TACIS is focusing on cross-border transportation and trade issues in addition to working with agriculture cooperatives and looking for ways to diversify Turkmenistan's hydrocarbon-dependent natural resource base. World Bank lending has ceased, but the U.N. Children's Fund (UNICEF) continues to support women and children through maternal and child health, educational reform, and other family-related initiatives. USAID funds or co-funds several projects with UNICEF in Turkmenistan, including a groundbreaking study of the causes of infant and child morbidity and mortality in Mary Region. The U.N. Development Program is working on public management, economic reform, and environmental protection. The U.N. High Commissioner for Refugees works with the refugee communities while the International Organization for Migration works on migration issues, including Trafficking in Persons. At this point, it does not appear that trafficking is a major issue in Turkmenistan, but donors are working to solidify legislative acts and train border officials. The United Nations Population Fund works on reproductive health issues.

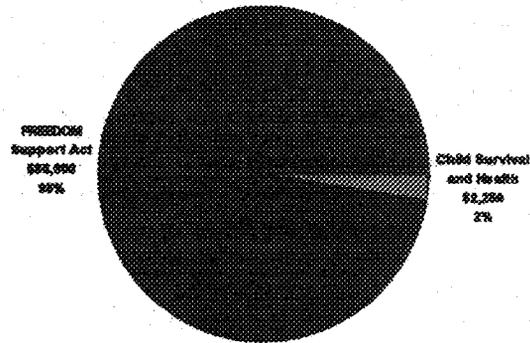
USAID is the leading bilateral assistance provider in Turkmenistan. Other bilateral donors include the United Kingdom's Department for International Development, GTZ (Germany), and the Turkish TIKA development agency. The Asian Development Bank has a limited presence in Turkmenistan, but is exploring the worthiness of a trans-Afghanistan gas pipeline to ship Turkmen resources to Pakistan. The European Bank for Reconstruction and Development restarted its small/medium enterprise credit line which was suspended for three years for lack of currency conversion, but distribution has been very slow due to bureaucratic delays at the Central Bank.

Ukraine

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

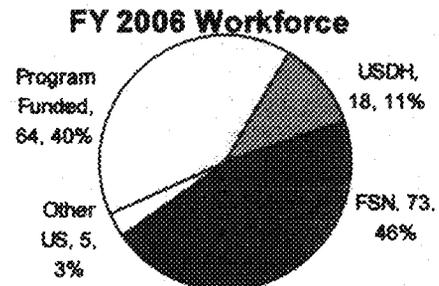


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Small and Medium Enterprise and Agriculture	121-0132	16,349	12,320	11,470
Improved Investment Climate	121-0141	4,991	3,230	1,600
Strengthening Citizen Participation	121-0213	18,595	10,150	11,450
Good Governance	121-0224	7,717	6,930	7,300
Social Protection and Health	121-0325	10,475	5,704	7,300
HIVAIDS Prevention and Care	121-0328	3,382	3,724	4,250
Special Initiatives	121-0410	8,000		
Environment	121-0416	374		
Program Support Initiatives	121-0427	2,280	1,950	3,500
Transfers		26,900	37,160	43,380
Total (in thousands of dollars)		99,073	81,198	90,250

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	6,127	5,350	5,480
USDH Salaries & Benefits	2,489	2,359	2,410
Program Funds	2,896	2,909	2,909
Total (in thousands of dollars)	11,512	10,618	10,799



Mission Director: Chris Crowley

Ukraine

The Development Challenge: One of the most pivotal elections in Eastern Europe since the fall of the Soviet Union, the Ukrainian presidential election showed a civil society constitutionally and peacefully insisting that its voices be heard. Civil society support, effective advocacy, development of independent media, democratic institutions, and legal frameworks to protect voters' rights and civil liberties, combined to empower local citizens to speak out against violations of democratic norms. Prior to the election of its new government, Ukraine had still made little progress in realizing second-stage economic reforms, which focus on building stable, market-based institutions. This is particularly true, for example, in the case of building a financial sector critical to the long-term sustainability and growth of a free-market economy. Despite major progress associated with the introduction of risk-based bank supervision, the financial sector regulatory bodies remain inexperienced and weak with an inadequate legal and regulatory framework. As a consequence, the financial sector and its institutions are still woefully inadequate to support broad economic growth.

Promising signs of political reform and empowerment among elected local governments were becoming evident at the end of the calendar year, but weak political accountability, unequal law enforcement and tightly controlled media have continued to restrain Ukraine's democratic development. In 2004, the Government of Ukraine's (GOU) economic policies became increasingly nontransparent and focused on short-term fixes, which contributed to the growing budget deficit, inflation (up to 12%), and price instability in food, gasoline, and financial markets. Benefiting from accelerated economic growth, resumed large privatization, and an improved international credit rating, the GOU continued to provide huge subsidies to loss-making enterprises, invest in nuclear stations and transport infrastructure, and increase pensions and public sector salaries. At the same time, the GOU made little progress in removing impediments to sustainable economic growth, such as eliminating tax privileges, strengthening budget discipline, improving intergovernmental transfers, and reducing value added tax arrears. Not surprisingly, the International Monetary Fund and the World Bank have not resumed cooperation with Ukraine as planned.

In the education, basic services, and health sectors, weak government policies, corruption, and outdated management practices continue to hinder the state's ability to provide adequate services and protect vulnerable populations. While the GOU began to implement pension reforms, which expanded pension investment opportunities for current employees, it did little to advance modern practices in health, education, and social security. Almost 30% of Ukraine's population still lives below the poverty line. Economic hardships contribute to low birth and life expectancy rates. HIV/AIDS, tuberculosis (TB), and other infectious diseases have been increasing at an alarming rate. High rates of alcoholism and substance abuse, domestic violence, suicides, prostitution and human trafficking are serious concerns, as are the vulnerabilities of children and youth who live on the streets, in institutions, or in dysfunctional families. The social care system continues to be characterized by low staff morale, obsolete equipment, and ineffective practices.

In 2004, the Ukrainian economy recuperated and attracted new investments. By the end of September, the gross domestic product (GDP) growth rate exceeded 13%; foreign direct investments (FDI) increased by 15% and positive trade balance reached 15%. However, private sector development is still characterized by onerous business barriers, including: heavy dependence on several basic industries (transport, metals, utilities, coal production), and an agricultural sector still heavily dependent on government subsidies; sizeable arrears (up to 25% of accounts payable); and disproportionate investments in real estate. Huge capital outflows and accumulation of the most expensive industrial, commercial and financial assets in the hands of several politically powerful Ukrainian and Russian clans crowd out many small and medium enterprises (SMEs) and strangle the competitiveness of Ukraine's economy. Without structural reforms, improved transparency, rule of law and governance, the Ukrainian economy will remain unattractive to international investors.

Coverage by the Directly Observed Treatment Short Course (DOTS) strategy for TB control in the pilot region of Donetsk increased from 80 to 100%, reaching a population of five million, or 10% of the country. USAID trained more than 3,300 Ukrainian specialists nationwide in laboratory diagnosis, treatment, surveillance, and monitoring practices. Despite improved TB case management and a continuous supply

of TB drugs in Donetsk, the TB treatment success rate decreased from 70% of patients in FY 2003 to 68% currently. This decrease was due to continued high levels of multi-drug resistant TB, difficulty in treating HIV/TB co-infected patients, and lack of follow-up care. While the global goal of curing 85% of new TB patients has been acknowledged, Ukraine must lay the foundation for the National DOTS program in ensure cure rates of at least 70% of new patients.

USAID helped the GOU to launch a new three-tier pension system in January 2004 for some 14 million pensioners, which amounted to 30% of the population, or nearly 40% of all voters. The large and growing population of pensioners is supported by only 16 million workers. The average old-age benefit increased by 30% in FY 2004, from 146 to 190 hryvnya (\$28 - \$36), and for the first time reached two-thirds of the poverty level for the elderly.

The USAID Program: In spite of macro-economic advancements, the country will remain critical to U.S. foreign policy due to its strategic position and importance for regional stability. In 2004, USAID programs aimed to increase citizens' participation in elections and to improve democratic governance by strengthening government institutions and various civil society organizations (CSOs). USAID's Parliamentary Strengthening project improves legislative and executive branch relations and institutionalizes democratic practices. USAID's civil society project, UCAN, is now supporting hundreds of NGOs and CSOs in Ukraine, providing advocacy training, organizational strengthening, and civic education services.

In response to Ukraine's HIV/AIDS epidemic, USAID has designed and recently awarded a range of projects to reduce the HIV/AIDS transmission rate and the stigma and discrimination associated with the disease. Prevention and control of Ukraine's TB epidemic is also a priority for USAID's social sector, as are policy and clinical interventions to reduce high abortion rates and maternal mortality.

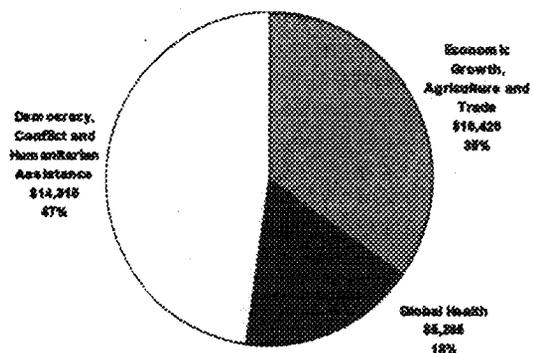
Finally, to improve the investment climate and accelerate the growth of SMEs and agriculture, USAID is supporting Ukraine's accession to the World Trade Organization, promoting risk-based bank supervision, drafting and advocating for leasing legislation, and developing a broad and stable financial sector. Modern accounting practices, expanded access to bank finance, contemporary agricultural technologies and marketing practices, sponsored land titles, and providing legal assistance and training to SMEs are also key aspects of USAID's economic growth strategy for Ukraine.

Other Program Elements: USAID receives support for mother-to-child transmission of HIV/AIDS and will receive Washington matching funds for the new HIV/AIDS strategic objective. Other health program support is provided through a World Health Organization grant for TB control and the policy project for reproductive health. USAID/Ukraine has a buy-in for the Eurasia Foundation economics education program and small research grants and is starting a public-private sector alliance with USAID/Washington to implement certified international accounting practices.

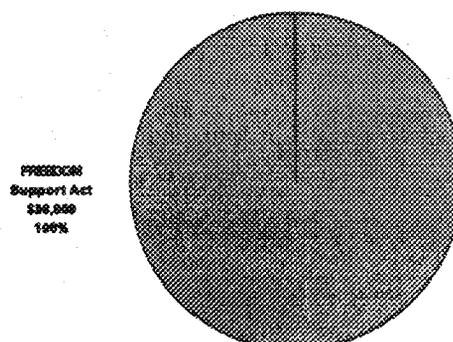
Other Donors: The largest donor is the European Bank for Reconstruction and Development, with a portfolio in agribusiness, financial sector, energy sector, transport and telecommunications. The World Bank supports programs in public finance, energy and utilities, rural development, health and social protection. The United Nations Development Program provides assistance in governance, poverty reduction, health and environment protection, education and human security. The European Union supports legal and administrative reform, civil society development, SME development, housing and municipal services, energy sector reform, health and social security. The United Kingdom provides assistance in governance, economic integration, social protection, and democracy building. Canada assists in governance and civil society; Sweden, in natural resource management, public administration, infrastructure and urban development, democracy building; and Germany in economic and social research.

Uzbekistan

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Small and Medium Sized Enterprises	122-0131	6,412	5,190	4,509
Energy and Water	122-0161	3,478	2,530	2,198
Democratic Culture and Institutions	122-0211	7,297	5,900	5,127
Conflict Prevention	122-0240	1,935	1,080	938
Health and Population	122-0320	7,361	6,060	5,265
Improved Quality of and Access to Basic Education	122-0340	250	430	468
Cross-Cutting Programs	122-0420	3,131	2,780	1,965
Transfers		6,024	9,530	9,530
Total (in thousands of dollars)		35,888	33,500	30,000

Mission Director: George Deikun

Uzbekistan

The Development Challenge: The United States' strategic partnership with the Government of Uzbekistan remains of utmost importance, first as a supporter of the war against terrorism and secondly due to its central location within the region and its border with Afghanistan. Following the "Rose Revolution" in Georgia, Uzbekistan implemented new registration and monitoring requirements for international technical assistance organizations in an effort to control their activities and prevent a similar scenario in Uzbekistan. In particular, organizations working to develop democratic principles and rule of law have been affected. Bureaucratic obstacles and the Government's subsequent refusal to reregister the Open Society Institute, along with its failure to register any true opposition political parties in advance of the December 2004 parliamentary elections, resulted in the Secretary of State not certifying Uzbekistan as required by Section 568(a) of the FY 2004 Foreign Operations Appropriations Act. As a result of non-certification, approximately \$18 million of FY 2004 assistance to the central government of Uzbekistan was affected. USAID assistance to economic think tanks and the Central Bank on bank accounting were suspended. As part of non-certification, however, the Secretary of State agreed that available notwithstanding authority be used to allow FY 2004 Freedom Support Act funding to continue to certain USAID programs that work with the central Government such as World Trade Organization (WTO) assistance, health care reform, and anti-torture projects.

Governance in Uzbekistan remains autocratic. Corruption is endemic. According to the Government, gross domestic product (GDP) growth remains relatively unchanged at 4.4%; however, other key economic indicators are on a downward trend, and external debt grew by about \$250 million in 2003. Uzbekistan is plagued by widespread underlying grievances, including unemployment, poor social infrastructure, weak educational and health facilities, and pervasive human rights abuses. Nearly one-third of Uzbeks live below the national poverty line. Fearing unrestricted trade, the Government is making it difficult, for citizens to cross borders. A shortage of cash in circulation, arguably a result of IMF negotiation, has nearly crippled the informal sector despite its intended effect on stabilizing the currency. The most recent round of excessive import controls led to several public outbreaks of unrest between traders and government officials. With approximately 50% of the population below the age of 30, and youth unemployment estimated as high as 30%, the risk of instability is significant.

The development of civil society and democracy strengthening programs are overburdened with new bureaucratic procedures for registration of international NGOs. Highly restrictive banking control measures for granting funds to local organizations are affecting all sectors. These restrictions have resulted in significant delays in approving grants to NGOs, independent media, and Civil Society Support Centers. On the other hand, work with the Government has been promising in such areas as human rights, health care reform, anti-trafficking in persons, water resources management, and WTO accession. Since non-certification, Uzbekistan has taken some very positive steps in human rights, including opening dialogue between the Ministry of Interior and human rights defenders and inviting Freedom House, Human Rights Watch, and the U.S. Embassy to participate in an investigation into a death-in-custody.

Uzbekistan's population of about 26 million is expected to double over the next 50 years. Current growth rates of about 2.8% remain stable. The result of this growth will be even greater demand on social services, especially in the health and education sectors. Tuberculosis (TB) cure rates remain low and infectious diseases impact a significant percentage of the population. Infant mortality remains high by international standards due to inadequate nutrition, acute respiratory diseases, and diarrhea. HIV infection rates are still increasing and may be as high as 10% among intravenous drug users. The education sector remains severely under-funded. Teacher salaries, educational facilities, and materials fall short of minimal international standards. Low salaries in both sectors force health care providers and teachers to establish informal payment systems that, in turn, change treatment and education priorities from a need-based to a payment-based response system.

USAID and the U.S. Government continue to encourage Uzbekistan to achieve key development objectives in the areas of economic liberalization, political pluralism, and regional stability. As the most populous country in Central Asia, and one which historically has played a leading role in trade, enterprise, and culture, Uzbekistan's development is critical for the region.

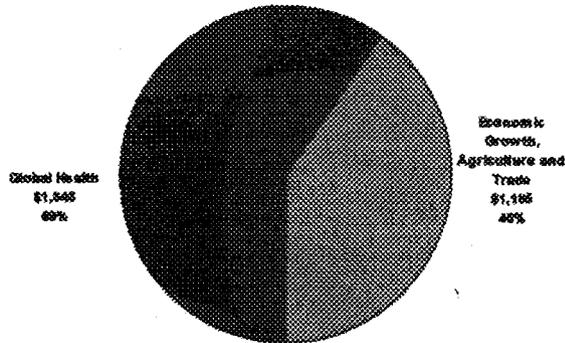
The USAID Program: Continuing with the momentum created by the substantial increase in supplemental funding in 2002, USAID's activities in 2004 have further encouraged democratic reform, market transition, and education in a difficult environment. The program in 2006 will build on important achievements in financial intermediation, conflict prevention, health care reform, press freedom, judicial reform, and natural resource management. USAID is expanding economic opportunities, fostering democratic values and practices, supporting natural resource management, and improved health care services. USAID's seven strategic objectives are: primary health care and infectious diseases; natural resource management; democratic culture; small enterprise development and macro-economic reform; primary education; conflict mitigation; and cross-cutting issues such as gender, anti-corruption, and rule of law. The majority of the programs in civil society, agriculture, microfinance, and health are implemented by local non-governmental organizations (NGOs). Activities related to water resource management at national and local levels contribute to the Water for the Poor Presidential Initiative.

Other Program Elements: USAID also supports a variety of other institutional partnerships that seek to build lasting relationships between the United States and Uzbekistan. USAID utilizes several USAID/Washington-managed programs, including agreements with the U.S. Centers for Disease Control and Prevention, Project HOPE, and Counterpart International to address key issues in the health sector. The Farmer-to-Farmer Program, managed by USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance, is helping to upgrade the technical skills of local farmers. The Eurasia Foundation manages small grants in education, small business, local government, and civil society which reinforce USAID's strategic objectives. Additionally, USAID's Office of Foreign Disaster Assistance is undertaking a new regional earthquake preparedness project that targets Tashkent, Uzbekistan. The Departments of Commerce, Defense, Energy, Agriculture, and State also manage programs complementary to USAID field activities in technical training, social infrastructure, and democracy. The Department of State's Bureau of Democracy, Human Rights, and Labor funds human rights and democracy programs, many of which are managed by USAID.

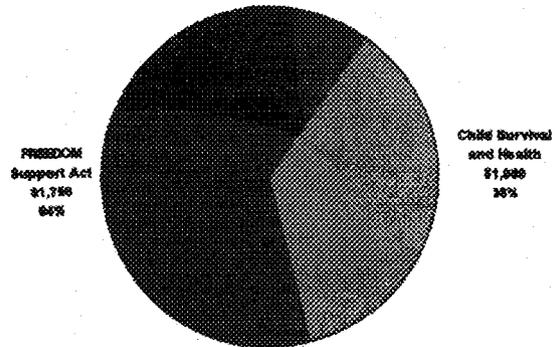
Other Donors: USAID remains by far the largest bilateral donor, and the third largest overall donor to Uzbekistan. According to official Uzbekistan reporting, the largest overall donor is the Asian Development Bank (with programs in education, microfinance, and irrigation/agriculture), followed by the International Bank for Reconstruction and Development (with programs in health, community development, and irrigation rehabilitation) and the European Bank for Reconstruction and Development (with programs in SME development, transportation, and energy). Kreditanstalt für Wiederaufbau Bank (KfW) (Germany) is the fourth largest donor, followed by the Government of Japan (including the Japanese International Cooperation Agency, the Japanese Bank for International Cooperation, and the Japan External Trade Organization). There is also significant investment by the Government of China. Other important bilateral donors include the Government of Switzerland (through the Swiss Agency for Development and Cooperation, Swiss Economic and Cooperation Organization, and the Government of Germany (through the German Society for Technical Cooperation). Other important multilateral donors include the United Nations Development Program and Europa House (the European Union). USAID continues to strengthen its ties with these and other donors through joint activities and coordination. The Government and donor community are currently engaged in a joint national effort to reform primary health care by improving the quality of management and service delivery. USAID is coordinating with the World Bank on accounting reform activities. USAID has a cooperative agreement with the International Finance Corporation to develop a legislative framework for microfinance. USAID assistance to credit unions is coordinated with the Asian Development Bank, and business advisory services are closely coordinated with those of the European Bank for Reconstruction and Development. In natural resources management, USAID activities are complemented by World Bank and Asian Development Bank loans to support improved management of agriculture and water, and regional power trade.

Central Asian Republics Regional

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

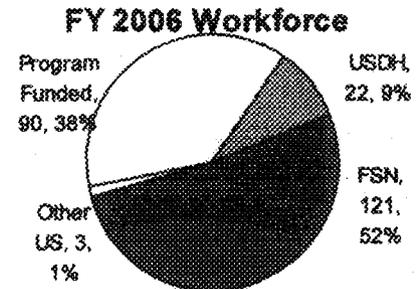


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Small and Medium Sized Enterprises	178-0131	489	170	170
Energy and Water	178-0161	1,858	825	850
Democratic Culture and Institutions	178-0211	207	90	
Conflict Prevention	178-0240		70	
Health and Population	178-0320	1,600	1,775	1,645
Cross-Cutting Programs	178-0420	88	70	85
Total (in thousands of dollars)		4,000	3,000	2,750

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	9,208	8,050	8,150
USDH Salaries & Benefits	3,255	3,069	3,135
Program Funds	6,374	6,231	6,060
Total (in thousands of dollars)	18,837	17,350	17,345



Mission Director: George Daikun

Central Asian Republics Regional

The Development Challenge: It is in the U.S. national interest to promote stability and development in Central Asia. The countries of Central Asia are critical allies in the war on terrorism and potential sources of world energy supplies. They also sit at a crossroads, bordering Russia, China, Afghanistan, and Iran. At the same time, these countries face pervasive poverty, huge income disparities, authoritarian rule, political repression, extreme corruption, significant health issues, and the potential for extremism. Although economic development in the region is progressing, particularly in Kazakhstan, true characteristics of democracy have yet to take root. Recent elections have been characterized as being not truly free and fair, media restrictions still exist, and crackdowns on civil society organizations are commonplace in Uzbekistan and Turkmenistan.

The regional nature of Central Asia's development challenges requires coordinated and integrated assistance from USAID. Several regional issues pose particular challenges. For example, all countries in the region have a vital stake in improving regional management of shared water resources, which are absolutely essential to the agriculture and energy supply sectors. The ecological problems posed by the disappearing Aral Sea also have regional consequences. Health issues are rapidly becoming regional in nature as well; the transmission of diseases across international borders occurs due to cross-border trade and migration, as evidenced by dramatic increases in the incidence of tuberculosis and HIV/AIDS in each of the Central Asian countries. Although regional trade is essential to Central Asia's overall economic development, many barriers to cross-border trade continue to exist and are particularly difficult to overcome. Risk of regional conflict also poses serious challenges due to stresses on individual communities produced by shared scarce resources, unemployment, and artificial national borders. While there is variation across the countries of Central Asia, democracy, human rights, and independent media benefit from a regionally-coordinated approach since authoritarian governance is pervasive in all countries. The regional nature of problems extends beyond just Central Asia. It also includes Afghanistan. As such, the USAID Mission in Central Asia and the USAID Mission in Afghanistan are increasingly engaging in dialogue to determine how specific programs, particularly related to economic growth, health reform, and management of natural resources, can be coordinated across borders.

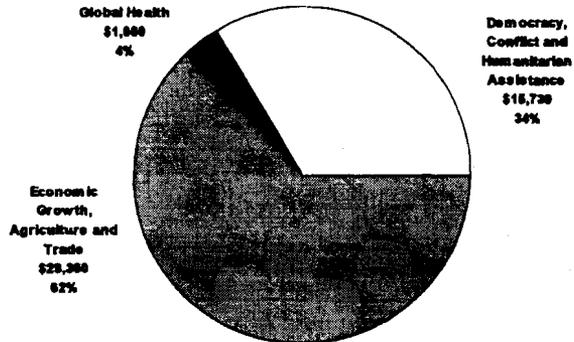
The USAID Program: USAID's six objectives promote reforms that foster the growth of small and medium enterprises; promote civil society and expand access to information; improve primary health care and prevent infectious disease; encourage better use of the region's water and energy resources; mitigate sources of conflict; and address cross-cutting issues within the region through training, grants to civil society organizations, and religious outreach. Regional resources will complement country resources to allow for multi-country expansion of activities that support regional objectives. Regional funds also are used to cover program management costs that are not available within the limited country level budgets. The Water for the Poor and Clean Energy Presidential Initiatives are supported via regional programs.

Other Program Elements: Other USAID funding sources, which complement and reinforce the inputs of regional funding, are directed at country-specific programs. These activities are addressed in individual country reports.

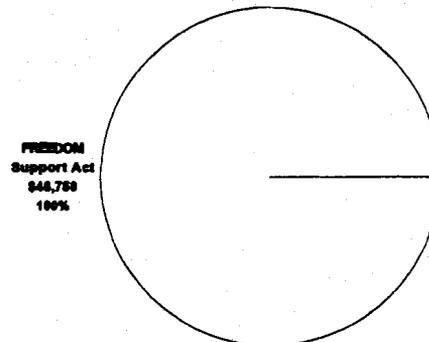
Other Donors: Donor relations are detailed in individual country summaries. USAID works closely with bilateral and multilateral organizations to address country-specific and regional issues. The World Bank, the European Bank for Reconstruction and Development, and the Asian Development Bank are important regional partners. The European Union also has a substantial program throughout Central Asia.

Eurasia Regional

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Fiscal Reform	110-0120	1,372	145	177
Private Enterprise Development	110-0130	1,471	549	760
Strengthening the Financial Sector	110-0140	573	88	465
Sustainable Energy Systems	110-0150	898	1,045	1,250
Better Environmental Management	110-0160	994	720	650
Democracy and Governance	110-0200		424	1,027
Civil Society	110-0210	895		
Rule of Law	110-0220	1,438		
Local Government and Urban Development	110-0230	235		
Health Promotion and Care	110-0320	4,562	1,260	1,660
Social Sector Reform	110-0340	670	436	700
Cross-Cutting Programs	110-0420	1,822	5,411	3,371
Strengthened Humanitarian Responses to Crises	123-0310	2,000	2,000	1,750
Transfers		19,160	31,142	34,940
Total (in thousands of dollars)		36,090	43,220	46,750

Acting Deputy Assistant Administrator: Roberta Mahoney

Eurasia Regional

The Development Challenge: The challenge facing Eurasia today is to sustain and further the key democratic, economic, and social reforms now underway. While progress is being made, the remaining challenges are formidable. USAID's review of country performance, which takes into account over two dozen transition indicators, shows that the region lags far behind the Europe "northern tier" graduate countries and increasingly behind countries in south-east Europe.

While early democratic reforms across the region and recent developments in Georgia and Ukraine are encouraging, lack of democratic reform in several countries along with setbacks to democratic development in others is a major challenge. Authoritarian rule remains the norm in the majority of the Eurasian countries, with widespread corruption and incomplete reforms undermining public trust in government and the private sector.

With respect to the economic transition, Eurasian economies are still highly dependent on primary commodities and have weak trade and investment ties outside the region. While lack of reform in some countries (e.g. Turkmenistan and Belarus) has contributed to their economic isolation, economic policy reform has been appreciable in most Eurasian countries where the focus is now on implementing "second generation" reforms and addressing problems of competitiveness and job creation. Regarding the social transition, the rapid growth of HIV/AIDS, poor health conditions, and poverty and income inequality are growing concerns, as are the depletion of human capital coupled with lack of opportunities for youth. The costly and inefficient health, education, pension, and social safety net systems based on the soviet model need major overhaul.

The USAID Program: The regional program in Eurasia supports multi-country and region-wide interventions that promote the achievement of bilateral assistance goals, but cannot be easily funded bilaterally. The regional program focuses on four distinct types of activities: 1) analytical efforts which support strategic budgeting and performance monitoring; 2) economic and democracy initiatives which promote regional integration; 3) Administration priorities and Congressionally-mandated programs, particularly in health such women's reproductive health and as HIV/AIDS prevention; and, 4) social capital and public/private alliance initiatives that foster irreversible reform.

1) Under sector-specific and cross-cutting program support objectives USAID will carry out an analytical agenda to strengthen strategic budgeting and program effectiveness. Activities will include monitoring and analysis of country progress, implementing a modest regional evaluation program, participant training oversight, carrying out various sector-specific analyses, and maintaining two regional technical support and training contracts.

2) Activities under the economic growth rubric foster exchange of experiences and innovative approaches to developing trade networks, fostering competitiveness and meeting international accounting standards. Initiatives will provide regional support to business service providers, encourage market competitiveness, accelerate financial market integration through the harmonization of financial market regulations, and promote the development of financial instruments that meet international standards. Other activities will include accounting reform, anti-corruption activities, and regional support for more efficient and reliable energy systems. Under the democracy rubric, the Bureau will continue to support activities in civil society and rule of law. Activities will focus on promoting independent media, non-governmental organization (NGO) sustainability, and supporting judicial reform and training.

3) USAID will continue to carry out a number of activities to assist in the social transition. These include efforts directed at infectious disease control, including tuberculosis control, HIV/AIDS, reproductive health and iodine deficiency. In addition, the USAID will continue to support improved health access through medical partnerships and access to the Global Fund for HIV/AIDS. To combat trafficking in persons, USAID will support the establishment of a regional anti-trafficking partnership.

4) USAID will also support innovative regional initiatives aimed at fostering reform through strengthening values, and enhancing public/private alliances as part of the Global Development Alliance (GDA) effort.

Other Program Elements: The Eurasia regional program complements bilateral assistance programs and does not contain other program elements of its own.

Other Donors: Other donors are discussed in the country overviews of the bilateral programs supported by the regional program.

LATIN AMERICA AND THE CARIBBEAN

The Development Challenge. The Latin America and Caribbean (LAC) Bureau has bilateral programs in 16 countries in Central America, Mexico, South America, and the Caribbean, regional programs located in each of the three sub-regions, and a regional program located in Washington, DC. The strong economic, cultural, and geographic ties between the United States and the countries of the Western Hemisphere make their political and economic stability of vital interest to the United States. Approximately 40% of imports for LAC countries come from the United States (amounting to about one fifth of the value U.S. exports in 2003), 50% of the region's exports are shipped to the United States, and Latin America supplies more than one third of U.S. energy imports. Mexico is the largest source country for unauthorized immigration to the United States (amounting to 69% of the total unauthorized resident population in 2000), and of the six other countries with more than 100,000 unauthorized residents in the United States, five are in Latin America. As stated by President Bush in November 2004, "In this century, countries benefit from healthy, prosperous, confident partners. Weak and troubled nations export their ills – problems like economic instability and illegal immigration and crime and terrorism.... Healthy and prosperous nations export and import goods and services that help to stabilize regions." By promoting prosperity in the LAC region, the United States can provide expanded opportunities that promote a peaceful and democratic hemisphere.

There is growing consensus that corruption is leading to a crisis for democracy in this region. Corruption is seen not only as a consequence of weak governance, but as a barrier to economic development and the growth of democratic and strong societies. A 2003 study by the Center for Strategic and International Studies reports that a corrupt or inefficient justice sector can slow economic development, undermine the strength and credibility of democratic institutions, and erode the social capital necessary for development. Research by the World Bank Institute shows that countries that tackle corruption and improve the rule of law can increase their national incomes by as much as four times in the long term, and child mortality can fall as much as 75%.

Surveys show that awareness of corruption has significantly increased, both among policymakers and the public. A 2003 survey by the World Economic Forum of business leaders in 102 countries found that seven of the 10 countries with consistently high measures of political corruption are in Latin America. Growing awareness of corruption has influenced the rhetoric of politicians, and some officials have won elections by promising to battle corruption. Similarly, civil society organizations and the media have been increasingly active in promoting transparency, lobbying for reforms, and informing citizens.

LAC countries have adopted a range of legal, accounting, and auditing procedures to combat corruption, and some are prosecuting corrupt public officials. While these are positive steps, the pervasive nature of high-level corruption across the region makes this a priority issue. In December 2003, former Nicaraguan President Arnoldo Alemán was sentenced to 20 years in prison for corruption. Although he was found guilty of money laundering, fraud, embezzlement, and electoral crimes, and accused of helping to divert nearly \$100 million of state funds into his party's election campaign, Alemán has been released from prison to serve his sentence in his home, where he continues to negotiate political deals that could result in reversing his conviction. In January 2004, prosecutors in Guatemala opened a formal investigation of embezzlement charges against former President Alfonso Portillo, as well as his vice president, finance minister, and three other top officials, who are now in jail. Former Costa Rican President Miguel Angel Rodríguez resigned as secretary general of the Organization of American States in October under allegations of corruption, and is under house arrest. And in Paraguay, six Supreme Court justices charged with corruption were impeached and replaced in 2004 with judges selected in an open and transparent process for the first time in Paraguayan history.

Just and effective legal systems increase government legitimacy in the eyes of citizens and bolster support for democratic institutions. The 2004 United Nations Development Program Report on Democracy in Latin America draws attention to declining public faith in democracy due to persistent poverty and governments' inability to effectively deliver public services, including security. In addition, countries with more effective and equitable justice systems provide more stable and attractive investment environments by offering legal protections for investors. Although countries across the region have made

strides in adopting procedures to make criminal justice more transparent, efficient, and participatory, more work remains to be done to fully implement these reforms and provide access to justice for all citizens. Crime and organized gangs, fueled by a combination of population density, rapid urbanization, and persistent income inequality, present a growing problem that places further stress on democratic institutions. A study by the Inter-American Development Bank notes that Latin America's per capita gross domestic product would be 25% higher today if the region had a crime rate similar to the rest of the world.

Free and fair elections have become the norm in the LAC region; however, in Haiti, fraudulent parliamentary elections in 2000 led to a protracted political impasse characterized by growing arbitrary and authoritarian rule, lawlessness, and violence. The impasse ended in 2004 with the resignation of President Aristide.

Despite bold efforts by Colombia, Bolivia, and Peru to combat narco trafficking, the lack of state presence in some areas has allowed illegal narcotics production and armed terrorist organizations to continue to flourish. Narcotics wealth gives large trafficking organizations the means to corrupt and undermine legitimate governments, and the lack of effective rule of law threatens business interests and puts citizens and Americans at risk.

Economic growth in LAC reached 5.5% in 2004 (preliminary estimate by the Economic Commission for Latin America and the Caribbean, or ECLAC), outperforming the most optimistic forecasts. With the exception of Haiti (where GDP fell 3.0%), every country in the region posted positive growth. This growth is an exception to the trend in the region where GDP has grown, on average, by just 2.0% annually for the last nine years.

The region's macroeconomic performance is closely tied to the international economy. World economic activity picked up in 2004 and global GDP is expected to grow just under 4.0% (up from 2.6% in 2003), while world trade is expected to grow more than 9.0%. This international environment, especially rising prices for oil and metals, was also decisive in a recovery of the terms of trade in LAC. 2003 marked the region's first balance of payments surplus in 50 years, and the region posted a modest surplus again in 2004 as a result of improved terms of trade and migrant remittances, which rose 16.8% over 2003 levels.

Significant challenges remain, however, to overcome the years of low economic growth, compounded by external shocks, natural disasters, and domestic crises. LAC is the most unequal region in the world in terms of income disparity; inequality is high both in and across countries. Nearly 128 million people (about 25% of the population) earn less than \$2 per day and 50 million people earn less than \$1 per day. The urban unemployment rate has hovered around 10% for the last several years.

External debt for the region has increased considerably since 1990, from \$444.7 billion at the beginning of the decade to \$747 billion in 1999. Although external debt started to creep back down in 2000, that reversed in 2002 when debt for nearly every LAC country increased and debt for the region rose \$25 billion to \$726.5 billion. ECLAC estimates that external debt will fall by \$3.5 billion in 2004. External debt as a percentage of GDP averaged 42.8% in 2003 for the region. This indicator was highest for Guyana (202%), Nicaragua (162%), Argentina (130%), and Belize (90%).

Spurred by a growing global demand for timber and paper, illegal and destructive logging remains one of the key threats to the world's oldest forests. Illegal logging destroys forest ecosystems, robs governments and communities of needed revenues, and acts as a disincentive to sustainable forest management. Only 0.5% of all forests are under ecologically sound management, as certified by independent international certification bodies.

Inequalities in access to quality health services, especially for maternal and child health, present major obstacles to achieving overall health improvements as well as economic and social development in LAC. The adult HIV/AIDS prevalence rate in the Caribbean is surpassed only by Sub-Saharan Africa, and AIDS has become the leading cause of death in the Caribbean for both men and women aged 15-24. Social patterns of early sexual initiation and multiple partners, particularly in the Caribbean and the Central American Basin, as well as stigma and discrimination, which keep the disease underground and

discourage people from seeking testing and treatment, increase risk of transmission. More than 140,000 people died of AIDS in 2004 and more than twice that number were newly infected with HIV. Given the significant mobility of populations for employment, education, and tourism, USAID's health-related assistance in the region is critical to the security and health of the United States.

The quality of primary and secondary schooling in LAC is poor. In a recent study by the Organization for Economic Cooperation and Development of math and science skills among 15-year olds in 43 countries, the five participating LAC countries ranked among the lowest. The majority of students attend weak and under-funded schools, and fail to acquire basic skills in mathematics, language, and science. Educational systems lack adequate financing, which translates into poorly trained and motivated teachers and a dearth of materials. Rural and poor populations, the majority in most LAC countries, face many obstacles – language barriers, long distances to schools, and poorly trained teachers – resulting in very high dropout rates. Fewer than 30% of students in the region complete secondary school, and many who do finish lack the skills to compete in the workplace, let alone in an increasingly competitive global economy.

U.S. National Interests. As outlined in the U.S. National Security Strategy and joint State-USAID 2004-2009 Strategic Plan, USAID's overarching goals are to advance sustainable development and global interests. In LAC, the top strategic priorities seek to: 1) advance democracy and human rights; 2) increase economic prosperity and security; 3) combat narcotics trafficking; and 4) address social and environmental issues. These strategic priorities give paramount importance to the implementation of policies that address the key constraints to development.

USAID Operational Goals. The LAC Bureau determines strategic priorities for transformational development countries (all of the USAID presence countries except Haiti and Colombia) according to performance against Millennium Challenge Account (MCA) indicators, which reflect governance, economic growth, and investment in people. In low income (MCA eligible) countries where there is political will to address the performance gaps, USAID's programs are designed to improve country performance to meet the MCA assistance criteria. In both the low and middle income countries, USAID is strengthening the capacity of host country government institutions and local organizations to address performance gaps and ensure sustainability of development progress, as well as addressing global and transnational issues such as HIV/AIDS, global climate change, trafficking in people, direct support for trade agreements, and counternarcotics.

In Haiti, a top Presidential priority country, USAID's core program focuses on humanitarian assistance and support to the interim government in its efforts to re-establish political stability and improve economic performance, implement justice and police reform, and hold free and fair elections. The USAID program in Colombia is designed to address narcotics trafficking. Other strategic goals in the region include implementation of the Peru/Ecuador Peace Accords, and security in the Caribbean. USAID's Cuba program is designed to hasten the transition to democracy in Cuba and plan assistance to a post-Castro transition government.

In the Caribbean, LAC is providing significant humanitarian assistance to countries recovering from several hurricanes and tropical storms which caused significant human suffering and economic loss in September 2004. Grenada, Haiti, and Jamaica were particularly hard hit. Following the disaster relief phase, the recovery program has been drawing on lessons learned from post-Hurricane Mitch reconstruction in Central America to implement community rehabilitation and economic revitalization, including targeted assistance to particularly damaged business sectors such as the tourism, agriculture, and fishing industries, to spark employment and economic growth.

Democracy and Governance. Justice sector modernization remains the largest focus of USAID governance programs in the LAC region. USAID is advancing criminal justice reforms, strengthening judicial independence, expanding access to justice, and improving administration of justice. Criminal justice system reforms developed and enacted over the last decade are making an impact through improved access to courts; more transparent, efficient, and participatory processes; faster resolution of cases; and increased citizen confidence in the integrity of the process. USAID has also made headway in providing alternative case resolution mechanisms, including the establishment of 61 mediation centers in

eight countries. In addition, 61 community justice centers bring together a variety of justice-related institutions and services in a single location, often in areas where there was no access to justice before. USAID plans to make operational 15 additional mediation centers and 15 additional justice centers by the end of FY 2006. These and other justice reform efforts will reduce the time it takes to process a case in eight target countries by an additional 20% by the end of 2006 (cumulative target for Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, and Peru). New efforts in justice reform will target crime prevention and commercial codes.

USAID's governance programs promote accountability and transparency in national and local-level government institutions, strengthen civil society organizations to advocate for citizens' rights, and increase the capacity of national and local governments to manage resources and provide services. Anticorruption programs, such as establishment of transparent management and recordkeeping systems or auditing agencies, improve citizen oversight and build local capacity to address weak governance, entrenched political institutions, and poor public sector management. USAID investments since 1990 have led to adoption of national-level integrated financial management systems by all USAID presence countries in LAC, bringing transparency to national budgets for the first time. At the local level, technical assistance and training for municipal leaders improves coverage of basic public services and infrastructure, transparent financial administration, and public participation in decision making.

Economic Prosperity and Security. USAID is assisting LAC countries to enact legal, policy, and regulatory reforms that promote trade liberalization, hemispheric market integration, competitiveness, and investment. USAID was instrumental in providing technical assistance and public outreach in Central America and the Dominican Republic during negotiations for the U.S. – Central America Free Trade Agreement (CAFTA), which was signed by five countries in 2004. USAID continues to help countries comply with the rules of trade, such as customs and rules of origin, sanitary and phytosanitary measures (animal and plant health and food safety), and intellectual property rights. In addition, USAID assistance helps smaller economies benefit from a global trading system by addressing longer-term challenges such as rural economic diversification and small and medium enterprise development and competitiveness. CAFTA implementation will continue to be a major focus in FY 2006, along with increased efforts to negotiate other free trade agreements, including a U.S. – Andean Free Trade Agreement. USAID plans to train an additional 10,000 people across the region in trade-related areas in 2006.

USAID will continue to support development of regulatory frameworks and innovative approaches to widen and deepen financial intermediation in the small and microenterprise sector to give marginalized business people greater access to borrowing capital. USAID is also supporting cutting edge efforts to increase the developmental impact of remittances, which were estimated at \$38 billion in 2003 – more than all other development assistance combined.

Counternarcotics. Narcotics trafficking, guerrilla and paramilitary violence, human rights abuses, corruption, crime, and a lack of effective government presence in the coca-growing areas in the Andes pose a threat to democracy in the region. The Andean Counternarcotics Initiative has three goals: 1) disrupt the production and trafficking of illicit drugs in the Andean region; 2) strengthen law enforcement and judicial institutions that combat narcotrafficking; and 3) develop viable alternatives to illegal drug production. Working in partnership with the leadership in the Andean region, USAID's assistance has helped to expand state presence, strengthen democracy, create licit economic opportunities, improve social conditions, and provide assistance to internally displaced people.

Social and Environmental Issues. USAID programs in the health sector improve access to and quality of health services by both private and public sector care providers. USAID assistance has directly contributed to important advances in detection and cure rates for tuberculosis, significantly raised vaccination coverage rates, and helped reduce or eliminate major childhood illnesses such as measles in LAC. While progress is being made to lower maternal mortality and apply proven, cost-effective protocols for combating malaria and other infectious diseases, rates remain unacceptably high.

In the LAC region, the HIV/AIDS epidemic is largely concentrated in high-risk populations. Under President Bush's Emergency Plan for AIDS Relief, USAID is assisting two focus countries (Guyana and

Haiti), subregional programs in the Caribbean and Central America, and 10 non-focus countries. Across the LAC region, USAID activities have resulted in a significant decrease in risky behaviors and increase in protective behaviors, a substantial increase in access to treatment and diagnosis, and a great improvement in the quality of care and support available for people living with HIV/AIDS.

USAID education and training programs are developing innovative and more effective service delivery models, many of which are being expanded by host governments and multilateral development banks. USAID programs support: improved testing and student assessment; development of school level report cards; management information systems to help Ministries of Education make targeted investments in low-performing schools; and greater parental and community involvement in education. USAID will train an additional 5,500 teachers and administrators in 2005 and 2006 through the Centers of Excellence for Teacher Training, a presidential initiative to improve the quality of reading instruction in the 1st through 3rd grades. USAID also supports advancements in workforce training and higher education to help young adults and youth prepare to enter the workforce.

USAID's environment programs protect the region's natural resource base and biodiversity and reduce environmental hazards. As part of the Global Climate Change Initiative, USAID will continue to improve land use and management of scarce biological resources and promote transfer of clean energy technologies. Through the Initiative Against Illegal Logging, USAID addresses the sale and export of illegally harvested timber products by assisting countries to establish and strengthen enforcement of laws related to forest management, strengthening protected area management, and promoting good business practices, transparent markets, and legal trade. Under the Clean Energy Initiative in Mexico, USAID is strengthening the national enabling environment to support clean energy production, and promoting clean production and energy efficiency concepts to selected municipalities. USAID is also continuing efforts to improve the management of water resources and accelerate access to clean water in support of the Water for the Poor Initiative. A regional strategy for biodiversity conservation in the countries comprising the Amazon Basin will improve the capacity of indigenous communities and local law enforcement agencies to protect the biodiversity of indigenous reserves. As part of the work USAID conducts in this sector, an additional 1.5 million hectares (a total of 19.5 million) will be under improved management for biodiversity conservation and an additional 5.3 million hectares (a total of 23.5 million) under increased protection and sustainable management of forest ecosystems by the end of 2006.

Management Efficiency and Effectiveness. To improve management efficiency and ensure operating expense and staff allocations respond to priorities, the LAC Bureau has undertaken Mission Management Assessments in all 16 missions. These assessments have helped the Bureau streamline management support operations, focus program portfolios, reduce management units, identify efficiencies in procurement, and broaden the functions of regional platforms throughout the region. The LAC Bureau continues to work on finalizing the regional services platforms for Central America and South America. The Bureau is defining core staff requirements (technical and management support) for small, medium, and full-sized missions, and redefining the roles of U.S. direct hire staff, as well as the missions' program delivery models.

Program Assessment Rating Tool (PART). A component of the President's Management Agenda, PART focuses on assessing whether goals, indicators, and targets are in place and used to determine whether a program is achieving results. The original assessment found that while strategic planning and performance evaluation were effective in operating units, the LAC Bureau could not demonstrate regional progress due to the lack of regional performance measures and targets. To facilitate regional performance monitoring, the LAC Bureau undertook an extensive effort in 2004 to develop a set of contextual and performance indicators, baselines, and targets. The Bureau's long-term goals are now supported by regional performance measures which the Bureau will use to assess progress, and all LAC missions with relevant programs are reporting against these indicators.

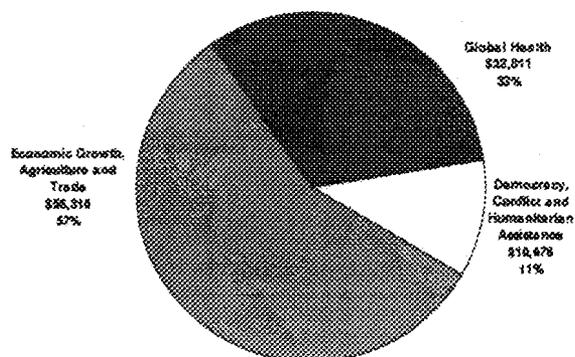
Other Donors. Official development assistance to LAC totaled just over \$5.2 billion in 2002 (latest available figures compiled by the OECD). Bilateral donors accounted for about 86% of this assistance and multilateral donors the remaining 14%. The largest multilateral donor is the European Commission, followed by the International Development Association and the Inter-American Development Bank. The

United States has been the largest bilateral donor since 2001, topping Japan, which was the largest donor for six years prior to 2001. U.S. assistance in 2002 totaled more than \$1.2 billion, followed by Japan and Spain. Germany, the Netherlands, and the United Kingdom are also active donors in the region. According to OECD statistics, nearly 60% of the assistance to the LAC region was geared toward social (health, education, water, housing, employment) infrastructure and services; approximately 14% was focused on economic (transportation, energy, and business development) infrastructure and services; and 12% on improved economic production (agriculture, industry, trade, and tourism).

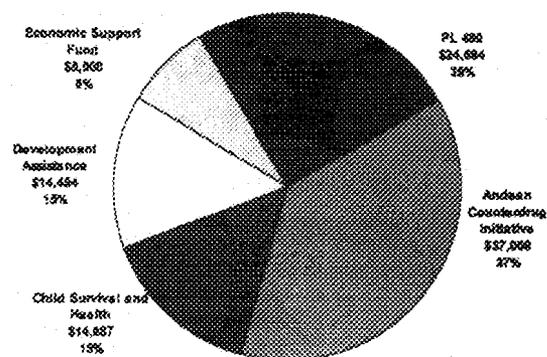
FY 2006 Program. USAID employed a strategic and performance based budgeting tool to estimate its FY 2006 program resources needs. Factors considered were country need and commitment, administration priorities, foreign policy considerations, management requirements, relative sector focus, and USAID operational goals. Total FY 2006 resources requested for the LAC region are \$862,521,000. Of this amount, \$223,847,000 is Development Assistance (DA); \$125,346,000 is Child Survival and Health (CSH), \$30,000,000 is Transition Initiatives (TI), \$143,675,000 is Economic Support Funds (ESF), \$216,297,000 is Andean Counterdrug Initiative (ACI), and \$123,356,000 is P.L. 480 Title II.

Bolivia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



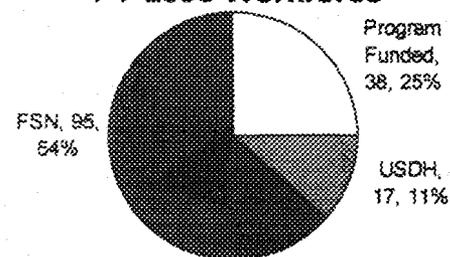
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Increased Economic Opportunities	511-002	8,550	9,002	12,735
Improved Health	511-003	14,570	16,495	14,887
Natural Resources Sustainably Managed	511-004	4,773	6,036	3,896
Integrated Development	511-005	35,260	37,200	34,000
Balance of Payments Support	511-006	8,000		
Democracy	511-007	5,589	8,560	8,823
PL 480 Title II		22,276	16,802	24,664
Total (in thousands of dollars)		99,018	94,095	99,005

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	4,332	4,033	4,187
USDH Salaries & Benefits	2,192	1,962	2,004
Program Funds	2,003	2,103	2,103
Total (in thousands of dollars)	8,527	8,098	8,294

FY 2006 Workforce



Mission Director: Liliana Ayalde

Bolivia

The Development Challenge: While the political prognosis for Bolivia at the beginning of 2004 was grim, following the forced resignation of President Gonzalo Sanchez de Lozada in the face of a massive social revolt, the country has maintained a remarkable, if precarious, political and economic stability. De Lozada's successor, President Carlos Mesa, skillfully parlayed his high personal approval rating into broad public support for a controversial national referendum on Bolivia's vast natural gas reserves. The export of natural gas is vital to the Bolivian Government's (GOB) ability to overcome its severe, recurring fiscal deficits. The GOB adopted a strict austerity plan that significantly reduced its expenditures, consistent with donor advice.

However, the Mesa Government finds itself increasingly stymied by powerful, organized opposition to needed reforms, and by a large and growing fiscal deficit that severely hampers its ability to meet even the most basic demands for services. Last December's municipal elections reveal a highly fragmented political environment that makes coalition-building to carry out a coherent national development program very difficult. Corruption is widespread. Road blockades and strikes by various groups force the GOB into ad-hoc agreements that play havoc with planning. Much needed foreign direct investment is in suspense pending the outcome of the Congressional debate on a new hydrocarbons law that will govern property rights and taxation in Bolivia's potentially lucrative energy sector. The law is seen by outside investors as a bellwether of GOB attitudes toward business. Current versions are widely viewed by potential investors as fundamentally anti-business.

The economy, while beginning to recover from its recent five-year slump, still requires extensive restructuring and considerable direct investment, for which there is little capital domestically, and some painful policy reforms, for which there is scant political will. Bolivia's small domestic market is not large enough to foment significant, broad-based economic and employment growth. The preponderance of employment in the low-skill informal-sector and the lack of sufficient financial intermediation for small and microenterprises further limit the economy's growth potential. Enterprises can grow through external markets, but to do so must significantly increase their competitiveness. Bolivia must seek broader and permanent opportunities to export, particularly to the United States, and make further commercial reforms; hence the importance of joining a free-trade agreement with the United States. Bolivia's agricultural sector, while limited by low productivity, uncertain land tenure, and a poor road network, has demonstrated an ability to compete in niche markets abroad. Much work still needs to be done, however, in increasing productivity and product quality, and in developing marketing networks.

High levels of poverty and a consistent pattern of social and political exclusion of the indigenous majority persist. Almost 60% of the Bolivian population is poor, with correspondingly low levels of education, health and nutrition. Infant mortality stands at 67.5 per thousand live births, and 26% of children under three years old are chronically malnourished. Diseases such as malaria, tuberculosis, leishmaniasis, and yellow and dengue fever are widespread. Health services in rural areas are very sparse and poorly equipped and staffed. The GOB's fiscal difficulties limit its ability to expand services, making it imperative that private providers and nongovernmental organizations take a much larger role in increasing the amount and quality of, and access to, health services, particularly in rural areas.

Bolivia is extraordinarily rich in natural resources, yet severe, widespread rural poverty creates stresses on the environment as the poor exploit these resources in an unsustainable manner. Water pollution and soil erosion and degradation are widespread and serious. The GOB lacks the capacity to effectively manage these resources; therefore, communities and the private sector must take on a larger and more responsible role.

Illegal coca replanting for the international narcotics trade is a constant challenge to Bolivia's counter-narcotics strategy. According to the United States and United Nations figures, the trend towards increased coca cultivation that began in 2001, primarily in the Yungas region, has continued in their most recent surveys. The illegal coca issue requires close and continuous attention and adroit U.S. Government (USG) and GOB coordination to avoid the rollback of gains in economic and social

development made to date in coca-growing areas. Alternative development programs must address the coca issue holistically, addressing problems caused by weak or absent state institutions and the lack of basic public services, as well as the need for economically viable alternatives for coca farmers.

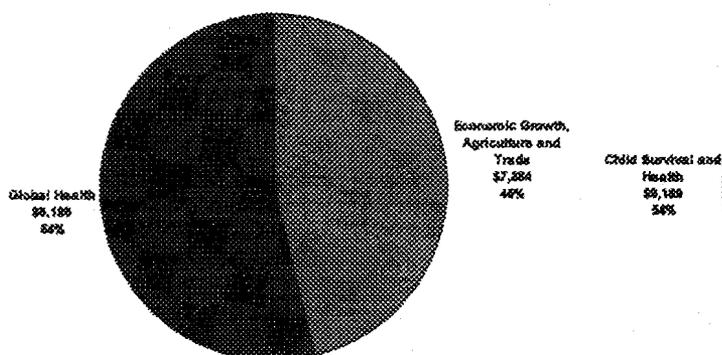
The USAID Program: The five objectives for which USAID is requesting FY 2005 and FY 2006 funds focus on: 1) improving the responsiveness and transparency of national and local governance and the justice system; 2) increasing economic opportunities for the poor through business development, trade, and improved agricultural productivity; 3) improving health practices and the quality of, and access to, health services; 4) sustainably managing natural resources and biodiversity; and 5) promoting licit income alternatives for rural farm families to reduce excess coca production in targeted areas. USAID's programs directly address the root causes of the violent conflict in October 2003 and focus on the indigenous population, especially in conflict-prone geographic areas such as the city of El Alto. USAID's programs also seek to increase state presence in underserved rural and urban areas. "State presence" refers to the presence of the government as a legal authority and arbiter, service provider (including health, education, and basic infrastructure), and enforcer of law.

Other Program Elements: USAID's Office of Private and Voluntary Cooperation funds child survival projects implemented by four U.S. private voluntary organizations under the Democracy, Conflict and Humanitarian Assistance Bureau (DCHA). DCHA also funds a political party training activity. The Economic Growth, Agriculture and Trade Bureau provides grants to U.S. nongovernmental organizations to expand financial services and a Farmer-to-Farmer program that provides short-term, volunteer technical assistance to increase farm and agribusiness productivity; funds an adult literacy program; and supported the 2003 Demographic and Health Survey. The Centers for Excellence in Teacher Training activity, managed by the Latin America and Caribbean Bureau's Office of Regional Sustainable Development (LAC/RSD), provides teacher training. LAC/RSD also manages a grant to fight trafficking in persons. The Global Development Alliance (GDA) office supports sustainable forestry through the Bolivian Chamber of Forestry. A new GDA activity for the Andean region will improve cocoa production in the Yungas in partnership with the U.S. chocolate industry. USAID's South America Regional program managed from USAID/Peru promotes trade capacity-building and malaria control activities.

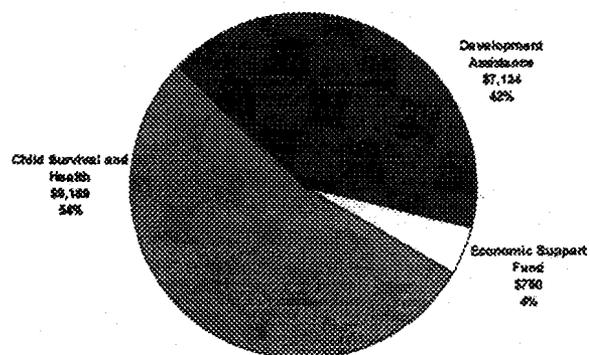
Other Donors: Within Bolivia, USAID is the largest bilateral donor, and the fourth largest overall donor, after the Andean Development Corporation, the World Bank, and the Inter-American Development Bank, all of which provide concessionary loans as opposed to grants. With respect to possible future assistance, Bolivia has been selected as eligible to bid for funds under the Millennium Challenge Account (MCA); however, the GOB has yet to complete a compact to receive MCA funds. Eighteen multilateral and bilateral donors and nine United Nations agencies provide an average of \$500 million annually in concessional loans and donations to Bolivia. Principal areas of donor coordination are health, education, democracy and poverty reduction. The donors' assistance programs are based on the 2001 Bolivian Poverty Reduction Strategy Paper, which is being updated with donor input, and the GOB's Plan of Action.

Brazil

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



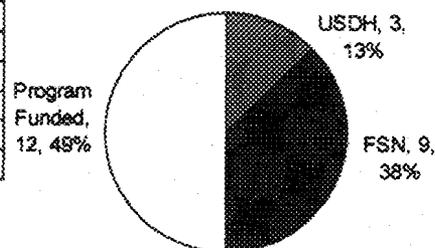
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Communicable Diseases Program	512-007	8,140	7,856	7,900
Environment Program	512-008	6,275	6,088	5,143
Energy Program	512-009	1,375	990	1,000
At-Risk Youth Program	512-010	1,300	1,360	1,289
SME Growth, Trade, and Poverty Reduction	512-011	1,943	846	1,741
Total (in thousands of dollars)		19,033	17,140	17,073

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,024	1,035	1,132
USDH Salaries & Benefits	443	408	417
Program Funds	686	896	896
Total (in thousands of dollars)	2,153	2,339	2,445

FY 2006 Workforce



Mission Director: Richard Goughnor

Brazil

The Development Challenge: With a population of 182 million and the largest economy in South America, Brazil is a key U.S. partner and provides a regional leadership role on trade, democracy, environment, and peacekeeping. Brazil has made progress in consolidating democratic reforms and establishing relative economic stability after years of rampant inflation. In 2002, Luís Inácio Lula da Silva, of the Worker's Party, was elected President with an unprecedented 61% of the popular vote. Voters supported Lula with the expectation that he would fight poverty, create jobs, and expand social sector programs. Nearly two years into his administration, Lula has strengthened the confidence of international and domestic investors by shoring up Brazil's economy, running primary budget surplus, and controlling inflation. Preliminary 2004 economic figures project a drop in the 2003 inflation rate of 9.3% to 7%, and an increase in the economic growth from 0.5% in 2003 to 5.0%.

Despite relative economic stability and promise on the trade front, major social problems challenge the Government of Brazil (GOB). An estimated 53 million (or 30%) Brazilians live in poverty, nearly 20% of the population is illiterate, 57% of all HIV/AIDS cases in South America are found in Brazil, and 120,000 new tuberculosis (TB) cases are reported annually. Over 12 million people lack access to the national power grid. In 2003, in response to widespread poverty and income inequality, the Lula administration unveiled its flagship "Zero Hunger" program, focused on improving nutrition, and increasing access to potable water, health and education. The program, which was recognized during a June 2003 Presidential Summit President Bush and Lula, has been slow to achieve results. USAID support to nongovernmental organizations (NGOs) and faith-based organizations (FBOs) is key to the success of Zero Hunger, in addressing HIV/AIDS and TB, assisting at-risk youth, and expanding energy access.

Proper stewardship of Brazil's rich environmental endowment holds global significance. Twenty-two percent of the world's known plant species exist in Brazil and 20% of the world's fresh water lies in the Amazon basin. Brazil is one of the largest greenhouse gas contributors in the world. Environmental degradation and deforestation continue at alarming rates as the agricultural frontier expands. Environmentally-sustainable economic development in the Amazon is the only viable alternative to deforestation. USAID environment and energy programs directly support the U.S.-Brazil Common Agenda for the Environment.

The USAID Program: USAID plays an important role in bringing the GOB, donor community, civil society and private sector together to leverage the broad expertise and resources necessary to address many of Brazil's most pressing development challenges. USAID's program comprises five Strategic Objectives contributing to: 1) protection of Brazil's environment and unique biodiversity; this program is designed to increase benefits to rural poor and shape future land-use trends over large geographic areas, while continuing to mitigate the adverse impact of climate change (GCC) and biodiversity loss; 2) reduction of greenhouse gas emissions through the promotion of alternative energy and energy efficiency; the program seeks to stimulate economic growth, reduce poverty, and address GCC and other adverse environmental impacts through delivery of renewable energy and energy efficiency services; 3) increased training and employment opportunities for disadvantaged youth and reduction of trafficking in persons (TIP) cases; the program provides disadvantaged youth with access to training and employment opportunities through technical and life skills development and offers technical assistance to the GOB to halt TIP for sexual exploitation; 4) HIV/AIDS prevention and decreased TB; the health program strategy aims at reducing the transmission of selected communicable diseases, with an emphasis on enhanced HIV/AIDS prevention and expansion of TB control programs; and 5) promotion of free trade and small and micro enterprise (SME) development, as well as support to complement the GOB's Zero Hunger program by funding local nongovernmental organization (NGO) safety net programs. USAID's objective is to create conditions for greater hemispheric trade and related SME growth and employment, while contributing to poverty alleviation.

USAID makes significant contributions in addressing development challenges in Brazil, despite the country's sheer size and the magnitude of its development challenges. USAID works with U.S. and Brazilian NGOs and firms, most of which work through consortia and/or with local partners. USAID

succeeds by focusing geographic coverage; expanding local government, NGO, indigenous organizations and local communities' capacity to respond to challenges in the areas of health service provision, expanded access to reliable sources of energy, environmental protection, and social and economic inclusion of impoverished populations; and by promoting replicable pilot activities and methodologies that leverage significant collaboration and resources.

Other Program Elements: USAID's Office of Regional Sustainable Development within the Latin American and Caribbean Bureau manages several activities in Brazil. The Parks-in-Peril program contributes to the national park conservation activities. A regional trade program disseminates information on the benefits of free trade and works with the GOB in developing mechanisms for the private sector and civil society to provide their input on free trade issues. USAID's Bureau for Economic Growth, Agriculture and Trade manages complementary activities that focus on biodiversity conservation, information sharing, coordination of USAID programs, youth employability, and energy policy. Under the energy program, the United States Energy Association is helping to facilitate partnerships between Brazil's Power Sector Regulatory Agency and U.S. public utility commissions.

USAID's Global Health Bureau contributes to a program that conducts field research on HIV/AIDS, sexually transmitted infections and TB and provides related management training. The South American Regional Program manages a malaria surveillance, detection, and treatment activity in the Brazilian Amazon region.

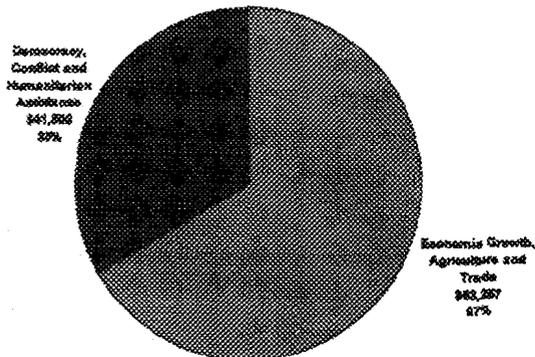
Other Donors: The GOB funds most environmental activities in Brazil. USAID ranks sixth in dollar contributions. The German Development Agency (GTZ) is the number one international investor in the protection of Brazil's biodiversity, followed by the European Union. The World Bank (IBRD) provides technical and financial cooperation for the Amazon Regional Protected Areas program. The Gordon and Betty Moore Foundation contributes three to four times the annual USAID environment budget, focusing on general Amazon forest conservation. Holland and the United Kingdom (UK) also contribute significantly to environmental protection in Brazil.

USAID is the largest bilateral donor in HIV/AIDS prevention. Complementing USAID efforts with the GOB, the World Bank signed a third HIV/AIDS loan for \$150 million, administered principally by UNESCO. Previous HIV/AIDS loans totaled \$325 million. The International Labor Organization (ILO) currently chairs the Brazil chapter of UNAIDS and is investing mostly in AIDS in the Workplace programs. Other donors include GTZ, the UK's Division for International Development (DFID) and UN Children's Fund (UNICEF). USAID also works closely with the Pan American Health Organization (PAHO) on TB control. In the energy sector, the IBRD and the Inter-American Development Bank (IDB) are the largest donors, followed by the UN Development Program (UNDP). The Japanese, GTZ and DFID also share USAID's interest in the energy sector. Key areas supported by these donors include energy sector regulation, energy efficiency, climate change and hydrogen.

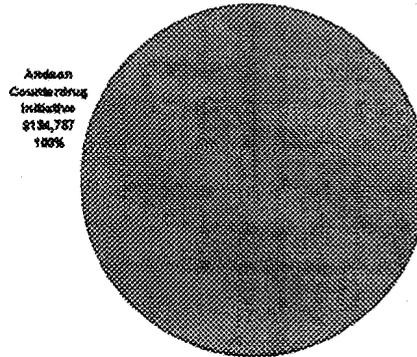
Youth employability and TIP programs are priorities for USAID and ILO. Both collaborate in promoting youth training and employment generation, and in tackling TIP as major violation of human rights. Another key donor combating TIP is the Swedish Children's Fund. On SME growth, trade and poverty alleviation, the IDB and the IBRD have earmarked substantial resources to support the GOB's Zero Hunger program, while a local NGO, funded by the UN Food and Agriculture Organization and the International Finance Corporation coordinates a unified private sector response in this area. DFID and GTZ are working on specific clusters and productive associations to support SMEs. A number of domestic agencies, among which the Brazilian Small Business Administration, the Small Business Export Agency and the National Confederation of Industries are prepared to co-fund pilot activities in trade-led growth and employment.

Colombia

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



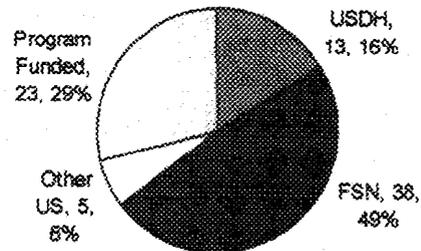
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Democracy	514-007	23,950	22,000	19,000
Alternative Development	514-008	60,844	70,694	83,257
Internally Displaced Persons	514-009	36,685	32,000	22,500
Total (in thousands of dollars)		121,479	124,694	124,757

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	3,925	4,181	4,155
USDH Salaries & Benefits	1,500	1,658	1,835
Program Funds	1,377	1,819	1,819
Total (in thousands of dollars)	6,802	7,658	7,809

FY 2006 Workforce



Mission Director: Michael Deal

Colombia

The Development Challenge: Since taking office in August 2002, President Alvaro Uribe Velez has worked relentlessly to establish state control throughout the country, revitalize the Colombian economy and combat corruption. Although the Colombian economy grew at roughly 3.5% per quarter during 2003, this trend slowed slightly during 2004. The fiscal deficit has fallen from 3.7% of gross domestic product (GDP) in 2002 to a projected 2.5% of GDP in 2004; while private investment rose by approximately 20% in 2003. Largely as a result of improved investor confidence and the resulting spike in private investment and exports, GDP increased by 4.2% in 2003 and is projected to expand by an additional 3.5% in 2004. Unemployment fell to about 10% in late 2004; the lowest rate in the last three years.

In 2004, Colombia maintained its ranking in Transparency International's corruption index which reflects significant improvements since 2000. Between 2003 and 2004, the country's human rights record improved significantly as the national homicide rate fell by 12%, trade unionist murders were reduced by 37%, and kidnappings fell by 42%. Moreover, for the period from January 2004 through September 2004, the Human Rights Observatory reported an 80% reduction in the number of attacks on populations and a 41% decrease in the forced displacement of Colombian families. Furthermore, according to United Nations figures, the combined tactics of eradication, interdiction and alternative development resulted in a decrease in coca cultivation from 163,290 hectares of coca in 2000 to 86,340 hectares in 2003 -- a 47% reduction. USAID will provide technical assistance in support of the Government of Columbia's program to demobilization 20,000 paramilitary combatants by the end of FY 2005.

Despite these significant accomplishments, Colombia continues to face several challenges. Numerous rural municipalities are isolated by poor infrastructure and fragile institutions and thus, remain prone to violence, illicit crop cultivation, forced displacement and human rights abuses. Colombia faces severe income disparities, poverty, and inadequate social services. The World Bank estimates that 65% of the population lives below the poverty line. The poverty rate for rural dwellers in Colombia is estimated at 80%, of which 42% is considered extreme. Also, only 62% of rural dwellers have access to potable water and 32% to sewage treatment services. These conditions are exacerbated in rural areas by a 15% illiteracy rate. Improvement in Colombia's social sectors is especially challenging considering that the Uribe Government has tightened fiscal spending. Finally, while Colombia's illegal armed groups have been weakened, their presence and ability to exert violence against the state and civilians continues.

The USAID Program: The three ongoing objectives to be funded in FY 2005 and FY 2006 focus on promoting more responsive, participatory, and accountable democracy; stemming the flow of illegal drugs into the United States by encouraging small producers to join the legal economy through licit economic activities and infrastructure projects; and relieving the plight of displaced persons. During FY 2005, USAID will expand initiatives to bolster Colombia's trade capacity under the Andean Trade Promotion and Drug Eradication Act, and will support Colombian efforts to prepare for and take full advantage of the income, employment, and export opportunities associated with the impending Andean Free Trade Agreement with the United States.

The Colombia program's principal focus remains the promotion of alternative development, which coupled with U.S. Government-supported eradication and interdiction efforts, is designed to reduce the cultivation of illicit crops and stem the production and flow of illicit drugs to the United States. The program will strengthen and expand the presence of state institutions while simultaneously weakening the efforts of the three principal illegal armed groups (a total of approximately 40,000) whose ruthless pursuit of drug profits has a destabilizing effect upon the country. Increasing licit economic opportunities will provide strong incentives for producers to permanently abandon illicit crop production. USAID's democracy activities will promote a strong government presence to counter the negative effects that illicit activities have on transparency, accountability and the ability of local officials to practice good governance. By providing licit economic and social assistance to Colombia's internally displaced persons and other vulnerable groups (including child ex-combatants, youth at risk of recruitment by illegal armed groups, and host communities), people will be deterred from participating in illicit narcotics-related activities.

Other Program Elements: USAID assists the Government of Colombia in the management of a \$45

million environmental fund created under the Enterprise for the Americas Initiative, which forgives foreign debt in exchange for environmental and child protection initiatives. A similar agreement for \$10 million was signed under the Tropical Forest Conservation Act. In addition, programs in democracy, environment, and health are implemented in Colombia through the Latin America and the Caribbean Bureau and the Democracy, Conflict Prevention, and Humanitarian Assistance Bureau.

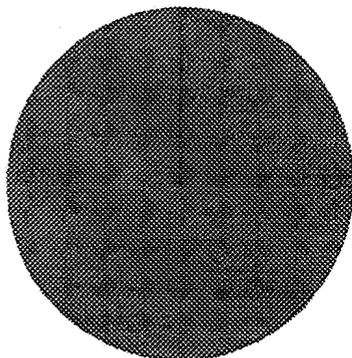
Other Donors: Multilateral assistance to Colombia from the World Bank, Inter-American Development Bank, the European Union, United Nations agencies, the Andean Development Corporation and others totaled \$66.7 million in 2003. Other bilateral development assistance to Colombia reached roughly \$107 million in 2003, with Germany, Spain, and the Netherlands being the most significant contributors.

USAID, representing the United States Government and as the major donor to Colombia, has actively participated in the "Group of 24" international donors committee. This committee comprises the 24 primary donor countries active in Colombia and meets on a regular basis to discuss and coordinate programs and policies. The committee also provides the forum for sharing lessons learned.

Cuba

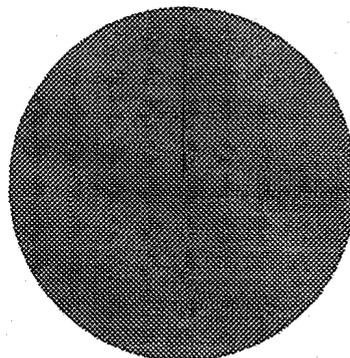
FY 2006 Assistance by Sector

Democracy,
Conflict and
Humanitarian
Assistance
\$15,000
100%



FY 2006 Assistance by Account

Economic Support
Fund
\$15,000
100%



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Civil Society Developed	516-001	12,319	8,928	15,000
Total (in thousands of dollars)		12,319	8,928	15,000

*Excludes \$9,050,000 ESF transfer in FY 2004

Mission Director: David Mutchler

Cuba

The Development Challenge: Human rights conditions remained poor in 2004, in the wake of the Government of Cuba's (GOC) jailing of 75 human rights activists and independent journalists in 2003. Even though 14 of the 75 prisoners were released for health reasons, the poor treatment and humiliating conditions of the imprisoned journalists, and the harassment of their families, has been clearly documented.

Cuba continues to be among the lowest ratings for both political rights and civil liberties. The country was once again rated among "The Worst of the Worst, The World's Most Repressive Societies 2004", in a special report from Freedom House. Cuba was also ranked by Freedom House as one of the five worst countries in terms of restrictions and obstacles to the free flow of information. There has also been no change in its poor status of respect for religious freedom during this period.

The report and recommendations from the President's Commission for Assistance to a Free Cuba were released in May 2004. The United States acted on the Commission's recommendations by tightening the embargo with Cuba in an attempt to further undermine the survival strategies of the Castro regime and to hasten the end of the dictatorship. The measures included capping remittances sent to the island by Cubans in the United States, as well as further restricting travel to the island. In response to these measures, the Cuban central bank announced that dollars would no longer be accepted in shops and businesses, and that tourists and Cubans exchanging dollars will have to pay a 10% commission.

Cuba's economy is expected to grow by about 3% this year, up from 2.3% last year and less than 2% the year before. Cuba's 2003-2004 sugar harvest was 2.5 million metric tons, down from the 2002-2003 harvest of 3.6 million metric tons. The 2004-2005 harvest is expected to be even worse, due to continuing drought conditions. A decade ago, it was common to harvest 6 to 7 million metric tons annually. As Cuba's sugar industry continues to undergo major restructuring, it has been replaced by tourism as the island's chief source of foreign income. Most recently, China has committed to partnerships that will ease travel to Cuba, with planned direct flights as well as investments in new hotels and resorts.

Foreign investments in Cuba dropped 15% in 2004, as a result of the GOC allowing fewer new ventures with foreign companies. This is in contrast to the early 1990's when the Cuban government was more open in order to offset the nearly \$5 billion annual loss in aid as a result of the collapse of the Soviet Union. A recent example of greater state control over the economy is limiting the number of licenses for self-employed contractors. Another example is the GOC's decision to no longer accept official transactions in U.S. dollars, so they can no longer be spent on goods and services. In addition, U.S. dollars must first be exchanged for pesos which have no value outside Cuba.

Considerable economic growth is expected in some areas, due to renewed relationships with some European countries and new investments from others. China recently made commitments of \$500 million for a new nickel plant, new investments in education, health, and even new agreements for Cuban production of televisions, coffee, and fruit to export to China. Partnerships have also been formed with Spanish and Canadian oil companies to drill off the coast of Cuba. A Canadian firm has expressed interest in significantly increasing nickel and cobalt projects on the island.

In 2004 there were a number of lengthy power outages due to Cuba's antiquated and problem plagued electrical grid. Factories were temporarily closed, work and school days were cut short, and street lights were dimmed or turned off to conserve electricity. Castro could only pledge to significantly boost the island's electrical output.

The USAID Program: In support of a peaceful transition to democracy in Cuba, the USAID program will focus on developing civil society through information dissemination. In FY 1996, USAID awarded its first grant aimed at promoting a democratic transition in Cuba. The Cuban Democracy Act of 1992 authorizes the U.S. Government to provide assistance "...through appropriate nongovernmental organizations (NGOs), for the support of individuals and organizations to promote nonviolent democratic change in

Cuba." The Cuban Liberty and Solidarity (LIBERTAD) Act of 1996 is aimed at individuals and independent NGOs and further elaborates the types of assistance and support the President Bush is authorized to provide. This would include: published and informational matter (e.g. books, videos, and cassettes) on democracy, human rights and market economies; humanitarian assistance to victims of political repression and their families; support for democratic and human rights groups in Cuba; and support for visits by and permanent deployment of independent international human rights monitors in Cuba. The Act also authorizes the planning of assistance to a future transition government in Cuba.

USAID requests FY 2006 funds under the objective, "Civil Society Developed through Information Dissemination." The program provides grant support to accredited public and private U.S. colleges and universities and NGOs to achieve this objective. The program has been successful in encouraging grantees to undertake humanitarian, information-sharing, and civil society-building activities in Cuba with private funds, subject to applicable U.S. Treasury and Commerce Department regulations. Over the past nine years, USAID has provided approximately \$34 million to about 28 U.S. universities and NGOs for this purpose.

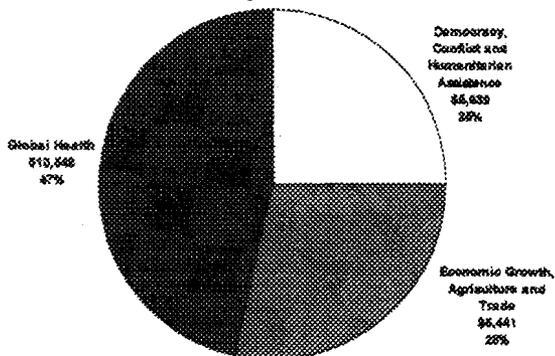
FY 2006 funds will support seventeen current grants, in addition to new grants awarded through a competitive procurement process. These grants will help develop an independent civil society in Cuba through information dissemination.

Other Program Elements: The USAID/Cuba program participated on all five working groups of the President's Commission for Assistance to a Free Cuba, and contributed to the final report released in May 2004. The report outlines additional measures to help bring an end to Cuba's dictatorship and lays out a plan for effective and decisive U.S. assistance. The recommendations focus on actions available to the U.S. Government and allow it to establish a strong foundation on which to build international support.

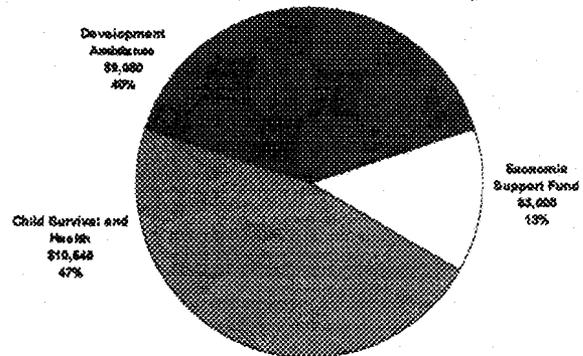
Other Donors: During the last three years, Spain and Canada have been the two leading bilateral donors in Cuba, although other donors are building up their programs (e.g. Germany, Italy, Japan and France). Canada's programs focus on modernization of the state, civil society and participatory development, social sector development, and forestry management. Spain's assistance focuses on water and sanitation, humanitarian assistance, education, and agricultural production. A number of United Nations (UN) development organizations have active programs in Cuba. The UN Development Program concentrates aid in the social and environmental sectors, as well as assisting Cuba to implement economic reforms. The World Food Program has a development food aid program for the eastern provinces of Cuba. UNICEF has been expanding access to safe drinking water and basic sanitation in rural communities. Other UN organizations operating in Cuba include the Pan American Health Organization and the Food and Agriculture Organization.

Dominican Republic

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



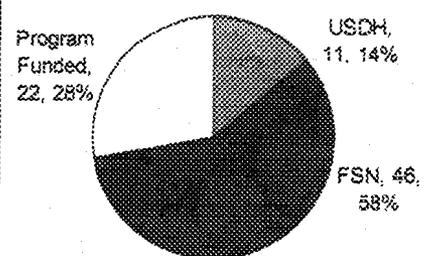
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Prosperity and Security	517-008	7,951	4,904	6,441
Democracy, Governance and Human Rights	517-009	7,144	5,439	5,639
Family and Workforce Health	517-010	13,166	12,849	10,548
Total (in thousands of dollars)		28,261	23,192	22,628

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,776	3,332	3,395
USDH Salaries & Benefits	1,579	1,455	1,487
Program Funds	1,675	1,756	1,756
Total (in thousands of dollars)	6,030	6,543	6,638

FY 2006 Workforce



Mission Director: Eiena Brineman

Dominican Republic

The Development Challenge: Newly elected President Leonel Fernandez leads a government with few resources in a country with a history of pervasive corruption. The government inherited a financially collapsed electricity sector and the task of quickly renegotiating a derailed International Monetary Fund (IMF) agreement before a skeptical international community. Before Fernandez assumed power, many Dominicans had lost confidence in their government and experienced significant erosion in incomes; the percentage falling below the poverty level had grown substantially since 2002. USAID's program in the Dominican Republic is designed to assist the country to achieve transformational change that accelerates the country's recovery; strengthen its democratic institutions and rule of law; achieve sustainable economic growth; improve security and combat international crime and drugs, and; improve health and education for the country's citizens.

Soon after taking office, the new administration began taking corrective actions which had an immediate salutary effect on the economy. With continued tight monetary policy and the reopening of IMF negotiations, the peso quickly appreciated and the exchange rate began to stabilize. The country is beginning to recover from the economic crisis that affected it during 2003 and 2004. The year was characterized by severe exchange and interest rate fluctuations. Inflation, after averaging over 100% on an annual basis over the first two months, reduced to an annualized rate of 29%. The country returned to positive growth in the second quarter, due to strong growth in tourism and free trade zone exports, increased remittances, and high pre-election government expenditures. The signing of the Central America Free Trade Agreement (CAFTA) with the United States and five Central American countries strengthens prospects for increased investment, growth, and exports.

The Government of the Dominican Republic has been plagued by a myriad of problems over the past year. Beginning in mid-2003, internal and external debt became a major issue. The former administration's 100% guarantee of deposits in three collapsed banks created an obligation that nearly tripled the debt ratio, an increase of about \$11 billion. The former administration sought a standby program from the IMF, but because it was repeatedly unable to meet its financial goals, IMF disbursements were limited to approximately \$120 million between October 2003 and February 2004. Because of the lack of an IMF program, almost all other lending from international financial institutions was suspended throughout 2004. The electricity sector lurched from crisis to crisis - price controls, high theft of electricity, and low collections contributed to widespread and sporadic rolling blackouts. Additionally, because of its continuation of subsidies and other policies the government was forced to spend \$40 to \$50 million monthly to fund the generation and distribution of electricity. USAID, in coordination with the World Bank, worked with the Government to design a National Electricity Sector Revitalization Program to stabilize the electricity sector by the end of 2005 by reducing subsidies and losses, and increasing rates.

The USAID-financed Survey of Democratic Attitudes and Practices found that Dominicans believe that corruption is increasing, as is disenchantment with the functioning of democracy, political parties, rule of law, the justice system, and other national institutions. Only one of three large bank fraud cases has been submitted to the courts. Dominicans are skeptical about whether justice will be served. The survey results highlight the need to strengthen democracy and rule of law in the country in order to restore the confidence of Dominicans in their governmental institutions.

The 2002 Demographic and Health Survey found a HIV/AIDS seroprevalence rate of 1.0% in the adult population, with certain age groups and regions higher than the national average. For example, the rate among residents of bateyes(communities of sugarcane laborers) is 5%. The total fertility rate was 3.0, below the average for Latin America and the Caribbean. However, maternal mortality continues to be high, estimated at 178 deaths per 100,000 live births. The Dominican Republic's health sector reform program, intended to guarantee a basic package of primary care services through health insurance plans, was designed to address the important issue of unequal access to quality care. However, progress has been slow and funding insufficient. The quality of basic education is poor, particularly in rural and

marginal urban areas; public investment in education remains relatively low. Additionally, the influx of illegal and transient Haitians adds to the country's poverty burden and further strains the already inadequate health and education services.

USAID's goal is to help the Dominican Republic respond to these challenges in order to place the country back onto a recovery path and to strengthen its institutions - especially those that uphold democracy, the rule of law, and global integration - so that it can enjoy sustainable growth in a democratic setting and become an even stronger bilateral and regional partner of the United States in terms of trade, fighting global crime and terrorism, and cultural exchanges. The U.S. national interests in the Dominican Republic are: to help build economic prosperity and security; combat international crime and drugs; strengthen democracy and human rights; assist in U.S. homeland security, and; improve global health. Some of these goals can best be met by taking an integrated approach through program activities aimed at both the Dominican Republic and Haiti.

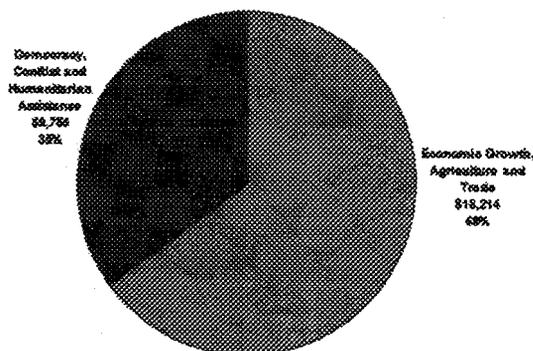
The USAID Program: USAID's objectives are to concentrate on increasing and sustaining economic opportunities for all Dominicans, especially the poor; strengthening participatory democracy; and improving the health of vulnerable populations. The economic opportunities portfolio concentrates on institutional changes, policy reform, and public-private partnerships to create jobs, increase trade and investment, achieve a sustainable energy sector and expand electric service, protect the environment, and improve basic education. USAID's democracy program supports the development and enforcement of the rule of law, political and electoral reform, and anticorruption systems. The health portfolio works with the Dominican government to carry out an ambitious health sector reform program, and supports a large HIV/AIDS prevention and services program, as well as tuberculosis detection and treatment, vaccination of children, facilitation of community-managed clean water systems, and maternal mortality reduction.

Other Program Elements: Other USAID activities include: the Presidential Initiative "Centers for Excellence in Teacher Training"; a regional quality coffee project; a regional Parks-in-Peril program; an energy regulatory and power sector technical assistance program for policy reform and improved energy efficiency; disaster mitigation activities with the Office of Foreign Disaster Assistance; labor related trade policy initiatives with the Program in Support of Central American Participation in the Free Trade Area of the Americas; regional municipal and civil society anticorruption activities; a scholarship program with Georgetown University; and activities under three centrally funded public/private alliances - rural electrification cooperatives, basic education activities, and Entra 21, connecting local labor markets with young people interested in information technology careers.

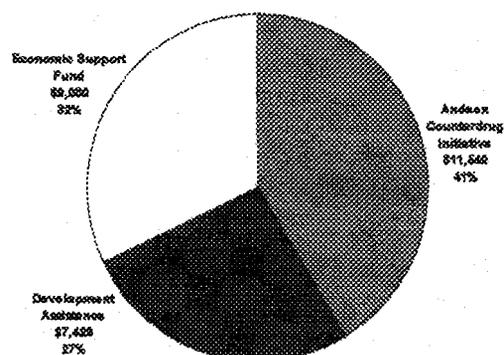
Other Donors: Donor coordination is good. There is a regular exchange of information on issues, funding, and activities. Development assistance to the Dominican Republic in 2003 totaled \$356.6 million, with Japan and the United States being the first and second largest bilateral development partners respectively. Bilateral donors and major areas of focus are: Japan (agriculture, education, water, urban infrastructure, and health); Venezuela (petroleum-related financing); Spain (governance, education, environment, health, infrastructure, tourism, and private-sector development); Taiwan (information technology, agriculture, and scholarships); Brazil (hydroelectric, transportation, and potable water supply); Germany (natural resources management, reproductive health, and renewable energy); Canada (agriculture and health) and France (health, agriculture, education, and rule of law). Multilateral donors include the Inter-American Development Bank, the World Bank, the European Union and multiple United Nations agencies. The IMF also disbursed a total of \$121 million in 2003 and 2004 to the DR.

Ecuador

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



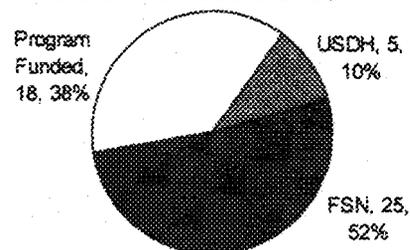
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Biodiversity Conservation	518-001	5,011	4,644	4,329
Southern Border Development	518-011	1,988	1,488	2,000
Democracy and Conflict Prevention	518-012	7,628	8,250	5,215
Northern Border Development	518-013	14,912	14,880	11,540
Economic Opportunities	518-014	4,921	6,628	4,885
Health Initiatives	518-YYY		148	
Total (in thousands of dollars)		34,460	36,036	27,969

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,828	1,895	1,891
USDH Salaries & Benefits	748	765	782
Program Funds	1,949	2,355	2,355
Total (in thousands of dollars)	4,525	5,015	5,028

FY 2006 Workforce



Mission Director:
(Acting) Carl Derrick

Ecuador

The Development Challenge: The year 2004 was characterized by political instability, labor strikes, popular protests, and declining social conditions for the majority of Ecuadorians. President Lucio Gutierrez's administration fought for political survival after attempts by opposition parties to remove the President from power. The President's party suffered a poor showing in the October 2004 regional and municipal elections, thus forcing the President to rely on a fractious coalition of parties in the 100 seat Congress. However, the elections were deemed to be free and fair by international observers. According to the 2004 Democratic Values Survey, public support and confidence in democracy has increased slightly since the first survey in 2001. Given the volatile political climate and fragile democracy in Ecuador, much remains to be done before stability, development, and prosperity are assured.

As an oil exporter, Ecuador has benefited from high world oil prices, resulting in a projected real gross domestic product (GDP) growth rate of 5.1% for 2004. Due to structural inefficiencies, including corruption, the improved GDP figures have not translated into real benefits for most Ecuadorians. Health, education, and other public workers have participated in strikes against the government. In addition, poor understanding among Ecuadorians of the benefits of free trade has resulted in protests against the proposed free trade agreement with the United States.

Ecuador has an annual population growth rate of 2.1%, a high infant mortality rate (30 per 1,000), a high prevalence of infectious diseases (tuberculosis, malaria, and HIV/AIDS), chronic malnutrition, and high levels of maternal and child mortality. Access to safe water and sanitation is worse than in Peru and Bolivia, and modern health care facilities are limited among urban and rural poor populations. Ecuador invests approximately 3% of its GDP in education. Rural populations, particularly indigenous people, suffer from a lack of educational opportunities.

Ecuador continues to make strides in recovering from the collapse of the economy and banking system which befell the country in 1999. Important achievements have been accomplished in the fiscal sector, especially with the Law of Fiscal Responsibility which has imposed discipline in the management of the government budget. In 1999, rampant inflation and capital flight caused Ecuador to dollarize the economy. The measure has delivered low inflation and macroeconomic stability but has also highlighted Ecuador's lack of competitiveness. This deficiency as well as the need to implement structural changes in the oil, electricity, telecommunications, and banking sectors, continue to demand for further needed macroeconomic reforms. The total external debt estimated for 2004 represents 57% of GDP and debt service estimated as a percentage of earnings from exports reaches 22.1%. Unemployment rates continue above 10%, while underemployment is approaching 50%. Over 60% of the population lives in poverty.

Ecuador continues to suffer from the destabilizing effects of drug trafficking activities in neighboring countries and the collateral effects in security. Finally, the destruction of natural ecosystems is threatening Ecuador's impressive biodiversity. The country that is one of the world's richest biodiversity centers and holds 10% of the earth's plant species and 18% of bird species, is now approaching the highest deforestation rate in South America. Technical capacity, personnel, and the political will necessary to implement regulations aimed at protecting the environment have been lacking.

The U.S. national interests in Ecuador are upholding democratic institutions; combating drug trafficking and terrorism; fostering Ecuador's economic development; building trade, investment, and financial ties; and combating poverty. Ecuador's position in the heart of South America's most violent region also underscores the country's importance to U.S. interests. A democratic and prosperous Ecuador can help restrain the spread of illegal drugs and violence across the Northern Andes.

The USAID Program: USAID is requesting FY 2005 and FY 2006 funds to address the five strategic areas: biodiversity conservation; democracy and governance; economic opportunities; and development of Ecuador's northern and southern borders. USAID supports the conservation of biologically important regions within Ecuador's protected area systems. USAID seeks to increase support for the democratic system by strengthening the transparency and accountability of democratic institutions, fostering greater

participation of disadvantaged groups in democratic processes, and increasing consensus on policies critical to democratic consolidation. USAID aims to reduce rural and urban poverty by helping to develop a strong, sustainable microfinance sector in Ecuador and by improving the macroeconomic environment for more equitable growth. USAID continues to work with the Government of Ecuador to contain the spread of a coca/cocaine economy into Ecuador by supporting the construction of social and productive infrastructure projects and providing alternative income opportunities for small and medium-sized farmers along the northern border. Finally, USAID assists in the improvement of social and economic conditions of inhabitants along the Peru-Ecuador border. USAID has vigorously pursued Global Development Alliances (GDA) and has six such alliances in the areas of democracy, environment, and economic growth.

Other Program Elements: USAID's central Bureau for Economic Growth, Agriculture, and Trade (EGAT) manages three programs in Ecuador. The Farmer-to-Farmer program funds short-term, U.S. volunteer technical assistance to increase farm and agribusiness productivity and incomes. The Office of Natural Resource Management manages the Collaborative Research Support Program, which provides assistance to increase farmers' capacity to produce, utilize, and market agricultural commodities through cost effective and environmentally sustainable methods, as well as the Living Program, which provides assistance through the Wildlife Conservation Society to protect the biodiversity of the Greater Yasuni-Napo Moist Forest Landscape Conservation Area in the Ecuadorian Amazon.

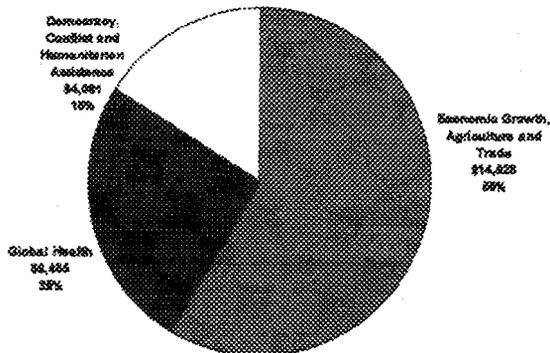
USAID's Mission in Peru manages two regional programs that impact Ecuador. The Andean Trade Capacity Building program improves the technical capacity of the Andean Community as a partner in negotiations leading to the creation of the Free Trade Area of the Americas (FTAA) and strengthens regional capacity to implement the rules of trade emerging from FTAA negotiations. The Centers of Excellence for Teachers Training (CETT) for the Andean region trains teachers who work in disadvantaged communities to improve the quality of reading instruction.

In FY 2004, the Latin America and the Caribbean (LAC) Bureau supported a national household health survey. The survey, due for publication in FY 2005, will provide detailed data for program planning purposes. The LAC Bureau is designing a program to begin in FY 2005 that will address urgent needs in the health sector. Subsequent programming, funding levels, and management approaches will be determined, based on availability of funds, LAC Bureau guidance, and survey results. Ecuador also participates in other health initiatives of the LAC Bureau including: the Antimicrobial Resistance Program, Maternal Mortality Reduction Initiative, Health Sector Reform Initiative, and the Decentralization Mapping Tool Program. Country counterparts receive information on lessons learned and research conducted in these areas.

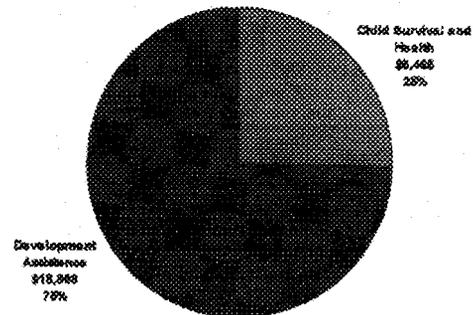
Other Donors: According to the latest official figures, overall development assistance to Ecuador in 2002 totaled approximately \$236 million; the United States accounted for 53% of the grant assistance and continues to be the largest bilateral donor, followed by Germany and Spain. Other major bilateral donors include Japan, France, and the European Union. Multilateral donors include the Andean Development Corporation (CAF) (infrastructure); the Inter-American Development Bank (IDB) (economic stabilization, poverty reduction, infrastructure); and the World Bank (macroeconomic framework, economic resources access, and government institutional strengthening). USAID has worked with the International Monetary Fund, the World Bank, and the IDB to support the Government of Ecuador in the improvement of its accounts information system and the implementation of institutional reforms. USAID's assistance has been instrumental in negotiations for a free trade agreement, enabling the IDB, World Bank, the United Nations Development Program, and CAF to follow up activities initiated by USAID.

El Salvador

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



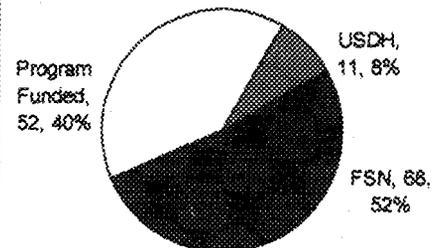
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Growth, Agriculture and Education	519-001	2,534		
Democratic Consolidation and Governance	519-002	4,355		
Health of Women and Children	519-003	7,150		
Clean Water Access	519-004	3,600		
Ruling Justly	519-021	1,000	4,350	4,061
Economic Freedom	519-022	15,666	18,589	11,228
Investing in People	519-023		11,626	10,085
P.L. 480 Title II		630		
Total (in thousands of dollars)		34,935	34,565	25,354

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	4,298	4,824	5,024
USDH Salaries & Benefits	2,043	1,338	1,365
Program Funds	2,957	2,730	3,809
Total (in thousands of dollars)	9,298	8,890	10,198

FY 2006 Workforce



Mission Director: Mark Silverman

El Salvador

The Development Challenge: In the span of 13 years, El Salvador has implemented reforms from the Peace Accords that ended a long civil war; endured a devastating hurricane and two powerful earthquakes; and suffered the combined impacts of declining coffee prices, loss of apparel industry jobs, and high petroleum prices. In the face of these problems, El Salvador continues to make substantial progress along a path of transformational political, economic and social development. While much of Latin America has experienced negative growth rates during this decade, the Salvadoran economy has maintained a positive average annual growth rate of slightly below 2%. In March 2004, the country held presidential elections deemed transparent, free and fair, with a voter turnout of 67%. The newly-elected government faces the daunting task of delivering on its promises of economic and social reform.

Economic growth projections for 2005 are expected to be about 2.5%, given several factors. In 2004 the inflation rate, while modest by international standards, more than doubled to 5.3%, due to the high price of petroleum. In addition, 10,000 apparel industry jobs were lost as a result of new competition from China. Broad-based growth continues to be a challenge, with highly unequal income distribution, where the poorest 20% of the population receive only 3.1% of the nation's income. This translates to more than one million people who do not earn enough to take care of their families' basic needs. Remittances from Salvadorans in the United States are expected to reach \$2.5 billion in 2004.

To contend with the social and economic issues that could hamper the country's progress, the Government of El Salvador (GOES) plans to increase social investments in rural regions where poverty rates are the highest in order to improve the quality of education and health care delivery. To increase social investment, the GOES recognizes that it must push ahead with implementation of key fiscal reforms that will stimulate increased tax collection. Other items on the GOES agenda include security, transparent and responsible governance, economic competitiveness, and increased job creation and economic opportunities through trade and micro, small and medium enterprises. It is an integrated agenda with each part affecting another.

El Salvador's strategic location and strong ties to the United States make its political and economic stability a vital U.S. interest. The political and economic liberalization encouraged by the United States and adopted by El Salvador has made the country a model for post-conflict developing countries. The United States is El Salvador's most important trading partner, receiving 64.4% of exports and providing 46.7% of imports. Approximately two million Salvadorans reside in the United States, many of them illegally. By promoting prosperity in El Salvador through USAID programs and opportunities such as the Central America Free Trade Agreement (CAFTA), the United States can help strengthen the economy, thereby reducing the flow of economic migrants to the United States and reducing U.S. vulnerability to transshipment of narcotics and trafficking in persons.

The USAID Program: In FY 2005 USAID will complete four programs under its 1997-2004 strategy that focus on economic opportunities for rural poor families, democracy and good governance, health of rural Salvadorans, and rural household access to clean water. USAID will also finish its earthquake recovery program, having contributed to the reconstruction of rural housing, health and education facilities, water systems and reactivation of the most affected sectors of the rural economy. USAID will begin implementation, under the Central America and Mexico (CAM) Regional Strategy, of a new El Salvador Country Plan. Under this strategy, USAID will implement programs under three objectives consistent with Millennium Challenge Account objectives: Ruling Justly, Economic Freedom, and Investing in People. USAID will begin its new Investing in People program and continue implementing activities under the Economic Freedom and Ruling Justly programs.

Other Program Elements: In addition to the bilateral program, there are ongoing activities in El Salvador managed by regional programs. Under the Central America Regional Program (G-CAP), the Rural Diversification Program supports small and medium-scale specialty coffee producers by enhancing quality, introducing better practices, improving market differentiation and certification, and increasing value-added components. The G-CAP Trade program supports trade competitiveness and readiness to participate in sub-regional, hemispheric and global markets and promotes effective preparations for trade

negotiations. USAID's Latin American and Caribbean (LAC) Bureau supports efforts in civil society outreach to explain the objectives and benefits of CAFTA. The G-CAP Environmental program supports El Salvador in the area of cleaner industrial production processes related to proposed CAFTA requirements and environmental conservation of the Gulf of Fonseca. G-CAP's Regional HIV/AIDS activities support effective behavior change among at-risk groups.

Through its farmer-to-farmer program, USAID's Economic Growth, Agriculture, & Trade (EGAT) Bureau supports volunteer technical assistance to promote horticulture and dairy production and marketing. USAID's EGAT Bureau also funds a small grants program benefiting migratory birds and their winter habitats in El Salvador. Through USAID's Centers of Excellence for Teacher Training Program, training and technical assistance was provided to 93 teachers in 74 schools. USAID's Civic Educational for Reform in Central America program assisted the development of case studies on citizens' contribution for improving quality education and on the development of a School Report Card model in selected rural schools.

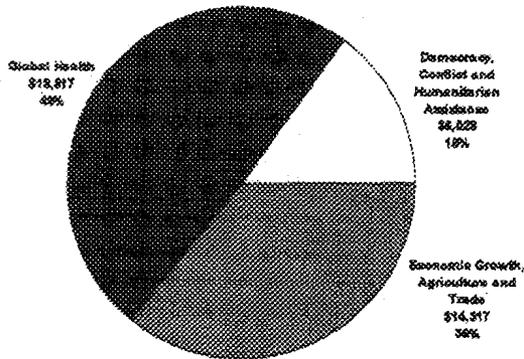
Other Donors: Donor coordination in El Salvador reinforces policy dialogue and enhances communication and coordination. With the active participation of the donor community, the United Nations Development Program (UNDP) is leading the development of improved coordination mechanisms among donors and with the Government. Sectoral working groups formed by the GOES, donors, and civil society representatives discuss key topics of national interest. USAID actively participates in a number of these groups.

In 2004 bilateral support to El Salvador totaled \$74.3 million. The United States continued to be the largest bilateral donor. Other major bilateral donors include Germany, Japan (economic reactivation and job creation; social development; environmental conservation; and democratic consolidation), Spain (poverty reduction; environment; human investment; infrastructure and economic promotion; institutional strengthening; good governance; and conflict prevention), and Sweden (housing construction).

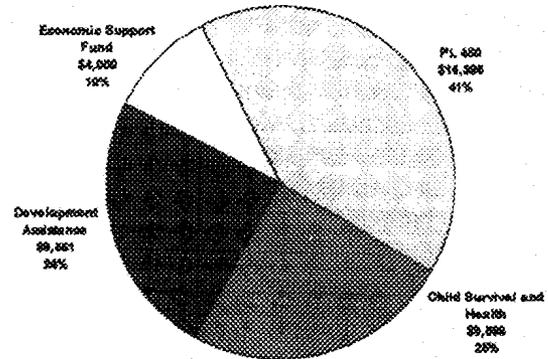
Multilateral assistance in 2004 totaled \$34.2 million. Major multilateral agencies are the UNDP (rule of law; environment; local health services provision; gender programs; and civil society without violence), European Union (micro and small enterprises), Inter-American Institute for Cooperation on Agriculture, and the Pan American Health Organization. UNDP is also helping the GLOES implement the \$23.5 million Global Fund for AIDS, Tuberculosis and Malaria program.

Guatemala

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



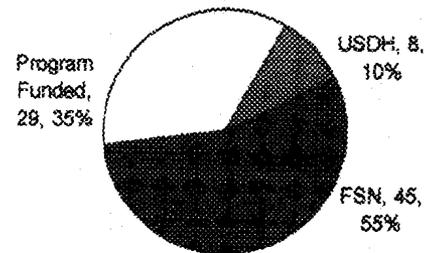
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Ruling Justly	520-021	8,056	7,614	6,029
Economic Freedom	520-022	5,878	5,272	3,632
Investing in People	520-023	14,799	15,562	13,896
PL 480 Title II		14,723	18,033	18,308
Total (in thousands of dollars)		43,456	46,481	39,863

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	4,282	3,812	3,574
USDH Salaries & Benefits	2,384	1,134	1,158
Program Funds	2,826	2,518	2,254
Total (in thousands of dollars)	9,492	7,464	6,986

FY 2006 Workforce



Mission Director: Glenn Anders

Guatemala

The Development Challenge: There is a growing sense that Guatemala today faces an important window of opportunity. After Guatemala's third free and most highly participatory presidential election since the signing of the 1996 Peace Accords, the peaceful assumption of power by the Berger Administration brings renewed optimism and even greater expectation about the prospects for progress in Guatemala's persistent struggles with political divisiveness, poverty, and social discontent. The new government appears to recognize the multi-faceted challenge ahead and is appointing capable people, developing creative approaches and, in some cases, implementing new programs to combat crime, reinvigorate the economy, and meet the needs of the rural indigenous population. With the closing of the United Nation's ten-year Verification Mission of the 1996 Peace Accords, growing hemispheric trade opportunities, and advances in the free movement of Central American people and products, the current administration has the context and mandate to further strengthen Guatemala's democratic institutions and make sustainable material changes that will benefit the entire population.

The challenges the country faces are complex and entrenched. The Berger administration inherited a crumbling tax base, enormous social and infrastructure needs in rural areas, rampant corruption, and skyrocketing crime in the face of a neglected judicial system. For most Guatemalans, crime is their primary concern and its alarming growth threatens to undercut the development agenda. The majority of the population has little patience for incremental change, and the Berger administration, perceived as not moving fast enough one year into its term, faces fluctuating popular support. Guatemala's 11.2 million population and \$26.7 billion economy are the largest in Central America, yet the country is hampered by a lethargic economic growth rate. Guatemala's progress since the 1996 Peace Accords is laudable, yet the dynamic created by social inequity, corruption, and sluggish economic growth serve to perpetuate its enduring fragility. Guatemala also suffers from the region's lowest public investment in social services and lowest tax collection base (under 10% of gross domestic product) from which to support these investments. Massive inequality in incomes, as well as in access to health care and education, mirrors the urban/rural, non-indigenous/indigenous divide. Guatemala's per capita income of \$2,008 (2003) in contrast with its low social equity indicators highlights the paradox of a country that has substantial resources, and yet struggles to transform these into widespread increases in the standard of living. Over 56% of Guatemala's population lives in poverty and 17% live on less than one dollar a day. Of the countries of Central and South America, Guatemala ranks lowest in the United Nation's Human Development Index and other key indicators including: life expectancy (66 years); infant mortality (39 per 1,000 births); chronic malnutrition for children under the age of 5 (49%); and literacy (70%).

Strong leadership, bolstered by growing trade opportunities, a renewed fiscal and institutional reform effort, and international donor support, can help Guatemala embark on a new trajectory. The pending U.S. - Central American Free Trade Agreement (CAFTA) might in the short term result in the loss of revenue and displacement of small farmers; however in the long term it will allow Guatemala's economy to compete effectively in the global market place and produce the needed economic prosperity to invest in services and infrastructure in rural areas, thus reducing poverty. Guatemala continues to rebound successfully from the 2000 coffee crisis by focusing on specialty coffee and high quality markets. The country's rich cultural and biological diversity also offer unlimited opportunity for sustained rural economic growth in two high growth global markets, tourism and high-value natural products. Remittances now surpass \$2 billion a year and have become the largest source of foreign exchange. The administration's moves to re-launch the Peace Accords and downsize the military demonstrate an important commitment to redress human rights violations of the past. The government is also taking steps to combat endemic corruption as illustrated by their prosecution of corrupt officials from the former Portillo administration.

U.S. national interests in Guatemala include the containment of illegal migration, reducing organized crime and narcotrafficking, building trade capacity, and strengthening of democratic institutions. Based on a strong partnership with the Berger administration, USAID programs respond to Guatemala's priorities and have helped to improve the lives of millions of Guatemalans, paying special attention to the needs of the indigenous and rural populations. Shared gains in economic growth based on open trade and sound fiscal policy are the best way to address chronic poverty. In addition, strong and transparent democratic institutions that are responsive to citizens' needs and based on the rule of law will consolidate

economic prosperity and translate it into higher standards of living. Better educated and healthier Guatemalans will not only be able to contribute to a growing economy, but more importantly, enjoy its benefits as well.

The USAID Program: USAID's bilateral Country Plan for Guatemala is consistent with the three performance objectives of the Millennium Challenge Account and the Central America and Mexico Regional Strategy: Ruling Justly, Economic Freedom, and Investing in People. USAID's Program is helping Guatemala to build on the gains of the Peace Process and concentrates on promoting just, representative governance, increasing rural economic diversification and growth, and increasing and improving investments in health and education. It also supports the cross-cutting themes of increased food security, and greater transparency and accountability, and gives special attention to youth, indigenous peoples and conflict prevention. The achievement of these objectives will better help Guatemala fulfill its potential as Central America's largest economy and trading partner of the United States. USAID also strives to maximize the impact of reduced funding levels by increasing leveraging of our assistance through alliances with private sector organizations and other "high leverage" arrangements.

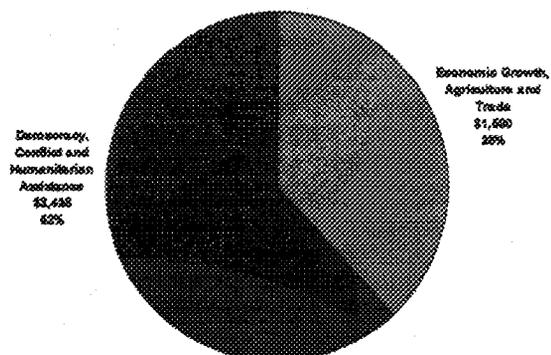
Other Program Elements: USAID's Office of Regional Sustainable Development is supporting the CAFTA Trade and Commercial Assessment. USAID's Bureau of Latin America and the Caribbean (LAC) regional health initiatives for infectious diseases, maternal and neonatal health, health sector reform, and a health information system are implemented through a regional grant to the Pan American Health Organization. The Global Health Bureau manages a regional contraceptive security activity as well as population and environment work in the Peten, and funds child survival grants. Medical Missions for Children has a Global Development Alliance activity that is developing satellite communications and distance learning applications. USAID's LAC regional program funds several activities to increase access to and the quality of primary education. USAID, through Basic Education Policy Support, funded an important background study of teachers' unions and a situational analysis of private education. The Minister of Education utilized the studies to guide the installation of a private education office within the Ministry and serve as input into new education legislation. USAID manages a five-year program called the Training, Advocacy and Networking Program to strengthen Guatemalan NGOs. The American Schools and Hospitals Abroad office manages a program that constructs and equips libraries and laboratories. USAID is undertaking a women's legal rights initiative in Guatemala.

Other Donors: Official development assistance to Guatemala in 2003 was \$247 million. USAID and Japan (health, education, and agriculture) are Guatemala's first and second largest bilateral partners. Other major donors and their principal areas of focus include: Germany (education and health); Canada (rural development and education); Sweden (social sectors); the Netherlands (Peace Accords and environment); and Norway (social sectors). Multilateral donors, listed in order of program size include: the Inter-American Development Bank (IDB) (infrastructure, social sector, tourism, competitiveness, and financial reform); the Central American Bank for Economic Integration (infrastructure); the World Bank (WB) (financial reform, basic education, competitiveness, and infrastructure); the European Union (Peace Accords and decentralization); and the United Nations systems and agencies, including the World Food Program, the United Nations Development Program, the United Nations Children's Fund, the Pan American Health Organization, and the Food and Agriculture Organization.

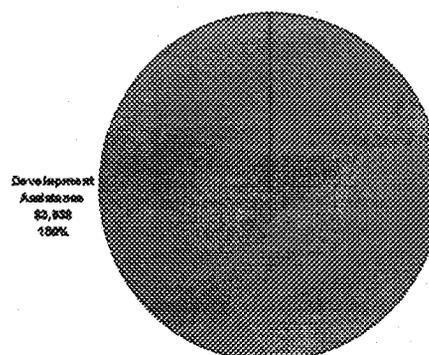
USAID participates in the Decentralization Donors Working Group. In the area of rule of law and crime prevention, the IDB and World Bank have made major investments. They also have programs to make government expenditure and procurement processes more transparent. In the competitiveness area, key activities include the WB's competitiveness program; the USAID/IDB/WB working group on competitiveness policy; and IDB tourism investments. USAID participates in and has had significant influence on the Inter-Agency Working Group on Rural Development. USAID is the largest bilateral donor in health and education in Guatemala and has successfully encouraged other donors to build on its pioneering pilot programs in these areas.

Guyana

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



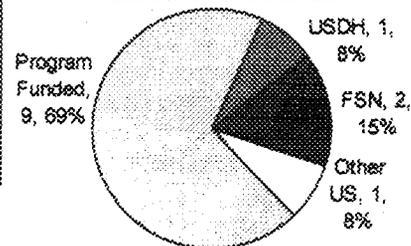
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Reduced Impact of HIV/AIDS	504-005	1,700		
Democratic Governance Consolidated	504-006	1,848	1,937	2,438
Environment for Sustained Growth of Exports	504-007	1,000	1,485	1,500
Total (in thousands of dollars)		4,548	3,422	3,938

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	402	347	376
USDH Salaries & Benefits	199	122	125
Program Funds	662	673	673
Total (in thousands of dollars)	1,263	1,142	1,174

FY 2006 Workforce



Mission Director: Michael Sarhan

Guyana

The Development Challenge: Guyana currently faces a multitude of development challenges: a weak economy, rising crime, poor security, continued out-migration, the specter of HIV/AIDS, and a political climate that threatens its ability to consolidate democracy. Guyana's socioeconomic statistics reflect this reality: gross national product per capita in 2003 was \$860, down slightly from \$900 in 2002; maternal mortality is 190 per 100,000 live births and infant mortality is 54 per 1,000, both relatively high for the Latin America and Caribbean region; and the HIV/AIDS epidemic in Guyana is second to Haiti in the region.

Although no official figures exist for out-migration, the country has been losing its educated professionals. This loss of human capital undermines the Government of Guyana's (GOG) capacity to provide quality health, education, and social services; impedes government administration and management; and fosters dependence on donors. The private sector also suffers from these human resource constraints because the limited availability of qualified personnel requires the difficult choice between either increasing personnel costs and straining finances, or lowering standards.

On political matters, public confidence in the two main political parties has deteriorated. The main opposition party, People's National Congress/Reform, has broken off a constructive engagement process initiated in May 2003 with the ruling People's Progressive Party/Civic, and is again boycotting most sessions of parliament. There are also rising concerns over Guyana's role as a trans-shipment country for the illicit drug trade.

Despite these many challenges, an important window of opportunity now exists as a result of the GOG's stated commitment to meaningful political and economic reform. Guyana has qualified to apply for FY 2005 Millennium Challenge Account (MCA) threshold program assistance. USAID, in partnership with MCA, will take the lead in assisting the Government to submit a proposal for policy, economic, and governance reforms necessary to improve country performance in the MCA eligibility indicators.

Guyana's untapped economic potential augurs well for reversing any negative trends, allowing it to emerge as a force for economic prosperity in the region. The country possesses enormous underutilized forestry, mineral, and fishery resources. Poised on the northern coast of South America, it is uniquely well positioned to serve as a gateway for trade between North America and Brazil. An all-weather road between the Brazilian border and Georgetown, Guyana is being discussed among the two countries, international financial institutions, and private investors. This road would create a variety of new commercial opportunities for local investors, U.S. businesses, and other foreign investors. With continued U.S. support for private sector organizations and political and economic reform, foreign direct investment can be expected to rise significantly.

This is a pivotal and promising time in Guyana. USAID is confident that its strategic plan will support the government and the people of Guyana in their efforts to overcome the many developmental challenges facing the country.

The USAID Program: By building on previous successes and incorporating lessons learned, USAID's country assistance strategy for Guyana aims to optimize the impact of the human, technical, and financial resources the U.S. Government is committing to Guyana.

The current strategy period, which extends until 2008, includes three objectives that aim to: 1) reduce the transmission of HIV and the impact of AIDS; 2) consolidate democratic institutions; and 3) create economic prosperity by improving the environment for value-added exports.

Guyana is a focus country under the President's Emergency Plan for AIDS Relief. FY 2005 funding will be provided from the Global HIV/AIDS Initiative under the policy direction of the U.S. Global AIDS coordinator. The FY 2006 HIV/AIDS request for this country is contained in the Global HIV/AIDS Initiative account justification. For further details please see the Department of State FY 2006 Congressional Budget Justification."

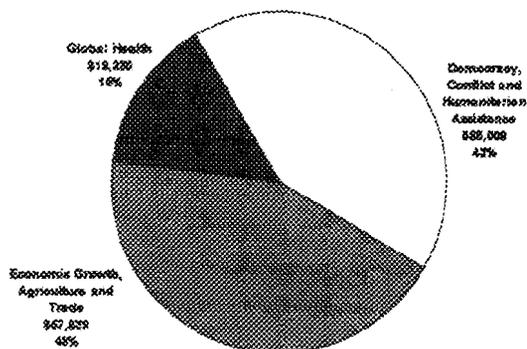
Other Program Elements: In addition to the programs managed by the USAID mission in Guyana, several regional programs managed by the Economic Growth, Agriculture, and Trade (EGAT) Bureau are implemented in Guyana. The Farmer to Farmer program employs voluntary technical assistance to improve horticultural production, processing, and marketing, with a focus on fruit and vegetable husbandry and aquaculture. The Southern Guyana Biodiversity Corridor Planning and Implementation Project, part of the Global Conservation Program, is working to maintain and recover priority biodiversity areas in the Kanuku Mountains/Rewa River triangle of southern Guyana. Activities include identification of critical areas, biological assessments, socioeconomic surveys, legal analysis, and community mapping.

Guyana is a focus country under the President's Emergency Plan for AIDS Relief. FY 2005 funding will be provided from the Global HIV/AIDS Initiative under the policy direction of the U.S. Global AIDS coordinator. The FY 2006 HIV/AIDS request for this country is contained in the Global HIV/AIDS Initiative account justification. For further details please see the Department of State FY 2006 Congressional Budget Justification.

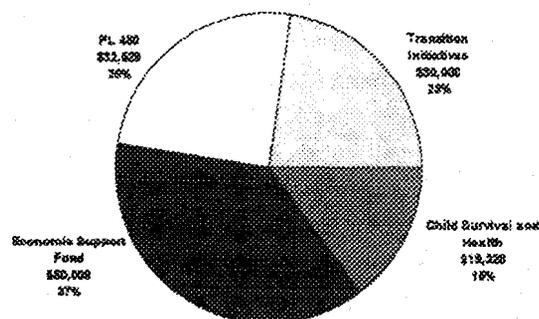
Other Donors: Donor coordination continues to be very strong. As one of the major donors in Guyana, USAID participates regularly in donor meetings and provides leadership and policy input on democratic, economic, and social reforms. The largest bilateral donors are the United States, the United Kingdom (education, infrastructure, and social development), and Canada (education, environment, and fisheries). The major multilateral donors and their principal areas of focus include: World Bank, (public sector reform, HIV/AIDS, water and sanitation, and education); Inter-American Development Bank (water and sanitation, air transport, and social and urban development); European Union (sea defense, water and sanitation, transportation, and communications).

Haiti

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



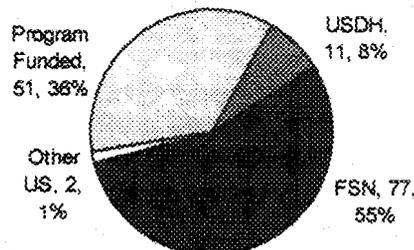
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Growth	521-001	1,449	15,558	
Health Systems	521-003	22,783	20,000	19,320
Education	521-004	3,500	6,253	
Democracy and Governance	521-005	3,600	37,869	38,000
Streamlined Government	521-006	44,512	5,000	12,000
Hurricane Recovery	521-010		34,081	
PL 480 Title II		30,470	37,703	32,529
Transition Initiatives				30,000
Transfers		10,820		
Total (in thousands of dollars)		117,134	156,464	131,849

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	5,055	5,061	5,363
USDH Salaries & Benefits	1,538	1,732	1,769
Program Funds	2,440	2,880	2,880
Total (in thousands of dollars)	9,033	9,673	10,012

FY 2006 Workforce



Mission Director: Erna Kerst

Haiti

The Development Challenge: Haiti is the poorest country in the Western Hemisphere. The per capita annual income is less than \$400 and 80% of the population lives in poverty. Unemployment and underemployment remain major problems; more than two thirds of the labor force do not have formal jobs. Less than half of Haiti's population has access to potable water services, and only 4% of the rural population has electricity. With only 2.5 doctors per 10,000 inhabitants, Haiti's infant mortality rate (79 per 1,000 live births) is the highest in the hemisphere, and life expectancy is only 52 years. The adult HIV/AIDS prevalence rate is 5.6%, the highest in the hemisphere. The literacy rate is 52%. Approximately 65% of children between the ages of five and twelve attend school, but only 25% of them complete 6th grade. Forty percent of Haiti's schools have no actual buildings.

Political unrest beginning in November 2003 led to the departure of President Jean-Bertrand Aristide on February 29, 2004, and the establishment of an interim government under Prime Minister Latortue and President Alexandre in March. In April, the Interim Government of Haiti (IGOH) signed a pact with most of the country's political parties and civil society groups which called for elections by the end of 2005. Ensuring that these elections will be free and fair and strengthening the current IGOH to facilitate a peaceful transfer of power are immediate priorities for Haiti.

The IGOH inherited an economy in a state of collapse. The political upheavals of the past two decades have caused serious damage to the fragile Haitian socioeconomic base. The manufacturing sector was depleted during the pre-Aristide embargo, shrinking 40% during that time. By 1994, inflation had risen to 50% per year. Inflation peaked again in the months preceding Aristide's departure, as international reserves fell to dangerous levels. Political violence caused property damage estimated at 5.5% of the gross domestic product (GDP) in 2004. Compounding the economic downturn caused by the political crises, an active hurricane season destroyed entire villages in the southeast, Artibonite, and northwest regions, leaving thousands homeless, the local economies in shambles, and the IGOH's ability to respond with limited capabilities and resources. After shrinking 3% between 1990 - 2002, per capita GDP shrank 4.7% in 2004. Outside observers continue to remark on the ability of the society to endure successive natural and man-made disasters. Resilience is aided by remittances from Haitians living abroad (estimated at \$900 million per year) which dwarf the contributions from international donors. In addition, nongovernmental organizations, charitable, and faith-based organizations continue to provide essential financial support to the Haitian population.

The IGOH has shown a strong will for reform; however, faced with limited capacity, weak institutions, and a tradition of corruption, progress continues to be slow. The executive branch is hampered by the absence of a sitting, elected legislative body and thus can only legislate through executive decree, which limits the breadth of its ability to legitimately make changes. Cabinet members have pledged that they will not run for political office during the upcoming elections which, while preserving their integrity in the eyes of the international community, lessens their power over an entrenched civil service, long dependent on systems of personal patronage.

There are some positive indicators to counter-balance the grim picture painted above. Three months after the installation of the Interim Government, the currency stabilized. Haitian exports rose by more than 10% in FY 2004, showing the potential for economic growth. The International Monetary Fund is predicting a growth rate of 3% for 2005 and 2006.

The USAID Program: USAID moved quickly to help restore essential services to Haiti following the uprising against Aristide. The first act was to get the electricity system operating again in Port-au-Prince. Recognizing the importance Haitians place on educating their children, USAID moved swiftly to help schools reopen by setting up a fund to subsidize the price of textbooks throughout the country. USAID health programs have grown to the point where 90% of the children in USAID project zones are now fully immunized, and a program that furnishes anti-retroviral medication to HIV/AIDS victims has begun. USAID has provided key personnel and technical assistance to the Prime Minister and key ministries. A new training program for judges and prosecutors has been initiated. USAID has expanded its community radio program to help government ministries strengthen their public outreach efforts. USAID has put

almost 30,000 people to work cleaning up debris and clearing drainage ditches. In addition, USAID's microfinance program has helped more than 90,000 microentrepreneurs expand their businesses. USAID is also sponsoring a major food assistance program for children and has supplied over \$11 million in response to the devastating flood in Gonaives.

Following the formation of the IGOH, the United States pledged \$230 million for two years for Haiti, of which USAID is managing \$143.5 million of programs, begun in FY 2004. This more than doubled the Haitian foreign assistance package for FY 2004. USAID ramped up its ongoing development programs mid course and obligated the funds within a very short timeframe (by September 2004), as follows: a) institutional support for the IGOH (\$45.1 million); b) health (\$32.1 million); c) humanitarian assistance (\$30.3 million); d) disaster response and emergency food assistance (\$13.5 million); e) economic growth (\$12.3 million); f) democracy and governance (\$6.4 million); and g) education (\$3.7 million).

In addition to assisting the IGOH to restore essential services, USAID's program in Haiti is focused on restoring and sustaining a climate of peace and security, revitalizing Haiti's tattered economy, improving management of natural resources, improving health and education services, and improving conditions for democratic processes, including free and fair elections. Tropical storm reconstruction programs are currently underway. Transition Initiatives resources are being requested for FY 2006 to ensure that USAID can respond more rapidly to changing conditions, as often happens in Haiti.

Other Program Elements: In May 2004, USAID's Office of Transition Initiatives (OTI) initiated a two-year, \$7 million Haiti Transition Initiative to work in conflict-prone communities in Port-au-Prince, Petit Goave, and St. Marc. The program involves quick, highly visible, small projects designed to restore citizen confidence in the political process, build cooperation between the government and citizens, and empower citizens and government to address priority community needs. Following Tropical Storm Jeanne, OTI assisted the Ministry of Public Works to restore a clean water supply and clear drainage canals. This project is expected to benefit 10,000 people by improving sanitation, diminishing the risk of malaria, and reducing vulnerability to future flooding.

Haiti is a focus country under the President's Emergency Plan for AIDS Relief. FY 2005 funding will be provided from the Global HIV/AIDS Initiative under the policy direction of the U.S. Global AIDS coordinator. The FY 2006 HIV/AIDS request for this country is contained in the Global HIV/AIDS Initiative account justification. For further details please see the Department of State FY 2006 Congressional Budget Justification.

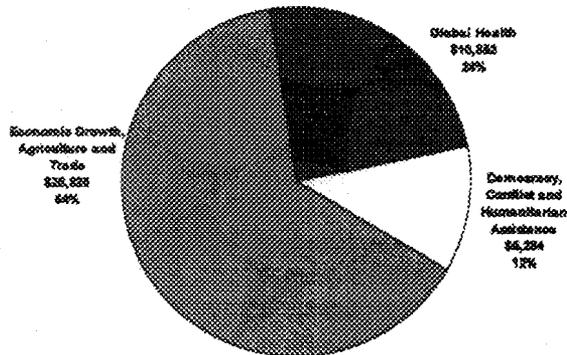
The Haiti/Dominican Republic Cross-Border Development and Conflict Prevention Program is managed by the USAID Mission in the Dominican Republic in coordination with the mission in Haiti. This two-year program works to develop viable economic activities and reduce socioeconomic tensions among communities along both sides of the border.

Other Donors: Donor coordination became an important priority immediately upon the establishment of the Interim Government. Even before the July 2004 international donors conference in Washington, USAID and major international donors created a framework for cooperation. Currently, a small, effective Donor Steering Committee exists to coordinate international assistance. The Committee oversees subgroups in 20 sectors, each led by a representative from the Interim Government and a donor nation. The United States is the largest donor and has the lead in the private sector development subgroup and a significant role in most of the other sector subgroups.

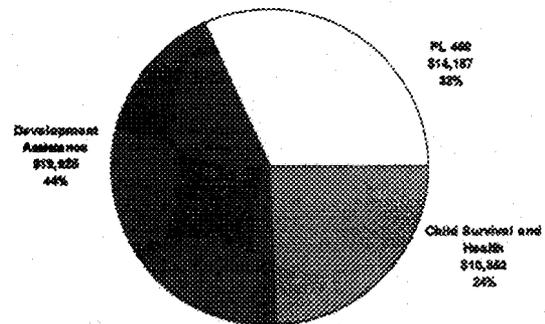
In July 2004, more than \$1 billion of donor assistance was pledged for 2004 and 2005. The United States and Canada were the principal bilateral donors in 2004, followed by France, Germany, Japan, Taiwan, Spain, Switzerland, Greece, Norway, Mexico, and Ireland. The activities of these countries complement USAID's programs in democracy, economic growth, education and health. Multilateral assistance and loans come primarily from the Inter-American Development Bank (roads and schools), the European Union (health, water, disaster relief), the World Bank (implementation of Haiti's Poverty Reduction Strategy), the World Food Program (food security), and other UN agencies.

Honduras

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

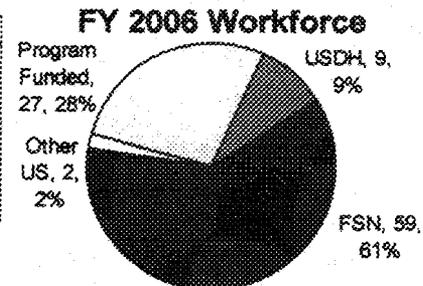


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Ruling Justly	522-021	5,640	4,662	5,284
Economic Freedom	522-022	11,357	10,489	10,641
Investing in People	522-023	18,577	19,773	14,853
PL 480 Title II		7,450	14,009	14,187
Total (in thousands of dollars)		43,024	48,913	44,965

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,492	3,258	3,262
USDH Salaries & Benefits	1,665	1,255	1,282
Program Funds	2,062	2,196	2,112
Total (in thousands of dollars)	6,219	6,709	6,656



Mission Director: Paul Tuebner

Honduras

The Development Challenge: As President Ricardo Maduro's government enters its last year and new national elections loom in November 2005, the Government of Honduras (GOH) continues to face difficult challenges in its efforts to reduce poverty, eliminate corruption, strengthen democracy and decentralization, improve education and health, lower crime rates, and promote broad-based sustainable economic growth and investment. The Maduro Administration faced significant difficulties during 2004 in moving the government's transformation agenda forward. The transformation process continues to be impeded by a narrow economic base, concentrated ownership of assets, limited foreign and domestic investment, corruption, high population growth, low levels of education, and high levels of infectious disease. In addition, a weak judiciary demonstrates limited capability to protect civil and commercial rights or to cope with high crime rates and human rights violations. Other problems facing Honduras include 4.5 million people (64% of the population) living in poverty; an annual population growth rate of 2.6%; an infant mortality rate of 34 per 1,000; a high prevalence of HIV/AIDS (1.9% of the population and 50% of the reported AIDS cases in Central America); chronic undernourishment (one third of children under 5 years old), an average educational level of 5.3 years; and a continuous deterioration of water and forestry resources.

The World Bank estimates that Honduras' per capita gross national income in 2003 was approximately \$970 and its external debt is expected to be around \$4.8 billion (approximately 76% of gross domestic product) at the end of 2004. In February 2004, the GOH signed a new three-year Poverty Reduction and Growth Facility (PRGF) program with the International Monetary Fund (IMF). The continuation of this program is conditioned primarily on the GOH's ability to restrain government expenditures (primarily public sector wages), increase tax revenues, improve the solvency of the financial system, and prosecute corrupt government officials and private sector financial managers. With the signing of the IMF program, the GOH received \$250 million from the IMF, the World Bank, the Inter-American Development Bank (IDB), and a number of bilateral donors. In addition, the GOH received debt relief on its debt service payment arrears from the Paris Club countries (including the United States). Assuming the GOH stays on track with the IMF program for one year, Honduras is expected to reach the Heavily Indebted Poor Country completion point in spring 2005, which would provide debt relief of approximately \$564 million in net present value terms from the international donor community.

The GOH is making a significant effort to open its borders to free trade, as shown by its signing of the Central American Free Trade Agreement (CAFTA) in May 2004, and its ongoing active participation in negotiations for the Free Trade Agreement for the Americas (FTAA) and the Free Trade Agreement with Canada. The GOH anticipates that its Congress will ratify CAFTA in 2005. In recent years Honduras has also signed a number of other free trade agreements with Mexico, Chile, and the Dominican Republic. The GOH realizes that the country must increase its exports and attract new private investment to continue to grow and generate tax revenue to provide quality social services such as schools, hospitals, health clinics, water systems, electricity, roads, personal security, and a fair judicial system. To encourage greater private investment and competitiveness, the GOH has implemented a number of programs this year to increase exports in the areas of agro-industry, forestry and wood products, tourism, light manufacturing, telecommunications, and energy.

U.S. national interests in Honduras support: 1) greater investment and economic growth in Honduras to increase the number of potential customers for U.S. businesses; 2) U.S. exports of goods and services to Honduras to generate more jobs in the United States; 3) reducing the flow of illegal immigrants into the United States; 4) decreasing pressure for greater U.S. government law enforcement resources; 5) increasing citizen support for democracy; 6) consolidating the GOH civilian-controlled military, police, and legal institutions to help protect U.S. investments; 7) reducing the impact of international crime, terrorism, and illicit narcotics activities on the United States; and 8) limiting the spread of infectious diseases, especially tuberculosis and HIV/AIDS.

The USAID Program: USAID's bilateral Country Plan for Honduras, approved in late FY 2003, is consistent with the three performance objectives of the Millennium Challenge Account and the Central America and Mexico (CAM) Regional Strategy: Ruling Justly, Economic Freedom, and Investing in

People. USAID will support Ruling Justly by strengthening the rule of law and promoting greater transparency and accountability of governments. USAID will support Economic Freedom by focusing on improving trade policy analysis and improving the legal and regulatory framework for trade, investment, and competitiveness; creating more competitive, market oriented private enterprise and improving the management of critical watersheds. The program will enhance Honduras' ability to participate more effectively in the CAFTA, FTAA, the World Trade Organization, and to take full advantage of increased trade opportunities made available by more open global markets. To support Investing in People, the health program will focus on preventing HIV/AIDS and other infectious diseases, as well as improving reproductive health and family planning, child survival, and household food security. The education program will contribute to a better-educated population by providing training and technical assistance to school supervisors, principals, and teachers, developing standards and tests for primary school, offering radio instruction for out-of-school youth, and assisting civil society organizations to conduct policy dialogue with the Ministry of Education.

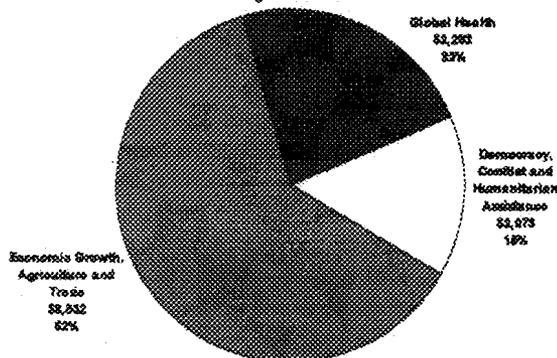
Other Program Elements: In addition to the bilateral program, USAID supports several regionally-managed programs Honduras. The Central America Regional Program (G-CAP) implements activities that increase the potential for expanded trade. In the health sector, G-CAP focuses on the prevention of HIV/AIDS through programs targeted at reducing the infection rate among high-risk groups, the implementation of improved policies, and the effective and efficient delivery of comprehensive care for people living with HIV/AIDS. G-CAP's regional environmental program continues to focus on border areas and supports the implementation of biodiversity conservation and environmental legislation. The program reduces dependence on traditional exports while addressing structural problems that inhibit rural economic diversification (clean production activities). The farmer-to-farmer program managed by the Bureau for Economic Growth, Agriculture, and Trade maintains volunteer technical assistance support to promote horticulture, tree crop, and dairy production and marketing.

The USAID office in Honduras provides regional coordination for implementation of the Presidential Centers of Excellence for Teacher Training initiative to raise the quality of teacher training and address poor rates of literacy and school achievement. Honduras also participates in the Cooperative Association of States for Scholarships program, which is managed regionally by USAID's Latin America and Caribbean Bureau. This program awards scholarships to disadvantaged scholars, with a focus on women and other disadvantaged groups, to study at a university in the United States.

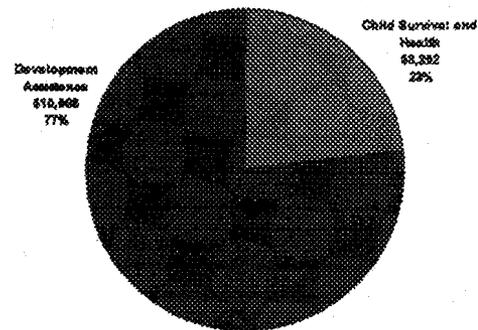
Other Donors: Development assistance disbursements to Honduras in 2004 totaled approximately \$308 million (\$65 million in grants and \$243 million in loans). The United States, Japan, and Sweden provided the largest amounts of grant funding, while Spain provided a large amount of their assistance in loans. Non-U.S. bilateral donors and their principal areas of focus include Japan (public infrastructure, agriculture, education), Sweden (statistics, justice and human rights, social programs); Spain (judicial reform, municipality strengthening, tourism); Germany (microenterprise, housing, education); Canada (forestry, rural development, education); United Kingdom (poverty reduction); Italy (irrigation, food security); Holland (rural development, housing), and Switzerland (rural water, agricultural diversification). Multilateral donors include the IDB with a diversified portfolio of projects, the World Bank (education, road construction, land tenancy, health); the IMF (currently in the first year of a 3-year PRGF); the European Union (rural water infrastructure, decentralization, food security), and the United Nations agencies (e.g., the United Nations Development Program (UNDP), the Food and Agriculture Organization, the World Food Program, the United Nations Children's Fund, the World Health Organization, the United Nations Population Fund, the International Fund for Agricultural Development). The primary focus of UNDP has been in the areas of poverty reduction, anticorruption, and HIV/AIDS. The Donors' Support Group, now the G-17 (with the recent addition of France and Switzerland), continues to monitor the implementation of the Stockholm Principles adopted in May 1999 and the GOH's Poverty Reduction Strategy Plan. USAID participated actively with the G-17 through the Ambassadors and Representatives Group, the Technical Follow-up Group, and the Sector Groups throughout FY 2004.

Jamaica

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



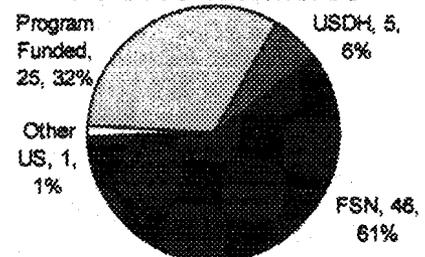
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Sustainable Improvement of Natural Resources	532-002	3,957		
Improved Reproductive Health	532-003	3,488		
Improving Education Quality in Jamaica	532-004	4,677		
Enhancing Business Development in Jamaica	532-006	2,210		
Strengthening Democracy and Governance in Jamaica	532-008	2,599	1,522	
Economic Growth	532-009	717	2,000	1,876
Environment	532-010		4,813	3,156
Health	532-011	1,133	4,517	3,292
Education	532-012		3,465	3,800
Democracy and Governance	532-013		953	2,073
Disaster Rehabilitation and Preparedness	532-014		18,000	
Total (in thousands of dollars)		18,781	35,270	14,197

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	3,042	3,009	3,006
USDH Salaries & Benefits	923	607	620
Program Funds	906	1,059	1,059
Total (in thousands of dollars)	4,871	4,675	4,685

FY 2006 Workforce



Mission Director: Karen Turner

Jamaica

The Development Challenge: Jamaica is likely to experience one of its bloodiest years, with murders reaching close to 1,500 by the end of last year, a remarkable statistic for a country of 2.6 million people. Hurricane Ivan battered the island and set back the government's growth, inflation, and balanced budget plans. Growth, which was expected to reach more than 3% in 2004, slipped to below 1.5%, with the agricultural sector taking a particularly heavy beating. Inflation is expected to reach 13% vs. the 9% target planned for 2004. Instead of a balanced budget, the government will have a fiscal deficit of \$23.6 billion.

These trends complicate Jamaica's efforts to make headway in reducing its massive debt burden. The government continues to work hard to manage its fiscal situation and generate the revenues to reliably pay its debt and to manage creeping increases in inflation, the exchange rate, and the deficit. These debt woes will only be resolved over the medium to long-term, meaning an extended period during which it will be hampered in making desirable (some say necessary) social and infrastructural investments.

Jamaica's difficulty in increasing its social and infrastructural investments contributes to the government's struggle to reduce crime and violence and to measurably improve good governance and the rule of law. Thus, the state is challenged to fulfill its most basic role – that of ensuring citizen security. Jamaica's violent crime and reputation for corruption deter investment and increase the cost of doing business. Efforts to improve good governance and reduce corruption are not only critical to social and political stability, but figure prominently in Jamaica's ability to achieve economic competitiveness and sustained growth.

On the social front, Jamaica's young people face a myriad of risks, such as early sexual initiation, sexual and physical abuse, dropping out of school, unemployment, substance abuse and drug dealing, and violence. HIV/AIDS continues to spread indiscriminately throughout the island, aided by significant stigma and discrimination that keep the disease underground and foster reluctance for testing and treatment. Jamaica's poor-performing, under-funded education system is not reliably producing young people with adequate literacy and numeracy skills, much less the higher level skills needed to compete in an increasingly complex, competitive global marketplace.

If the country is to realize sustained economic growth, the Government of Jamaica (GOJ) must create an enabling environment within which the private sector (not the government, which lacks the capacity) can be the catalyst for economic growth. In order for that growth to be sustained it must also be equitably distributed throughout the population, which means that efforts must be undertaken to address the need for growth and development in rural areas.

Compounding all of these challenges is the uncertainty arising from impending changes to the political landscape. The Prime Minister has indicated his intention to retire by 2006, about a year before elections are due. Similarly, the leadership of the opposition party, which has been held for almost 40 years by one individual, is also about to change. It is difficult to gauge the impact these political changes will have on Jamaica's policy directions and governmental priorities.

In contrast to the bleak picture painted above, there are several positive signs for Jamaica. The tourism sector has continued to experience significant growth, with the country achieving record numbers of cruise ship arrivals in 2004. Remittances from Jamaicans living abroad are estimated at over \$1.5 billion in 2004. Many believe that remittances have overtaken tourism as the country's leading source of foreign exchange. However, most of the remittances come in to fuel consumption and the challenge is to find creative ways to leverage remittances more effectively.

U.S. national interests in Jamaica are derived from its geographic proximity to the United States: homeland security concerns and the threat from transnational crime and drugs; the benefits of a democratically stable and prosperous partner in the region, close to the U.S. border; and the dangers to the United States of an HIV/AIDS pandemic in Jamaica. Bilateral relations with Jamaica are generally good, with collaboration motivated by common national interests and shared values. Jamaica has the

potential to strengthen its democracy and its market economy in support of U.S. national interests. However, its ability to do so will depend on its success in addressing negative cross-border issues, developing and implementing a long-term strategy to resolve the issues of excessive debt, an overvalued currency, high interest rates, and growing inflation, reducing barriers to trade and investment, achieving increased productivity, achieving good governance, enhancing security, and reducing corruption.

The USAID Program: USAID's program in Jamaica is designed to achieve transformational change that accelerates sustainable and equitable growth in the context of a more competitive world. The assistance seeks to support efforts to enable the private sector to be the engine for Jamaica's sustainable economic growth. Integral to this result is the importance of related USAID efforts to achieve a more healthy populace; to improve the education system and its contribution to creating a better trained workforce; to improve good governance and the rule of law, including significant reductions in crime and violence; and to ensure that disaster risk reduction and mitigation approaches are reflected in economic planning and implementation.

USAID is requesting funding in FY 2005 and FY 2006 to address five strategic objectives. The first objective, Increased Trade Competitiveness in Target Industries, eliminates business constraints and enhances the competitiveness of businesses. The second objective, Natural Assets Managed for Rural Development and Sustainable Economic Growth, moves beyond a focus on just natural resource management and adds the challenge of increasing rural development and business opportunities while mitigating its impact on the country's natural resources. The third objective, Improved Health Status among Youth and Most Vulnerable Groups, targets youth to promote healthy lifestyles, particularly in reproductive health and issues related to HIV/AIDS, drugs, and violence. The fourth objective, Improved Education of Jamaican Youth, seeks to improve educational outcomes and provide opportunities for at-risk and out-of-school youth, in both cases ensuring the outcomes better meet the needs of an increasingly complex and competitive economy. The last objective, Increased Accountability, Citizen Security, and Participation, tackles community-level governance and rule of law problems that contribute to crime, violence, and corruption.

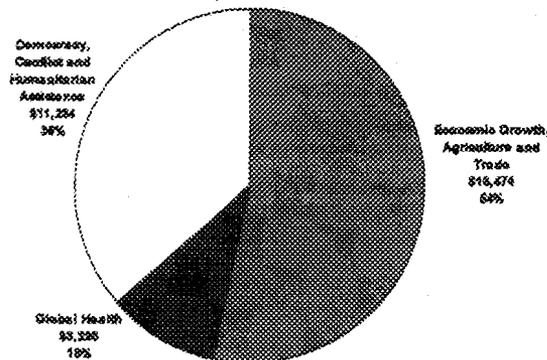
As a result of the devastation in Jamaica caused by Hurricane Ivan, a Special Objective entitled "More Secure Lives and Livelihoods for People in Jamaica Affected by Hurricanes" was created and funded in the first weeks of FY 2005, with \$18 million supplemental International Disaster Assistance (IDA) resources. This 12-month program will help Jamaica recover, rebuild, and resume the path to sustainable development.

Other Program Elements: Jamaica benefits from an initiative funded by Office of Foreign Disaster Assistance (OFDA) for activities to promote sustainable development through reduced risk and losses from natural hazards in the Caribbean. USAID's program outcomes also benefit from the Presidential Initiative: Caribbean Center for Excellence in Teacher Training. This program, which is strengthening the teaching of reading and writing skills, is being linked closely to the bilateral education program and thus enhancing the impact of USAID's overall efforts at the primary school level.

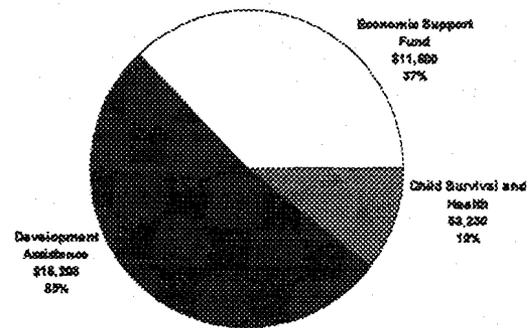
Other Donors: The United States and the United Kingdom (UK) are Jamaica's first and second largest bilateral development partners, respectively. Overall development assistance to Jamaica for 2003 was \$118 million, of which \$89 million came in the form of grants. USAID plays a lead role in fostering donor coordination by partnering with other donors in all sectors. The Canadian International Development Agency (CIDA) provides \$30-34 million over five years with good governance as the lead program priority. The European Union (EU) plans to spend \$91 million on private sector capacity building and citizen security, youth programs, and transportation infrastructure. USAID and the UK Department for International Development are working together on crime and violence issues, while CIDA has joined with USAID to strengthen the competitiveness of Jamaica's small business sector.

Mexico

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



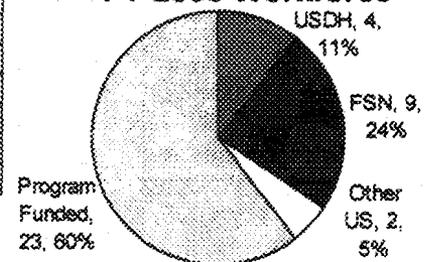
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Microenterprise	523-009	230		
Training, Internships, Education and Scholarships	523-010	7,952	6,035	7,100
Ruling Justly	523-021	9,988	13,530	11,234
Economic Freedom	523-022	10,544	8,604	9,374
Investing in People	523-023	3,700	3,164	3,230
Total (in thousands of dollars)		32,414	31,333	30,938

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	1,403	1,404	1,606
USDH Salaries & Benefits	635	520	531
Program Funds	1,598	1,892	1,892
Total (in thousands of dollars)	3,636	3,816	4,029

FY 2006 Workforce



Mission Director: Edward Kadunc

Mexico

The Development Challenge: Since events in Mexico have a more direct, daily impact on U.S. citizens than events in any other country in the region, the relationship between the United States and Mexico is especially important. An authentic partnership exists between the United States and Mexico based on the many things held in common. These include: a 2,000-mile border with its migration, crime, security, resource management, and trade issues; interdependence of economic, environmental, and health concerns; domestic a common social heritage; and shared concern that the citizens of both countries benefit from economic opportunity and growth. The U.S. Government has a direct interest in working with Mexico to address these common concerns.

It is in the United States' interest to work with Mexico on its economic and political reform agendas, given Mexico's close proximity, its geopolitical importance in the region, and Mexican migration to the United States. The two countries share a frontier that has on average more than one million border crossings per day. Several U.S. and Mexican industries (particularly automotive and electronics) have closely linked production chains, many U.S. businesses remain dependent on an influx of Mexican migrant labor, and many Mexican firms are highly dependent on U.S. technology and the U.S. market.

Since the signing of the North American Free Trade Agreement (NAFTA) in 1994, Mexico has become the second largest trading partner of the United States, and is among the top ten export markets for 43 states. As President Bush said in 2001 and reiterated in early May 2002, "... NAFTA is a recognition that the United States has no more important relationship in the world than the one we have with Mexico . . . Good neighbors work together and benefit from each other's successes..."

In 2002 with a population of more than 100 million, the Government of Mexico (GOM) estimated gross domestic product (GDP) per capita at \$6,884. However, not all Mexicans are reaping the benefits that this extensive trade, international visibility, and close U.S. partnership might offer. About 53% of all Mexicans--over 50 million people--had an annual income of less than \$720.

The election of President Vicente Fox in July 2000 began a new era for Mexico, ending 71 years of one-party rule. Since taking office, the Fox Administration has initiated a number of promising programs to reduce poverty, improve accountability and governance, protect natural resources, and expand the benefits of trade to more Mexicans. President Fox's term will end in late 2006 and already the next presidential election process is underway. Despite the political posturing and gridlock occurring at the federal level, Mexican state governments across party lines are increasing reform efforts and requesting assistance from USAID. Mexican states are now providing another avenue for reform in Mexico, and are offering the potential for direct, positive change in the lives of Mexicans.

The USAID Program: USAID's program works with Mexico to address shared development problems. A common U.S.-Mexico development agenda has emerged that includes: 1) promoting environmental protection, alternative energy and ecotourism; 2) improving public administration, transparency and accountability; 3) broadening microfinance and remittance utilization; 4) preventing infectious diseases, and 5) furthering higher education and competitiveness. In FY 2004, the USAID program in Mexico transitioned to a new Regional Strategy for Central America and Mexico (CAM). Under its new strategy, USAID's bilateral program in Mexico has areas of focus in line with MCA goals: 1) economic freedom through activities to increase access to finance and improving natural resources management; 2) ruling justly through activities in accountable governance and rule of law, and 3) investing in people by improving the health of Mexicans through work in infectious disease prevention and control and educational exchanges and scholarships.

The new USAID program in Mexico contributes significantly to the bilateral Bush-Fox Partnership for Prosperity to stimulate private investment. USAID's scholarship and exchange program will enhance the capacity of higher education institutions in the United States and Mexico to examine development problems, and will provide greater opportunities for Mexicans in poor, rural, and indigenous areas. USAID will also address natural resource conservation in key watersheds and biodiversity sites and generate new sources of income for rural farmers and inhabitants. USAID's microfinance program will

work with credit unions, private banks, and associations to facilitate lower-cost remittance transfers from the United States to Mexico and encourage savings and investment by Mexicans in both countries.

Other Program Elements: USAID's Mexico program will collaborate with USAID regionally managed activities designed to protect the Mesoamerican (Mexico and Central America) Reef and the Mesoamerican Biological Corridor, and to control wildfires in the region.

USAID will also provide technical oversight and management of a Global Development Alliance activity, the Lead Free Alliance (LFA). LFA support a public-private partnership that includes American Express and other private sector partners, international agencies, such as the United Nations Educational, Scientific, and Cultural Organization (UNESCO), and Mexican public agencies that promote handicrafts. The LFA aims to remove lead from pottery production, thereby improving its marketability and increasing income and employment opportunities for producers of traditional low-fire pottery. The program seeks to train 10,000 Mexican potters over the next two years, and expects to generate \$1 million in local, regional, and export sales of lead-free pottery.

Other Donors: World Bank and the Inter-American Development Bank (IDB) are, respectively, first and second largest development assistance organizations in Mexico. World Bank's 2004 portfolio in Mexico included total commitments of \$3.8 billion. World Bank's 2005-2008 Country Assistance Strategy designed in consultation with the GOM, contemplates \$4.8 billion in loans over the next four years to support the GOM's commitment to reduce poverty and inequality, increase competitiveness, strengthen institutions, and promote environmental sustainability. These organizations have run into implementation delays due to the GOM requirement that its National Bank for Public Works and Services (BANABRAS) administer their funds.

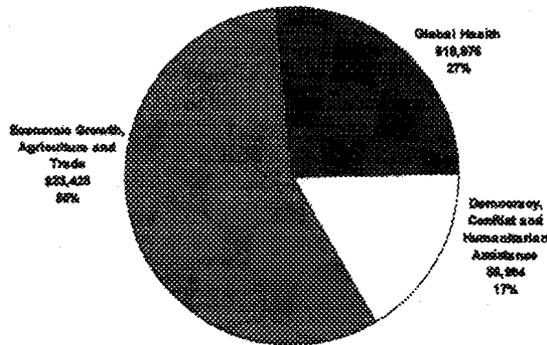
IDB loans to Mexico fund approximately 30 projects centered on social sector modernization, economic integration through NAFTA and Plan Puebla-Panama, modernization of the state and lowering barriers that limit competitiveness. The North American Development Bank is providing funding to the border states (four in the United States and six in Mexico) for water, solid waste, and wastewater infrastructure development.

Japan is the third largest donor and has historically been the largest bilateral donor. It collaborates with USAID in several activities related to environment and HIV/AIDS. Smaller donors include the British Department for International Development (environment), the British Council (education and governance), Spain (microfinance and environment), France (environment), and the European Union (higher education).

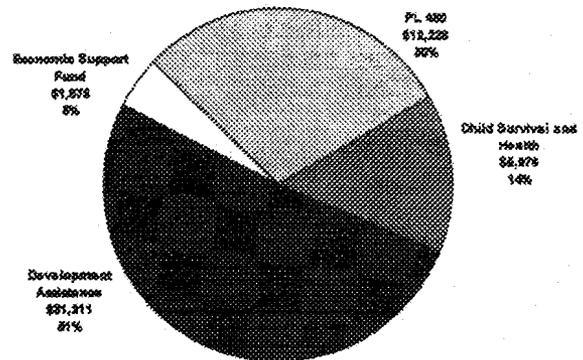
The United Nations (UN) group is represented by 18 organizations in Mexico, including the Pan American Health Organization, the United Nations Development Program, the UN Environment Program, the UN Fund for Population, UNAIDS, and the UN Children's Fund.

Nicaragua

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



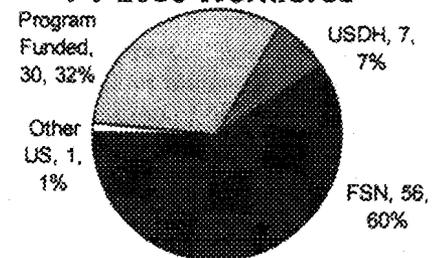
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Ruling Justly	524-021	6,393	8,755	6,994
Economic Freedom	524-022	15,168	14,721	14,192
Investing in People	524-023	13,100	14,598	7,976
PL 480 Title II		7,046	8,994	12,228
Total (in thousands of dollars)		41,707	47,068	41,390

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,435	2,628	2,471
USDH Salaries & Benefits	957	823	841
Program Funds	1,919	1,919	1,919
Total (in thousands of dollars)	5,311	5,368	5,231

FY 2006 Workforce



Mission Director:
(Acting) Alexander Dickie

Nicaragua

The Development Challenge: Over the last several years, Nicaragua has made strides in establishing and strengthening democratic institutions, improving the education and health status of the population, and, in the last two to three years, turning around its sluggish economy. Nicaragua's improved situation is both remarkable and fragile. Its advances are remarkable in that Nicaragua has been plagued with formidable setbacks in recent years, including devastating natural disasters and political corruption at the highest levels in past administrations. The fact that measurable progress has occurred, however, signals the dedication of many Nicaraguans to improving the country's living standards.

The executive branch of the current Government of Nicaragua has a strong political will to implement economic reforms and invest in social development; however the country is still beleaguered by serious problems that hold back the country's economic growth and social development. Despite its rich natural resources and substantial donor support, Nicaragua remains the second poorest country in Latin America, just above Haiti. Real per capita gross domestic product and income levels are lower than those of the 1960s. Nicaragua's high external debt (\$6.5 billion before recent debt forgiveness) and internal debt (\$1.5 billion) have inhibited growth. Around 75% of the population lives on less than \$2 a day, unemployment and underemployment are close to 50%, and income inequality is very pronounced. However, there have been some recent improvements. Real economic growth declined from 7.4% in 1999 to 1% in 2002, then turned around to grow back to 2.3% in 2003, and about 4% in 2004. Foreign investments have increased by about 35% since 2001 and remain at about \$200 million per year. In January 2004, Nicaragua reached the completion point of the Heavily Indebted Poor Country (HIPC) Initiative and, as a result, will have approximately 80% of its external debt forgiven.

Considerable improvements in health and education have been made over the past decade, although significant problems remain. USAID programs have contributed to a steady decline in infant mortality, reduced malnutrition among children under two from 13.0% in 2000 to 9.6% in 2003, and increased infant DPT (diphtheria, pertussis, and tetanus) immunization coverage from 47% to 67%. Despite these improvements, however, maternal and child mortality, chronic malnutrition, and population growth rates remain among the highest in the hemisphere. On average, Nicaraguans complete fewer than five years of schooling, and nearly 500,000 children, aged three to 12, remain outside the formal education system. However, key advances in the education system have resulted from USAID assistance such as the model schools program, which has increased fifth grade completion rates in Nicaragua.

By far the most serious obstacle to progress in Nicaragua, affecting the economy and the welfare of the people, is the extremely politicized and weak judicial system. The country has seen three technically satisfactory presidential elections since 1990, but it suffers from continuous manipulation of the institutions by political bosses for personal benefits and power for the elites. The justice system, in general, is inefficient and politicized. Establishing the legal and institutional framework to promote the transparency and rule of law necessary to protect citizens' rights and encourage business and investor confidence requires dramatic reforms. The situation reached a crisis level in November 2003, and the U.S. Government responded by suspending direct assistance to the Nicaraguan judicial system, based on a series of events that placed the efficacy of that assistance in question. Work continued, however, with civil society groups and on public oversight activities. In May 2004, USAID restarted assistance for selected activities related to the judicial system but maintained a freeze on most activities with the courts and those with the National Assembly that are not directly relevant to U.S. interests.

A key U.S. national interest in Nicaragua is to promote economic growth through integration in regional and global markets, since Nicaragua's poverty and high unemployment can threaten the long-term sustainability of democracy and rule of law. Increased stability in Nicaragua's democratic institutions and growth in its impoverished economy contribute to a more secure, democratic and prosperous region. In addition, U.S. national security can be affected by Nicaragua's poorly controlled borders and weak governmental institutions that cannot adequately defend against international terrorism and transit of illegal aliens, drugs and arms.

Despite political weaknesses, Nicaragua is a relatively stable country that is slowly moving along the right path, consistent with the development precepts outlined in President Bush's Millennium Challenge Account (MCA): ruling justly, economic freedom, and investing in people. Nicaragua is one of 16 countries eligible for MCA assistance and has submitted a proposal to the Millennium Challenge Corporation for consideration. The current administration has imposed discipline and demonstrated that fiscal and monetary stability can be achieved. Inflation has been kept at bay, and the internal debt is being addressed. The current government's fight against corruption, focus on restarting the economy, and advances in health and education, if sustained, can help pave the way for achieving long-term development goals. But recent political manipulations show how fragile these gains are.

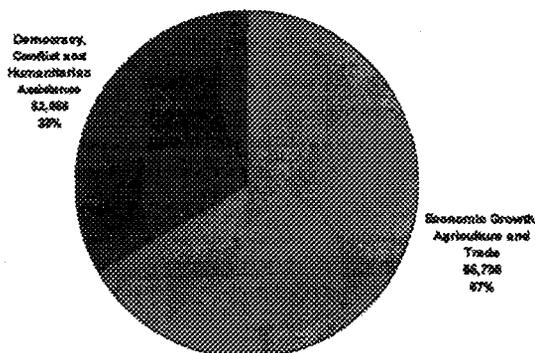
The USAID Program: USAID is requesting FY 2005 and FY 2006 funds for three strategic objectives that concentrate on: promoting justice sector reform and implementing an aggressive anticorruption program; fostering trade-led economic growth and rural diversification; and increasing access to quality health services and basic education. USAID will use FY 2005 and FY 2006 funds to continue or start programs to reform the justice sector, promote transparency and accountability, and strengthen public oversight; to help implement free trade agreements and improve the competitiveness and market linkages of Nicaraguan businesses, including green markets, tourism, and other enterprises that seek to conserve and sustainably use natural resources; and to provide technical assistance to the government of Nicaragua's key social sector ministries to support improved management, transparency and accountability to ensure more accessible and better quality of public services. USAID will provide limited support for general elections, which are scheduled for 2006. Activities under the P.L. 480 Title II program are integrated into economic growth and human investment programs. In implementing its programs, USAID plans to expand public-private alliances to leverage resources and extend the reach of its assistance.

Other Program Elements: In addition to its bilateral program, USAID funds activities in Nicaragua which are managed regionally by the Bureau for Latin America and the Caribbean, including programs to strengthen regional mechanisms that fortify civil society and local government and promote human rights and rule of law, improve management of national parks, improve agricultural and dairy production, and promote education reform. USAID's Bureau for Global Health funds child survival programs and provides loans for private sector family health clinics. The Central America Regional Program carries out activities in Nicaragua in trade capacity building, agricultural diversification, linkages to green markets, protected area management, specialty coffee development, clean production, energy sector reform, natural resources management, teacher training, HIV/AIDS prevention, and addressing trafficking in people. USAID's Office of Foreign Disaster Assistance funds activities in Nicaragua that reduce the impact of natural disasters. USAID Washington also supports a successful Global Development Alliance in the education sector.

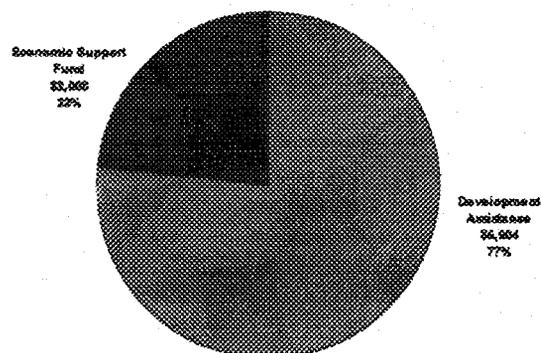
Other Donors: The Government of Nicaragua continues to strengthen donor coordination through the sector coordination roundtables (USAID leads the economic growth roundtable), which provide a forum to prioritize development needs and harmonize donor activities. Nicaragua also participates as one of the few pilot countries for a Joint Country Learning Assessment under the auspices of the Organization for Economic Cooperation and Development. Overall donor assistance averages about \$500 million per year in grants and loans. The United States and Sweden were the principal bilateral sources of assistance in 2003, followed by Denmark, Germany, Japan, Spain, the Netherlands and Switzerland. The activities of these countries complement USAID's programs in democracy, economic growth, education and health. Multilateral assistance and loans come primarily from the Inter-American Development Bank (competitiveness, tax reform, and social sector adjustment), the European Union (rural development, agricultural policy, and education), the World Bank (support for implementation of Nicaragua's Poverty Reduction Strategy), the World Food Program (food security), and the Central American Bank for Economic Integration. As an MCA eligible country, if Nicaragua's proposal is selected and a compact with the U.S. Government is signed, the country is poised to receive additional U.S. Government funding.

Panama

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

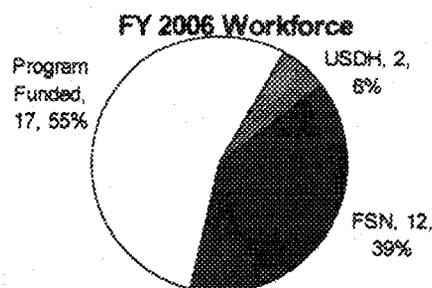


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Rural Community Development	525-006		750	
Ruling Justly	525-021	1,000	2,226	2,866
Economic Freedom	525-022	5,622	5,125	5,738
Total (in thousands of dollars)		6,622	8,101	8,604

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	951	828	659
USDH Salaries & Benefits	298	275	281
Program Funds	1,523	1,523	1,523
Total (in thousands of dollars)	2,772	2,626	2,463



Mission Director:
(Acting) Moh Kermit

Panama

The Development Challenge: Panama's economic and social indicators hide a somber reality of serious under-development in some regions of the country, and security challenges that threaten stability and impede economic development. In 2003, the country's Gross Domestic Product (GDP) totaled \$12.2 billion and the annual per capita income was over \$3,500, making it one of the middle income countries in Latin America. The literacy rate is 92.5% and life expectancy is relatively high. Although Panama has the highest GDP per capita in Central America, it has the second worst income distribution in Latin America, with about 40% of the population lives in poverty. The unemployment rate is 14%, and 30% of the labor force is underemployed. Panama's dual economy consists of a modern and relatively prosperous service sector, including the Panama Canal, banking, flagship registry, and tourism, which accounts for more than 75% of GDP, alongside a traditional, and considerably poorer, rural and agrarian sector.

The transition to democracy in Panama began in 1990 after 20 years of military dictatorship. While there has been significant progress toward a viable democracy, the process is still evolving. Panama's constitution grants strong executive powers to the central government, and gives considerable immunity to legislators, judges, and high-ranking executive branch officials. There are no clear or accessible points of entry for citizens or civil society organizations to influence decision making. Concepts of conflict of interest and transparency are virtually absent from political discourse and practices. Corruption is prevalent and public opinion surveys place corruption as a primary concern, second only to unemployment. In the meantime, press gag laws remain in effect while leadership of the judiciary reform movement falls to a nascent civil society.

Degradation of natural resources, especially water, is taking place at an accelerating and alarming pace. Natural forests lack proper management and protection. The unsustainable and frequently illegal exploitation, trade and use of timber, plants, wildlife, and fisheries are widespread. Poor forest management and inadequate land use practices have a negative impact on biodiversity, soil stability, water quality and quantity, coral reefs, mangroves, and fisheries, all key indicators of a healthy ecosystem. The sustainability of critical watersheds, especially the Panama Canal Watershed, and the environment in general is influenced by governance issues. In Panama, the lack of local empowerment, adequate conservation policies and practices, and deficiencies in the environmental justice system stand in the way of local application and enforcement of environmental regulations. Rural residents have few alternatives for income generation; therefore many follow destructive land use practices and further stimulate urban migration.

Reducing the various constraints to starting a business is a necessary step toward increasing private investment and generating employment. The new administration has set several goals, including "economic development with a human face", and continued bilateral negotiations for a free trade agreement with the United States. The bilateral negotiations leading to a free trade agreement will provide new opportunities for Panama to reduce these constraints and increase and sustain its pace of economic growth.

Fiscal consolidation underpinned by structural reform is essential for keeping public debt under control in Panama. The main challenges are maintaining a sound fiscal policy through compliance with fiscal rules, addressing the urgent need for social security reform, and stepping up the pace of economic growth. While the total public sector debt appears sustainable, there is little room for counter cyclical fiscal policy. External debt in December 2003 was \$6.5 billion, with debt servicing absorbing 65% of the Government's budget revenue.

Panama has historic ties and continued relevance to American foreign policy. The country is central to U.S. homeland security, democracy and economic prosperity because of the large volume of commerce moving through the Panama Canal. Panama's position as a regional banking center and proximity to Colombia are other key factors in U.S. national interests that support the country's democratic course and sustainable economic development.

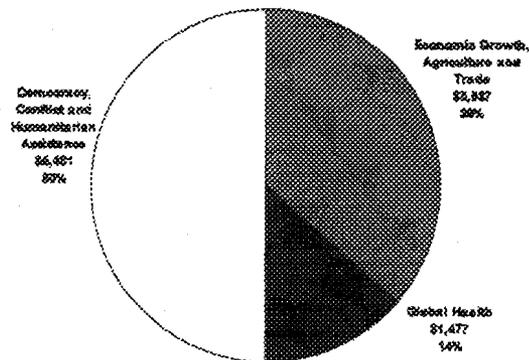
The USAID Program: FY 2005 and FY 2006 funds will be used to implement programs in support of greater government transparency and accountability, increased trade and investment, and improved management of critical watersheds. The Ruling Justly Objective will promote continued progress in transparency and accountability with the participation of civil society in advocacy and oversight of government. The new Economic Freedom Objective will stimulate economic growth by reducing barriers to trade and investment and encouraging market integration. It will also foster sustainable development in the use of natural resources that balances economic development and environmental protection, particularly water to the Panama Canal Watershed (PCW). The Darien Special Objective will also support activities that strengthen selected communities in the Darien region.

Other Program Elements: USAID's Bureau for Latin America and Caribbean funds activities in Panama through its regional programs. The Parks-in-Peril program mitigates threats to conservation and biodiversity in the Amistad Biosphere Reserve. A trade capacity building program is assisting negotiations for a bilateral free trade agreement between Panama and the United States. The Central America Regional Program (G-CAP) implements a range of critical economic and environmental programs in Panama that support priority foreign policy interests in the region, including support for increased participation in global markets; short-term technical assistance to help small producers supply consistent quantities of high-quality Panamanian coffee for domestic and export markets; public/private alliances that promote certification and increased production and sales of environmentally-friendly products; creation of a regional fire and pest prevention and mitigation network; development of a regional remote sensing network to monitor carbon emissions and model impacts on climate for decision making related to climate change vulnerability; and improved environmental management in the Mesoamerican Biological Corridor. G-CAP also improves Panama's capacity to more fully address the HIV/AIDS crisis.

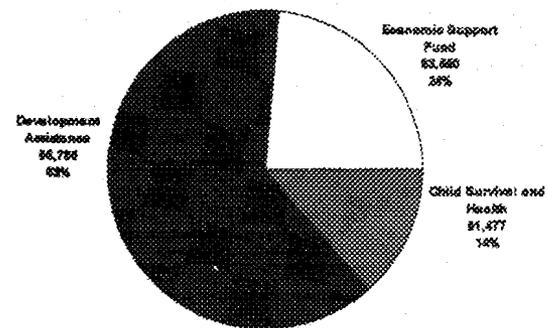
Other Donors: Principal donors in Panama, in addition to the United States, include the Inter-American Development Bank (IDB), the European Union (EU), Spain, Japan, the United Nations Development Program (UNDP), and the United Nations Food and Agriculture Organization (FAO). The largest donor in democracy is the IDB, which supports improvements in the quality of the country's legal and judicial services to strengthen the rule of law and consolidate democracy. Spain, the EU, and the UNDP focus their assistance on the judicial sector and tourism. Japan supports environmental education and training in forestry and agro-forestry techniques. Both Japan and the IDB fund activities promoting the conversion of destructive agricultural practices to environmentally-friendly agricultural production in the PCW. These activities complement USAID's efforts as the major donor in the PCW. Assistance from the FAO supports the Ministry of Agricultural Development in its implementation of land use changes in the rural eastern region of the PCW. USAID is the only donor working in the area of transparency and accountability.

Paraguay

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



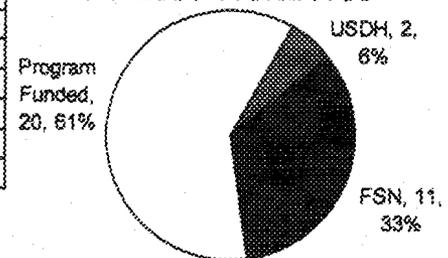
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Democracy & Governance	526-004	4,907	4,805	5,401
Environment	526-005	928	929	1,212
Reproductive Health	526-006	2,325	1,980	1,477
Economic Growth	526-007	1,287	990	2,725
Total (in thousands of dollars)		9,447	8,704	10,815

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	811	747	799
USDH Salaries & Benefits	315	291	297
Program Funds	679	874	1,007
Total (in thousands of dollars)	1,805	1,912	2,103

FY 2006 Workforce



Mission Director: Wayne Nilsestuen

Paraguay

The Development Challenge: Paraguay is undergoing a historic transformation towards consolidating its democracy and promoting a fair and licit market economy, both of which are primary U.S. national interests in Paraguay. During the past three years, Paraguay has also been a valuable U.S. ally in the war on terrorism. The past 15 years, since the fall of the dictatorship, have seen the adoption of a new constitution, the establishment of freedom of expression, the development of a transparent and free electoral process, improvements in the judicial system to permit public scrutiny of legal cases, and the defense of democratic institutions in the face of severe challenges. These challenges include several coup attempts, the assassination of a Vice President and the resignation of a President. With the completion of the first full year of President Duarte's Administration, which has taken critical steps to fight corruption and re-activate the economy, the prospects for improvement in democratic practices and a legitimate market economy have improved significantly.

Under the Duarte Administration, serious problems such as poverty, corruption, environmental degradation, and lack of effective basic services to Paraguay's citizens are being addressed. The administration continues to make sound decisions which demonstrate a serious commitment to fighting corruption, stabilizing the economy and beginning to address the concerns of the growing ranks of the poor. Also, President Duarte provided strong leadership in pursuing an impeachment process that resulted in the removal of six corrupt Supreme Court justices and the replacement with justices who were selected in an open and transparent manner for the first time in Paraguayan history.

Many challenges continue to confront the Administration. During 2004, the country experienced its eighth consecutive year in which per capita income was stagnant or declined. Paraguay's external debt is approximately \$2.3 billion, almost 40% of gross domestic product. While Paraguay has historically pursued conservative macroeconomic policies, the economic tribulations of Brazil and Argentina (Paraguay's two most important trading partners) and weak political will of the previous Administration combined to produce worsening levels of budget deficits, and expedient short-term borrowing. However, during the Duarte Administration, budget deficits were controlled and a budget surplus developed.

Thousands of landless farmers have clamored for land and illegally invaded private properties. Perceptions of corruption are very high by Latin American standards, while foreign investment in Paraguay is the lowest in Latin America. The donor community and knowledgeable observers note important changes directly attributable to strong anticorruption measures taken by President Duarte. Paraguay is committed to implementing the reforms that are important to making the government more honest and responsible and to improving the policy and regulatory environment for business, reducing red tape and assuring fair and predictable rules of the game. Notwithstanding the serious challenges, in November 2004, the Millennium Challenge Corporation designated Paraguay a Threshold Country, recognizing both the serious commitment and the significant measurable progress that the Duarte Administration has made in addressing Millennium Challenge Account (MCA) policies and precepts during its initial 14 months in office.

Mid- and long-term sustainable development in Paraguay is also threatened by the indiscriminate exploitation of land, water, and wildlife resources. Sustainable development is severely threatened by the depletion of Paraguay's rich endowment of natural resources. Timber reserves have been nearly exhausted. Much of the once rich topsoil of the eastern border region (largely uncultivated until the 1970s) is now considered to be severely eroded. The eastern border region sits upon the Guarani aquifer, the largest underground water aquifer on the continent, and is being threatened by unchecked deleterious land use practices. Because watersheds have been negatively affected by deforestation and contamination, surface water flow volumes have decreased considerably in the last 20 years. Public authorities have been slow to respond to these challenges because of inadequate capacity.

High maternal mortality rates contribute to poverty, and better reproductive health services are needed. Almost 40% of pregnant women do not receive adequate pre-natal care. Many citizens also lack access to other basic services, such as education, potable water, sewerage systems, solid waste collection, and basic infrastructure. Although national and local governments are hard pressed to adequately provide

these basic services, there has been some improvement and some local governments are struggling to compensate for deficiencies in service provision by the national government.

Although many challenges lie ahead, the Government of Paraguay is demonstrating commitment to reform, economic stabilization, improving service provision and fighting corruption. USAID has an historic opportunity to play an important role in helping Paraguay improve its situation by supporting the Government of Paraguay's commitment for change.

The USAID Program: USAID is requesting FY 2005 and FY 2006 for four ongoing programs that focus on economic growth, reproductive health, environmental initiatives and the strengthening of democracy. Two major themes that link these initiatives are: 1) a vibrant, pluralistic civil society as the basis for democratic governance, improved trade capacity (economic growth), improved health and provision of services and management of natural resources; and 2) government responsiveness, accountability, and accessibility to citizens strengthened through the decentralization of power and authority to local levels and measures which promote honesty and transparency throughout all levels of government.

Other Program Elements: The Global Development Alliance (GDA) awarded a grant that includes Paraguay as one of the countries in which the program provides information technology training and prepares graduates for employment. The GDA Secretariat also provided funding for an alliance activity aimed at promoting good governance and anticorruption. Through the LAC Regional program, a civil society outreach activity on the Free Trade Agreement of the Americas and on the benefits of free trade agreements in general will continue through FY 2005. The LAC Regional program also aims to strengthen civil society organizations to promote transparency and human rights in Paraguay. Finally, a USAID centrally funded grant supports cooperative development in the poorest regions of the country.

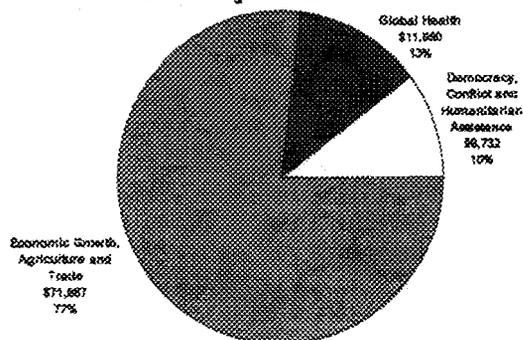
Other Donors: USAID has been very active in organizing a previously disjointed donor community and continues to be successful in having other donors build upon its pioneering activities. Donor coordination at a sectoral level in Paraguay is improving. USAID has organized donor coordination activities related to decentralization, judicial reform, environment, and health and is participating in donor programs related to competitiveness and adolescents.

In the health sector, the World Bank, the United Nations Population Fund (UNFPA) and USAID are collaborating with the Ministry of Health to implement a demographic and health survey. This is a major achievement in terms of donor coordination and one that can serve as a model for other donor-coordinated activities. At the same time, USAID and UNFPA provided technical assistance to the Ministry of Health to develop the National Reproductive Health Plan.

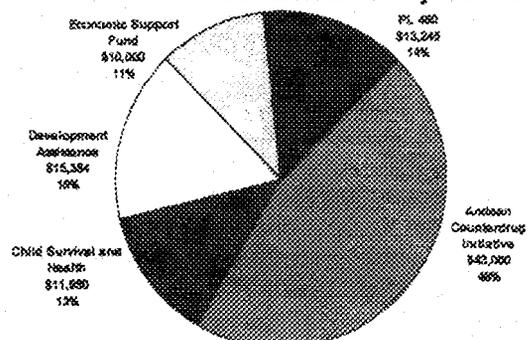
Japan is Paraguay's largest bilateral donor, followed by the United States, Germany, and Spain. The major bilateral donors and their interests are: Japan (agriculture and health), Germany (state reform and natural resources), Spain (education and cultural support), and Taiwan (housing). The Inter-American Development Bank, the World Bank, the European Union, various United Nations agencies, including the Pan-American Health Organization, and the Global Environmental Facility, play a major role in the international development community involvement in Paraguay.

Peru

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

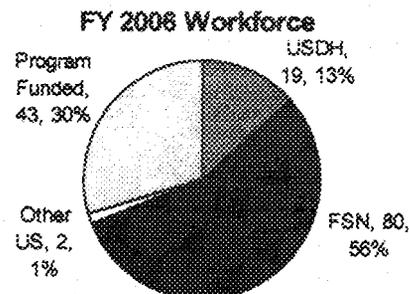


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Education	527-006	2,624	2,475	4,000
Peru-Ecuador Border Region Development	527-008	1,988	1,488	2,000
Democratic Strengthening	527-009	9,385	9,235	9,732
Economic Growth	527-010	5,170	2,935	6,358
Health	527-011	17,582	13,758	11,950
Environment and Natural Resources	527-012	4,080	4,549	3,284
Alternative Development	527-013	49,705	53,866	43,000
PL 480 Title II		23,868	12,921	13,245
Total (in thousands of dollars)		114,382	101,225	93,549

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	5,678	5,375	5,552
USDH Salaries & Benefits	2,776	2,700	2,758
Program Funds	4,297	4,572	4,290
Total (in thousands of dollars)	12,751	12,647	12,600



Mission Director: Hilda Arellano

Peru

The Development Challenge: Throughout the 1990s, Peru made significant progress combating terrorism, reducing the production of coca, stabilizing its economy, and increasing access to social services. Since 2001, under President Toledo, the Government of Peru (GOP) has pursued an ambitious program to re-establish democracy, following a decade of increasingly authoritarian rule and rampant corruption under the former Fujimori government, and is promoting a market-based economy that will benefit all citizens. While Peru has maintained unprecedented economic performance averaging over 4% growth for the past three years, the reality is that even higher growth rates for many years will be necessary to reduce poverty, which impacts over half of the population or 14 million Peruvians.

The limited state presence in large portions of the country's interior challenges the Government's ability to ensure broad-based development for all Peruvians. Per capita gross domestic product (GDP) of approximately \$2,150 for 2003 is the same in real terms as it was in 1967, a result of years of flawed economic policies. Income remains unevenly distributed, with over 50 percent of the population living below the poverty line, almost half of whom live in extreme poverty. The country's total debt servicing requirement is estimated at 29.5% of exports in 2005. Unemployment and underemployment rates remain very high (approximately 10% and 50%, respectively). Social services, especially in isolated, conflict-prone regions in Peru's highlands and jungles, are inadequate. For example, in USAID's geographic focus areas, 36% of children under five years old are malnourished, 31% of women are illiterate, 39% of the population do not have access to electricity, and 69% do not have access to acceptable sanitation services. Peru's tropical forests are the fourth largest in the world, but they are increasingly threatened by shifting migration patterns, unsustainable exploitation of the forest, and the destructive impact of illicit coca production and processing. The lack of state presence allows drug trafficking, illegal logging, terrorism and other criminal practices to flourish, creating a corrupt, violent and conflictive environment that discourages investment, limits economic opportunities, and prevents sustainable economic growth and development.

While Peru's 2003 economy outperformed most of Latin America (Peru experienced 3.8% GDP growth in 2003 with 4.5% projected in 2004), the government remains politically weak and social discontent prevails. To move forward, Peru must accelerate structural economic reforms, take full advantage of the recent extension and expansion of tariff-free entry of Peruvian products to the U.S. market under the Andean Trade Promotion and Drug Eradication Act (APTDEA), complete negotiations of a free trade agreement with the United States, and conclude trade agreements in the Latin America and Caribbean (LAC) region and with Asia to stimulate economic growth and reduce poverty levels. Likewise, Peru's mandates are many. It must move forward with its efforts to bolster democratic institutions and increase citizen confidence. It must successfully complete its decentralization process to facilitate more representative and effective governance throughout the country. The justice system must continued to be reformed to ensure predictable and equitable application of criminal and commercial law. The government must increase its investment in critical infrastructure and services as well as comprehensively restructure its institutions to reduce corruption, control government expenses, and provide appropriate and effective services.

In the Toledo Government, the U.S. Government has a partner that is committed to advancing the mutual national interests of building the infrastructure of democracy, promoting sustainable development, and defeating narco-terrorism. U.S. assistance can play a decisive role in addressing the obstacles of corruption and conflict where there is a lack of state presence and of economic competitiveness.

The USAID Program: USAID works as an integral part of the U.S. Country Team in Peru and collaborates with Peruvian partners, other donors, nongovernmental organizations, and the private sector to help Peru achieve a secure, democratic, and prosperous future for its citizens. USAID's overarching goal in Peru is to facilitate both Peru's international and internal integration, thereby contributing to the mutual U.S. and Peruvian goals of good governance, security, and prosperity. Expanded commerce will further integrate Peru into the world economy and enhance cross-border relations, helping to improve living standards and reduce the potential for conflict. Within Peru, effective regional and local governments, along with improved economic infrastructure and social service delivery, will increase

national integration, reducing the potential for conflict associated with the marginalization of certain geographic areas and social groups.

USAID will use FY 2005 and FY 2006 funding to provide: national-level assistance related to policy reform and institutional strengthening; and health, education, environment, infrastructure, business development, and governance activities in geographic areas that have been prone to conflict, and thus present obstacles to investment, economic growth and employment generation. These areas include the Peru-Ecuador border region, where USAID efforts will help ensure a lasting peace between the two countries; and the seven regions that include Peru's major coca-growing valleys, where USAID and other U.S. agencies work to combat the flow of illicit narcotics to the United States and other markets. USAID works to ensure that these areas are no longer a breeding ground for crime, terrorism, and social unrest.

Other Program Elements: A range of USAID centrally funded activities are implemented in Peru. In the democracy area, centrally-funded programs strengthen regional mechanisms to promote human rights and improve Peru's tracking of political party financing. In the health sector, USAID's Washington-based activities support programs that address maternal and child care, nutrition, and HIV. During the past year, the Capable Partners Program (CAP) has supported the institutional strengthening of the National Environment Society, an umbrella organization representing environmental networks and non-governmental organizations in Peru. Central funds also support credit and small business development programs, as well as activities to alleviate the effects of poverty on women and children.

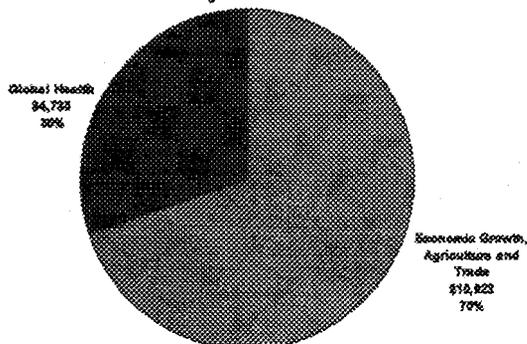
Under the South America Regional Program, USAID also manages four programs that involve Peru: the Andean Region Trade Capacity Building program, which enhances capacity of Peru, Ecuador, Colombia and possibly Bolivia to negotiate a Free Trade Agreement (FTA) and strengthens national capacity to implement the rules of trade emerging from FTA negotiations; the Centers of Excellence for Teachers Training (CETT) in the Andean region, to improve the quality of reading instruction in disadvantaged communities; the Amazon Malaria Initiative (AMI) to address the threat of malaria in Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname and Venezuela; and the South America Infectious Diseases Initiative to strengthen the capacity of Peru, Bolivia, Ecuador and Paraguay in infectious disease surveillance and antimicrobial resistance. Results of and plans for these South American programs are reported separately.

USAID's program in Peru includes activities that contribute to eight U.S. Presidential Initiatives: Anti-Illegal Logging, Global Climate Change, Digital Freedom, Water for the Poor, Clean Energy, Center for Excellence in Teacher Training, Last Mile Initiative, and HIV/AIDS.

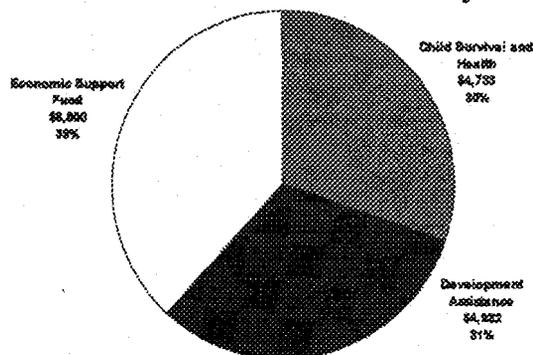
Other Donors: Official international technical cooperation to Peru for 2004 was over \$506 million, including both bilateral and multilateral assistance. The United States is the largest bilateral donor and contributes almost 40% of all bilateral assistance. Other bilateral donors include: Germany (in democracy, environment, education and health, economic growth and water and sanitation); Canada (in economic growth, education, health, environment, natural resources management, water and sanitation, and democracy); Switzerland (in economic growth, natural resources and democracy); the United Kingdom (in democracy, economic growth and health); and Spain (in democracy, education and health). The largest multilateral donor, the Inter-American Development Bank, provides almost 86% of all multilateral assistance. Other multilateral donors include the United Nations, the World Bank, the Andean Development Corporation, and the European Community. Absent an effective mechanism within the Government of Peru or donor community to broadly coordinate efforts, donors have relied on sectoral-level working groups to share information, conduct analysis, and collaborate on program design/implementation. Focus areas of these working groups include gender, basic education, governance/decentralization/justice, counternarcotics, health, environment, and nutrition.

Caribbean Regional Program

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



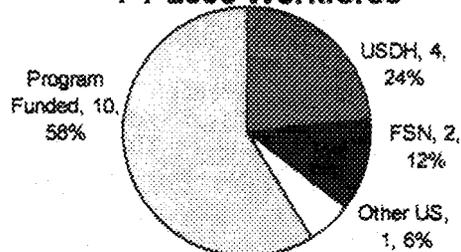
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Improved Business Environment-Int'l Standards	538-004	2,839		
Improved Environmental Management	538-005	883		
Increased Efficiency of Legal Systems	538-006	1,002		
Enhanced Caribbean Response to the HIV/AIDS crisis	538-008	2,013		
Open Trade	538-009	2,949	8,755	10,922
HIV/AIDS	538-010	3,016	4,695	4,733
Disaster Rehabilitation and Preparedness	538-011		42,287	
Transfer -- ESF		2,584	5,952	
Total (in thousands of dollars)		15,286	61,689	15,655

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	572	586	601
USDH Salaries & Benefits		536	548
Program Funds	495,353	495,353	495,353
Total (in thousands of dollars)	495,925	496,475	496,502

FY 2006 Workforce



Mission Director: Karen Turner

Caribbean Regional Program

The Development Challenge: The Caribbean Region consists of 23 relatively small independent islands, dependent territories, and sovereign states. Their small size, isolation from markets, susceptibility to natural disasters, and general ecological vulnerability make the Caribbean a special case for development. A loss of trade preferences for key crops such as bananas and sugar and limited economic diversification are contributing to decreased economic growth throughout the eastern Caribbean region. Tourism and remittances are now the largest sources of growth in the region. In 2003, Trinidad and Tobago and Grenada led the region in economic growth with rates of 6.7% and 5.7%, respectively. Growth in the other islands ranged between 1% and 2% and economic activity in Guyana contracted in 2003. The decreased growth in the region, coupled with limited confidence among the island nations that they can compete successfully in an open trade environment, is contributing to slowness in recognizing and seizing the opportunities that an open trade environment can provide. Instead, a preference for retaining "special and differential status" is impeding the ability of the countries to outline a clear course of action to achieve a more competitive posture for effective participation in the global marketplace.

On the social side, more than 440,000 people are living with HIV in the Caribbean, including 53,000 who were newly infected in 2004. The Caribbean region has the second highest regional HIV prevalence rate in the world, second only to sub-Saharan Africa. Women in the 15-24 age group are being infected at a significantly faster rate than men in the same age range and AIDS has become the leading cause of death for both men and women aged 15-24. The spread of HIV/AIDS is being aided by stigma and discrimination which keep the disease underground and discourage persons from being tested and seeking treatment. Significant mobility of the region's peoples suggests that a truly regional approach to combating HIV/AIDS, coupled with selective national level interventions, is essential for success. Limited surveillance data at the national and regional levels impede targeting of assistance that would ensure the greatest impact in slowing the spread of HIV/AIDS. Unless the region's response to HIV/AIDS becomes better coordinated and targeted, HIV/AIDS will become an ever increasing threat to the region's population and sustainable development goals.

Other problems are no less significant. Reduced economic growth as a result of diminished competitiveness of traditional sectors is contributing to increasing fiscal deficits in the region and unsustainable debt burdens. Governments are less able to make the social investments to thwart upward trends in crime and violence and unemployment and vulnerability to drug trafficking and related corruption. Tourism is the backbone for the region's economic vitality; yet its success threatens the region's precious natural resources which attract tourists to the region in the first place.

By virtue of their geographic location, small size and topography, the countries of the region are inherently susceptible to a wide range of natural disasters (some on an annual basis), including hurricanes, flooding, landslides, and earthquakes. In September 2004, Hurricane Ivan devastated Grenada and caused millions of dollars of damage to Jamaica, the Bahamas and the Cayman Islands. Later, Dominica and Trinidad were shaken by sizeable earthquakes. Although the region has always been vulnerable to these natural hazards, the catastrophic effect of Hurricane Ivan in the region was a sharp reminder of the importance of increased attention to disaster risk reduction and mitigation as an integral component of economic planning and development plans.

The Caribbean region is taking a number of steps to overcome some of the challenges noted above. This includes supporting the creation of a Caribbean Single Market and Economy (CSME) starting in 2005 as an essential factor into achieving the economies of scale that will enable the countries of the region to compete more effectively in the global marketplace. Most of the countries in the region have deep-rooted democratic institutions and score among the upper half of all countries on most measures of good governance. Nevertheless, maintaining good governance is an increasing challenge, especially in the areas of accountability, corruption, and rule of law. Crime, exacerbated by diminished growth and unemployment, especially among young people, is a serious and growing problem throughout the region.

U.S. strategic goals in the Caribbean derive from its geographic proximity to the United States; homeland security concerns; and the threat from transnational crime and drugs in the region. The small countries of

the region are important partners for trade, health, and education issues, as well as for promoting democracy in the hemisphere. They are also working closely with the United States to address issues related to drug trafficking, migrant smuggling, and financial crime, in order to mutually enhance security throughout the region.

The USAID Program: USAID's Caribbean Regional Program (CRP) is designed to help the region become globally competitive both in trade and in quality of life such that its citizens can find sufficient opportunities in their home country and/or region to mitigate the significant migration trend of many of the best skilled in these societies. USAID focuses its limited resources on two of the most urgent challenges facing the islands: the need to become competitive and participate more effectively in an open trade environment and to combat the spread of HIV/AIDS throughout the region.

The program's first objective, Region Positioned to Succeed in an Open Trade Environment, includes activities that will help targeted business sectors in the region meet the requirements for successful participation in the global marketplace. In addition it also aims to help reduce constraints to small business growth and development, identify and leverage market opportunities, as well as strengthen the legal and environmental frameworks to support open trade and sustained growth. The program's second objective, Enhanced Regional Response to the Caribbean HIV/AIDS Epidemic, will help improve the availability and use of accurate reliable information on the disease; increase the numbers of health care providers and public health professionals with specialty training in HIV; and increase access to and availability of critical HIV/AIDS services. As a result of the devastation in the region caused by Hurricane Ivan, especially in Grenada, a Special Objective entitled "More Secure Lives and Livelihoods for People in Grenada and other Caribbean Islands Affected by Hurricanes" was created and funded with supplemental \$42 million disaster assistance resources. This 12-month program will help the region recover, rebuild, and resume the path to sustainable development.

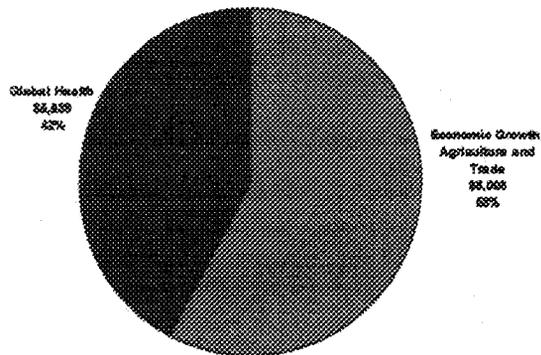
Other Program Elements: In addition to the resources requested in the program data sheets, the Caribbean region benefits from an initiative funded by USAID's Office of Foreign Disaster Assistance for activities to promote sustainable development through reduced risk and losses from natural hazards in the Caribbean. The Caribbean Regional Program also benefits from the Centers for Excellence in Teacher Training Presidential Initiative, which is funded by the Bureau for Latin America and the Caribbean's Office of Regional Sustainable Development. The USAID Mission in Jamaica manages the Caribbean Center for Excellence in Teacher Training, which is strengthening the teaching of reading skills for grades 1-3 in six countries throughout the Caribbean, e.g., St. Vincent, St. Lucia, Grenada, Trinidad and Tobago, Belize, and Jamaica, and contributes generally to the mission's efforts to strengthen the human resource base for the region's trade competitiveness.

Other Donors: Several bilateral donors are implementing programs that complement USAID's programs in the region. The Canadian Agency for International Development has a region-wide program which focuses on competitiveness, trade policy, financial sector reform, institutional strengthening, disaster management, and HIV/AIDS. The British Department for International Development has programs in the region to help reduce poverty, fight HIV/AIDS, and meet the challenges of globalization. The European Union (EU) provides significant resources for agricultural adjustment and development as well as other private sector development. Japan, France, China and Kuwait, among others, also provide bilateral economic assistance to the region.

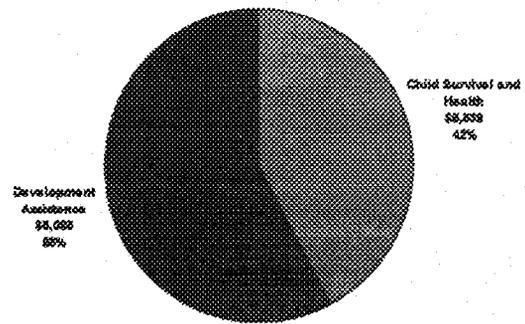
Several UN agencies are also providing assistance to the region, primarily in health and combating HIV/AIDS, constitutional reform, and disaster management. The Caribbean Development Bank (CDB) and the World Bank are the principal financial institutions engaged in the region. Through their various loan and grant programs, both organizations finance roads, transportation, education, disaster management, and poverty reduction. The Inter-American Development Bank also has programs in a few of the larger countries, but reaches the smaller ones through the CDB.

Central America Regional Program

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



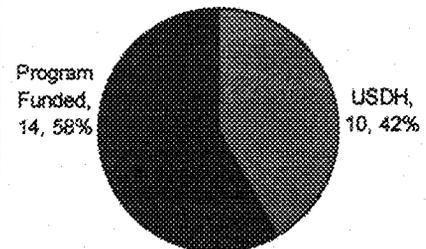
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Regional Trade and Investment	596-005	7,310		
Central America Regional Environment Program	596-006	6,771		
Increased Diversification of the Rural Economy	596-009	1,720		
Economic Freedom	596-022		11,430	7,008
Investing in People	596-023	4,950	5,901	5,839
Meso-American Food Early Warning System	596-024		1,000	1,000
Total (in thousands of dollars)		20,751	18,331	13,847

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	7		
USDH Salaries & Benefits		1,340	1,369
Program Funds	2,704	2,296	1,595
Total (in thousands of dollars)	2,711	3,636	2,964

FY 2006 Workforce



Mission Director: Mark Silverman

Central America Regional Program

The Development Challenge: Central American countries have long sought improved competitive advantage by integrating their economies into a larger commercial block linked by free trade agreements with larger world markets. Upon entry into force of the U.S.-Central American Free Trade Agreement (CAFTA), a high trade priority of the Bush Administration's second term, the region, including the Dominican Republic, will enter into a historic trade union with the United States. Both Mexico and Panama also consider free trade with the United States and their Central American neighbors crucial to their development agendas. Through trade-led, diversified economic growth, the countries of the region are demonstrating their commitment to creating economic opportunities that better help to distribute wealth and raise the standard of living for all Central Americans. Rarely before have the opportunities for improved regional integration and development been as encouraging as they are now. It is also significant that the neighboring countries of Panama and Mexico have been incorporated in many of the Central American regional institutions. The elected leaders of the Central American, Mexican, and Panamanian governments share a common vision of the advantages of jointly addressing the problems that plague their societies. They also realize that opportunities created by removal of trade restrictions among themselves and with the United States can only be fully exploited by acting together to remove other artificial national barriers to trade and development.

Central America has a population of nearly 36.5 million people and an aggregate GDP of nearly \$72 billion. The United States is Central America's biggest trading partner. The United States exported nearly \$11 billion in goods to Central America in 2003, more than U.S. exports to Russia, India and Indonesia combined. Two-way trade was over \$23 billion in 2003. This strong trading partnership helped to increase Central America's 2004 per capita income to \$1,972. Central America (23%) and Mexico (25%) have similar ratios of exports to GDP although there is a ten-fold difference in the order of magnitude because of the size of the Mexican economy.

Unfortunately, Central America has some of the worst income inequality in the world. Nearly half the population lives below the poverty line, and nearly a quarter of the population lives on less than one dollar a day. Central American schools are under funded and produce the highest primary school repetition and lowest completion rates in Latin America. Approximately one-fourth of Central Americans are illiterate. With the exception of Costa Rica and Panama, the region still suffers an unacceptably high infant mortality rate (27 per 100 live births) and chronic malnutrition. These problems are further exacerbated by a population growth rate of 3%. Growth of organized crime and endemic corruption also seriously threaten to undermine gains in political, social and economic development. Although Mexico is a "middle income" country with a population of more than 100 million people, and a member of the Organization for Economic Cooperation and Development, the reality is that Mexico has 9.8 million people living on less than \$1 a day and 35 million living on less than \$2,000 a year.

Free trade and economic development are engines of growth, but they do not automatically resolve inequalities. Central America's economic growth rates, while showing signs of improvement recently, are still too low to support aggressive anti-poverty agendas. The benefits of economic growth are also not spread evenly among the population. Additional challenges include the possibility of initial loss of revenue and displacement of rural jobs upon entering CAFTA and the expiration of the Multi-Fiber Agreement. Other regional challenges include customs integration and harmonization of tax, fiscal, sanitary and phyto-sanitary (SPS), and environmental policies and standards, and management of the Meso-American Biological Corridor. Important issues that can be addressed from a regional perspective include containment of communicable diseases such as HIV/AIDS, creation of a food security early warning system, and the management and prevention of forest fires and pests.

To take advantage of CAFTA and other global trade opportunities, Central American and Mexican governments are improving their competitiveness by lowering transaction costs across borders; harmonizing regional commercial, tax, environmental, and labor laws and policies; and taking advantage of the region's rich natural resources by promoting niche (for example, green) market products that utilize third-party certifications. The region continues to recover from the 2000 coffee crisis. By transitioning coffee production to high quality and specialty markets in combination with rural agricultural diversification

initiatives, the Central American and Mexican governments expect to provide viable economic alternatives for rural populations. Central America and Mexico's natural resource endowments and climate provide comparative advantages that the region should capitalize on to achieve growth.

Finally, given the region's proximity to United States, and the increasing flow of immigrants from Central America over U.S. borders, infectious diseases, particularly HIV/AIDS, are of particular concern. Data available concerning HIV/AIDS in Central America show a growing epidemic, with conservative estimates of more than 380,000 HIV cases. With the exception of Honduras and Belize, the countries in Central America are still categorized as "concentrated" epidemics - only certain sub-groups of the populations are particularly affected. Due to the nature of the epidemic, special efforts are being made to work with high prevalence groups to contain the spread of infection within these groups and mitigate the "bridging effect" to the general population. Other challenges include the need to strengthen and enhance local capacities; develop strategic information systems; and reduce stigma and discrimination to create a better enabling environment for prevention activities.

U.S. national interests in Central America include trade capacity building and regional economic integration; reduction of organized crime and narco-trafficking; strengthening of democratic institutions; and the containment of illegal migration. Due to geographic and cultural ties, labor migration and remittances (\$5.645 billion in 2003) serve to further link U.S. and Central American interests. Building on a strong, historic partnership with the Central American countries - as evidenced by successful CAFTA negotiations - USAID works with Central American governments to further U.S. foreign policy interests and address issues of poverty, economic integration, social equity, and environmental conservation and management. USAID assistance operates on the premise that trade-led growth represents the best way for the Central American countries to generate the needed income to improve the lives of its people.

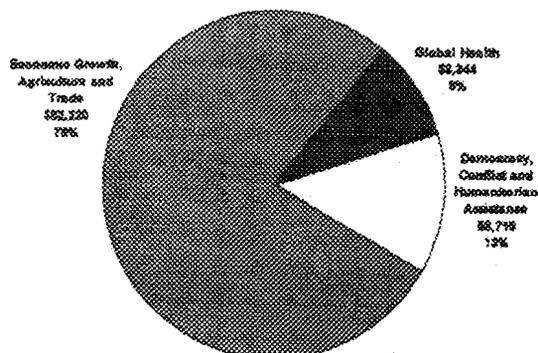
The USAID Program: USAID is requesting FY 2005 and FY 2006 funds for three strategic objectives for the Central American and Mexico Regional Program. These objectives are part of the regional strategy for Central America and Mexico and promote more open trade and investment policies, diversification of the rural economy, and improved watershed management; control and containment of the spread of HIV/AIDS; and establishment of national and regional networks to prevent disasters and improve vulnerability management.

Other Program Elements: USAID's Central America Regional program, jointly with the Economic Growth, Agriculture, and Trade (EGAT) Bureau, initiated the "CAFTA Commercial Law and Trade Assessment" project to identify and present the main constraints to trade and recommend priority areas for reform and institutional strengthening. The assessments focused on barriers to entry and growth of businesses, trade barriers, access to credit, public-private partnership, and implications for micro and small enterprises. The USAID bilateral programs in Honduras and Nicaragua have used the recommendations to guide their trade capacity building assistance. In Guatemala, as a follow-up to the assessment, a new secured transactions law is under design. The regional trade program has also worked with EGAT to increase the transparency and efficiency of Central American customs administration, regional harmonization of customs procedures, and related trade facilitation efforts.

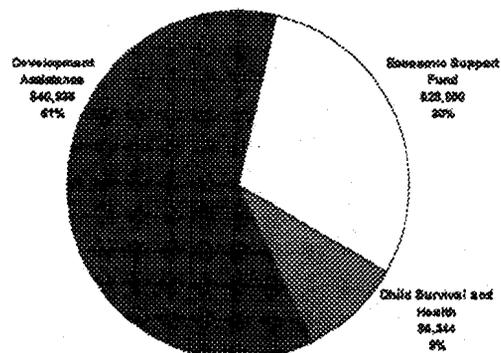
Other Donors: USAID coordinates the Central American Regional program closely with other bilateral and multilateral donors. Principal bilateral donors in Central America and Mexico include Japan, Spain, Germany, Sweden, Switzerland, Canada, and the United Kingdom. Principal multilateral donors are: the Inter-American Development Bank (regional integration and major infrastructure investments under the Plan Puebla Panama project and the Central American electrical interconnection project); the Central American Bank for Economic Integration; the European Union (customs integration, democracy and natural resource management); the United Nations Joint Program on HIV/AIDS; the Global Fund to Fight AIDS, Tuberculosis and Malaria; and the United Nations Children's Fund (orphans, vulnerable children, and Afro-Central American populations). The World Bank is finalizing an \$8 million donation to support a regional laboratory, surveillance activities, and prevention activities for mobile populations. International organizations, such as the International Labor Organization, along with other U.S. government agencies, are taking a regional approach to harmonizing and building the capacity of the region's labor ministries.

LAC Regional

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Regional Democracy Initiatives	598-005	4,971	2,491	3,800
Market Access	598-017	3,067	3,500	5,584
U.S.-LAC Environmental Partnership	598-018	846	500	500
Program Development and Learning	598-020	5,738	728	1,869
Special Development Opportunities	598-021	12,825	40,612	31,667
Conservation of Biological Resources	598-022	9,682	3,370	4,418
Improve Equity and Quality of Education	598-023	16,985	14,380	14,000
Health Advancement	598-024	7,926	9,662	5,345
Transfer - ESF		4,005		
Total (in thousands of dollars)		65,845	75,243	67,283

Mission Director: Adolfo Franco

LAC Regional

The Development Challenge: The Latin America and Caribbean (LAC) region has emerged from decades of conflict to relative peace and stability. Centralized economies have given way to privatized competitive markets, and the region is readying, with U.S. support, for the opportunities and challenges of a Free Trade Area of the Americas as well as sub-regional and bilateral free trade agreements. Authoritarian rule has also given way to democratically elected governments, with Cuba the notable exception. Free and fair elections conducted under the control of professional, national electoral commissions are now the rule.

There has been significant progress in consolidating democracy but much still remains to be done. The 2004 national "Latinobarometro" surveys show widespread concern with political corruption and rising crime rates. Democratic institutions are perceived to be weak; and, many citizens are losing confidence in the way democracy works and are questioning whether democracy is the best form of government. There is also growing support for national populist leaders in the region. This is especially true in Venezuela and to a lesser degree Bolivia, Peru and Ecuador where politicians have been gaining popularity with the general electorate, without support from the intellectual, civil society or business sectors.

On the economic front, almost every country in the region is experiencing a modest recovery from the recent global economic downturn. In its Economic Survey of Latin America and the Caribbean, 2003-2004, the Economic Commission for Latin America and the Caribbean noted that gross domestic product (GDP) went from a negative 0.8% in 2002 to 1.5% in 2003, and GDP is projected to grow to 4.5% in 2004. Per capita income will rise 3% in 2004, but following the stagnation of the late 1990s and early 2000s, this will only bring it back to the 1998 level. The relative competitiveness of LAC countries is also weak, and the disparity between LAC and South Asia countries continues to widen with respect to indicators of productivity and export growth. Despite the last two years of positive real economic growth, the unemployment rate remains high (10.3% in the first half of 2004), nearly half of the region's people live in poverty and crime rates have increased.

The Summit of the Americas continues to influence the United States' foreign policy interests and USAID's LAC Regional program. In preparation for the Special Summit held in Monterrey, Mexico in January 2004, USAID was selected as the lead agency for three of the seven Special Summit action areas (education, property and business registration) and as co-lead for remittances. USAID worked closely with the State Department and the National Security Council to shape the Summit agenda in these areas and developed regional programs to support U.S. Government commitments. Through participation in the Summit process, extraordinarily high level attention has been directed toward USAID development goals in the LAC region and tangible progress has been achieved in each action area.

The USAID Program: The LAC Regional program covers eight objectives for which USAID is requesting FY 2005 and FY 2006 funds. These objectives focus on 1) supporting free trade agreements through regional trade capacity building, 2) improving market access and advancing key macro-economic reforms; 3) strengthening democratic institutions and processes; 4) improving the quality of education; 5) conserving the region's biodiversity; 6) supporting clean environmental technologies and partnerships; 7) improving the health of the region's population, particularly through health sector reform, improved treatment of infectious diseases and contraceptive security; program development and assessment; and 8) advancing development cooperation opportunities in the hemisphere. In FY 2005, USAID will continue to fund these objectives, while developing a number of new activities linked to the Summit of the Americas. In addition, within the existing program, USAID will develop a major new Amazon Basin Conservation Initiative and initiate a modest activity focused on political party development. In FY 2006, USAID plans to continue activities in economic growth, environment, democracy, health and education.

Other Program Elements: The LAC Regional program has been instrumental in developing several alliances and partnerships to benefit multiple countries in LAC. These include a number of innovative public-private partnerships to support the Presidential Summit Initiative, the Centers of Excellence in Teacher Training, and the establishment of an Andean Regional Cocoa Alliance designed to promote

production and marketing in cocoa to enhance rural employment and agricultural competitiveness.

Other Donors: The United States is the largest provider of development assistance among all bilateral and multilateral donors in the LAC region. Other major donors include the European Union, Japan, the Netherlands and Germany. USAID works with the World Bank, the Inter-American Development Bank (IADB), the Organization of American States (OAS), the Pan American Health Organization (PAHO), and other regional and international organizations in designing and implementing assistance programs and in supporting key regional associations and institutions. Such collaboration helps USAID influence development policy, shape the direction of other donors' programs and facilitate sustainable development. Specifically, in the economic growth and trade arena, USAID is collaborating with the World Bank and IADB on trade capacity building and promoting rural competitiveness. In the environment sector, USAID partners with the multilateral banks, various U.S. and overseas environmental nongovernmental organizations, and with the private sector. In democracy, USAID works closely with the World Bank, IADB and the OAS and with important regional institutions, such as the Inter-American Institute of Human Rights and the Justice Study Center of the Americas. A public-private partnership in education is particularly innovative as it involves several U.S. and overseas businesses that support the three Centers of Excellence in Teacher Training. In health, USAID works closely with PAHO to improve the access and delivery of equitable, quality, and sustainable health care.

GLOSSARY OF TERMS

The glossary defines legislative, administrative, programming and budget terms referred to in this budget justification. Frequently used abbreviations are included.

Accrual: An estimate of cost that has been incurred but not yet paid by the Agency. An accrual is calculated for a specific agreement. It helps provide current information on the financial status of an activity and program.

Activity: A set of actions through which inputs such as commodities, technical assistance and training are mobilized to produce specific outputs such as vaccinations given, schools built, and micro-enterprise loans issued. Activities are undertaken to achieve "strategic," "special," or "strategic support" objectives that have been formally approved and notified to Congress.

Actual Year: Last completed fiscal year; in this case, FY 2004.

Agency Strategic Plan: See Joint State-USAID Strategic Plan.

Agreement: An agreement is the formal mutual consent of two or more parties. The Agency employs a variety of agreements to formally record understandings with other parties, including grant agreements, cooperative agreements, strategic objective agreements, memoranda of understanding, interagency agreements, contracts, and limited scope grant agreements. In most cases, the agreement identifies the results to be achieved, respective roles and contributions to resource requirements in pursuit of a shared objective within a given timeframe.

Annual Performance Plan: See Performance Budget.

Annual Performance Report: See Performance and Accountability Report (PAR).

Annual Report: The document that is reviewed internally and submitted to USAID headquarters by the field or Washington operating unit on an annual basis. The Annual Report is used to produce several other Agency reports.

Appropriation: An act of Congress permitting Federal agencies to incur obligations for specified purposes, e.g., Consolidated Appropriations Act, 2005.

Appropriation Accounts: The separate accounts for which specific dollar amounts are authorized and appropriated.

Authorization: Substantive legislation that establishes legal operation of a Federal program, either indefinitely or for a specific period, and sanctions particular program funding levels, e.g., the Foreign Assistance Act of 1961, as amended (FAA).

Bilateral Assistance: Economic assistance provided by the United States directly to a country or through regional programs to benefit one or more countries indirectly. (USAID Child Survival and Health Programs Fund, Development Assistance, Economic Support Fund, Assistance for Eastern Europe and the Baltic States, Assistance for the Independent States of the Former Soviet Union, and most P.L. 480 food aid are among the U.S. bilateral programs. Others include Peace Corps and International Narcotics Control.)

Budget Authority: Authority provided to the U.S. Government by law to enter into obligations that result in outlays of government funds.

Budget Justification: See Congressional Budget Justification.

Budget Year: Year of budget consideration; in this case, FY 2006.

Child Survival and Health Programs Fund: An appropriation account (formerly Child Survival and Diseases Program Fund) for funding child survival and maternal health, vulnerable children, assistance to combat HIV/AIDS and other infectious diseases, and family planning activities.

Congressional Budget Justification: The presentation to the Congress (CBJ) that justifies USAID's budget request and provides information on the programs, objectives, and results. (Formerly referred to as the Congressional Presentation.)

Consortium Grant: A grant to consortia of private and voluntary organizations (PVO) to enable a group of PVOs with similar interests to exchange information and program experiences and to collaborate on programs, thereby avoiding duplication.

Continuing Resolution: A joint resolution passed to provide stop-gap funding for agencies or departments whose regular appropriations bills have not been passed by the Congress by the beginning of the fiscal year.

Cooperative Development Organization (CDO): A business voluntarily owned and controlled by its users and operated for their benefit.

Deobligation: Unexpended funds obligated for a specific activity that are subsequently withdrawn, following a determination that they are not required for that activity.

Development Assistance: Assistance under Chapters I and 10 of the Foreign Assistance Act primarily designed to promote economic growth and equitable distribution of its benefits.

Development Assistance Committee (DAC): A specialized committee of the Organization for Economic Cooperation and Development (OECD). The purpose of the DAC is to increase total resources made available to developing countries. Member countries jointly review the amount and nature of their contributions to bilateral and multilateral aid programs in the developing countries. DAC members are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States, and the Commission of the European Economic Communities.

Development Fund for Africa (DFA): The Development Fund for Africa (Chapter 10 of the Foreign Assistance Act), relating to the authorization of long-term development assistance for sub-Saharan Africa, was added to the FAA by the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1991 (P.L. 101-513).

Development Loan: Development assistance that must be repaid, usually a long-term, low-interest loan repayable in U.S. dollars.

Development Program Grant (DPG): A grant to assist a private and voluntary organization to strengthen its ability to be an effective development agency.

Disbursement: Actual payment made for a product, service or other performance, pursuant to the terms of an agreement.

Economic Assistance: Bilateral and multilateral foreign assistance designed primarily to benefit the recipient country's economy. Not included in this category are military assistance, Export-Import Bank activities, Overseas Private Investment Corporation programs and Commodity Credit Corporation short-term credit sales, which have primary purposes other than economic development.

Economic Support Fund: An appropriation account for funding economic assistance to countries based on considerations of special economic, political or security needs and U.S. interests. ESF took the place of Security Supporting Assistance, as provided in Section 10(b)(6) of the International Security Assistance Act of 1978 (92 STAT 735).

Expenditure: As reported in this document, an expenditure represents the total value of goods and services received, disbursement for which may not have been made. In other words, it is the total of disbursements and accruals. A disbursement, also referred to as an outlay, represents funds paid from the U.S. Treasury.

Fiscal Year: Yearly accounting period, without regard to its relationship to a calendar year. (The fiscal year for the U.S. Government begins October 1 and ends the following September 30.)

Foreign Assistance Act (FAA): The Foreign Assistance Act of 1961, as amended (USAID's present authorizing legislation).

Foreign Operations, Export Financing and Related Programs Appropriation Act: The Appropriation Act for a particular year for economic (except P.L. 480 food aid) and military assistance and Export-Import Bank.

FREEDOM Support Act (FSA): The Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (FREEDOM Support Act, P.L. 102-511) authorizes assistance to the Independent States of the former Soviet Union (referred to as Eurasia).

Global Program or Activity: A global program or activity refers to a USAID program or activity that takes place across various regions (i.e., trans-regional in nature). This type of program is most often managed by a central operating bureau such as Democracy, Conflict, and Humanitarian Assistance; Economic Growth, Agriculture, and Trade; and Global Health.

Goal: A long-term development result in a specific area to which USAID programs contribute and which has been identified as a specific goal by the Agency.

Government Performance and Results Act: The Government Performance and Results Act (GPRA) of 1993 (P.L. 103-62) provides for the establishment of strategic planning and performance management in the Federal government.

Grant: Assistance to an organization to carry out its activities as opposed to the acquisition of services for USAID or a host country that need not be repaid. (Term also describes a funding instrument for programs of an institution or organizations, e.g., International Executive Service Corps or an international agricultural research center.)

Gross Domestic Product (GDP): Measures the market value of total output of final goods and services produced within a country's territory, regardless of the ownership of the factors of production involved, i.e., local or foreign, during a given time period, usually a year. Earnings from capital invested abroad (mostly interest and dividend receipts) are not counted, while earnings on capital owned by foreigners but located in the country in question are included. The GDP differs from the GNP in that the former excludes net factor income from abroad.

Gross National Product (GNP): Measures the market value of total output of final goods and services produced by a nation's factors of production, regardless of location of those factors, i.e., in the country or abroad, during a given time period, usually a year. Earnings from capital owned by nationals but located abroad (mostly interest and dividend receipts) are included, while earnings in the country by factors owned by foreigners are excluded.

Host Country: A country in which the USAID sponsoring unit is operating.

Input: A resource, operating expense or program funded, that is used to create an output.

Intermediate Result: The most important results that must occur in order to achieve a strategic objective; a cluster or summary of results used in summarizing the results framework.

International Financial Institution (IFI): Also known as a multilateral development bank (MDB), a multilateral lending institution that provides resources for development. These institutions, or banks, include the following; Asian Development Bank (ADB) and Fund (ADF), African Development Bank (AFDB) and Fund (AFDF), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB), International Bank for Reconstruction and Development (IBRD, or the "World Bank"), International Finance Corporation (IFC), International Development Association (IDA), Middle East Development Bank (MEDB), and North American Development Bank (NADB).

Joint Planning: A process by which an operating unit actively engages and consults with other relevant and interested USAID offices in an open and transparent manner. This may occur through participation on teams or through other forms of consultation.

Joint State Department-USAID Strategic Plan: All federal agencies produce a multi-year Agency Strategic Plan (ASP). In 2003, USAID and the Department of State wrote a joint strategic plan detailing USAID and Department of State contributions to the development and diplomacy objectives of the National Security Strategy of the United States. It represents the Agency's overall plan for providing development assistance. The strategic plan articulates the Agency's mission, goals, and program approaches.

Life of Strategic Objective: This is the approved time for a strategic objective that can be amended at any time. While formal approval is within the overall operating unit's strategic plan, a strategic objective may not necessarily begin and end when a plan begins and ends. No activity helping to achieve a result for a given strategic objective can be implemented beyond that strategic objective's life.

Limited Scope Grant Agreement: This agreement is similar to the strategic objective agreement, but is shorter in length. It is used for obligating funds for a small activity or intervention, e.g., participant training or program development and support.

Loan: A loan is assistance that must be repaid. Repayment terms for development loans under Development Assistance and the Economic Support Fund are established by USAID in accordance with the Foreign Assistance Act of 1961, as amended (FAA), and the current Foreign Assistance and Related Programs Appropriation Act.

Manageable Interest: That which is within USAID's reasonable control, within the context of contracts and grants. That which is within the strategic objective team's reasonable influence, in the context of the strategic objective team including partners.

Management Services Grant: A grant to a private and voluntary organization (PVO) that in turn provides management or program support services (e.g., clearinghouse, accounting assistance, evaluation) to other PVOs.

Mission: The ultimate purpose of the Agency's programs. It is the unique contribution of USAID to U.S. national interests. There is one Agency mission.

Mission: The Agency field office that oversees USAID activities in a host country.

Multilateral Assistance: Assistance which the United States provides to less or least developed countries (LDC) through multilateral development banks, the United Nations agencies, and other international organizations with development purposes.

Multilateral Development Bank (MDB): See international financial institutions.

National Interest: A political and strategic interest of the United States that guides the identification of recipients of foreign assistance and the fundamental characteristics of development assistance.

New Directions: Legislation enacted in 1973 requiring USAID to focus more of its efforts on helping the poor majority in developing countries.

Nongovernmental Organization (NGO): An organization, organized either formally or informally, that is independent of government.

Non-Presence Country: A country where USAID-funded activities take place but where U.S. direct-hire staff is not present to manage or monitor these activities. Note that some non-presence countries may have other USAID employees, such as foreign service nationals or U.S. personal service contractors, present.

Non-Project Assistance: Program or commodity loans or grants that provide budget or balance-of-payments support to another country. Such assistance is usually funded under the Economic Support Fund or Development Fund for Africa.

Obligation: Legal commitment of funds through such mechanisms as a signed agreement between the U.S. Government and host government, contract or grant to an organization, and a purchase order.

Objective: A significant development result that contributes to the achievement of an Agency goal. Several Agency objectives contribute to each Agency goal. An Agency objective provides a general framework for more detailed planning that occurs for a specific country and regional program.

Ocean Freight Reimbursement: Reimburses private and voluntary organizations (PVO) for up to one-half of their cost in shipping equipment and commodities overseas in support of their development programs.

Official Development Assistance (ODA): Assistance on concessional terms (with a grant element of at least 25%), provided by member countries of the Organization for Economic Cooperation and Development's Development Assistance Committee to promote economic development in developing countries.

Operating Expenses: Those appropriated funds used to pay salaries, benefits, travel, and all support costs of direct-hire personnel. The "cost of doing business."

Operating Unit: An agency field mission or Washington office or higher level organizational unit that expends program or operating expense funds to achieve a strategic or special objective, and that has a clearly defined set of responsibilities focused on the development and execution of a strategic plan.

Operational Year: Fiscal year in progress (current year), presently FY 2005.

Operational Program Grant (OPG): A grant to a private and voluntary organization to carry out a specific program.

Organization for Economic Cooperation and Development (OECD): Organization of donor countries that promotes policies designed to stimulate economic growth and development of less developed countries. OECD member countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

Outlay: Cash disbursement from the Treasury.

Output: A tangible immediate and intended product or consequence of an activity. Examples of outputs include personnel trained, people fed, analyses prepared, vaccinations given, policies recommended, technical assistance delivered, better technologies developed, and new construction completed.

Participant: USAID-sponsored, less developed country (LDC) national being trained outside his or her own country.

Peacekeeping Operations: The program authorized and appropriated for a special type of economic assistance for peacekeeping operations and other programs carried out in furtherance of the national interests of the United States.

Performance and Accountability Report: The Agency's performance and accountability report (PAR) synthesizes the Agency program performance for the year ending the past September (e.g., FY 2004). It reports by Agency goal against the Agency's FY 2004 annual performance plan that was prepared and submitted to Congress in 2002. The annual performance plan is a required document under the Government Performance and Results Act. In contrast, the annual budget justification is organized by the operating, or management, units in countries, regions, or Washington. The budget justification reports on the performance of each program managed by each Agency operating unit.

Performance Budget: The Agency's performance budget (PB) summarizes the Agency's performance plans for the same year as the budget request year (e.g., FY 2006). It is organized by the Agency goals outlined in the Agency strategic plan. The annual performance plan is a required document under the Government Performance and Results Act. In contrast, the annual budget justification is organized by specific countries, regions, or global programs. The budget justification contains the plans for each Agency operating unit.

Performance Indicator: Particular characteristic or dimension used to measure intended changes defined by an organizational unit's results framework. Performance indicators are used to observe progress and to measure actual results compared to expected results. The indicators are usually expressed in quantifiable terms, and should be objective and measurable (numeric values, percentages, scores and indices).

Performance Plan: The performance plan identifies annual performance benchmarks of the operating unit. Meeting benchmarks, or the planned levels of achievement for a given year, are considered important steps toward ultimately achieving the ten-year performance goals identified in the Strategic Plan.

Performance Target: The specific and intended result to be achieved within an explicit timeframe and against which actual results are compared and assessed. In addition to final targets, interim targets also may be defined.

Pipeline: The difference between obligations and expenditures.

President's Budget: Budget for a particular fiscal year transmitted to Congress by the President in accordance with the Budget and Accounting Act of 1921, as amended.

Private and Voluntary Organization (PVO): A non-profit, tax-exempt and nongovernmental organization established and governed by a group of private citizens whose purpose is to engage in voluntary charitable and development assistance operations overseas.

Program: A coordinated set of USAID-financed activities directed toward specific goals. For example, maternal and child health, nutrition, education and family planning activities designed to promote the spacing of children may comprise a program to reduce infant deaths.

Program Approach: A tactic identified by the Agency as commonly used to achieve a particular objective. Several program approaches are associated with each Agency objective.

Project: A structured undertaking (often involving considerable money, personnel and equipment) of limited duration that is developed through various bureaucratic, analytical, and approval processes in order to achieve a tangible objective (e.g., a school construction project, an adult literacy project). A project should be considered as one of several types of activities that contribute to a given result or set of results. (See Activity.)

Public Law 480: The Agricultural Trade Development and Assistance Act of 1954, as amended, which governs administration of the U.S. Food for Peace program. (The term "P.L. 480" is often used to describe food aid.)

Reimbursement: Collection of funds for services provided to recipients outside the USAID.

Reobligation: Obligation of an amount that had been obligated and deobligated in prior transactions.

Result: A significant, intended and measurable change in the condition of a customer, or a change in the host country, institution or other entity that will affect the customer directly or indirectly.

Results Framework: The results framework explains how the strategic objective is to be achieved, including those results that are necessary and sufficient, as well as their causal relationships and underlying assumptions.

Results Package: A collection of activities, including staff and partner involvement, necessary and sufficient to achieve one or more results in a results framework.

Special Objective: The result of an activity or activities that do not qualify as a strategic objective, but support other U.S. Government assistance objectives. A special objective is expected to be small in scope relative to the portfolio as a whole.

Stakeholder: An individual or group who has an interest in and influences USAID activities, programs and objectives.

Strategic Framework: A graphical or narrative representation of the Agency's strategic plan. The framework is a tool for communicating the Agency's development strategy. The framework also establishes an organizing basis for measuring, analyzing, and reporting results of Agency programs.

Strategic Objective: The most ambitious result that an Agency operational unit, along with its partners, can materially affect, and for which it is willing to be held accountable within the time period of the strategic objective.

Strategic Plan: The framework which an operating unit uses to articulate the organization's priorities, to manage for results, and to tie the organization's results to the customer and beneficiary. The strategic plan is a comprehensive plan that includes the limitation of strategic objectives and a description of how resources will be deployed to accomplish the objectives. A strategic plan is prepared for each portfolio whether it is managed at a country, regional, or central level.

Support for East European Democracy (SEED) Act: The SEED Act of 1989 (P.L. 101-179) authorizes assistance to Eastern Europe.

Sustainable Development: Economic and social growth that does not exhaust a country's resources; that does not damage the economic, cultural or natural environment; that creates incomes and enterprises; and that builds indigenous institutions.

Target: See Performance Target.

White Paper: The January, 2004 paper "U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century" in which USAID distilled five core operational goals.

BUDGET JUSTIFICATION TERMS

All Spigots Table: Table that shows U.S. economic and military assistance levels from all International Affairs (Function 150) sources, broken out by program, region and country. The State Department Budget Justification contains the International Affairs "all spigots" tables. The USAID Budget Justification "all spigots" tables show USAID-managed assistance levels only (Child Survival and Health Programs Fund, Development Assistance, Economic Support Funds, Assistance for Eastern Europe and the Baltic States, Assistance to the Independent States of the former Soviet Union, Economic Support Fund, and P.L. 480 food aid).

Congressional Budget Justification (CBJ): The presentation to the Congress that justifies USAID's budget request and provides information on the programs, objectives, and results. (Formerly referred to as the Congressional Presentation.)

Congressional Presentation: Now called Congressional Budget Justification.

Green Book: This publication is entitled U.S. Overseas Loans and Grants and Assistance from International Organizations. The data, that is grouped by country and geographic region, includes assistance from USAID, military assistance, P.L. 480, Export-Import Bank, etc. from 1945 to the last completed fiscal year, in this case FY 2004. This publication is released shortly after the Budget Justification is presented to the Congress.

Program Summary Table: The table found at the beginning of each region, country and central program section contained in the Program Annex of the Congressional Budget Justification document. This table summarizes the budget levels for the prior two fiscal years (i.e., FY 2003 and FY 2004), current year (i.e., FY 2005), and budget year (i.e., FY 2006) by type of assistance (i.e., by accounts).

Strategic Objective Summary Table: The table found at the beginning of each region, country and central program section contained in the Program Annex of the Congressional Budget Justification document. The table summarizes budget levels for the prior two fiscal years (i.e., FY 2003 and FY 2004), current year (i.e., FY 2005), and budget year (i.e., FY 2006) for the strategic objectives by type of assistance (i.e., by accounts).

USAID Abbreviations and Acronyms

Acronym	Reference
A	
A&A	Acquisition and Assistance
AACD	Activity Assistance Completion Date
AAD	Activity Approval Document
AAEF	Albanian-American Enterprise Fund
AAFLI	Asian-American Free Labor Institute
AATF	African Agricultural Technology Foundation
ABA	American Bar Association
ABC	Abstinence, Being Faithful and Using Condom Approach
ABEL	Advancing Basic Education and Literacy
ACDI	Agricultural Cooperative Development Institute
ACDI	Agriculture Cooperation Development International
ACI	Andean Counterdrug Initiative
ACILS	American Center for International Labor Solidarity
ACNM	American College of Nurse-Midwives
ACS	American Community School
ADB	Asian Development Bank
ADEA	Association for the Development of Education in Africa
ADEX	Exporters' Association (Peru)
ADF	African Development Foundation
ADP	Automated Data Processing
ADR	Alternative Dispute Resolution
ADS	Automated Directives System
AED	Academy for Educational Development
AEEB	Assistance to Eastern Europe and the Baltics
AEI	Africa Education Initiative
AELGA	Africa Emergency Locust and Grasshopper Assistance
AERA	Accelerating Economic Recovery in Asia
AFDB	African Development Bank
AFDF	Africa Development Fund
AG	Attorney General
AGEXPRONT	Nontraditional Exporters' Guild (Guatemala)
AGILE	Accelerated Growth, Investment, and Liberalization with Equity
AGOA	Africa Growth and Opportunities Act
AIDS	Acquired Immune Deficiency Syndrome
AIDSCAP	Acquired Immunodeficiency Syndrome Control and Prevention Project
AIFLD	American Institute for Free Labor Development
AIHA	American International Health Alliance
AIN	Integrated Child Care (English translation)
ALGAS	Asia Least Cost Greenhouse Gas Abatement Strategy
ALO	Association Liaison Office
AMIDEAST	America-Mideast Educational and Training Services
AMIR	Access to Micro-Finance and Implementation of Policy Reform
AMR	Anti-Microbial Resistance
ANACAFE	Guatemala' National Coffee Association
ANE	Asia and Near East
ANERA	American Near East Refugee Aid
AOJ	Administration of Justice
AOJS	Administration of Justice Support
APAC	AIDS Prevention and Control
APEC	Asia-Pacific Economic Cooperation

USAID Abbreviations and Acronyms

Acronym	Reference
APEDA	Agricultural Products Export Development Authority
APEP	Afghanistan Primary Education Program
APPT	Abuse Prevention and Protection Team
APR	Agricultural Policy Reform
APRP	Agricultural Policy Reform Program
AREP	Accelerated Reform for Enterprise Promotion
ARI	Acute Respiratory Infection
ARMM	Autonomous Region in Muslim Mindanao
ARTF	Afghanistan Reconstruction Trust Fund
ARV	Anti-Retroviral Vaccines
ASEAN	South East Asian Nations
ASHA	American Schools and Hospitals Abroad
ATFL	American Task Force in Lebanon
ATI	Appropriate Technology International
ATRIP	Africa Trade and Investment Program
AUB	American University of Beirut
AUSAID	Australia Agency for International Development
AVRDC	Asian Vegetable Research and Development Center
AVSC	Access for Voluntary Surgical Contraceptive
AWACS	AID Worldwide Accounting and Control System
B	
BASIC	Basic Support for Institutionalized Child Support
BBC	British Broadcasting Corporation
BBSA	Basic Business Skill Acquisition
BCN	Biodiversity Conservation Network
BERC	Bangladesh Energy Regulatory Commission
BIGUF	Bangladesh Independent Garment Workers Union Federation
BiH	Bosnia and Herzegovina
BOD	Biochemical Oxygen Demand
BOOT	Build-Own-Operate-Transfer
BOT	Build-Operate-Transfer
BRAC	Bangladesh Rural Advancement Committee
BSM	Business Systems Modernization
BSO	Business support organizations
BTEC	Business Transformation Executive Committee
BUET	Bangladesh University of Engineering and Technology
C	
CA	Cooperating Agency
CAAEF	Central Asian – American Enterprise Fund
CAA	Conflict-affected areas
CABEI	Central American Bank for Economic Integration
CABIO	Collaborative Agricultural Biotechnology Initiative
CAC	Community Access Center
CACEDERF	Central America and Caribbean Emergency Disaster Relief Fund
CAFTA	Central America Free Trade Agreement
CAI	Creative Associates Incorporated
CAI-Asia	Clean Air Initiative for Asian Cities
CAIC	Caribbean Association of Industry and Commerce
CAMP	Coastal Aquifer Management Program
CAP	Counterpart Alliance for Partnership Program

USAID Abbreviations and Acronyms

Acronym	Reference
CAPAS	Central American Protected Areas System
CAPEL	Center for the Promotion of Electoral Assistance
CARE	Cooperative for Assistance and Relief Everywhere, Inc.
CAREC	Caribbean Epidemiology Center
CARICOM	Caribbean Community
CARPE	Central African Regional Program for the Environment
CATIE	Center for Tropical Agriculture Investigations and Studies
CBFP	Congo Basin Forest Partnership (USAID)
CBFRM	Community-based Forest Resource Management
CBI	Central Bank of Iraq
CBJ	Congressional Budget Justification
CBNRM	Community-based Natural Resource Management
CBO	Community-Based Organization
CCA	Clinger-Cohan Act
CCAD	Central American Commission for Environment and Development
CCM	Country Coordinating Mechanism
CCP	Code of Criminal Procedures
CCT	Cooperative Coffee Timor
CDC	Centers for Disease Control and Prevention (U.S. Government)
CDC	Citizens' Democracy Corps
CDIE	Center for Development Information and Evaluation
CDO	Cooperative Development Organization
CDP	Cambodian Defenders Project
CDR	Cooperative Development Research Program (U.S.-Israel)
CDR	Council for Development and Reconstruction
CECI	Canadian Center for International Studies and Cooperation
CEDPA	Center for Development and Population Activities
CEE	Central and Eastern Europe
CEELI	Central and East European Law Institute
CEP	Community Empowerment Program
CEPAL	Economic Commission for Latin America
CEPPS	Consortium for Elections and Political Processes Strengthening
CERTI	Complex Emergency Response and Transition Initiative
CeSID	Serbian Center for Free Elections and Democracy
CETTI	Centers of Excellence in Teacher Training Initiative
CEWARN	Conflict Early Warning Network
CFET	Consolidated Fund for East Timor
CFO	Chief Financial Officer
CG	Consultative Group
CGAP	Consultative Group to Assist the Poorest
CGIAR	Consultative Group for International Agricultural Research
CHF	Cooperative Housing Foundation
CIDA	Canadian International Development Agency
CIF	Capital Investment Fund
CIFOR	Center for International Forestry Research
CILSS	Permanent Interstate Committee for the Control of Drought in the Sahel
CIMMY	International Maize and Wheat Improvement Center
CIP	Commodity Import Program
CIPE	Center for International Private Enterprise
CIT	Communities in Transition
CITES	Convention of International Trade in Endangered Species

USAID Abbreviations and Acronyms

Acronym	Reference
CLD	Consortium for Legislative Development
CLD/SUNY	Center for Legislative Development, State University of New York, Albany
CLDP	Commercial Law Development Program
CLUSA	Cooperative League of the United States of America
CMM	Conflict Management and Mitigation
CMM	Country Coordinating Mechanism
CMR	Child Mortality Rate
CMS	Commercial Markets Strategy
CNG	Compressed Natural Gas
CO ₂	Carbon Dioxide
COE	Council of Europe
COEN	El Salvador Disaster Preparedness Organization
COMESA	Common Market for Eastern and Southern Africa
COMURES	Corporation of Municipalities in El Salvador
CONRED	National Disaster Coordinating Committee (Guatemala)
CONTIERRA	Land Conflict Resolution Commission (Guatemala)
COOP	Continuity of Operations
COP	Community of Practice
COTS	Commercial off the Shelf
CP	Congressional Presentation (now Congressional Budget Justification)
CPA	Coalition Provisional Authority (Iraq)
CPIC	Capital Planning and Investment Control
CPP	Comprehensive Post Partum Center
CPR	Contraceptive Prevalence Rate
CRDA	Community Revitalization through Democratic Action
CRM	Coastal Resources Management
CRS	Catholic Relief Services
CRSP	Collaborative Research Support Program
CS/MH	Child Survival/Maternal Health
CSD	Child Survival and Diseases Fund (now Child Survival and Health Program Fund)
CSD	Commission on Sustainable Development
CSE	Colombo Stock Exchange
CSG	Council of State Governments
CSH	Child Survival and Health Programs Fund
CSM	Contraceptive Social Marketing
CSO	Civil Society Organization
CSP	Community Services Program
CSP	Country Strategy Plan
CSW	Commercial Sex Workers
CT	Cash Transfer
CVA	Conflict Vulnerability Assessment
CWS	Church World Services
CY	Calendar Year
CYP	Couple-Years' Protection
D	
DA	Development Assistance (USAID)
DAC	Development Assistance Committee (OECD)
DAF	Development Assistance Fund
DAI	Development Alternatives International
DAP	Development Activity Proposal
DART	Disaster Assistance Response Team

USAID Abbreviations and Acronyms

Acronym	Reference
DBO	Design-Build-Operate
DCA	Development Credit Authority (USAID)
DCHA	Democracy, Conflict and Humanitarian Assistance Bureau (USAID)
DCOF	Displaced Children and Orphans Fund
DCP	Development Credit Program
DDR	Disarmament Demobilization and Reintegration
DEVTA	Deworming and Enhanced Vitamin A
DFA	Development Fund for Africa
DFID	Department for International Development, United Kingdom
DG	Democracy and Governance
DH	Direct Hire
DHHS	Department of Health and Human Services
DHRF	Democracy and Human Rights Fund
DHS	Demographic Health Survey
DIET	District Institute of Education and Training
DIMS	Democratic Indicators Monitoring Survey
DOD	Department of Defense, U.S. Government
DOE	Department of Energy, U.S. Government
DOJ	Department of Justice, U.S. Government
DOP	Declaration of Principles on Interim Self-Governing Arrangement
DOS	Department of State, U.S. Government
DOT	Department of Treasury, U.S. Government
DOTS	Direct Observed Short Course Treatment
DOTS	Directly Observed Therapy, Short Course
DP	Democracy Partnership
DPEP	District Primary Education Program
DPT	Diphtheria, Pertussis and Tetanus
DPT3	Diphtheria, Pertussis, Tetanus Immunization Series
DRG	Diagnostic -Related Group
DRI	Development Readiness Initiative (USAID)
DRI	Diplomatic Readiness Initiative (Department of State)
DRP	Demobilization and Rehabilitation Program (World Bank)
DSP	Development Support Program
DSP	Disability Support Project
DTT	Deloitte Touche Tohmatsu
DVS	Democratic Values Survey
E	
EA	Enterprise Architecture
EA	Environmental Assessment
EAC	East African Community
EAGER	Equity and Growth through Economic Research
EAI	Enterprise for the Americas Initiative
EAP	Environmental Action Plan
EAPEI	East Asia and Pacific Environmental Initiative
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EC	European Community
ECEP	Energy Conservation and Environment Project
ECHO	European Commission Humanitarian Organization
ECLAC	Economic Commission for Latin America and the Caribbean

USAID Abbreviations and Acronyms

Acronym	Reference
ECOMOG	Economic Community of West African States Monitoring Group
ECOWAS	Economic Community of West African States
ECU	European Currency Unit
EDDI	Education for Development and Democracy Initiative
EE	Emergency and Evacuation
EE	Europe and Eurasia
EEAA	Egyptian Environmental Affairs Agency
EEDC	Economic Entrepreneurial Development Center
EEHC	Electricity Holding Company
EEPP	Egypt Environmental Policy Program
EG	Economic Growth
EGAT	Economic Growth, Agriculture and Trade Bureau (USAID)
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EMED	Entrepreneur Management and Executive Development
Emergency Plan	President's Emergency Plan for AIDS Relief
EMPS	Environment Managed for Prosperity and Sustainability
ENI	Europe and New Independent States (now Europe and Eurasia)
ENR	Environment and Natural Resources
EO	Executive Order
EPA	Environmental Protection Agency, U.S. Government
EPI	Expanded Program of Immunization
EPRA	Economic Policy Resource Center
EPRC	Economic Policy Reform and Competitiveness
EPSP	Economic Policy Support Project
EQuALLS	Education Quality and Access for Learning and Livelihood Skills
ERF	Emergency Response Fund
ESAF	Extended Structural Adjustment Facility (International Monetary Fund)
ESCOs	Energy Service Companies
ESC	Employment Service Centers
ESEG	Energy Security for Economic Growth
ESF	Economic Support Fund
ETU	Egyptian Technology University
EU	European Union
EU/ECHO	European Union/European Community Humanitarian Office
EU/PHARE	European Union – Poland, Hungary, Albania, Romania, Estonia
EU-TACIS	European Union - Technical Assistance for the Commonwealth of Independent States
EWMI	East West Management Institute
F	
FANTA	Food and Nutrition Technical Assistance
FAO	Food and Agriculture Organization (United Nations)
FAR	Fixed Amount Reimbursable
FATA	Federally Administered Tribal Areas
FBO	Faith-Based Organization
FCHV	Female Community Health Volunteers
FDA	Food and Drug Administration, U.S. Government
FDI	Foreign Direct Investment
FEMA	Federal Emergency Management Agency, U.S. Government
FEWS	Famine Early Warning System
FEWS NET	Famine Early Warning System Network/USAID
FFMIA	Federal Financial Management Improvement Act

USAID Abbreviations and Acronyms

Acronym	Reference
FFP	Food for Peace
FFW	Food for Work
FH	Freedom House
FH/FNN	Freedom House/National Forum Foundation
FIAS	Foreign Investment Advisory Service
FICCI	Federation of Indian Chambers of Commerce and Industry
FINCA	Foundation for International Community Assistance
FLAG	Firm Level Assistance Group
FMIP	Financial Management Improvement Act
FMIS	Financial Management Information System
FORWARD	Fostering Resolution of Water Resources Disputes
FP	Family Planning
FR/RH	Family Planning and Reproductive Health
FREEDOM	Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (FREEDOM Support Act)
FRM	Forest Resources Management
FSA	FREEDOM Support Act
FSI	Financial Systems Integration
FSO	Foreign Service Officer
FSVC	Financial Services Volunteer Corps
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
FTE	Full Time Equivalency
FTF	Farmer to Farmer Program
FWWB	Friends of Women's World Banking
FY	Fiscal Year
G	
G-7	Group of Seven (leading industrialized nations consisting of Canada, France, Germany, Italy, Japan, United Kingdom, and United States)
G-8	Group of Eight (leading industrialized nations consisting of Canada, France, Germany, Italy, Japan, Russia, United Kingdom, and United States)
GAI	Global AIDS Initiative
GAIN	Global Alliance for Improved Nutrition
GAO	General Accounting Office
GATT	General Agreement on Tariffs and Trade
GAVI	Global Alliance for Vaccines and Immunization
GCA	Global Coalition for Africa
GCC	General Counsel of the Courts
GCC	Global Climate Change
GDA	Global Development Alliance
GDC	German Development Cooperation (Gesellschaft für Technische Zusammenarbeit)
GDF	Global Drug Facility
GDI	Gross Disposable Income
GDP	Gross Domestic Product
GEF	Global Environment Facility
GESAMP	Group of Experts on the Scientific Aspects of Marine Environmental Protection
GESI	Global Environmental Sanitation Initiative
GFATM	Global Fund to Fight AIDS, Tuberculosis, and Malaria
GH	Global Health Bureau (USAID)
GHA	Greater Horn of Africa
GHAI	Greater Horn of Africa Initiative/USAID

USAID Abbreviations and Acronyms

Acronym	Reference
GHG	Greenhouse Gas
GIE	Gaza Industrial Estate
GIN	Greening of Industry Network
GIS	Geographic Information System
GLI	Great Lakes Initiative
GLJI	Great Lakes Justice Initiative
GNP	Gross National Product
GPA	Global Program of Action for the Protection of the Marine Environment from Landing-based Activities
GPRA	Government Performance and Results Act (P.L. 103-62)
GREGI	Gobi Regional Growth Initiative
GSA	General Services Administration
GSP	General System of Preference
GSU	Georgia State University
GTN	Global Technology Network
GTZ	German Agency for Technical Cooperation
GTZ	German Organization for Technical Assistance
GTZ	Gesellschaft für Technische Zusammenarbeit (German Development Cooperation)
H	
HA	Hectare
HAART	Highly Active Anti-Retroviral Treatment
HBCUs	Historically Black Colleges and Universities
HCC	Historical Clarification Commission
HESI	Higher Education Support Initiative
HG	Housing Guaranty
HHS	Department of Health and Human Services
HIID	Harvard Institute of International Development
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
HIVAIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HKI	Helen Keller International
HMHC	Health Maintenance and Health Care
HMO	Health Maintenance Organization
HPSP	Health Policy Support Program
HRC	Human Rights Commission
I	
IACCC	Inter-Agency Climate Change Committee
IAF	Inter-American Development Foundation
IARC	International Agricultural Research Center
IAS	International Accounting Standards
IAVI	International AIDS Vaccine Initiative
IBRA	Indonesian Bank Restructuring Agency
IBRD	International Bank for Reconstruction and Development (World Bank)
IBTC	International Business and Technical Consultants
IC	International College
ICASS	International Cooperative Administrative Support Services
ICDDR	International Center for Diarrheal Disease Research
ICDDR, B	International Center for Diarrheal Disease Research, Bangladesh
ICDS	Integrated Child Development Services
ICICI	Industrial Credit and Investment Corporation of India

USAID Abbreviations and Acronyms

Acronym	Reference
ICITAP	International Criminal Investigation and Training Assistance Program
ICLARM	International Center for Living Aquatic Resources Management
ICNL	International Center for Not-For-Profit Law
ICRC	International Committee of the Red Cross
ICT	Information and Communication Technology
ICT	Information Communication Technology
ICTY	International Criminal Tribunal for Yugoslavia
ICZM	Integrated Coastal Zone Management
ID	Infectious Diseases
IDA	International Development Assistance
IDA	International Development Association
IDA	International Disaster Assistance (now International Disaster and Famine Assistance)
IDB	Inter-American Development Bank
IDB	International Development Bank
IDE	International Development Enterprises
IDEE	Institution for Democracy in Eastern Europe
IDFA	International Disaster and Famine Assistance
IDP	Internally Displaced People
IDP	Internally Displaced Persons
IDSR	Integrated Disease Surveillance and Response
IEC	Information, Education and Communication
IEE	Initial Environmental Examinations
IEHA	Initiative to End Hunger in Africa/USAID
IESC	International Executive Service Corps
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFDC	International Fertilizer Development Center
IFES	International Foundation for Electoral Systems
IFESH	International Foundation for Education and Self Help
IFI	International Financial Institute
IFI	International Fund for Ireland
IFOR	Implementation Force (NATO)
IFPP	International Relief Partnership Program
IFPRI	International Food Policy Research Institute
IFPS	Innovations in Family Planning Services
IFRC	International Federation of the Red Cross
IG	Inspector General
IGAD	Intergovernmental Authority on Development
IHE-Delft	International Institute for Infrastructural, Hydraulic, and Environmental Engineering
IHRIG	International Human Rights Law Group
IIDH	Inter-American Institute of Human Rights
ILO	International Labor Organization
ILRF	International Labor Rights Fund
ILSI	International Life Sciences Institute
IMA	InterChurch Medical Assistance
IMCI	Integrated Management of Childhood Illnesses
IMET	International Military Education and Training
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IMR	Integrated Managing for Results
IMRP	Integrated Marshlands Restoration Program

USAID Abbreviations and Acronyms

Acronym	Reference
IMT	Irrigation Management Transfer
INC	International Narcotics Control (State Department)
INCLEN	International Clinical Epidemiology Network
INDRA	Indonesia Debt Restructuring Agency
INL	International Narcotics and Law Enforcement (State Department)
IO	International Organization
IOCC	International Orthodox Christian Charities
IOM	International Organization for Migration
IPEC	International Program on the Elimination of Child Labor
IPO	International Public Organization
IPPF	International Planned Parenthood Federation
IPR	Intellectual Property Rights
IQC	Indefinite Quantity Contract
IR	Intermediate Result
IRDP	Integrated Rural Development Program
IREX	International Research and Exchanges Board
IRI	International Republican Institute
IRIS	Center for Institutional Reform in the Informal Sector
IRM	Information Resource Management
IRMO	Iraq Reconstruction Management Office
IRRF	Iraq Relief and Reconstruction Fund
ISA	Initiative for Southern Africa
ISAR	Institute on Soviet - American Relations
ISBO	Institutional Strengthening for Business Opportunities
ISGA	Interim Self Governing Authority
ISO	International Export Standard
ISP	Integrated Strategy Plan
ISTI	International Science and Technology
IT	Information Technology
ITSH	Internal Transport, Shipping and Handling
IUD	Inter-Uterine Device
IVCHS	Improved Village and Community Health Service Program
IVS	International Voluntary Services
J	
JAAIDS	Journalists Against AIDS in Nigeria
JAFPP	Jordan Association of Family Planning
JAI	Junior Achievement International
JBIC	Japanese Bank for International Development
JFMIP	Joint Financial Management Improvement Program
JHPIEGO	Johns Hopkins Program in International Education for Gynecology and Obstetrics
JHPIEGO	Johns Hopkins Program Providing Reproductive Health
JHPIEGO	Johns Hopkins Program Providing Reproductive Health Information and Education
JHU	Johns Hopkins University
JHU/PCS	Johns Hopkins University/Population Communication Services
JICA	Japanese International Cooperation Agency
JRP	Judicial Reform Project
JSI	John Snow Incorporation
JUSBP	Jordan U.S. Business Partnership
JVA	Jordan Valley Authority
JVP	Janatha Vimukthi Peramuna
JWC	Joint Water Committee

USAID Abbreviations and Acronyms

Acronym	Reference
K	
KFAED	Kuwaiti Fund for Arab Economic Development
KfD	Knowledge for Development
KFW	German Reconstruction Credit Bank
KG	Kilogram
KHANA	Khmer HIV/AIDS Alliance
KWO	Karen Women Organization
L	
LAC	Latin America and the Caribbean
LAF	Lebanese Armed Forces
LAU	Lebanese American University
LC	Local Currency
LE	Egyptian Pound
LEB	Locally Elected Body
LET	Life Extending Treatment
LEWS	Livestock Early Warning System
LG	Local Government
LGU	Local Government Unit
LMI	Lower-Middle-Income
LTTE	Liberation Tigers of Tamil Elam
LWPP	Lebanon Water Policy Program
LWVF	Patrick J. Leahy War Victims Fund
M	
M	Management Bureau (USAID)
M&E	Monitoring and Evaluation
MAARD	Modified Acquisition and Assistance Request Document
MACS	Mission Accounting and Control System
MAFF	Ministry of Agriculture Forestry and Fisheries
MAI	Multilateral Assistance Initiative
MAP	Market Access Program
MAP	Morocco Agribusiness Promotion
MBA	Masters of Business Administration
MBIT	Masters of Business in Information Technology
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MCEI	Municipal Coastal Environmental Initiative
MCH	Maternal and Child Health
MCM	Million Cubic Meters
MDB	Multilateral Development Bank
MDC	Motherland Democracy Coalition
MEA	Middle East and North Africa
MEG	Morocco Education for Girls
MEPI	Middle East Partnership Initiative
MEPP	Monitoring and Evaluation Performance Program
MERC	Middle East Regional Cooperation
MES	Mongolian Energy Sector Project
MFA	Microenterprise Finance
MFI	Microfinance Institution
MHO	Mutual Health Organizations
MILF	Moro Islamic Liberation Front (Mindanao-based)

USAID Abbreviations and Acronyms

Acronym	Reference
MILGP	Military Group
MINUGUA	United Nations Verification Mission for Guatemala
MIS	Management Information System
MMR	Maternal Mortality Rate
MNE	Ministry of National Education
MNLF	Moro National Liberation Front
MOA	Ministry of Agriculture
MOE	Ministry of Education
MOE	Ministry of Environment
MOEYS	Ministry of Education, Youth and Sports
MOF	Minister of Finance
MOH	Ministry of Health
MOHHC	Ministry of Health and Health Care
MOHP	Ministry of Health and Population
MOJ	Ministry of Justice
MOLG	Ministry of Local Government
MOLSA	Ministry of Labor and Social Affairs
MOMRA	Ministry of Municipal and Rural Affairs
MOPH	Ministry of Public Health
MOST	Micronutrient Operational Strategies and Technologies
MOU	Memorandum of Understanding
MP	Member of Parliament
MPF	Multiproject Financing Facility
MPM	Management Policy and Metrics
MPMS	Management Policy and Metrics Staff
MPP	Mission Performance Plan
MPRP	Mongolian People's Revolutionary Party
MSCI	Medical Service Corporation International
MSE	Micro and Small Enterprises
MSED	Micro and Small Enterprise Development
MSH	Management Sciences for Health
MSME	Micro, Small and Medium Enterprise
MT	Metric Tons
MTCT	Mother-to-Child Transmission
MTT	Mobile Task Team
MVCS	Most Valuable Companies
MW	Megawatt
MWI	Ministry of Water and Irrigation
N	
NA	Not applicable, or Not Available
NACP	National AIDS Control Program
NAMRU-3	Naval Medical Research Unit
NAPA	National Academy for Public Administration
NARUC	National Association of Regulatory Utility Commissioners
NAS	Narcotic Affairs Section (State Department)
NASA	National Aeronautics and Space Administration
NASDA	National Association of State Development Agencies
NATO	North Atlantic Treaty Organization
NBG	National Bank of Georgia
NCBA	National Cooperative Business Association
NCJS	National Center for Judicial Studies

USAID Abbreviations and Acronyms

Acronym	Reference
NCSC	National Center for State Courts
NDI	National Democratic Institute
NEAP	National Environmental Action Plan
NED	National Endowment for Democracy
NED	New Enterprise Development
NEP	New Entry Professional
NEPAD	New Partnership for Africa's Development
NET	NIS Exchanges and Training
NFALP	Non-Formal and Adult Literacy Program
NFC	National Finance Center
NGO	Non-Governmental Organization
NHA	National Health Accounts
NID	National Immunization Day
NIDS	National Immunization Days
NIH	National Institutes of Health
NIS	New Independent States of the Former Soviet Union (now Independent States of the B763Former Soviet Union)
NK	Nagorno-Karabakh
NLC	National Legal Center
NLD	National League for Democracy
NMS	New Management System
NOAA	National Oceanic and Atmospheric Administration
NORAD	Norwegian Aid
NPA	Non-Project Assistance
NPC	Nonpresence Countries
NPI	New Partnership Initiative
NPR	National Performance Review
NRECA	National Rural Electric Cooperative Administration
NRM	Natural Resource Management
NRM	Natural Resources Management
NTA	New Transatlantic Agenda
NTE	Non-Traditional Export
NTFP	Non-Traditional Forest Products
NWI	Ministry of Water and Irrigation
O	
O/GAC	Office of the Global AIDS Coordinator
OAS	Organization of American States
OAU	Organization of African Unity
ODA	Official Development Assistance
ODA	Overseas Development Administration (British)
OE	Operation Expenses
OECD	Organization for Economic Cooperation and Development
OECF	Overseas Economic Cooperation Fund
OECS	Organization of Eastern Caribbean States
OFDA	Office of Foreign Disaster Assistance (USAID)
OFF	Oil for Food
OGAC	Office of the Global AIDS Coordinator
OHCHR	Office of the High Commissioner for Human Rights (United Nations)
OHR	Office of the High Representative (in Bosnia-Herzegovina)
OIG	Office of the Inspector General (USAID)
OMB	Office of Management and Budget

USAID Abbreviations and Acronyms

Acronym	Reference
OPEC	Organization of Petroleum Exporting Countries
OPIC	Overseas Private Investment Corporation
OPIN	Online Presidential Initiatives Network
OPV	Oral Polio Vaccine
ORS	Oral Rehydration Salts
ORS/T	Oral Rehydration Salts/Therapy
ORT	Oral Rehydration Therapy
OSCE	Organization for Security and Cooperation in Europe
OTI	Office of Transition Initiatives (USAID)
OTPOR	Serbian Democracy Group "Resistance"
OVC	Orphans and Vulnerable Children
P	
PA	Palestinian Authority
PACD	Project Assistance Completion Date
PACT	Private Agencies Collaborating Together
PACT	Program for the Advancement of Commercial Technology
PAHO	Pan American Health Organization
PAL	Planning, Achievement, and Learning
PART	Program Assessment and Rating Tool
PASA	Participating Agency Service Agreement
PATH	Program for Appropriate Technologies in Health
PC	Palestinian Council
PDF	Power Development Fund
PED	Palestinian Enterprise Development
PED	Provincial Environment Departments
PEPFAR	President's Emergency Plan for AIDS Relief
PERPP	Public Enterprise Reform and Privatization Program
PES	Policy Environment Score
PHC	Primary Health Care
PHCI	Primary Health Care Initiative
PHN	Population, Health and Nutrition
PHPIEGO	Johns Hopkins Program in Education for Gynecology and Obstetrics
PICTI	Palestinian Information and Communications Technology Incubator
PIEFZA	Palestinian Industrial and Free Zone Authority
PIL	Public Interest Litigation
PIP	Parks in Peril
PIPA	Palestinian Investment and Promotion Agency
PISG	Kosovo Provisional Institution for Self-Government
PL	Public Law
PLANTE	National Alternative Development Plan (Colombia)
PLC	Palestinian Legislative Council
PLN	Indonesian National Electric Company
PLO	Palestinian Liberation Organization
PLWHA	People Living with HIV/AIDS
PMA	Palestinian Monetary Authority
PMA	President's Management Agenda
PMC	Pune Municipal Corporation
PMO	Program Management Office
PMP	Performance Monitoring Plan
PMTCT	Prevention of Mother-to-Child AIDS Transmission
PMTI	Presidential Management Training Initiative

USAID Abbreviations and Acronyms

Acronym	Reference
PNFPP	Philippine National Family Planning Program
POP	Persistent Organic Pollutant
PPA	Public Private Alliance
PPC	Policy and Program Coordination Bureau (USAID)
PPG7	Pilot Program to Conserve the Brazilian Rainforest, Group of 7
PPP	Public Private Partnership
PREAL	Program for Education Reform in the Americas
PRF	International Planned Parenthood Federation
PRIME	Primary Providers' Training and Education in Reproduction
PRIME	Program for Innovation in Microenterprise
PRM	Bureau of Population, Migration, and Refugee/U.S. Department of State
PRM	Population, Refugees, and Migration (State Department)
PRSP	Poverty Reduction Strategy Paper
PRT	Provincial Reconstruction Teams
PSC	Personal Service Contract
PSI	Population Services International
PSIP	Procurement System Improvement Project
PSO	Private Sector Organization
PSO	Program Support Objective
PTCA	Parent Teacher Community Associations
PTP	Professional Training Program
PVC	Private Voluntary Cooperation
PVO	Private Voluntary Organization
PW	Price-Waterhouse
PWA	Palestinian Water Authority
PWC	Price Waterhouse Coopers
PWD	People with disabilities
Q	
QCHT	Quality Control of Health Technologies
QIZ	Qualifying Industrial Zones
R	
RACHA	Reproductive and Child Health Alliance
RAMP	Rebuilding Agricultural Markets Program
RCSA	Regional Center for Southern Africa (USAID)
RCSP	Rural Civil Society Program
RDM/A	Regional Development Mission/Asia (USAID)
RDS	Regional Development and Support
REACH	Rural Extension of Afghanistan's Community-Based Health Care program
REB	Rural Electrification Board
REDSO	Regional Economic Development Support Office (USAID)
RH	Reproductive Health
RHUDO	Regional Housing and Urban Development Office (USAID)
RIG	Regional Inspector General (USAID)
ROL	Rule of Law
ROT	Rehabilitate-Operate-Transfer
RRB	Regional Rural Banks
RSD	Regional Sustainable Development Office (USAID)
RTI	Research Triangle Institute
RTII	Regional Trade and Investment Initiative
S	

USAID Abbreviations and Acronyms

Acronym	Reference
SAARC	South Asian Association for Regional Cooperation
SADC	Southern Africa Development Community
SAEDF	Southern Africa Enterprise Development Fund
SAGA	Strategies and Analyses for Growth and Access
SAGE	Strategies for Advancing Girls Education
SAI	Special Assistance Initiative
SARI	South Asia Regional Initiative
SARI-Energy	South Asia Regional Initiative for Energy
SARI-Equity	South Asia Regional Initiative on Equity for Women and Children
SBY	Susilo Bambang Yudhoyono
SCA	Supreme Council for Antiquities
SCF	Save the Children Federation
SDF	Special Development Fund
SEACI	South East Asia Competitiveness Initiative
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SEED	Support for East European Democracy
SEEU	South East European University
SEI	State Environmental Initiative
SEP	Senior Executive Program
SET	Supreme Electoral Tribunal
SFD	Saudi Fund for Development
SIDA	Swedish International Development Agency
SIGN	Safe Injection Global Network
SIWM	Souss-Massa Integrated Water Resources
SLWWE	South Lebanon Water and Wastewater Establishment
SME	Small and Medium Enterprises
SME	Small and Medium-sized Enterprises
SME	Small and Micro-Enterprises
SMME	Small, Medium and Micro Enterprises
SO	Strategic Objective
SOAG	Strategic Objective Agreement
SOE	State-Owned Enterprise
SOW	Scope of Work
SPA	Small Program Assistance
SPA	Special Program of Assistance
SPA	Special Program of Assistance for Africa
SPDC	State Peace and Development Council
SpO	Special Objective
SPR	Sector Policy Reform
SPRP	Sector Policy Reform Program
SPS	Sanitary and Phyto-sanitary Standard
SRII	Standard Research Institute International
SRP	Sahel Regional Program
SSH	Special Self-Help Program
SSMSC	Stock Market State Commission (Ukraine)
SSRC	Social Science Research Council
STD	Sexually Transmitted Disease
STI	Sexually Transmitted Infection
T	
TAACS	Technical Advisors for AIDS and Child Survival

USAID Abbreviations and Acronyms

Acronym	Reference
TACIS	Technical Assistance for the Commonwealth of Independent States, European Union
TAF	The Asia Foundation
TAG	Transparency and Accountability Grants
TAR	Tibet Autonomous Region
TB	Tuberculosis
TBD	To be Determined
TBF	The Bridge Fund
TCB	Trade Capacity Building
TCP	The Competitiveness Program
TDA	Tourism Development Authority
TFCA	Tropical Forest Conservation Act
TFET	Trust Fund for East Timor
TFGI	The Futures Group
TFR	Total Fertility Rate
TI	Transition Initiatives
TIFA	Trade and Investment Framework
TISS	Tata Institute of Social Sciences
TN	Tamil Nadu
TNC	The Nature Conservancy
TR&D	Tropical Research and Development
TRA	Telecommunications Regulatory Agency
TRADE	Trade for African Development and Enterprise
TRADE	Trade for African Development and Enterprise Initiative
TRG	Triangle Research Group
TRM	Tadla Resources Management
TSG	The Services Group