

U.S. Agency for
International Development



Fiscal Year 2005

Budget Justification to the Congress





United States Agency For International Development
The Administrator

February 20, 2004

TO THE CONGRESS OF THE UNITED STATES

On behalf of the U.S. Agency for International Development, 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 2005.

Through its economic assistance programs, USAID plays an active and critical role in the promotion of U.S. foreign policy interests. USAID has embarked upon a major effort to meet the demands of a new and challenging environment in the aftermath of September 11, 2001. The investment this agency makes in developing countries has long-term benefits for America and the American people. Development now takes its place alongside defense and diplomacy as the three essential components of American foreign policy.

The Administration's budget request for USAID programs, objectives and results are described in detail in the following chapters and accompanying annexes. I request favorable consideration by the Congress of the Administration's economic assistance budget request.

Andrew S. Natsios

INTRODUCTION

The U.S. Agency for International Development's (USAID) FY 2005 budget justification to the Congress reflects the Administration's program and budget request for bilateral foreign economic assistance appropriations.

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.

A separate **Summary Tables** volume includes tables that illustrate the foreign assistance budget request for FY 2005 and provide a detailed tabular breakout of the economic assistance budget for FY 2002 (actual), FY 2003 (actual), FY 2004 (estimate), and FY 2005 (request).

Five annexes to the Main Volume discuss USAID programs in the geographic regions and the central programs, including program narratives and data sheets.

Annex I details programs and activities for Africa.

Annex II details the programs for Asia and the Near East, consisting of three subregions: East Asia, South Asia, and the Middle East and North Africa.

Annex III details the programs for Europe and Eurasia, consisting of two subregions: Europe and Eurasia (the Independent States of the former Soviet Union).

Annex IV details the Latin America and Caribbean programs, consisting of Central and South America and the Caribbean.

Annex V details programs of the Agency's central and pillar bureaus, including Democracy, Conflict and Humanitarian Assistance; Economic Growth, Agriculture, and Trade; Global Health; Legislative and Public Affairs; Management; Policy and Program Coordination; Global Development Alliance; and International Partnerships.

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
FY 2005 BUDGET JUSTIFICATION**

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Statement of the Administrator

The post-September 11th world has put a premium on the effectiveness of this country's foreign assistance. Consequently, the U.S. Agency for International Development (USAID) has embarked upon a major effort to meet the demands of this new and extremely challenging environment.

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

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

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

Program Priorities

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

Winning the Peace in Afghanistan. USAID is committed to the President's goal of seeing a stable and democratic Afghanistan that is free from terror and no longer harbors threats to our security. As an integral implementing agency for the 2004 supplemental funds for Afghanistan, USAID's reconstruction programs remain focused on six visible building blocks to support Afghan efforts to transform their society:

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

Fighting the HIV/AIDS Pandemic. The HIV/AIDS pandemic is more than a health emergency. It is a social and economic crisis that is threatening to erase decades of development progress. The pandemic has tended to hit hardest in the most productive age groups and in developing countries that can least respond. Sub-Saharan Africa remains the most affected region with 70 percent of the total number of people worldwide living with HIV/AIDS. USAID's programs aim to reduce HIV/AIDS transmission and improve access to care, treatment, and support for people living with HIV/AIDS and children affected by HIV/AIDS. Under the leadership of the State Department's Global AIDS Coordinator, USAID will scale up its work in expanding access to anti-retroviral treatment, reducing mother-to-child transmission, increasing the number of individuals reached by community and home-based care, providing essential services to children impacted by HIV/AIDS, and promoting education and behavior change programs that emphasize prevention of transmission. The FY 2005 request for HIV/AIDS is \$600 million. In addition, \$1.45 billion is requested for the Global HIV/AIDS Initiative managed by the State Department Coordinator in partnership with USAID and other U.S. Government agencies.

Championing Peace in Sudan. USAID continues to be at the forefront of sustained international engagement to end Sudan's long North-South civil war. USAID and other donors are now preparing to shift from the long humanitarian focus in southern Sudan to longer-term recovery and development programs. However, during 2003, armed opposition to the central government broke out in western Sudan, where attacks on civilians and general insecurity have displaced more than one million people. USAID is working intensely with the Department of State, other donors and the United Nations to bring a political solution to this western conflict. It is unlikely that a North-South peace agreement that will require heavy support from the international community can be implemented while another war rages in the West. USAID's three-year strategic plan for Sudan for 2004-2006 has a new objective of support to the peace process, and continues the focus on education, health, economic recovery, and governance. For FY 2005, \$81 million has been designated from the Development Assistance account and the Child Survival and Health Programs Fund for assistance to Sudan, \$140 million in International Disaster and Famine Assistance, and \$6 million in Transition Initiatives assistance.

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

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

Presidential Initiatives	Administration Initiatives
Afghanistan Road	Congo Basin Forest Partnership
Africa Education Initiative	Initiative to End Hunger in Africa
Centers for Excellence in Teacher Training	Trade for African Development and Enterprise
Central America Free Trade Agreement	Water for the Poor Initiative
Digital Freedom Initiative	
Emergency Plan for AIDS Relief	
Faith-based and Community Initiatives	
Global Climate Change	
Global Fund to Fight AIDS, TB and Malaria	
Initiative Against Illegal Logging	
Middle East Partnership Initiative	
Mother and Child HIV Prevention Initiative	
Volunteers for Prosperity	

Harmonizing State-USAID Efforts: Building a Common Vision

The Department of State and USAID, in partnership, developed a Joint Strategic Plan (JSP) for fiscal years 2004-2009. The JSP synchronizes diplomatic, security and development efforts around a set of common goals drawn from the President's *National Security Strategy of 2002*.

In conjunction with the JSP, USAID is exploring new directions for development assistance, particularly as they relate to:

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

USAID is currently discussing these potential new directions with stakeholders within the Administration, in the Congress, and in the nongovernmental foreign assistance

community, and will factor the results of these discussions into any changes that it may propose in the structure or approach of the agency's implementation of its programs.

Strategic Direction

The FY 2005 Congressional budget justification carefully balances USAID's commitment to these five development challenges. Several key themes that have formed the foundation of prior USAID programs cut across the broader themes of this new direction. Democratic governance, economic growth, agricultural development, environmental improvement, health and education enhancement, global market integration, conflict mitigation, disaster assistance, and public-private alliances are interdependent components of USAID's development, strategic and humanitarian programs. By working in concert with one another, these sectoral components and partnership approaches promote an agenda of improved governance, accelerated economic performance, and enhanced standard of living.

Promoting Transformational Development. "Transformational" development is development that not only raises living standards and reduces poverty, but also transforms countries through far-reaching, fundamental changes in institutional capacity, human capacity, and economic structure. The primary determinant of progress in transformational development is political will by a country's leader, demonstrated by ruling justly, promoting economic freedom, and making sound investments in people. For USAID, this would mean allocating resources among countries based on need and on commitment to good governance, as evidenced by actual policies and institutional performance. Where commitment to good governance is weak, USAID would sharply limit assistance that is intended to contribute to transformational development. Efforts toward transformational development would support fundamental changes in governance and institutional capacity, human capacity, and economic structure. The largest group of countries that have yet to experience transformational development is located in sub-Saharan Africa. Mali, for example, is a low-income country that has shown the political will to reform its policies and the institutional commitment to improve its economy. USAID would collaborate with its partners to assist such countries in attracting the financing they need and, equally importantly, acquiring technologies and ideas that will invigorate their development.

Strengthening Fragile States. Fragile states are characterized by a growing inability or unwillingness to provide even basic services and security to their populations. The goal in fragile states is stabilization, reform and recovery that provide the foundation for transformational development. Programs effective in providing this foundation address the social components of instability and conflict, both microeconomic and macroeconomic aspects of the business climate, trade capacity, and oftentimes agricultural productivity. Resources for fragile states would promote stabilization and consolidation in countries where a link to U.S. national security is present, and where U.S. assistance can make a difference. This is a new, difficult, and increasingly important area for foreign assistance, where all donors still have a great deal to learn about how to achieve results. USAID is developing a strategy for fragile states that

focuses on the causes of institutional weakness and violent conflict, whether in circumstances of complex disaster, post-conflict reconstruction or stagnant growth. Resources would be allocated selectively, taking into account need, commitment (particularly quality of leadership), and the feasibility of achieving results. In Liberia, improving basic institutions of governance and enabling critical public services to be delivered are elements of USAID assistance aimed at promoting stability and recovery.

Providing Humanitarian Relief. As a global superpower, the United States maintains both the responsibility and impetus to save lives and alleviate the suffering of people in distress, regardless of the character of their governments. USAID is the lead U.S. Government agency in providing international humanitarian relief through food aid and disaster assistance resources. In collaboration with other U.S. Government agencies, humanitarian assistance is often provided to countries where USAID is concerned with development progress, overcoming fragility, combating HIV/AIDS and other communicable diseases, and addressing conflict and internal displacement of people. A second part of humanitarian relief is seeking means of preventing the recurrence of health and environmental emergencies. USAID humanitarian assistance, such as famine relief in Ethiopia, when coupled with programs to strengthen macro- and micro-level economic institutions, lessens the likelihood that crisis will recur.

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

Mitigating Global and Transnational Ills. As communication and transportation improvements reduce relative distance between countries, our collective vulnerability to disease, global environmental concerns, and international criminal activity has increased. Progress in global and transnational issues depends on collective efforts and cooperation among countries. Attacking the global HIV/AIDS pandemic illustrates one transnational ill that is best served by a coalition of forces. The Global AIDS Initiative unites efforts of the Department of State, Department of Defense, Department of Health and Human Services, and USAID to enhance the effectiveness of resources in addressing the pandemic. Strategic planning to address transnational challenges must include emphasis on interagency and international cooperation, coordination and collaboration. USAID is committed to do its part by continuing to develop the Global Development Alliance (GDA). Private sources of foreign assistance provide nearly \$33.6 billion per year. GDA focuses these resources to benefit from the economies of scale that are generated when all sources are working in concert to achieve common development goals.

Management Reforms

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

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

The Road Ahead

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

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

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

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

With respect to the Office of Management and Budget's program assessment rating tool (PART) for evaluating the budget and performance integration element of the President's Management Agenda, in FY 2004, USAID plans to assess the Child Survival and Health Fund and Development Assistance programs in the Bureau for Asia and Near East, the Development Credit Authority, the Office of the Inspector General, and the Operating Expense budget for the entire Agency. By FY 2005, USAID will have assessed 80 percent of its programs. USAID uses PART results to shape the Agency's budget request. As a result of the PART assessment of USAID's population program,

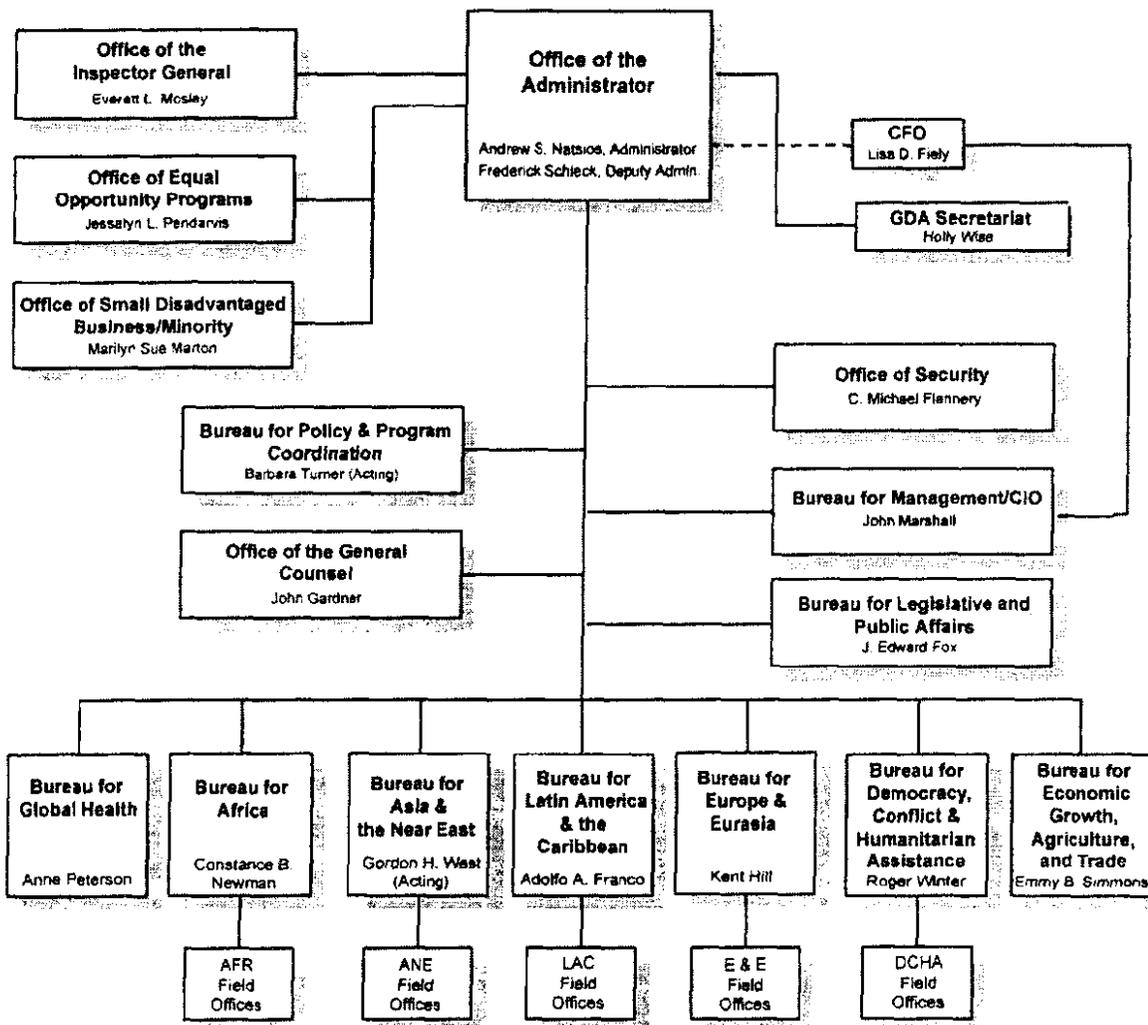
for example, USAID has taken steps to allocate funds more strategically, taking account of country-level needs (measured in terms of population density, fertility, and unmet need for family planning). As a result, USAID shifted over \$30 million of the FY 2004 Child Survival and Health Programs Fund population allocation to countries with higher needs.

The Budget Request

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

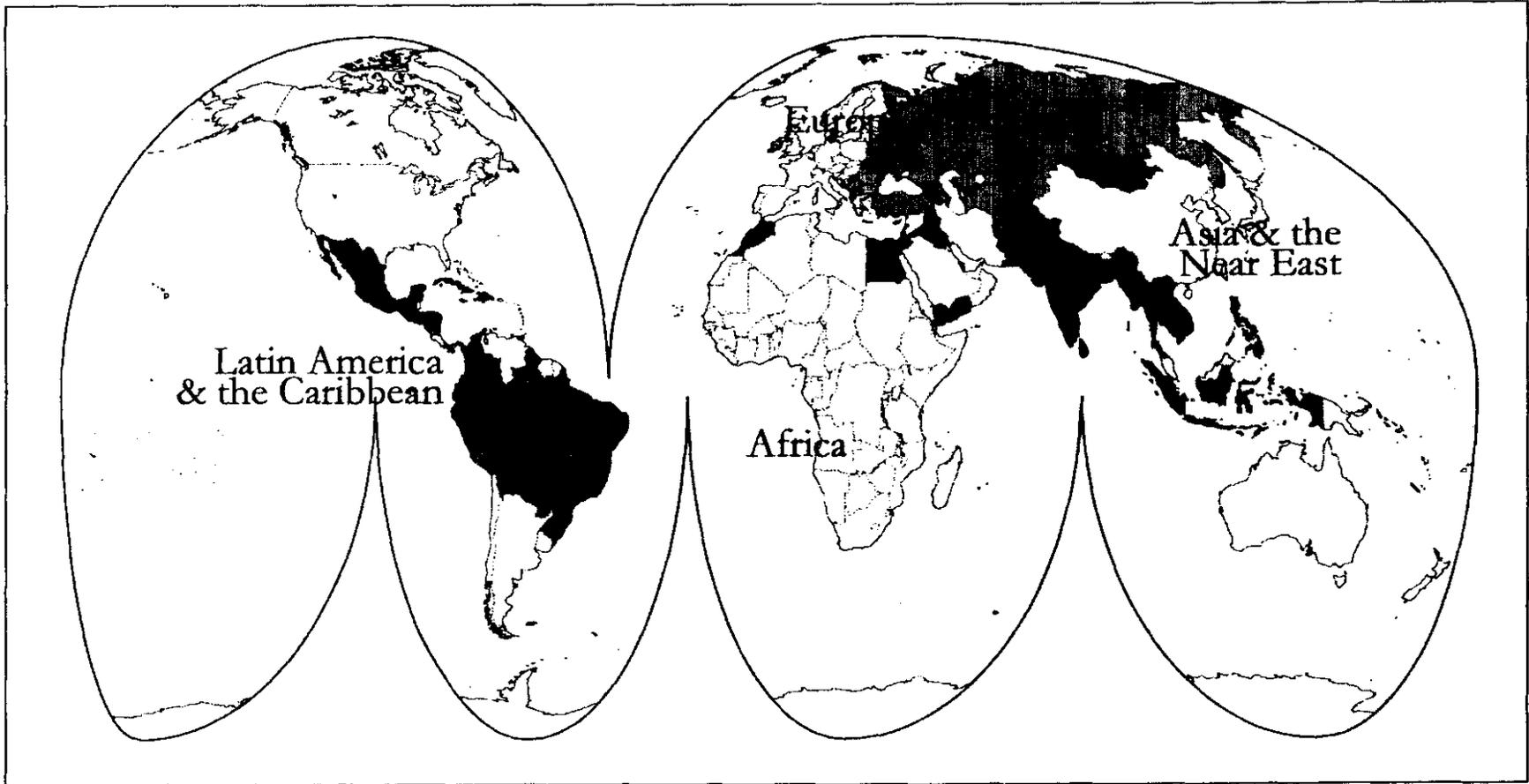


U.S. Agency for International Development Organizational Structure February 2004





U.S. Agency for International Development Countries with USAID Programs Over \$ 1 million February 2004



11

SUMMARY OF FY 2005 BUDGET REQUEST

This chapter describes the FY 2005 budget request for proposed appropriation accounts. All USAID-managed programs, regardless of account, address our strategic framework, as represented by the following three program pillars:

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

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

For FY 2005, the President is requesting appropriations under the Foreign Operations Subcommittee of \$7,637,800,000 in discretionary funds for USAID-administered programs, including those programs jointly administered with the State Department and associated management costs. This excludes \$1.45 billion the President has requested for the Global AIDS Initiative, to be coordinated by the State Department; for which agency and/or private organization allocations are yet to be determined. It also excludes the Millennium Challenge Account of \$2.5 billion. Also requested is \$1,185,000,000 in P.L. 480 Title II, which is appropriated through the Department of Agriculture but is managed by USAID. The total request including P.L. 480 is \$8,822,800,000. Levels do not include any potential funding through USAID from the new Millennium Challenge Account.

The tables and descriptions that follow provide further details in support of the budget request. Data provided in the tables are in thousands of dollars and cover a four-year period except for Tables XV(a-c), which provide sector data for FYs 2003-2005 and are in millions of dollars.

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 and FY 2004 reflect rescissions. The FY 2002, FY 2003 and FY 2004 supplementals are listed as separate line items under the accounts that received these funds.

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

Tables XV a, b and c, provide an estimated breakout of the FY 2003-2005 programs by the three program pillars under all USAID-managed program accounts. Programs of special interest or emphasis are also broken out under the individual pillars.

At the time of publication of this document, final allocations of the 2004 Iraq Relief and Reconstruction Fund of \$18.649 billion among various agencies had not been fully determined.

USAID BUDGET SUMMARY

Table I

	FY 2002 Approp.	FY 2003 Approp.	FY 2004 Approp.	FY 2005 Request
FOREIGN OPERATIONS SUBCOMMITTEE				
USAID Directly Managed:				
Child Survival & Health Programs Fund (CSH)	1,467,500	1,849,563	1,824,174	1,420,000
[Total includes transfer to UNICEF]	[120,000]	[119,292]	--	--
Wartime Supplemental (CSH)	--	90,000	--	--
Development Assistance (DA)	1,178,000	1,379,972	1,376,829	1,329,000
DA Reimbursement from Iraq Relief & Reconstruction Fund	--	100,000	--	--
<i>Subtotal - CSH and DA</i>	<i>2,645,500</i>	<i>3,419,535</i>	<i>3,201,003</i>	<i>2,749,000</i>
International Disaster and Famine Assistance (IDFA)	--	--	253,993	385,500
--FY 2004 Emergency Supplemental (IDFA)	--	--	110,000	--
--FY 2004 --Emergency Supplemental Transfer IRRF to IDFA	--	--	110,000	--
International Disaster Assistance (IDA)	235,500	288,115	--	--
--Wartime Supplemental (DA)	--	143,800	--	--
--Emergency Response Fund - IDA	146,000	--	--	--
--FY 2002 Supplemental (IDA)	40,000	--	--	--
Transition Initiatives (TI)	50,000	49,675	54,676	62,800
--TI Reimbursement from Iraq Relief & Reconstruction Fund	--	12,000	--	--
Development Credit Programs [by transfer]	[18,500]	[5,841]	[20,876]	[21,000]
USAID Operating Expenses (OE)	549,000	568,282	600,536	623,400
--Emergency Response Fund - OE	15,000	--	--	--
--FY 2002 Supplemental - OE	7,000	--	--	--
--Wartime Supplemental - OE	--	21,000	--	--
--FY 2004 Emergency Supplemental - OE	--	--	38,100	--
USAID Capital Investment Fund (CIF)	--	42,721	81,715	64,800
--FY 2004 Emergency Supplemental (CIF)	--	--	16,600	--
Development Credit Programs - Admin Expenses	7,500	7,542	7,953	8,000
USAID Inspector General Operating Expenses (IG OE)	31,500	33,084	34,794	35,000
--Wartime Supplemental (IG OE)	--	3,500	--	--
--FY 2004 Emergency Supplemental (IG OE)	--	--	1,900	--
Foreign Service Disability & Retirement Fund [mandatory]	[44,880]	[45,200]	[43,859]	[?]
<i>Subtotal-USAID Directly Managed</i>	<i>3,727,000</i>	<i>4,589,254</i>	<i>4,511,268</i>	<i>3,928,500</i>
Department of State and USAID Jointly Managed:				
Economic Support Fund & International Fund for Ireland	2,224,000	2,280,082	2,138,309	2,520,000
--Emergency Response Fund (ESF)	600,000	--	153,000	--
--FY 2002 Supplemental (ESF)	465,000	--	--	--
--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	[80,774]	[98,663]	[51,792]	TBD
INC/Andean Counterdrug Initiative-USAID-managed portion	219,000	248,375	229,200	229,300
Assistance to the Independent States (FSA)	784,000	755,060	583,537	550,000
--Emergency Response Fund (FSA)	64,000	--	--	--
--FY 2002 Supplemental (FSA)	110,000	--	--	--
--of which FSA transfers	[377,704]	[287,454]	[173,709]	[168,171]
Assistance to Eastern Europe and the Baltics (AEEB)	621,000	521,587	442,375	410,000
--of which AEEB transfers	[191,935]	[163,206]	[128,032]	[138,750]
Wartime Supplemental - Iraq Relief & Reconstruction Fund	--	1,526,229	2,436,501	--
Foreign Operations Subtotal	8,814,000	12,442,587	11,466,188	7,637,800
Of which transfers/Direct to State Department	770,413	668,543	353,199	306,921
Foreign Operations Total less Transfers/State Direct	8,043,587	11,774,044	11,112,989	7,330,879
AGRICULTURE SUBCOMMITTEE				
P.L. 480 Food for Peace Title II	850,000	1,440,575	1,184,967	1,185,000
--Emergency Response Fund (Title II)	95,000	--	--	--
--FY 2002 Supplemental (Title II)	13,820	--	--	--
--Wartime Supplemental (Title II)	--	369,000	--	--
USAID TOTAL:	9,772,820	14,252,162	12,651,155	8,822,800
--of which supplementals	1,555,820	4,787,529	3,838,100	--
--of which transfers/direct	770,413	668,616	353,199	306,921
USAID Total less supplementals and transfers	7,446,587	8,796,017	8,459,855	8,515,879

CHILD SURVIVAL AND HEALTH PROGRAMS FUND

Table II

<i>Child Survival and Health Programs Fund</i>				
<i>dollars thousands</i>				
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
TOTAL	1,467,500	1,939,563	1,824,174	1,420,000
[Includes IO&P transfer]	--	[25,000]	--	--
[Includes Wartime Supplemental for CSH]	--	[90,000]	--	--
Global Health Pillar	1,467,500	1,939,563	1,824,174	1,420,000
Child Survival/Maternal Health	337,000	411,894	327,843	325,000
Vulnerable Children	25,000	26,825	28,030	10,000
HIV/AIDS	435,000	587,655	513,461	500,000
Other Infectious Diseases	165,000	154,489	183,910	139,000
Family Planning/Reproductive Health	385,500	366,105	373,290	346,000
UNICEF	120,000	119,220	[-]	[-]
Global Fund to Fight AIDS, TB, and Malaria	[50,000]	248,375	397,640	100,000
IO&P transfer in	--	25,000	--	--
<i>Regional Distribution</i>				
<i>dollars thousands</i>				
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
TOTAL	1,467,500	1,939,563	1,824,174	1,420,000
Sub-Saharan Africa	424,379	541,071	472,520	478,200
East Asia and Pacific	82,273	86,775	116,430	106,800
Near East	4,600	40,000	--	--
South Asia	110,928	156,857	156,040	146,400
ANE Regional	16,226	11,097	2,280	2,900
Eurasia	131	5,750	5,750	5,750
Europe	--	250	250	250
Latin America and the Caribbean	144,815	163,317	147,500	130,300
Central Programs	352,348	394,765	338,450	304,992
International Organizations/Partners	331,500	386,935	570,360	244,408
Other	--	152,746	14,594	--

The FY 2005 request of \$1.420 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 world wide. Investing in health of the world's population contributes to global economic growth, reduction of poverty, a sustainable environment and regional security. CSH funding supports programs that expand basic health services and strengthen national health systems to significantly improve people's health, especially that of women, children, and other vulnerable populations. A major focus for the use of these funds is in sub-Saharan Africa. As HIV/AIDS and other infectious diseases continue to threaten the health of families and children in developing countries world wide, the Agency works to eliminate these threats.

HIV/AIDS programs (\$600 million in the CSH account) focus on prevention, care, and treatment efforts, and the support of children affected by AIDS, and includes \$100 million for the Global Fund for AIDS, Tuberculosis, and Malaria. USAID will play a significant role in the implementation of the President's Emergency Plan for AIDS Relief. USAID programs are integrated within the overall policy and strategic direction of the President's Emergency Plan for AIDS Relief (PEPFAR).

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

Child survival and maternal health programs (\$325 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 remains at \$425 million, with \$346 million from CSH, and the balance of \$79 million from accounts co-managed with the Department of State (e.g., the Economic Support Fund, Assistance to Eastern Europe and the Baltics, and the Freedom Support Act).

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

DEVELOPMENT ASSISTANCE

Table III

<i>Development Assistance</i>				
<i>dollars thousands</i>				
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
TOTAL	1,178,000	1,479,972	1,376,829	1,329,000
<u>Economic Growth, Agriculture and Trade Pillar:</u>	<u>1,031,600</u>	<u>1,151,200</u>	<u>1,152,660</u>	<u>1,121,000</u>
Agriculture	201,862	258,810	268,360	267,970
Economic Growth	331,784	313,160	313,210	316,040
Environment	285,654	302,540	293,720	275,040
Education and Training	212,300	276,690	277,370	261,950
[of which Basic Education for Children]	[150,000]	[216,580]	[216,800]	[212,020]
[Higher Education & Training]	[62,300]	[60,110]	[60,570]	[49,930]
Development Credit by Transfer	[18,500]	[5,841]	[20,876]	[21,000]
<u>Democracy, Conflict & Humanitarian Assistance Pillar</u>	<u>146,400</u>	<u>213,872</u>	<u>211,670</u>	<u>208,000</u>
Democracy and Local Governance	119,400	138,997	159,640	163,980
Human Rights	27,000	26,820	24,980	17,020
Conflict Management	--	48,055	27,050	27,000
<u>Wartime Reimbursement</u>	<u>--</u>	<u>100,000</u>	<u>--</u>	<u>--</u>
<u>Global Development Alliance-not sector specific</u>	<u>--</u>	<u>14,900</u>	<u>--</u>	<u>--</u>
<u>Other</u>	<u>--</u>	<u>--</u>	<u>12,498</u>	<u>--</u>
<i>Regional Distribution</i>				
<i>dollars thousands</i>				
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
TOTAL	1,178,000	1,479,972	1,376,829	1,329,000
Sub-Saharan Africa	453,996	490,690	493,780	499,400
East Asia and Pacific	71,863	80,833	68,159	78,018
Near East	6,366	8,644	5,800	6,000
South Asia	95,622	150,600	252,963	241,211
ANE Regional	35,465	38,982	24,818	18,571
Latin America and the Caribbean	220,241	260,578	267,840	241,700
Central Programs	258,510	381,143	235,970	234,100
International Organizations/Partners	7,500	--	--	--
GDA	20,000	29,800	15,000	10,000
Other	8,437	38,701	12,498	--

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

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

The \$1.121 billion in funds requested under the **Economic Growth, Agriculture and Trade** pillar will focus on building stronger economies that are soundly governed, broader

based, aid integration into the global trading system. Programs also encompass environment, energy, gender, urban development and education activities. This pillar focuses on:

Agriculture programs (\$268 million) that will rebuild agricultural capability in developing countries, especially sub-Saharan Africa under the Presidential Initiative to End Hunger in Africa. Programs will focus on promotion of sustainable agriculture, reducing hunger, and providing for technology transfers, including biotechnology.

Economic growth programs (\$316 million) that focus on trade and investment by strengthening private markets, providing access to economic opportunity for the rural and urban poor, and supporting microenterprise lending—thereby increasing the capacity of developing countries to participate in, and benefit from, global trade and investment. Notable programs include the Presidential Initiatives of Trade for African Development (TRADE) Initiative, the Central America Free Trade Agreement (CAFTA) program, and the Digital Freedom Initiative.

Education and training programs (\$262 million) that include \$212 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 training (\$50 million). USAID's programs strongly emphasize the need to ensure equitable access for girls, especially in Africa and the Near East. Funds will also be used for programs for higher education and workforce training (\$50 million).

Environment programs (\$275 million) will reduce the threat of global climate change, conserve biological diversity, promote sound management of natural resources including forests, reduce illegal logging, provide access to clean water and sanitation, improve watershed management; promote sustainable urbanization and pollution control, and increase renewable and clean energy services. The request includes funding for four Presidential environmental initiatives—Water for the Poor, Clean Energy, Congo Basin Forest Partnership, and Global Climate Change. The Initiative Against Illegal Logging is the most comprehensive strategy yet undertaken by any nation to address this critical challenge.

The request for **Democracy, Conflict, and Humanitarian Assistance** (DCHA) funding is \$208 million.

Development Assistance will focus on conflict prevention, democracy and local governance, and human rights by strengthening the rule of law and respect for human rights, encouraging credible and competitive political processes, promoting the development of a politically active civil society, and making government institutions more transparent and accountable. USAID will continue to fund programs that strengthen democratic systems of governance by supporting elections, encouraging credible and competitive political processes, encourage vibrant and politically active civil societies, engender respect for the rule of law, promote security, and tackle anti-corruption, and foster human rights. USAID will also fund programs to help prevent trafficking of persons and assist victims of war and victims of torture. This request is based on the

understanding that democratic governments are more likely to observe international laws and pursue policies that reduce poverty and terrorism.

In addition to this Development Assistance request, the request for the DCHA pillar also includes funding for the following accounts: \$385.5 million in International Disaster and Famine Assistance (IDFA), \$62.8 million in Transition Initiatives (TI), and \$1.185 billion in P.L. 480 Title II .

The Global Development Alliance (GDA) (\$10 million included in the above sectors) mobilizes resources from and alliances with U.S. public and private sectors in support of USAID objectives. In Brazil, for example, USAID is working with private companies and NGOs to encourage low-impact logging; while in Angola, USAID is cooperating with a U.S. oil company to promote small business development in rural communities. FY 2005 represents the fourth year of existence for GDA, and its principles have become integrated into Agency strategies and practices.

INTERNATIONAL DISASTER AND FAMINE ASSISTANCE (IDFA)

Table IV

<i>International Disaster Assistance</i>				
<i>dollars thousands</i>				
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Total	421,500	431,915	473,993	385,500
Direct Appropriation *	235,500	288,115	253,993	385,500
Of which International Disaster Assistance (IDA):	235,500	288,115	--	--
• Emergency Response Fund (IDA)	146,000	--	--	--
• FY 2002 Supplemental (IDA)	40,000	--	--	--
• Wartime Supplemental (DA)	--	143,800	--	--
Of which International Disaster and Famine Assistance:	--	--	253,993	385,500
• Emergency Supplemental (IDFA)	--	--	110,000	--
• Emergency Supplemental (IRRF transfer)	--	--	110,000	--
USES	421,500	431,915	473,993	385,500
Relief	365,189	371,568	TBD	TBD
Mitigation/Preparedness	29,960	25,846	TBD	TBD
Worldwide Administrative and Operational Support	26,351	34,501	34,000	34,000

SEE ADDITIONAL DETAIL IN CENTRAL PROGRAMS VOLUME

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

The FY 2005 request of \$385.5 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. These include support for

health interventions, agriculture and food security, nutrition, and water and sanitation. IDFA also provides funds for famine prevention and relief, helping to avert famine in places such as Ethiopia. The request includes an additional \$100 million for post-peace agreement relief, rehabilitation and reconstruction in Sudan. The request also includes \$50 million for famine prevention and relief. Use of these famine-related funds is subject to Presidential approval and is intended to support early intervention either to preempt famine or mitigate the impact.

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

TRANSITION INITIATIVES (TI)

Table V

<i>Transition Initiatives</i>				
<i>dollars thousands</i>				
	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>
TOTAL	50,000	61,675	54,676	62,800
Direct Appropriation	50,000	49,675	54,676	62,800
TI Wartime Supplemental - IRRF Reimbursement	--	12,000	--	--
Regions:	<u>50,000</u>	<u>61,675</u>	<u>54,676</u>	<u>62,800</u>
Sub-Saharan Africa	7,903	15,287	28,340	31,500
Asia	10,871	17,888	12,180	4,000
Near East	--	11,728	--	--
Europe	18,272	6,483	--	--
Latin America and the Caribbean	9,855	5,159	11,345	10,000
New Country Programs (unallocated)	--	--	311	12,300
Worldwide administrative and operational support	3,099	5,130	2,500	5,000

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

The Transition Initiatives account provides funding that advances peace and stability by conducting fast and flexible interventions in priority conflict-prone and post-conflict countries. The funds address the needs of pre- and post-transition countries experiencing significant political changes or facing critical threats to basic stability and democratic reform. TI programs are initiated in countries or situations where the nature of governance is shifting from authoritarian rule to more open societies.

These short-term, high-impact projects involve local, national, international, and non-governmental partners and are designed to increase momentum for peace, reconciliation, and reconstruction. In FY 2005, funds will support programs currently in Angola, Burundi, Democratic Republic of Congo, Iraq, Sri Lanka, Sudan, and Venezuela, and new programs in Liberia and Bolivia.

DEVELOPMENT CREDIT PROGRAM

Table VI

<i>Development Credit Program</i>				
<i>dollars thousands</i>				
	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>
<u>ACCOUNT</u>	<u>7,500</u>	<u>7,542</u>	<u>7,953</u>	<u>8,000</u>
Development Credit Program	7,500	7,542	7,500	8,000
-- by transfer	[18,500]	[5,841]	[20,876]	[21,000]
<u>SOURCES AND USES</u>	<u>7,500</u>	<u>7,542</u>	<u>7,953</u>	<u>8,000</u>
<u>Subsidy Costs, including transfers</u>	<u>[18,500]</u>	<u>[5,841]</u>	<u>[20,876]</u>	<u>[21,000]</u>
<u>Administrative Expenses</u>	<u>7,500</u>	<u>7,542</u>	<u>7,953</u>	<u>8,000</u>

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

The requested transfer authority (\$ 21 million) for FY 2005 would apply to FY 2005 appropriations and funds transferred would remain available for use through FY 2008. In FY 2005, \$ 21 million in transfer authority will be used to support activities such as bond financing, micro small and medium enterprise (MSME) development, competitive financial services, and creative municipal financing, clean energy, and clean water initiatives.

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

The request for FY 2005 includes \$8 Million for administrative costs to manage the DCP. This includes funds for contractors to conduct analyses of the financial and economic viability of DCP 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.

OPERATING EXPENSES

Table VII

<i>USAID Operating Expenses</i> <i>Dollars (thousands)</i>				
	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>
TOTAL SOURCES	632,986	660,399	722,640	674,637
Sources:				
• Appropriations - Direct	549,000	568,282	600,536	623,400
• Emergency Response Fund	15,000	--	--	--
• FY 2002 Supplemental	7,000	--	--	--
• Wartime Supplemental	--	24,500	--	--
• [includes transfer to IG OE]	--	[3,500]	--	--
• FY 2004 Supplemental	--	--	40,000	--
• [includes transfer to IG OE]	--	--	[1,900]	--
• Trust Funds, Program Funds for OE, Carryforward, and Reimbursements	61,986	67,617	84,004	51,237
See separate chapter in this volume for a more detailed Operating Expense narrative and tables.				

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

OE funds are used to fund administrative costs of USAID-managed programs totalling \$8.1 billion for FY 2005. A large portion of the OE budget is either fixed or directly related to staffing levels; reductions in the requested funding would immediately impact the ability of USAID to maintain staff necessary to monitor and manage programs.

The FY 2005 request for USAID Operating Expenses is \$623.4 million, excluding the Office of the Inspector General and the Capital Investment Fund, which are requested separately. These funds will provide resources needed not only to maintain current staffing levels associated with USAID's presence in key developing countries, but also, to continue its Development Diplomatic Readiness Initiative to fill critical skill gaps identified through a comprehensive workforce analysis. USAID will hire 50 staff over and above anticipated attrition to address critical overseas workforce requirements, manage existing programs, and meet new demands.

The Operating Expenses of USAID are financed not only from the new budget authority, but also other sources of non-appropriated sources, including trust funds and recoveries. These other sources (trust funds and recoveries) will continue to drop in FY 2005. This decrease makes it critical that the full request for Operating Expenses be provided to meet expected requirements, including meeting the needs to, hire additional staff, improve emergency communication systems, provide armored vehicles, and provide for increased costs of security worldwide.

This request also funds the International Cooperative Administrative Support Services (ICASS) system, which provides administrative support to all agencies with overseas presence. Funds requested will also enable foreign service national staff in countries without a viable social security system to participate in a global retirement fund.

The Agency will also fund information technology support for the collaboration between the Department of State and USAID the planning, development, deployment and support for the agencies' respective financial management systems, and the integration of procurement systems with the financial systems.

CAPITAL INVESTMENT FUND (CIF)

Table VIII

	<i>Capital Investment Fund dollars thousands</i>			
	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>
Total	--	42,721	98,315	64,800
Direct Appropriation	--	42,721	81,715	64,800
2004 Supplemental	--	--	16,600	--
See separate chapter in this volume for more detail				

The request for the Capital Investment Fund in FY 2005 is \$64.8 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.

In this fund, \$36.1 million is for Information Technology, which will support major systems and infrastructure improvement projects that have substantial impact on Agency operations and results, including the implementation of worldwide accounting, procurement systems modernization, full participation in E-Government initiatives, and development of a joint enterprise architecture with the Department of State.

In addition, \$28.7 million is for construction overseas to build new USAID office facilities collocated on embassy compounds to locate staff in secure work environments through the Department of State's proposed new capital cost-sharing program and relocation and communication costs for these offices. The Secure Construction and Counterterrorism Act of 1999 requires that USAID co-locate on new embassy compounds.

INSPECTOR GENERAL OPERATING EXPENSES

Table IX

<i>Inspector General Operating Expenses</i>				
<i>dollars thousands</i>				
	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>
Total	31,500	33,084	34,794	35,000
Direct Appropriation	31,500	33,084	34,794	35,000
[excludes transfer from USAID OE in Wartime Supplemental]	--	[3,500]	--	--
[excludes transfer from USAID OE in FY 2004 Supplemental]	--	--	[1,900]	--
Total Available	31,500	36,584	36,694	35,000

See separate chapter in this volume for a more detailed IG Operating Expense narrative and tables.

The FY 2005 request of \$35 million covers operations, including salaries, expenses, and support costs of the Office of the Inspector General associated with USAID programs and personnel operating in over 80 countries around the world. This request will enable the office to reduce the Agency's exposure to fraud and waste and increase the credibility of and confidence in USAID programs operating in highly vulnerable areas of the world.

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

ECONOMIC SUPPORT FUND

Table X

<i>Economic Support Fund</i>				
<i>dollars thousands</i>				
	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>
TOTAL	3,289,000	4,802,082	3,263,309	2,520,000
Direct Appropriation	2,224,000	2,280,082	2,138,309	2,520,000
Emergency Response Fund	600,000	--	153,000	--
FY 2002 Supplemental	465,000	--	--	--
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	80,774	98,663	51,792	TBD
Total managed by USAID	3,208,226	4,703,419	3,211,517	2,520,000
<i>Regional Distribution</i>				
<i>dollars thousands</i>				
Total	3,289,000	4,802,082	3,263,309	2,520,000
Sub-Saharan Africa	120,000	109,440	74,061	101,250
<i>[supplemental]</i>	<i>[20,000]</i>	<i>[45,440]</i>	--	--
East Asia and Pacific	178,250	189,283	159,055	174,250
<i>[supplemental]</i>	<i>[12,000]</i>	<i>[31,891]</i>	--	--
South Asia	749,250	429,025	1,138,329	564,000
<i>[supplemental]</i>	<i>[703,000]</i>	<i>[167,175]</i>	<i>[1,025,000]</i>	--
Near East	1,802,000	2,889,072	1,616,500	1,449,000
<i>[supplemental]</i>	<i>[123,000]</i>	<i>[1,150,000]</i>	<i>[100,000]</i>	--
Europe and Eurasia	245,000	1,043,200	134,700	75,500
<i>[supplemental]</i>	<i>[200,000]</i>	<i>[1,000,000]</i>	--	--
Latin America and the Caribbean	166,500	84,120	84,498	92,000
<i>[supplemental]</i>	--	<i>[4,500]</i>	--	--
Central/State Interregional Programs	28,000	57,942	56,166	64,000
<i>[supplemental]</i>	<i>[7,000]</i>	<i>[22,994]</i>	--	--

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

The request for Africa is \$101.3 million, of which \$25 million for Liberia for reintegration of child soldiers and other combatants into society, election preparation, civil society support, judicial and rule of law programs, sustainable rainforest management, the Truth and

Reconciliation Commission, budgetary reforms; \$20 million to help ensure a just peace in Sudan and to support the development of political pluralism and democracy, agriculture, health and education; \$21 million for the region's strategic countries – Ethiopia, Kenya, Nigeria, Djibouti, and South Africa – to support economic growth, democracy, anti-crime and anti-corruption and to counter terrorism. Also, \$18.3 million is to continue programs to resolve long-running conflicts or instability, including Angola, Burundi, the Democratic Republic of Congo, Sierra Leone and Zimbabwe; \$17 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 SADC and ECOWAS; regional programs will fiancé regional and global economic integration, especially program to open markets and harmonize tariff structure.

East Asia and the Pacific, \$174.3 million, of which \$70 million for Indonesia to support economic growth, democracy, conflict mitigation, and a major new education initiative; a total of \$30.5 million for East Timor, Mongolia and Burma to support private sector led growth with trade promotion, micro credit programs in East Timor, assist nomadic communities and semi-nomadic herders in Mongolia, and democracy programs in Burma; \$35 million for the Philippines will support economic reform and good governance and poverty alleviation for former combatants and families; \$17 million for Cambodia for democracy, human rights and anti-trafficking; \$18 million for the South Pacific Multilateral Fisheries Treaty; \$3.8 million for regional projects including the ASEAN Cooperative Plan and development of multilateral groups.

South Asia, \$564 million, which includes \$225 for Afghanistan million to help reinforce democracy and stability; complete the Kandahar-Herat road and basic infrastructure; support the central government; create incentives for demobilization; and assist Afghan women and girls. For Pakistan, \$300 million is for debt relief/budget support and targeted social sector programs, including education reform, expansion of basic health services, democracy, and expansion of economic opportunities. In addition, there is \$15 million for India, \$5 million for Bangladesh; \$5 million for Nepal, \$12 million for Sri Lanka, and \$2 million for the South Asia Muslim Outreach Program.

Near East, \$1.449 billion, to support Middle East stability and the search for a comprehensive peace between Israel and its neighbors. Funding includes \$895 million for Israel and Egypt, \$75 million for the West Bank and Gaza, and \$250 million for assistance to Jordan. In addition, \$20 million will support development projects in Yemen, and \$32 million for Lebanon. Morocco will receive \$20 million for 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 \$150 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.

Europe and Eurasia, \$75.5 million, includes \$50 million for balance of payments support for Turkey; \$13.5 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, \$92 million, includes for South America \$32.5 million for democratic institution building and economic growth programs in Ecuador, Bolivia, Paraguay, Peru, and Venezuela; for Central America (Guatemala, Nicaragua, Panama) and Mexico \$21 million for local conflict resolution and prevention, transparency and accountability systems, support anticorruption, justice sector reform, technical assistance and training to government institutions, and higher education (in Mexico); \$9 million for Cuba to help peaceful transition to democracy; \$3 million for the Dominican Republic for sector reform and anti-corruption efforts; \$4 million for Peru-Ecuador peace, child survival, biodiversity and economic growth. \$9 million for the Third Border Initiative in the Caribbean, Regional programs will receive \$13.5 million for anticorruption, Summit of the Americas Support and trade capacity building.

Global programs receive a total of \$64 million to promote democracy and human rights (\$27 million), promote environmental stewardship (\$3 million), address unacceptable working conditions around the world (\$2 million) prevent the trafficking in persons (\$12 million) and more fully engage non-Arab Islamic countries (\$20 million).

ASSISTANCE FOR EASTERN EUROPE AND THE BALTIC STATES

Table XI

<i>Assistance for Eastern Europe and the Baltic States</i>				
<i>dollars thousands</i>				
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
TOTALS				
Direct Appropriation	621,000	521,587	442,375	410,000
Of which transfers:	191,935	163,206	128,032	138,750
Total USAID-Managed	429,065	358,381	314,343	271,250

The request of \$410 million will help stabilize southeast Europe and support the region's transition into the European and trans-Atlantic mainstream. Although there are no longer USAID missions in the European northern tier, legacy mechanisms are in place for grant-making funds, managed by private foundations, such as the Baltic-American Partnership Fund.

In Southeast Europe, highest priority programs promote stability, rule of law and efforts against corruption and trans-border crime, effective governance, and crucial growth in the private sector to spread the benefits of difficult reform.

The request includes \$87 million for Serbia to help keep fragile political and economic reform on track. Major work remains on rule of law, privatization, job creation and economic growth, and building local democracy. An additional \$15 million will fund similar efforts in Montenegro. For Kosovo, the \$72 million request focuses on building a market economy, strengthening democratic institutions, and fostering rule of law. The Former Yugoslav Republic of Macedonia will receive \$34 million to assist in combating trafficking and corruption, stimulating free markets, and promoting rule of law and strong multi-ethnic democratic institutions. For Bosnia-Herzegovina, \$41 million will assist the government in combating terrorism, trafficking in persons, commercial and criminal justice system reforms, small business development and job creation, economic projects, and local governance. The \$28 million for Albania programs focuses on combating international crime and corruption and on fostering decentralization, local government reform, economic development, as well as increasing employment and trade via private sector development and competitive markets. For Bulgaria, \$27 million will fund a transition plan to secure stronger governance, rule of law and broader economic opportunity. In Romania, a program of \$27 million will assist law enforcement, rule of law, anti-corruption, economic reform, and privatization, with lesser emphasis on the health sector. The Croatia program of \$20 million will help assist the private sector, promote democracy and reduce destabilizing gaps between war-affected communities and more developed areas. Regional programs of \$59 million will fund assessed costs for OSCE peace missions in the Balkans and Bosnia, foster cooperation to fight trafficking in persons and organized crime and to promote trade and economic growth. Significant USAID regional programs support HIV/AIDS and other health programs, energy efficiency, and infrastructure development and trade.

ASSISTANCE FOR THE INDEPENDENT STATES OF THE FORMER SOVIET UNION

Table XII

<i>Assistance for the Independent States of the Former Soviet Union</i>				
<i>dollars thousands</i>				
	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>
TOTALS	958,000	755,060	583,537	550,000
Direct Appropriation	784,000	755,060	583,537	550,000
Emergency Response Fund	64,000	--	--	--
FY 2002 Supplemental	110,000	--	--	--
Of which transfers:	377,704	287,454	173,375	165,209
Total USAID-Managed	580,296	467,606	410,162	384,791
See Europe and Eurasia volume for more detail				

The request for the former Soviet Union totals \$550 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.

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

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

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

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

The OSCE will also receive funds to promote human rights, democratization, economic development and environmental protection in Eurasia. Funds will again be provided to facilitate more trade and to enhance law enforcement cooperation among Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova.

ANDEAN COUNTERDRUG INITIATIVE
(USAID-Managed Portion Only)

Table XIII

<i>Andean Counterdrug Initiative</i>				
<i>dollars thousands</i>				
	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>	<i>FY 2005</i>
TOTAL	219,000	248,375	229,200	229,300
Andean Counterdrug Initiative	219,000	248,375	229,200	229,300

The Andean Counterdrug Initiative account (ACI) supports a comprehensive strategy to reduce the flow of drugs to the United States and prevent instability in the Andean Region. This account is appropriated to the Department of State; the State Department transfers some of these funds to USAID to manage alternative development programs. The State Department FY 2005 request of \$257 million for alternative development programs includes \$229.3 million to be managed by USAID.

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

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

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

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

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

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

The request for FY 2005 includes alternative development programs for Colombia (\$122.3 million), Peru (\$50 million), Bolivia (\$42 million), and Ecuador (\$15 million).

Title II P.L. 480 FOOD FOR PEACE PROGRAMS

Table XIV

<u>Total</u>	<u>958,820</u>	<u>1,809,575</u>	<u>1,184,967</u>	<u>1,185,000</u>
Budget Level-Direct	850,000	1,440,575	1,184,967	1,185,000
Emergency Response Fund	95,000	--	--	--
FY 2002 Supplemental	13,820	--	--	--
Wartime Supplemental		369,000		
<u>Uses:</u>				
Non-Emergency – PVO & WFP	402,340	421,709	TBD	TBD
Emergency – PVO, WFP and Government-to-Government	546,480	1,377,866	TBD	TBD
Farmer-to-Farmer	10,000	10,000	10,000	10,000

FOR MORE DETAIL SEE CENTRAL PROGRAMS VOLUME AND SUMMARY TABLES

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

Appropriated to the U.S. Department of Agriculture, the Title II program is managed by USAID. The request for Title II for FY 2005 is \$1.185 billion in USAID-managed food assistance resources that are no longer dependent on surplus commodities, and is equal to the FY 2004 level.

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

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

FY2005 Pillars and Programs of Special Interest

(Dollars Millions)

	Development Assistance/ Child Survival	Economic Support Fund	Assistance to Eastern Europe and Baltics	Assistance to Independent States of Former Soviet Union	Andean Counterdrug Initiative	International Disaster & Famine Assistance	Transition Initiative	PL 480	Totals
Economic Growth, Agriculture and Trade	1,121.0	2,048.2	137.7	274.3	141.0				3,722.3
Agriculture	268.0	48.6	12.3	29.2	61.1				419.2
Economic Growth	316.0	1,317.1	96.2	170.1	67.8				1,967.3
Environment	275.0	134.8	7.6	34.8	10.9				463.1
Education and Training	261.9	119.7	21.6	40.3	1.2				444.7
[of which Basic Education]	[212.0]	[101.0]	[0.5]	[0.4]	[0.4]				[314.3]
Special Concerns */		428.0							428.0
Global Health	1,420.0	100.0	12.6	64.4	7.0				1,603.9
Child Survival/Maternal Health	325.0	56.4	2.6	18.9	5.7				408.6
Vulnerable Children	10.0	-	4.4	3.4	0.8				18.6
HIV/AIDS	500.0	1.5	1.1	18.4					521.0
Global AIDS Initiative									-
Infectious Diseases	139.0	0.8	0.5	11.6	0.5				152.4
Family Planning/ Reproductive Health	346.0	41.3	4.0	12.1					403.4
GFATM	100.0								
Democracy, Conflict & Humanitarian Assistance	208.0	307.8	259.8	211.2	81.3	385.5	62.8	1,185.0	2,701.3
Democracy and Governance/Conflict	191.0	293.6	250.9	178.7	31.3		62.8		1,008.3
Human Rights/Other Health	17.0	5.7	6.2	3.9	7.0				39.8
Humanitarian Assistance		8.5	2.7	28.6	43.0	385.5		1,185.0	1,653.3
Global Development Alliance	[10.0]								[10.0]
Other		64.0							64.0
State Department Initiatives		64.0							
Total	2,749.0	2,520.0	410.0	550.0	229.3	385.5	62.8	1,185.0	8,091.5

*/ Special Concerns include programs for Israel, Turkey and the South Pacific Tuna Treaty

FY2004 Pillars and Programs of Special Interest

(Dollars Millions)

	Development Assistance/ Child Survival	Economic Support Fund	Assistance to Eastern Europe and Baltics	Assistance to Independent States of Former Soviet Union	Andean Counterdrug Initiative	International Disaster & Famine Assistance	Transition Initiative	PL 480	Totals
Economic Growth, Agriculture and Trade	1,152.7	2,664.7	155.5	305.5	141.7				4,420.1
Agriculture	268.4	39.1	12.5	27.8	61.1				408.9
Economic Growth	313.2	1,776.9	112.3	179.3	65.1				2,446.8
Environment	293.7	115.2	7.2	53.3	13.8				483.1
Education and Training [of which Basic Education]	277.4 [216.8]	139.0 [91.3]	23.5 [0.6]	45.1 [0.2]	1.8 [0.4]				486.8 [324.6]**/
Special Concerns */		594.5							594.5
Global Health	1,824.2	115.3	15.5	70.0	8.3			10.0	2,043.2
Child Survival/Maternal Health	327.8	84.9	2.6	23.8	7.5				446.6
Vulnerable Children	28.0	0.3	5.0	2.3					35.6
HIV/AIDS	513.5	2.1	1.7	15.8	0.0			10.0	543.0
Global AIDS Initiative									-
Infectious Diseases	183.9	3.3	0.6	13.1	0.7				201.7
Family Planning/ Reproductive Health	373.3	24.8	5.7	15.0					429.5***/
GFATM	397.6								397.6
Democracy, Conflict & Humanitarian Assistance	211.7	427.2	271.3	208.0	79.3	474.0	54.7	1,185.0	2,911.1
Democracy and Governance/Conflict	186.7	393.3	260.0	179.8	31.3		54.7		1,105.8
Human Rights	25.0	6.0	5.3	2.4	5.0				43.7
Humanitarian Assistance		27.9	6.1	25.7	43.0	474.0		1,185.0	1,761.7
Global Development Alliance	[15.0]								[15.0]
Other	12.5	56.2							68.7
State Department initiatives		56.2							56.2
Program to OE Transfer	12.5								12.5
Total	3,201.0	3,263.3	442.4	583.5	229.2	474.0	54.7	1,195.0	9,443.1

*/ Special Concerns include programs for Israel, Turkey and the South Pacific Tuna Treaty

**/ The Basic Education Total also includes an additional \$15.4 million from yet to be determined sources

***/ The Population Total also includes an additional \$10.8 million from yet to be determined sources

FY2003 Pillars and Programs of Special Interest

(Dollars Millions)

	Development Assistance/Child Survival	Economic Support Fund	Assistance to Eastern Europe and Baltics	Assistance to Independent States of Former Soviet Union	Andean Counterdrug Initiative	International Disaster Assistance	Transition Initiative	PL 480	Total
Economic Growth, Agriculture and Trade	1,151.2	4,323.9	209.2	430.6	163.1				6,278.0
Agriculture	258.8	83.5	19.1	58.5	59.8				479.7
Economic Growth	313.2	3,248.1	147.4	221.1	89.2				4,019.0
Environment	302.5	96.2	16.7	71.2	13.3				500.0
Education and Training	276.7	78.1	25.9	79.8	0.8				461.3
[of which Basic Ed]	[216.6]	[52.1]	[0.4]	[4.2]	[0.0]				273.3
Special Concerns */		818.0							818.0
Global Health	1,824.6	101.6	18.3	65.4	8.7				2,018.5
Child Survival/Maternal Health	321.9	43.6	2.7	22.4	8.0				398.6
Vulnerable Children	26.8	-	4.9	2.6					34.3
HIV/AIDS	587.7	5.7	2.0	11.5					606.9
Infectious Diseases	154.5	3.3	0.9	13.3	0.7				172.7
Family Planning/ Reproductive Health	366.1	48.9	7.9	15.5					438.5 **/
Global Fund To Fight AIDS, Malaria and Tub.	248.4								248.4
UNICEF	119.2								119.2
Democracy, Conflict & Humanitarian Assistance	213.9	318.7	294.1	259.1	76.6	431.9	61.7	1,809.6	3,465.4
Democracy and Governance/Conflict	187.1	296.3	271.1	219.7	26.3		61.7		1,062.2
Human Rights	26.8	4.7	8.3	3.2	7.0				50.0
Humanitarian Assistance	-	17.7	14.6	36.2	43.3	431.9		1,809.6	2,353.3
Global Development Alliance	14.9								14.9
Other		57.9							57.9
State Department Initiatives		57.9							57.9
Total	3,204.5***/	4,802.1	521.6	755.1	248.4	431.9	61.7	1,809.6	11,834.8

*/ Special Concerns include programs for Israel, Turkey and the South Pacific Tuna Treaty

**/ The Population Total also includes an additional \$5 million from Migration and Refugee Assistance funds.

***/ DA/CS Total excludes: \$100 million DA from Iraq Relief & Recon. Fund, \$90 million CS Supplemental from Wartime Supplemental and \$25 million CS transfer from State IO/P account

PROGRAM HIGHLIGHTS

The Bush Administration's *National Security Strategy* identifies development, diplomacy, and defense as the core, interdependent components of U.S. foreign policy. In the current complex national security environment, economic and political development plays a critical and pivotal role. Over the past two years, the War on Terrorism and the reconstruction of Iraq and Afghanistan have highlighted the importance of foreign assistance in U.S. national security policy.

The U.S. Agency for International Development (USAID) is moving in new directions to meet the evolving foreign assistance challenges. For the first time, the State Department and USAID have coordinated and integrated their foreign policy and development goals in a joint State/USAID five-year strategic plan. USAID is focused on performance-based management. Furthermore, the Agency developed a generalized strategic budgeting model that takes into account country need, program performance and country commitment in key areas such as economic freedom, investment in people and ruling justly. The Agency integrated the results of the Performance Assessment Rating Tool (PART) and strategic budgeting to develop country allocations. To continue these and other management improvements and to sustain improvements in implementation of its priority programs, USAID's first management priority is the rebuilding of its foreign service through the Development Readiness Initiative, a program which builds on Secretary Powell's Diplomatic Readiness Initiative and whose goal is to make the Agency more agile and better able to respond to foreign policy priorities. Management improvements that are led by a world-class foreign service and a dedicated civil service will lay the foundation for a strengthened U.S. role in international development

The FY 2005 budget request is the first under the joint State/USAID strategic plan and reflects the Administration's integrated approach to foreign policy and national security. Using a formal strategic budgeting model, the FY 2005 budget request takes into account foreign policy considerations, the developmental needs of the country, the commitment of the host government, and the performance of the USAID program. The FY 2005 budget will enable USAID fulfill its mandate to:

- **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** through stabilization, reform, and recovery programming in selected failing, failed, and recovering states.
- **Provide humanitarian relief** to meet immediate human needs in countries afflicted by violent conflict, crisis, natural disaster, or persistent dire poverty.
- **Support geostrategic interests** to achieve specific U.S. foreign policy goals in countries of high priority from a strategic standpoint.

- **Address global and transnational issues** including HIV/AIDS, other infectious diseases, biodiversity, climate change, direct support for international trade agreements, trafficking in persons, and counter-narcotics.

By providing advisory services, training, and commodity support to more than 70 developing and transition countries around the world, USAID strengthens our country's leadership in the provision of hope and opportunity for people in the developing world

USAID has structured its programs around four "pillars": (1) the Economic Growth, Agriculture, and Trade (EGAT) pillar focuses on building stronger economies that are soundly-governed, broadly-based, and integrated into the global trading system; (2) the Global Health pillar includes child survival and maternal health, HIV/AIDS, infectious diseases, family planning and reproductive health; (3) the Democracy, Conflict, and Humanitarian Assistance pillar responds to crises and promotes good governance; and (4) the Global Development Alliance promotes public-private alliances to address all sectors of development, i.e., poverty, disease, and hunger. The GDA model allows USAID to leverage the resources of non-governmental organizations, the private sector, and other donors to achieve a much greater impact that is possible with USAID's limited resources alone. The FY 2005 budget request is organized around the three sectoral pillars; the Global Development Alliance is incorporated in all three.

USAID's budget request supports programs directed at key development priorities in the President's FY 2005 budget. The budget request reflects the Administration's new focus and impetus on the role of foreign assistance in enhancing our national security and promoting a sound economic development agenda. The total FY 2005 request is \$8.823 billion. Of this amount, \$3.709 billion is requested for programs to be implemented by USAID from accounts that are jointly managed with the Department of State: 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. \$3.197 billion is requested for program accounts which are directly managed by USAID: Development Assistance, Child Survival and Health Programs Fund, International Disaster and Famine Assistance, Transition Initiatives. Administrative costs total \$731 million for Operating Expenses, the Capital Investment Fund, IG Operating Expenses, and the Development Credit Program's administrative expenses. Also included is \$1.185 billion in P.L. 480 Title II food aid (which falls under the Subcommittee on Agriculture and is appropriated through the U.S. Department of Agriculture and managed by USAID).

Economic Growth, Agriculture, and Trade Pillar

Assistance provided under this pillar will broadly promote an expansion of economic opportunities by enabling: nations to better participate in and benefit from world trade; farmers and rural entrepreneurs to access new technologies and markets for the production of food and incomes; business firms, cooperatives, and other economic

organizations to increase the efficiency and profitability of their efforts; and individuals to acquire the skills they need to succeed in life.

Development Assistance (DA) resources will be largely allocated to countries in sub-Saharan Africa, Latin America, and Southeast Asia. OFDA and OTI resources will enable countries emerging from conflict or disaster to regain an economic growth path, initially by focusing on the basics of agriculture, microenterprise, education, and good governance. FSA and AEEB resources will continue the difficult task of building democratic market economies in Eastern Europe and the former Soviet Union. ESF resources support economic growth programs in countries that have special priority for the U.S. from a foreign policy perspective. Title II food aid resources both ensure safety nets when external shocks (drought, high oil prices, market crises, or civil strife) occur and highly-focused resources that enable the poorest groups to find or maintain their places in national economies. The Development Credit Authority (DCA) permits USAID to expand the impact of all appropriated resources by facilitating our partnership with private sector financial institutions willing to work with USAID in providing needed credit to targeted sectors or borrowers.

Given U.S. Government (USG) commitments made at the WTO Ministerial Meeting in Doha to support increased integration of developing countries in the global trading system and at the U.N. Financing for Development Conference in Monterrey to support increased private sector investments in economic development, USAID's FY 2005 proposes to sustain a significant level of investment in trade capacity-building. With USG commitments made at the World Food Summit: six years later and USAID's role in the interagency effort dedicated to cutting hunger in half by the year 2105, the Agency is continuing to rebuild agricultural programs worldwide. We recognize that expanded economic opportunities for the vast majority of the poor in developing and transition countries rely on increasing productivity in this sector. Investments in science and the development of agricultural technologies (including those using biotechnology) will be complemented by investments that sustain the productivity and quality of the natural resources on which agricultural production depends.

The USG's decision to rejoin UNESCO strengthens USAID collaboration and leadership in the education sector and the implementation of the Education for All initiative. Without the training and skills to access the rapidly-growing knowledge base that underpins economic growth, children and adults in developing and transition countries will be unable to seize economic opportunities and realize the benefits of economic freedom that USAID promotes.

Finally, the USG commitments at the World Summit on Sustainable Development – and the Presidential Signature Initiatives announced at that Summit in Johannesburg – are reflected in the USAID requests for resources to support environmental protection and conservation of biodiversity (especially in Central Africa), extending access to modern energy (including renewable energy and other clean technologies), extending access to information technologies and the internet, and addressing increasingly critical issues associated with water: access to potable water and sanitation, more productive use of

the world's fresh water for agriculture, and improved management of this scarce resource.

Increasing Trade and Investment for Economic Growth and Reducing Poverty

Economic growth is driven largely by increased trade and investment. Effective economic governance makes trade and investment possible by establishing an environment which provides the necessary legal framework, security, and skilled and healthy human resource base. Sound policies – and programs geared toward the microentrepreneur, community development, and small business -- ensure that the poor as well as the rich can participate in and benefit from trade and investment. Over the long term, a growing economy is required to reduce poverty.

USAID has built an impressive track record in its programs to build trade capacity in developing and transition countries since FY 1999. As the USG pursues an increasing number of bilateral trade agreements, the hemispheric agreement known as the Free Trade Area of the Americas (FTAA), and a number of historic changes in the global trading agreements negotiated through the World Trade Organization (WTO), USAID finds itself increasingly called upon to respond to needs for assistance in economic analysis, trade facilitation, and building both government and local business capacity to understand and respond to the opportunities that global trade presents. USAID's trade and investment proposals will, therefore, support regional, sub-regional, national, and local (private sector) initiatives.

In **Africa**, USAID promotes harmonization of trade and customs policies, more transparent and efficient finance and investment environments, and business linkages through both regional and sub-regional efforts. The regional **Trade for African Development and Enterprise (TRADE) Initiative** seeks to: (1) promote U.S.-Africa business linkages; (2) enhance competitiveness of African products (especially in response to opportunities presented by the popular Africa Growth and Opportunity Act (AGOA)); (3) expand the role of trade in African poverty reduction strategies; (4) improve the delivery of public services supporting trade (e.g. customs procedures); (5) build African capacity for trade policy analysis; and (6) strengthen the enabling environment for African businesses. At the President's request, USAID established three regional "hubs" for increasing trade competitiveness in Africa in 2002/2003. These hubs energize sub-regional collaboration and, in southern Africa, will support the bilateral trade negotiations with the Southern Africa Customs Union as well as follow up to ensure that countries are able to respond to this new opportunity. The Africa Bureau's initiative to Cut Hunger in Africa will also include an element of trade capacity-building, focusing both on linking farmers to global markets and on increasing the efficiency of local and regional markets.

In **Asia and the Near East**, USAID's trade capacity building efforts will build on the success of the U.S.-Jordan Free Trade Agreement and U.S. support for Jordan's accession to the WTO, expand engagement with Morocco in the context of the U.S.-

Moroccan Free Trade Agreement, and extend the impact and lessons of experience in work with private sector competitiveness in Sri Lanka. Opportunities to link the clean energy objectives with industrial growth and to link clean water objectives with better municipal management in support of economic growth will be seized to the extent that funds and private sector interests permit. In general, national programs will continue to liberalize international trade, improve economic governance, increase competition, eliminate restraints on foreign and domestic investment, improve financial sector performance, and privatize infrastructure.

In **Europe and Eurasia**, USAID continues to support countries' aspirations to become full members of the World Trade Organization. Some countries have gone further than others in making the transition to free market economies; USAID is emphasizing increasing competitiveness as a means of linking local markets to both macroeconomic reforms and microeconomic foundations for business growth. Good governance issues are also at the core of both regional and national programs. USAID is fighting corruption (including money laundering), promoting business ethics, and mitigating adverse impacts of transition through social insurance reform, employment generation and education reform.

In **Latin America and the Caribbean**, USAID supports the Opportunity Alliance for Central America (formerly the Partnership for Prosperity) as a means for integrating the relatively small economies in the region and promoting the recovery from market declines and job loss, exacerbated by drought. Assistance to the Alliance will also contribute to successful negotiation and implementation of the **U.S.-Central American Free Trade Agreement (CAFTA)** as well as the Free Trade Area of the Americas (FTAA) agreement. Priority bilateral activities include building capacity for analysis and policy development to underpin negotiations, promoting competitiveness in the private sector (being mindful of the gender impact of alternative approaches), developing market linkages (especially with the demanding U.S. market), and providing assistance for business development. Programs help countries comply with the "rules of trade," such as sanitary/phytosanitary measures, fair and efficient customs systems, and intellectual property rights. USAID's support for legal, policy, and regulatory reforms also will improve the climate for trade and investment. Given the importance of remittances to Central American economies, USAID is strengthening remittance mechanisms while lowering transfer costs.

To support these regional and country efforts to build trade capacity, the EGAT Bureau provides leadership and technical support to USAID economic growth programs around the world. In FY 2005, EGAT Bureau programs will identify and disseminate new approaches for creating sound commercial laws, increasing competition in key service sectors, and accelerating the response of private firms to global market opportunities. EGAT expertise will also complement and support mission staff capability worldwide. The EGAT Bureau will also provide support for interagency efforts to extend information and communication technologies more widely, working with governments on regulatory reforms, the private sector on needed infrastructural investments, and with a host of partners on applications relevant to development challenges.

Developing Agriculture and Reducing Hunger

To reduce hunger over the next 20 years, both men and women farmers in developing countries will have to more than double the productivity of their land, labor, and water resources without further encroaching on concentrations of biodiversity, degrading soil and water quality, or bringing marginal land into production. At the same time, to realize the benefits of trade and meet the standards of international markets, farmers will have to become more competitive in marketing what they produce. The need to double productivity and compete globally will require countries to institute market-based policies as well as develop the institutions, infrastructure, and rural finance systems needed to ensure that farmers both have access to the necessary technologies and the incentive to use them.

To meet this huge challenge, USAID is revitalizing its agricultural programs and encouraging public and private donors and development partners to do the same. Agency-wide agricultural programs are aimed at four strategic themes:

- Mobilizing science and technology to reduce poverty and hunger
- Developing global and local trade opportunities for farmers and rural industries
- Increasing knowledge at the local level through training, outreach, and adaptive research
- Promoting sustainable agriculture and sound environmental management

Africa's challenges are the greatest: It is the only region of the world in which, if current trends prevail, hunger will increase rather than decrease in the coming decades. Recognizing that the agriculture sector is the most cost-effective engine of growth for Africa, USAID has launched the regional **Initiative to Cut Hunger in Africa**, with the intent of fulfilling the U.S. pledge towards a global effort to reduce hunger in the region in half by 2015. USAID initially partnered with three countries experiencing significant food insecurity (Uganda, Mali, and Mozambique) but whose governments are most committed to promoting broad-based and equitable growth in the agricultural sector. With these three programs as "regional anchors", the Initiative has grown to include neighboring countries and promote the use of modern technologies, expand credit to farmers, strengthen producer associations, provide better market information to farmers and traders, and enhance the economic incentives for farmers and small-scale entrepreneurs. It will target crops, livestock, and environmental goods and services where African farmers have a competitive advantage. Related efforts will be made to promote private sector-led diversification of the economy, such as agro-processing, and to increase agricultural exports.

In **Latin America and the Caribbean**, USAID will more continue its agriculture programs, including those with non-traditional agricultural exports and access to specialty coffee markets. Business development and marketing services will help small and medium farmers and rural enterprises improve productivity and tap new markets.

In Central America and Mexico, the Opportunity Alliance in which USAID participates actively will emphasize trade-led rural competitiveness through diversification, promoting access to agricultural niche markets and expansion into non-agricultural products.

In **Europe and Eurasia**, much of USAID's work in the agricultural sector has focused on land reform; this has improved the incentives for farmers to invest in and manage their land. Lessons learned in one country are being shared with others, such as between Moldova and Ukraine. Where countries have a comparative advantage in agriculture, such as Albania and Kazakhstan, USAID is increasing its support for agribusiness development.

The FY 2005 budget request for the EGAT Bureau will enable the Bureau to sustain global leadership in international agricultural research and development through its management of the global Collaborative Research and Development Program (CRSP) with the U.S. land grant universities as well as its participation in the Consultative Group for International Agricultural Research (CGIAR). In addition, the Bureau will provide technical leadership and field support in a wide range of areas: sanitary/phytosanitary standards, environmentally-sound sustainable agriculture, mitigation of and adaptation to climate change, training and outreach, and rural finance.

Increasing Access to Efficient, High Quality Education

President Bush has repeatedly underscored his commitment to education both at home and abroad. "The task of development is urgent and difficult, yet the way is clear. As we plan and act, we must remember the true source of economic progress is the creativity of human beings. Nations' most vital natural resources are found in the minds and skills and enterprise of their citizens. The greatness of a society is achieved by unleashing the greatness of its people."

Education – an important investment in people -- is the foundation for higher living standards and democratic societies. It is an important long-term investment in sustaining democracies, improving health, increasing per capita income and conserving the environment. Economic growth in developing countries requires creating a skilled workforce. Full educational participation by girls leads to improved family health and child survival, along with stronger family support for the education of future generations. Conversely, uneducated young men, without prospects of productive employment, are especially vulnerable to recruitment by groups supporting terrorism or contributing to civil and international conflict.

USAID's basic education programs help and encourage countries to improve their educational policies and institutions and to adopt improved educational practices in the classroom. The involvement of families and communities in educational decision-making is crucial. In many developing countries, where girls face barriers to educational participation, USAID devotes special efforts to reducing these barriers and thereby promoting educational opportunity for girls. These efforts, along with the Agency's strong field presence, have given USAID a reputation as a technical leader and innovator in basic education. The Agency is well-known, for example, for investing in

pilot programs that are later funded on a large scale by the World Bank and regional development banks. In FY 2005, the USG, through USAID, is requesting funds for two Presidential Initiatives in Africa and Latin America as well as increased education funding for South Asia, Southeast Asia, and Eurasia. USAID also proposes to continue targeted support for higher education, including fostering of partnerships between U.S. institutions and counterpart institutions in developing and transition countries. Workforce development will also play a role in linking economic growth and education strategies in countries experiencing high unemployment.

The multi-year initiative, **Strengthening Basic Education in Africa**, challenges African education professionals to find new ways to quickly provide children with opportunities to learn and become productive members of society. To address the devastation of the HIV/AIDS epidemic, this initiative will assure that 400,000 teachers are trained, and will increase the African Education Ministries' capacity to address the impact of HIV/AIDS on education systems. With the assistance of U.S. Historically Black Colleges and Universities, African students will be provided with 4.5 million textbooks in their local languages. Local organizations will receive funding to help communities create parent teacher associations to ensure that parents and communities have a school they can be proud to send their children to. An important result will be an increase in the number of girls graduating with the life skills they need.

The **Centers of Excellence in Teacher Training (CETT) Initiative in Latin America and the Caribbean** is supporting the development of three teacher training centers to serve Central America, the Caribbean, and the Andean region of South America. This multi-year education initiative is focused on increasing teacher and administrator quality, improving the reading instruction and pedagogical skills of poorly qualified teachers, and advancing education reform in key countries. A clearinghouse of teacher training materials will be created and disseminated using information technology. The centers will disseminate best practices and lessons learned from teacher training institutions, think tanks, schools, and universities, as well as provide virtual training.

In **South and Southeast Asia** (Afghanistan, Pakistan, Bangladesh, India, and Indonesia), FY 2005 funding for basic education will foster continued progress in training of very large populations. In Afghanistan and Pakistan, the emphasis will be on expanding opportunities for girls as well as boys who have had their education disrupted by war.

In **Central Asia** (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan), USAID is initiating a major effort to prevent basic education services from deteriorating. This initiative is focused on nurturing critical thinking and indigenous values required both to reform successfully and to reduce the appeal of Islamic radicalism.

USAID'S basic education programs strongly emphasize the need to ensure equitable access for girls, especially in Africa and the Near East. In contrast, educational gender gaps tend to be small in most countries in Latin America and the Caribbean. In such countries, USAID concentrates more on improving classroom practices and other

aspects of educational quality, to reduce grade repetition and school drop-outs among girls and boys alike.

In the EGAT Bureau, support for higher education partnerships, a program of research pointing to best practices, management of the USAID training system, and support for the development of fact-based management information systems will contribute to more effective education and training programs worldwide.

Managing Natural Resources and Protecting the Global Environment

In addition to improving management of natural resources for increased agricultural productivity, USAID invests in five key areas that affect environmental quality and the sustainable access of people to resources vital for life:

- Conservation of biological diversity
- Improved management of land, water, and forests
- Environmentally-sound urbanization
- Enhancing the access of underserved populations to modern energy and promoting clean and efficient energy production and use
- Measures to reduce the threat of and facilitate adaptation to Global Climate Change while simultaneously promoting sustainable economic growth.

In FY 2005, USAID is requesting funds to implement five Presidential Initiatives.

The **Water for the Poor 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 Asia and the Near East.

The **Clean Energy Initiative: Powering Sustainable Development from the Village to Metropolis** seeks to provide millions of people with new access to energy services, increase the efficiency of energy use, and significantly reduce readily preventable deaths associated with indoor and outdoor air pollution. It will accomplish these goals by changing vehicle and domestic energy use patterns. Under this initiative, USAID funds will leverage an estimated \$400 million in other funds through the Global Village Energy Partnership. The Partnership includes other governments, the private sector, civil society, and development organizations.

The **Congo Basin Forest Partnership Initiative** will promote economic development, alleviate poverty, improve governance, and conserve 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.

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 **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 regional bureaus: Africa, Asia and the Near East, Latin America and the Caribbean, and Europe and Eurasia.

Global Health Pillar

The FY 2005 request for the Global Health pillar is \$1.42 billion in Child Survival and Health Programs Funds, and an estimated \$184 million in other USAID-administered program accounts. Investing in the health of the world's population contributes to global economic growth, reduction of poverty, a sustainable environment, and regional security. In addition, protecting human health and nutrition in developing and transitional countries directly affects public health in the U.S. by preventing the spread of infectious diseases. USAID is recognized as a world leader in global health, including child survival and maternal health, HIV/AIDS, infectious diseases and family planning/reproductive health. As HIV/AIDS and other infectious diseases continue to threaten the health of families and children in developing countries worldwide, USAID works to eliminate these threats and improve the health and livelihoods of people across the globe. USAID's technical leadership and field presence give it a comparative advantage over other donors in designing effective programs and influencing global and national policies to combat these health threats. USAID, through its Bureau for Global Health, is well positioned to use its expertise, experience and presence in global health to advance the President's agenda in fighting HIV/AIDS and other infectious diseases, and to revitalize child survival and reproductive health programs.

New opportunities in the health sector are a direct result of the changing demographics, epidemiology, and diversity in developing-country populations. The Global Health Bureau has responded to these opportunities by redirecting funding to be more in line with new Presidential initiatives and Agency priorities as outlined in the *Foreign Assistance in the National Interest* report. In addition, USAID works with a range of private, public and international partners to implement its programs. USAID'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. The role of the U.S. private sector has grown dramatically in recent years, with the top 10 private U.S. foundations now exceeding USG spending in the area of international health. USAID has actively sought new ways of doing business with nongovernmental organizations (NGOs) and private sector organizations, and reaching out to faith-based organizations (FBOs).

The Global Health pillar will focus on the five main program areas of child survival, maternal health, nutrition, HIV/AIDS, other infectious diseases, family planning and reproductive health. Within these program areas, USAID's objectives are to:

- Reduce infant and child mortality
- Improve maternal health
- Address the HIV/AIDS epidemic
- Reduce the threat of other infectious diseases
- Reduce unintended pregnancies

For decades, USAID has led the worldwide effort to improve child and maternal health and nutrition in developing and transition countries. In recent years, USAID has intensified and expanded efforts to combat HIV/AIDS, tuberculosis, and malaria. USAID's technical leadership and field presence give it a comparative advantage over other donors in designing effective programs and influencing global and national policies to combat these health threats. USAID uses these advantages to catalyze the efforts of the international community through technical leadership and support to partnerships including the Global Fund to Fight AIDS, Tuberculosis, and Malaria; the Global Alliance for Vaccines and Immunization; and the Global Alliance for Improved Nutrition. These partnerships complement worldwide coalitions to implement technical and programmatic strategies, such as Stop TB and Roll Back Malaria.

Addressing the HIV/AIDS Epidemic

The HIV/AIDS pandemic is a major and growing threat to both health and overall development, especially in poor countries. HIV primarily strikes people in their peak productive years, with devastating effects on citizens, communities, economies, and national security. Under the leadership of the State Global AIDS Coordinator's Office, USAID will focus on implementation of President's Emergency Plan for AIDS Relief (PEPFAR) in FY 2004 and FY 2005. The goals of this five-year emergency relief program are to prevent seven million new HIV/AIDS infections, treat two million people with life-extending drugs and provide humane care for the millions of people suffering from, and children orphaned by, AIDS. The FY 2005 request for HIV/AIDS is \$621 million, which includes \$100 million for the Global Fund. In addition, \$1.45 billion is requested for the Global HIV/AIDS Initiative managed by the State Department Coordinator in partnership with USAID.

The guiding principle of USAID's HIV/AIDS strategy is to support programs that save and extend lives. This strategy is both geographic and programmatic. Geographically,

USAID directs resources to priority countries and regions selected on the basis of the severity of the epidemic, the risk of rapid increase of infection, and the commitment to deal aggressively with the pandemic. Programmatically, USAID implements activities in a "prevention-to-care" continuum to fight the pandemic. This includes a balanced ABC prevention approach: abstinence (including delaying sexual debut); being faithful in relationships and condom provision; supporting care and treatment including provision of drugs; assisting orphans and children affected by HIV/AIDS; and supporting efforts by the Global Fund to Fight AIDS, Tuberculosis, and Malaria. USAID programs are integrated within the overall policy and strategic direction of the President's Emergency Plan for AIDS Relief.

USAID will provide both financial and technical assistance to the **Global Fund to Fight AIDS, Tuberculosis, and Malaria**. The Global Fund is a financing mechanism intended to mobilize additional resources for scaling up proven interventions. USAID's bilateral programming provides the foundation, e.g., human capacity and systems development, upon which the Global Fund can build and expand. At the country level, USAID's missions support the Global Fund by providing technical assistance to the Country Coordinating Mechanism (CCMs) in analyses or assessments required to strengthen proposals, as well as assistance in proposal development; and by improving the capacity of CCMs to implement successful programs. Additionally, in FY 2003, USAID staff provided technical support to develop policy and operational guidelines for the Fund, and continue to be members of the technical committees.

At the program level, USAID implements activities in support of the President's Emergency Plan for AIDS Relief encompassing a "prevention-to-care continuum" by:

- Using a balanced "ABC" prevention approach focusing on promoting Abstinence, Being faithful/fidelity and using Condoms
- Increasing voluntary counseling and HIV testing (VCT)
- Expanding programs to prevent mother and child HIV transmission
- Supporting care for those infected and affected by HIV/AIDS including orphans and other vulnerable children
- Supporting treatment for people living with HIV/AIDS including antiretroviral therapy
- Building capacity for strategic information

Since 1999, USAID has more than quadrupled its resources for combating HIV/AIDS. These efforts have resulted in a slowing of the pandemic in Uganda and Zambia and among population groups in other countries; the development of new voluntary counseling and testing procedures, which have increased preventive behaviors; and improved surveillance of the disease and its progression worldwide.

The Agency is committed to improving the capacity of developing countries to protect populations not yet infected by HIV and those already affected. In FY 2004 and FY 2005, USAID will continue to work closely with host-country governments, citizen groups and other donors. It will also expand partnerships with the community and faith-

based organizations to help achieve ambitious international goals. Within the HIV/AIDS program, the Agency will also continue to fund programs that address the critical needs of children affected by HIV/AIDS, including orphans.

Reducing the Threat of Other Infectious Diseases

USAID's FY 2004 and FY 2005 programs will reduce deaths and sickness from infectious diseases. They will support the prevention and control of tuberculosis and malaria as well as programs designed to combat anti-microbial resistance and improve disease surveillance and response capabilities. USAID will strengthen global and regional initiatives, such as Roll Back Malaria, the Global Partnership to Stop TB, and its related effort, the Global TB Drug Facility. The Agency will continue to advance the sharing and use of the most recent technical knowledge by using electronic networks to convene key international health experts to share technical information, program developments, and research findings.

The Agency's TB strategy will support programs in high-prevalence countries, including those training TB experts on the Directly Observed Treatment Short-Care (DOTS) strategy, as well as others supporting local efforts of global and regional partnerships. USAID's plan is to achieve cure rates of 85% and case-detection rates of 70% in targeted countries and to continue to support drug-resistance surveillance. The Agency will also expand the availability and appropriate use of new diagnostics for tuberculosis.

USAID's malaria strategy focuses on preventing infection, promoting effective treatment, protecting pregnant women, responding aggressively to drug-resistant malaria, and developing new tools and approaches for prevention, diagnosis, and control. USAID and its partners will contribute to achieving by 2010 the goals of the 2000 Abuja Declaration on Malaria:

- At least 60% of those suffering from malaria will receive appropriate cost-effective treatment within 24 hours of the onset of symptoms
- At least 60% of those at risk of malaria will benefit from protective measures such as insecticide-treated mosquito nets
- At least 60% of all pregnant women who are at risk of malaria will have access to presumptive treatment

Reducing Infant and Child Mortality and Improving Maternal Health

USAID has been a global leader in child survival since the 1980s. Using proven tools, many of them developed with Agency support, child survival programs have saved tens of millions of children's lives, even in the poorest countries. As a result, mortality of children under five in developing countries (excluding China) declined from 105 per 1,000 births in 1985 to 70 per 1,000 in the year 2000. In other words, 4.4 million fewer children under five died in 2000 than would have died under child mortality rates that prevailed 15 years ago. Nevertheless, a new analysis by WHO the World Bank and other international partners concludes that about seven million of the nearly eleven

million annual child deaths can be prevented just by extending coverage of proven interventions such as immunizations, vitamin A supplementation and oral rehydration.

In FY 2005, USAID will continue activities that reduce the incidence of the major childhood killers: acute respiratory infections (primarily pneumonia), diarrheal disease, measles, malaria and factors that occur in the first 28 days of life (neonatal period). Combating childhood malnutrition and preventing micronutrient deficiencies will also be part of USAID's programs, as will safe-birthing and effective prenatal, postpartum, and neonatal care. Critical environmental health activities will continue, such as promoting good hygiene, controlling vector-borne diseases, and improving access to safe water and sanitation services. Additionally, USAID will continue to develop low-cost, feasible, effective interventions that address the major causes of infant and child malnutrition, morbidity, and mortality and support their widest possible implementation in developing countries.

USAID will work with its partners to continue reducing the mortality rate for infants and children under five. In addition, in countries where it has a field presence, the Agency will help reduce by 25% between 1998 and 2007 the number of underweight children under five. The Agency expects to meet this goal, although the mounting HIV/AIDS pandemic and deterioration of the economic and health systems in some countries may slow progress.

Child health and the overall welfare of families are powerfully dependent on maternal health. In recent years, USAID has increased its efforts to reduce maternal deaths and disabilities. Approximately 500,000 mothers die every year, leaving behind two million orphans. Newborns whose mothers die in childbirth are ten times more likely to die by age two. The estimated annual worldwide economic impact in lost productivity due to maternal mortality and subsequent child mortality is \$15 billion. However, 95% of these maternal deaths are preventable. Therefore, the Agency has identified and begun promoting a set of feasible, low-cost programs and best practices that will significantly reduce mortality among mothers and newborns. These successful and cost-effective interventions include improving maternal nutrition and birth preparedness, promoting attendance of medically trained personnel at delivery, managing obstetrical complications, and providing postpartum and pregnancy-related hemorrhage care services (emergency treatment, family planning services, and referral for infection treatment and follow-up).

USAID aims to reduce the maternal mortality ratio by 10% between 1998 and 2007 in countries where it works. To achieve this goal, USAID will continue its successful maternal health programs at the national level and its advocacy programs at the community level. The Agency will also continue to work toward better national policies for maternal health and nutrition. USAID's maternal health programs are relatively new, but initial reports indicate that they have already contributed to significant declines in maternal mortality ratios (e.g. Egypt, Indonesia, Honduras, Bangladesh and Morocco) and increases in skilled attendance at delivery (e.g. Bolivia).

Protecting Vulnerable Children

In FY 2005, USAID will continue to support the Displaced Children and Orphans Fund (DCOF) by establishing effective approaches to working with local communities and nongovernmental organizations to provide care and support for vulnerable children. Activities will assist children affected by war, street children, and children with disabilities. These programs will seek to avoid institutional care solutions, working instead to meet children's needs within their communities. Additionally, USAID will continue programs that assist orphans in Russia and Eastern Europe by focusing on the medical and basic needs of orphans and reducing the number of children entering state orphanages.

Stabilizing Population

For 35 years, USAID has been a world leader in supporting voluntary family planning and reproductive health programs, helping families achieve their desired family size while protecting the health of women and children. The Agency's programs have had a significant impact, contributing to a decrease in the average number of children per family in developing countries (excluding China) from more than six in the 1960s to the 2001 level of less than four. By helping women and families have only the children they want, and when they want them, family planning programs have significantly contributed to a 25% reduction in maternal and infant deaths and decreased the demand for abortions. USAID's population programs will continue to be implemented and monitored in accordance with the requirements of the Mexico City Policy, which was restored by the President in January 2001. The policy requires that foreign non-governmental organizations agree, as a condition of receiving U.S. Government funds for family planning activities, not to perform or actively promote abortion as a method of family planning, regardless of funding source.

The long-term aim of the Agency's family planning and reproductive health programs is to increase availability and use of family planning services by using client-centered approaches, maximizing quality and emphasizing informed choice. By reducing the number of unintended and mistimed pregnancies, these efforts contribute directly to the Agency goal of stabilizing world population, while extensively improving the health and status of women.

In FY 2005, USAID will maintain its current level of support for family planning and reproductive health activities. The Agency will focus on the special needs of youth, protection against unintended pregnancy and sexually transmitted infections (including HIV/AIDS), and pregnancy-related hemorrhage care services (emergency treatment, family planning services, and referral for infection treatment and follow-up).

In summary, USAID believes that expanding basic health services and strengthening health systems significantly improves all peoples' health, especially that of women, children, and vulnerable populations. The linkage between good health and improved productivity and reduced poverty is very strong. In some low-income areas, such as

sub-Saharan Africa, high levels of disease have slowed or stopped economic growth. The AIDS pandemic alone stands to reverse decades of hard-won economic achievements in Africa and, like malaria, will have significant effects on the economic well-being of many other low-income countries. Control of infectious diseases, good nutrition, and access to information and family planning services are not only interdependent but also essential to development and long-term growth. When people are well nourished, free from the ravages of disease, and able to make informed decisions about planning their family size, they can more fully contribute to social and economic progress.

Democracy, Conflict and Humanitarian Assistance Pillar

The request of \$2.7 billion for the Democracy, Conflict and Humanitarian Assistance Pillar will improve coordination of democracy and governance, transitions, and humanitarian assistance; it will also create a cross-cutting approach to conflict mitigation and management. The overarching goal of the DCHA Pillar is promoting peace within a democratic framework.

USAID's programs will integrate efforts in conflict prevention, mitigation, and management, as well as post-conflict transitions and reconstruction. USAID will strengthen the performance and accountability of democratic governance, which in turn will improve stability, expand economic prosperity, and combat the corruption that undermines economic development prospects. The Agency will also develop a more integrated response to assist the increasing numbers of failing and failed states. These states help breed violent conflict and support for international terrorism; tackling these two problems is a major U.S. foreign policy priority.

Stabilizing fragile states, supporting countries in conflict or transition, promoting democratic governance, and responding to humanitarian crises remain foremost priorities in U.S. foreign assistance. U.S. leadership in foreign disaster relief, emergency food aid and other humanitarian assistance is unparalleled. The U.S. remains the largest worldwide contributor to international food aid, and USAID remains the lead-responder and coordinator in USG assistance for foreign disasters. The DCHA Bureau is the principal entity charged with managing and delivering this life-saving assistance to developing and vulnerable countries. The Bureau is a leading contributor to the Agency's integrated strategic plan to provide support in fragile and failing states. This step in enhancing comprehensive responses to support vulnerable nations is essential in an era where weak states can become homes for terrorist forces, international criminal activity and man-made crises, such as famine and violent conflicts.

The DCHA Pillar programs save lives, alleviate suffering, support democracy and promote opportunities for people adversely affected by poverty, conflict, natural disasters and a breakdown in good governance. Accordingly, USAID programs integrate building state institutions and conflict or crisis management capacity with responses to the most pressing humanitarian needs in transitional or vulnerable states,

as well as those nations in the process of recovery or reconstruction. The FY 2005 budget request will support USAID's renowned capability to respond quickly to emergency situations, crises and natural disasters, whether through the provision of relief supplies or food aid, or the short-term interventions of the Office of Transition Initiatives (OTI). The request will also support USAID's longer-term assistance to strengthen capable states that are democratic, accountable and able to provide sound public administration, manage and prevent violent conflict, and prepare for or avert crisis situations, thereby providing the stability and good governance necessary to sustain and foster development investments in all sectors.

- Democracy and Governance programs and Conflict Mitigation efforts will continue to strengthen democratic systems of governance and help address the causes and consequences of violent conflict. 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. USAID will also promote conflict management and mitigation by addressing the longer-term root causes of conflict and mitigating the conditions that can lead to violent conflict.
- Transition Initiatives (TI) programming will respond to immediate and pressing crisis, helping to support governments that are shifting away from authoritarian rule or emerging from violent conflict. Efforts will promote reconciliation in post-conflict situations, and helping citizens realize the benefits of peace through fast, flexible programs that deliver tangible benefits. Illustrative programs are found in Iraq, Afghanistan, Angola, Sudan, and Venezuela.
- International Disaster and Famine Assistance (IDFA) programs will continue to provide relief, rehabilitation, and reconstruction assistance to victims of natural and man-made disasters, and funds for preventing and mitigating famines and providing urgent relief to victims of natural disasters and complex emergencies where natural disasters are compounded by ongoing civil strife. The new IDFA account was created by combining the former International Disaster Assistance (IDA) account and the previously proposed Famine Fund. IDFA programs support health interventions, agriculture and food security, nutrition, and water and sanitation. In addition, they target drought-affected populations and help to avert famine in places such as Ethiopia. IDFA funds complement DA funds in fragile states emerging from complex emergencies, including Afghanistan, Iraq, Liberia, Sudan, and the Democratic Republic of Congo. The requested funding will enable USAID to maintain its unique capability to respond rapidly when international emergencies occur, and will increase the Administration's ability to address famine prevention and relief.
- USAID's Title II-PL 480 Food Aid programs, the largest such programs in the world totaling \$1.185 billion annually, will provide U.S. food assistance in response to emergencies and disasters around the world, in conjunction with IDFA-funded efforts. USAID will ensure continued effectiveness in meeting to these urgent needs by enhancing early warning systems and the Agency's logistical flexibility to rapidly move commodities to priority areas. The FY 2005 request will also support non-

emergency food assistance programs that focus on decreasing chronic food insecurity by improving household nutrition, agricultural productivity, and the capacity of poor and marginal populations to cope with disasters and shocks, especially in sub-Saharan Africa, Southeast Asia and Central America.

In the last 50 years, the world has experienced extraordinary development gains: caloric intake has increased, people are healthier and living longer, more nations have electoral democracies and more people are living in free and independent countries. However, extremism and violent conflict now regularly transcend national boundaries, and in regions with weak respect for the rule of law, new opportunities for violence and terrorism are increasing. In other areas, the combined threats of HIV/AIDS, food insecurity and state fragility, especially in Africa, create conditions for continuing complex emergencies and related population displacement and humanitarian needs.

The United States has an overriding economic and political interest in helping shape a world where stable states and societies resolve problems peacefully. USAID will remain committed to nurturing fragile democracies and supporting developing countries to improve the quality of governance. Strong nations will engender a better ability worldwide to meet people's security, economic and political needs, and will create conditions that decrease the probability of violence and humanitarian crisis.

Developing and Consolidating Democracy and Governance

USAID implements democracy and governance activities in nearly 70 country and regional programs that help nations develop and consolidate effective, authoritative, and legitimate democratic governance. The Agency's work to promote democratic governance involves undertaking a variety of often-difficult political and institutional reforms and capacity-building by promoting respect for the rule of law and for human rights, encouraging credible and competitive political processes, helping develop politically active civil societies, and supporting more transparent and accountable governmental institutions, including local government support and anticorruption efforts. Priority focus remains on Iraq, Sudan, Indonesia, Pakistan, the Middle East Partnership Initiative, and Afghanistan, where USAID recently completed an extensive public outreach and civic education program to support the Constitutional Loyal Jirga.

Despite real progress over the past decade, three general governance problems continue to contribute to the fragile state of democracy in an increasing numbers of countries. First, economic reforms, where they have even been implemented, have at times failed to substantially mitigate widespread poverty and inequality. Second, the rule of law is pervasively weak, as evidenced by growing levels of corruption, increases in domestic and international crime, impunity before the law, and abuse of human rights. Finally, the inability to manage ethnic, political, and religious differences peacefully and inclusively remains a challenge. These three problem areas create political instability and form the basis for grievances that can breed alienation, hatred, and despair, which in turn fuels violent conflict and undermines the effectiveness and legitimacy of state institutions.

In response, USAID is devising rapid-response mechanisms to support democratic development needs in the areas of justice sector reform and dispute resolution, good governance, and anti-corruption. The Agency also supports the promotion of democratic values and reinforcement of democratic behavior, and helps foster civic skills, values and involvement, especially in Muslim societies and other nations with a limited history of broad-based citizen participation. State fragility and failure often result from weak or illegitimate governance, and USAID's long-term democracy development programs support foreign policy priorities that encourage the promotion of strong, accountable governments and provide ongoing assistance to help open and expand democratic processes in previously closed, authoritarian or ineffective systems.

Managing and Mitigating Conflict

Widespread violence, extremism, corruption and irresponsible leadership pose a serious challenge to development assistance and to U.S. national security interests. At present, deadly conflict affects 60 percent of countries in which USAID operates, and the costs of conflict undermine nearly every aspect of those nations' development. Consequently, the Agency has launched a Conflict Management Initiative that is designed to better link programs in areas such as democracy and governance, natural resource management, economic growth, and humanitarian relief to the causes and consequences of widespread conflict. This initiative will help focus U.S. foreign assistance on problem countries so that their capacity for the peaceful resolution of conflict is strengthened. Priority technical support is focused on Sudan, Burundi, Nepal, Nigeria, Pakistan and Sri Lanka.

The Conflict Management Initiative centers around five essential priorities:

- Supporting the development of USAID strategies that are more explicitly focused on the causes and consequences of violent conflict. These strategies will build on conflict assessments and will integrate a sensitivity to conflict into existing development and humanitarian assistance activities.
- Strengthening programs that support the efforts of local institutions to prevent, mitigate, and resolve conflict before it escalates, or to reconcile fractured societies in the aftermath of violence.
- Learning from the successes of civil society groups, including faith-based organizations and those that are based at the grassroots level, to develop capacities for maintaining peace.
- Providing parties to conflict with the opportunities, methods, and tools that they need to acknowledge and act effectively on their responsibilities to resolve issues peacefully.
- Developing a Global Development Cooperation Partnership to address future threats to U.S. interests and security and the challenges of globalization

Creating the capability to achieve a sustainable peace in fragile states will not be easy. Together with the State Department, USAID is developing an early warning system to

focus attention on those countries at greatest risk of violence. USAID also continues to report and map destabilizing trends and patterns in order to help refine long-term development efforts to address these root causes of conflict. Establishing and reinforcing the sustainable indigenous institutions and systems needed to avert and manage violent conflict will require international resolve, a multidisciplinary approach, a long-term commitment, and integrated planning within the U.S. Government and the donor community.

Using Transition Initiatives to Advance Political Transitions

USAID's Office of Transition Initiatives (OTI) advances political transitions and enhances peace and stability in priority, conflict-prone countries. USAID created OTI in 1994 as a tool for post-cold war transitional settings to address those environments where the nature of governance shifted from authoritarian rule to more open societies. In recent years, "transition" has become a broader concept, referring to countries moving from war to peace, those making the turn from civil conflict to national reconciliation, or those where political strife has not yet erupted into violence and it may be possible to prevent or mitigate the conflict and broaden democratic participation. Presently, OTI has active or planned transition programs in Afghanistan, Angola, Bolivia, Burundi, Democratic Republic of Congo (DRC), Iraq, Liberia, Sri Lanka, Sudan, Venezuela, and Zimbabwe. Over the next five years, USG foreign policy priorities and the need for flexible responses to large, complex emergencies, similar to OTI's current involvement in Afghanistan and Iraq and earlier engagements in Kosovo and East Timor, will shape program priorities and directions.

OTI programs work on the ground with local partners to provide short-term, rapid and flexible assistance targeted at key transition needs. Working closely with local, national, international, and nongovernmental partners, OTI carries out visible high-impact projects that increase momentum for peace and reconciliation and reconstruction, and that help create a strong foundation for new or re-targeted longer-term development programs. Strategies are tailored to meet the unique needs of each transition country and support longer-term interventions aimed at building capable states and addressing root causes of conflict. Because OTI programs have special programming flexibility, the Agency can put staff on the ground swiftly to identify and act on what are often fleeting opportunities for initiating or sustaining positive change.

Recently, OTI has established a new Abuse Prevention and Protection Team (APPT) that focuses on protecting the human rights and fundamental freedoms of civilians in complex emergencies and situations of armed conflict. Currently in the start-up phase, the APPT will offer flexible and immediate assistance to address urgent issues such as politically- or ethnically-motivated violence (e.g. reprisal killings, assaults or rapes, forced disappearances), tensions caused by former-regime crimes such as massive forced displacement, and the needs of internally displaced persons, women, children, minorities and other vulnerable groups. OTI has already supported some new abuse prevention and protection activities in Iraq, Liberia and DRC.

Using Humanitarian Assistance to Respond to Disasters and Emergencies

International Disaster and Famine Assistance (IDFA) funds humanitarian programs that provide relief, rehabilitation, and reconstruction assistance to victims of natural and man-made disasters.

Programs help meet the critical needs of targeted vulnerable groups in emergency situations, including famine; increase adoption of disaster prevention and mitigation measures in countries at risk of natural disasters; reduce the economic impact of disasters on individual livelihoods by supporting and enhancing local capacity and coping mechanisms; and enhance follow-on development prospects in priority, post-conflict countries. To accomplish these objectives, USAID has a well-established management structure and is staffed with disaster relief experts who draw on public and private sector resources to respond within hours following a disaster declaration. USAID deploys assessment teams to identify needs and disaster assistance response teams to coordinate emergency responses and facilitate information flows. USAID also provides search and rescue teams, ground operations teams, medical assistance, shelter, potable water, sanitation assistance, and emergency and therapeutic feeding.

Demands on resources have increased steadily for a number of years. In FY 2003, USAID responded to 63 disasters in 53 countries targeting an estimated 44.5 million beneficiaries. Complex emergencies involving civil conflict account for a significant share of the IDFA budget. Although these conflicts fluctuate in intensity, their resolution is difficult and relief assistance may be necessary for long periods. Increasing emphasis is being placed on applying preparedness and mitigation lessons learned to deal with these emergencies. While it is not possible to predict which countries will need humanitarian assistance in the future, countries such as Afghanistan and Sudan continue to be a cause for concern.

USAID works closely with the Departments of State and Defense to coordinate American relief efforts. In many disaster situations, 24-hour, daily coverage is provided to ensure a speedy and appropriate response and the transmission of accurate information between the disaster site and participating USG agencies. Satellite communication equipment augments USAID's ability to target emergency assistance accurately and to coordinate with U.S. private voluntary organizations, non-governmental organizations, other USG agencies, and other donors, all of which play an essential role in raising resources, providing assistance and implementing programs in the field.

USAID's disaster assistance funds the following types of activities:

- Search and rescue for victims of floods and earthquakes
- Emergency health and nutrition
- Water and sanitation
- Shelter and survival kits
- Food security and agricultural production

- Emergency infrastructure rehabilitation
- Resettlement and reintegration of internally displaced persons
- Disaster preparedness and mitigation
- General relief, administration, and logistics
- Restocking of health clinics and hospitals with essential drugs and equipment
- Training for local health care workers in primary health care
- Support for nutritional and epidemiological surveillance to increase early warning of epidemics or other deterioration in health status
- Training of traditional birth attendants, which reduces infant and maternal mortality
- Emergency immunization campaigns to vaccinate children against preventable diseases

Combating Food Insecurity through Food for Peace

Almost a billion people worldwide are chronically undernourished. Addressing this crisis worldwide is not only a humanitarian concern of the U.S. Government, but also a strategic concern, as food insecurity fuels political instability. As of July 2003, 36 countries in the world faced serious food emergencies requiring international food aid.

P.L. 480 Title II food aid is the primary USG resource to respond expeditiously to the critical food needs of populations in emergency situations. Through its Office of Food for Peace, USAID seeks to ensure that food aid is provided vulnerable groups who require food assistance to survive and recover from an emergency, whether natural or man-made disasters, including prolonged civil strife. Beneficiaries include internally displaced people, refugees, resettled or new returnees, and vulnerable resident populations. USAID frequently targets assistance toward especially vulnerable groups such as children, pregnant and lactating women, malnourished people, and the elderly. Title II food aid programs are implemented primarily by U.S. private voluntary organizations and through the UN's World Food Program.

The FY 2005 request will help the Agency meet the continued critical needs of people in emergency and non-emergency situations. Food for Peace will focus on strengthening the institutional capacity of private voluntary organizations and community organizations to better analyze risk, target food insecure and vulnerable groups, and strengthen communities' response and resiliency to food emergencies. Support for the Famine Early Warning System, considered the leading network in early warning and food security assessment, will continue to enable efficient targeting of emergency assistance toward both incipient and chronic food insecurity worldwide.

Non-emergency food aid will continue to be targeted toward addressing the root causes of food insecurity, with the primary emphasis on household nutrition and agricultural productivity. A recent assessment of food and nutrition programs that benefited an estimated 6.6 million children over the last five years indicated that 80% of the programs showed notable reductions in the prevalence of under-nutrition, with significant

decreases in child stunting and the proportion of underweight children. Such programs make significant contributions not only to food security, health and nutrition, but also improvements in those factors that enable food security, including water and sanitation, agricultural production, increased income, agro-forestry, natural resource management, and basic education.

Future efforts will focus on preventing and responding to malnutrition and potential famine by directly addressing immediate consumption needs and protecting lives, while also addressing longer-term impacts related to community resilience to shocks, helping people build more durable and diverse livelihoods, and improving health, nutrition and education. Partnerships with the U.S. Department of Agriculture, Department of State and private organizations continue to be paramount, particularly as USAID turns attention to the specialized food security, emergency and developmental needs in fragile, failing and failed states.

Management Improvements

USAID's Management Vision

USAID embraces the President's Management Agenda for a citizen-centered, market based, results-oriented government utilizing the Administrator's management reform principles as the means to enhanced delivery of global development and humanitarian assistance. The 2005 President's budget request reflects the Agency's efforts to deploy more unified and integrated approaches to achieve its important mission.

USAID has made considerable progress toward its goal of transforming the Agency into a premier, high-performance, international development and humanitarian assistance organization. To guide the Agency in its reform initiatives, core management principles were developed that exemplify the desired performance characteristics of a transformed USAID. The core management principles are:

- Simplify and standardize business systems and processes to reduce costs, simplify use, and enable the Agency to respond with speed and agility to changing program needs.
- Establish a customer service culture in all USAID's service providing organizations that demonstrates a dedicated commitment to making Agency programs as effective as possible.
- Increase efficiency by reducing overhead expenses and improving the ratio of product to process, making sure that the Agency's costs of doing business are transparent, aggressively managed, and compare favorably with peer organizations.
- Promote partner inclusiveness in all business relationships to better meet the needs of internal and external customers and to ensure that small businesses are well-represented.
- Increase transparency in program and business decision-making, assuring that decisions are fast, results driven, and clearly understandable to partners large and small.
- Ensure accountability and compliance with the letter and spirit of all applicable laws and regulations to achieve a clean audit opinion; deter legal disputes; acquire a sterling reputation for sound management; and improve relations with the Congress, the General Accounting Office, and the Office of Management and Budget.

- Deliver programs smarter, faster, better, and cheaper, continuously improving USAID's performance as a global "thought leader" and as the world's most effective delivery organization of economic and humanitarian assistance.

USAID's Business Transformation 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,
- Business Systems Modernization,
- Knowledge for Development, and
- Strategic Budgeting.

These four parallel components, aligned and integrated, are based on best practices methods and techniques. USAID's Business Transformation Executive Committee (BTEC) oversees and directs the transformation process. The BTEC, chaired by the Deputy Administrator and composed of Agency senior level executives, provides Agency-wide leadership for the business transformation and ensures that initiatives and investments are focused on the Agency's highest priority needs.

The BTEC is supported by a new Program Management Office (PMO) and a new Management Policy and Metrics (MPM) Staff. The role of the Program Management Office is to provide project management expertise on business systems modernization (BSM) activities across the Agency. The Management Policy and Metrics Staff will shepherd policy issues that do not clearly fit in another Management office and will implement an empirically-based, results-oriented performance management program throughout the Management Bureau.

Relationship to the President's Management Agenda

USAID's Business Transformation Plan fully supports the following five goals of the President's Management Agenda (PMA):

- Strategic Management of Human Capital,
- Competitive Sourcing,
- Improved Financial Management,
- Expanded Electronic Government, and
- Budget and Performance Integration.

The four components of USAID's Business Transformation Plan fully support the PMA and were explicitly designed to produce the performance breakthroughs desired by both the President and the USAID Administrator:

- USAID's Strategic Management of Human Capital initiative, for example, directly addresses the PMA's human capital goals and also encompasses aspects of competitive sourcing by requiring that future staffing decisions consider a range of sourcing alternatives prior to recruiting.
- USAID's Business Systems Modernization initiative includes reforms to the Agency's financial management, acquisition and assistance, and information technology capabilities, and directly addresses the PMA's e-government, financial performance, and competitive sourcing objectives.
- USAID's Knowledge for Development initiative includes plans to improve the strategic management of the Agency's intellectual capital, enhance learning from experience, and strengthen partner collaboration to facilitate the technology-enabled business transformation envisioned under the PMA's e-government and human capital objectives.
- USAID's Strategic Budgeting initiative 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 to make Agency decision-making as performance-driven as possible.

FY 2003 Accomplishments

The Agency achieved significant accomplishments in FY 2003, including the following efforts:

- Developed an integrated strategic plan with the Department of State;
- Developed a human capital strategic plan framework that addresses USAID's needs and the requirements of the President's Management Agenda;
- Began the development of a joint high-level State Department and USAID Enterprise Architecture, consistent with the overall Federal Enterprise Architecture, to serve as a framework for business process and systems improvements in both agencies;
- Expanded the Strategic Budgeting Model into a system that more accurately deals with different accounts, regions, and central programs, and integrated and rationalized program, operating expense, and workforce allocations for all operating units and funding accounts;

- Made considerable progress in programming Agency resources using formal strategic budgeting criteria;
- Incorporated the findings of the performance assessment rating tool (PART) into the rationale for the budget request for all pertinent programs;
- Conducted an overseas workforce study to develop criteria and models for rational, transparent, and effective allocation of existing overseas staff;
- Initiated the application of cost-accounting methods to management support services to facilitate reallocation of resources to highest priority functions;
- Conducted an Agency “knowledge fair,” implemented pilot Communities of Practice, and developed an initial Agency knowledge portal;
- Established a Program Management Office and Management Policy and Metrics staff to plan, coordinate, manage, and evaluate business transformation activities;
- Continued, steady improvement across all Management Bureau services on the Administrator’s third annual all-employee survey;
- Began the use of activity based costing (ABC), a form of managerial cost accounting, to describe as activities and cost objects (results) the services and operations it undertakes;
- Received “green” scores for progress over the last two to three quarters in four of the five President’s Management Agenda initiatives (except competitive sourcing);
- Was recognized by Office of Management and Budget (OMB) and other outside experts of several USAID best practices in management and information technology reform, including capital planning and investment control, and enterprise architecture development methodology; and
- Successfully teamed with the State Department across all of the common administrative organizations through a Joint Management Council.

USAID improved the operation of the Agency’s financial systems by the following efforts:

- Completed a joint study examining opportunities to integrate elements of State and USAID financial management operations worldwide; and

- Received the Agency's first-ever clean audit opinion and completed the audit before OMB's accelerated November deadline.

FY 2004 Projected Accomplishments

USAID plans to carry out the following further management improvements in FY 2004:

- Begin testing integrated acquisition and assistance software and begin streamlining procurement processes to align with the new software;
- Continue development of USAID's enterprise architecture in collaboration with the State Department, aligning the Agency business model with the Federal Enterprise Architecture;
- Adapt business processes to leverage Federal Government cross-servicing and e-government technologies through opportunities identified from State Department and USAID joint business cases;
- Complete deployment of the Phoenix financial management system to three overseas pilot missions;
- Continue deploying the Strategic Budgeting system to make budget allocation decisions;
- Complete a comprehensive Agency workforce analysis;
- Utilize the model of overseas workforce to begin making rational, transparent, and effective allocations of overseas staff;
- Developing a comprehensive human capital plan for the Agency;
- Complete a knowledge management strategy to reposition the Agency as a global knowledge leader and to facilitate knowledge sharing among partners and staff;
- Develop and use an integrated system of performance measures to assess business transformation progress; and
- Establish and implement customer service standards that give both suppliers and users of services a better understanding of what is to be delivered and when.

FY 2005 Projected Accomplishments

USAID plans to improve the operations of the Agency's financial management systems by:

- Completing worldwide deployment of Phoenix financial system to overseas missions;
- Achieving Federal Financial Management Improvement Act Compliance (standard general ledger requirement only);
- Achieving a green status score on President's Management Agenda for Financial Performance;
- Resolving primary accounting system material weaknesses;
- Completing configuration of the joint accounting platform for State Department and USAID accounting systems;
- Completing upgrade to Momentum Version 6 to accommodate integration of procurement system; and
- Deploying new Acquisition and Assistance system in Washington. The new procurement system will be deployed in field missions in FY2006.

USAID plans to improve human resources management by:

- Implementing workforce planning analysis;
- Achieving mid-point for recruitment targets under the Development Readiness Initiative; and
- Developing and implementing a revised performance management plan for Senior Executive Service and Foreign Service employees.

USAID plans to improve information technology infrastructure by:

- Developing plans to upgrade the present internal telephone system in the Ronald Reagan Building;
- Completing desktop upgrade in USAID headquarters; and
- Completing transition of USAID financial accounting system to State Department platform.

USAID Support Budget

Overview

USAID continues to press ahead with the management reforms aimed at strengthening program and support systems, as it faces the triple challenge of:

- The impending retirement of many of USAID's most experienced officers;
- increases in the strategic importance and funding of key countries and programs, and;
- rising costs of creating and maintaining a secure environment for U.S. personnel overseas.

Agency Staffing in Crisis

As a central part of development readiness, a robust workforce planning process has been created, and is being continually improved in tandem with the development of an Agency Human Capital Strategy. These efforts will strengthen the current and future cadre of officers dedicated to meeting the challenges presented by the following trends:

- Within the next five years, 40% of the total workforce will be eligible to retire. In 2002 alone, 150 Civil Service and Foreign Service staff retired;
- The trend of a 7-12% annual retirement rate is expected to continue;
- Given this trend, more than 80% turnover of staff will occur in less than a decade;
- Recently hired staff will need several years of experience and training before they are ready for broader program and management responsibilities.

These challenges are complicated by more and more complex political situations that require USAID's Civil Servants and Foreign Service Officers (FSOs) to upgrade their skills in languages, negotiations, and management at a time when the human and intellectual knowledge capital are quickly being depleted. In conjunction with the Department of State's Diplomatic Readiness Initiative (DRI), the Agency, in its own Development Readiness Initiative, is focusing on several closely linked efforts (see Management Improvement Section) to strengthen its current and future readiness to transition into more complex arenas of development to support U.S. foreign policy. Key to this effort is putting in place reforms that will establish innovative and streamlined business models capable of responding to increasingly complex and challenging foreign policy demands.

- The FY 2005 request is critical in building development readiness for future years. This request:
- Supports the programs that will advance the country's national security and foreign policy objectives, and
- Enhances accountability of programs implemented in increasingly complex settings.

This budget will promote the following objectives:

- provide increased security for USAID personnel overseas;
- continue the implementation of a Human Capital Strategy Plan developed in FY 2003 that includes recruiting and training of up to 50 new Foreign Service Officers above attrition in addition to creating new training, mentoring, and coaching opportunities for new senior and mid-level managers as they take on broader responsibilities;
- build the Agency's financial management capabilities, both in Washington and the field;
- provide certification training programs, and;
- fund increases for the International Cooperative Administrative Support Services (ICASS) system, which provide administrative support to all agencies with overseas presence.

<u>Category</u>	Operating Expenses (\$ In thousands)			
	<u>FY 2002</u> <u>Actual</u>	<u>FY 2003</u> <u>Actual</u>	<u>FY 2004</u> <u>Estimate</u>	<u>FY 2005</u> <u>Request</u>
Uses:				
Overseas Operations	324,898	349,680	388,847	337,400
Washington Operations	151,870	162,311	164,450	167,245
Central Support	141,218	141,174	169,343	169,992
Sub-Total Uses	617,986	653,165	722,640	674,637
New Hiring Authorities			11,646	43,586
Total w/new authorities			734,286	718,223
Program Funded Staff	248,570	240,549	288,180	293,017
TOTAL, ADMINISTRATIVE BUDGET	866,556	893,714	1,022,466	1,011,240
Sources:				
OE Appropriation	556,000	589,282	638,636	623,400
Other Sources	310,556	304,432	383,830	387,840
Total Sources:	866,556	893,714	1,022,466	1,011,240

The requested OE budget authority of \$623.4 million, combined with \$51,237 million from local currency trust funds and other funding sources, will provide a total of \$674.637 million to cover the Agency's projected operating expenses. This will fund:

- Salaries and benefits
- Training
- On-going support of current IT systems
- Security
- Other administrative costs associated with programs worldwide, including those managed by USAID and financed through International Disaster Assistance, the Economic Support Fund, the Support for East European Democracy Act, the FREEDOM Support Act, and P.L. 480 Title II Food for Peace Programs.

Direct costs of the Agency's overseas presence, including U.S. salaries and benefits, represent over 50% of the OE costs. The Agency's overseas presence is indispensable to the effective management of the Agency's programs, the 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.

The FY 2004 appropriation permits USAID to use program funds in FY 2004, FY 2005 and FY 2006 to employ up to 85 individuals overseas each year on a limited term appointment basis. This would effectively enhance the resources available for administrative functions by \$36 million in FY 2005. This authority will rationalize the hiring process by empowering the agency to base hiring decisions on job requirements rather than funding availability. It will also ensure that officials who perform inherently governmental functions are employees of the US Government.

The FY 2005 request also identifies up to \$12.5 million in program funds to be transferred to and merged with the Operating Expense account to pay for salaries, benefits and allowances of up to 50 permanent direct hire positions in concert with approval of a comprehensive workforce analysis. This authority, which is contingent upon a simultaneous reduction of 50 program funded staff, will enable the agency to fully meet the goals of the DRI. Estimated expenditures in FY 2005 are 30 FTE and \$7.5 million.

An additional \$293 million in program funds are used to pay for personal services contractors overseas to perform functions that are related directly to program activities and identified strategic objectives.

Capital Investment Fund (\$ in thousands)				
<u>Category</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Estimate</u>	<u>FY 2005 Request</u>
Information Technology	-	9,000	20,000	36,100
Overseas Facility Construction	-	34,000	62,200	28,700
Total Obligations		43,000	82,200	64,800

The Agency is requesting \$64.8 million for its Capital Investment Fund (CIF) for FY 2005. This fund uses no-year authority to provide USAID with greater flexibility to manage investments in technology and facility construction. With CIF, USAID will:

- extend the web-based, integrated core accounting and financial management system to overseas operations and implement an integrated acquisition and assistance management system;
- undertake E-gov initiatives to improve agency operations and benefit from cost-effectiveness of E-gov;

- develop enterprise architecture in collaboration with the Department of State; and,
- fund new office facilities co-located on embassy compounds where new embassies are constructed as part of the Capital Security Cost Sharing program.

OPERATING EXPENSES

Dollars in Thousands				
	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
Operating Expenses, New Budget Authority	549,000	589,282	598,636	623,400
Supplemental	7,000	-	40,000	-
Emergency Response Fund	15,000			
Total, Appropriated	571,000	589,282	638,636	623,400
Non-Appropriated Sources	46,986	63,873	84,004	51,237
Total, Obligations	617,986	653,165	722,640	674,637

Uses of Operating Expenses

The OE budget is comprised of:

- Overseas Operations, including field mission allocations, USDH salaries and benefits, and field mission relocations
- Washington Operations, including bureau/office allocations and USDH salaries and benefits
- Central Support, including security, information technology, Washington rent, utilities and other support costs, development readiness, staff training, and other agency costs

The table below shows the funding and USDH workforce levels from FY 2002 through FY 2005, followed by a brief description of each category and explanation of the FY 2005 funding request.

<u>Category</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Estimate</u>	<u>FY 2005 Request</u>
Overseas Operations				
Field Missions	238,970	258,368	284,743	237,778
USDH Salaries and Benefits	84,257	87,162	92,204	94,122
Field Mission Facility Relocations	1,671	4,150	11,900	5,500
Subtotal Overseas Operations	324,898	349,680	388,847	337,400
Washington Operations				
Washington Bureaus/Offices	15,539	16,394	12,728	12,367
USDH Salaries and Benefits	136,331	145,917	151,722	154,878
Subtotal Washington Operations	151,870	162,311	164,450	167,245
Central Support				
Security	6,748	7,721	6,948	10,090
Information Technology	72,409	64,570	63,436	63,200
Washington Rent, Utilities, Support Costs	41,837	45,659	50,175	48,200
Development Readiness			6,029	18,000
Staff Training	5,441	7,331	9,800	10,000
Administrative expenses for International Health		1,098	11,495	
Other Agency Costs	14,783	14,795	21,460	20,502
Subtotal Central Support	141,218	141,174	169,343	169,992
Total Obligations	617,986	653,165	722,640	674,637
New Hiring Authorities				
Conversion PSC to USDH (program transfer to OE)				7,465
Limited Term Appointments (program funded)			11,646	36,121
Total with New Hiring Authorities			734,286	718,223

<u>Category</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Estimate</u>	<u>FY 2005 Request</u>
U.S. Direct Hire Workforce (Operating Expenses)				
End-of-Year On-Board Levels	1,974	1,985	2,025	2,125
Estimated Full-Time Equivalent Workyears	1,953	1,980	2,005	2,067
Limited Term Program Funded Appointments				
End-of-Year On-Board Levels			85	170
Estimated Full-Time Equivalent Workyears			42	127

OVERSEAS OPERATIONS

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

Field Missions (\$237.8 M)

- Salaries and benefits for Foreign Service National direct hire and personal service contractors (PSCs) and U.S. PSCs. The FY 2005 request is **\$98.2 million**, or **39%** of total mission funding.
- Residential and office rents, utilities, security guard costs, and communications. The FY 2005 request is **\$50.6 million**, or **20%** of total mission funding. These costs are largely non-discretionary.
- Intergovernmental payments. The FY 2005 estimated cost is **\$29.1 million** or **11.4%** 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, work with host country officials, other operational travel, including travel to respond to disasters, and the costs of tuition and travel for training not sponsored by Washington. The FY 2005 request is **\$16.4 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 2005 request is **\$15.2 million**.
- Mandatory travel and transportation. This category includes travel and transportation expenses for post assignment, home leave, and Rest & Recovery and the shipment of furniture and equipment. The FY 2005 request is **\$14.6 million**.

- Contractual support. This category includes mission requirements for voucher examiners, data-entry assistance, and other administrative support provided through contracts. The FY 2005 request is **\$5.5 million**.
- Operation and maintenance of facilities and equipment. This category includes the cost of operating and maintaining facilities and equipment at overseas missions. The FY 2005 request is **\$6.4 million**.
- Miscellaneous. This includes medical costs, building renovations and printing. The FY 05 request is **\$1.6 million**.

USDH Salaries and Benefits – Overseas (\$94.1 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. The retirement costs include the January 2003 inception of the virtual locality pay program. Under this initiative, the formula used to calculate FSOs' pension benefits now adjusts the pay base to reflect locality pay received by Washington staff. 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 2005 request is **\$94.1 million**.

Field Mission Facility Relocations (\$5.5 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 2005 request is **\$5.5 million**.

WASHINGTON OPERATIONS

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

Washington Bureaus/Offices (\$12.6 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 2005 request is **\$4.4 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 2005 request is **\$8.2 million**.

USDH Salaries and Benefits – Washington (\$154.9 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 1,300 general service and foreign service employees. The FY 2005 request is **\$154.9 million**.

Human Capital Initiatives

Development Readiness Initiative

USAID's multiyear Development Readiness Initiative (DRI) supports the Department of State's Diplomatic Readiness Initiative. This effort would culminate in establishing a new ceiling for USDH staff, increasing the 1,000 strong Foreign Service by 15%, the percentage used by the Department of State to establish a training and assignment float for entry-level programs.

The Development Readiness Initiative will strengthen the Agency's capacity to respond to crises and emerging priorities, cover staffing gaps, 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."

The Development Readiness Initiative will provide USAID with the overall capacity to:

- Fill critical vacancies overseas
- Maintain the world-class humanitarian and development assistance programs that tackle the main causes of terrorism – poverty and loss of hope
- Ensure staff are highly trained in languages, development technologies, project management, and other supporting skills
- Respond to unforeseen foreign-crisis situations that can emerge quickly
- Design new business models for managing development as needs dictate and the flexibility to change business models when necessary
- Lead development by collaborating with other U.S. and international organizations to effectively implement programs to further U.S. foreign policy interests
- Rationalize overall staffing to achieve the best results overseas

Important DRI elements include:

- An overall long-term recruiting and hiring plan as part of the Human Capital Strategy
- A plan to design and institutionalize a training and certification program to transfer existing development knowledge and expertise

- Identification of new skills necessary for incoming and current staff members to meet complex foreign assistance challenges that contribute to overall foreign policy and development of relevant training programs that reflect these skills needs
- New models of doing business that include deploying staff overseas in ways that account for the increased security threat both to our American and foreign national staffs, increase our ability to respond quickly to emerging conflicts, are the most cost effective, and support and focus on results critical to our foreign interest

USAID's is aligning its work on the President's Management Agenda (PMA) objectives (Human Capital, Financial Performance, E-Government, Budget and Performance Integration, and Competitive Sourcing) with the concept of development readiness. The PMA emphasizes the interdependency of these core management models in strengthening the Agency's impact as a world-class development agency with the capacity to respond quickly and effectively to U.S. foreign policy interests.

In FY 2005, USAID will:

- Allocate 80-90 training positions in overseas missions to ensure that new officers are mentored appropriately before assuming leadership of offices and programs;
- Establish a "surge" capacity to respond to new policy priorities and programs;
- Reverse the staffing crisis by expanding and strengthening recruitment/hiring;
- Properly train and develop new and current staff to be well-prepared for increasingly demanding overseas positions;
- Create a float to enable deployment of officers to cover critical work during vacancy periods that often occur for a period of up to six months when officers leave post and before their replacements arrive;
- Mandate greater adherence to language skills due to the current necessity of quickly filling critical positions;
- Hire 50 new officers over and above attrition;
- Convert 50 personnel service contractors to direct hire status in critical shortage areas;
- Target hiring to fill the most critical skill gaps identified in FY 2004; and,
- Institute recruitment and retention strategies that will help guarantee future leadership

Program-Funded Hiring Authorities

In response to the Agency's staffing crisis, the administration and Congress have proposed and enacted additional hiring authorities to enable USAID to address critical staffing requirements. These new authorities enable the agency to utilize existing program funding to complement the staffing gains funded through the DRI initiative.

The FY 2004 Foreign Operations legislation provides USAID with a Non-Career Foreign Service Officer hiring authority. Under this authority, the Agency may use program funds to employ up to 85 individuals overseas each year on a limited term appointment basis. This would effectively enhance the resources available for administrative functions by \$36.121 million in FY 2005. This authority will rationalize the hiring process by empowering the agency to base hiring decisions on job requirements rather

than funding availability. It will also ensure that officials who perform inherently governmental functions are employees of the US Government.

The FY 2005 request also identifies up to \$12.5 million in program funds to be transferred to and merged with the Operating Expense account to pay for salaries, benefits and allowances of up to 50 permanent direct hire positions in concert with approval of a comprehensive workforce analysis. This authority, which is contingent upon a simultaneous reduction of 50 program funded contract staff, will enable the agency to fully meet the goals of the DRI. Estimated expenditures in FY 2005 for 30 FTE will be \$7.465 million.

Security

	<u>FY 2002 Actual</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Estimate</u>	<u>FY 2005 Request</u>
Physical Security	5,174	6,246	5,687	8,700
Personnel Security	1,034	1,450	1,236	1,365
Information Security	<u>540</u>	<u>25</u>	<u>25</u>	<u>25</u>
Total SEC Budget	6,748	7,721	6,948	10,090

The USAID security (SEC) budget for FY 2005 represents a continuing effort to protect USAID employees and facilities against global terrorism and national security information against espionage. This budget focuses on improving the security of existing USAID field missions where collocation with the U.S. Embassies cannot be accommodated. USAID will accomplish this by enhancing physical security measures, improving emergency communications systems, providing armored vehicles, and conducting security awareness training to protect classified information. In Washington, USAID will focus on public-access controls in the Ronald Reagan Building and the protection of national security information.

Physical security includes all costs associated with (1) overseas security enhancement projects, including design, procurement, shipment, and physical installation of certified systems, materials and barriers to deter intruders to USAID facilities; (2) upgrading Emergency & Evacuation (E & E) voice radio systems; (3) the procurement of armored vehicles; and (4) securing USAID Headquarters in Washington, DC. In FY 2005, USAID will:

- Complete 27 physical security enhancement projects at overseas posts where USAID field missions cannot collocate with U.S. Embassies because of insufficient space or no current plans to construct new Embassies.
- Complete communications systems upgrade projects at 33 missions to ensure overseas employees have dependable means of accessing U.S. Embassy E & E voice radio networks. Those systems will include residential and vehicle radios, base stations, and repeaters to provide employees with 24-hour communications while at work, home, and during transit. The costs include procurement, testing, calibration, equipment repair, shipment, and installation.
- Provide 25 armored vehicles to posts where the threat of terrorism, war, or civil disturbance is considered critical or high. USAID also will conduct two defensive-

driving training courses for USAID armored-vehicle drivers to enhance their driving skills and ability to respond properly to emergency conditions.

- Fund guard costs in the USAID portion of the Ronald Reagan Building to protect personnel, safeguard facilities, and protect sensitive and national security information. Costs include the maintenance and repair of security equipment, such as electronic card access systems, locking devices, and closed-circuit television surveillance systems.

Personnel security includes all costs associated with conducting background investigations and periodic update investigations in accordance with the provisions of Executive Order (EO) 10450, Security Requirements for Government Employment, and EO 12968, Access to Classified Information. USAID must investigate and grant a Top Secret or Secret clearance to all USAID personnel occupying U.S. direct-hire positions (Foreign Service, General Schedule, and Administratively Determined) before hiring them. Pre-employment investigations and security clearances or employment authorizations also are required for USAID contractors who will work in USAID office space.

Information security includes costs associated with the protection of national security and sensitive information. Executive Orders 12958 and 12968 and Information Security Oversight Office Directive 1 require USAID to establish and maintain a security awareness program to ensure that classified national security information is properly prepared, transported, safeguarded, and eventually destroyed. This category includes costs to maintain an Agency-wide inter-active computerized training course to satisfy annual training requirements established by E.O. 12968.

Information Technology

	FY 2002 <u>Actual</u>	FY 2003 <u>Actual</u>	FY 2004 <u>Estimate</u>	FY 2005 <u>Request</u>
IT Systems	17,258	18,052	16,103	16,103
IT Infrastructure	33,647	39,015	39,788	39,552
IT Architecture, Planning & IRM Program Management	<u>5,606</u>	<u>7,503</u>	<u>7,545</u>	<u>7,545</u>
Subtotal	56,511	64,570	63,436	63,200
Systems Development	15,898			
Total IT Budget	72,409	64,570	63,436	63,200

The FY 2005 USAID Information Technology (IT) Operations budget provides funding for the on-going support of IT systems, infrastructure, and architecture, which is critical in helping USAID staff fulfill the Agency's mission.

IT Systems Operations

The IT Systems component of the operations budget is budgeted at \$16.1 million in FY 2005. This provides funding for managing, operating, and maintaining the organization's suite of enterprise-wide, legacy, and database systems; designing,

developing, programming, and implementing small, automated information-management systems; and contract support for ongoing software maintenance, error correction, and licensing. In total, USAID maintains approximately 33 systems in the categories of financial, mixed financial, procurement, human resources, inventory, and other. Major components of the IT Systems Operations portfolio are Phoenix, the Agency's commercial off-the-shelf core accounting application; and the Acquisition & Assistance subsystem of the legacy New Management System.

IT Infrastructure Operations

The IT Infrastructure component of the operations budget is budgeted at \$39.8 million in FY 2005. It consists of a wide range of technologies that support the Agency's worldwide telecommunications operations and centralized network and server platforms at USAID's Washington, DC headquarters (USAID/W). The hardware and software technologies include server platforms, desktop platforms, switches, routers, voice systems, telegram distribution, network monitoring, operational computer security, telecommunications functions, and the customer help desk. In addition to support for USAID/W, the budget covers the costs of providing standards and technical support to missions and manages all mission telecommunications functionality, firewalls, and servers. It provides for day-to-day management in planning, capacity analysis, and implementation of centrally funded upgrades.

Given the vulnerability of international operations, USAID will review and improve IT systems and organizational security procedures, ensure adequate IT security is in place, provide tools, define IT security policies, and implement IT security roles and responsibilities. Additionally, work will continue in risk and security management, incidence response and policy enforcement, enhanced capabilities for system certification and accreditation, compliance monitoring, risk analysis and assessments, security monitoring, and validation and verification of Agency Disaster Recovery and Continuity of Operations (COOP) plans. Other major components of the IT Infrastructure Operations portfolio include Internet Services, Tech Hub, Information System Security Program, and Knowledge Management.

IT Architecture, Planning, & IRM Program Management

IT Architecture, Planning and IRM Program Management component operations is budgeted at \$7.5 million in FY 2005. The budget includes the costs associated with configuration management, contract management, project management, systems engineering, process improvement, acquisition support, and information-resources program management. This budget also will cover the costs for IRM acquisition management, including management and oversight of the major technology labor contracts.

General Support Budget

Washington Rent, Utilities, and Support Costs

In FY 2005, payments for office rent, utilities, and guard services for public areas in the Ronald Reagan Building and warehouse space in the metropolitan area will cost about \$38.5 million, 80% of this budget category. The General Services Administration charges for building-specific security for the Ronald Reagan Building increased 300% from FY 2002 to FY 2004 and will increase another 130% in FY 2005. This is an average increase of about \$2 million per year. These increases are related to increased security measures after the 9/11 attacks. The remainder of this account is also 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.

Relocation of Continuity of Operations (COOP) Site

From its current location in Olney, MD, USAID plans to relocate its COOP site to the Xerox Center in Lansdowne, VA in FY 2004. This relocation will satisfy USAID's needs for additional space to sufficiently house the COOP designees and provide basic support services at a more reasonable cost and locate the site 50 miles outside the Washington, DC metropolitan area, as required in case of a widespread event. In FY 2005 and subsequent years, the new site's estimated annual operating costs is \$38 thousand - \$22 thousand for the lease and \$16 thousand in user fees for two 2-day training events each year - adjusted annually for inflation. This will result in an estimated annual cost savings of \$224 thousand.

Staff Training

Category	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
Executive and Sr. Leadership	1,300	1,000	1,500	2,000
Acquisition/Assistance Management	1,058	1,091	1,500	1,000
Supervision	216	297	450	450
Managing for Results	120	393	900	900
New Entry Professional (including travel)	614	775	875	875
Core Profess. Skills (Lang/Computer/Other)	1,658	1,705	1,800	2,000
Agency Reforms/Program Pillars Training	450	450	800	800
Distance Learning	400	400	400	400
Training Support Services	325	745	1,000	1,000
Training-related Services	300	475	575	575
TOTAL	6,441	7,331	9,800	10,000

Continued investment in training is central to the FY 2005 implementation of the Agency Human Capital Strategy. The FY 2004 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 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

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 2005, USAID will:

- Train up to 220 new officers (50 DRI, 170 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 in response to the Administrator's commitment to train all supervisors
- Continue training in languages, security, and retirement planning

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

Other Agency Costs

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 the 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.

Department of State administrative support costs will increase by \$2 million from FY 2004 to FY 2005 due to increased investment in upgrading ICASS infrastructure. Agencies' contributions increase in the same proportion as DOS contributions.

This category also covers legislative and public affairs support, including the costs of publications such as Front Lines, support for Operation Days Work, and travel to accompany Congressional delegations.

In addition, this request includes \$1.9 million for potential extraordinary audit costs to cover Office of Inspector General expenses.

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.

Local currency trust funds are estimated at \$26.7 million, the same level as in FY 2004. Estimated recoveries during FY 2004 available for use in FY 2005 are anticipated at \$12.5 million compared to \$19.8 million in FY 2003 and \$16.1 million in FY 2002. In addition, several provisions in the program fund accounts make additional funds available for administrative expenses. Those provisions total \$5,945.

Funding Sources for Operating Expenses (\$000)

<u>Category</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Estimate</u>	<u>FY 2005 Request</u>
Appropriated Operating Expenses	556,000	596,500	644,100	623,400
Rescission		-3,718	-3,564	
Availability - New Budget Authority OE	556,000	592,782	640,536	623,400
Appropriation Transfers		-3,500	-1,900	
Unobligated Balance				
Obligations - New Budget Authority OE	556,000	589,282	638,636	623,400
DA funds used for Envir. Travel/Non Presence	746	977	320	320
DA Funds - Program Transfer	10,300		9,350	
CSH funds used for Child Survival Travel	79	121	125	125
CSH funds used for HIV/AIDS		1,260	11,495	
IDA funds used for southern Africa	1,646	82		
ESF funds used for East Timor	425	825	1,000	1,000
ESF funds used for Pakistan	1,027	1,326		
Andean Counter Drug Initiative	4,500	4,471	4,500	4,500
Local Currency Trust Funds (Recurring)	25,675	24,168	26,692	26,692
Reimbursements	7,114	5,528	5,600	6,100
Unobligated Balance - Start of Year	28,576	34,231	24,922	12,500
Recovery of Prior Year Obligations	16,129	15,816	12,500	12,000
Ending Balance - Current Year Recoveries	- 16,129	-15,816	-12,500	-12,000
Ending Balance - Other Funds -	-18,102	-9,106		
Obligations - Other Funding Sources	61,986	63,883	84,004	51,237
Total Obligations	617,986	653,165	722,640	674,637
Emergency Response Fund¹	15,000			
Funding for new hiring authorities			11,646	36,121

¹ Includes \$15,000 transferred in 2002.

Operating Expense Tables – Index

- Table 1 – 6 pages - USAID Operating Expenses by Organization (to the Mission level) including Trust Funds and Salaries and Benefits.
- Table 2 – 7 pages – USAID Workforce by Organization (to the Mission level).
- Table 3 – 1 page – USAID Overseas Administrative Support Trust Fund Obligations by Mission.
- Table 4 – 2 pages – Use of Operating Expenses for USAID by Object Class Code.
- Table 5 – 1 page – USAID Program Funded Personnel Expenses

TABLE 1
USAID Operating Expenses

(In thousands of dollars)

	FY 2002 Actuals				FY 2003 Actuals				FY 2004 Estimate				FY 2005 Request			
	Direct Obligations		USDH	Total												
	OE	TF	Sal & Ben		OE	TF	Sal & Ben		OE	TF	Sal & Ben		OE	TF	Sal & Ben	
Office of the Administrator	306		2,784	3,090	285		2,811	3,096	214		2,541	2,755	218		2,597	2,815
Equal Opportunity Programs	138		708	846	137		655	792	130		704	834	126		720	846
Small & Disadvantaged Business	119		750	869	158		835	993	111		873	984	107		893	1,000
Office of Security	6,748		2,755	9,503	7,721		3,241	10,962	6,948		3,432	10,380	10,090		3,508	13,598
General Counsel	322		5,401	5,723	234		5,281	5,515	253		5,716	5,969	245		5,716	5,961
Legislative & Public Affairs	312		3,613	3,925	650		4,108	4,758	185		4,716	4,901	180		4,821	5,001
Program and Policy Coordination (PPC)	735		8,966	9,701	774		9,699	10,473	609		9,248	9,857	596		9,453	10,049
GDA Secretariat	50		555	605	79		877	956	49		826	875	50		844	894
Management	7,036		37,198	44,234	6,848		38,096	44,744	5,473		38,658	44,131	5,306		39,518	44,824
Africa (AFR)	573		8,407	8,980	474		9,019	9,493	478		9,686	10,164	464		9,901	10,365
Asia and Near East (ANE)	497		6,149	6,646	1,051		6,438	7,489	342		7,600	7,942	332		7,769	8,101
Europe and Eurasia (E&E)	946		9,567	10,513	838		8,028	8,866	1,109		7,728	8,837	1,075		7,812	8,887
Latin America and Caribbean (LAC)	873		7,307	7,980	479		7,355	7,834	333		7,252	7,585	323		7,413	7,736
Democracy, Conflict and Humanitarian Assistance (DCHA)	2,360		11,313	13,673	2,827		13,454	16,281	2,122		16,188	18,310	2,056		16,547	18,603
Economic Growth, Agriculture & Trade	947		11,378	12,325	954		14,123	15,077	815		15,468	16,283	790		15,812	16,602
Global Health	525		7,303	7,828	806		8,533	9,339	505		10,127	10,632	489		10,352	10,841
Complement			12,177	12,177			13,364	13,364			10,959	10,959			11,202	11,202
Subtotal Washington	22,287	-	136,331	158,618	24,115	-	145,917	170,032	19,676	-	151,722	171,398	22,447	-	154,878	177,325
AFR overseas	74,158	4,261	26,251	104,670	73,401	3,492	26,480	103,373	75,082	2,606	29,149	106,837	74,929	2,606	29,531	107,088
ANE overseas	38,772	19,162	22,385	80,319	64,231	17,475	24,365	106,071	86,768	21,660	26,815	135,243	40,384	21,660	29,075	91,119
E & E overseas	52,193		16,590	68,783	51,022		16,743	67,765	51,203		17,007	68,210	49,908		17,323	67,231
LAC overseas	46,888	2,250	18,283	67,419	43,857	3,201	18,779	65,837	43,417	2,426	18,388	64,231	44,363	2,426	17,327	64,116
PPC overseas	927		363	1,290	1,282		411	1,693	1,085		422	1,507	1,050		432	1,482
DCHA overseas	358		119	477	407		118	525	496		111	607	452		114	566
Complement overseas			266	266			266	266			312	312			320	320
Subtotal Overseas	213,294	25,673	84,257	323,224	234,200	24,168	87,162	345,530	258,051	26,692	92,204	376,947	211,086	26,692	94,122	331,900
Facility Relocations	1,671			1,671	4,150		4,150	4,150	11,900			11,900	5,500			5,500
Information Technology support	72,417			72,409	64,570			64,570	63,436			63,436	63,200			63,200
Rent and other General Support	41,235			41,837	45,659			45,659	50,175			50,175	48,200			48,200
Development Readiness Initiative									6,029			6,029	18,000			18,000
Staff Training	5,460			6,441	7,331			7,331	9,800			9,800	10,000			10,000
Personnel Support	2,685			2,685	2,885			2,885	3,000			3,000	2,235			2,235
ICASS	4,531			4,531	5,278			5,278	6,627			6,627	8,518			8,518
Extraordinary Audit Costs									1,700			1,700	1,900			1,900
Legislative & Public Affairs Support	1,265			1,265	1,282			1,282	1,296			1,296	1,322			1,322
FSN Retirement Fund									2,300			2,300				
Child Survival Admin Expenses									11,495			11,495				
Program funded Admin Costs					1,098			1,098	445			445	445			445
Employee Compensation Claims	3,662			3,662	3,893			3,893	4,284			4,284	4,284			4,284
U.S. Dispatch Agent Fees	700			700	700			700	735			735	735			735
Medical-Property-Tort Claims	541			541	302			302	572			572	572			572
All other Centrally Funded	701			402	455			455	501			501	501			501
Subtotal Central Funded	133,197	-	-	134,473	133,463	-	-	133,463	162,395	-	-	162,395	159,912	-	-	159,912
TOTAL, WITHOUT NEW AUTHORITIES	368,778	25,673	220,588	617,986	395,918	24,168	233,079	653,165	452,022	26,692	243,926	722,640	398,945	26,692	249,000	674,637
PSC Conversion to USDH													7,464			7,464
Program Funded Positions									11,646			11,646	36,120			36,120
GRAND TOTAL	368,778	25,673	220,588	617,986	395,918	24,168	233,079	653,165	463,668	26,692	243,926	734,286	442,529	26,692	249,000	718,221

Overseas Operating Expenses - Africa

(in thousands of dollars)

	FY 2002 Actuals				FY 2003 Actuals				FY 2004 Estimate				FY 2005 Request			
	Mission Obligations		USDH Sal & Ben	Total	Mission Obligations		USDH Sal & Ben	Total	Mission Obligations		USDH Sal & Ben	Total	Mission Obligations		USDH Sal & Ben	Total
	OE	TF	OE		TF	OE	TF		OE	TF	OE		TF			
Africa																
Angola	2,105		388	2,493	1,956		423	2,379	1,957		397	2,354	2,032		678	2,710
Benin	2,315		509	2,824	2,049		586	2,635	2,267		550	2,817	2,067		338	2,405
Burundi			-	-			-	-			-	-			-	-
Cape Verde			-	-			-	-			-	-			-	-
Central Africa Regional			-	-			-	-			-	-			-	-
Democratic Republic of the Congo	2,877		310	3,187	2,921		509	3,430	3,358		682	4,040	3,483		978	4,461
Djibouti			-	-			-	-	473		126	599	411		130	541
Eritrea	1,415		602	2,017	1,298		468	1,766	1,247		251	1,498	1,247		257	1,504
Ethiopia	3,203		1,283	4,486	3,263		1,598	4,861	3,245		1,772	5,017	3,245		1,815	5,060
Gambia			-	-			-	-			-	-			-	-
Ghana	3,197	274	1,830	5,101	3,317	54	1,635	5,006	3,276	40	1,918	5,234	3,316		2,085	5,411
Guinea	3,155		863	4,018	2,899		1,028	3,927	2,633		1,103	3,736	2,733		1,130	3,863
Kenya	3,935		899	4,834	4,283		831	5,114	4,322		935	5,257	4,387		1,278	5,675
Liberia	631		196	827	495		186	681	568		175	743	584		179	763
Madagascar	2,592		856	3,448	4,313		426	4,739	2,124		800	2,924	2,125		683	2,808
Malawi	1,793	582	875	3,250	1,973	714	840	3,527	1,679	534	736	2,949	1,613	600	648	2,859
Mali	4,934		1,308	6,242	4,707		1,495	6,202	3,871		1,336	5,207	3,671		1,095	4,766
Mauntania			-	-			-	-			-	-			-	-
Mozambique	6,696	911	1,655	9,262	5,399	1,531	1,502	8,432	5,115	1,142	1,470	7,727	5,451	806	1,506	7,763
Namibia	1,045		424	1,469	946		466	1,412	1,001		437	1,438	819		224	1,043
Nigeria	3,960		1,282	5,242	4,403		1,707	6,110	3,876		1,950	5,826	4,025		1,997	6,022
REDSO-ESA	5,723		2,260	7,983	6,042		2,527	8,569	5,802		2,622	8,424	5,877		2,685	8,562
Regional Center for Southern Africa	3,083		1,894	4,957	3,479		1,638	5,117	4,000		1,822	5,822	4,000		1,866	5,866
Rwanda	2,760		726	3,486	2,731		482	3,213	2,325		517	2,842	2,325		530	2,855
Senegal	5,139		1,596	6,735	4,819		1,588	6,207	4,896		1,550	6,246	4,696		1,343	6,039
Sierra Leone			-	-			-	-	134			134	134			134
South Africa	5,245		2,050	7,295	5,165		2,294	7,459	5,266		2,534	7,800	5,266		2,594	7,860
Sudan	336			336	653			653	286		632	918	286		777	1,063
Tanzania	2,805	802	1,205	4,812	2,593	54	885	3,532	3,832	40	1,068	4,740	3,672		851	4,523
Uganda	3,804	805	1,329	5,938	3,643	925	1,261	5,829	3,310	690	1,370	5,370	3,075	1,000	1,404	5,479
West African Regional Program (WARP)			357	357		11	372	383			581	1,363			715	1,587
Zambia	2,280	802	951	4,013	2,303	214	972	3,489	2,118	160	982	3,260	2,078	200	1,006	3,284
Zimbabwe	1,528	85	803	2,416	1,625		751	2,386	1,719		833	2,552	1,419		731	2,150
Sub-Total Africa Overseas	76,516	4,281	26,251	107,028	77,086	3,492	26,480	107,058	75,082	2,606	29,149	106,837	74,929	2,606	29,531	107,066
Centrally Budgeted	(2,358)				(3,685)											
Grand Total Africa Overseas	74,158	4,281	26,251	107,028	73,401	3,492	26,480	107,058	75,082	2,606	29,149	106,837	74,929	2,606	29,531	107,066

Overseas Operating Expenses - Asia and Near East

(in thousands of dollars)

	FY 2002 Actuals				FY 2003 Actuals				FY 2004 Estimate				FY 2005 Request			
	Mission Obligations		USDH	Total	Mission Obligations		USDH	Total	Mission Obligations		USDH	Total	Mission Obligations		USDH	Total
	OE	TF	Sal & Ben		OE	TF	Sal & Ben		OE	TF	Sal & Ben		OE	TF	Sal & Ben	
Asia and Near East (ANE)																
Afghanistan	336		115	451	3,561		809	4,370	47,450		1,823	49,273			2,334	2,334
Bangladesh	3,967	233	2,148	6,348	3,905	238	2,291	6,434	3,896	233	2,293	6,422	3,706	569	2,496	6,761
Cambodia	3,616		685	4,301	3,107		897	4,004	3,008		1,089	4,077	3,000		1,254	4,254
East Timor				-	826			826	1,089		133	1,222	840		136	976
Egypt	2,110	16,463	6,831	25,404	2,006	14,537	6,372	22,915	1,089	17,130	5,853	24,072	500	17,035	4,462	21,997
India	4,381		1,595	5,976	4,483		2,101	6,564	4,719		2,579	7,298	4,689		2,641	7,330
Indonesia	5,235	539	2,787	8,561	6,160	750	2,950	9,860	4,466	850	2,768	8,084	4,320	850	3,134	8,304
Iraq				-	16,202			16,202				-				-
Jordan	2,388	967	1,303	4,668	2,674	1,000	924	4,598	2,468	1,500	1,278	5,246	2,883	1,625	1,683	6,191
Lebanon	829		197	1,026	1,056		184	1,240	800		345	1,145	1,150		353	1,503
Mongolia	329		189	518	399		173	572	428		162	588	400		333	733
Morocco	2,863		990	3,853	3,187		929	4,116	1,800		475	2,075	1,745		648	2,394
Nepal	2,556		1,015	3,571	2,560		889	3,449	2,501		834	3,335	2,426		981	3,387
Pakistan	813		70	883	1,488	150	924	2,563	1,406	600	1,063	3,069	1,395	611	1,362	3,368
Philippines	2,846	960	1,852	5,458	2,292	800	1,988	5,080	2,220	1,347	2,009	5,576	2,690	980	2,352	6,022
Regional Development Mission (RDM-Asia)				-				-	2,559		1,063	3,622	2,457		1,362	3,819
Sri Lanka	987		231	1,218	915		292	1,207	1,100		465	1,565	1,248		635	1,883
Thailand				-	1,330			1,330				-				-
Vietnam				-				-				-			137	137
West Bank and Gaza	5,943		2,377	8,320	6,261		2,642	8,903	5,416		2,480	7,896	6,001		2,540	8,541
Yemen				-	569			569	555		123	678	934		251	1,185
Sub-Total ANE Overseas	38,809	19,162	22,385	80,356	62,962	17,475	24,365	104,802	86,768	21,660	26,815	135,243	40,384	21,660	29,075	91,119
Centrally Budgeted	(37)				1,269											
Grand Total ANE	38,772	19,162	22,385	80,356	64,231	17,475	24,365	104,802	86,768	21,660	26,815	135,243	40,384	21,660	29,075	91,119

Overseas Operating Expenses - Europe and Eurasia

(In thousands of dollars)

	FY 2002 Actuals				FY 2003 Actuals				FY 2004 Estimate				FY 2005 Request			
	Mission Obligations		USDH	Total												
	OE	TF	Sal & Ben		OE	TF	Sal & Ben		OE	TF	Sal & Ben		OE	TF	Sal & Ben	
Europe and Eurasia (E and E)																
Albania	1,138		544	1,682	1,332		617	1,949	2,021		615	2,636	2,035		787	2,822
Armenia	2,520		745	3,265	2,965		827	3,792	2,996		1,164	4,160	2,820		1,192	4,012
Azerbaijan	657		303	960	731		393	1,124	700		443	1,143	669		454	1,123
Bosnia and Herzegovina	3,196		1,194	4,390	3,226		1,344	4,570	3,865		1,510	5,375	3,766		1,547	5,313
Bulgaria	1,269		410	1,679	1,408		410	1,818	1,328		452	1,790	1,388		473	1,861
Central Asian Republics Regional	8,933		2,492	11,425	8,545		2,566	11,113	8,350		2,586	10,936	8,163		2,648	10,812
Croatia	1,630		510	2,140	1,791		570	2,361	1,666		535	2,201	1,924		548	2,472
Georgia	4,420		1,817	6,237	4,003		1,887	5,890	3,673		1,771	5,444	3,539		1,814	5,353
Hungary - Regional Service Center	10,224		1,119	11,343	5,202		1,050	6,252	4,924		1,044	5,968	4,790		1,069	5,859
Kosovo			851	851	4,440		477	4,917	3,975		671	4,646	3,395		688	4,083
Macedonia	1,609		524	2,133	1,943		676	2,619	1,880		846	2,726	1,981		867	2,848
Moldova			137	137	343		130	473	513		244	757	483		250	713
Montenegro			-	-	915			915	670			670	785			785
Romania	1,661		674	2,335	1,779		787	2,566	1,775		738	2,513	1,752		756	2,508
Russia	5,342		1,889	7,231	5,287		2,085	7,372	4,525		1,641	6,166	4,441		1,551	5,992
Serbia			1,192	1,192	2,625		775	3,400	3,277		783	4,060	2,975		802	3,777
Ukraine	5,830		2,189	8,019	5,184		2,147	7,331	5,065		1,954	7,019	5,022		1,876	6,898
Yugoslavia	4,672			4,672				-				-				-
Sub-total E and E Overseas	53,101	-	16,590	69,691	51,719	-	16,743	68,462	51,203	-	17,007	68,210	49,908	-	17,323	67,231
Centrally Budgeted	(2,079)				(516)											
Grand Total E and E Overseas	51,022	-	16,590	69,691	51,203	-	16,743	68,462	51,203	-	17,007	68,210	49,908	-	17,323	67,231

Overseas Operating Expenses - Latin America and Caribbean

(in thousands of dollars)

Latin America and Caribbean (LAC)	FY 2002 Actuals				FY 2003 Actuals				FY 2004 Estimate				FY 2005 Request			
	Mission Obligations		USDH	Total												
	OE	TF	Sal & Ben		OE	TF	Sal & Ben		OE	TF	Sal & Ben		OE	TF	Sal & Ben	
Bolivia	4,997		2,210	7,207	4,549		2,152	6,701	4,413		2,325	6,738	4,470		2,131	6,601
Brazil	943		316	1,259	981		369	1,350	976		305	1,281	1,040		313	1,353
Caribbean Regional Program					230			230	230			260	230		266	496
Central America Regional Program	165		101	266			100	100			1,040	1,040			933	933
Colombia	3,530	70	1,153	4,753	3,940	131	1,208	5,279	4,400	100	1,511	6,011	4,329	22	1,548	5,899
Dominican Republic	2,893	401	1,132	4,426	2,590	593	1,231	4,414	2,639	450	1,411	4,500	2,800	450	1,446	4,696
Ecuador	1,554		737	2,291	1,960		639	2,599	1,690		666	2,356	1,885		683	2,568
El Salvador	4,237	564	1,801	6,602	3,951	746	1,760	6,457	3,830	565	1,835	6,230	4,575	565	1,880	7,020
Guatemala	4,486	198	2,023	6,707	4,387	15	2,347	6,749	4,238	11	907	5,156	3,645	30	929	4,604
Guyana	499		174	673	482		176	658	375		130	505	384		133	517
Haiti	5,021		1,306	6,327	4,268		1,265	5,533	4,314		1,780	6,094	4,705		1,672	6,377
Honduras	2,739	979	1,464	5,182	2,443	1,585	1,687	5,715	2,479	1,200	1,514	5,193	2,320	1,170	987	4,477
Jamaica	3,909	38	813	4,760	2,884	131	816	3,831	3,069	100	547	3,716	2,971	189	560	3,720
Mexico	987		304	1,291	1,135		406	1,541	1,058		643	1,701	1,280		859	1,939
Nicaragua	3,594		1,589	5,183	3,387		1,510	4,897	2,763		902	3,665	2,574		792	3,366
Panama	956		281	1,237	779		291	1,070	764		273	1,037	841		140	981
Paraguay	912		301	1,213	884		317	1,201	803		277	1,080	844		142	986
Peru	6,437		2,578	9,015	5,294		2,505	7,799	5,376		2,062	7,438	5,470		2,113	7,583
Sub-total LAC Overseas	47,859	2,250	18,283	68,392	44,144	3,201	18,779	66,124	43,417	2,426	18,388	64,231	44,363	2,426	17,327	64,116
Centrally Budgeted	(973)				(267)											
Grand Total, LAC Overseas	46,886	2,250	18,283	68,392	43,857	3,201	18,779	66,124	43,417	2,426	18,388	64,231	44,363	2,426	17,327	64,116

Overseas Operating Expenses - Program and Policy Coordination

(in thousands of dollars)

Program and Policy Coordination (PPC)	FY 2002 Actuals				FY 2003 Actuals				FY 2004 Estimate				FY 2005 Request			
	Mission Obligations		USDH	Total												
	OE	TF	Sal & Ben		OE	TF	Sal & Ben		OE	TF	Sal & Ben		OE	TF	Sal & Ben	
Belgium	124		95	219	223		145	368	165		172	337	151		176	327
France	282		153	435	486		152	638	358		143	501	368		148	514
Japan	362		115	477	339		114	453	382		107	489	348		110	458
Switzerland	159			159	173			173	180			180	183			183
Sub-total PPC	927	-	363	1,290	1,221	-	411	1,632	1,085	-	422	1,507	1,050	-	432	1,482
Centrally Budgeted	-				61											
Grand Total PPC	927	-	363	1,290	1,282	-	411	1,632	1,085	-	422	1,507	1,050	-	432	1,482

Overseas Operating Expenses - Democracy, Conflict and Humanitarian Assistance

(in thousands of dollars)

Democracy, Conflict and Humanitarian Assistance (DCHA)	FY 2002 Actuals				FY 2003 Actuals				FY 2004 Estimate				FY 2005 Request			
	Mission Obligations		USDH	Total												
	OE	TF	Sal & Ben		OE	TF	Sal & Ben		OE	TF	Sal & Ben		OE	TF	Sal & Ben	
Rome	358		119	477	407		118	525	496		111	607	452		114	566
Total DCHA	358	-	119	477	407	-	118	525	496	-	111	607	452	-	114	566

**TABLE 2
USAID Workforce**

Organization	September 30, 2002 Actual						September 30, 2003 Actual						September 30, 2004 Estimate						September 30, 2005 Request						
	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	
	USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			
Washington Workforce																									
Office of the Administrator	25			25		25	33			33		33	28			28		28		28		28		28	
Equal Opportunity Programs	7			7		7	7			7		7	8			8		8		8		8		8	
Small & Disadvantaged Business	8			8		8	9			9		9	10			10		10		10		10		10	
Office of Security	32			32		32	32			32		32	36			36		36		36		36		36	
General Counsel	40			40		40	39			39		39	46			46		46		45		45		45	
Legislative & Public Affairs	40			40		40	41			41		41	50			50		50		50		50		50	
Program and Policy Coordination	83			83	6	89	71			71	6	77	78		10	88		78		78	10	88		88	
Global Development Alliance	6			6		6	6			6		6	6		5	11		6		6		6	5	11	
Management	397			397		397	388			388		388	428			428		428		428		428		428	
Africa (AFR)	79			79	56	135	77			77	26	103	89			89	23	112		89		89	23	112	
Asia & Near East (ANE)	54			54	9	63	64			64	9	73	74			74		74		74		74		74	
Europe & Eurasia (ENE)	98			98	48	146	77			77	30	107	90		33	123		89		89	33	122		122	
Latin America & the Caribbean (LAC)	66			66	12	78	60	1		61	8	69	66		10	76		66		66	10	76		76	
Democracy, Conflict and Humanitarian Assistance (DCHA)	110			110	128	238	119			119	130	249	147			147	171	318		147		147	180	327	
Economic Growth Agriculture and Trade (EGAT)	89			89	67	156	118	3		121	93	214	128	11		139	153	292		128	11	139	153	292	
Global Health	69			69	110	179	89	2		71	70	141	87			87	135	222		87		87	150	237	
Complement	137			137		137	127			127		127	115			115		115		115		115		115	
Subtotal Washington	1,340	-	-	1,340	436	1,776	1,337	6	-	1,343	372	1,715	1,486	11	-	1,497	540	1,922	1,484	11	-	1,495	564	2,059	
Overseas Workforce																									
Africa	203	33	1,348	1,584	576	2,160	193	52	1,382	1,627	533	2,160	230	39	1,369	1,638	893	2,531	226	37	1,385	1,648	900	2,548	
Asia and Near East	172	23	760	955	263	1,218	181	34	862	1,077	243	1,320	200	89	862	1,151	481	1,632	211	89	829	1,129	471	1,600	
Democracy, Conflict and Humanitarian Assistance	1	2		3	69	72	1	2		3	47	50	1	2		3	50	53	1	2		3	48	51	
Europe and Eurasia	122	32	539	693	438	1,131	122	53	613	788	426	1,214	130	42	650	822	498	1,320	129	40	644	813	479	1,292	
Latin America and Caribbean	132	22	728	882	359	1,241	139	20	673	832	381	1,213	148	15	687	850	434	1,284	138	15	689	842	419	1,261	
Program and Policy Coordination	2	1	4	7		7	3	3	2	8		8	3	3	2	8		8	3	3	2	8		8	
Complement Overseas	2			2		2	7			7		7													
Subtotal Overseas	634	113	3,379	4,126	1,705	5,831	646	164	3,532	4,342	1,630	5,972	712	190	3,570	4,472	2,356	6,828	708	186	3,549	4,443	2,317	6,760	
Development Readiness Initiative													55			55		55		105		105		105	
Lapse													(228)	(30)		(258)	(500)	(758)	(222)	(30)		(252)	(500)	(752)	
Washington and Overseas Subtotal	1,974	113	3,379	5,466	2,141	7,607	1,983	170	3,532	5,685	2,002	7,687	2,025	171	3,570	5,766	2,396	8,047	2,075	167	3,549	5,791	2,381	8,172	
Limited Term Appointments																	85	85						170	170
Personal Service Contractor Conversion																			50				50	(50)	-
GRAND TOTAL	1,974	113	3,379	5,466	2,141	7,607	1,983	170	3,532	5,685	2,002	7,687	2,025	171	3,570	5,766	2,481	8,132	2,125	167	3,549	5,841	2,501	8,342	

USAID Workforce

Africa Overseas Staff	September 30, 2002 Actual						September 30, 2003 Actual						September 30, 2004 Estimate						September 30, 2005 Request						
	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	
	USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			
Angole	3	2	27	32	11	43	3		28	31	15	46	3		26	29	15	44	5		26	31	14	45	
Benin	5	1	44	50	13	63	5		45	50	17	67	5		39	44	30	74	3		39	42	30	72	
Burundi																		8	8					8	8
Central Africa Regional																		7	7					7	7
Cote d'Ivoire					1																				
DROC	3	2	18	23	20	43	4	1	29	34	16	50	5	4	39	48	14	62	7	2	39	48	16	64	
Djibouti													1		4	5	8	13	1		4	5	8	13	
Eritrea	4	1	21	26	10	36	3	4	24	31	6	37	2	1	22	25	11	36	2		22	24	11	35	
Ethiopia	10	1	148	159	29	188	12	1	148	161	29	190	13	4	190	207	59	266	13	4	191	208	57	265	
Ghana	12	1	74	87	19	106	12	3	62	77	29	106	15	2	75	92	47	139	16	2	75	93	46	139	
Guinea	7	4	62	73	32	105	7	2	70	79	24	103	8	2	72	82	39	121	8	2	72	82	39	121	
Kenya	5	3	94	102	36	138	5	4	92	101	31	132	6	3	74	83	73	156	8	3	74	85	71	156	
Liberia	1		9	10	1	11	1		5	6	3	9	1		5	6	3	9	1		5	6	3	9	
Madagascar	3		35	38	29	67	3	1	33	37	34	71	6	1	33	40	32	72	5	1	31	37	35	72	
Malawi	8		50	58	17	75	7	6	51	64	20	84	7	1	48	56	46	102	6	1	48	55	46	101	
Mali	11	2	62	75	35	110	10	1	57	68	35	103	10	1	61	72	45	117	8	1	61	70	45	115	
Mozambique	12	2	79	93	48	141	11	2	87	100	43	143	12	3	94	109	43	152	12	3	94	109	43	152	
Namibia	4		21	25	8	33	4		13	17	13	30	4		10	14	20	34	2		10	12	19	31	
Nigeria	13	2	34	49	30	79	10	1	41	52	34	86	14	1	44	59	39	98	14	1	45	60	40	100	
REDSO-ESA	19	1	56	75	50	125	20	8	55	83	51	134	21	3	59	83	55	138	21	3	59	83	56	139	
RCSA	13	4	63	80	16	96	14	7	69	90		90	16	2	58	76	27	103	16	2	58	76	27	103	
Rwanda	4	2	46	52	14	66	3	3	47	53	13	66	4	3	47	54	22	76	4	3	47	54	22	76	
Senegal	13	1	78	92	31	123	12		68	80	31	111	13		70	83	31	114	11		69	80	30	110	
Sierra Leone																		1	1					1	1
South Africa	17	1	68	86	41	127	17	3	67	87	28	115	20	1	48	69	51	120	20	1	48	69	51	120	
Sudan		1	12	13	2	15		1	12	13	2	15	5	2	14	21	28	49	6	3	22	31	34	65	
Tanzania	7	1	68	76	13	89	7	1	71	79	14	93	9		74	83	20	103	7		74	81	21	102	
Uganda	11	1	78	90	33	123	8	1	91	100	19	119	11	4	79	94	37	131	11	4	79	94	37	131	
WARP	3		2	5	4	9	3		1	4	4	8	5		2	7	25	32	6		2	8	25	33	
Zambia	7		55	62	14	76	6	1	71	78	3	81	7	1	32	40	34	74	7	1	41	49	35	84	
Zimbabwe	6		44	50	16	66	6	1	45	52	19	71	7		50	57	23	80	6		50	56	23	79	
RHUDOS	3				3	6																			
Africa Workforce Total	203	33	1,348	1,581	576	2,159	193	52	1,382	1,627	533	2,160	230	39	1,369	1,638	893	2,531	226	37	1,385	1,648	900	2,548	

USAID Workforce

Asia and Near East Overseas Staff	September 30, 2002 Actual						September 30, 2003 Actual						September 30, 2004 Estimate						September 30, 2005 Request					
	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total
	USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE		
Afghanistan	3			3		3	7	1	29	37	2	39	12	3	51	66	47	113	15	3	51	69	47	116
Bangladesh	17		44	61	30	91	13	2	43	58	29	87	16	2	43	61	39	100	17	2	42	61	40	101
Burma				-		-				-		-		1	13	14		14		1	13	14		14
Cambodia	5	3	78	86	18	104	6	1	76	83	6	89	7		76	83	15	98	8		41	49	12	61
East Timor				-		-				-		-	1	1	9	11	6	17	1	1	10	12	6	18
Egypt	49	2	223	274	27	301	47	6	220	273	24	297	47	10	237	294	30	324	35	9	237	281	24	305
India	13	2	88	103	13	116	13	4	96	113	22	135	17	1	94	112	39	151	17	1	94	112	39	151
Indonesia	19	5	77	101	51	152	19	8	121	148	10	158	19	5	96	120	64	184	21	5	95	121	58	180
Iraq				-		-	7			7		7				-		-				-		-
Jordan	9		36	45	6	51	10	1	43	54	8	62	14	52		66	11	77	18	53		71	13	84
Laos				-	1	1				-		-				-		-				-		-
Lebanon	1		2	3		3	1		6	7	2	9	2	5	1	8	3	11	2	5	1	8	3	11
Mongolia	1		2	3	3	6	1		2	3	5	8	1		2	3	5	8	2		2	4	5	9
Morocco	7		36	43	11	54	4		29	33	9	42	3		14	17	13	30	4		15	19	16	35
Nepal	8	4	42	54	22	76	8	4	68	80	31	111	8	4	66	78	42	120	9	4	66	79	41	120
Pakistan	2			2		2	7			7		7	8	1	11	20	10	30	10	1	12	23	10	33
Philippines	14		77	91	19	110	12		72	84	34	118	14		73	87	42	129	16		73	89	41	130
Regional Development Mission-Asia (RDM-Asia)				-		-				-		-	8	1	20	29	14	43	10	1	20	31	14	45
Sri Lanka		2	15	17	7	24	2	3	13	18	10	28	3	1	13	17	22	39	4	1	13	18	22	40
Thailand				-		-	4	1	6	11	3	14				-		-				-		-
Turkey				-	1	1				-		-				-		-				-		-
Vietnam				-		-				-		-			4	4	9	13	1		4	5	9	14
West Bank and Gaza	19	2	36	57	47	104	19	3	38	60	48	108	19	2	38	59	55	114	19	2	38	59	55	114
Yemen				-		-	1			1		1	1		1	2	15	17	2		2	4	15	19
RHUDOS	5	3	4	12	7	19																		
Asia and Near East Workforce Total	172	23	760	955	263	1,218	181	34	862	1,077	243	1,320	200	89	862	1,151	481	1,632	211	89	829	1,129	471	1,600

USAID Workforce

Europe and Eurasia Overseas Staff	September 30, 2002 Actual						September 30, 2003 Actual						September 30, 2004 Estimate						September 30, 2005 Request					
	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total
	USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE		
Albania	6	1	13	20	6	26	4	3	14	21	10	31	4	2	14	20	14	34	5	2	14	21	15	36
Armenia	6	5	27	38	20	58	6	7	26	39	19	58	9	2	28	39	32	71	9	2	28	39	32	71
Azerbaijan	2	1	3	6	10	16	3	2	2	7	10	17	3		3	6	14	20	3		3	6	14	20
Belarus				-	6	6				-	5	5				-	6	6				-	6	6
Bosnia and Herzegovina	7	2	56	65	54	119	9	3	66	78	40	118	9	3	72	84	36	120	9	3	70	82	32	114
Bulgaria	3	2	16	21	12	33	2	1	18	21	12	33	3	1	18	22	14	36	3	1	18	22	13	35
Central Asian Republics Regional	19	5	110	134	68	202	22	9	118	149	79	228	22	8	125	155	87	242	22	7	123	152	82	234
Croatia	4	1	12	17	16	33	4	1	14	19	17	36	4	2	11	17	19	36	4	2	11	17	14	31
Georgia	12	2	37	51	32	83	12	4	38	54	30	84	12	3	41	56	40	96	12	3	41	56	40	96
Hungary	10	5	35	50	3	53	7	6	41	54	27	88	9	6	46	61	3	64	9	6	46	61	2	63
Kosovo	5	1	85	91	20	111	3	5	53	61	27	88	6	1	52	59	33	92	6	1	52	59	33	92
Macedonia	4	2	17	23	15	38	5	3	20	28	16	44	6	3	21	30	16	46	6	3	21	30	16	46
Moldova	1		8	9	11	20	1		8	9	13	22	2		8	10	13	23	2		8	10	13	23
Montenegro				-		-		2	12	14	7	21		2	16	18	14	32		2	16	18	14	32
Romania	5		19	24	26	50	5		21	26	20	46	5		23	28	25	53	5		23	28	25	53
Russia	15	1	52	68	50	118	16	2	58	76	39	115	13	3	60	76	44	120	12	3	58	73	40	113
Serbia	7	1	5	13	3	16	6	1	29	36	15	51	7	1	34	42	20	62	7	1	34	42	20	62
Ukraine	16	3	64	83	86	169	17	4	75	96	67	163	16	5	78	99	68	167	15	4	78	97	68	165
Europe and Eurasia Workforce	122	32	539	693	438	1,131	122	53	613	788	426	1,214	130	42	650	822	498	1,320	129	40	644	813	479	1,292

USAID Workforce

Latin America and Caribbean Overseas Staff	September 30, 2002 Actual						September 30, 2003 Actual						September 30, 2004 Estimate						September 30, 2005 Request					
	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total
	USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE		
Bolivia	16	1	92	109	31	140	17	1	99	117	31	148	19		99	118	35	153	17		99	118	34	150
Brazil	3		7	10	10	20	3		7	10	10	20	3		9	12	11	23	3		9	12	11	23
Caribbean Regional Program													4	1	1	6	13	19	4	1	1	8	12	18
Central America Program													7			7	22	29					21	21
Colombia	9	3	28	40	19	59	9	5	30	44	17	61	12	5	38	55	19	74	12	5	38	55	19	74
Dominican Republic	8	1	41	50	22	72	10	1	46	57	19	76	11		46	57	21	78	11		46	57	21	78
Ecuador	5		22	27	7	34	4		20	24	14	38	5		26	31	16	47	5		26	31	16	47
El Salvador	13	4	106	123		123	14	1	77	92	31	123	16	1	74	91	39	130	19	1	76	96	33	129
Guatemala	15	1	70	86	57	143	19	3	61	83	55	138	7		49	56	37	93	8		49	57	32	89
Guyana	1	1	2	4	5	9	1	1	2	4	7	11	1	1	2	4	7	11	1	1	2	4	7	11
Haiti	9	3	78	90	36	126	7	3	76	86	36	122	13	2	78	93	43	136	10	2	78	90	42	132
Honduras	12	2	63	77	29	106	11	2	62	75	23	98	11	1	59	71	28	99	10	1	59	70	28	98
Jamaica	6	1	42	49	27	76	8	2	41	51	27	76	5	1	47	53	24	77	5	1	47	53	24	77
Mexico	2		6	8	17	25	5		6	11	16	27	4	1	9	14	19	33	4	1	9	14	19	33
Nicaragua	13	2	72	87	38	125	9		50	59	30	89	7	1	53	61	31	92	7	1	53	61	31	92
Panama	2		13	15	16	31	2		11	13	16	29	2		11	13	16	29	2		11	13	16	29
Paraguay	2		11	13	12	25	2		11	13	12	25	2		11	13	13	26	1		11	12	13	25
Peru	16	3	75	94	33	127	18	1	74	93	37	130	19	1	75	95	40	135	19	1	75	95	40	135
Latin America and Caribbean V	132	22	728	882	359	1,241	139	20	673	832	381	1,213	148	15	687	850	434	1,284	138	15	689	842	419	1,281

USAID Workforce

Democracy, Conflict and Humanitarian Assistance Overseas Staff	September 30, 2002 Actual						September 30, 2003 Actual						September 30, 2004 Estimate						September 30, 2005 Request					
	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total
	USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE		
Afghanistan					2	2					3	3					1	1					1	1
Angola					1	1					3	3					4	4					3	3
Barbados					2	2					1	1					1	1					1	1
Bolivia																	2	2					2	2
Burundi					4	4					2	2					3	3					3	3
Costa Rica					6	6					2	2					2	2					2	2
DROC					4	4					3	3					4	4					3	3
El Salvador					1	1						-						-						-
Guinea					2	2					1	1					1	1					1	1
Indonesia					9	9					2	2						-						-
Iraq											5	5					8	8					8	8
Italy	1	2		3	1	4	1	2		3	1	4	1	2		3	1	4	1	2		3	1	4
Kenya					14	14					9	9					9	9					9	9
Macedonia					4	4					2	2						-						-
Malawi											1	1					1	1					1	1
Nepal					3	3					1	1					2	2					2	2
Pakistan					1	1						-						-						-
Peru					2	2					2	2						-						-
Philippines					4	4						-						-						-
Serbia					3	3						-						-						-
Sierra Leone					2	2						-						-						-
Southern Africa											1	1					1	1					1	1
Sudan					4	4					2	2					5	5					5	5
Venezuela											2	2					2	2					2	2
Zambia											1	1					1	1					1	1
Zimbabwe											2	2					2	2					2	2
DCHA Workforce Total	1	2		3	69	72	1	2		3	47	50	1	2		3	50	53	1	2		3	48	51

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USAID Workforce

Program and Policy Coordination Overseas Staff	September 30, 2002 Actual						September 30, 2003 Actual						September 30, 2004 Estimate						September 30, 2005 Request					
	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total	OE Funded				Prog	Grand Total
	USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE			USDH	Other US	FSN	Total OE		
Belgium				-		-	1	1		2		2	1	1		2		2	1	1		2		2
France	1		2	3		3	1		1	2		2	1		1	2		2	1		1	2		2
Japan	1		1	2		2	1		1	2		2	1		1	2		2	1		1	2		2
Switzerland		1	1	2		2		2		2		2		2		2		2		2		2		2
Program and Policy Coordinati	2	1	4	7	-	7	3	3	2	8	-	8	3	3	2	8	-	8	3	3	2	8	-	8

TABLE 3
USAID Overseas Administrative Support Trust Fund Obligations
(in thousands of dollars)

	FY 2002 Actuals		FY 2003 Actuals		FY 2004 Estimate		FY 2005 Request	
	Trust Funds	Exchange Rate	Trust Funds	Exchange Rate	Trust Funds	Exchange Rate	Trust Funds	Exchange Rate
Africa (AFR)								
Ghana	274	7,676	54	8,700	40	8,700	-	-
Malawi	582	72	714	105	534	105	600	105
Mozambique	911	23,258	1,531	23,522	1,142	23,522	806	23,522
Tanzania	802	943	54	1,050	40	1,050	-	-
Uganda	805	1,760	925	1,950	690	1,950	1,000	1,950
Zambia	802	4,127	214	4,740	160	4,740	200	4,740
Zimbabwe	85	354	-	-	-	-	-	-
Total AFR	4,261		3,492		2,606		2,606	
Asia and Near East (ANE)								
Bangladesh	233	58	238	58	233	58	559	58
Egypt	16,463	5	14,537	6.3	17,130	6.3	17,035	6.7
Indonesia	539	9,531	750	8,500	850	8,500	850	8,500
Jordan	967	1	1,000	0.7	1,500	0.7	1,625	0.7
Pakistan	0	58	150	58	600	57	611	57
Philippines	960	51	800	51	1,347	54	980	54
Total ANE	19,162		17,475		21,660		21,660	
Latin America and Caribbean (LAC)								
Colombia	70	2,388	131	3,100	100	3,100	22	3,100
Dominican Republic	401	17	593	31.9	450	31.9	450	31.9
El Salvador	564	9	746	1	565	1	565	1
Guatemala	198	8	15	8	11	8	30	8
Honduras	979	17	1,585	19.05	1,200	18.32	1,170	19.05
Jamaica	38	48	131	59.4	100	59.4	189	59.4
Total LAC	2,250		3,201		2,426		2,426	
Worldwide Overseas Summary	25,673		24,168		26,692		26,692	

TABLE 4
Use of Operating Expenses by Object Class Code
(In thousands of dollars)

Category	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
11.1 Personnel compensation, full-time permanent				
U.S. Direct Hire	162,865	172,345	190,503	203,763
Foreign National Direct Hire	4,459	4,195	3,405	3,574
Subtotal 11.1	167,324	176,540	193,908	207,337
11.3 Personnel compensation, other than full-time permanent				
U.S. Direct Hire	2,268	2,397	2,518	2,570
Foreign National Direct Hire	89	83	64	76
Subtotal 11.3	2,357	2,480	2,582	2,646
11.5 Other personnel compensation				
USDH Post Differential	7,464	7,778	9,392	10,580
Other USDH Compensation	4,463	4,784	4,982	5,088
Other FNDH Compensation	680	546	393	489
Subtotal 11.5	12,607	13,108	14,767	16,157
11.8 Special personal services payments				
U.S. Citizens	12,631	12,733	12,706	10,261
Foreign Nationals	46,696	50,445	51,344	54,345
Subtotal 11.8	59,327	63,178	64,050	64,606
12.1 Personnel benefits				
US Direct Hire				
Retirement	32,589	34,124	35,716	36,466
Health and Life	11,032	11,599	12,249	12,508
Educational Allowances	7,112	6,739	10,961	14,055
All Other USDH Benefits	7,502	8,520	12,825	15,944
Foreign Service Nationals	9,370	11,677	15,568	13,027
U.S. PSCs/IPA/Details-In	0	0	0	20
Payments to FSN Voluntary Separation Fund	577	1,452	1,944	1,702
Subtotal 12.1	68,182	74,111	89,263	93,722
13.0 Benefits for former personnel				
U.S. Direct Hire	0	0	0	0
Foreign Service Nationals	3,050	678	578	517
Subtotal 13.0	3,050	678	578	517
21.0 Travel and transportation of persons				
Mandatory/Statutory Travel				
Training Travel	3,449	3,536	4,867	4,384
Post Assignment	1,090	1,227	2,498	2,370
Assignment to Washington Travel	547	623	666	768
Home Leave Travel	1,231	1,764	1,820	2,147
R & R Travel	1,607	1,703	2,726	3,205
All Other	1,748	2,832	2,011	1,546
Operational Travel	15,842	17,957	21,754	20,393
Subtotal 21.0	25,514	29,642	36,342	34,813
22.0 Transportation of things				
Post Assignment Freight	5,382	5,481	5,485	5,374
Home Leave Freight	833	952	1,200	1,151
Shipment of Furniture and Equipment	2,453	2,720	3,046	1,727
Other Transportation of Things	455	521	421	326
Subtotal 22.0	9,123	9,674	10,152	8,578

Category	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
23.1 Rental payments to GSA	31,427	34,203	37,126	37,841
23.2 Rental Payments to Others	30,588	26,401	30,505	34,799
23.3 Communications, utilities, and miscellaneous charges				
Office/Residential Utilities	5,024	5,289	7,046	9,337
Communications Cost	6,539	5,866	6,483	6,373
Other Miscellaneous Communications Costs	340	436	866	585
Subtotal 23.3	11,903	11,591	14,395	16,295
24.0 Printing and Reproduction	1,920	3,056	2,012	2,084
25.1 Advisory and assistance services	8,386	8,367	2,934	2,495
25.2 Other Services				
Training	6,911	6,003	11,619	13,714
Information Technology Systems				
Design/Analysis/Maintenance	29,405	26,466	16,050	15,994
Other IT Support Costs	4,596	5,233	11,984	12,017
Office/Residential Security Guards	9,698	11,110	18,197	12,894
Other Miscellaneous Services	10,557	16,207	16,983	14,738
Subtotal 25.2	61,167	65,019	74,833	69,357
25.3 Goods/services from Gov't. Accts	33,039	38,406	43,489	51,046
25.4 Operation and maintenance of facilities	9,400	9,866	9,076	7,245
25.6 Medical Care	360	343	428	528
25.7 Operation/maintenance of equipment & storage of goods				
Information Technology (IT) Systems	24,527	28,938	30,398	30,250
Storage of Effects	1,225	924	1,185	1,227
Office/Residential Furniture/Equip.	2,333	1,954	2,321	1,859
Other Miscellaneous	865	1,032	1,318	1,308
Subtotal 25.7	28,950	32,848	35,222	34,644
25.8 Subsistence /Support of Persons	0	1	33	33
26.0 Supplies and materials	10,158	10,099	8,796	7,889
31.0 Equipment				
Office/Residential Furniture & Equipment	15,813	17,703	9,263	6,390
Vehicles	2,243	5,332	1,851	5,394
IT Hardware and Software	19,132	12,720	6,699	4,843
Subtotal 31.0	37,188	35,755	17,813	16,627
32.0 Lands and structures	4,288	5,429	45,437	8,417
41.0 Grants, subsidies and contributions	1,162	1,895	1	1
42.0 Claims and indemnities	566	476	577	577
Total Costs	617,986	653,165	734,286	718,221

**TABLE 5
USAID Program Funded Personnel**

Organization	September 30, 2002		September 30, 2003		September 30, 2004		September 30, 2005	
	Total Positions	Cost						
Washington Staff								
Program and Policy Coordination (PPC)	10	1,471	6	909	10	1,560	10	1,607
GDA Secretariat					5	950	5	979
Africa (AFR)	56	7,179	26	3,433	23	3,128	23	3,247
Asia and Near East (ANE)	9	1,156	9	1,191				-
Europe and Eurasia (E&E)	48	7,528	30	4,846	33	5,490	33	5,655
Latin America and the Caribbean (LAC)	12	1,573	8	1,080	10	1,390	10	1,432
Democracy, Conflict and Humanitarian Assistance	128	13,744	130	14,377	171	19,478	180	20,516
Economic Growth, Agriculture and Trade	67	10,383	93	14,844	153	25,154	153	25,909
Global Health	110	13,754	70	9,015	135	17,907	150	20,772
Subtotal Washington	440	56,788	372	49,695	540	75,057	564	80,114
Overseas Staff								
AFR Overseas	576	46,546	533	44,363	893	76,557	900	87,544
ANE Overseas	263	25,691	243	24,449	481	49,847	471	48,608
E&E Overseas	438	40,358	426	40,430	498	48,681	479	47,828
LAC Overseas	359	32,265	381	35,269	434	41,381	419	40,910
DCHA Overseas	69	6,297	47	4,418	50	4,550	48	4,704
Subtotal Overseas	1,705	151,157	1,630	148,929	2,356	221,016	2,317	229,593
Institutional Contractors		40,625		41,925		43,225		44,525
Sub-Total Program Funded Personnel	2,145	248,570	2,002	240,549	2,896	339,298	2,881	354,233
Lapse					(500)	(51,118)	(500)	(53,750)
Sub-Total Less Lapse	2,145	248,570	2,002	240,549	2,396	288,180	2,381	300,483
Contractor Conversion to Direct Hire							(50)	(7,465)
Net Amount after Contractor Conversion	2,145	248,570	2,002	240,549	2,396	288,180	2,331	293,018
New Limited Term Appointments					85	11,646	170	36,121
Total with New Limited Term Appointments	2,145	248,570	2,002	240,549	2,481	299,826	2,501	329,139

Capital Investment Fund

FY 2004 marks the third year USAID proposes the Capital Investment Fund to modernize and improve information technology systems and finance construction of USAID buildings overseas in conjunction with the Department of State. These no-year funds will provide the Agency with 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 2004 Estimate</u>	<u>FY 2005 Request</u>
Information Technology	20,000	36,100
Overseas Facility Construction	62,200	28,700
Total Obligations	82,200	64,800

Information Technology (IT)

Separating the improvement funds from on-going operations funds will allow IT improvement managers to have funding certainty independent of operational cost fluctuations. Reflecting the Agency's best estimates, this fund is proposed at \$36.1 million for FY 2005 to support the following initiatives:

Information Technology (\$ in thousands)			
<u>Category</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Estimate</u>	<u>FY 2005 Request</u>
IT Systems			
Phoenix Washington Enhancements		2,000	2,700
Mission Financial System	5,900	10,000	10,600
Procurement Improvement System	500	2,500	9,900
E-Gov Initiatives	379	2,181	2,700
Subtotal IT Systems	6,779	16,681	25,900
IT Infrastructure			
USAID/DOS Infrastructure Collaboration	600		6,000
E-Authentication			400
Subtotal IT Infrastructure	600		6,400
IT Architecture and Planning	1,500	3,319	3,800
Total	8,879	20,000	36,100

IT Systems Capital Investments

Phoenix Financial System Integration (USAID Washington) - This project improves USAID's headquarters' core financial system that provides accurate financial information to support Agency decisions to achieve USAID/State's strategic goals and objectives in the most cost efficient and effective manner and supports substantial compliance with the Federal Financial Management Improvement Act. It funds both the ongoing support for the currently installed financial systems and upgrades needed to allow for a joint, integrated financial system with the Department of State.

Phoenix Financial System Overseas Deployment (USAID Missions) - This project, part of the modernization of USAID's business systems worldwide, will expand the Agency's core accounting system to include 70 overseas missions in developing countries. The overseas deployment of a web-based, integrated financial management system will provide an Agency-wide system for budget execution, accounting, and financial management. E-business technologies will provide a tool for mission personnel to manage financial transactions and program performance and allow the Agency to replace its current overseas Mission Accounting and Control System that is noncompliant with Joint Financial Management Improvement Program requirements. USAID will coordinate this project with the Department of State (DoS) to ensure successful migration of the Phoenix and DoS Momentum systems.

Procurement System Improvement (USAID Missions) – This project, part of the modernization of USAID's business systems worldwide, will implement an integrated Acquisition and Assistance (A&A) management system for USAID's Washington headquarters and overseas missions. The project will replace the NMS legacy system for A&A, which is used only at headquarters, and provide full electronic processing capability for the first time to field missions. Acquisition and Assistance, a core function, is the Agency's primary means of achieving its economic-development mission. The overseas deployment of a web-based procurement system will provide a common Agency-wide system for the A&A process.

The A&A process applies to contracts for goods and services, grants for development assistance, and to vendors and other agency partners in support of the program operations business area. The project will enable the Agency to achieve a higher level of compliance with key government regulations, such as Government Performance and Results Act, Government Paperwork Elimination Act, and the Information Technology Management Reform Act. USAID will act as a managing partner to coordinate joint USAID and Department of State planning efforts to ensure the successful development and implementation of a common world-wide acquisition system with a grants management module.

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 minimize the burden on businesses, the public, and government when obtaining on-line services by providing a secure infrastructure for on-line transactions, eliminating the need for separate processes for the verification of identity and electronic signatures.

Grants.gov (formerly E-Grants) -- A Federal government multi-agency initiative to create a single portal for all Federal grant customers to find, apply, and ultimately manage grants on-line.

E-Training -- A Federal government multi-agency online training initiative to create a premier e-training environment that supports development of the Federal workforce through simplified and one-stop access to high-quality e-training products and services.

E-Travel -- A Federal government multi-agency initiative to provide a web-based service that applies world-class travel-management practices to consolidate Federal travel, minimize cost, and produce superior customer satisfaction. From travel planning and authorization to reimbursement, the E-Travel Service will leverage administrative, financial, and information-technology best practices to achieve significant cost savings and improved employee productivity.

Integrated Acquisition Environment -- A Federal government multi-agency project to create a secure business environment that will facilitate and support cost-effective acquisition of goods and services by agencies, while eliminating inefficiencies in the current acquisition environment.

Recruitment One-Stop -- A Federal multi-agency project that outsources the USAJOBS Federal Employment Information System to deliver state-of-the-art on-line recruitment services to job seekers, including intuitive job searching, on-line resume submission, applicant data mining, and on-line feedback on status and eligibility.

IT Infrastructure Capital Investments

USAID/DOS Infrastructure Collaboration -- This project supports USAID's participation in concept development, planning, issue analysis, and preliminary engineering for information technology infrastructure collaboration and consolidation between the Department of State and USAID. The project will consider a variety of technical, procedural, contractual, and security requirements issues in consolidating the two information-technology infrastructures.

IT Architecture and Planning Capital Investments

Architecture and Planning/PMO - This project, part of the modernization of USAID's business systems worldwide, will develop an Enterprise Architecture consistent with Federal Enterprise Architecture standards in collaboration with the Department of State. It also provides for a Project Management Office and staffing to support the management of related projects through all cycles of the project planning and management.

Facility 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 2005 request of \$28.7 million will fund USAID's participation in the Capital Cost-Sharing Program and office building moves to interim, secure facilities. It will support construction on new compounds in eight locations: Katmandu, Asmara, Damascus, Quito, Beirut, Moscow, Skopje, and Bogotá. FY 2005 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 those services they have agreed to receive. Working through inter-agency councils at post, all agencies have a say in determining which 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.

Services provided by USAID include building operations, information management, administrative supplies, non-expendable property management, travel services and customs clearance. USAID had eight missions employing the use of WCF to offer administrative services at the end of FY 2003.

Gross receipts into the WCF during FY 2003 totaled approximately \$4 million. While virtually all funds were required to cover the actual cost of providing service, over time it is anticipated that modest surpluses will accumulate through charging customers for depreciation and proceeds from the sale of assets. Missions will invest these surpluses in infrastructure improvements to further increase the effectiveness and efficiency with which services are delivered.

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, to provide training, and to assist missions that are ready to provide ICASS services with start-up costs.

OPERATING EXPENSES OF THE INSPECTOR GENERAL

Dollars in Thousands

Funding Categories	FY 2002 ACTUALS	FY 2003 ACTUALS	FY 2004 ESTIMATE	FY 2005 REQUEST
Appropriation (less supplementals and transfers)	31,500	33,083	34,794	35,000

The Office of Inspector General (OIG), U. S. Agency for International Development (USAID), FY 2005 appropriation request is \$35 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 2003, with a \$35.3 million budget (Appropriation plus carry-over funds), OIG audits and investigations of contracts, contractors, grantees and program operations led to more than \$79 million in monetary findings, including amounts management agreed should be recovered for questioned costs, funds put to better use and civil restitution payments and penalties. Of the \$79 million, \$16¹ million were actual recoveries to the U.S. Government.

For USAID's FY 2003 consolidated financial statements, the OIG, for the first time since it began auditing USAID's financial statements, was able to issue unqualified opinions on all five of USAID's principal financial statements. This was an important milestone and represents continued progress by USAID. However, for

¹ The \$79 million in identified monetary findings includes \$13.6 million from audits and \$2.4 million from investigations. USAID management agreed to \$7.3 million of monetary audit findings during FY 2003.

the balance sheet and statement of net cost, the opinion was achieved only through extensive audit efforts to overcome material weaknesses in internal control. Although these efforts resulted in auditable information on the balance sheet and statement of net cost, they did not provide information in a timely manner to enable USAID managers to make cost and budgeting decisions throughout the year.

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 developments regarding USAID's participation in the President's Emergency Plan for AIDS Relief (PEPFAR) through contacts with USAID's Washington bureaus and field missions. Once the funding levels and details become clearer, the OIG will determine what potential additional audit efforts will be required by the OIG.

Work continues on our proactive fraud awareness activities with excellent results. During FY 2003, in an effort to reduce fraud and illegal activity, through proactive initiatives the OIG staff conducted fraud awareness training sessions for more than 2,000 participants in 31 countries. 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.

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

Funding by Category

	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
Appropriation	31,500	33,300	35,000	35,000
Rescission	(23)	(216)	(206)	
Transfer & supplementals		5,097	1,900	
Disaster Assistance funds carried-over from prior years	521	309	309	309
No-Year/multi-year funds carried-over from prior year	2,396	3,783	8,131	2,593
Prior-Year Obligations Recovered	2,619	1,454		
Lapse of multi-year funds		0	0	0
Total Available Funds	37,013	43,727	45,134	37,902
Obligations - OE funds	(30,737)	(31,651)	(35,000)	(35,000)
Obligations - transfer & supplementals		(1,076)	(1,900)	
Obligations - Disaster Assistance	(212)	0	0	0
Obligations - No-year/multi-year funds	(2,441)	(2,560)	(4,641)	(1,162)
Total Obligations	(33,390)	(35,287)	(42,541)	(36,162)
End-of-year Carry Forward	3,623	8,440	2,593	1,740

Obligations by Location

	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
Washington Costs	8,070	7,610	7,203	7,312
Centrally Funded Personnel Costs	18,283	19,767	21,749	20,748
TOTAL WASHINGTON	26,353	27,377	28,953	28,060
Regional Inspector Generals				
Pretoria, South Africa	797	836	991	1,047
Dakar, Senegal	1,278	1,147	1,275	1,347
Manila, Philippines	928	931	993	1,050
Cairo, Egypt	1,005	1,079	1,301	1,375
Budapest, Hungary	1,666	1,825	1,794	1,896
San Salvador, El Salvador	1,151	1,460	1,313	1,388
Disaster Assistance	212	0	0	0
Iraq, West Bank Gaza, Afghanistan		633	5,921	0
TOTAL OVERSEAS	7,037	7,910	13,588	8,102
TOTAL OIG FUNDING	33,390	35,287	42,541	36,162

Office of Inspector General

**Funding by Object Class
(\$000)**

OCC	Category	FY 2002 Actual			FY 2003 Actual			FY 2004 Estimate			FY 2005 Request		
		Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total
11.1	Compensation, full-time permanent U.S. Direct Hire	8,522	4,485	13,007	9,883	4,435	14,318	10,828	5,792	16,620	9,732	5,126	14,859
11.5	Other personnel compensation U.S. Direct Hire	861	630	1,491	784	353	1,137	723	399	1,123	727	407	1,133
11.8	Other Compensation PSCs	0	601	601	0	744	744	0	708	708	0	747	747
12.1	Personnel benefits												
	U.S. Direct Hire:												
	Retirement Costs	1,285	694	1,979	1,503	674	2,177	1,464	773	2,237	1,477	781	2,258
	Health and Life Insurance	562	303	865	1,125	505	1,630	1,096	581	1,677	1,106	586	1,692
	Education Allowances	0	360	360	0	247	247	0	358	358	0	379	379
	Other Benefits	941	479	1,420	349	287	636	429	225	654	442	234	676
	Sub-Total	2,788	1,836	4,624	2,977	1,713	4,690	2,989	1,938	4,926	3,087	2,012	5,099
	Total Personnel Compensation	12,171	7,552	19,723	13,844	7,245	20,889	14,540	8,838	22,377	13,546	8,292	21,838
21.0	Travel and Transportation of Persons												
	Operational Travel	603	828	1,431	357	1,191	1,548	375	1,515	1,890	379	1,343	1,722
	Training Travel	0	48	48	13	11	24	38	36	73	38	38	76
	Sub-Total	603	876	1,479	371	1,202	1,572	413	1,550	1,963	417	1,381	1,798
22.0	Transportation of Things												
	Post Assignment/Home Leave Freight	0	422	422	0	528	528	0	444	444	0	469	469
	Shipment of Furniture and Equipment	0	76	76	0	38	38	0	2	2	0	3	3
	Sub-Total	0	498	498	0	566	566	0	446	446	0	471	471
	Total Travel and Transportation	603	1,374	1,977	371	1,767	2,138	413	1,996	2,409	417	1,852	2,270

Office of Inspector General

Funding by Object Class
(\$000)

OCC	Category	FY 2002 Actual			FY 2003 Actual			FY 2004 Estimate			FY 2005 Request		
		Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total
23.1	Rental Payments to GSA	1,803	0	1,803	1,991	0	1,991	2,163	0	2,163	2,196	0	2,196
23.2	Rental Payments to Others	0	1,574	1,574	0	1,621	1,621	0	1,659	1,659	0	1,752	1,752
	Sub-Total	1,803	1,574	3,377	1,991	1,621	3,613	2,163	1,659	3,822	2,196	1,752	3,948
23.3	Communications, Utilities, and Misc. Charges												
	Office and Residential Utilities	0	141	141	0	134	134	0	173	173	0	183	183
	Telephone Costs	13	34	47	0	29	29	6	23	29	6	25	30
	Other	0	18	18	8	11	19	5	14	18	5	14	19
	Sub-Total	13	193	206	8	173	182	10	211	221	10	222	233
	Total Rent, Communications, and Utilities	1,816	1,767	3,583	2,000	1,794	3,794	2,174	1,869	4,043	2,206	1,975	4,181
24.0	Printing and Reproduction	49	17	66	29	3	32	16	3	20	17	3	20
25.1	Advisory and Assistance Services	8	16	24	1,492	0	1,492	25	2	26	25	2	27
25.2	Other Services												
	Office and Residential Security Guards	0	97	97	0	131	131	0	144	144	0	152	152
	Staff Training	381	8	389	328	2	330	346	3	349	351	2	353
	ADP Systems Design/Analysis	22	0	22	0	0	0	0	0	0	0	0	0
	Other	213	559	772	331	115	447	222	30	252	225	32	257
	Sub-Total	616	664	1,280	659	248	908	568	177	745	576	186	762
25.3	Purchase of Goods and Svcs from Gov't. Accts.												
	International Cooperative Admin. Supp. Svcs	219	950	1,169	242	1,111	1,353	265	1,184	1,449	269	1,251	1,520
	Other Services	2,546	112	2,872	1,604	981	2,585	2,222	1,393	3,615	2,357	1,434	3,792
	DCAA and CFO Audits	1,533	0	1,533	586	396	982	696	5,135	5,831	707	0	707
	Sub-Total	4,297	1,062	5,359	2,432	2,488	4,920	3,183	9,612	12,795	3,333	2,685	6,018
25.4	Operations and Maintenance of Facilities	0	170	170	0	31	31	0	27	27	0	29	29
25.6	Medical Care	0	23	23	0	8	8	0	0	0	0	0	0
25.7	Operation/Maintenance of Equipment & Storage												
	ADP and Telephone Systems	94	0	94	8	0	8	202	0	202	205	0	205
	Office & Residential Furniture and Equipment	90	20	110	42	6	48	37	15	52	38	16	54
	Other Operations/Maintenance Costs	0	1	1	0	20	20	0	0	0	0	0	0
	Sub-Total	184	21	205	49	27	76	239	15	254	242	16	258
	Total Contractual Services	5,105	1,956	7,061	4,632	2,802	7,435	4,014	7,933	11,947	4,177	2,917	7,094

Office of Inspector General

Funding by Object Class
(\$000)

OCC	Category	FY 2002 Actual			FY 2003 Actual			FY 2004 Estimate			FY 2005 Request		
		Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total	Hq.	Field	Total
26.0	Supplies and Materials	144	56	200	117	86	203	68	21	88	69	22	91
31.0	Purchase of Equipment												
	ADP Hardware/Software	333	117	450	455	101	556	574	57	631	583	61	643
	Other Office/Residential Furniture/Equip.	19	309	328	6	233	239	5	15	20	5	15	21
	Sub-Total	352	426	778	461	334	795	579	72	651	588	76	664
32.0	Lands and Structures	0	0	0	0	0	0	0	0	0	0	0	0
42.0	Insurance Claims & Indemnities	0	1	1	0	2	2	0	5	5	0	5	5
	Total Acquisition of Assets	496	483	979	578	421	999	647	98	745	657	103	760
	Total Costs	20,241	13,149	33,390	21,253	14,034	35,287	21,805	20,738	42,541	21,018	15,144	36,162

Office of Inspector General

Staffing Levels

Organization	FY 2002 Actual				FY 2003 Actual				FY 2004 Estimate				FY 2005 Request			
	U.S.		Foreign		U.S.		Foreign		U.S.		Foreign		U.S.		Foreign	
	Direct Hire	PSCs	PSCs	FTEs	Direct Hire	PSCs	PSCs	FTEs	Direct Hire	PSCs	PSCs	FTEs	Direct Hire	PSCs	PSCs	FTEs
Washington Offices																
Inspector General	6			6	7			7	7			7	7			7
Legal Counsel	2			2	3			3	3			3	3			3
Management	24			24	27			27	28			28	28			28
Audit	63			63	63			63	65			65	69			69
Investigations	16			16	20			20	21			21	22			22
Total Washington	111	0	0	111	120	0	0	120	124	0	0	124	129	0	0	129
Overseas Regions																
Africa	16	0	7	23	15	0	6	21	15	0	6	21	15	0	6	21
Pretoria	8		2	10	9		2	11	9		2	11	9		2	11
Dakar	8		5	13	6		4	10	6		4	10	6		4	10
Asia/Near East	18	0	8	26	23	0	9	32	21	0	9	30	21	0	9	30
Manila	7		4	11	9		5	14	9		5	14	9		5	14
Cairo	11		4	15	14		4	18	12		4	16	12		4	16
Europe/E&E	11	1	4	16	11	1	2	14	12	1	2	15	12	1	2	15
Budapest	11	1	4	16	11	1	2	14	12	1	2	15	12	1	2	15
Latin American & Caribbean	10	0	4	14	10	0	4	14	10	0	4	14	8	0	4	12
San Salvador	10		4	14	10		4	14	10		4	14	8		4	12
Total Overseas	55	1	23	79	59	1	21	81	58	1	21	80	56	1	21	78
Total Worldwide	166	1	23	190	179	1	21	201	182	1	21	204	185	1	21	207

**FOREIGN SERVICE
RETIREMENT AND DISABILITY FUND²**

Budget Request

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

FY 2002 Actual	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
44,880	45,200	43,859	42,500

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 2005, \$42,500,000 will be required to amortize this liability and the unfunded liability created by pay raises and benefit changes since FY 1974.

For FY 2005, USAID is requesting an appropriation of this amount.

² Authorized by Chapter 8 of the Foreign Service Act of 1980.

BUREAU FOR DEMOCRACY, CONFLICT, AND HUMANITARIAN ASSISTANCE

Program Summary (In Thousands of Dollars)				
Category	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimated	FY 2005 Request
Development Assistance {a}	66,269	190,472	77,220	77,700
Child Survival & Health Fund {b}	25,893	64,555	5,130	2,050
International Disaster and Famine Assistance {c}	235,500	288,115	253,993	385,500
IDA – Afghanistan Supplemental	40,000			
IDA - Emergency Response Fund {d}	146,000			
IDA – Wartime Supplemental		143,800		
IDFA – Supplemental – Liberia / Sudan			220,000	
Transition Initiatives {e}	50,000	61,675	54,676	62,800
P. L. 480 Title II	850,000	1,440,575	1,184,967	1,185,000
Emergency Response Fund - P. L. 480 {f}	95,000			
Supplemental - P. L. 480 {g}	13,820	369,000		
Total Program Funds*	1,522,482	2,558,192	1,795,986	1,713,050

- (a) FY 2003, Development Assistance includes \$100 million support for Iraq.
- (b) FY 2003, Child Survival & Health Fund includes \$50 million provided for food aid to Iraq.
- (c) FY 2003, International Disaster Assistance (IDA) appropriation provided \$288.115 million with \$60 million for Afghanistan and \$82 million for the Iraq crisis allowed to DCHA/FFP and ANE. In FY2004, IDA changed to International Disaster and Famine Assistance with \$20 million budgeted for Famine in FY2004 and \$50 million budgeted for Famine in FY2005. FY 2005 also includes \$100 million for Sudan.
- (d) FY 2002, IDA received \$146 million supplemental for Afghanistan Emergency Response Fund (ERF) of which \$95 million was programmed by OFDA.
- (e) FY 2003, Transition Initiatives (TI) includes \$12.0 million of transferred funds from the Iraq supplemental.
- (f) FY 2002, P. L. 480 Title II received supplemental funds of \$95 million ERF for Afghanistan.
- (g) FY 2002, P. L. 480 Title II received \$13.8 million Supplemental transfer of unobligated Global Food for Education funds (P. L. 107-206) and in FY 2003, P.L. 480 Title II received supplemental funds of \$300 million for Food Aid to Iraq and \$69 million transferred to the Bill Emerson Humanitarian Trust. See *Summary Tables* volume for P. L. 480 Dollars and Metric Tonnage tables.

*Does not include in FY 2003 \$ 88 million of IRRF or \$122.45 million of ESF.

Roger P. Winter
Assistant Administrator
Bureau for Democracy, Conflict, and Humanitarian Assistance

Democracy, Conflict, and Humanitarian Assistance

Under the authority of the Foreign Assistance Act of 1961, as amended, the President has designated the USAID Administrator as his Special Coordinator for International Disaster Assistance. The DCHA Bureau within USAID is the lead U. S. Government organization for providing emergency, life-saving disaster relief, including food aid, and other humanitarian assistance to people in developing countries, particularly those plagued by state failure problems. Even in countries that are not so fragile, however, there are inevitably natural disasters and violent man-made crises that threaten large-scale loss of life. DCHA's programs, and especially those providing development assistance, also encourage responsible participation by all citizens in the political processes of their countries, assist those countries to improve governance, especially the rule of law, and help strengthen non-governmental organizations and other elements of civil society. Proposed funding for FY 2005 will further strengthen U.S. leadership in foreign disaster relief, emergency food aid, and other humanitarian assistance. The financial resources requested will also underwrite crucial assistance programs for helping countries to: manage and mitigate conflict; make the transition from crisis to recovery and a return to development progress, practice democracy and good governance, and strengthen the capacity of indigenous non-governmental organizations. For some programs – such as Transition Initiatives, International Disaster Assistance, Food for Peace, Private and Voluntary Cooperation, and American Schools and Hospitals Abroad – the Bureau manages activities directly. For Democracy and Governance and Conflict Management and Mitigation programs, the Bureau supports USAID field missions in their efforts.

“Timely and effective intervention minimizes suffering, contains the crisis, reestablishes local government structures that provide lasting protection, and helps lay the foundation for sustainable development.”

Source: *Department of State and Agency for International Development Strategic Plan for Fiscal Years 2004 to 2009*

“The overwhelming majority of IDPs – mainly women and children – struggled to survive with little hope of returning home, sometimes years after fighting ended.”

Source: A Global Overview of Internal Displacement;
www.idpproject.org

The Development Challenge: One challenge DCHA has an important role in addressing is the significant growth in the internally displaced persons (IDPs) population since 1990. In the 1990s, armed conflict generated millions of IDPs. The number of internally displaced persons driven from homes by conflict in the world is estimated at 25 million in 50 countries affected by conflict. While people become internally displaced because of natural disasters and large-scale development projects, the dramatic

increase in the number of IDPs is primarily a reflection of an increase in complex humanitarian emergencies, and the number and the nature of armed conflicts. DCHA offices in collaboration with our many partners address the serious needs of IDP populations including food and other relief commodities, and programming to enable citizens to address critical needs of their communities.

Internal displacement is a symptom of underlying problems, in particular, the need to resolve and manage conflict and instability, particularly in fragile, failed and failing states, and thus is another challenge being addressed in part by DCHA. United Nations Secretary General Kofi Annan, in his report *Sustaining the Earth in the New Millennium*, said “In the last decade, internal wars have claimed more than five million lives and driven many times that number of people from their homes.” DCHA offices have the ability to meet both quick, short-term programming needs and longer-term activities to meet and alleviate the underlying causes of conflict.

Another major challenge facing DCHA and its Office of Food for Peace (FFP) is the worsening global food security situation, affecting over 800 million malnourished people in the developing world and threatening to overwhelm U.S. and international humanitarian relief systems. Recently the FFP Office has confronted unprecedented droughts in the Horn of Africa and Southern Africa, the conflicts in the Sudan, Angola and elsewhere, and the wars against terrorism in failed or failing states like Afghanistan and Iraq. In FY

2003, over 3.1 million metric tons of food, valued at over \$1.7 billion, was procured and delivered by the FFP Office, preventing widespread famines and human catastrophes and saving millions of lives in the process. However, the food security situation in Africa, most notably Ethiopia, continues to be precarious.

“USAID formed DCHA to consolidate USAID programs that help developing and transition countries prevent, or recover from, state failure. The focus on state failure provides a central organizing principle for the Bureau, and arises from U.S. foreign policy priorities and socio-political realities in many of the countries where DCHA works.”

Source: DCHA Strategic Planning Framework 2003 – 2010, Approved August 2003

All six of DCHA's offices that manage programs share a set of common goals: (1) advancing longer-term development through integrated, high-impact interventions, particularly in countries affected by crisis, conflict, and food insecurity; (2) strengthening capable, responsive, and stable democratic systems and civil society, particularly in fragile, failing, and failed states; (3) increasing host country capacity to save

lives and reduce human suffering; (4) providing technical leadership within the U. S. Government and to partners in response to the needs of fragile, failed, and failing states; and (5) ensuring coordination within DCHA for more effective responses to crisis and development needs.

The programs managed by DCHA's seven offices support USAID's four pillars: (1) democracy, conflict, and humanitarian assistance; (2) economic growth, agriculture, and trade; (3) global health; and (4) global development alliance.

- Office of Democracy and Governance (DG). USAID's programs strengthen democracy and good governance worldwide, directly supporting the U.S. National Security Strategy and the State/USAID Strategic Plan. In the words of the report *Foreign Aid in the National Interest: Promoting Freedom, Security, and Opportunity*: “It is strongly in the U. S. interest to promote both democracy and good governance.” Democratic governments tend to advocate and observe international laws, protect civil and human rights, avoid external conflicts, and pursue free market economies essential to international trade and prosperity. Supporting such governance entails a variety of often difficult political and institutional reforms, and capacity-building efforts within both the public sector and civil society. The DG Office currently provides field support, technical leadership, and training in the following areas: (1) promoting the rule of law and respect for human rights; (2) encouragement of credible and competitive political processes; (3) development of politically active civil society; (4) promoting more transparent and accountable government institutions, including local government support and anti-corruption efforts; and, (5) strategic planning and cross-cutting issues.
- Office of Conflict Management and Mitigation (CMM). The world faces a major and growing threat from the increasing incapacity of states to deal with the potential causes of instability, conflict, and in some cases terrorism. Responding effectively to this emerging global reality is the challenge that shapes CMM's programs and external relationships. All USAID development programs and partners, especially those that directly address humanitarian assistance, the transition from crisis to stability, and promotion of democracy, must now address this new imperative. The mandate of the office is to help USAID missions, development officers and partners gain the expertise they need to work more effectively in high-risk environments.
- Office of U.S. Foreign Disaster Assistance (OFDA). The United States, through USAID, remains the world's leader in responding to man-made and natural disasters. OFDA targets the most vulnerable groups with its emergency assistance: the malnourished, nursing and pregnant women, households headed by children and women, the elderly and the handicapped. Emergency assistance includes many types of life-saving activities to meet the situation such as airlifting supplies to affected populations in remote locations, managing primary health care and supplementary feeding centers, and providing shelter materials to disaster evacuees and displaced persons as a small example. While emergency relief for natural disasters is crucial, preparedness is equally important. OFDA's preparedness, mitigation and prevention efforts are essential in dealing with natural disasters, playing an equally important role in complex emergencies. The last decade's marked growth in these man-

made emergencies has continued into the new millennium, as internal conflict and war cause social, political, and economic institutions and systems to fail. Sometimes, natural disasters accompany man-made emergencies, which compound their complexity.

- Office of Transition Initiatives (OTI). Knowing where quick, targeted transition assistance can make a difference, and being prepared to respond in a timely fashion, are among OTI's core duties. With its limited resources, OTI concentrates its assistance where it will have the greatest impact such as community-based activities, strengthening independent media, abuse protection and human rights. This may be in countries where initial advances require immediate support to continue or where political or economic divisions threaten to expand into large-scale crises.
- Office of Food for Peace (FFP). FFP manages the U.S. Government's P.L. 480 Title II program, which is the largest food aid program in the world, totaling over \$1 billion annually in food and other resources. As of July 2003, 36 countries and over 800 million people around the world faced serious food emergencies requiring international food aid. Reducing global food insecurity and the number of chronically undernourished and underweight people in the developing world is a key U.S. foreign policy objective. Towards this objective, FFP is developing a new five-year strategy that seeks to reduce food insecurity in vulnerable populations around the world. Title II resources are used to predict, prevent and respond to malnutrition and potential famine overseas. FFP programs address the causes of food insecurity, poverty and conflict in emergency and development situations and in transitional periods of instability. FFP promotes international consensus on food security issues and concerns and helps minimize the long-term need for food aid by strengthening the capacity of developing societies to ensure access to food by their most vulnerable communities and individuals, especially women and children, through Title II programs.
- Office of Private and Voluntary Cooperation-American Schools and Hospitals Abroad (PVC-ASHA). These two previously separate offices have been merged in the past year. These programs appear as separate presentations in this document. PVC focuses on enhancing the capacity of local non-governmental organizations to deliver development services across sectors (e.g., agriculture, credit, environment) in developing and post-conflict countries. ASHA provides assistance to schools, libraries, and medical centers outside the United States but founded or sponsored by U.S. organizations to demonstrate U.S. advances in education and medical technology and practices. Both PVC and ASHA programs are implemented through grants to U.S. organizations to address the capacity-building needs of the local institutions.
- Office of Volunteers for Prosperity (VfP). USAID is the lead agency charged with administering the interagency coordination of the President's new initiative, Volunteers for Prosperity, and works with appropriate agencies and departments to meet initiative objectives. The Office for Volunteers for Prosperity is housed in DCHA. The Volunteers for Prosperity initiative, launched in September 2003, will support major U.S. development activities overseas, using highly skilled American professionals to help meet the U.S. Government's global 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. Examples of the initiatives that VfP will support include the Emergency Plan for AIDS Relief, the Digital Freedom Initiative, Water for the Poor, Trade for African Development and Enterprise, and the Middle East Partnership Initiative.
- Office of Program, Policy and Management (PPM): PPM provides technical assistance, management and support 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. To that end, DCHA is implementing a number of important initiatives and innovations.

- The Bureau has helped USAID progress in focusing on the integration of disaster relief, transition, food security, and conflict management and mitigation programs into country portfolios. The result has been a new appreciation of these priorities in country programs.
- The Bureau is working closely with the rest of the Agency to develop agency-wide response mechanisms for quickly dealing with crises as they arise.
- The Bureau continues to actively pursue a resource-leveraging approach with its partners, particularly in its innovative work on forging PVO- and other public-private partnerships.
- The Bureau continues to refine and apply performance-monitoring tools to strengthen program management and the allocation of resources. Reinforcing effective past practice, DCHA offices continue to consult with partners on adopting up-to-date Agency performance management and results reporting procedures and practices. FFP is undertaking management improvement and innovation, including greater utilization of electronic systems and procedures to streamline and improve Title II operations.

In a united effort to facilitate its strategic planning and budgeting, DCHA approved a Strategic Planning Framework in 2004 that provides a structure for DCHA offices to coordinate their planning and activities in pursuing DCHA's joint vision, mission and goals. The DCHA framework provides an additional link for DCHA offices with the National Security Strategy and the joint State/USAID Strategic Plan. DCHA's mission 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. DCHA rapidly responds in support of USAID mission worldwide, particularly in fragile, failed and failing states. To carry out its mission, DCHA collaborates within the Agency, the U.S. Government, other donors, and implementing partners. DCHA seeks to maximize its efforts through partnerships with organizations that share its vision and complement its resources. DCHA teams design and implement effective solutions to crisis situations that link its humanitarian efforts with longer-term development goals

The individual sections on each of the Bureau's offices contain numerous examples of the results their programs have achieved in the past year. They also contain specific information on the program plans for fiscal year 2005.

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, ASHA, PVC, and to a lesser degree FFP and CMM. 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 and Agriculture, 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 non-governmental and governmental organizations.

Office of American Schools and Hospitals Abroad

The Development Challenge: The goal of the Office of American Schools and Hospitals Abroad (ASHA) program, as stated in its enabling legislation, is to assist schools, libraries, and medical centers outside the United States founded or sponsored by U.S. citizens to serve as study and demonstration centers for ideas and practices of the United States. To this end, the principal objective of ASHA grants is to demonstrate U.S. advances in education and medical technology and practices, in areas of research and training in selected countries. With the above goal and principal objective in mind, the challenge of the ASHA program is to increase the ability of overseas schools, libraries, and medical centers to demonstrate U.S. advancements in educational and medical technology. It is envisioned that these institutions will contribute to strengthen bridges and mutual understanding between the people of the United States and those of other countries. The challenge for the ASHA program also involves developing the capacity of overseas institutions to project, effectively, and to foster favorably, the image of the United States. Consequently, ASHA-assisted institutions will continue to build and strengthen foundations for nurturing and developing leadership in a wide variety of disciplines, while providing an appreciation for, and an understanding of, U.S. economic, political and social institutions, philosophy, and practices.

The USAID Program: For the FY 2003 competitive award cycle, 43 U.S. organizations applied for \$65.7 million under the ASHA program. Of the total applications received, only 5.62% was received from the Africa region. These U.S. organizations sponsored 47 overseas institutions in 29 countries. Of the 43 U.S. sponsors, ASHA awarded grants 28 institutions in 19 countries. A total of \$18 million was obligated.

For FY 2004, ASHA received grant applications from 57 U.S. organizations, requesting a total of \$66.7 million. Of the total applications received, there was a significant increase, from 5.62% to 25%, from the Africa region. These U.S. organizations sponsored 57 institutions in 34 countries.

In pursuit of ASHA's goal and objective, grants were awarded to:

- build technological bases for an integrated research, training, and patient care in critical areas of medical science;
- build technological bases for efficient information acquisition and communication for informed decision-making;
- build technology-augmented "smart" classrooms for training generations of independent thinkers with problem-solving skills; and
- build open-access facilities modeled after U.S. academic institutions and libraries to provide access to uncensored information and promote understanding between the people of the United States and those of other countries.

In addition to projecting a positive image of the United States, ASHA-funded institutions contribute directly to all three of the Agency's pillars and to the associated program goals. Through development of professionals with American-style education and the transmission of current American ideas and practices in agriculture, business, medical sciences, and democracy and governance, these overseas institutions contribute to the achievement of the Agency's pillars and goals in their respective countries by: (1) developing broad-based economic growth, (2) improving agricultural productivity and enhancing food security through practical training, research and technology transfer, (3) promoting environmental awareness and sustainable development, (4) conducting medical research and protecting human health, (5) demonstrating and promoting good governance and democracy, and (6) clarifying and building an understanding of U.S. foreign policy. Activities of these institutions also support the U.S. strategic goals of maintaining regional stability and open markets, and protect U.S. national interests by promoting understanding between the people of the United States and the beneficiary countries.

Other Program Elements: ASHA funds are also used for the procurement of educational, medical, scientific and technological commodities and for the construction and renovation of structures used for teaching, research, and patient care. ASHA's grant assistance goes to a variety of institutions, including secondary schools, undergraduate and graduate institutions, and medical centers. These educational institutions provide learning environments that promote the values critical for civil society and the

development of democratic governance as well as the use of U.S. state-of-the-art technologies, practices and approaches. The secondary schools provide basic academic subjects and entrepreneurial and vocational training. The undergraduate institutions' curriculum include subjects in liberal arts, business, agriculture, the sciences, medicine, and nursing; whereas, the graduate institutions provide specialized training in health, law, social sciences, physical sciences, and international studies. The medical centers offer training in such areas as modern health care, medical education, and research. Many of these institutions provide virtually the only modern academic education, health care and medical training programs in the recipient countries and sometimes in the geographic region. ASHA-assisted educational institutions produce professionals to fill the urgent need for a skilled workforce in the countries and regions they serve.

As they strive towards excellence in medical technology or education, a number of institutions receiving assistance from ASHA are also recipients of assistance from USAID missions. For example, in FY 2003 a total of \$2.5 million in assistance was provided by the USAID mission to Lebanon to American educational institutions that also received ASHA assistance. The American University in Bulgaria, a recipient of ASHA assistance, maintains an agreement with the USAID mission in Bulgaria for a capital fund endowment in the amount of \$20 million.

Other Donors: ASHA grants supplement contributions predominantly from private sources. ASHA-funding has also enabled overseas institutions to leverage financial assistance from other bilateral donors.

**Office of American Schools and Hospitals Abroad
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance	18,000	18,380	18,720	16,000
Total Program Funds	18,000	18,380	18,720	16,000

STRATEGIC OBJECTIVE SUMMARY				
964-001 American Schools and Hospitals Abroad				
DA	18,000	18,380	18,720	16,000

Data Sheet

USAID Mission:	Office of American Schools and Hospitals Abroad
Program Title:	American Schools and Hospitals Abroad
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	964-001
Proposed FY 2004 Obligation:	\$18,720,000 DA
Prior Year Unobligated:	\$145,000 DA
Proposed FY 2005 Obligation:	\$16,000,000 DA
Year of Initial Obligation:	1957
Year of Final Obligation:	Continuing

Summary: ASHA-funded program aims to demonstrate the best in American educational and medical technologies and practices. Overseas institutions assisted include U.S.-style overseas high schools, universities, libraries, and medical centers, founded or sponsored by U.S. citizens and institutions. ASHA-assisted institutions provide the benefits of American educational and medical achievements to people abroad, assist recipient countries with economic, social development and poverty reduction through training and outreach programs and by serving as models of advanced practices; and serve as overseas centers that project and foster a favorable image of the United States. ASHA's assistance to grantees also includes hosting annual workshops on grant management, strategic planning, and results-oriented performance measurement.

Inputs, Outputs, Activities:

FY 2004 Program:

ASHA plans to obligate approximately \$18.7 million in worldwide grant assistance. The assistance is intended to demonstrate U.S. advances in educational and medical technology and practices in the areas of research, training, and patient care. Grant funds will be used to:

- Construct new facilities (academic buildings, dormitories, and hospital units);
- Renovate existing buildings or structures;
- Renovate and install improved information technology infrastructure; and
- Procure educational, research, scientific, medical, and training commodities, and equipment.

Some of the proposed grant activities will:

- Help meet the increased demands for critical educational programming and reconstruction in developing countries; promote the international environment in which students and faculty interact; and, enhance mutual understanding and promote the values of democratic institutions and structure of a civil society through the construction of classrooms, multi-purpose facilities and dormitories.
- Increase the use of information technology for (i) higher levels of quality instruction and learning in high schools, colleges, universities, and teaching hospitals, (ii) higher levels of quality patient care, and (iii) more efficient communication and sharing of research data.
- Enhance the quality of scientific research, hands-on practical instructions and learning; scientific inquiry, instructions and learning with the assistance of state-of-the-art U.S. equipment and commodities for classrooms, laboratories, and libraries procured with ASHA funds.
- Improve and expand the quality of patient care, medical education and research through the construction of improved hospital infrastructure and procurement of equipment, e.g., computer hardware, system software, reference books, surgical, urology, blood screening, and critical care equipment.
- Expand access to U.S. ideas and practices through the use of modern technology such as distance learning, video conferencing and the internet.
- Extend expert medical care to rural communities through outreach programs that employ telemedicine and other technologies for use in remote areas.

FY 2005 Program:

ASHA plans to use FY 2005 resources, in the amount of \$16,000,000, to continue assisting overseas institutions that demonstrate U.S. advances in educational and medical technology and practices in the areas of research, training, and patient care. ASHA will provide grants to overseas institutions to upgrade academic and medical research and training facilities and resources. While aiming to maintain geographic balance, ASHA will accord priority to agricultural secondary schools or vocational institutions in the Africa region that apply, recognizing the key role such institutions play in economic development and poverty alleviation. However, ASHA will continue to encourage applicants from other educational institutions as well as medical institutions engaged in research and training.

Performance and Results: Since its inception in 1957, ASHA has provided approximately \$880 million in assistance to 200 institutions located in 62 countries worldwide. Collectively, ASHA-assisted institutions have demonstrated U.S. advances in educational and medical technology and practices in the areas of training, research and patient care. These institutions will continue to provide American-style (1) academic and vocational training; (2) programs in liberal arts, medicine, nursing, agriculture, law, and the sciences; (3) specialized training to potential national and international leaders in health sciences, physical sciences, and other professional areas; (4) information necessary for effective decision-making; and (5) leadership training in the health professions, to influence health standards and provide facilities and community-based health care, training, and research. The institutions assisted by ASHA grants have reflected U.S. standards and practices in administration, management, medical research, patient care and training, governance, private initiative, critical thinking, free inquiry, and innovative approaches to problem solving. Funding has helped local institutions develop and implement programs that otherwise would not have been possible, as well as take advantage of opportunities that contribute to the growth and sustainability of the institutions that serve the local community.

Office of Conflict Management and Mitigation PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance	653	9,125	9,800	11,000
Total Program Funds*	653	9,125	9,800	11,000

STRATEGIC OBJECTIVE SUMMARY

966-001 Conflict Management and Mitigation				
DA	653	9,125	9,800	11,000

In FY 2004, an additional \$17.3 million for conflict management and mitigation is planned for geographic regions: AFR: \$8.1 million, ANE: \$2.4 million, and LAC: \$6.8 million.

In FY 2005, an additional \$16.0 million for conflict management and mitigation is requested for other offices/regions: AFR: \$8.1 million, DCHA/PVC \$1.2 million, ANE: \$3.2 million, LAC: \$3.3 million and PPC \$0.2 million.

* Does not include \$550,000 of ESF in FY 2003.

Office of Conflict Management and Mitigation

The Development Challenge: Widespread, deadly violence affects approximately 60% of the countries in which USAID operates, and in many places the costs and consequences of violent conflict have become unacceptably high. By the year 2000, internal conflict and repression had generated 14.5 million refugees and asylum seekers worldwide; nearly 25 million persons were displaced within their own countries. In today's wars, civilians are nine times more likely to be killed than combatants. Child soldiers, gender-specific atrocities (the raping of women, the killing of men) and the killing, injuring and kidnapping of aid workers are all part of "new war" scenarios.

In these lawless settings, a new breed of "conflict entrepreneur" has found sanctuary, and the line between criminal violence and political violence has blurred. Transnational criminal organizations, terrorist networks and local warlords have exploited instability to amass enormous power and wealth and to directly target U.S. interests and citizens.

Violent conflict has also dramatically disrupted traditional development. It discourages investment, destroys human and physical capital, redirects natural resources to non-productive uses, and causes a dramatic deterioration in the quality of life. In the past 40 years, the United States has spent billions of dollars on development programs, many of which have not come to fruition due to conflict.

In reviewing its priorities, USAID is acutely aware of the fact that stability no longer characterizes its operating environment and that development assistance needs to adapt to that change. In recognition of this fact, the Office of Conflict Management and Mitigation (CMM) was established to strengthen the contribution that development assistance can make to addressing the critical challenge of violent conflict in the developing world.

The USAID Program: In FY 2004 and FY 2005, the Agency has requested a total of \$22.2 million in Development Assistance for the activities of the Conflict Management and Mitigation Office. The mandate of the office is to help USAID missions, development officers and partners gain the expertise they need to work more effectively in high-risk environments. The office is pursuing this goal through a series of inter-related efforts.

Together with the State Department, CMM is supporting the development of an early warning system that can help focus USAID and U.S. Government attention and resources on countries that are at greatest risk for violence. CMM also works with USAID missions to conduct in-depth conflict assessments, to prepare reports that map out destabilizing patterns and trends, and make recommendations about how development programs can be structured to better address these trends. CMM has conducted assessments in about 20 countries to date and, building on these assessments, is working closely with USAID missions to integrate a sensitivity to conflict into all of their development programs.

CMM is also developing packages of technical assistance in a number of critical focus areas including youth, land, local governance, water, natural resources, livelihoods, human rights and gender. These "toolkits" will provide USAID missions with access to concrete, practical program options, lessons learned, partners, mechanisms and monitoring and evaluation tools for implementing more effective conflict programs.

For example, many parts of the developing world are facing a critical youth problem. A large pool of young people does not need to be destabilizing; however, if young people, particularly young men, are uprooted, jobless, and with few opportunities for positive engagement, they represent a ready pool of recruits for ethnic, religious, and political extremists seeking to mobilize violence. Despite the importance of engaging young people, few USAID missions have adjusted their strategies to reflect this priority, in part, because they do not have the programmatic tools necessary to do so. CMM is therefore working with USAID missions to help them better understand the relationship between young people and violence, identify those most at risk for participation in militant activity, and find ways to engage this cohort in constructive economic, political and social activities.

Local governance is another important area of emphasis for CMM. Instability and conflict bring a difficult set of issues to the fore, such as competition over access to land, ethnic and religious tension, high levels of personal insecurity, or deep mistrust between government authorities and local communities. Many of these issues are best addressed at the local level, yet often local governments lack the necessary resources and skills to do so. Many USAID missions are placing an emphasis on local governance and decentralization as a solution to the problem of violence, and together with USAID's Office of Democracy and Governance, CMM is exploring how to modify existing decentralization and local governance programs so that they are more effective in high-risk contexts.

In addition to technical assistance, CMM has provided direct support for innovative conflict management programs in a number of countries. These programs are meant to serve as models for how development assistance can be more effectively targeted to the causes of violence. These include support for youth and local governance activities in conflict-related areas of Nigeria, efforts to engage the private sector in conflict management in Colombia and Nigeria, land-reform programs in Namibia, and peace-building through religious institutions in Burundi.

CMM is also focusing on outreach and training. A key part of CMM's mandate is to act as a change agent for USAID, to help develop a new cohort of development officers who are comfortable responding to conflict, who are willing to take risks, who can think in new ways about old problems, and who are willing to question whether the Agency is using its assistance as strategically as possible. Training in conflict analysis and conflict-sensitive programming for both development officers and PVO and NGO partners is therefore an important part of CMM's portfolio.

With Economic Support Funds and Development Assistance, CMM has funded, and will continue its ongoing relationships with, important institutions engaged in conflict mitigation activities, including the Woodrow Wilson Center, the War Torn Societies Project, the United States Institute of Peace, the International Crisis Group, CONTACT, LaRoche College, Seeds of Peace, Interns for Peace, the Arava Institute and the Jerusalem International YMCA.

Other Program Elements: In addition to CMM's activities, USAID's regional bureaus are also supporting conflict management and mitigation programs in USAID missions. In FY 2004, a total of \$17.3 million in conflict funds will be programmed by the Africa Bureau (\$8.1 million), the Asia and Near East Bureau (\$2.4 million) and the Latin American and Caribbean Bureau (\$6.8 million). The Agency has requested an additional \$14.6 million in FY 2005 for regional bureau programs (\$8.1 million for Africa, \$3.2 million for Asia and the Near East, and \$3.3 million for Latin America and the Caribbean), plus \$1.2 million for the Office of Private and Voluntary Cooperation and \$200,000 for the Policy and Program Coordination Bureau for donor coordination activities.

Other Donors: CMM has maintained a healthy consultation with other donors active in the area of conflict through participation in the Organization for Economic Cooperation and Development's Development Assistance Committee Network on Conflict Prevention and Development Cooperation. CMM has also built strong ties to the conflict and peacebuilding units at the aid agencies of the United Kingdom and Japan.

**Office of Democracy and Governance
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	0	12,875	5,130	2,050
Development Assistance	16,503	25,293	20,550	16,000
Total Program Funds*	16,503	38,168	25,680	18,050

STRATEGIC OBJECTIVE SUMMARY

932-001 Rule of Law Program				
DA	2,508	1,938	1,447	1,825
932-002 Elections and Political Processes Program				
DA	1,750	1,908	2,200	2,825
932-003 Civil Society Program				
DA	8,745	11,002	5,904	4,425
932-004 Governance Program				
DA	3,500	2,162	1,869	1,925
932-005 Special Programs to Address the Needs of Survivors				
CSH	0	12,875	5,130	2,050
DA	0	8,283	9,130	5,000

* Does not include \$6.4 million of ESF in FY 2003.

Office of Democracy and Governance

The Development Challenge: USAID efforts to strengthen democracy and good governance worldwide reflect the strong emphasis on democracy and good governance in the foreign policy of the United States. Demands on USAID in this area are increasing, due in part to the emphasis from President Bush on extending the benefits of freedom across the globe. The National Security Strategy of the United States and the State/USAID Joint Strategy both prominently feature the U.S. interest in and commitment to promoting democracy and good governance. This emphasis is grounded in recognition that the greatest threat to American interests at home and abroad emanates not from conquering states but from failing ones. In addition there is abundant empirical evidence that democracy and good governance enable, and may even be prerequisites for economic development.

USAID's efforts to promote democratic development and good governance are challenged by entrenched elites that benefit from a non-democratic status quo. Cultures of impunity, exclusion from participation, political apathy, and tolerance for human rights abuses and inept or corrupt government must be taken on and overcome. When appropriately applied, foreign assistance can help citizens in developing countries attain the "tipping point" threshold of political activism and advocacy that enables them to overcome these challenges and realize the benefits of freedom.

The USAID Program: To promote democracy and good governance USAID implements programs that can be divided roughly into five categories: expanding and strengthening the rule of law; supporting fair and impartial elections and strengthening political processes; developing citizen groups and civil society; improving the capacity, responsiveness and transparency of governmental institutions; and improving social, economic, and developmental status of targeted vulnerable populations.

Last year (FY 2003), the Office of Democracy and Governance (DG Office) designed, managed or implemented programs costing over \$63 million. The DG Office obligated \$37.5 million [\$22 million in development assistance (DA), \$14 million in economic support funds (ESF), and \$1.5 million in child survival (CSH) funding], of which only \$17 million was original DG Office funding. In addition the DG Office manages substantial funds on behalf of USAID field missions or U.S. embassies in USAID non-presence countries. In FY 2003, over \$20.5 million was obligated on behalf of other U.S. Government organizations, including USAID bureaus and missions and the Department of State, and another \$27 million in field support was placed in DG Office managed contracts and grants.

The DG Office is USAID's nerve center with respect to democracy and governance. The office and staff help USAID regional bureaus and field missions in planning, designing and implementing DG programs, provide leadership within the agency on democracy and governance with respect to policy as well as design, implementation and evaluation of foreign assistance programs to promote democracy and good governance, train worldwide USAID staff, and represent USAID in the inter-agency and international communities on subjects related to democracy and governance.

The DG Office supported USAID field missions in a wide variety of ways during the course of 2003. Direct support in terms of medium to long-term visits and other staff assignments to priority countries were notable. Technical support was provided to 33 USAID missions in 2003, as DG Office staff assisted with assessments, design and evaluation of DG needs and programs. The DG Office made major contributions to maintain continuous staff coverage in the DG area on-site in Iraq, Afghanistan and Kosovo, and provided comprehensive DG backstopping for Burundi and Sudan, in addition to the regular travel and backstopping services. In addition, the office conducted approximately 19 field assessments determining obstacles and opportunities in promoting democracy and good governance in specific countries. The DG Office also manages over 20 contracts and grants providing mechanisms for USAID missions and other government agencies to implement programs promoting democracy and good governance.

With respect to technical leadership, the DG Office takes a leading role within the agency on a number of U.S. Government priorities. For example, the office has been actively involved in the development of key

agency policies on political parties and security sector assistance, as well as its strategy for anti-corruption assistance. In 2003, the DG Office worked closely with the State Department on implementation of the Middle East Partnership Initiative (MEPI), and with USAID's Policy and Program Coordination Bureau on developing a strategic approach to fragile, failing and failed states. The DG Office continued work on a critical empirical study of democracy assistance, meant to establish a results-based understanding of the comparative efficacy of the numerous methods of promoting democracy and good governance. When complete, it will inform the efforts not only of USAID, but of the entire donor community. The DG Office also broke new ground with its recently released study of campaign finance, often a source of corruption and undue influence in developing countries.

Ensuring that USAID has a capable and informed democracy and governance staff is an important challenge accepted by the DG Office. This training agenda seeks to ensure that all USAID staff involved in design, implementation or evaluation of democracy and governance programs have the opportunity to be informed of the latest thinking on, and to participate in the sharing of ideas related to, political reform in developing countries. In June 2003, the DG Office conducted a world-wide training workshop for new staff (or staff new to democracy and governance), attended by 48 officers from 25 field missions. The workshop covered core areas of democracy and governance such as rule of law, electoral and political processes, civil society, and anti-corruption. In December 2003, the DG Office conducted its annual global training workshop and democracy conference; 90 USAID officers attended the workshop, and over 300 active participants attended the public conference. The workshop sessions featured in-depth examination of strategic planning, rule of law and civil society issues, as well as regional approaches to promoting democracy and good governance. The annual conference has become a significant event in the community of those working to promote democracy and governance; this year's conference addressed the future of foreign assistance. In addition to these major training events, the DG Office continues to serve as the home to DG officers agency-wide, and provides a regular schedule of seminars in core areas for new entry professionals (NEP), presidential management interns (PMI), and other interested staff.

Other Program Elements: Through virtual and on-site technical assistance, the DG Office contributes significantly to the planning, development and implementation of democracy assistance programs in many USAID missions. The DG Office shares methods and technologies, organizes assessments, and contributes to strategies, based on USAID's global experience. The DG Office also works closely with the State Department. In addition to working directly with USAID field missions, the DG Office provides essential contributions to the effort to advance U.S. foreign policy priorities by supporting a number of programs in USAID non-presence countries. These activities allow USAID to meet critical needs in important countries where a USAID mission is not present. The office managed a number of programs in non-presence countries of the Middle East on behalf of the Middle East Partnership Initiative (MEPI). Other examples include support for a woman's rights program in Afghanistan (prior to the establishment of USAID/Afghanistan), elections administration and assessment assistance to the Cote d'Ivoire, and the DG Office planning and support for de-mobilization and reintegration of former child soldiers in Sudan.

Other Donors: DG Office works to ensure USAID's sustained role as the world's leading development agency in the area of democracy and governance. Major donors in the field include United Nations organizations, the World Bank, the European Community, the Inter-American Bank for Reconstruction and Development, and the Development Assistant Committee of the Organization for Economic Cooperation and Development. Programs supporting vulnerable populations work closely with United Nations Children's Fund, United Nations Development Program/United Nations Office for Project Services, the World Health Organization, the Pan-American Health Organization, and the International Committee of the Red Cross.

P.L. 480 Title II, Food for Peace

Office of Food for Peace PROGRAM SUMMARY

(in thousands of dollars)

P.L. 480 Title II Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
P.L. 480 Title II	850,000	1,440,575	1,184,967	1,185,000
Emergency Response Fund	95,000	0	0	0
Global Food for Education Transfer {a}	13,820	0	0	0
FY 2003 Supplemental {b}	0	369,000	0	0
Total Program Funds**	958,820	1,809,575	1,184,967	1,185,000

USAID Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund {c}	2,050	51,680	0	0
Development Assistance {d}	3,950	82,162	5,112	10,300
Total Program Funds*	6,000	133,842	5,112	10,300

STRATEGIC OBJECTIVE SUMMARY

962-001 Central Program, Support for PL 480 Title II Emergency				
CSH	1,025	51,680	0	0
DA	1,975	80,294	2,556	0
962-002 Central Program, Support for PL 480 Title II Development				
CSH	1,025	0	0	0
DA	1,975	1,868	2,556	0
962-004 Central Program, Support for PL 480 Title II Program				
DA	0	0	0	10,300

{a} Transfer of unobligated Global Food for Education Funds.

{b} FY 2003, \$369 million supplemental, including \$69 million transferred to the Bill Emerson Humanitarian Trust.

{c} FY 2003, \$50 million Child Survival funds for food aid support to Iraq were reimbursed from the Wartime Supplemental.

{d} FY 2003, \$70 million Development Assistance funds for food aid support to Iraq were reimbursed from the Wartime Supplemental.

* FY 2003, FFP received \$100 million in Economic Support Funds for Food Aid Support to Iraq, however, it is not included in totals. Does not include \$40 million in IDA funds for food aid support to Iraq.

** Rescissions were applied to the FY 2003 and FY 2004 base appropriations.

Food for Peace, P.L. 480 Program

The Development Challenge: U.S. Government support for overseas food aid was formalized in the Agricultural Trade Development and Assistance Act of 1954, also known as Public Law (P.L.) 480. The basic legislation, which has been modified many times, 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. On a global level, according to the 2003 update of "State of Food Insecurity," by the United Nations Food and Agricultural Organization (FAO), over 840 million people were chronically undernourished during the 1999-2001 reporting period. For the United States, reducing the number of chronically undernourished and underweight people throughout the world is both a humanitarian concern and a strategic goal. Food resources are given to those in need to deal with hunger and to eliminate the food insecurity that fuels political instability and environmental degradation. 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: According to current estimates, by the year 2030 world population will rise from the present 5.7 billion to 8.7 billion. As populations grow, per capita availability of arable land will decrease even further, thus heightening the need for intensification of agricultural production and increasing the demands on finite natural resources. At the 2002 World Food Summit, the U.S. Government reaffirmed its commitment addressing hunger.

As of July 2003, 36 countries around the world faced serious food emergencies requiring international food assistance. The causes of these food shortages are varied, complex, and ongoing in many cases for over 10 years. These emergency crises are expected to continue in FY 2004. Title II food security programs are being increasingly integrated with Development Assistance (DA) resources and regional and country strategic plans with a view to promote synergies and to reduce food aid monetization levels, where appropriate. Bioengineered products represent another new challenge for USAID and its food partners. In 2003, the Cartagena Protocol on Biosafety, governing the transboundary movement of whole grain food aid shipments, went into effect. Parties to the Biosafety Protocol are those countries that have ratified the Protocol. An interagency working group developed a policy for addressing requirements of the Protocol in U.S. food aid programs and issued guidance to USAID program partners. To date, no food aid shipments have been delayed due to the Protocol, though this remains largely untested, as few whole grain shipments have arrived in Party countries since the Protocol's entry into force. Several food aid recipient countries have draft regulations that would restrict the use of corn or soybeans in food aid programs, e.g. Uganda, Tanzania, Angola.

As part of the Administration's effort to improve performance measures and results reporting, USAID's FFP Office has initiated a series of streamlining and management improvement actions to further improve Title II operations. The July 2003 streamlining report to Congress identified and recommended several priority action items that include simplification of guidelines and proposal procedures, clarification and proper interpretation of regulatory requirements, and support to modernize information systems. Implementation of the priority recommendations began in FY 2003 and will continue during FY 2004 and beyond.

The FFP Office is developing its new five-year strategic plan that will support the bureau strategic planning framework focused on fragile, failed and failing states. The FFP Office's plan will target efforts toward working together with partners and other DCHA offices, regional bureaus, other pillar bureaus and missions within USAID to predict, prevent and respond to malnutrition and potential famine overseas.

As a part of the USAID reorganization in 2002, the Famine Early Warning System (FEWS) program was transferred to the FFP Office, and expanded with a worldwide focus while simultaneously providing a platform to more efficiently target Title II emergency and development programming toward the root causes of famine worldwide. In order to help USAID fulfill the Administrator's "no famines on our watch" commitment, the Agency's FEWS NET activity has two principal program objectives. The first is to ensure

that decision-makers are supplied with the best information available to address incipient emergency, and chronic, food security problems. It does this by working in collaboration with a network of host-country, regional, and international partners to produce timely and credible early warnings and food security analyses of food availability or access problems in vulnerable, food insecure populations. The network approach also serves as the vehicle for FEWS NET's second principal objective of building a sustained institutional and human capacity in network partners in early warning and food security assessment.

To achieve these objectives, the FEWS NET activity, has designed and contracted for an integrated suite of state-of-the-art technical support capabilities in early warning and food security and vulnerability assessment, from a group of implementing partners that includes the National Aeronautics and Space Administration, the National Oceanic and Atmospheric Administration, the United States Department of Agriculture, the United States Geological Survey, and Chemonics International. Since its start in 1985, FEWS NET technical services available through these contracts have been regularly reviewed, re-designed and improved, and FEWS NET is generally considered to be a world leader in early warning and food security assessment.

The FY 2005 request level of the Title II program represents a straight line from the FY 2004 budget. Beneficiaries are food insecure and nutritionally vulnerable persons affected by conflict or natural disasters. Primary implementing partners are the World Food Program (WFP) and private voluntary organizations (PVOs). Emergency activities in FY 2003 were marked by an exceptional number of complex food security crises that tested the logistical and management capacity of the FFP Office. Over 2.1 million metric tons of commodities valued at \$1.3 billion were distributed to over 75 million beneficiaries during the year. The largest humanitarian food response ever was launched in Iraq, following the beginning of the conflict in March 2003. These responses took place against a backdrop of ongoing, complex emergency situations in other countries, such as Afghanistan, Angola, Democratic Republic of Congo, Liberia, Sierra Leone and Uganda. The development food aid program is the single largest source of USAID funding focused on decreasing chronic food insecurity among vulnerable populations with program approvals in FY 2003 valued at over \$411 million. Title II development activities integrate a range of technical interventions at the community-level, with a focus on improving household nutrition and agricultural productivity. Additionally, Title II development activities often play a critical role in strengthening civil society by working with community-level counterparts to strengthen local capacity for strategic planning and decision making, promoting local ownership of the development process, and supporting and reinforcing decentralized policies.

Although the Title II program will operate under one strategic objective beginning in the spring of 2004, it will continued to track emergency and non-emergency resources as they relate to the congressional mandates of metric tonnage food aid programming which require a minimum of 2,500,000 metric ton grain equivalent of total food aid programmed, with 1,875,000 of that dedicated for non-emergency requirements, as indicated in the 2002 Farm Bill.

In addition to programs in the FFP Office, \$10 million annually of Title II funds are used to support the Farmer-to-Farmer Program that mobilizes the knowledge and skills of United States agricultural volunteers, land grant universities, cooperatives, private agribusinesses, and nonprofit farm organizations to help farmers in USAID-assisted countries to increase food production and improve the effectiveness of marketing and distribution systems. This program, previously managed by the Office of Private and Voluntary Cooperation has been transferred to USAID's Bureau for Economic Growth, Agriculture and Trade.

Other Program Elements: The strength of the nation'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, the Department of State, other USAID offices and field missions to ensure that both emergency and non-emergency food aid programs are coordinated and effective. USAID works in close partnership with 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.

In FY 2004, as in FY 2003, the FFP Office will manage the \$6 million multilateral grant to the World Food Program (WFP) that was formerly handled by the State Department. In FY 2005, the Administration has again requested that this component be reinstated in the International Organizations and Programs budget of the Department of State, rather than in the P.L. 480 Title II budget. The purpose of the grant is to support the use of P.L. 480 Title II commodities in emergency and non-emergency programs within the WFP portfolio and to ensure transparency and use of proper administrative controls within WFP.

Other Donors: The World Food Summit of 2002, convened by the Food and Agriculture Organization (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. The United States is one of a number of international donors supporting global food aid activities. In 2003, the U.S. contributed 51% of global food aid, the European Commission 10%, Japan 5%, United Kingdom 5%, Germany 3%, Netherlands 3%, Canada 3%, Australia 3%, and other donors 17%.

Following this chapter is a table showing P.L. 480 Title II funding by country for FY 2002 through FY 2005. Please also see Summary Tables volume for a breakout of P.L. 480 Title II funding and tonnage by country for FY 2002 through FY 2005.

International Disaster and Famine Assistance
Office of U.S. Foreign Disaster Assistance
PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance {a}	0	30,000	0	0
Emergency Response Fund {b}	146,000	0	0	0
International Disaster and Famine Assistance {c}	235,500	288,115	253,993	385,500
IDA - Supplemental - Afghanistan	40,000			
IDA - Wartime Supplemental {d}		143,800	0	0
IDFA - Supplemental - Liberia/Sudan (e)			220,000	
Total Program Funds*	421,500	461,915	473,993	385,500

{a} FY 2003, OFDA received \$30 million in Development Assistance for Iraq per section 492 (b) authority of the Foreign Assistance Act.

{b} FY 2002, Emergency Response Fund for Afghanistan of which \$50 million was managed by ANE and other bureaus.

{c} FY 2003, International Disaster Assistance appropriation provided \$288.115 million, with \$60 million for Afghanistan and \$82 million provided to DCHA/FFP and ANE for Iraq.

{d} FY 2002, Supplemental for Afghanistan reconstruction of which \$7 million was provided to OFDA.

{e} FY 2004 Supplemental for Liberia (\$200 Million) and Sudan (\$20 million) has not yet been allocated among the agencies.

IRRF.

These totals do not include \$12 million of FY 2003 ESF for aid to Iraq and \$3.5 million ESF for the Sudan.

International Disaster and Famine Assistance

The Development Challenge: The Office of U.S. Foreign Disaster Assistance (OFDA) is the lead responder and coordinator of the U.S. Government to disasters in foreign countries. OFDA works to minimize the human costs of displacement, conflicts and natural disasters, thus supporting sustainable development - the key to maintaining development gains, stability and prosperity - and U.S. national interests.

As the largest bilateral donor, the U.S. Government has a unique role to play in shaping the nature of humanitarian assistance. As such, OFDA's programs influence the perception that people around the world have of the United States. Through close cooperation with other U.S. Government agencies, bilateral and multilateral donors, host governments and implementing partners, OFDA's activities can help maintain positive relations and contribute positively to the United States' image.

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. The disaster assistance program is implemented through OFDA and channeled through a range of U.S. nongovernmental organizations (NGOs), international organizations, United Nations agencies, USAID field missions, other U.S. Government agencies, universities and institutional contractors. OFDA also utilizes various interagency agreements with several other U.S. Government entities.

The OFDA Office's mandate is to save lives and reduce suffering of those affected by natural or man-made disasters and complex emergencies. OFDA targets the most vulnerable groups with its emergency assistance: the malnourished, nursing and pregnant women, households headed by children and women, the elderly and the handicapped. OFDA's 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.

The OFDA Office's management structure includes relief professionals trained to respond to disaster within 24-72 hours. The office is capable of drawing on public and private sector resources, and maintains a staff within OFDA 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 its partners in disaster-prone countries to enhance regional, national and local capacity to prepare for, respond to, and mitigate disaster events. In Asia, for example, OFDA promotes preparedness to manage disaster events through incident command training (a disaster management system developed by the U.S. Forest Service), 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 (California) County urban search and rescue teams, either of which can be deployed quickly 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 collapsed 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.

The OFDA Information Support Unit (ISU) is the primary source of information and reporting on OFDA activities for the U.S. Government and the public. The ISU monitors information sources relevant to disaster management and prepares daily situation reports on current disaster-related activities when necessary. OFDA supports information dissemination through the United Nations Office for the Coordination of Humanitarian Affairs (UN OCHA), as well as country-specific Humanitarian Information Centers. Through its Geographic Information Unit, OFDA prepares and distributes geographic data of operational use for humanitarian organizations as well as maps depicting the scope of humanitarian crises.

Recognizing that OFDA's effectiveness is largely dependent on the success of the 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. USAID field missions and the interagency community are often essential partners in any foreign disaster response, and their understanding the processes involved in providing disaster assistance affects OFDA's ability to ensure timely, effective and appropriate assistance. OFDA has developed numerous approaches and practices to enhance this collaboration.

With OFDA support, Tufts University provides humanitarian assistance-related training to the humanitarian community at large, technical assistance for OFDA staff, and a one-year professional master's degree program in humanitarian assistance.

In FY 2003, OFDA responded to 63 declared disasters in 53 different countries, targeting an estimated 44.5 million beneficiaries. Fifteen of those disasters were complex emergencies. OFDA's largest response was in Iraq, where the office provided more than \$81 million to address needs in the areas of health, food and nutrition, water and sanitation, shelter and rehabilitation. Other major responses in FY 2003 include Afghanistan, Angola, Burundi, the Democratic Republic of Congo, Ethiopia, Liberia and Sudan. Please see a list of OFDA major disaster responses in FY 2002 and FY 2003 following this chapter.

For FY 2004, the Administration plans \$253,993,000 including \$234.0 million for disaster relief activities and \$20 million for famine assistance for Ethiopia. An additional \$220 million has been appropriated in the FY 2004 Supplemental (\$200 million for Liberia and \$20 million for Sudan). With these resources OFDA will continue to provide and improve upon its timely and appropriate humanitarian assistance to disaster victims. During the first quarter of this fiscal year, OFDA has responded to major disasters such as the Iran earthquake and the complex emergency in Liberia. 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.

OFDA will continue to support innovations in humanitarian assistance, information technology and knowledge management tools. It will study new models for assistance and promote cutting edge developments through a series of seminars, conferences and studies. OFDA will explore ideas such as improved shelter design and use, innovative seed and tool programs around the world, and how to better

understand and target the needs of vulnerable persons, including the internally displaced. A humanitarian debate series that invites experts in humanitarian assistance is being developed to exchange ideas and provoke discussion on relevant issues for OFDA staff and others in USAID, other U.S. Government entities and the humanitarian community at large.

OFDA will use FY 2005 resources to continue providing quality humanitarian assistance to disaster victims, as well as expertise and resources for preparedness, mitigation and prevention activities. It will strengthen its response capabilities by honing the professional skills of its staff and partner agencies, and it will continue to improve its monitoring and response capabilities for quicker and more appropriate regional disaster response. For FY 2005, USAID has requested \$385.5 million, including \$100 million for Sudan and \$50 million for famine assistance.

Other Program Elements: OFDA is assisted by other U.S. Government agencies in providing humanitarian aid to foreign countries, and it cooperates with them to provide timely and effective assistance wherever needed. USAID's Office of Food for Peace is responsible for administering P.L. 480 Title II emergency food aid targeted to vulnerable populations suffering from food insecurity as a result of natural disasters, civil conflict or other crises. USAID's Office of Transition Initiatives provides assistance to countries in transition from crisis to recovery. Equally important is the collaboration with USAID regional bureaus and missions that provide foreign development aid. 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 for Population, Refugees and Migration, and the Department of Defense's Office for Peacekeeping and Humanitarian Affairs.

Other Donors: OFDA collaborates with U.S. Government agencies, other donors and NGOs in the international relief community. Coordinating relief efforts is essential to bring resources to the table and use 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 UN OCHA, and OFDA and ECHO work together to fund several country-specific Humanitarian Information Centers. At the field level, OFDA staff meet regularly with representatives of the United Nations, DFID, ECHO and other donor and implementing agencies to coordinate relief responses and avoid duplication of effort.

**Office of Private and Voluntary Cooperation
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	23,843	0	0	0
Development Assistance	27,163	25,512	23,038	24,200
Total Program Funds	51,006	25,512	23,038	24,200

STRATEGIC OBJECTIVE SUMMARY				
963-001 Capabilities of U.S. PVOs Increased				
CSH	23,843	0	0	0
DA	27,163	16,448	0	0
963-002 Local NGO Capacity Enhanced				
DA	0	9,064	23,038	24,200

Office of Private and Voluntary Cooperation

The Development Challenge: USAID and its U.S. private voluntary organization (PVO) and cooperative partners have long provided a wide array of effective humanitarian and development services in a number of sectors through local non-governmental organizations (NGOs), including local cooperatives, in developing countries worldwide. However, without adequate and systematic attention to the organizational health of these NGOs, the humanitarian and development services they deliver with donor support may not be sustainable when donor assistance ends. While there is a long USAID history of working with and through NGOs worldwide and while there has been and continues to be a significant effort to strengthen NGO capacities to deliver services in a number of USAID programs, there now needs to be a more consistent effort to identify and articulate how NGO strengthening can be addressed efficiently and effectively while maintaining and even enhancing service delivery standards. There also is a need to identify the role that NGOs play in conflict situations and how they might be better able to play a more constructive role in conflict prevention and mitigation. The Office of Private and Voluntary Cooperation (PVC) systematically tests, demonstrates and documents the essential components of organizational development in different country contexts (e.g., stable and development-oriented, conflict-prone with humanitarian concerns), the priority order and methods in which organizational components need to be addressed, and with what level of resources. As information is developed on what works best in what circumstances, PVC disseminates this information throughout USAID and the PVO and cooperatives community, to ensure that best practices are replicated for improved NGO sustainability and service delivery worldwide.

The USAID Program: The PVC program focuses on enhancing the organizational capacities of NGOs and cooperatives to deliver services overseas. This program is implemented through a wide variety of PVOs and cooperatives working across all technical sectors and in all geographic areas of the world. By providing grants to a number of PVOs to test and verify different NGO strengthening mechanisms, the PVC Office seeks to identify lessons that can be further tested, refined, synthesized and disseminated.

The PVC Office also implements two programs that facilitate the shipment of humanitarian and development supplies and equipment overseas, is responsible for the registration of PVOs for the Agency, and serves as the secretariat for the U.S. Advisory Committee on Voluntary Foreign Aid, a group that advises the USAID Administrator on issues and challenges affecting the relationship between U.S. foreign assistance efforts and the work of the private voluntary community.

Other Program Elements: Many USAID missions implement technical service delivery programs through local NGOs. A number of Washington-based programs, including many humanitarian assistance efforts, also rely heavily on local NGOs for service delivery. However, implementing technical programs through NGOs does not necessarily address essential organizational needs (e.g., financial, human resource, leadership) of these NGOs. As a result, programs which implement service delivery through NGOs can benefit from improved sharing of, and access to, information on approaches to organizational development, for example, on what has worked best in one set of circumstances over another. The PVC Office will work to improve this information base and develop a dissemination system that will be as useful as possible to a variety of audiences.

Other Donors: The United States is a leader among donors in supporting PVOs, cooperatives and NGOs, but other donors, including multilateral development banks, multilateral agencies (e.g., the United Nations Development Program), and bilateral donors, also support and rely on voluntary organizations for local implementation of their programs. The PVC Office coordinates and shares information with other donors on lessons learned as a result of monitoring, evaluation and research from PVC-funded activities.

**Office of Transition Initiatives
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Economic Support Fund	5,100	0	0	0
Transition Initiatives	50,000	61,675	54,676	62,800
Total Program Funds*	55,100	61,675	54,676	62,800

See following table for additional funds managed by OTI.

FY 2003 includes \$12 million reimbursed as TI from the Wartime Supplemental for Iraq Relief Reconstruction Fund (IRRF). FY 2003 does not include \$49.297 of IRRF and FY 2004 does not include \$40.870 million of IRRF managed by OTI.

Transition Initiatives

The Development Challenge: The 1990s and early 2000s were periods marked by dramatic change where countries all over the globe underwent transitions: transitions from autocratic to democratic rule, transitions from war to peace, and, unfortunately, transitions away from democracy and from peace to war. It quickly became apparent that these transitions were particularly sensitive; choices made during these periods had enormous influence on a country's future, for good or ill. However it also became quickly apparent that traditional forms of humanitarian aid and development assistance were not suited to these periods of transition. Instead, there was a need for a mechanism that retained the responsiveness and flexibility of humanitarian response, but focused on advancing democratic governance and managing conflict within highly charged and highly fluid transitional environments.

The USAID Program: In 1994, USAID created the Office of Transition Initiatives (OTI) as a tool for this new era. Since then, OTI has operated in 28 diverse transitional settings: Afghanistan, Albania, Angola, Bosnia-Herzegovina, Burundi, Colombia, Democratic Republic of Congo, Croatia, East Timor, El Salvador, Haiti, Honduras, Indonesia, Iraq, Kosovo, Lebanon, Liberia, Macedonia, Nigeria, Rwanda, Peru, Philippines, Serbia and Montenegro, Sierra Leone, Sri Lanka, Sudan, Venezuela, and Zimbabwe. The accumulated experience of working in transitions worldwide has confirmed the initial premise that they are special and sensitive times. Transitions are ruptures between what was and what will be. As old ways of governing have been discredited, often no agreement among local leading groups has been reached on new models of governance and peaceful coexistence. In these extraordinarily fluid times, it is indeed possible to reshape a society socially, economically, and politically. And in transitions from Serbia to East Timor to Sierra Leone, OTI has demonstrated that modest amounts of targeted transitional programming 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 benefits of transitional assistance are not automatic. Transitions are highly politicized and frequently unstable as major groups within the country jockey to shape the emerging regime. With so much that is unsettled, the dominant social concerns are short term: personal security, the basic needs of shelter, food and water, and immediate political 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. The currents within a transition are often unpredictable, revealing both unexpected opportunities to advance democracy and peace and 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.

Another key is to identify activities that have rapid, visible impact. In uncertain transitional periods, the population is hungry for 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. Together they begin to describe the effective approach OTI has developed to operate in transitional settings. This accumulated experience, combined with a commitment to creativity and excellence, ensures that OTI remains a valuable tool for the current era and for eras to come.

While OTI has worked in a diverse range of transition settings, they tend to fall into one of three operating environments. And 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 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 nongovernmental organizations 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. Other OTI programs targeting transitions to peace have included Indonesia, Kosovo, Macedonia, Congo, Sri Lanka, Sudan and Burundi.

In several instances of supporting transition to peace, OTI was asked to establish a presence in a country that did not yet have a USAID mission. For example, 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 USAID and the U.S. Government. In the East Timor case, OTI worked with local communities to repair needed infrastructure and provide economic incentives to the population. To the East Timorese, OTI was the welcome face of the U.S. Government.

Transitional Political Crises: A third scenario for OTI intervention involves a political crisis in which a transition has first stalled and then begun to unravel. 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 is intended to provide an opportunity for political leaders and civic leaders to discuss their differences in neutral space.

Responding to transitional political crises 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. Moreover, not every political crisis is serious enough to warrant OTI's involvement. This places an extra burden on OTI, in collaboration with USAID regional bureaus and field missions, to determine when a transitional crisis has begun and how OTI can best respond.

The Administration plans \$54,676,000 for FY 2004 Transition Initiatives, and requests \$62,800,000 for Transition Initiatives programs in FY 2005. A list of country programs managed by OTI, showing

program laid the foundation upon which the mission is building. In Afghanistan, OTI is an integral part of the Agency's program, along with the Asia and Near East bureau and the Office of U.S. Foreign Disaster Assistance. When appropriate, geographic bureaus and field missions transfer funds to OTI to carry out activities in the field. OTI's programs can also be funded by economic support funds from the Department of State.

The Administration plans \$54,676,000 in appropriations for FY 2004 Transition Initiatives, and requests \$62,800,000 for Transition Initiatives programs in FY 2005. A list of country programs managed by OTI, showing obligated funding levels implemented for FY 2002 and FY 2003 and planned for FY 2004 and FY 2005, follows this chapter.

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

**Economic Growth, Agriculture & Trade
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance	182,298	182,759	150,810	150,600
Total Program Funds	182,298	182,759	150,810	150,600

Emmy B. Simmons
Assistant Administrator
Bureau for Economic Growth,
Agriculture and Trade

**Economic Growth, Agriculture and Trade
PROGRAM SUMMARY**

STRATEGIC OBJECTIVE SUMMARY				
	FY 2002 Actual	FY 2003 Actual	FY 2004 Prior Request	FY 2005 Request
933-008 Technology Transfer				
DA	16,870	19,022	0	0
933-009 Agriculture				
DA	65,098	67,053	0	0
933-010 Poverty Reduction				
DA	25,224	22,409	0	0
933-011 Mid-East Agriculture Research				
DA	3,500	2,480	0	0
934-0011 Biodiversity Protection				
DA	6,541	7,750	0	0
934-0012 Forestry				
DA	4,227	4,614	0	0
934-0013 Land Resources Management				
DA	1,662	4,671	0	0
934-0014 Water				
DA	4,558	2,229	0	0
934-002 Making Cities Work				
DA	3,304	2,454	0	0
934-003 Access to critical infrastructure improved				
DA	0	9,964	0	0
934-0031 Energy Production - Increased Efficiency				
DA	3,632	0	0	0
934-0032 Energy Production - Renewable Energy				
DA	4,276	0	0	0
934-0033 Energy Production; Clean Energy and Use				
DA	4,526	0	0	0
934-004 Global Climate Change				
DA	3,784	3,000	0	0
935-001 Basic Education				
DA	7,260	9,790	0	0
935-002 Higher Education				
DA	10,500	9,230	0	0
935-003 Training				
DA	1,100	1,780	0	0
935-004 Telecommunications Leadership				
DA	3,500	3,250	0	0
940-001 Program Development and Support				
DA	1,000	990	0	0
940-003 Program Development and Learning				
DA	736	1,073	0	0
941-001 Addressing Economic Gender Constraints				
DA	2,440	2,240	0	0
941-002 Girls and Women's Education				
DA	2,340	2,340	0	0
941-003 Women's Legal Rights				
DA	3,020	3,220	0	0
941-004 Gender Considerations in the Agency				
DA	3,200	3,200	0	0

**Economic Growth, Agriculture and Trade
PROGRAM SUMMARY**

STRATEGIC OBJECTIVE SUMMARY				
	FY 2002 Actual	FY 2003 Actual	FY 2004 Prior Request	FY 2005 Request
905-101 Economic Growth				
DA	0	0	12,690	12,690
905-111 Energy and Information Technology				
DA	0	0	12,690	12,690
905-112 Israeli/Middle East Programs				
DA	0	0	1,500	1,500
905-201 Poverty Reduction				
DA	0	0	6,872	6,870
905-301 Education and Training				
DA	0	0	17,222	17,220
905-401 Women in Development				
DA	0	0	10,941	11,000
905-601 Program Analysis, Implementation, Communications				
DA	0	0	2,680	2,420
905-701 Environment and Science Policy				
DA	0	0	36,613	36,615
905-801 Natural Resources Management				
DA	0	0	19,077	19,080
905-901 Agriculture				
DA	0	0	30,525	30,515

Bureau for Economic Growth, Agriculture, and Trade

The Bureau for Economic Growth Agriculture and Trade (EGAT) was established in FY 2002 as one of three pillar, or technical, bureaus within the U.S. Agency for International Development (USAID). In its initial year, EGAT articulated its overall goal – to reduce poverty and promote prosperity in developing and transition countries; shaped a new organization capable of providing or accessing expertise and information in the fields of economic growth, trade and investment, microenterprise development, urban development, development credit, education, agriculture, natural resource management, science policy, energy, information and communications technology and technology transfer; began to restructure its portfolio with the intention of providing high-quality support to USAID missions worldwide; and both led and supported U.S. Government (USG) participation in key international forums – the Doha Ministerial of the World Trade Organization (WTO), the Monterrey Conference on Financing for Development, the World Food Summit: five years later, and the World Summit on Sustainable Development (WSSD).

In FY 2003, EGAT further refined its strategies, approaches, and portfolio to carry out its mandate of technical leadership and field support. The Bureau embarked upon an ambitious effort to expand the scope and quality of interactions with professional and operational networks, e.g., with U.S. universities, the women in development community, those U.S. Government and private sector leaders in trade and investment, and the growing network of scientists and policymakers dealing with agricultural biotechnology. Input to strategies for trade capacity-building, trafficking in persons, agricultural development, and education and training benefited from this external input. EGAT 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. Significant progress was made in launching projects addressing the President's Water for the Poor Initiative, the Digital Freedom Initiative, and other WSSD commitments. Alliances with the private sector for potable water expansion in West Africa and for increasing the sustainability of forest management moved from concept to action on the ground.

EGAT's agenda in FY 2004 includes a commitment to: developing a more focused and efficient approach to field support, while maintaining or improving the quality of our response to field needs; nurturing new partnerships and alliances for the achievement of mutually set goals; sustaining a highly successful program in trade-capacity building; and finalizing and launching strategies for USAID support of agricultural development, education and training, and women in development. The Bureau expects to develop guidelines for the design of programs and activities targeted at the poor both bilaterally and in the context of participation in the Organization for Economic Cooperation and Development's Development Assistance Committee's (OECD/DAC) Poverty Network. EGAT will also direct increased cross-sectoral attention to infrastructure development, drawing on the lessons of experience with energy and telecommunications development and privatization as well as our understanding of the potential for public-private partnerships in this sector. With other bureaus in USAID, EGAT will contribute to the development of greater collaboration with the State Department on key issues in economic growth and the environment.

FY 2005 will see continued progress in these programs as well as a greater integration of effort across all of the sectors covered by the EGAT Bureau. EGAT will work with the Democracy, Conflict, and Humanitarian Assistance (DCHA) Bureau on conflict recovery strategies, anti-corruption, human rights, and the prevention of famine. EGAT will also work with the Global Health Bureau on HIV/AIDS and human nutrition issues. There is already increased collaboration on developing more comprehensive approaches to dealing with the HIV/AIDS crisis, multisectoral approaches to achievement of the Millennium Development Goals, and strengthening of the financial sector to ensure that trade, agriculture, business development, and overall economic growth can develop effectively.

The Development Challenge: The past 50 years have witnessed great progress 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 remarkable 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. Economies oriented to market forces have been shown to be more efficient and more sustainable than state-led systems. Good governance has emerged as a critical factor in determining national prospects for growth and for the effective use of foreign assistance resources. The report commissioned by USAID in 2002 – *Foreign Aid in the National Interest* – argues that good governance, agricultural development, education, and the expansion of markets are essential to poverty reduction and increased prosperity.

In spite of such progress, over 1.2 billion people still live on less than one dollar a day, a measure of extreme poverty. Close to half the world's population (2.5 – 3 billion people) live on less than two dollars a day, well below the poverty line in most countries. Seventy percent of the world's poor are women and girls. Hunger has decreased in Asia and Latin America, but continues to increase in sub-Saharan Africa. Pressure on natural resources continues to increase, with both fertile land and water in increasingly scarce supply.

More than 125 million children, mostly girls, are out of school; only 25% of children complete five years of education. Most of the world's 900 million illiterate adults (mostly women) live in developing countries. Despite the importance of modern infrastructure to development and economic growth, two billion people worldwide still live without access to modern energy services and one billion lack access to safe drinking water; three billion people have never used a telephone; and only slightly more than 500 million use the Internet.

The expansion of trade has largely bypassed the least developed countries, which have seen their share of world trade drop over the last decade. Primary commodities (coffee, cocoa) have faced falling prices, with consequent impacts on rural incomes and employment in many countries. Overall competition in global markets has increased and developing country firms seeking to participate in these markets face a steep learning curve.

While national governments and leaders are responsible for their own development--as the Monterrey Convention of the Conference on Financing for International Development makes clear--donors such as USAID can play a role in bringing to bear the technical knowledge and expertise needed to solve problems. USAID can build local capacity to harness science and technology to increase productivity as well as to preserve the environment; train future generations as well as those youth unemployed today; and devise and shape the policies that will align individuals' incentives with national development goals.

The USAID Program: EGAT's portfolio of technical leadership, research and field support activities is designed to address the multi-faceted challenge of reducing poverty and promoting prosperity. Each of the Bureau's Programs focuses on a specific aspect of this challenge. As already noted, however, the programs collaborate frequently on issues that cross sectors to ensure more effective impact of their activities.

- **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 to the U.S. Government's commitment to provide trade capacity building assistance to developing and transition countries. In FY 2003, the program developed and began to implement USAID's Trade Capacity Building Strategy by focusing its efforts and resources on innovative and cutting edge programs in developing and transition countries that: 1) enhance their capacity to participate in, and benefit from, global trade and investment; 2) improve macroeconomic stability and economic governance in order to foster favorable business environments; and 3) enhance private sector and financial sector capacity to respond to opportunities in the global market place. In FY 2004, EGAT/EG will complete a Financial Sector Strategy that will be used to guide USAID missions in efforts to strengthen financial sector development programs. It will also begin a new competitiveness initiative that will provide USAID missions with expertise, best practices and tools to design and

initiate activities to enhance the competitiveness of the private sector in developing/transition countries.

- **The Agriculture Program (EGAT/AG)** leads the Agency's efforts to help developing countries increase their agricultural productivity and stimulate economic growth in rural areas. It exercises its leadership role through support of agricultural research on developing country problems and through the provision of technical advice and training to USAID field missions that are implementing agricultural development programs. Both the research and the technical services supported by EGAT/AG are organized around three themes: 1) agribusiness development; 2) agriculture and rural policy and governance; and 3) agricultural technology generation and outreach.
- **The Natural Resources Management Program (EGAT/NRM)** provides technical leadership and field support for the design and implementation of activities that assure the sustainable use of natural resources in four key areas: biodiversity, forestry, land resources management, and water. EGAT/NRM provides technical oversight to research on sustainable natural resource management and use carried out by U.S. universities and a number of international research centers. It coordinates and supports three Presidential Initiatives: the Initiative Against Illegal Logging; the President's Signature Initiative on Water for the Poor; and the White Water to Blue Water Initiative. In addition, the program works closely with several Global Development Alliances. These Alliances include the Sustainable Forest Products Global Alliance, which promotes sustainable forest management; the West Africa Water Initiative, which focuses on the provision of small potable water supplies and sanitation facilities in West Africa; and the Coffee Corps, which provides U.S. private sector expertise to coffee producer groups in support of sustainable small farmer coffee systems.
- **The Environment and Science Policy Program (EGAT/ESP)** manages activities in three specific areas that involve scientific and technological innovation – biotechnology and agricultural research, climate change, and multilateral policy. Specifically, EGAT/ESP oversees USAID's agriculture, natural resource management and environmental research portfolios and seeks to improve food security, protect the environment and reduce poverty through the use of biotechnology. The Program oversees and reports on USAID's climate change activities and works to promote climate-friendly economic development. Further, the Program coordinates USAID efforts to implement an international agenda on agricultural development, natural resources management and environmental issues.
- **The Education Program (EGAT/ED)** provides technical leadership, field support and donor coordination in the education sector, focusing on: (a) improved basic education; (b) strengthened higher education institutions to address local and national needs; and (c) improved performance through training of public and private sector organizations. EGAT/ED places particular emphasis on access to education and quality issues, support for Presidential Initiatives in Africa and Latin America, expansion of the role of higher education partnerships, and improvement of the development impact of training programs. The program manages a Global Development Alliance in teacher training, community partnerships, and youth and workforce development. EGAT/ED also serves as the U.S. Government lead in multilateral efforts to provide Education for All with the United Nations Educational, Scientific, and Cultural Organization (UNESCO), World Bank, United Nations Children's Fund (UNICEF), and other donors.
- **The Energy and Information Technology Program (EGAT/EIT)** provides technical leadership and field support to developing countries aimed at providing: 1) expanded access to, and sustainable use of, modern, efficient, and affordable energy services; 2) expanded access to and application of information and telecommunications services; 3) expanded access to enabling technologies for sustainable production and trade; and 4) expanded effective use of transportation and distribution infrastructure. EIT plays a major role in the implementation of the U.S. Government Clean Energy Initiative announced at the World Summit on Sustainable Development and in the Global Village Energy Partnership aimed at increasing the poor's access to modern and affordable energy services. EIT also provides leadership to the U.S. Government Digital Freedom Initiative, which promotes e-commerce in the developing world through policy reform and small business training. In addition, it

promotes the effective use of transportation and distribution infrastructure in addressing transportation barriers and trade facilitation. Finally, the program supports the Global Trade and Technology Network (GTN) which provides developing country private enterprises with enabling technologies for sustainable production and trade.

- **The Poverty Reduction Program (EGAT/PR)** works with USAID field missions to translate economic growth into poverty reduction by advancing market-led policies and other activities that specifically benefit the poor. The focus of these efforts is on initiatives that can help poor households protect, develop, leverage, or acquire enduring assets, exert control over their lives and participate in their communities in meaningful ways. EGAT/PR supports interventions that build up and protect the assets of the poor, increase the return on these assets, and help the poor cope with external adverse shocks. Equally important, it supports USAID efforts to increase the responsiveness of public institutions to poor people and to strengthen the poor's participation in local decisions that affect their lives. Key activities include microenterprise development, property systems reform, municipal service improvements and urban slum upgrading programs.
- **The Women in Development Program (EGAT/WID)** is the focal point within USAID for technical expertise and leadership on gender issues. Specifically, it assists USAID missions and offices in understanding the differential impacts of programs on men and women and the unique contributions made by both men and women; addresses constraints that limit demand for girls' education; works with host country governments and non-governmental organizations to advance the status of women's legal rights and to increase opportunities for women; and takes a leadership role on emerging issues with critical gender dimensions. EGAT/WID seeks to increase the capacities of USAID and its partners to address these issues and coordinates with the donor community on critical gender issues such as trafficking in persons.
- **The Policy Analysis, Information, Communication and Outreach Program (EGAT/PAICO)** focuses on improving EGAT's ability to finance program development costs, conduct program assessments, implement special programs/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 of up to 50 percent 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. In FY 2004, USAID plans to commit \$15 Million in transfer authority to an innovative program to support the financing of water and sanitation facilities in developing countries under the Presidential Water Initiatives.
- **The Middle East Cooperation Program** funds the U.S.-Israeli Cooperative Development Research Program which provides grants to support cooperative research efforts by U.S., Israeli and developing country scientists. The program also supports the Middle East Regional Cooperation program which promotes cooperative research efforts by Arab and Israeli researchers on topics relevant to the Middle East.

Other Program Elements: USAID field missions buy in to EGAT mechanisms and services.

Program and Management Challenges: Over the past year, EGAT has taken the lead in developing a number of USAID sectoral strategies in the areas of trade capacity building, agriculture, education and women in development. The Trade Capacity Building Strategy was launched in February 2003 and has provided a framework for USAID efforts to meet commitments made at the Doha World Trade Organization (WTO) Trade Ministerial meetings in November 2001. The remaining strategies will be approved in early 2004. In line with these new strategies and the new Joint State Department-USAID Strategic Plan, EGAT is developing a new Bureau Strategic Plan that will reflect new strategic directions and its new organizational structure. EGAT's new Strategic Objectives, which have received interim

Agency approval, are presented in this document. EGAT expects the Plan to be completed and submitted for Agency review in 2004.

One of EGAT's key program management initiatives over the past year has been the development of field support mechanisms that are more responsive to the needs of its customers—USAID's field missions. In this regard, the Bureau developed a number of new and innovative field support mechanisms to meet Mission demand for specific services. Examples of these mechanisms include the Support for Economic Growth and Institutional Reform (SEGIR) family of contracts that provide missions with rapid and effective response to requests for assistance in the design and implementation of a wide array of economic growth activities. In FY 2004, EGAT will begin an innovative new field support program—the Volunteers in Economic Growth Assistance Program (VEGA)—that will mobilize American volunteers, primarily private sector executives, farmers and business associations, to provide services to developing countries in private market development, agribusiness development and improvements to municipal services. EGAT has also developed more effective ways of informing missions of its field support services and developed an improved system for prioritizing and responding to field requests for assistance. The responsiveness of these field support mechanisms was recently confirmed by USAID missions responding to a USAID management survey.

Key programmatic and management challenges for FY 2004 include:

- **Teamwork and Communications:** Many EGAT initiatives, such as enterprise development and rural finance programs, can make important contributions to progress in several sectors. Issues such as HIV/AIDS adversely impact all development efforts. Lessons learned and best practices developed by one office on a particular development issue need to be shared with other EGAT and USAID offices. Many times, the combined efforts of several offices and teams are required to achieve a development goal. EGAT has begun to explore and develop ways to improve cross-office teamwork as well as cross-Agency teamwork and communications and will make this a management priority over the coming year.
- **Assisting Countries to Transition from Humanitarian to Development Assistance:** Countries such as Ethiopia and Sudan have received substantial amounts of humanitarian assistance over many years due to conditions such as drought, famine and conflict. As these adverse conditions subside, EGAT, as a pillar bureau, will need to develop innovative and effective mechanisms to help missions design and implement activities that will wean these countries off of humanitarian assistance and put them on the path to sustainable development.
- **Assistance to Mid-Range Performers:** The Millennium Challenge Account (MCA) will support development activities in a limited number of countries with very good performance relative to others. This will leave a large number of countries that are either very close to MCA eligibility or mid-range performers whose performance and commitment to reform provide opportunities for progress. The challenge over the next few years will be to support USAID missions in the development of initiatives to meet these countries' needs and to boost their performance to meet MCA eligibility.
- **Trade Capacity Building:** The White House is undertaking, through its Office of the U.S. Trade Representative, an ambitious agenda to initiate several new Free Trade Agreements (FTAs), in addition to fulfilling its existing obligations with the World Trade Organization (WTO). This presents a challenge to USAID to design and implement trade capacity building (TCB) programs that support the Administration's negotiation of these agreements, coordinate efforts across the fifteen U.S. agencies involved in TCB, and build technical capacity for TCB among USAID staff. EGAT has already begun to meet this challenge by designing assistance mechanisms to support USAID missions in countries targeted for FTAs, co-chairing regular U.S. Government interagency meetings, and initiating a major trade assistance training program for USAID staff.

Other Donors: EGAT works closely with other donors to ensure the efficiency and maximize the impact of development resources and to achieve the Millennium Development Goals of eradicating extreme

poverty and hunger, achieving universal education and ensuring environmental sustainability and gender equality.

In all of the sectors under its purview, EGAT works with the multilateral development banks. In particular, it works closely with the World Bank on trade capacity building, agricultural development, infrastructure financing, poverty reduction, education and environmental initiatives. EGAT provides funding to the Consultative Group for International Agricultural Research, whose Secretariat is housed at the World Bank, for new joint research and dissemination partnerships. EGAT's Poverty Reduction Office supports the World Bank's Consultative Group to Assist the Poorest (CGAP) and plays a leadership role with the World Bank, the Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and African Development Bank on issues of basic shelter, urban youth/unemployment, air and water quality deterioration and transportation system improvements.

EGAT maintains dialogue with key organizations under the United Nations umbrella including: the U.N. Food and Agriculture Organization (FAO) and the World Food Program in the agricultural sector; the U.N. Development Program (UNDP) on environmental and urban upgrading issues; the United Nations Fund for Women (UNIFEM); the United Nations Commission on the Status of Women on gender issues; and the U.N. Educational, Social and Cultural Organization (UNESCO) on education issues. With the U.S. rejoining UNESCO this year, EGAT provided funding for three of its top policy-makers. EGAT also works closely with several international organizations such as the World Trade Organization to address trade issues emerging from the meetings held at Doha and Cancun and the Organization for Economic Cooperation and Development's Development Assistance Committee (OECD/DAC) on poverty, gender and trade capacity building activities.

EGAT has close working relations with several bilateral donors. As an example, the Office of Development Credit collaborates with the British Department for International Development (DFID) on its new credit activities and with the European Union and the Japan Bank for International Cooperation on financing for the Presidential Clean Water Initiative. EGAT/ED participates in the Group of Eight senior-level Education Task Force which focuses on important issues such as access for the underserved, education quality, and gender.

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

FY 2005 Program: EGAT plans \$150.7 million for its FY 2005 program. Key initiatives that will be supported in FY 2005 include:

- Ongoing support for trade capacity building in support of World Trade Organization (WTO) and bilateral USG policy objectives;
- Strengthening the financial sector to support agriculture and business development;
- Increased support for cross-sectoral approaches to development problems, such as the HIV/AIDS pandemic;
- Continued efforts to integrate the poor into mainstream economic development through building up and protecting assets.
- Continued emphasis on sustainable natural resource management to protect the environment and promote increases in rural incomes.

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 2002 Actual</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Appropriation</u>	<u>FY 2005 Estimate</u>
Credit Subsidy				
Transfer authority for DCA	[18,500]	[5,859]	[20,876]	[21,000]
Administrative Expenses				
Appropriation for DCA	7,500	7,542	7,953	8,000

In FY 2003, DCA helped channel \$10,000,000 in loan capital to agribusinesses in Moldova and Armenia, and \$40,000,000 in loan capital to improve water and wastewater service delivery to underserved populations in Egypt. In the Philippines, DCA was used to expand maternal and child health care services across the country.

In FY 2004, DCA will fund the development, implementation and financial management (\$8,000,000) of all USAID credit programs and will use transfer authority (\$20,876,000) 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 micro-lending in West Bank and Gaza, mortgage market development in Morocco, and municipal finance in El Salvador and Ukraine.

In FY 2005, DCA expects to fund the development, implementation and financial management (\$8,000,000) of all USAID credit programs and to use transfer authority for the subsidy cost (\$21,000,000) associated with using DCA to guarantee loans and loan portfolios. This will support activities in every region of the globe and in every economic sector targeted by USAID including bond financing; micro, small, and medium-size enterprise development; competitive financial services; creative municipal financing; and clean energy and clean water initiatives.

**Bureau for Global Health
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	322,766	324,900	328,020	299,342
Development Assistance	3,714	0	0	0
Total Program Funds	326,480	324,900	328,020	299,342

STRATEGIC OBJECTIVE SUMMARY				
936-001 Population and Reproductive Health				
CSH	0	137,500	130,000	125,000
936-002 Maternal Health				
CSH	14,883	14,149	14,000	12,362
936-003 Child Health and Nutrition				
CSH	46,434	55,791	53,410	47,538
DA	3,714	0	0	0
936-004 AIDS Prevention and Control				
CSH	60,085	65,350	65,350	65,442
936-005 Infectious Disease Program				
CSH	50,564	52,110	65,260	49,000

E. Anne Peterson
Assistant Administrator, Bureau for Global Health

Bureau for Global Health

The Development Challenge: The high level of worldwide political and humanitarian interest in international health presents USAID with the opportunity to demonstrate continued leadership in addressing some of the critical problems that plague not only developing nations but also increasingly threaten the entire world. 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 Global Fund to Fight AIDS, Tuberculosis, and Malaria (the Global Fund), and the President's Prevention of Mother-to-Child Transmission Initiative (PMTCT). USAID, through its Bureau for Global Health (GH), 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, Child Survival and Reproductive Health. The top priorities include:

- Under the leadership of the Global AIDS Coordinator, participate in implementing the USG's expanded AIDS programs, including the continuum of prevention to care;
- Controlling the spread of re-emerging infectious diseases such as tuberculosis and malaria; and
- Moving the fundamentals forward by employing new approaches and improving full-scale access to family planning/reproductive health, child survival, and maternal health.

The USAID Program: GH's three critical functions that provide the framework for programs are:

- **Global leadership.** GH has technical experts who manage a wide spectrum of diverse technical projects; increase understanding of programs with stakeholders, including the U.S. public and Congress; and nurture and galvanize stronger partnerships with the development community. This achieves results by influencing the worldwide health agenda, thereby increasing the likelihood of successful health programs and by encouraging the wider global community, both public and private sectors, to adopt new technologies and approaches and to pursue USAID priorities and goals.
- **Research and innovation.** GH is the Agency's repository for state-of-the-art thinking in biomedical, social science, and operational research for health. GH has expanded the definition of research to include its full application and increased the emphasis on scaling-up proven high-impact interventions.
- **Technical support to the field.** GH follows a field-driven and field-centered approach to technical support to the field, is a pioneer in results monitoring, and leads global work in the development of program evaluation tools and trend analysis 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 hurricanes, earthquakes and conflicts.

GH conducts these three functions in order to achieve its five strategic objectives, which are:

- Increased use of improved, effective and sustainable responses to reduce HIV transmission and to mitigate the impact of the HIV/AIDS pandemic;
- Increased use of effective interventions to reduce the threat of infectious diseases of major public health importance;
- Increased use of key child health and nutrition interventions;
- Increased use of key maternal health and nutrition interventions; and
- Voluntary family planning and reproductive health programs advanced and supported worldwide.

Other Program Elements: USAID works with a range of private, public and international partners to implement its programs. GH's greatest investment in the private sector has been in commercial market development; health technologies, social marketing services, products, and materials; and workplace

**Legislative & Public Affairs
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance	0	750	1,960	1,400
Total Program Funds	0	750	1,960	1,400

STRATEGIC OBJECTIVE SUMMARY				
025-XXX Global Awareness of US Economic Assistance				
DA	0	750	1,960	1,400

J. Edward Fox
Assistant Administrator
Bureau for Legislative and Public Affairs

Data Sheet

USAID Mission:	Legislative & Public Affairs
Program Title:	Global Awareness of US Economic Assistance
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	025-XXX
Proposed FY 2004 Obligation:	\$1,960,000 DA
Prior Year Unobligated:	\$728,000 DA
Proposed FY 2005 Obligation:	\$1,400,000 DA
Year of Initial Obligation:	2003
Year of Final Obligation:	2009

Summary: Support USAID's development and humanitarian assistance activities through programs designed to collect, organize, summarize and disseminate USAID program experiences and results to key audiences worldwide. Increase awareness of the breadth of U.S. foreign assistance and help facilitate widespread public discussion, analysis, and review. Expand public awareness of the political, economic, technical and social factors relating to the need for continued U.S. engagement and support in the developing world.

Inputs, Outputs, Activities:

FY 2004 Program:

This program begins in FY 2004. However, one component, the Development Education program, previously managed by the Bureau for Democracy, Conflict and Humanitarian Assistance, was transferred to the Bureau for Legislative and Public Affairs in FY 2003 for program management. Through this new, broader objective, USAID will continue to fund the Development Education 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. In FY 2004, USAID plans to expand the program to include a multi-year domestic development education program (\$750,000 DA, \$728,000 DA carryover) and a pilot program overseas (\$1,210,000 DA).

FY 2005 Program:

USAID will finance activities to collect, organize, summarize, and disseminate USAID program experiences and results to better communicate the message about America's foreign assistance program to the world. In all areas, implementers are to be determined.

Performance and Results: -- (\$650,000) Efforts aimed at expanding and strengthening host country awareness of U.S. assistance. Activities directed at increasing the understanding overseas of the importance, impact, and breadth of U.S. assistance in host countries, especially in key sectors such as economic growth, education, health (in particular, HIV/AIDS and child survival), democracy and good governance. (Furthering the objectives of section 641 of the Foreign Assistance Act, as amended, concerning marking and identifying American assistance.)

-- (\$750,000) Projects geared toward informing and educating the American public about issues relating to overseas economic and social development to increase domestic understanding of the importance of U.S. Government overseas assistance programs and why they are in the interest of the United States. Information dissemination campaigns, and development education programs for the purposes of broadening exposure to, and enhanced understanding of, the mission and goals of U.S. assistance and successful assistance activities. (Furthering the objectives of section 316 of the International Security and Development Cooperation Act of 1980.).

Performance and Results: The principle outcomes of this objective will be:

-- To enhance exposure and understanding of Agency information and successes by development practitioners;

- To expand host country knowledge of U.S. development and humanitarian assistance efforts;
- To contribute to the goals of the National Security Strategy by increasing public awareness and understanding of the purposes and importance of U.S. assistance provided to developing countries; and
- To increase awareness of the importance of international development among the U.S. public.

**Management
PROGRAM SUMMARY**

(in thousands of dollars)

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Management-IRM				
Development Assistance	1,500	1,490	1,500	1,500
Total Management-IRM	0	1,490	1,500	1,500
Total Program Funds	1,500	1,490	1,500	1,500

STRATEGIC OBJECTIVE SUMMARY				
969-010 Information Technology Transfer				
DA	1,500	1,490	1,500	1,500

John Marshall
Assistant Administrator
Bureau for Management

Data Sheet

USAID Mission:	Management Bureau
Program Title:	Information Technology Transfer
Pillar:	Global Development Alliance
Strategic Objective:	969-010
Proposed FY 2004 Obligation:	\$1,500,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$1,500,000 DA
Year of Initial Obligation:	FY 1998
Year of Final Obligation:	FY 2005

Summary: The Information Technology Transfer program guides and supports USAID program officers worldwide with an analytical framework for linking information technology (IT) investment decisions to their strategic objectives and business plans for the Agency's geographical bureaus. The Information Technology Transfer program links strategic plans to the Agency's mission, goals, and customer needs, as required by the Clinger-Cohen Act and U.S. Public Law 40. Therefore, the Information Technology Transfer program effort ensures proper implementation of the IT phases in a project and stabilizes the investment process for technology programs in health, democracy, agriculture, environment, economic growth and other programs. The Information Technology Transfer program is the Agency's vehicle to ensure that organizational attributes for successful IT investment are approached by: applying IT integrated architectures standards; expressing the cost-benefits analysis in the project; reviewing the investment for select, control and evaluation success factors; providing guidance with a management process for IT support structures; measuring performance that supports the Agency's executive programs; planning the Agency's mission as it is expressed within its IT policy; and auditing the work process for the appropriate IT contractor.

Inputs, Outputs, Activities:

FY 2004 Program:

The Information Technology Transfer program provides short-term technical assistance with a wide range of IT proposals for relevance and feasibility in the following areas: improving and promoting cases for e-government, technology and governance, and building competitiveness in IT. In a world increasingly transformed by information technologies, the Information Technology Transfer program will create a mature investment process complying with the Agency policies and procedures. The critical investment process will not only represent public tax dollars but create an Agency's investment process that works better, costs less, demands high returns on IT investments, and reduces systems development risks. Scarce resources and higher global demand for service mean that a project must be worth doing from a USAID mission perspective, it must be possible to accomplish it in a reasonable time and cost, and it must support the strategic direction of the Agency. This is how the Information Technology Transfer program works in responding to increasing even greater requests for technical support for the Bureaus for Democracy, Conflict and Humanitarian Assistance; Economic Growth, Agriculture and Trade; and Global Health; and for international partnerships.

FY 2005 Program:

Manage and implement Agency's IT Directive ADS 548 and provide assistance in implementing Agency Directive ADS 577. We ensure that program-funded projects are in compliance with the ADS by identifying and documenting efficiency gains resulting from automating manual processes; identifying ways in which telecommunication and information technology activities can promote sustainable development objectives, and accelerating the IT integration of developing countries into the world economy.

Implement best practices for IT program management (PM). Provide guidelines, strategies, and toolsets for program-funded activity managers, maintain a skilled and qualified PM staff, and conduct risk analysis and scoring projects risks before the program officer approves an IT contract or grant.

Develop sustainable IT program development training programs and technical workshops. Provide guidance with telecommunications services, systems analysis and design methods, and quality assurance audits. Provide IT security support to include system security checks and well as physical security checks for USAID programs worldwide.

Performance and Results: The Information Technology Transfer program assistance varies greatly, depending on the needs identified by the program officers requesting support, and is best illustrated by the following examples:

Developing Government off-the-shelf (GOTS) Software for Economic Growth, Agriculture and Trade Programs. During FY 2003, the Information Technology Transfer program developed and implemented GOTS software solution packages. The Information Technology Transfer program is currently working with USAID program officers and contractors around the world to provide life-cycle support and software change management for the GOTS software package. In a typical development effort, specialized IT contractors would have been employed for this type of development. Once developed, the research and experience gained would have been discarded. Similar programs implemented elsewhere do not benefit from the knowledge base and prior investment, which frequently can be substantial. The Information Technology Transfer program is leveraging the institutional investment by reusing the baseline applications and developing reusable information technology systems as GOTS software as well as reusable processes that can be transferred to other development projects. During FY 2003 the Information Technology Transfer program invested efforts to develop a reusable GOTS software suite that supported the Economic Growth, Agriculture and Trade program. The GOTS software was implemented in a regional program resulting in a USAID cost-savings solution vice conventional development or commercial procurements. In FY 2004, the Information Technology Transfer program will support program activities that will implement a GOTS solution in three additional Central Bank regions.

Leveraging IT to Strengthen Governments. The transformation from a Soviet state to full independence has not been easy for the new Republic of Armenia. The process of operating a government--maintaining roads, providing social services, operating schools, among many other responsibilities--is no simple task. Revenue is required and an equitable tax collection system is important. A new state registry system had to be built virtually from scratch. It then needed to be networked nationally, to include the assigning of unique tax identification numbers to all commercial and private organizations, registering declarations about property and income, and recording payments. The USAID program officers, working closely with the Armenian Government, used specialists in the database systems that were required, but recognized the need to turn to specialists to develop the wide area network to link the nation's state registration system around the country.

Leveraging Information Technology Planning and Best Industry Practices. The Information Technology Transfer program is conducting independent verification and validation for the information technology components of 14 projects for the Economic Growth Division of the USAID mission in Egypt. The mission is typical of most USAID missions in that their program officers possess extensive knowledge and expertise in their functional areas and program development skills. However; program officers in the field are finding it impossible to implement successfully a functional program without a significant IT investment. USAID missions do not have IT recourses in the program offices to provide technical guidance, planning and oversight of the IT components with the program activities. Currently USAID program officers in the missions depend on the technical competence of IT specialists who represent the interests of functional contractors. The Information Technology Transfer independent verification and validation activities ensure that USAID interests are maintained with respect to financial feasibility and technical suitability. During FY 2004 and beyond the Information Technology Transfer program will expand their verification and validation role to other USAID missions and regions.

**Bureau for Policy and Program Coordination
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	5,400	5,310	5,300	3,600
Development Assistance	6,230	5,672	5,980	4,400
Total Program Funds	11,630	10,982	11,280	8,000

STRATEGIC OBJECTIVE SUMMARY				
996-013 Learning from Experience				
CSH	5,400	5,310	5,300	3,600
DA	6,230	5,672	5,980	4,400

Barbara N. Turner
Acting Assistant Administrator
Bureau for Program and Policy Coordination

Bureau for Policy and Program Coordination

The Development Challenge: The new century continues to present many daunting challenges to development assistance. The War on Terrorism, Iraq and Afghanistan reconstruction, natural disasters, failed states and persistent human rights violations are among the most difficult issues to address. Above and around all of these issues is the pervading concern for U.S. national security. Each issue presents its own unique set of challenges to USAID's mission and stretches the Agency's resources as never before. The sudden occurrence of world-changing events and their ensuing effects on the international policy environment require that USAID redesign and reinvent its programs on a continual basis to keep them relevant and to maintain USAID's place at the forefront of development assistance. Greater requirements for accountability in the form of strategic budgeting and performance monitoring demand that USAID improve upon its internal program planning and evaluation processes in order to maximize its resources and provide the greatest benefit at the most reasonable cost. With programs operating in over 115 countries worldwide, USAID's challenge to design, fund, manage and monitor all of its activities, ensuring that they correspond to and support Congressional and Administration priorities, is not an easy one to overcome. Efforts in recent years to reorganize the Agency's administrative structure have resulted in a better functioning organization that is better equipped and prepared to handle today's challenges as well as those of tomorrow and beyond. USAID will continue to refine its programs and internal processes, evolving and adapting to changing global conditions in pursuit of U.S. national interests, values and foreign policy objectives.

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

In shaping the global policy debate, USAID will actively participate in a host of international fora carried out between various 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 and the Japanese International Cooperation Agency among others. 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 recently published White Paper entitled "U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century." The Agency's principal mechanism to systematically tap into leading scholarship and research in the academic and think tank communities to inform policy and strategy development is the "Ideas" contract that the PPC Bureau awarded to the University of Maryland's Center for Institutional Reform and the Informal Sector in October 2003.

Toward integrating strategic budgeting and performance monitoring into Agency programming processes, USAID will continue its activities to provide workshops and technical assistance directly to overseas missions and to Washington-based offices. These workshops and technical assistance activities train Agency personnel how to design and implement strategic plans and performance monitoring plans for their programs in order to comply with the requirements of the Government Performance and Results Act and the President's Management Agenda. The PPC Bureau will also continue to work with the Office of Management and Budget to use the program assessment rating tool process to improve its budget and performance integration. These activities will continue to be a crucial part of the Agency's overall effort to improve its performance and ensure the accountability of its programs. The principal partnering mechanism through which the PPC Bureau carries out these activities is the Integrated Managing for Results contract. This contract provides a wide variety of activities that are available to all overseas missions and Washington-based offices. Principal partners in this mechanism include IBM Global Services and Insights in Action.

In recent years, Knowledge for Development has become an important concept for organizations seeking to harness the power of their knowledge and informational base. 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 long- and short-term evaluations of Agency programs, the USAID Library, interactive Web sites, access to electronic journals and other data resources, and the creation 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 for its personnel and for its development partners. Principal development partners in this area include Logical Technical Services, Inc. and the Academy for Educational Development.

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. These funds go to pay 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 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, due to the wide variety of programmatic needs experienced in the field, has found great acceptance and approval throughout the Agency. The PPC Bureau has designed many of its contracting mechanisms in the same way, to be flexible and scalable, allowing for customized and optimized results and meeting a wide array of needs.

In seeking to maintain a high level of technical proficiency, the PPC Bureau acquires several policy experts through two program-funded staffing mechanisms provided by the U.S. Department of Agriculture and the U.S. Department of the Treasury. These specialists provide expert technical advice and counsel in a number of areas including education, agriculture and statistical analysis. Through these mechanisms, USAID acquires the strength and flexibility in technical expertise to maintain its leadership position in the global development policy arena.

Other Donors: The multilateral and bilateral donor communities have key interests in the work of the PPC Bureau. The Bureau helps to maintain USAID's leading position in policy development, carrying on a continual dialog with other donors, encouraging harmonization of development objectives and providing policy leadership. The PPC Bureau has played an active role in organizing donor pledging conferences for Afghanistan, Iraq, Sri Lanka, and Ethiopia, among others. The PPC Bureau also assists the inter-agency process in reviewing projects of the multilateral development banks and participates in reviews of the programs and policies of both the international development banks and the United Nations system. Examples of the PPC Bureau's engagement with other donors are in the areas of fragile states and poor performing countries. USAID will coordinate with Great Britain's Department for International Development and other members of the Development Assistance Committee of the Organization for Economic Cooperation and Development on security system reform and the implications for fragile states, post conflict reconstruction and poverty reduction. The PPC Bureau works actively with other donors and international organizations to establish best practice and monitor progress toward international development objectives.

Data Sheet

USAID Mission:	Bureau for Policy and Program Coordination
Program Title:	Learning from Experience
Pillar:	No pillar info
Strategic Objective:	996-013
Proposed FY 2004 Obligation:	\$5,300,000 CSH; \$5,980,000 DA
Prior Year Unobligated:	\$400,000 CSH; \$293,000 DA
Proposed FY 2005 Obligation:	\$3,600,000 CSH; \$4,400,000 DA
Year of Initial Obligation:	1998
Year of Final Obligation:	2005

Summary: The USAID program embraces policy and program coordination on three main fronts: 1) shaping the global policy debate on development assistance; 2) integrating strategic budgeting and performance monitoring into programming processes; and 3) providing timely and accurate knowledge for development related to policy and critical development issues. USAID will continue to build strong linkages between programs and performance, integrating the Office of Management and Budget's Program Assessment Rating Tool and the President's Management Agenda. USAID will pursue a high level of coordination with other donors, ensure the harmonization of relief efforts, and provide valuable information services to its personnel and development partners through its Knowledge for Development strategy.

Inputs, Outputs, Activities:

FY 2004 Program:

Shape the development policy debate (\$2,300,000 DA and/or CSH). USAID will work with bureaus, missions and interagency partners to define policy priorities, shape policy debates, produce articles for USAID's internal newsletter, and develop other outreach-oriented materials that convey USAID policies to target audiences within and outside the Agency. The program will also develop and disseminate USAID core strategies for education, anti-corruption, agriculture, and trafficking in persons. Principal contractors, grantees and agencies include: University of Maryland's Center for International Reform and the Informal Sector, the U.S. Department of Agriculture, and the U.S. Department of the Treasury.

Donor coordination and outreach (\$850,000 DA and/or CSH). USAID will address performance-based assistance, poor performing states, conflict, program support, and good governance and economic growth. Specific donor coordination activities will: support the United States in hosting the 2004 Group of Eight Summit; intensify bilateral consultations with key donors; promote multi-donor agreements; increase analytical work in multilateral fora; and increase involvement in crisis response task forces. Principal contractors, grantees or partners are: U.S. Department of Agriculture, Office of the U.S. Trade Representative, USAID Development Information Services, Organization for Economic Cooperation and Development's Development Assistance Committee, World Bank, United Nations, and the Group of Eight.

Evaluations and Knowledge for Development (\$7,300,000 DA and/or CSH). USAID will pursue long-term evaluations and short-term analyses to support the Agency's objectives, including an improved Knowledge for Development system to provide up-to-date development information for leadership, strategic budgeting, and performance monitoring initiatives. The program will also work to determine the impact of the Millennium Challenge Account on how USAID does business, provide evaluations and analytical support for materials on lessons learned from USAID's experience and promote an electronic system for group collaboration. USAID will maintain and refine its Online Presidential Initiatives Network to monitor and evaluate nineteen development focused presidential initiatives. Principal contractors, grantees and agencies include: Academy for Education Development, International Business Initiatives, Logical Technical Service, Inc., and Management Systems International.

Integrate strategic budgeting and performance measurement into Agency programs (\$830,000 DA and/or CSH). USAID will integrate strategic budgeting and performance measurement into its programs through workshops and technical assistance to field missions and to Washington-based offices. Workshops and courses will include the Planning, Achieving and Learning course, USAID's basic training course for new personnel, Performance Management Plan workshops, training for Results Frameworks, and Strategic Budgeting Workshops. USAID will continue to develop its Strategic Budgeting Model to ensure effectiveness and efficiency in programming. USAID will determine its true cost of doing business and identify particular efficiencies and inefficiencies. Principal contractors, grantees and agencies include: IBM Global Services and the National Academy of Public Administration.

FY 2005 Program:

Shape the development policy debate (\$1,650,000 DA and/or CSH). USAID will continue to define its relationship to the Millennium Challenge Corporation; assess trends in USAID programs; develop operational guidelines for a multi-sector approach to address the development impacts of such challenges as fragile states and the HIV/AIDS epidemic; provide policy support for interagency initiatives in the Middle East and the Muslim world; and continue to enhance the PPC Web site to provide easy access to USAID policies and strategies. Principal contractors, grantees or partners are: University of Maryland's Center for International Reform and the Informal Sector, and the U.S. Departments of Agriculture and Treasury.

Donor coordination and outreach (\$600,000 DA and/or CSH). USAID will actively carry on dialogue and negotiations with other bilateral and international donors, and take part in international events and bilateral consultations. USAID will assist other donors in strategy development, provide information services for U.S. Government reporting to the Organization for Economic Cooperation and Development's Development Assistance Committee and produce current reports on policies and programs of other bilateral and multilateral donors. Principal contractors, grantees and agencies include: U.S. Departments of Agriculture and Education, Office of the U.S. Trade Representative, USAID Development Information Services, OECD/DAC, World Bank, and World Trade Organization.

Improve evaluations and knowledge management systems (\$5,100,000 DA and/or CSH). USAID will continue to develop and expand the use of knowledge management systems, including long- and short-term evaluations, an analysis of the establishment of additional community of practice Web sites, investigation into portal technology and extranet usage, and transformation of the USAID library into a Knowledge for Development Center. USAID will fully implement its Online Presidential Initiatives Network, provide an Agency-wide assessment of USAID performance relating to the United Nations' Millennium Development goals, and test its newly developed Agency scorecard for development risk. Principal contractors, grantees or partners are: Academy for Education Development, International Business Initiatives, and Logical Technical Services, Inc.

Revise Automated Directives System and implement performance management tools (\$650,000 DA and/or CSH). USAID will revise its Automated Directives System Series 200 to reflect changes wrought by the Overseas Business Model Assessment. This revision will include major changes to the Agency's programming processes. In addition, USAID will continue to implement performance management tools into its daily business. Strategic Planning Workshops and Performance Monitoring Plans will continue to be a large part of the performance integration program with services available to all overseas missions and Washington-based offices. The Strategic Budgeting Model will continue to be refined and utilized in the resource allocation process.

Performance and Results: In FY 2003, USAID led the global development policy debate by establishing broad policy consultation with international donors, publishing analyses and evaluations on key development policy issues, providing knowledge for development support to field and Washington-based offices, and developing a strategic budgeting model. With successful completion of this strategic objective, USAID will strengthen its position among the world's top development assistance and humanitarian aid organizations while promoting U.S. national security interests and strategic priorities.

**GDA Secretariat
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance	20,000	29,800	15,000	10,000
Total Program Funds	20,000	29,800	15,000	10,000

STRATEGIC OBJECTIVE SUMMARY				
020-001 Institutionalizing Alliance Building				
DA	2,000	4,000	5,000	3,000
020-002 Public-Private Alliance Building				
DA	18,000	25,800	10,000	7,000

Holly Wise
Director
Global Development Alliance Secretariat

Global Development Alliance

The Development Challenge: As one of USAID's four pillars, the Global Development Alliance (GDA) recognizes a major change in recent years in the relative importance of U.S. public and private financial resource flows to the developing world. In FY 2000, private flows - a combination of corporate direct investment, remittances, and philanthropic programs of corporate and private foundations, universities and private voluntary organizations - represented 80% of such resources. A large portion of the private sector is increasingly focusing on corporate social responsibility and understands, and accepts responsibility for management of their supply chain. GDA seeks to engage private partners strategically in supporting development 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 as a result 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 development challenges.

In advance of the September 2002 World Summit on Sustainable Development, the Secretary of State stressed that the United States had "established the Global Development Alliance to combine the assets of government, business and civil society to work in partnership on implementing sustainable development programs." Through the GDA, USAID is inviting and empowering the private sector, broadly defined to include for- and not-for-profit entities, to be a positive actor in the international development community, together with government and civil society organizations.

Specific alliances are managed and reported by individual USAID offices, both in Washington and in the field.

The USAID Program: The GDA Secretariat, a temporary unit charged with initiating public-private alliance creation and integrating alliances as a standard tool within the USAID system, is mandated with these 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.

Changes to the Agency's programming policy documents now reflect guidance and encouragement to activity managers to consider public-private alliances as a means to implement programs. In order to accommodate outside contributions, GDA Secretariat and USAID legal, procurement, and financial staff have also made creative use of pre-existing but underutilized techniques, such as the acceptance of conditional gifts to be managed by USAID. In addition, the Secretariat has also promoted new governance structures for program oversight, using formal memoranda of understanding similar to those

used by private-sector joint ventures. Significant "in-reach" to Agency staff and stakeholders, as well as outreach to traditional and new partners, has taken the form of curriculum development and training workshops on the precepts of public-private alliances as a business model, technical assistance to USAID offices and missions in planning and creating alliances, development of guidance materials, formal reports and public relations materials, website creation and regular updating, and conference participation.

Key Achievements: In FY 2002, the first year of operation, the Secretariat and other USAID units funded 84 alliances with \$223 million, leveraging about \$1 billion of partner contributions. In FY 2003, well over 100 new and ongoing alliances were funded (about \$250 million of public funds leveraging over \$1 billion of partner contributions). For every dollar provided by USAID, partners provided \$4.

Alliances strongly support the objectives of a number of Presidential initiatives, such as the Africa Education Initiative, the Clean Energy Initiative, the Water for the Poor Initiative, and the Initiative to Prevent Illegal Logging. The Sustainable Forest Products Global Alliance is a typical example of the exciting way in which public and private resources can combine to produce greater impact than any single organization could on its own. This nearly \$8 million alliance increases both the demand and supply of legally sourced, certified timber by connecting responsible producers in developing countries to retailers across the United States. It will increase incomes for local communities and mitigate adverse environmental impacts, while expanding the supply of certified products available to U.S. consumers. Partners include USAID, the U.S. Department of Agriculture Forest Service, Home Depot, IKEA, the World Wildlife Fund, Forest Trends, and Metafore.

Other Program Elements: USAID alliances foster relationships with over 400 partner organizations, including private businesses and associations, non-governmental organizations, philanthropic organizations and higher education institutions, as well as host country and other donor public sector partners. Large organizations such as extractive industries and other Fortune 500 firms, numerous foundations, and small non-governmental organizations such as the Foods Resource Bank are among these partners. Some of USAID's traditional not-for-profit partners have become active themselves in recruiting alliance partners. USAID conducts due diligence on potential corporate partners, examining their public records from a variety of perspectives including product offering, workplace and labor issues, human rights issues, international operations, social responsibility programs, and environmental record.

Other Donors: The 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 and education. Bilateral donors, particularly the United Kingdom, 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.

INTERNATIONAL PARTNERSHIPS

Within the Child Survival and Health Programs Fund \$244.4 million is requested in FY 2005 for international health partnerships: HIV/AIDS \$191.6 million; and Child Survival and Maternal Health \$52.8 million, compared with a total of \$575.8 million provided in FY 2004.

HIV/AIDS and Infectious Diseases: FY 2004 \$502.7 million; FY 2005 \$191.6 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 Global Fund partners include bilateral donors, multilateral agencies, private foundations, nongovernmental organizations, and developing country representatives. The President's request for the Global Fund in FY 2005 is \$200 million; \$100 million is requested for USAID, and \$100 million is requested for the Department of Health and Human Services. This request is in keeping with the President's Emergency Plan for AIDS Relief, which will provide at least \$1 billion to the Global Fund over the next five years.

USAID requests \$19 million in FY 2005 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, \$72.6 million is requested in FY 2005 for both ongoing and new partnerships. Examples of ongoing partnerships are the International AIDS Vaccine Initiative (IAVI) and the Joint United Nations Program on HIV/AIDS (UNAIDS). The goal of IAVI is to leverage and apply resources toward the global effort to develop an AIDS vaccine. UNAIDS provides global leadership and promotes consensus on policy and programmatic approaches to fighting the HIV/AIDS pandemic. UNAIDS strengthens national government programs by assisting them in the development of appropriate HIV/AIDS policies and strategies.

Child Survival and Maternal Health: FY 2004 \$73.1 million; FY 2005 \$52.8 million

USAID requests \$50 million in FY 2005 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 2005, USAID requests \$2.8 million for 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.

Africa PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	424,379	541,071	472,520	478,200
Development Assistance	453,497	490,690	493,780	499,400
Development Credit Authority	500	727	0	0
Economic Support Fund	120,000	84,440	74,061	101,250
ESF - Wartime Supplemental	0	25,000	0	0
PL 480 Title II	514,495	1,165,877	404,656	196,684
Total Program Funds	1,512,871	2,307,805	1,445,017	1,275,534

FY 2004 does not include Supplemental International Disaster and Famine Assistance funding for Liberia (\$200 million) and Sudan (\$20 million) that has not yet been allocated.

Assistant Administrator,
Connie Berry Newman

Africa PROGRAM SUMMARY

(In thousands of dollars)

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Africa Regional				
Child Survival and Health Programs Fund	44,233	82,258	29,292	31,830
Development Assistance	83,961	59,658	111,827	124,423
Economic Support Fund	43,325	24,730	24,355	17,000
PL 480 Title II	80,147	187,843	114,955	30,235
Total Africa Regional	251,666	354,487	280,429	203,488
Angola				
Child Survival and Health Programs Fund	6,406	7,797	7,700	7,130
Development Assistance	5,118	4,568	3,600	4,544
Economic Support Fund	3,000	3,750	3,479	3,000
PL 480 Title II	74,658	104,545	22,723	9,501
Total Angola	89,182	120,660	37,502	24,175
Benin				
Child Survival and Health Programs Fund	7,743	6,638	7,550	7,910
Development Assistance	8,982	9,403	7,430	7,077
Economic Support Fund	350	250	0	0
PL 480 Title II	4,015	4,292	3,308	4,332
Total Benin	21,090	20,583	18,288	19,319
Burundi				
Child Survival and Health Programs Fund	400	750	880	1,731
Development Assistance	4,200	4,400	1,782	1,543
Economic Support Fund	2,000	1,150	3,479	3,250
PL 480 Title II	2,496	23,838	2,448	0
Total Burundi	9,096	30,138	8,589	6,524
Central Africa Regional				
Development Assistance	0	15,000	15,000	15,000
Economic Support Fund	0	1,250	0	0
Total Central Africa Regional	0	16,250	15,000	15,000
Democratic Republic of the Congo				
Child Survival and Health Programs Fund	21,178	15,916	22,050	20,022
Development Assistance	4,773	11,376	8,015	7,427
Economic Support Fund	2,050	4,800	4,971	5,000
PL 480 Title II	16,542	43,530	19,000	0
Total Democratic Republic of the Congo	44,543	75,622	54,036	32,449
Djibouti				
Development Assistance	0	2,000	0	0
Economic Support Fund	0	0	0	2,000
ESF - Wartime Supplemental	0	20,000	0	0
PL 480 Title II	1,059	3,348	0	0
Total Djibouti	1,059	25,348	0	2,000
Eritrea				
Child Survival and Health Programs Fund	5,350	5,600	5,050	5,605
Development Assistance	5,558	4,560	1,240	781
Economic Support Fund	0	700	0	0
PL 480 Title II	5,564	66,245	12,032	6,283
Total Eritrea	16,472	77,105	18,322	12,669

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Ethiopia				
Child Survival and Health Programs Fund	23,057	30,752	34,500	39,191
Development Assistance	20,200	19,686	18,263	15,529
Economic Support Fund	4,000	3,050	4,971	5,000
PL 480 Title II	58,535	352,248	74,485	25,630
Total Ethiopia	105,792	405,736	132,219	85,350
Ghana				
Child Survival and Health Programs Fund	18,655	19,150	18,620	18,560
Development Assistance	15,963	20,716	14,879	11,500
Economic Support Fund	0	530	0	0
PL 480 Title II	12,407	20,345	14,177	17,189
Total Ghana	47,025	60,741	47,676	47,249
Guinea				
Child Survival and Health Programs Fund	6,700	6,860	6,600	6,202
Development Assistance	15,442	16,717	11,827	10,888
Economic Support Fund	650	250	0	0
PL 480 Title II	6,818	9,809	7,685	4,453
Total Guinea	29,610	33,636	26,112	21,543
Kenya				
Child Survival and Health Programs Fund	27,563	36,488	34,100	31,962
Development Assistance	13,547	14,183	10,010	12,171
Development Credit Authority	0	727	0	0
Economic Support Fund	6,000	1,950	7,953	8,000
PL 480 Title II	17,682	34,664	14,682	14,662
Total Kenya	64,792	88,012	66,745	66,795
Liberia				
Child Survival and Health Programs Fund	1,600	2,627	2,400	1,997
Development Assistance	3,725	3,758	0	545
Economic Support Fund	1,150	4,420	0	25,000
PL 480 Title II	5,643	17,684	10,538	0
Total Liberia	12,118	28,489	12,938	27,542
Madagascar				
Child Survival and Health Programs Fund	8,725	9,293	10,015	11,200
Development Assistance	10,540	10,504	9,506	10,379
Economic Support Fund	2,000	1,000	0	0
PL 480 Title II	8,503	10,381	6,269	12,444
Total Madagascar	29,768	31,178	25,790	34,023
Malawi				
Child Survival and Health Programs Fund	15,540	17,480	19,400	18,900
Development Assistance	13,829	9,849	11,737	10,295
Economic Support Fund	500	400	0	0
PL 480 Title II	13,698	3,202	3,357	8,500
Total Malawi	43,567	30,931	34,494	37,695
Mali				
Child Survival and Health Programs Fund	14,488	13,821	14,300	13,974
Development Assistance	21,688	26,581	24,296	20,793
Economic Support Fund	0	410	0	0
PL 480 Title II	1,355	0	0	0
Total Mali	37,531	40,812	38,596	34,767

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Mozambique				
Child Survival and Health Programs Fund	17,677	22,601	19,700	19,730
Development Assistance	22,438	27,567	24,261	18,319
Economic Support Fund	400	1,250	0	0
PL 480 Title II	17,901	16,166	14,855	18,801
Total Mozambique	58,416	67,584	58,816	56,850
Namibia				
Child Survival and Health Programs Fund	1,850	7,601	2,150	2,150
Development Assistance	8,183	4,851	5,726	6,558
Economic Support Fund	700	1,200	0	0
Total Namibia	10,733	13,652	7,876	8,708
Nigeria				
Child Survival and Health Programs Fund	36,066	47,911	42,550	43,724
Development Assistance	21,968	23,385	13,601	15,590
Economic Support Fund	8,500	3,850	4,971	5,000
Total Nigeria	66,534	75,146	61,122	64,314
REDSO-ESA				
Child Survival and Health Programs Fund	9,475	10,452	12,500	11,009
Development Assistance	15,859	23,774	17,172	16,579
Economic Support Fund	1,000	0	0	0
ESF - Wartime Supplemental	0	5,000	0	0
Total REDSO-ESA	26,334	39,226	29,672	27,588
Regional Center for Southern Africa				
Development Assistance	20,117	21,115	18,999	18,363
Economic Support Fund	950	1,200	0	0
Total Regional Center for Southern Africa	21,067	22,315	18,999	18,363
Rwanda				
Child Survival and Health Programs Fund	12,100	16,168	13,350	13,406
Development Assistance	6,402	6,555	4,810	5,121
Economic Support Fund	2,500	1,050	0	0
PL 480 Title II	14,498	16,089	3,432	12,131
Total Rwanda	35,500	39,862	21,592	30,658
Senegal				
Child Survival and Health Programs Fund	15,005	15,167	14,325	15,873
Development Assistance	13,950	15,014	12,781	10,548
PL 480 Title II	1,790	2,146	0	5,000
Total Senegal	30,745	32,327	27,106	31,421
Sierra Leone				
Child Survival and Health Programs Fund	841	784	300	0
Development Assistance	6,413	3,007	3,727	3,269
Economic Support Fund	10,225	11,910	4,971	5,000
PL 480 Title II	24,355	19,486	4,225	5,335
Total Sierra Leone	41,834	35,187	13,223	13,604
Somalia				
Child Survival and Health Programs Fund	500	250	100	0
Development Assistance	2,267	3,122	899	986
Economic Support Fund	1,750	0	0	0
PL 480 Title II	19,729	19,128	1,375	0
Total Somalia	24,246	22,500	2,374	986

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
South Africa				
Child Survival and Health Programs Fund	20,404	28,565	23,328	24,011
Development Assistance	36,804	34,393	28,678	26,789
Development Credit Authority	500	0	0	0
Economic Support Fund	600	0	1,988	1,000
Total South Africa	58,308	62,958	53,994	51,800
Sudan				
Child Survival and Health Programs Fund	500	700	11,500	11,000
Development Assistance	10,631	18,171	50,263	70,000
Economic Support Fund	20,000	7,000	9,941	20,000
PL 480 Title II	60,190	111,316	44,664	0
Total Sudan	91,321	137,187	116,368	101,000
Tanzania				
Child Survival and Health Programs Fund	16,700	25,040	21,200	19,856
Development Assistance	8,108	12,769	7,000	7,132
Economic Support Fund	0	800	0	0
PL 480 Title II	4,827	22,535	5,813	0
Total Tanzania	29,635	61,144	34,013	26,988
Uganda				
Child Survival and Health Programs Fund	35,000	41,114	34,460	34,294
Development Assistance	24,724	27,183	27,182	20,450
Economic Support Fund	0	1,600	0	0
PL 480 Title II	27,458	75,896	22,580	17,591
Total Uganda	87,182	145,793	84,222	72,335
West African Regional Program (WARP)				
Child Survival and Health Programs Fund	19,473	19,461	19,300	21,464
Development Assistance	10,773	18,232	14,846	14,405
Economic Support Fund	1,550	1,240	0	0
PL 480 Title II	1,043	1,141	2,053	1,720
Total West African Regional Program (WARP)	32,839	40,074	36,199	37,589
Zambia				
Child Survival and Health Programs Fund	30,700	37,904	34,200	34,100
Development Assistance	14,822	15,676	13,677	11,150
Economic Support Fund	800	650	0	0
PL 480 Title II	8,060	0	0	2,877
Total Zambia	54,382	54,230	47,877	48,127
Zimbabwe				
Child Survival and Health Programs Fund	6,450	11,923	11,100	11,369
Development Assistance	2,512	2,919	746	1,246
Economic Support Fund	6,000	4,050	2,982	2,000
PL 480 Title II	25,522	0	0	0
Total Zimbabwe	40,484	18,892	14,828	14,615
Total Program Funds	1,512,871	2,307,805	1,446,017	1,275,534

AFRICA

The Development Challenge

Africa's future continues to look brighter as the region has achieved measurable progress in improving several important indicators of economic, political and social development since the beginning of the millennium. New avenues for growth are emerging as key countries in the region move toward greater political stability, as lengthy conflicts are being resolved, and as many countries continue to adjust their policies and priorities to take advantage of expanded opportunities created through globalization.

What happens in Africa is of growing concern to the United States and our active engagement advances significant U.S. interests. The overarching goals of U.S. policy in Africa seek to enhance African capacity to fight terrorism and create favorable conditions for U.S. and African trade and business opportunities, while developing the foundation for sustained growth, regional stability, good governance, a healthier population and responsible use of natural resources.

A change in the policy environment affecting the region is the New Partnership for Africa's Development (NEPAD), launched in 2001, that provides a positive framework for development in Africa. Basically, the thrust of the new direction is to shift the development paradigm so that African leaders take greater responsibility for their own destiny while working constructively with the international community. These efforts are beginning to show results. NEPAD is deepening its support among African government leaders and its road map for African development is gaining wider credibility. A key litmus test will be the completion of peer reviews of political, economic and corporate governance in those sixteen countries that have now agreed to undertake the process. The United States continues to affirm its endorsement of NEPAD.

Of the many positive trends in Africa during the first years of the decade, perhaps the most significant has been the cessation of major conflicts in Angola, Sierra Leone, Liberia, the Democratic Republic of the Congo (DRC), Burundi and Sudan, conflicts that had sapped the vitality of much of the continent. As these countries become more politically stable, the prospects for increased economic growth and a better standard of living for their citizens are much enhanced and their recovery will have beneficial repercussions for the entire continent.

The spread of democratic values is also a positive sign for improving the living standards of millions of Africans. The rapid growth of new communications media and expansion of a free press have empowered civil society to hold governments more accountable for their actions and made ordinary citizens increasingly aware of their basic human rights. Nigeria, Africa's most populous country, took a major step forward with free elections and the new governments in Kenya and Zambia have taken very positive strides to address the rampant corruption that had colored the previous administrations. According to Freedom House, over the last decade, the number of free democracies in Africa has almost tripled from four to 11 and more than half of the countries in the region are in the transition process toward full and free democracy.

There is extremely promising news in the fight against HIV/AIDS. The President's Emergency Plan for AIDS Relief (PEPFAR), which proposes \$15 billion over a five-year period for prevention and treatment, combined with an unprecedented international commitment to increasing resources, now offers real hope that serious inroads can be made against the spread of HIV/AIDS.

Several key indicators of economic growth also create room for optimism. GDP growth remained constant at 3.2% between 2001 and 2002, despite the worldwide economic slowdown, and is projected to increase to 3.8% in 2004, higher than all other developing regions except East and South Asia. Sub-Saharan Africa had highest returns on net foreign direct investment of any region in the world in 2001.

Despite these positive trends, sub-Saharan Africa continues to face enormous development challenges. It remains the world's poorest region, with half of its population of 690 million living on less than \$1 per day. While economic growth trends in many countries are positive, with population growth at 2.4% a year, achieving the Millennium Development Goal (MDG) of reducing poverty levels by 50% by 2015 will require almost a doubling of current rates, to 6% a year. This represents a formidable challenge, but nonetheless possible, provided encouraging trends continue in governance and economic policy, conflicts are resolved and economies diversify from over-dependence on agricultural production and export of primary commodities. Food security continues to remain precarious in many parts of the region – only a massive intervention by the international community averted a humanitarian disaster in Ethiopia and significant levels of food assistance were required in much of southern Africa. Education levels, particularly in the rural areas and for girls, remain well below world standards and despite the rapid growth of information and communications technology (ICT), the digital divide between the region and the rest of the world remains vast. While some key indicators of health have improved, the HIV/AIDS pandemic in many countries has compromised efforts to combat other diseases and has dramatically reduced life expectancy in many countries. A shrinking labor pool will slow the continent's economic growth by as much as 2% a year. Gender inequities, such as access to credit and inheritance rights, remain a serious development issue. Finally, conflict and the difficult transition to stability in post conflict states still exact a huge toll on politically fragile democracies.

Meeting these challenges will require redoubled efforts on the part of African governments, civil society and the international community across a broad spectrum: increasing agricultural productivity; preserving the richness and diversity of Africa's natural resources; broadening the economic base; improving the competitiveness of African products; building human capacity at all levels; expanding ICT networks; improving the enabling environment for increased trade and investment; curbing the spread of HIV/AIDS, malaria, tuberculosis and other infectious diseases; and improving the transparency and accountability of government. USAID will structure its FY 2005 program to take advantage of its inherent strengths in addressing all of these challenges.

Agriculture, Trade, Education and the Environment Agriculture is the mainstay of most sub-Saharan economies, supporting over 70% of the population and contributing an average of over 30% to GDP. Increasing agricultural productivity is critical to the region's efforts to achieve food security and to reduce poverty. Despite the adoption by many countries of policies to stimulate rural agricultural-led growth, agricultural yields in Africa remain the lowest in the world and per capita food production has actually declined to 1980 levels. The major constraints to increasing agricultural productivity include low usage of improved technologies and information, limited access to credit, inefficient land use, market distortions which discourage production, poor rural infrastructure and the debilitating effects of the HIV/AIDS pandemic. The flagship of USAID efforts in the agriculture sector is the Presidential Initiative to End Hunger in Africa (IEHA), a five-year program designed to harness science and technology and unleash the power of market forces to increase small holder productivity.

An educated population is fundamental to sustaining democracy, improving health, increasing per capita income and conserving environmental resources. Although literacy rates have increased from 50% in 1990 to 63% in 2001, Africa continues to lag behind the rest of the world in investment in its people. Access to formal education has risen in most African countries during the past several years, yet 39% of boys and 43% of girls still are 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, a severe shortage of textbooks and teaching aids and inadequate facilities. HIV/AIDS also continues to decimate the ranks of teachers. Systemic education reform is critical if Africa's children are to compete successfully in today's world. USAID bilateral programs focus on educational policy and systems development, decentralized decision making and greater involvement of parents and civil society, with an emphasis on basic education, particularly for girls, which has proven to yield higher returns. USAID's commitment to education in Africa is centered on the President's \$200 million Africa Education Initiative, launched in FY 2002. This

initiative will provide 250,000 scholarships for girls and other vulnerable children, 4.5 million much-needed textbooks and training for 420,000 teachers over a five-year period.

The globalization of the world economy offers Africa genuine opportunities to attract resources for development. However, globalization can be a two-edged sword and unless countries make the policy and institutional reforms necessary to benefit from the changing economic environment, they will increasingly be left behind. Sub-Saharan Africa has enormous potential to become a much more significant player in international trade, yet the region accounts for just 2% of world trade. Although a number of countries in the region have begun to take measures to increase their competitiveness, trade is still hampered by systemic constraints such as high transaction costs, capacity limitations, poor infrastructure, and market distortions. Foreign Direct Investment (FDI) decreased dramatically by almost 50% between 2001 and 2002, to \$7 billion, due in large measure to the global economic downturn, and remained highly skewed toward extractive industries in just a few countries. This nonetheless represents a modest increase from 2000 and was higher than FDI flows to either the Middle East or South Asia. Through the African Growth and Opportunities Act of 2001 (AGOA), the U.S. has shown worldwide leadership in efforts to transform African economies through increased trade and investment. AGOA is demonstrating ever more encouraging results. U.S. total trade with sub-Saharan Africa rose 36% in the first half of 2003 over the same period a year earlier and AGOA imports during the same period increased by 66% to \$6.6 billion. In 2003, the enactment of AGOA II further expanded trade opportunities and the President has recently proposed to extend AGOA up to seven years beyond its original expiration date of 2008. Through the Presidential Trade for African Development and Enterprise (TRADE) Initiative, launched in 2002, USAID is directly supporting not only AGOA but also U.S.-African business linkages, increased regional trade and export opportunities to help countries in the region better integrate themselves into the multilateral trading system.

Africa has a diverse and abundant natural resource base which if prudently managed and protected can contribute to sustainable economic growth as well as to worldwide efforts to improve the global environment and maintain bio-diversity. Experience has demonstrated that community-based natural resource management programs, such as those supported by USAID in Madagascar, Guinea and Namibia, have successfully preserved valuable environmental assets while extending their economic benefits to a broader range of households. Major challenges remain, however, as the region contains 45% of global bio-diversity yet has the highest rate of deforestation in the world. Africa is also urbanizing at the highest rate in the world, creating new environmental challenges. By 2016, half of all Africans will reside in urban areas. The centerpiece of USAID's efforts in the environmental sector is the Congo Basin Forest Partnership (CBFP), a three-year effort, announced at the World Summit on Sustainable Development in 2002, to provide a six-country network of national parks and protected areas, well managed forestry concessions and assistance to communities in the world's second largest tropical forest.

Global Health A healthier population is critical to Africa's efforts to reduce poverty and improve living standards. However, during the past decade health status gains have been undermined in many countries of the region by increasing poverty, conflict, the rapid spread of HIV/AIDS and other infectious diseases, such as tuberculosis (TB), malaria, meningitis and cholera. The disease burden in Africa is the highest in the world and life expectancy has continued to decline, to less than 50 in the countries most affected by HIV/AIDS. Over 90% of the world's 600 million yearly malaria cases occur in Africa and this disease alone causes over 2.3 million deaths a year, mostly of young children. TB rates have also jumped by 95% between 1995 and 2000. While under-five mortality rates are continuing to decline, the rate of decrease has slowed over the last decade. AIDS is driving this trend, as well as that of the TB increases, and the highest HIV/AIDS prevalence countries are seeing an actual increase in their under-five mortality rates. Malnutrition in children has also increased in many countries due largely to conflict and natural disasters. Investment in health systems and basic health interventions has not kept pace with need. USAID is implementing broad based health programs in every country in the region. Successful efforts to create alternative new 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. USAID efforts have also produced generalized increases in immunization coverage in target areas and expanded use of impregnated bed nets to protect against malaria throughout the region. Spectacular results from Malawi, where sales of treated bed nets reached almost one million people in 2003, almost a five fold increase over 2002, provide an excellent model. Nonetheless, immunization rates for children under one year have remained at 2002 levels and are still below 80%, leaving significant numbers vulnerable. As funding levels are clearly linked to improved health outcomes, it is expected that new funding from USAID, other donors, the Global Alliance for Vaccines and Immunizations (GAVI) and the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria will result in more positive trends in the near future.

The HIV/AIDS pandemic 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. Average life expectancy will continue to decline over the next decade, falling below 35 in several high prevalence countries, significantly impacting prospects for economic growth and further straining household incomes. However, the experience of Uganda, where infection rates have decreased by 50% from 1997-2001 and promising results among certain groups in Zambia and elsewhere demonstrate that strong leadership and a comprehensive approach to prevention can be effective in stabilizing and/or reducing prevalence rates. HIV/AIDS is the major health priority for USAID and through the \$15 billion PEPFAR Initiative, prevention, care and treatment programs of all U.S. Government agencies will expand exponentially.

With a growth rate of 2.4% a year, the highest in the world, Africa's population of 690 million will swell to over one billion by 2025, despite the effect of the HIV/AIDS crisis. This will place its natural resources, public services and social fabric under enormous stress and compromise per capita income growth. Though the majority of women say they desire fewer children, contraceptive prevalence rates remain under 20% in all but five countries and above 50% only in South Africa and Zimbabwe. 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.

Democracy, Conflict and Humanitarian Assistance Accountability in government, observance of the rule of law and respect for human rights mitigate against civil strife and violent conflict. They are also critical to equitable economic development. Good governance, coupled with improved economic well-being and better social services, also diminish the appeal of extremist ideologies and terrorist agendas. The past year has witnessed a series of extremely positive achievements in conflict resolution with the restoration of peace in Liberia, Sudan, and the DRC, and with the continued progress of reconciliation in Angola and Sierra Leone after years of bitter strife. The United States has played a seminal role in international efforts to assist these processes. However, the conflict in the Cote d'Ivoire is a reminder that peace is fragile. 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.

Democratic governance and improved governmental accountability have continued to expand throughout the region. A major milestone was met in Nigeria, when for the first time in its history a civilian government successfully and relatively peacefully transferred power to a succeeding civilian government. National elections were also held successfully in Rwanda, Mauritania, Togo and Guinea and, while the openness of the political process has been called into question, the elections do signal that the continent continues to move in the direction of democratic consolidation. Zimbabwe has unfortunately continued to be a problem with increasing disrespect for the rule of law and for human rights. USAID programs in democracy and governance have focused on the development of democratic institutions and the rule of law, free and fair elections, strengthening of civil society, decentralization of governmental functions and improved

accountability of both the public and private sectors. USAID's humanitarian assistance programs have been vital to international efforts to mitigate the effects of several natural disasters during the past year, the most severe being in Ethiopia and parts of southern Africa. Humanitarian assistance programs have also been critical to post conflict recovery in several countries, including the DRC, Sudan, Liberia and Burundi.

Global Development Alliance -- Public-Private Alliances Public-private alliances enable USAID to enhance the impact of its programs by mobilizing the ideas, efforts, and resources of the private sector with those of the public sector and non-governmental organizations. In FY 2003, USAID created 41 public-private alliances through 15 bilateral missions and all three regional programs in sub-Saharan Africa. USAID missions leveraged \$37.5 million of their own resources to generate \$135 million from its partners. Alliances were created in almost every sector of development, including health, agriculture, the environment, education, information technology and small enterprise development. A major new alliance brings together Shell Oil with USAID in a \$20 million effort to spur agricultural growth in Nigeria.

Debt Issues With the advent of real reductions in external debt resulting from the international Heavily Indebted Poor Countries (HIPC) Initiative, the overall debt picture in sub-Saharan Africa has begun to brighten 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 10.7% in 2002, well below the critical 15% mark that is generally viewed as unsustainable. The debt service savings enable the 30 African countries benefiting from HIPC debt relief to free up public resources for other priority sectors, such as education and health.

Other Donors The United States remained the largest bilateral provider of Official Development Assistance (ODA) to sub-Saharan Africa in 2002. 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) window. The European Union, the African Development Bank and the various U.N. agencies are also significant multilateral donors in the region. The United States has become an active participant in discussions to better harmonize ODA procedures and policies among the donor organizations.

Program and Management Challenges

Security Issues Security remains an ever-increasing concern at most USAID missions in Africa. Five of 23 bilateral missions exist in critical or high-threat security situations. 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 227 in FY 2005, including nine new HIV/AIDS professionals. The Bureau continues to look at re-deploying staff among Missions over the next two years to maximize performance. In 2003 a new mission was established for Sudan, based in Nairobi, but may move to Sudan as conditions improve. USAID also established a presence in Djibouti and is in the planning stages of establishing an AID Representative Office in Sierra Leone. The Washington USDH staff level is expected to increase by one, to 91, to meet the demands of the Sudan program. Operating expenses continue to be severely constrained by overall increases in local costs and by significant exchange rate fluctuations.

The FY 2005 Program

In FY 2005, USAID will continue to support a broad range of programs which address the most pressing of sub-Saharan Africa's development challenges. In FY 2005, USAID proposes to invest \$1.028 billion in development assistance, child survival and health, and Global AIDS Initiative funding in Africa. This figure includes \$50.6 million in funding for HIV/AIDS to be made available for Africa through the President's Emergency Plan for AIDS Relief (PEPFAR). The PEPFAR funding will be programmed through the Office of the Global AIDS Coordinator in the Department of State. USAID anticipates that it will be one of the key implementing agencies for PEPFAR. USAID programs in Africa will contribute directly to the priorities outlined in the joint State/USAID Strategic Plan for FY 2004-2009, particularly those which advance sustainable development and global interests. The centerpieces of the FY 2005 program continue to be the four Presidential Initiatives launched in FY 2002, the Initiative to End Hunger in Africa (IEHA), the TRADE initiative, the Congo Basin Forest Partnership, and the Africa Education Initiative, as well as PEPFAR, launched in FY 2004. Other key elements of the program include the continuation of the African Anti-Corruption Initiative, the Conflict Initiative and the Leland Initiative to increase access to information technology.

Economic Growth, Agriculture, Trade, Education and the Environment It is through increased and sustained economic growth that African countries will generate the resources and provide the employment opportunities required to meet the Millennium Development Goal target of halving poverty by 2015. Since the livelihoods of so many Africans depend on agriculture and increased productivity is central to efforts to improve food security, almost all USAID Missions in Africa will implement programs to boost agricultural productivity and rural incomes. At the local level, programs will stress the 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, and to increase agricultural exports. At the national level, policy dialogue will target changes to provide better incentives to farmers and reduce market distortions. The five-year IEHA Initiative, which will channel significant new resources to countries with high potential to increase agricultural productivity, will expand from three to at least six countries in FY 2004 and 2005.

Strengthening the ability of African countries to participate competitively in the global economy is critical to overall economic growth and reducing poverty. Through the four-year, \$70 million Presidential TRADE Initiative, which began full scale implementation in FY 2003, USAID will promote U.S.-African business linkages, expand the role of trade in poverty reduction strategies and build African capacity for sophisticated trade analysis. It will also improve the provision of public services supporting trade (e.g. customs procedures), strengthen the enabling environment for African business and enable African business to take advantage of opportunities under AGOA. In partnership with other U.S. Government Agencies, including the Department of Commerce, the Office of the U.S. Trade Representative and the Department of Agriculture, USAID is providing technical assistance, policy advice, economic analysis and training to countries through three "Hubs for Global Competitiveness," which became fully operational in 2003, in east, west and southern Africa. In FY 2005, USAID will invest \$229 million, or 22% of its program resources, in programs to promote economic growth and support agriculture and trade, including \$44.5 million for IEHA and \$25 million for the TRADE Initiative.

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, particularly global climate change and the loss of bio-diversity. USAID's flagship program in the environment is the three-year, \$53 million Congo Basin Forest Partnership (CBFP). The 20-year Central African Regional Program for the Environment (CARPE), initiated in 1995, is the principal vehicle to achieve the goals of the CBFP. Funding for USAID's environmental programs in Africa will total \$75.9 million in FY 2005.

USAID's priority in the education sector will remain the \$200 million African Education Initiative (AEI) which will continue to operate in over 40 African countries. In addition, basic education programs that address system reforms, community-based education programs, and increased parental and civil society involvement in education will expand to include 18 countries in FY 2005. USAID will invest \$105.2 million, or about 10% of its program resources, in education programs in Africa in FY 2005, including \$53 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 programs address the leading causes of child mortality and morbidity, such as malaria, TB, malnutrition, respiratory diseases, diarrhea and vaccine-preventable illnesses. USAID will increase immunization coverage, strengthen surveillance and build human capacity to provide better quality care, improve community and household practices for prevention and management of childhood illnesses and promote innovative health financing strategies. USAID will invest \$160.4 million, or 15.5 % of its program resources, for these activities in FY 2005. 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 \$86.8 million in FY 2005.

HIV/AIDS is the major health priority for USAID in Africa. Overall USG policy for coordination of the \$15 billion PEPFAR Initiative rests with the newly created Office of the U.S. Global AIDS Coordinator in the Department of State. In FY 2005, \$50.6 million in Global AIDS Initiative funding, programmed through the Global AIDS Coordinator, and \$231 million of Child Survival HIV/AIDS funding, will be made available for combating HIV/AIDS in Africa. USAID anticipates playing a key role in the implementation of PEPFAR. USAID Missions will maintain their focus on preventive primary health care and expand service coverage, including those 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, and care and support for persons living with AIDS, including anti-retroviral therapy. Programs to prevent mother-to-child transmission of AIDS will also be expanded. Most Missions in Africa have fully integrated HIV/AIDS mitigation programs throughout their development portfolios.

Democracy, Governance and Humanitarian Response Weaknesses in democratic governance inhibit social development and economic growth, 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. USAID programs promote representative political processes and institutions, the rule of law, the growth of a vibrant civil society and respect for human rights. Many USAID Missions have integrated the principles of transparency, participation and accountability throughout their development portfolios. 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. USAID will also extend its efforts to manage and mitigate conflict, promote community reintegration and strengthen African networks to identify and respond to potential crises. In FY 2005, USAID will invest \$89.5 million, or 8.7% of its program resources, in programs to strengthen democracy and governance. USAID Missions will also strengthen their linkages with the Office of Foreign Disaster Assistance (OFDA) and the Office of Transition Initiatives (OTI) to better prepare for the relief-to-development transition in countries under stress.

Angola PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	6,406	7,797	7,700	7,130
Development Assistance	5,118	4,568	3,600	4,544
Economic Support Fund	3,000	3,750	3,479	3,000
PL 480 Title II	74,658	104,545	22,723	9,501
Total Program Funds	89,182	120,660	37,502	24,175

STRATEGIC OBJECTIVE SUMMARY				
654-005 Improved Food Security				
DA	2,703	2,568	3,200	3,036
ESF	0	1,000	0	0
654-006 Civil Society Strengthening				
DA	2,415	2,000	400	1,008
ESF	3,000	2,750	2,979	2,500
654-007 Maternal and Child Health and HIV/AIDS				
CSH	6,406	7,797	7,700	7,130
DA	0	0	0	500
654-008 Market-oriented Economic Analysis				
ESF	0	0	500	500

Mission Director,
Robert Hellyer

Angola

The Development Challenge: In FY 2003, Angolans continued their ground-breaking transition toward national reconciliation and a lasting peace that will firmly place the country on the path to recovery, reconstruction, and development. While much has been achieved to put an end to life-threatening situations faced by millions of Angolans during the 27 year civil war, much more needs to be done to consolidate these gains over the next year. At the same time, reintegration and recovery efforts need strengthening to pave the way for the re-establishment of the social, political and economic life of the country. To achieve these goals during 2004, the United States will work with the Government of the Republic of Angola and other partners to address remaining emergency needs, while complementing government efforts to improve living conditions. This includes supporting the resumption of productive activities and providing access to social services in resettlement and return areas. During 2003, over 3.8 million war-affected persons resettled or returned to their areas of origin. Hundreds of thousands of persons remain temporarily resettled, and 350,000 refugees are still in neighboring countries. While there seems to be greater political tolerance, many Angolans, despite the growing demand for greater political participation, remain disenfranchised.

Angola's economy continues to grow, but overall performance is below potential because of weak physical infrastructure, poor economic policy, and continued corruption at all levels of society. High inflation, a misaligned exchange rate, under-investment by the government in social sectors, a large fiscal deficit, and vast unrecorded expenditures in a shadow economy are major factors in macroeconomic destabilization. With national elections expected in 2005, the country's fledgling civil society organizations are engaging political leaders and the public in constructive dialogue about the country's future. As people return to their farmlands and engage in economically productive activities, successes in securing property rights and resources for infrastructure development will make a crucial difference in their ability to generate income and gain a solid foothold in the national economy. Continued investments in Angola's people at this crucial stage are key to help build a democratically governed, politically stable country that protects the rights of its citizens and promotes their health and economic vitality.

Even with the cessation of the civil war, health statistics for women and children in Angola have not changed. Data from the UNICEF 2004 State of the World Children shows there is still a high incidence of maternal mortality, 1,700 per 100,000 live births; and the mortality rate for children under five is 260 deaths per 1,000 live births. Malaria and diarrheal diseases are endemic, as are many vaccine-preventable diseases such as measles. Angola's war deterred the spread of HIV/AIDS by making large portions of the country inaccessible. The state was cut off from most contact with its more HIV-affected neighbors. With the end of the war, however, transportation routes are reopening, and many of those displaced by the war are returning to their homes. In 2001, UNAIDS estimated Angola's national HIV/AIDS prevalence at 5.5%. Due to war conditions, however, this estimate was based on a very small sample of sero-prevalence surveys within restricted geographic areas. The current situation is dramatically different due to large population movements. Prevalence rates are conservatively projected at over 8% for 2003 and up to 18% by 2010. Without adequate measures to address HIV/AIDS, Angola could attain the same rates of HIV/AIDS infection (23-39%) as its neighbors.

The U.S. national interests in Angola are socioeconomic, humanitarian, and political. The United States seeks to assist Angola in its economic rehabilitation, effective national reconciliation, resettlement and reintegration of war-affected populations, reconstruction of crucial infrastructure, and the establishment of democratic and free market economic processes. Angola is the United States' eighth largest supplier of oil. It also is one of the United States' largest trading partners in Africa, and has the potential to play an important role in Southern Africa's regional stability.

The USAID Program: To address the development challenges in Angola, USAID is requesting FY 2004 and FY 2005 funding to support a program consisting of four objectives: 1) improving food security with a focus on smallholder agriculture; 2) advocating democratic reform; 3) improving maternal and child health and decreasing the incidence of HIV/AIDS; and 4) promoting economic reform. The food security objective includes distributing improved seed varieties and fostering the growth of local seed production,

providing agricultural extension services to train farmers in new technologies, developing agricultural marketing strategies, and increasing micro-agricultural credit. Under the democracy objective, FY 2004 and FY 2005 funds will be used to support and strengthen civil society coalitions, promote independent media, encourage transparent and accountable governance, secure land tenure rights, ensure free and fair electoral processes, and mitigate community level conflicts. Funding for the health objective will help improve the capacity of institutions and communities to provide services for maternal and child health and expand HIV/AIDS prevention programs. Under its reactivated economic reform objective, USAID will support economic policy reform, limited support to private sector development through business development activities, and increased access to credit for micro, small and medium enterprises in 2004 and 2005. USAID will work with international and local non-governmental organizations in public-private partnerships, including ongoing work with ChevronTexaco and ESSO.

Other Program Elements: In addition to the resources requested in the following data sheets, USAID's Washington-based Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) will support several activities in Angola. In FY 2004, DCHA will continue to support and manage a development relief program with P.L. 480 Title II food commodities to promote food-for-work activities for smallholder agriculture and to promote resettlement and reintegration of internally displaced persons. Health, democracy, and governance principles are integrated into these activities. DCHA's Office of Foreign Disaster Assistance will support emergency health activities, including child immunizations, safe and hygienic deliveries for women, and the provision of potable water. DCHA's Office of Transition Initiatives will expand its work with civil society organizations. Funding from USAID's Bureau for Global Health will reduce infant, child, and maternal mortality through home visits; low-tech/high-impact interventions that focus on malaria, diarrheal disease and nutrition; and immunizations.

Displaced Children and Orphans funds will be used to continue a program run by the Christian Children's Fund to help war-affected children and their communities. With funding provided through the War Victims fund, Vietnam Veterans of America will support a center in Moxico province that provides prosthetic limbs to maimed people, many of whom are victims of landmine accidents.

Other Donors: The United States is the leading bilateral donor to Angola, followed by Norway (democracy and governance, energy, and water sectors), the United Kingdom (poverty reduction, micro finance and humanitarian assistance sectors), Spain (health, education, agriculture, civil society, and humanitarian assistance sectors), Sweden (humanitarian assistance), and the Netherlands. France provides assistance in education, agriculture, health, humanitarian assistance, and HIV/AIDS. Portugal provides assistance in agriculture, education, health, democracy and governance, private sector development, and water and sanitation. The European Union is the leading multilateral donor. The World Bank is initiating four new activities: a transition package to support the reintegration of demobilized soldiers; an economic management technical assistance project; support to control the HIV/AIDS, malaria and tuberculosis epidemics; and the third Social Action Fund. In addition to the leadership and humanitarian assistance provided by the United Nations Office for the Coordination of Humanitarian Assistance, the World Food Program, and the United Nations Development Program, other U.N. organizations are also present, including the United Nations Program on HIV/AIDS, the Food and Agriculture Organization, the United Nations Children's Fund, the United Nations Population Fund, and the World Health Organization.

**Benin
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	7,743	6,638	7,550	7,910
Development Assistance	8,982	9,403	7,430	7,077
Economic Support Fund	350	250	0	0
PL 480 Title II	4,015	4,292	3,308	4,332
Total Program Funds	21,090	20,583	18,288	19,319

STRATEGIC OBJECTIVE SUMMARY				
680-001 Reforming Primary Education in Benin				
DA	7,500	7,480	6,680	5,977
680-002 Benin Integrated Family Health				
CSH	7,743	6,638	7,550	7,910
680-003 Governance Program				
DA	1,482	1,923	750	1,100
ESF	350	250	0	0

Mission Director,
Modupe Broderick - Acting

Benin

The Development Challenge: Benin is at a critical point in its efforts to build a pluralist democracy after abandoning a Marxist-Leninist military regime 14 years ago. On one level, perspectives are positive. Healthy GDP growth rates are expected to continue. The International Monetary Fund (IMF) figures show GDP growth at 5% or better for 2000-2003. The projection for 2004 is 6.5%. Benin continues to enjoy a reputation as a democratic model for the region. Municipal elections in December 2002 marked a critical step in decentralizing government and giving the Beninese people a greater voice in managing their democracy. The country serves as a model for freedom of the press as evidenced by the proliferation of radio stations and newspapers which offer scope for lively public debates on issues ranging from education reform to decentralization to corruption. Notable progress has been achieved in health and education over the last decade. Benin has experienced a reduction in infant mortality from 116 per 1,000 live births in 1996 to 89 in 2001. World Bank figures show that gross enrollment rates for primary school have been steadily rising over the past decade and in 2001 stood at over 98%, significantly higher than the average 78% for Sub-Saharan Africa.

Yet Benin faces formidable challenges. The economy is vulnerable to external economic shocks, primarily due to its continued reliance on cotton as a source of income and foreign exchange. While Benin qualified for the last payout from the IMF Poverty Reduction and Growth Facility, there were notable weaknesses. Fiscal performance was off track. This was attributed to overruns in the election budget and weak customs administration. These two factors brought the fiscal deficit to 0.4% of GDP. Benin's reputation in governance must be balanced against other considerations. Toward the end of FY 2003, speculation in the local and international press was mounting that there may be a serious effort put forward to amend the constitution and remove the existing age limit which bars the current president from standing for re-election. However, this effort is expected to meet with stiff resistance from opposition parties and the independent press. Observers of the local political scene believe that an amendment is not likely to be accepted. Nevertheless, the fact that this amendment is being seriously discussed does confirm a growing awareness of political debate. Corruption is endemic throughout Benin's political system and continues to pose a serious threat to long-term development efforts, despite rhetoric and some steps by the government to combat the problem. The country was recently rocked by revelations that numerous high-ranking officials may be implicated as accomplices in an international car theft operation. The government faces formidable constraints to implementing key pillars in its poverty reduction strategy. Donors have specifically noted constraints in management and implementation capacity. They have also noted that priorities often focus on investments in infrastructure.

The World Bank estimates that Benin's population was about 6.8 million in 2002. Annual population growth is estimated at 2.5%. Per capita income stood at \$380 in 2001. The economy is dependent primarily on agriculture which in 2002 accounted for 35.5% of GDP. The predominant cash crop is cotton which accounted for 76% of exports on average over the period 2000-2002. Services account for about 50% of GDP. This reflects Benin's role as a transit hub for goods destined for Nigeria, Niger, and Burkina Faso. Benin's debt service to GDP ratio is an estimated 2.3% for 2002.

U.S. government interest in Benin lies in continuing to support democracy, economic growth, stability, and security in the region. Benin is a supporter of the United States in the war on terrorism. Trade between Benin and the United States is small but interest in U.S. products is growing. U.S. interest in promoting trade with Benin is tied to increasing trade with Benin's neighbors, particularly Nigeria, Niger, and Burkina Faso. Large amounts of the imports for these countries pass through the port of Cotonou. The U.S. Government works to stimulate American investment in key sectors such as energy, telecommunications, and transportation. Benin is eligible to benefit from the African Growth and Opportunity Act (AGOA) and the U.S. Mission has been working to bring training and technical expertise that would enable Benin to take better advantage of this benefit.

The USAID Program: The Program Data Sheets that follow cover the three objectives for which USAID/Benin is requesting FY 2004 and FY 2005 funds. These programs 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 modern family planning methods, and promoting children's health; and 3) *improving government management and participation of community groups in governance issues that touch on education, health, and livelihoods.*

Other Program Elements: USAID activities financed by Agency bureaus in Washington and under the West Africa Regional Program (WARP) are also underway in Benin. In health, the Bureau for Global Health in partnership with a U.S. university has funded an experimental program in natural family planning in selected public and private health clinics. This year a new Child Survival and Health activity funded by the same Bureau has started up in Borgou-Alibori, a focus region for the Mission's health activities under its bilateral program. The HIV/AIDS bilateral program in Benin is complemented by the WARP health and HIV/AIDS regional activities, as well as the "Corridor Project," a program linking five countries on the transport corridor connecting Abidjan to Lagos. Benin benefits from P.L. 480 Title II food resources which go toward improving parents' involvement in managing schools, extending micro-loans to vulnerable groups, especially women, and improving the health of women and children. This year Benin was selected as one of four focus countries for an activity funded by the Office of Women in Development. The Women's Legal Rights initiative is aimed at improving the status of women.

Child Trafficking: A child trafficking activity is now being implemented to do the following: (1) provide *institutional and operational support to the Ministry of Family, Social Protection and Solidarity;* (2) *assist local civil society organizations in the development and implementation of income generating and literacy programs in target rural areas;* and (3) *provide alternatives to Beninese young women and children who are vulnerable to traffickers working for cocoa plantations in Ghana and Cote d'Ivoire.*

Trade Promotion: USAID's West Africa Regional Program (WARP) based in Ghana provided support with the launching of the West African Gas Pipeline which will run from Lagos, Nigeria to Abidjan, Cote d'Ivoire. The pipeline will also provide access to Benin, Togo, and Ghana. WARP also provided support with the conduction of AGOA trade seminars in Benin at the request of the Embassy.

Other Donors: The principal multilateral donors in Benin are: World Bank (macro-economic planning and policy, budget support, environment, education, rural development, private sector small/medium enterprise, urban management, and health); European Union (macro-economic planning and policy, budget support, decentralization, rural development, roads, health); African Development Bank (environment and natural resource management, roads, and education); West African Development Bank (agriculture, industry, roads, port rehabilitation, telecommunications, urban sanitation); and International Monetary Fund (macro-economic reform, structural adjustment).

The principal bilateral donors are: China (textiles, roads, agriculture, energy); Denmark (water, rural development, roads, elections); France (justice and rule of law, environment and natural resource management, education, agriculture, community development, roads, urban management, water); Germany, (decentralization, environment and NRM, water, agriculture, rural/community development, health); United States, (health, primary education, governance, decentralization, micro-credit, micro-enterprise); Switzerland, (micro-finance, rural development, decentralization, micro-enterprise, health); and the Netherlands (community development, environment, social development, poverty reduction).

Burundi PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	400	750	880	1,731
Development Assistance	4,200	4,400	1,782	1,543
Economic Support Fund	2,000	1,150	3,479	3,250
PL 480 Title II	2,496	23,838	2,448	0
Total Program Funds	9,096	30,138	8,589	6,524

STRATEGIC OBJECTIVE SUMMARY				
695-005 Supporting Implementation of the Peace Accord				
CSH	400	0	0	0
DA	4,200	0	0	0
ESF	2,000	0	0	0
695-006 Democracy and Governance				
DA	0	900	0	793
ESF	0	1,150	3,479	3,250
695-007 Food Security				
DA	0	3,500	1,782	750
695-008 Health				
CSH	0	750	880	1,731

Mission Director,
Andrew Sisson

Burundi

The Development Challenge: While the National Transitional Government has made progress in restoring security in many parts of the country, sporadic fighting, population movements and economic stagnation continue to sap morale and erode vital support for the transition process. The majority of Burundi's 6.8 million people suffer from insufficient access to food, basic social services and economic opportunities. Quality of life has continued to deteriorate as the conflict destroyed infrastructure, limited access to basic services, and reduced agricultural output. Social and economic indicators have regressed to levels of 30 years ago. Life expectancy, which averaged 54 in 1992, has fallen to 41 years. The infant mortality rate is 114 per 1,000, under-five mortality rate is 190 per 1,000 births, maternal mortality is 800-1,300 per 100,000, immunization coverage rate is 48%, and the illiteracy rate is 52% with school attendance at 48%. The HIV/AIDS prevalence rate is approximately 8.3%, and there are an estimated 230,000 AIDS orphans. Over 390,000 people are internally displaced and another 840,000 Burundians live as refugees in Tanzania. There are also 27,000 refugees in Burundi, mostly from the Democratic Republic of the Congo.

The economy is mainly agricultural with roughly 90% of the population dependent on subsistence agriculture. The proportion of the population living under the poverty threshold is 58% in the rural areas and 66% in the urban zones.

Ever since the outbreak of the crisis in 1993, the country has been racked with violence and serious human rights violations. These violations resulted in the imprisonment of over 8,000 people including 160 children. Approximately 90% of these people are still awaiting trial.

President Buyoya's eighteen month presidential mandate ended on May 1, 2003, with the peaceful transfer of power to former vice-president, Domitien Ndayizeye, for the second eighteen-month phase. This was followed on November 2, 2003 by the signing of a political and military power-sharing protocol with the CNDD-FDD rebel group which includes a reshuffle of the Cabinet to integrate the CNDD-FDD into institutions, a "forces technical" agreement, transformation of the FDD into a political party, provisional immunity, and a schedule for implementation of the agreement. This signing raises further hopes for the peace process. However, the PALIPEHUTU- National Front for Liberation (FNL) has remained outside the current peace process and continues fighting against both the government and the FDD forces causing population displacements, systematic pillaging and exacting of informal tax by armed groups.

The World Bank estimates that Burundi's per capita gross domestic product in 2002 was less than \$84. Burundi's external debt at the end of 2002 was \$1.1 billion, with internal and external debt servicing absorbing 41% of the Government of Burundi's 2004 budget revenue. The debt is owed primarily to multilateral institutions. Burundi has not been approved for debt relief under the enhanced Heavily Indebted Poor Country Initiative (HIPC), but the IMF Board will meet early in 2004 to approve a Poverty Reduction Growth Facility (PRGF), an important first step in the process to qualify for HIPC.

The U.S. foremost priority in Burundi is clear: To break the cycle of civil wars and massive killings, and reduce the threat of genocide, by supporting the Burundian peace process, democratization, and protection of human rights. Broad U.S. goals are to combat HIV/AIDS, promote trade and investment, foster the rule of law, support human capacity development, and encourage policy reform needed to underpin social and economic development.

The USAID Program: Where security permits, USAID works in rural areas allowing better access to the regions where the conditions are most severe. USAID provides technical expertise and training to strengthen the capacity of civil society organizations to promote dialogue and reconciliation and improve the justice system. Radio programs and other unbiased media are used to provide early conflict warnings and to educate the population on reconciliation and transition processes. USAID aims to enhance food security through increased economic and agricultural opportunities. USAID integrates P.L. 480 Title II Food Assistance with Development Assistance to address emergency health needs as well as the longer-

term issues related to food security. In the health sector, USAID is working to expand the range and quality of basic health services including child and maternal health services, immunizations, malaria prevention, and HIV/AIDS care and prevention. USAID also provides humanitarian assistance that addresses critical nutrition needs and water and sanitation activities for vulnerable populations, including internally displaced persons.

Other Program Elements: With demobilization and return of ex-combatants, refugees and internally displaced persons (IDPs) to their communities anticipated, the Office of Transition Initiatives (OTI) is refocusing its program on the community level in four program areas: 1) community-level peace education for official and unofficial community leaders; 2) community-level vocational skills training for returning ex-combatants, IDPs, refugees, and vulnerable members of the population who remained in their communities; 3) small grants, including construction and repair of small-scale, community based infrastructure and other priorities identified within the peace education component; and 4) media outreach. In FY 2003, the Office of Foreign Disaster Assistance (OFDA) provided more than \$10 million responding to needs in nutrition, emergency health, food security, water and sanitation, and non-food items. The Office of Food for Peace (FFP) provided food aid to an average of 584,000 beneficiaries per month in 2003, through WFP's Great Lakes Regional Protracted Relief and Recovery Operation (PRRO), as the major contributor. In addition to relief feeding, WFP provided food to nutritional feeding centers, refugees and returnees, and vulnerable people in social centers, including those affected by HIV/AIDS. In 2003 FFP contribution totaled 41,660 Metric Tons, valued at \$24 million. The Office of Private and Voluntary Cooperation supports activities to increase the use of key health and nutrition services as well as to enhance the managerial and advocacy capacity of organizations working in the areas of HIV/AIDS, human rights and conflict mitigation.

Other Donors: Multilateral and bilateral donors are providing funding to United Nations agencies and, in some cases, direct support for government activities. Only a small percentage of funds pledged since the Arusha Peace and Reconciliation Agreement (APRA) have been disbursed because many of the pledges were conditional on a cease-fire. The United States is the largest bilateral donor to Burundi. USAID's partners include UN agencies in agriculture and health, and U.S. non-governmental organizations who are working to strengthen local groups. USAID's partners in the HIV/AIDS program include Great Britain and France who supply condoms and laboratory support, respectively. Germany, the second largest donor, supports debt relief, justice, infrastructure, and humanitarian relief. Belgium, the third largest donor, supports budget, balance of payments and demobilization. The European Union, the largest multilateral donor, and USAID (OFDA) share funding for the UN World Food Program aircraft for humanitarian workers.

**Democratic Republic of the Congo
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	21,178	15,916	22,050	20,022
Development Assistance	4,773	11,376	8,015	7,427
Economic Support Fund	2,050	4,800	4,971	5,000
PL 480 Title II	16,542	43,530	19,000	0
Total Program Funds	44,543	76,622	54,036	32,449

STRATEGIC OBJECTIVE SUMMARY				
660-001 Health, Agriculture and Conflict Mitigation				
CSH	21,178	15,916	0	0
DA	4,773	11,376	0	0
ESF	2,050	4,800	0	0
660-002 Health				
CSH	0	0	22,050	20,022
660-003 Peace Building, Democracy and Good Governance				
DA	0	0	1,913	509
ESF	0	0	2,721	4,000
660-004 Livelihoods				
DA	0	0	3,222	3,648
660-005 Basic Education				
DA	0	0	2,880	3,270
660-006 Conflict Resolution				
ESF	0	0	2,250	1,000

Mission Director,
Anthony Gambino

Democratic Republic of the Congo

The Development Challenge: The DRC is emerging from years of civil war, long-term corruption, and government mismanagement under the Mobutu and Laurent Kabila regimes. With the installation of Joseph Kabila as President in January 2001, a political will emerged for intensified movement towards peace, greater stability, and improved economic management. In 2003 peace agreements among all former belligerents were reached, a new Transitional Government was formed, and uninvited foreign forces left the Congo. National elections are scheduled for 2005. Despite the optimism that the start of the transition brings to the DRC, poverty and despair still characterize the lives of most Congolese. The infant and under-five mortality rates are 126 and 213 per 1,000 live births respectively. The maternal mortality ratio, among the highest in the world, is 1,289 deaths per 100,000 live births. Life expectancy is estimated at only 46 years for men and 51 years for women. The estimated 55 million Congolese subsist at a per capita Gross Domestic Product of \$107. An estimated 3.4 million people are internally displaced by armed conflict that still continues in parts of eastern DRC. The average literacy rate for the country is 68% (82% for males and 56% for females.) Persistent discrimination against women, including a still valid law that requires women to obtain their husbands' permission for basic legal acts such as obtaining credit, severely undercuts development prospects. Human rights atrocities and the regular use of child soldiers continue, particularly in the eastern portion of the country.

Given its size, population, and resources, the Congo is an important player in Africa and of long-term interest to the United States. The United States seeks to strengthen the process of internal reconciliation and democratization within the DRC to promote a stable, developing, and democratic nation. In partnership with the Government of the DRC (GDRC), the United States is working to address security interests on the continent and develop mutually beneficial economic relations.

The USAID Program: USAID's Integrated Strategic Plan for FY 2004-2008 consists of four Strategic Objectives (SOs) in health, democracy and governance, livelihoods, and education and one Special Objective (SpO) in reintegration of ex-combatants. The Data Sheets provided cover these four SOs and SpO for which USAID is requesting FY 2004 and 2005 funds. While the Central African Regional Program for the Environment (CARPE) is managed by USAID/DRC and contributes to the Mission's overall goal for the DRC, CARPE operates under a new, stand-alone, Central Africa Regional Strategic Objective.

USAID support in eastern Congo - a region rife with human rights abuses - has proven critical. Security problems and human rights violations continue, however the situation has much improved in the past year. USAID has taken advantage of this improved situation by accessing previously inaccessible areas and supporting programs that address the needs of victims of violence. USAID's Education SO builds on successful activities funded by the President's African Education Initiative that focus on improving basic education, especially for girls, in targeted areas. While the private sector in the DRC is extremely limited, the Mission is exploring opportunities to collaborate directly with the private sector in developing public-private alliances.

Until very recently the GDRC was under sanction for nonpayment of debt under Section 620q of the Foreign Assistance Act and the Brooke Amendment under Section 512 of the Foreign Operations Appropriations Acts. Consequently, USAID has had no direct assistance relationship with the GDRC but supported international non-governmental organizations (NGOs) to implement programs in the DRC. These implementing partners are seasoned and remain flexible to work in the fluid environment of the DRC. On June 5, 2003, however, the sanction was lifted pursuant to a rescheduling agreement between the GDRC and the USG. As a result, the program may entail direct work with the GDRC once successful national elections are held and a new government takes power.

Other Program Elements: Four offices within USAID's Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) supported programs in the DRC in FY 2003: the Office of U.S. Foreign Disaster Assistance (OFDA), the Office of Food for Peace (FFP), the Office of Transition Initiatives (OTI), and the Office of Private Voluntary Cooperation (PVC). DCHA will continue to fund and manage

programs in FY 2004 and beyond, as necessary. OFDA provides emergency assistance primarily in the eastern DRC in the health, water and sanitation, nutrition, food security, logistics, child reunification, and geological hazard sectors. FFP will continue to support the World Food Program's Protracted Relief and Recovery Operations and its Emergency Operations which currently provide P.L. 480 Title II food assistance to approximately two million beneficiaries. OTI's goal in the DRC is the informed participation of Congolese people in political and economic decision-making processes that contribute to a peaceful, unified, and democratic country. In FY 2003, PVC awarded \$3 million to an NGO to implement a five-year program to strengthen the capacity of NGOs in the microfinance sectors in eastern DRC and Burundi. USAID's Bureau for Global Health manages field support activities. USAID uses Economic Support Funds to promote family planning as well as a successful transition from conflict to peaceful and democratic governance. USAID also supports programs that assist victims of violence with financing from four funds: Victims of Torture, Trafficking in Persons, War Victims, and Displaced Children and Orphans. USAID-supported assistance targeting an estimated 15,000 victims of Gender Based Violence (GBV) includes health and psychosocial care, legal services, protection, and the provision of economic opportunities for victims. Separated and abandoned children are numerous in DRC with an estimated 1 million AIDS orphans, and tens of thousands of street children. Through a \$4 million three-year program financed by the Displaced Children's and Orphans Fund (DCOF), USAID finances programs that reintegrate children into their communities, while creating opportunities through formal or non-formal education, job training, and/or the creation of work opportunities.

Other Donors: With the exception of large infrastructure projects (in which the World Bank and European Commission (EC) are heavily engaged), the sectors in which other donors are engaged roughly mirror USAID's portfolio. The largest donors beyond USAID (by ranking) are the World Bank, the European Union (EU), and Belgium. All major bilateral and some multilateral donors support programs in the health sector. The Food and Agriculture Organization (FAO), Belgium, Canada, the EU, France, and Germany support programs directed at income generation which are often linked to agriculture and food security. The EC, World Bank, France, and Canada support government capacity building activities and Belgium, Canada, Sweden, and the United Kingdom support civil society. Relatively few donors are working in the education sector or in the northern part of the country - although USAID is heavily engaged in both. Like USAID, Belgium, Canada, and UNICEF integrate gender considerations throughout their programming. USAID actively participates in several donor coordination groups (at the working group and senior level) that focus on health, DDR, food security, emergency assistance, elections, key issues related to the transition, and donor interaction with the GDRC in the preparation of the Poverty Reduction Strategy Paper. USAID also participates in yearly Consultative Group meetings held on the DRC.

Djibouti PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance	0	2,000	0	0
Economic Support Fund	0	0	0	2,000
ESF - Wartime Supplemental	0	20,000	0	0
PL 480 Title II	1,059	3,348	0	0
Total Program Funds	1,059	25,348	0	2,000

STRATEGIC OBJECTIVE SUMMARY				
603-001 Basic Education Improved				
DA	0	2,000	0	0
ESF	0	0	0	2,000
ESF - Wartime Supplemental	0	8,000	0	0
603-002 Expanded Coverage of Essential Health Services				
ESF	0	0	0	0
ESF - Wartime Supplemental	0	12,000	0	0

Of the \$25 million FY 2003 ESF Wartime Supplemental for Djibouti, \$5 million was transferred to the Regional Economic Development Service for East and Southern Africa (REDSO-ESA) in support of Djibouti.

Mission Director,
Andrew Sisson

Djibouti

The Development Challenge: Djibouti suffers from a deteriorating economy and a weak productive sector. It is still suffering from the after-effects of its civil war (1990-1994), which caused large displacements of populations and the destruction of schools and clinics. It is ranked 153 among 174 countries in the UNDP's Human Development Index. Djibouti's arid climate and rocky soil are inhospitable to agriculture and large-scale livestock-raising, and, except for large salt deposits, it has no known natural resources. The population of Djibouti is 75% urban and suffers from a 60% - 70% unemployment rate. Over 60% of the primary school age population does not attend school. Djibouti exhibits high rates of infant and under-five child mortality, estimated at 114 and 165 per 1,000 live births respectively. Maternal mortality is estimated at 740 per 100,000 live births, one of the highest rates in the world. Approximately 31% of the under-five population suffers from malnutrition.

Djibouti's strength and potential for development rests in its strategic location, which has proved to be important for regional security and trade. Djibouti has become the major port for over \$100 million in emergency relief imports to Ethiopia and hosts U.S. forces fighting the Global War On Terrorism, the only American military base on the African continent. Therefore the United States has a significant national interest in Djibouti. This interest has been demonstrated by high-level meetings and visits between American and Djiboutian officials in the past year, including a visit by President Guelleh to Washington to meet with President Bush.

The present government of Djibouti has sought to use its strategic location for trade as the basis for new and cohesive strategies to develop Djibouti into a modern and efficient commercial city-state. It has done this through the promotion of trade liberalization, modern communication strategies, and strategies to develop Djibouti's human capital, specifically through the development of its education and health care systems.

The USAID Program: Two strategic objectives concentrating on improving basic education (grades one through nine) and expanding basic health services (targeted to improving maternal and child care) have been adopted for the USAID program in Djibouti. In the area of basic education, the USAID program will expand access, especially for girls, and improve the quality of schooling (with the focus on improving teacher effectiveness and providing classroom material). In the health sector, USAID will focus on providing an increased supply of essential health services, improving the quality of services, and enhancing local capacity to sustain health services. Both strategic objectives are designed to maximize synergies between the health and education sectors that will assist in their implementation by local communities.

Other Program Elements: Djibouti is a chronic food deficit country 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 activities and urban institutional feeding and relief for Somali refugees in Djibouti. In FY 2003, USAID provided an initial 4,000 metric tons of commodities valued at \$2.2 million (with two-thirds going to Djiboutians, and one third to refugees), and it is anticipated that a similar commitment will be made in FY 2004. The target group includes an estimated 43,000 Djiboutians and refugees.

In addition to the resources requested under the two strategic objectives, Djibouti will benefit from REDSO's Regional Food Security Program which will provide \$4.0 million to develop an export promotion facility in Djibouti. This facility will support the export of livestock from Somalia, Ethiopia, and Djibouti to the Middle East and the Arabian Peninsula. This activity will result in substantial new income for thousands of families in the three countries. In addition, \$1.0 million will be used to establish a Famine Early Warning System operation in Djibouti. This new operation will provide the capacity to monitor and assess up-to-date food security data in Djibouti, something that is not available at present. Finally, in FY 2004 under a grant of \$400,000 from the Africa Bureau, the International Foundation for Education and Self Help (IFESH) will begin activities in Djibouti through its Teachers for Africa Program.

Other Donors: Donor coordination is improving with the establishment of a USAID office in Djibouti. With USAID leadership, the Ministry of Education has established the practice of working meetings with all relevant donors to coordinate their activities. A similar system will be established for the health program. Informal meetings with heads of donor agencies have also begun. Until recently, donor assistance has been steadily declining (from \$88 million in 1993 to \$37 million in 1999). Currently the largest donors are the United States, the French Development Agency, and the World Bank, all of which have committed approximately \$50 million for multi-year health programs and \$35 million in education. The Islamic Fund and the African Development Bank have provided some support for secondary schooling and hospital construction.

**Eritrea
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	5,350	5,600	5,050	5,605
Development Assistance	5,558	4,560	1,240	781
Economic Support Fund	0	700	0	0
PL 480 Title II	5,564	66,245	12,032	6,283
Total Program Funds	16,472	77,108	18,322	12,669

STRATEGIC OBJECTIVE SUMMARY				
661-001 Health and Population				
CSH	5,350	0	0	0
661-002 Rural Enterprise Investment Partnership				
DA	3,318	2,613	640	500
ESF	0	700	0	0
661-003 Developing Human Potential				
DA	2,240	0	0	0
661-004 Health and HIV/AIDS				
CSH	0	5,600	5,050	5,605
661-006 Developing Human and Institutional Capacity				
DA	0	1,947	600	281

Mission Director,
Jatinder Cheema

Eritrea

The Development Challenge: Eritrea remains one of the world's poorest countries, ranking 157th out of 173 countries in the UN Human Development Index. In 2003, the Government of the State of Eritrea (GSE) faced the worst drought in the country's 10-year history as it continued its attempts to revive the economy and restore infrastructure damaged by the 1998-2000 conflict with Ethiopia. International Monetary Fund (IMF) data show a gross domestic product (GDP) per capita of \$153 in 2002. Macroeconomic indicators show GDP declining by 1.2% in 2002, consumption in local currency (nakfa) falling since 2002 to below the 1997 level, and the budget deficit (excluding grants) at 42.5% of GDP in 2002. According to the IMF, Eritrea currently has minimal foreign exchange reserves. Household coping mechanisms and safety nets have been eroded as a result of the drought and the continued large-scale military mobilization that deprives tens of thousands of households of able-bodied family members.

Eritrea faces a number of daunting social challenges. An estimated 66% of households live below the poverty level. Illiteracy rates are high at 42% of the population. Life expectancy is only 51 years. The HIV/AIDS prevalence is moderate at around 3%, but the disease already strains Eritrea's limited trained human resource base and fledgling institutional capacity. Without vigorous preventive programs, demobilization could spread HIV/AIDS very rapidly.

The border demarcation has been delayed and the 200,000 soldiers are yet to be demobilized causing serious shortages of skilled labor across all sectors of the economy. Peace with Ethiopia remains fragile until the Eritrea Ethiopia Boundary Commission's decision is finally and fully implemented by both countries.

Eritrea remains chronically food insecure, and is likely to remain so for the foreseeable future, as severe drought conditions persist. Some 80% of recently surveyed households received some form of food aid in 2003. Domestic food production is a very low fraction of total consumption requirements. For example, in 2002, the worse year for agriculture since independence, cereal production amounted to only 57,000 metric tons vs. a national consumption requirement of 612,000 metric tons; although meteorological conditions improved in 2003, cereals production increased to less than 120,000 metric tons.

The ruling People's Front for Democracy and Justice (PFDJ) is the only legal political party and also dominates commercial activities. In addition, since 2001, the GSE has controlled domestic media outlets.

Key United States' 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/Eritrea strategic objectives support the joint State-USAID strategic goals. USAID/Eritrea's development strategy (2003-2007) will achieve results in three areas: health, education capacity building, and increasing familial resiliency to reduce chronic food insecurity in rural areas.

The health program has achieved dramatic gains in child survival that will be challenging to sustain during the post-conflict transition. Maternal health has improved more slowly than child health. Planned demobilization of soldiers makes the next two years the critical time for preventing an explosion of the HIV/AIDS epidemic. Therefore, the health program will increase quality and demand for HIV/AIDS prevention services, expand active demand for primary health care, especially at the community level, continue to improve the quality of primary health services, and improve institutional capacity for resource allocation and management.

To improve rural livelihoods, USAID/Eritrea will continue to provide credit and consulting services to small and medium enterprises, improve access to safe water, rebuild key infrastructure in border areas, and assist the most vulnerable populations through a micro-lending activity.

USAID/Eritrea will also continue to enhance the capacity of Eritreans to participate more actively in the growth and development of their country. Activities under this program will provide skill-based training in targeted sectors, improve access to basic education, strengthen institutions of higher learning, enhance access to information through the Internet, and develop community-based organizations.

Other Program Elements: In FY 2003, USAID's Education for Development and Democracy Initiative implemented a pilot girls' education program through which 80 middle-school girls, who otherwise would have dropped out of school, received scholarships and access to tutoring services. USAID/Eritrea has also received funds from the Africa Bureau's Conflict and Peace Building Fund to undertake activities for conflict prevention. These funds are used to create new income generation opportunities for the youth population and develop new business and vocational skills in productive sectors to facilitate the reintegration of the large displaced and refugee populations returning from Sudan and, thereby, avert potential internal conflict. Funding from the Muslim Education Initiative will support activities to improve access to basic education in underserved and minority populations. In response to the drought, USAID's Office of Foreign Disaster Assistance (OFDA) and Food for Peace (FFP) provided resources to mitigate the impact of drought. OFDA funding has been critical for rehabilitation and expansion of rural water systems. USAID/Eritrea is using Economic Support Funds (ESF) received in FY 2003 to support reconstruction of infrastructure in war-affected border areas.

Other Donors: The World Bank and the European Union (EU) are Eritrea's largest donors, in addition to the United States. The World Bank supports education, health, and demobilization. The EU provides humanitarian assistance to war-affected and drought-prone areas for agriculture production, energy, water and sanitation. Other donors are Italy, the Netherlands, Denmark, China, Germany, Japan, France, Ireland, and Cuba. The UN agencies support health, education, and humanitarian recovery programs.

USAID/Eritrea collaborates closely 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, including UNICEF, UNAIDS, and WHO, to implement health, nutrition, and HIV/AIDS activities.

Ethiopia PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	23,057	30,752	34,500	39,191
Development Assistance	20,200	19,686	18,263	15,529
Economic Support Fund	4,000	3,050	4,971	5,000
PL 480 Title II	58,535	352,248	74,485	25,630
Total Program Funds	105,792	405,736	132,219	85,350

STRATEGIC OBJECTIVE SUMMARY

663-007 Food Security				
CSH	675	800	0	0
DA	3,582	4,518	6,433	6,387
ESF	0	300	0	0
663-008 Essential Services for Health				
CSH	20,902	28,467	33,262	37,551
DA	230	230	0	0
ESF	0	2,000	0	0
663-009 Basic Education				
CSH	200	400	0	0
DA	11,765	10,360	8,560	5,270
663-010 Democracy and Governance				
DA	893	956	1,000	1,916
ESF	0	50	1,250	1,750
663-011 Mitigate the Effects of Disaster				
CSH	930	735	988	1,300
DA	2,545	2,671	1,140	1,006
ESF	4,000	700	3,586	3,080
663-012 Southern Tier Initiative				
CSH	350	350	250	340
DA	1,185	951	1,130	950
ESF	0	0	135	170

Mission Director,
William Hammink

Ethiopia

The Development Challenge: The 2002-2003 drought fully demonstrated the fragility of Ethiopia's social and economic condition. With 21% of its 71 million people requiring food and other forms of emergency assistance, the country was on the verge of one of the worst famines in its history. The United States provided approximately one million metric tons of food, which together with nonfood relief assistance totaled about \$550 million.

The current emergency in Ethiopia is reflected in the severe malnutrition and excess mortality that exists due to prolonged drought conditions and the deteriorated health and livelihood status of the population that prevents communities from responding to previous and subsequent economic and climatic shocks. In 2004 and 2005, most of the vulnerable population, which is still recovering from cumulative shocks over the past three years, will require substantial and continued emergency food, health, agriculture, and cash assistance.

Despite the pressures of coping with chronic food insecurity and droughts in 1999/2000 and 2002/2003, the Government of Ethiopia (GFDRE) has pursued the development and implementation of its Sustainable Development Poverty Reduction Program (SDPRP). In addition, the GFDRE has also established the National Coalition for Food Security (NCFS) program that incorporates lessons learned in famine prevention and provides a strategy to combat poverty and food insecurity while laying the foundations for sustainable development. This effort has provoked high-level interest among international donors. The G-8 Group of Industrialized Countries recognizes famine as an important issue and will pay particular attention to it at the USG-hosted G-8 meetings in July 2004. Donors have applauded the GFDRE's efforts and expressed an interest in and commitment to helping the GFDRE find solutions to the root causes of food security and famine. The USG must match the commitment of the GFDRE and other donors to address the problems of the most drought prone country in Africa, if not the world. This will require rural development, broad economic growth, a mobilized private sector, and improved health and other social services to increase economic and social resiliency.

USAID contributes directly to the achievement of U.S. Government 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.

The USAID Program: USAID will revise its current strategy in response to the shortening cycle of crises and the HIV/AIDS pandemic. The new strategy will seek to correct the imbalance between humanitarian assistance and development assistance. The strategy aims to build resiliency in Ethiopia to withstand and manage through shocks, while laying the foundation for sound economic growth. Resiliency is needed in all service sectors, health, education, water management, transport, and agricultural and pastoralist extension. A productive safety net will be designed and supported by the GFDRE, USAID, and other donors, and eventually replace the need for annual emergency appeals for humanitarian assistance. A policy reform agenda will be part of the new strategy, building on the Government's SDPRP and the new NCFS. Better policy implementation is essential to underpin an enabling environment for private sector led growth, for donor assistance alone will not be sufficient.

The Data Sheets that follow describe the five objectives and one special objective in the current portfolio for which USAID requests funds in FY 2004 and FY 2005. These programs improve family health, enhance quality and equity in education, improve rural household production and productivity, support development of a more effective civil society and governance system, including free and fair elections, mitigate the effects of disasters and improve livelihoods of pastoralists in southern Ethiopia. FY 2004 funds will continue to support these important ongoing interventions. Some of these funds will be used to begin to transition to the updated new strategy. FY 2005 funds will continue or expand efforts in many of these areas. With additional FY 2005 funds, the Mission will expand activities to help Ethiopia diversify its economy and strengthen the delivery of critical social services and improved governance.

Ethiopia is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). All proposed HIV/AIDS activities are being integrated into PEPFAR and are subject to the approval of the U.S. Global AIDS Coordinator. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005.

Other Program Elements: USAID receives support from the Global Health Bureau's Flex Fund to increase family planning services and from the Improving the Performance of Primary Providers in Reproductive Health (PRIME II) initiative for post-partum hemorrhage, safe motherhood and abandonment of harmful traditional practices, including female genital cutting. USAID also received a combined \$800,000 from the Global Development Alliance (GDA) and the Africa Bureau to support the Millennium Water Alliance, a public-private partnership to expand access to clean water and sanitation in rural Ethiopia. USAID has another public-private partnership partially funded by GDA with Opportunities Industrialization Centers International that has established alternative learning centers in Ethiopia.

The Department of Defense Civil Affairs program and the regional Conflict Early Warning System (CEWARN) complement activities undertaken in the Southern Tier Initiative (STI) and the Mitigation of the Effects of Disaster (MED) Strategic Objectives to prevent and mitigate conflict. Education programs receive funds from the State Department Ambassador's Girl Scholarship Program.

The U.S. Government provided a coordinated response to the drought. OFDA provided \$31 million in non-food humanitarian assistance such as water, healthcare and crop inputs to drought stricken areas. This complemented the \$498 million in Title II and Bill Emerson Humanitarian Trust food resources provided by USAID/Food for Peace. The Department of State's Office for Population, Refugees and Migration provided \$6.8 million to assist a substantial refugee population from neighboring countries.

Other Donors: The leading bilateral donors for Ethiopia over the period 1997-2003, in order of levels of assistance, are the United States, Japan, Italy, Germany, the UK, Canada, Netherlands, Norway, and Sweden. The UK and Canada are planning to triple their assistance levels in coming years. The leading multilateral donors are the World Bank, the European Union (EU), the UN Agencies, and the African Development Bank. The World Bank is shifting more to grant assistance, as debt sustainability is a concern. The United States is the leading humanitarian assistance donor, followed by the EU and World Food Program.

Ghana PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	18,655	19,150	18,620	18,560
Development Assistance	15,963	20,718	14,879	11,500
Economic Support Fund	0	530	0	0
PL 480 Title II	12,407	20,345	14,177	17,189
Total Program Funds	47,025	60,741	47,676	47,249

STRATEGIC OBJECTIVE SUMMARY

641-001 Economic Growth				
DA	7,661	2,200	0	0
641-002 Quality Improvements in Primary Schools				
DA	7,200	7,340	0	0
641-003 Health				
CSH	18,655	8,298	0	0
641-004 Democracy and Governance				
DA	1,102	1,100	0	0
641-005 Strengthen Democratic Governance				
DA	0	978	2,300	1,787
ESF	0	530	0	0
641-006 Increase Competitiveness of Private Sector				
DA	0	6,130	5,089	4,700
641-007 Improve Health Status				
CSH	0	10,552	17,920	17,860
641-008 Improve Quality of and Access to Basic Education				
CSH	0	300	700	700
DA	0	2,968	7,490	5,013

Mission Director,
Sharon Cromer

Ghana

The Development Challenge: Ghana is making significant progress on the economic front. The nation is controlling expenditures and monetary growth, maintaining a stable exchange rate, lowering inflation and interest rates, developing a trade policy framework, actively promoting investment, addressing structural deficiencies in the energy and infrastructure sectors, and strengthening good governance and transparency. However, cumbersome government requirements are serious obstacles to business development. In early 2003 the high inflation rate of 30% was due to the Government of Ghana's (GOG's) lifting subsidies and increasing fuel and utility prices, but if the GOG maintains current fiscal policies, inflation should drop to the annual target of 22%. By controlling expenditures and exceeding revenue targets, the GOG expected to balance the budget in 2003. The GOG has also maintained a zero net domestic financing requirement and the IMF positively assessed Ghana's economic performance during a review of the Poverty Reduction Growth Facility. Real GDP growth is projected at 4.7% for 2003, up from 4.5% in 2002. Ghana's currency, the Cedi, is stable; foreign reserves surpass \$1 billion. Ghana reached its Heavily Indebted Poor Country (HIPC) decision point in February 2002, realizing significant budgetary savings.

From 2000 to 2003 the GOG increased nominal expenditures for health by more than 300% and almost as much for education. Under-five mortality, as measured by the 1993 and 1998 Demographic and Health Surveys (DHS), has declined from 119 deaths to 108 deaths per 1,000 live births. The population growth rate of 2.4% per annum is still a serious problem. HIV/AIDS prevalence appears to have stabilized at around 4%, but risks for explosive growth remain.

Public-private partnerships are growing and the potential for expansion is great. Partnerships are showing success in two key areas: sale of insecticide-treated-bed nets (for preventing malaria); and workplace-based HIV/AIDS prevention programs.

The Government's development agenda as outlined in the Ghana Poverty Reduction Strategy (GPRS) gives priority to the health sector. This has been evidenced by active commitment to increasing the overall resources available for health and reducing inequalities in health. Nevertheless, the increasing resources have not readily led to improvements in the volume and quality of service, and the sector has also been unable to capture the full efficiency and equity gains of innovations such as community-based health planning and services (CHPS). Major challenges include maintaining a focus on the poor in the approach to health delivery and in resource allocation, implementation of the health insurance scheme that rationalizes exemptions and addresses access issues for the poor; scaling up implementation of priority health interventions (e.g., CHPS); and implementing innovative strategies for stemming the brain drain and re-distributing health staff to deprived areas.

The Ministry of Education, Youth, and Sports (MOEYS) Education Strategic Plan was finalized in May 2003. Two of the key challenges facing the education sector are how to improve accountability within the system and maximize the use of scarce resources. The MOEYS also needs to demonstrate that it can deliver on the commitments made in the Ghana Poverty Reduction Strategy to improve education services for the most disadvantaged.

Major challenges remain, and USAID/Ghana plays a key role in addressing them. Decentralization is still a work in progress and local governance capacity remains low. The ability of Parliament to perform its representative and legislative functions is limited. The quality and availability of health services need improving. School enrollment and retention are still too low, especially in the north. Most children are not able to read and numerate at grade level.

Ghana is the United States' third largest trading partner in Sub-Saharan Africa. It plays a key role in promoting political and economic stability in the region, as exemplified by the actions taken in stabilizing the situations in Liberia and Cote d'Ivoire under the ECOWAS chairmanship of Ghana's President Kufuor. Ghana has a strong commitment to human rights, as evidenced by the continuing National Reconciliation Commission hearings.

The USAID Program: USAID/Ghana is simultaneously implementing the final year of the Country Strategic Plan FY 1997 - FY 2004 and initiating the new Country Strategic Plan FY 2004 - FY 2010. During this transition period, USAID is consolidating the current programs to focus on those elements that will be continued during the next strategic period. These include: enhancing good governance and decentralization; increasing private sector-led economic growth; improving the quality of and access to primary education; and improving the quality and coverage of family planning, maternal/child health, and control of HIV/AIDS. USAID/Ghana is examining ways to assist the government, civil society organizations, and communities in promoting and establishing decentralization across the targeted sectors. The economic growth portfolio will continue to stimulate the non-traditional export sector and will also examine ways to invigorate traditional exports (cocoa, wood) and cross-border trade. In the health sector, targets include reduction of the under-five mortality rate, reduction in the total fertility rate, and stabilizing the HIV/AIDS prevalence rate. For primary education, USAID/Ghana will increase enrollment and retention, improve literacy and numeracy skills, and provide HIV/AIDS prevention information.

Other Program Elements: Ghana also receives assistance directly from USAID/Washington: the Democracy and Human Rights Fund finances activities in support of human rights and democratic institutions and the Self-Help program supports local non-government organization activities. These efforts are administered by the U.S. Embassy. P.L. 480 resources are channeled through U.S. Private Voluntary Organizations for activities such as agroforestry, on-farm production and storage, small/microenterprise and microcredit programs, school feeding, community health programs, potable water supply, and sanitation. P.L. 480 resources are expected to increase by 50%, with expanded food distribution for primary school children in the north, the severely disabled, and people living with HIV/AIDS. The U.S. Department of the Treasury provides support to the Ministry of Finance and Economic Planning through a technical advisor in debt management and periodic training in tax administration.

The USAID West Africa Regional Program Office (WARP) moved to Accra, Ghana, in October 2003. WARP 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 Agency's Economic Growth, Agriculture, and Trade Bureau and the Global Development Alliance, is a major initiative for increasing access to potable water in Ghana.

Other USAID-backed 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 a child survival program implemented by Project Concern International.

Other Donors: Donor coordination and collaboration in Ghana is excellent. Through the work of numerous sectoral committees, the year-old Multi-Donor Budgetary Support Group (where USAID collaborates but is not a signatory), and ad hoc groups focusing on a variety of specific concerns, donors share information and jointly finance programs. Donor assistance is extremely important to Ghana's development and government operations. The U.S. is the third largest bilateral donor, behind the United Kingdom (UK) and the Netherlands. Major donors include: World Bank (infrastructure, education and health); International Monetary Fund (structural adjustment); United Nations agencies; UK (budget support and public administration, health, education, infrastructure and agriculture); Japan (education, infrastructure, health and agriculture); 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
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	6,700	6,860	6,600	6,202
Development Assistance	15,442	16,717	11,827	10,888
Economic Support Fund	650	250	0	0
PL 480 Title II	6,818	9,809	7,685	4,453
Total Program Funds	29,610	33,636	26,112	21,543

STRATEGIC OBJECTIVE SUMMARY				
675-001 Improved Natural Resource Management				
DA	6,979	5,767	4,747	4,859
ESF	200	250	0	0
675-002 Family Planning and Health (FPH)				
CSH	6,700	6,610	6,600	6,202
675-003 Basic Education				
DA	6,200	7,715	5,180	4,275
675-004 Democracy and Governance				
DA	1,763	1,985	1,900	1,754
ESF	450	0	0	0
675-005 Post-Conflict Transition				
CSH	0	250	0	0
DA	500	1,250	0	0

Mission Director,
Annette Adams

Guinea

The Development Challenge: Since the fall of Sekou Toure's socialist regime in 1984, Guinea has made only minimal progress in instituting the fundamental reforms needed to boost the economy, expand social services, and maintain steady inflows of donor resources. Moreover, political will to continue reforms has severely diminished in recent years, and Guinea continues to rank among the poorest countries in the world. In the United Nations Human Development Report 2003, Guinea is ranked 157 out of 175 countries, and its per capita gross domestic product is estimated at a mere \$1,960. Guinea's human development index value of 0.425 is scarcely above that of Sierra Leone, rated last with an index of 0.275. Life expectancy is 48.5 years, and only 38% of the adult population is literate (15% for women). The infant mortality rate is 169 per 1,000, maternal mortality is 528 per 100,000 live births, and HIV rates as high as 7% in urban areas of the Forest Region of Guinea, help explain why the quality of life for the average Guinean is considered among the lowest in the world.

The Government of Guinea (GOG) is currently mobilizing only about 12% of its GDP in fiscal revenues, much lower than its potential (estimated at 20%), and the national economy is still relatively undiversified and relies mainly on bauxite exports for revenue and critical foreign exchange. In early FY 2003, the GOG's lax management of budget and fiscal resources led to the abandonment of the IMF's Poverty Reduction and Growth Facility (PRGF) and the adoption of a staff-monitored program. Suspension of the PRGF may result in the postponement of payments from the heavily indebted poor countries (HIPC) debt-relief initiative and delay or hinder full implementation of Guinea's Poverty Reduction Strategy Program (PRSP). This further aggravates a bleak economic and political forecast for FY 2004 and beyond.

Guinea possesses great potential for economic growth due to an abundance of natural resources, its excellent conditions for agriculture, and its strategic location that favors trade. Unfortunately, corruption and favoritism, unstable borders, questionable political stability, and lack of control and transparency in managing budget resources continue to hamper development progress and severely discourage needed foreign and domestic investment in Guinea. These conditions also pose a potential threat to regional instability.

U.S. strategic interests in Guinea are strong and multi-faceted. Guinea is a moderate Muslim country that currently holds a non-permanent seat on the U.N. Security Council and maintains a moderate, secular orientation in its foreign policy. Guinea is bordered by six countries, of which four (Ivory Coast, Sierra Leone, Guinea-Bissau and Liberia) have had serious levels of instability or conflict over the past several years. As a result of these conflicts, Guinea is currently host to a significant refugee population. Keeping Guinea stable is important to resolving conflicts in this volatile region, and to preventing conditions that could become a security threat to the United States. A stable Guinea will also avert the need for future U.S. humanitarian assistance investments similar to those required for Sierra Leone and Liberia.

The USAID Program: USAID Guinea's four Strategic Objectives include: (1) improving natural resources management and incomes in rural areas; (2) improving 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; (4) and fostering continued democratic progress through strengthening of civil society organizations and promoting good governance. FY 2004 funds will be used to implement the ongoing programs under these four objectives. FY 2005 funds will be used to fund ongoing efforts, as well as expand activities in trade capacity, anti-corruption, HIV/AIDS, and institutional strengthening of civil society organizations. The specific activities to be funded by FY 2004 and FY 2005 appropriations are described in more detail in the following Data Sheets.

Other Program Elements: In addition to the resources requested in the Data Sheets, P.L. 480 resources in Guinea aim at improving household food security by promoting sustainable agriculture in targeted areas. This is achieved mainly through the introduction of improved farming methods, post-harvest storage techniques, and high-value seed. P.L. 480 funds are also used to improve maternal and child nutrition. The USAID West Africa Regional Program (AFRWARP) provides support to Guinea and in FY

2004 will help improve trade capacity through private sector strengthening and promoting business linkages between companies in the U.S. and Guinea. The USAID Bureau of Global Health is helping to improve child survival by supporting two Guinean NGOs to implement innovative approaches to improve maternal and child health practices. The Department of State Bureau of Population, Refugees and Migration (PRM) continues to provide support to the estimated 180,000 refugees still resident in camps in Guinea.

Other Donors: Bilateral donor assistance to Guinea covers an estimated 85% of all development projects implemented and coordination among donors remains strong. In addition to the United States, France remains among the largest bilateral donors in Guinea and focuses primarily on rural development and infrastructure, natural resources management, fisheries development and education. Japan makes contributions primarily in health and basic education. Canada and Germany also play prominent roles in Guinea, mainly in the health, education, and agriculture sectors. Multilateral donors include the United Nations agencies, the European Union, the Bretton Woods institutions, the African Development Bank, and the Islamic Development Bank. The World Bank concentrates on capacity building, urban infrastructure, education, HIV/AIDS, rural electrification, and water. Support to Guinea's macro economics program is a joint effort from the IMF, World Bank, European Union and the African Development Bank. USAID remains one of the leaders among the donor community in the fight against HIV/AIDS in Guinea. Over 40 partners, including USAID, are active members of the Global Fund for AIDS, TB and Malaria Country Coordinating Mechanism. USAID has also worked closely with UNFPA and the German Development Bank (KfW) in assuring country-wide coverage for the provision of contraceptive commodities. As one of the largest bilateral donors contributing to primary education under Guinea's "Education for All" program, USAID is the recognized leader among donors in the area of education quality and has been asked to lead coordinated efforts in this area.

Kenya PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	27,563	36,488	34,100	31,962
Development Assistance	13,547	14,183	10,010	12,171
Development Credit Authority	0	727	0	0
Economic Support Fund	6,000	1,950	7,953	8,000
PL 480 Title II	17,682	34,664	14,682	14,662
Total Program Funds	64,792	88,012	66,745	66,795

STRATEGIC OBJECTIVE SUMMARY				
615-003 HIV/AIDS, Population, and Health				
CSH	27,563	36,488	34,100	31,962
615-005 Natural Resources Management				
DA	3,018	2,913	3,151	3,151
ESF	0	450	0	0
615-006 Democracy and Governance				
DA	2,494	3,550	1,000	2,859
ESF	2,000	1,500	4,000	4,000
615-007 Increased Rural Household Incomes				
DA	8,035	7,720	3,359	5,661
DCA	0	727	0	0
ESF	4,000	0	0	0
615-XXX Basic Education				
DA	0	0	2,500	500
615-YYY Trade and Investment Development Program				
ESF	0	0	3,953	4,000

Mission Director,
Kiert Toh

Kenya

The Development Challenge: Kenya is experiencing a unique historical moment. On December 27, 2002, Kenyan voters elected their first new president in 24 years. The new government has already made a clear break from the past by its policy actions, including the introduction of key legislation to address corruption and improve governance, support for free universal primary education, and working to accelerate the constitutional review process. To this end, the Government of Kenya (GOK) has completed financing agreements with the World Bank and the International Monetary Fund (IMF), which are encouraged by the government's commitment to the reform process. Yet, there is much to do. The GOK and its development partners (including USAID) are undertaking an ambitious agenda of reform, with a focus on the implementation of key measures to fight corruption and promote good governance, encourage economic recovery, and combat HIV/AIDS.

Though frustrated by a history of poor policy decisions and lack of foreign direct investment, Kenya still has the largest and most diversified economy and the most developed infrastructure in the East Africa region. Kenya's gross domestic product grew at an annual average rate of 2.2% in the past decade---not sufficient to keep up with population growth. The World Bank, however, estimates that the country could grow by more than 6% per annum with the implementation of a serious reform program as outlined in the GOK's Economic Recovery Strategy. Kenya's external debt has been falling and is about \$5.5 billion. Sound monetary policy has produced low inflation and a stable exchange rate. Kenya has also become a leader in the race to benefit from the U.S. African Growth and Opportunity Act (AGOA), and its garment industry is enjoying spectacular recovery. Factors such as efficiently run export processing zones, good air and sea transport links to Asia and the United States, and a skilled workforce are important attributes in attracting other businesses as the investment climate improves under the new government.

Besides needing to make progress on the goals of democratic transition and economic recovery, the country faces a number of additional challenges in the social sectors. The 2003 Demographic and Health Survey (DHS) shows that fertility increased over the past five years. This reverses a decade of outstanding progress in family planning. The Total Fertility Rate (TFR) in 2000-2002 was 4.9 children per woman, up from 4.7 in 1995-1997. The DHS also shows that after decades of improvement, child mortality rates increased by 28% from the late 1980s to the present. Of 1,000 births in Kenya, 114 children died before age five during the 1998-2002 period, up from 89 deaths per 1,000 births over the 1984-1988 period. The Kenyan educational system is also facing significant challenges, especially the high direct costs of schooling that have kept a significant proportion of the poor away from school. Another challenge is the low level of internal efficiency, as evidenced by the high drop out rate (5%-6%) and repetition rates (15%-16%) at primary levels. There are also regional and gender disparities, with the arid areas being the hardest hit. The new government, however, has introduced free primary education and substantially revised the educational curricula.

Kenya is a high priority country for the United States in terms of regional stability and the fight against terrorism. Other important U.S. foreign policy interests in Kenya include: supporting democratization, encouraging economic prosperity and combating 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 six 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, providing education support for children of marginalized populations, and promoting economic development through trade and investment.

HIV/AIDS prevention through positive behavior change, condom availability, blood transfusion safety, and preventing mother-to-child transmission is a program priority. The care and support for people living with HIV/AIDS will be expanded, including a pilot drug treatment program. Support for voluntary counseling and testing; treatment for tuberculosis (TB), malaria, and sexually transmitted infections (STIs); reproductive health; and child health programs also will be continued. The democracy and governance

program focuses on increasing the independence of select government institutions; promoting more transparent and competitive electoral processes, and 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. The Mission utilizes P.L. 480 Title II resources 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.

Activities to improve the management of wildlife outside of protected areas, forest management and environmental governance, and integrated coastal management will all provide tangible benefits to local communities as well as preserve Kenya's wealth of natural resources. USAID will also implement a social mobilization campaign on education quality in North Eastern and Coast Provinces. USAID will fund a campaign to mobilize communities and schools to raise issues and foster dialogue regarding the value of education and educational quality. This will empower communities to accept responsibility for influencing, implementing and achieving participation within the educational system and for enhancing educational quality. Activities will increase both the demand for quality education and the capacity of the education system to meet that demand. Finally, USAID will also fund a trade and investment program to assist Kenya in implementing bilateral, regional and multilateral trade commitments and to support the GOK's efforts to expand the economy through trade.

Kenya is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). All proposed HIV/AIDS activities are being integrated into PEPFAR and are subject to the approval of the U.S. Global AIDS Coordinator. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005.

Other Program Elements: USAID/Washington funding supports targeted evaluations in HIV/AIDS and operations research in community and reproductive health. Other central funds provide scholarships for girls and increase access to internet and other electronic communications. Finally, the Mission is programming Anti-Corruption Initiative funds to support the GOK's efforts to increase transparency and accountability throughout the public sector.

Other Donors: Donor coordination is generally good with various donors taking the lead in coordinating assistance to different sectors. The United States is the largest bilateral donor, followed by the United Kingdom (UK), Japan, Sweden, Federal Republic of Germany, and France. The United States is the leading donor in the democracy and governance sector. 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. The World Bank works closely with USAID to provide support to Kenya's agricultural research institutes, while the EU, World Bank, African Development Bank, and USAID support livestock development. The leading donors in the micro- and small enterprise sector are the United States, the UK, the EU, the Netherlands, Denmark, and the United Nations Development Program. In the natural resources management sector, the major donors are the United States, the Netherlands, the UK, Japan, Sweden, Belgium, Finland, Germany, Denmark, the EU, the World Bank, and the United Nations Environment Program. The United States is the leading bilateral donor to Kenya's population and health sector. USAID and DFID both support work in HIV/AIDS, family planning, and malaria. Finally, USAID has recently joined the Sector Working Group on Education which includes DFID, the World Bank, Canada, Japan, and the United Nations organizations.

Liberia PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	1,600	2,627	2,400	1,997
Development Assistance	3,725	3,758	0	545
Economic Support Fund	1,150	4,420	0	25,000
PL 480 Title II	5,643	17,684	10,538	0
Total Program Funds	12,118	28,489	12,938	27,542

STRATEGIC OBJECTIVE SUMMARY				
669-003 Improved Community Health				
CSH	1,600	2,100	2,400	1,997
669-004 Improved Economic Livelihood				
DA	2,665	2,168	0	0
669-005 Civil Society and Democracy				
CSH	0	527	0	0
DA	1,060	1,590	0	0
ESF	1,150	4,420	0	0
669-006 Community Revitalization and Reintegration				
DA	0	0	0	545
ESF	0	0	0	25,000

FY 2004 does not include \$200 million of International Disaster and Famine Assistance Funds from the FY 2004 supplemental, which has not yet been allocated.

Mission Director,
Ed Birgells

Liberia

The Development Challenge: Except for the two years from 1997 to 1999, Liberia was in a constant state of conflict from 1989 until the Accra Peace Accords were signed on August 18, 2003. Over 250,000 people, most of them civilian non-combatants, have lost their lives in the civil war. More than 1.3 million have been displaced, including hundreds of thousands who fled the country. Abductions, torture, rape and other human rights abuses have taken place on a massive scale. It is estimated that at least one in ten children may have been recruited into militias at one time or another. A similar percentage has been traumatized by seeing their families and friends murdered and raped.

The United Nations estimates that over 80% of the population lives below the poverty line. Thirty-five percent are undernourished. Less than ten percent of arable land is cultivated. Only 28% of the population is immunized, only 25% of the population has access to safe drinking water, and just 36% has access to proper sanitation facilities. The number of health workers has decreased by 40% since 1990, and most of the health infrastructure has been destroyed. Approximately 80% of the population is illiterate.

As a result of the Accra Peace Accords, Charles Taylor abdicated his presidency and a National Transition Government of Liberia (NTGL), composed of the warring factions, civil society and political parties, assumed power on October 15, 2003. The NTGL has a two-year mandate in which to implement the Peace Accords and prepare Liberia for free and fair elections. On September 19, 2003, the United Nations Security Council, in Resolution 1509, established the United Nations Peace Keeping Mission in Liberia, thus beginning an important new phase in Liberian history. However, failure to establish the building blocks of a new Liberia and consolidate peace could jeopardize the fragile security environment in neighboring countries and the entire sub-region.

The USAID Program: During the Charles Taylor regime, USAID resources were directed solely to supporting civil society organizations, particularly for primary health care, agriculture, and peace-building. Work in rural areas was drastically curtailed in April 2003, when the warring factions began their serious campaign to oust Charles Taylor. Thus, the USAID program was inactive for much of FY 2003. As the fighting neared Monrovia in May and June, most of the international community evacuated, including USAID-financed NGOs. During this period, Monrovia experienced a serious humanitarian crisis, as thousands of people took control of housing and business compounds, schools, hospitals, and public buildings to seek refuge from the violence.

With the advent of peace, USAID is well placed to modify its existing limited program to fit the new realities of Liberia. To support the Peace Accord, USAID/Liberia has also begun planning for an expanded program, which will utilize some of the \$200 million allocated for Liberia in the International Disaster and Famine Assistance (IDFA) account from the Emergency Supplemental Appropriations Act for Defense and the Reconstruction of Iraq and Afghanistan.

Primary Health: Resources are in place to provide primary health care to 500,000 people in 450 communities in Bong, Nimba and Montserrado counties, as soon as the security situation permits. Working with a three-organization consortium headed by Africare, USAID is funding the \$7.5 million five-year Improved Community Health Project, which began in July 2003. The program will: (1) deliver primary health care services in the target areas; (2) build the institutional capacity of Liberian NGOs to deliver primary health care services; and (3) address primary health care policy issues with the NTGL.

Agriculture and Economic Livelihood: Several of the older USAID-financed agricultural programs ended in FY 2003. Others had their activities stalled by the fighting and violence. However, activities did continue under the Community Peace Building and Development Program (CPBD), implemented through the Academy for Educational Development and Mercy Corps. Working in 38 communities, CPBD has begun to develop models for economic sustainability in communities. This includes promotion of best practices for crop production, storage, food processing and marketing. CPBD has also begun to assist

450 vegetable growers in 15 communities. As the security situation improves, CPBD will expand to other areas and has targeted over 150 additional communities in the next year.

Peace Building: The \$12 million, five-year CPBD is currently the flagship for USAID's peace-building activities. Program activities focus on developing the institutional capacity of Liberian NGOs and communities to be more effective and sustainable. The program also trains local leaders in governance skills and participatory planning for development and conflict resolution. The program places emphasis on developing leadership skills among women and young people. A vital part of CPBD is the Community Communications Unit, which manages a series of activities to strengthen information and community communications systems and helps communities access, utilize and contribute to these systems. The Unit plans to help establish 20 licensed community radio stations, develop rural production centers, and provide extensive training of production staff. The Unit also supports the production and dissemination of radio and media programs on health, civic education and human rights, agriculture, and peace and reconciliation. In addition, the International Foundation for Election Systems is helping the independent radio station, Radio Veritas, to provide programming, and is assisting the Press Union of Liberia to operationalize the free press of Liberia and provide printing services to the local media.

Supporting the Peace Process: Allocation of the full \$200 million supplemental appropriation for Liberia has not yet been finalized. However, a significant portion of the funds may be channeled through USAID. Program revisions will be made once allocations are determined and approvals are granted. In preparation, USAID has conducted an assessment of the needs of child soldiers and women combatants and is in a position to address these needs. In addition, USAID has begun the procurement process for a labor-intensive public works program to provide education, skills and employment to ex-combatants and other war affected groups.

Other Program Elements: USAID's Office of Foreign Disaster Assistance (OFDA) and the Office of Food for Peace (FFP) have implemented important humanitarian assistance programs. OFDA provided more than \$5.5 million in FY 2003 to address humanitarian food, shelter and health concerns, and to support United Nations Agencies. FFP contributed 43.8 thousand metric tons of PL 480, Title II Emergency Food assistance, valued at over \$28 million. These food resources are supporting emergency school feeding for children; targeted programs for refugees, internally displaced persons and other vulnerable groups; and food for work programs.

A three-year, \$1.5 million program to assist vulnerable children was recently started with funding from the Displaced Children and Orphans Fund. War Victims Funds are being used to assist disabled children. The West Africa Regional Program has provided funding for a small HIV/AIDS information program.

Other Donors: The number of donors in Liberia is limited. Currently the United Nations is the largest entity funding relief, rehabilitation and development activities, although it is not strictly classified as a donor. The United States is the second largest donor followed by the European Union. The Scandinavian countries have much smaller budgets but are significant players in the relief sector. The People's Republic of China has recently begun programs in Liberia. The Catholic Church and other religious organizations are also major local donors.

Madagascar PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	8,725	9,293	10,015	11,200
Development Assistance	10,540	10,504	9,506	10,379
Economic Support Fund	2,000	1,000	0	0
PL 480 Title II	8,503	10,381	6,269	12,444
Total Program Funds	29,768	31,178	25,790	34,023

STRATEGIC OBJECTIVE SUMMARY				
687-001 Democracy and Governance				
DA	2,090	0	0	0
687-002 Smaller, Healthier Families				
CSH	8,725	0	0	0
687-003 Biodiversity Conservation and Sustainable Dev't				
DA	8,450	1,819	0	0
ESF	2,000	0	0	0
687-004 Governance in Targeted Areas Improved				
DA	0	1,685	750	1,112
ESF	0	250	0	0
687-005 Selected Health Services and Products				
CSH	0	9,293	10,015	11,200
687-006 Biologically Diverse Forest Ecosystems				
DA	0	6,000	8,256	8,000
ESF	0	250	0	0
687-007 Critical Private Markets Expanded				
DA	0	1,000	500	1,267
ESF	0	500	0	0

Mission Director,
Stephen Haykin - Acting

Madagascar

The Development Challenge: Madagascar's new government, led by President Marc Ravalomanana, is demonstrating the will and commitment to tackle the country's immense development challenges, notably widespread poverty and corruption. Madagascar has an average per capita income of \$260; 70% of its population lives below the poverty line; 49.1% of children under five years of age are malnourished; infant, child and maternal mortality rates are unacceptably high; HIV sero-prevalence is 1.1%; life expectancy is only 58 years; the population growth rate is high, at 2.8%; and 46% of the population is illiterate. Madagascar is emerging from a deep political crisis in 2002, which resulted in a 12% decline in GDP and increasing poverty. The country is now stable and economic recovery is underway, with GDP growth in 2003 estimated at more than 9%. Madagascar is expected to reach the Completion Point under the Highly Indebted Poor Countries Initiative in mid-2004, resulting in extensive cancellation of sovereign debt. The United States and Madagascar enjoy close relations, and Madagascar is an ally in the global fight against terrorism. USAID/Madagascar's programs coincide completely with the top three U.S. foreign policy objectives with response to Madagascar: democracy promotion; broad-based economic development, including health; and environmental protection.

Government of Madagascar (GOM) priorities, as articulated in the country's Poverty Reduction Strategy Paper and demonstrated through recent actions are: 1) good governance; 2) economic growth; and, 3) social welfare. To promote good governance, the GOM: has established an Anti-Corruption Commission in the Presidency, which USAID is supporting through the Anti-Corruption Initiative; is requiring public disclosure of assets by public officials; is introducing reforms in public financial management, including customs procedures; is instituting a program to reduce corruption in the trade of precious and semi-precious stones, with support from the World Bank and the USG; and, has canceled illegal forestry permits and banned exports of endangered species. To stimulate economic growth, the GOM: has strengthened its partnership with the private sector; is investing, with donor support, over \$1 billion in transportation infrastructure, especially roads, between 2002 and 2005; has declared a two-year tax holiday on imports of investment and some consumer goods; and is opening up land sales 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 of USAID and other donors, the GOM plans to increase land in protected areas from 1.7 million to 6 million hectares over the next five years. In the social sectors, the GOM is committed to: preventing the spread of HIV/AIDS; fighting malaria; strengthening health care at the community level using models developed through USAID programs; and, increasing access to and quality of education through its "Education for All" program.

While the new government has considerable public support and momentum for its ambitious programs, it faces a number of risks: that a weak and poorly equipped bureaucracy will be unable to realize many of the planned reforms and results; that the public will grow impatient with the new government under the weight of grinding poverty; that vested interests will retard the reform agenda; that foreign investment and donor support will fail to materialize at the rate necessary to meet economic growth objectives; or, that natural disasters will impede progress. U.S. assistance will contribute to mitigating these risks.

The USAID Program: The overall goal of the USAID program in Madagascar is sustainable and inclusive economic development. A new country strategy was approved in March 2003 that integrates strategic objectives through shared activities as well as through cross-sectoral programs and partnerships.

Under the new strategy, the democracy and governance program will address the weaknesses of Madagascar's democratic institutions, compounded by poor governance. It will build a deeper and stronger civil society, increase information flows, and increase government responsiveness to its citizens. The new health, population and nutrition program will address the prevention and management of sexually transmitted infections and HIV/AIDS, and strengthen public and private health services. The demand for quality and the availability of selected health products will be increased to continue improvements in child, maternal, and reproductive health. The new environment and rural development program builds on the successes of the predecessor program. It will work to conserve Madagascar's biologically diverse forest ecosystems, in part by linking natural resource management closely with

economic development, i.e., helping people find livelihoods that are compatible with efforts to decrease deforestation and conserve biodiversity. The new agricultural and trade program will concentrate on accelerating economic growth through market development and trade.

In general, political will and involvement on the part of the GOM are strong, but human resource and financial limitations constrain capacity to implement activities and reforms. The GOM actively seeks input from civil society and the private sector for validating national action plans, changing laws, and pursuing new anti-corruption efforts. However, NGOs and citizens' associations remain largely ineffective as advocates for change. Planned USAID efforts to strengthen such organizations are closely matched to U.S. interests in anti-corruption, good governance, HIV/AIDS and other infectious disease programs, and global climate change.

Other Program Elements: USAID centrally funded education activities and support received through the Leland Initiative provide increased Internet access in Madagascar, and a three-year program under the Women's Legal Rights Initiative will begin in early 2004. Central population funds contribute to joint environment-health programs. Child Survival and Health grants and Reproductive Health Flexible Funds will support community-based health and family planning activities. Central USAID/Washington funds enable the conservation of a national park in the west of Madagascar. Funds provided by the Office of Foreign Disaster Assistance assist populations affected by drought in the south of the country, as well as victims of recent cyclones on the east coast. Finally, P.L. 480 food assistance will continue to support child survival and nutrition education and rural development.

Other Donors: Madagascar's major donors are the World Bank, European Union (EU), United Nations System, France, United States, and Japan. The World Bank has identified governance and institutional development as its central theme. The World Bank, International Monetary Fund, and EU provide budget support linked to improved public financial transparency and accountability. The World Bank, EU and France support reform and strengthening of the judicial system. The World Bank also leads efforts to reform the trade in gems. The United Nations Development Program (UNDP), EU, Japan, Germany, and Switzerland partner in electoral observation and support. The World Bank, the United Nations' specialized agencies, and France are active partners in the health sector, particularly in maternal and child health. The World Bank is becoming the lead donor in fighting HIV/AIDS, while the United Nations Population Fund is a major partner in family planning, and Japan collaborates with USAID in certain areas, including behavioral change activities. Madagascar receives funding from the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the Global Alliance for Vaccinations and Immunizations. The World Bank, EU, UNDP, France, Germany and Switzerland are, with the United States, active members of a multi-donor group on environment, rural development and food security. The World Bank leads in the education sector. The World Bank and EU lead in infrastructure development, and the World Bank aids privatization efforts. The World Bank and France support the financial system, especially mutual credit institutions. Agricultural development is a priority of the World Bank, EU, France, and the International Fund for Agricultural Development. France is an active supporter of urban development projects. Finally, UNDP is a major partner in disaster preparedness, and the World Food Program is the major partner in promoting food security.

Malawi PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	15,540	17,480	19,400	18,900
Development Assistance	13,829	9,849	11,737	10,295
Economic Support Fund	500	400	0	0
PL 480 Title II	13,698	3,202	3,357	8,500
Total Program Funds	43,567	30,931	34,494	37,695

STRATEGIC OBJECTIVE SUMMARY				
612-006 Rural Income Growth				
DA	7,324	6,490	7,592	6,252
612-007 Increased Constitutionalism and Advocacy				
DA	755	858	755	550
ESF	500	400	0	0
612-008 AIDS and Family Health				
CSH	15,540	17,180	19,100	18,300
612-009 Basic Education				
CSH	0	300	300	600
DA	5,750	2,501	3,390	3,493

Mission Director,
Roger Yochelson

Malawi

The Development Challenge: Malawi emerged from decades of one-party autocracy to a multi-party democracy in 1994. Fundamental economic liberalization and structural reforms have accompanied this political transformation, although the impact has been uneven. Further economic reforms and the continued development of democratic institutions are needed to ensure stability and consolidation as the country prepares for its presidential and parliamentary elections in May 2004. The outcome of these elections will be critical to future economic and political progress.

Malawi's political and economic development is impeded by its landlocked status, dependence on a single cash crop (tobacco) for the bulk of export earnings, poor incentives for foreign and domestic investment, a strong legacy of authoritarian leadership, high population growth rate, and low levels of education. Life expectancy at birth is under 40 years. There is a high prevalence of HIV/AIDS (15% of the adult population). The infant mortality rate (104 per 1,000 live births) and the child malnutrition rate (49%) are among the highest in Africa. Only half the population has access to safe drinking water.

Malawi's per capita gross domestic product (GDP) in 2003 is estimated at less than \$160, down from \$166 in 2001. External debt--primarily multilateral and concessional--was \$2.8 billion at the end of 2002, representing 145% of GDP, with about one-quarter of domestic revenues required for debt servicing. Malawi has had Enhanced Highly Indebted Poor Countries status since December 2000, but is not indebted to the United States.

Achievements under Malawi's 2001 Poverty Reduction Strategy Paper (PRSP) have been modest. Malawi has the potential to increase growth and reduce poverty if the Government of Malawi (GOM) remains committed to the PRSP and the International Monetary Fund (IMF) program. Further releases of budgetary support by most bilateral donors are contingent on clear signals that GOM performance in several spheres is improving. The IMF, World Bank, and several bilateral donors approved resumption of financial support to Malawi after a two year hiatus that had resulted from persistent fiscal and monetary slippages. Continued release of financial support by the IMF is premised on improved fiscal performance.

The United States' strategic goals in Malawi are three-fold: to increase economic prosperity and security; to strengthen democracy and human rights; and to address social and environmental issues, in particular, improving health, containing the HIV/AIDS pandemic--which continues to threaten the integrity of all societal institutions in Malawi--and increasing the quality of basic education. Malawi is a strong ally within 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 country and region and thus to better business and trading partnerships with Malawi for the United States.

The USAID Program: FY 2004 funds will be used to promote economic growth, with emphasis on agriculture and natural resources management; democracy and governance, particularly strengthening civic education prior to the May 2004 elections; HIV/AIDS, reproductive health, child health and nutrition; and basic education. The 2002-2003 food emergency was a "wake up call" that Malawian farmers must diversify their agricultural production if they are to survive. In FY 2004, USAID will foster additional trade linkages among small farmer producer associations and cooperatives (crops and dairy) and export markets, and will expand the availability of financing for small-scale commercial operators. In all sectors, USAID will increase its work with faith-based organizations representing Christians and Muslims to assure broad-based impact. USAID's democracy and governance (DG) objective will provide support to an inter-faith organization that has become particularly active in civic education in order to provide community-based information and education on citizen rights and responsibilities, with emphasis on encouraging voter turn-out. The health program will continue its partnerships with several faith-based groups to prevent HIV/AIDS through the "ABC" approach (Abstinence, Being faithful, and Condoms) and to provide care and support to individuals and communities affected by HIV/AIDS, including orphans and vulnerable children. FY 2004 health assistance will also target malaria, the number one cause of child mortality,

through distribution of insecticide-treated bednets at antenatal clinics. In education, FY 2004 activities will continue to improve teachers' professional skills; develop schools' abilities to respond to the needs of the student population; ensure successful implementation and monitoring of critical reform policies; and help to decrease the impact of HIV/AIDS on the sector. The FY 2005 budget request also responds to the need to address critical needs in DG, health, and education as well as continue to create employment and income opportunities that are necessary to sustain USAID investment in the social sectors.

While USAID program support is small, leveraging impact is high. In early FY 2004, United Kingdom's Department for International Development (DFID) and USAID signed a Memorandum of Understanding wherein USAID will manage a significant proportion of DFID funding for civic education and voter registration in FY 2004, and for civic education and civil society development in the FY 2005-2007 period. USAID also leveraged commercial private sector and other donor resources in three public-private partnerships. USAID anticipated the region's 2002-2003 food crisis, and helped convince the government, donors and implementers of the need for strong coordination and collective solutions to mitigate a crisis.

Other Program Elements: USAID's Democracy, Conflict, and Humanitarian Assistance (DCHA) Bureau's Office of Food for Peace (FFP) provided over 151,000 metric tons of emergency food aid in response to Malawi's 2002-2003 food emergency. The food response is implemented throughout the country by the United Nations World Food Program (WFP) as well as nine U.S. non-governmental organizations (NGOs) comprising the Consortium for Southern Africa Food Security Emergency (C-SAFE). In addition, DCHA's Office of Foreign Disaster Assistance (OFDA) provided almost \$5 million to Malawi in FY 2002-2003 in response to the food emergency. Both FFP and OFDA programs have shifted over the past months from emergency to recovery activities. The food and funding are utilized in activities to improve nutrition among vulnerable populations, stimulate agricultural recovery, and enhance community resilience to shocks. The USAID strategy also benefits from an ongoing P.L. 480 Title II program implemented by Catholic Relief Services which is integrated with USAID's economic and health programs. USAID supports the C-SAFE consortium's plans to design an expanded Title II development assistance program that--if approved--would begin in FY 2005. In addition, USAID continues to contribute to the centrally-managed Famine Early Warning System (FEWS) to assist with monitoring Malawi's food security situation.

USAID's Global Health Bureau is funding the International Eye Foundation and the World Relief to provide child health activities in several districts of Malawi. USAID hosts periodic joint meetings with these NGOs. USAID also collaborates with the International Foundation for Education and Self-Help which, with Africa Bureau funding, provides training and volunteers to teacher training colleges and schools in Malawi.

Other Donors: Overall development assistance to Malawi totals about \$400 million per year, excluding debt relief. The United Kingdom--by far the largest bilateral donor to Malawi--works in many sectors, including budget support. The USAID program ranks in the second tier of bilateral donors, which includes Canada, Norway, Japan and Germany. Germany focuses on health, education, and democratic decentralization; Norway addresses HIV/AIDS, health, education, agriculture, and natural resources management. Japan concentrates on agriculture and infrastructure. The Canadian program focuses on health, HIV/AIDS, education, and governance and accountability. Multilateral donors include the various U.N. agencies, the European Union, the World Bank, the International Monetary Fund and the African Development Bank. Through the Aid Coordination Group, donor coordination is excellent in Malawi and helps to strengthen government capacity in many areas.

Mali PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	14,488	13,821	14,300	13,974
Development Assistance	21,688	26,581	24,296	20,793
Economic Support Fund	0	410	0	0
PL 480 Title II	1,355	0	0	0
Total Program Funds	37,531	40,812	38,596	34,767

STRATEGIC OBJECTIVE SUMMARY

688-001 Youth				
CSH	6,000	0	0	0
DA	3,550	0	0	0
688-002 Sustainable Economic Growth				
DA	3,330	0	0	0
688-003 Democratic Governance				
DA	2,300	0	0	0
688-004 Information and Communication				
DA	450	0	0	0
688-005 Development in the North				
DA	810	0	0	0
688-006 High Impact Health Services				
CSH	8,488	13,771	13,650	13,274
DA	0	200	0	0
688-007 Improving Quality of Basic Education				
DA	3,540	7,150	4,980	4,301
ESF	0	50	0	0
688-008 Shared Governance Through Decentralization				
CSH	0	0	300	300
DA	1,636	4,892	3,966	4,631
ESF	0	300	0	0
688-009 Accelerated Economic Growth				
DA	5,222	13,289	14,300	11,361
ESF	0	60	0	0
688-010 Communications for Development				
CSH	0	50	350	400
DA	850	1,250	1,050	500

Mission Director,
Pam White

Mali

The Development Challenge: Poor rainfall and instability in its main trading partner, Côte d'Ivoire, were the two principal factors retarding economic growth in Mali during 2003. GDP growth is projected to slow to 3.2% compared with 4.4% in 2002. Production of grain and cotton fell 8% and 26% respectively from the previous year and pockets of food insecurity emerged in regions particularly hard hit by drought. An estimated 0.5% - 1% of anticipated GDP growth in 2002 and 2003 was lost due to the on-going conflict that erupted in Côte d'Ivoire in September 2002. Government revenue and economic activity as a whole were negatively affected by the disruption in trade caused by the closing of the borders between the two countries at the peak of the crisis. Absorbing an estimated 200,000 - 250,000 Malians, formerly residing in Côte d'Ivoire, placed further strain on the already weakened economy.

Economic prospects are brighter for 2004 as the country experienced abundant rainfall during the past agricultural season and the crisis in Côte d'Ivoire eased considerably leading to the reopening of Mali's borders with that country. In the past year, significant progress has been made in terms of the restructuring of the cotton, transport and telecommunications sectors. Recent agitation by urban workers for reductions in transportation and utilities costs and for higher wages could be a signal of growing disenchantment with the 18-month old government's ability to deliver on promises of a better life for all Malians.

Despite concerted donor attention and assistance provided over forty years, Mali remains one of the poorest nations. According to the results of the 2003 United Nations Human Development Index, Mali ranked 172 out of 175 countries - down from 164 in 2002. A number of key indicators of social well-being worsened during the period 1996-2001. Among these are: maternal mortality (582 per 100,000 versus 577 per 100,000); fertility (6.8 versus 6.7); and children underweight for age (38% versus 30%). Marginal improvements were noted with respect to the indicators for adult illiteracy, life expectancy, infant mortality and children attending school, which still remain among the worst in the world. The government has committed itself to turning around these dire statistics by directing additional resources to the social sectors.

Mali stands out as a stable democracy in the midst of the troubled West African region. Local elections are scheduled to be held early in 2004 - another important milestone in its far-reaching decentralization plan. Unfortunately the vast open territory in the north of Mali presents potential troubling security threats. Armed gangs have the ability to roam through the porous borders with Algeria, Niger, and Mauritania virtually unchecked. These conditions have the potential to facilitate increased terrorist activities in the north. Mali's commitment to democracy, its openness to economic integration in West Africa and its willingness to contribute peacekeeping forces have played an important role in U.S. and international efforts to bring stability to the region. Moreover, it is a predominantly Muslim country that is allied with the United States in the war on terrorism.

The USAID Program: The USAID program is addressing three strategic goals of USAID and the Department of State in Mali: (i) Democracy and Human Rights; (ii) Economic Prosperity and Security; and (iii) Social and Environmental Issues. Specifically, over the next two years, USAID intends to help increase people's incomes and well-being, improve the dismal health and education statistics cited above and give people the tools needed to govern effectively. The following Data Sheets describe the four strategic objectives and one special objective for which USAID plans to use FY 2004 and FY 2005 funds. These objectives will be attained by expanding economic opportunities, particularly for the rural poor; providing high impact health services to improve the health and welfare of women and children, and to prevent an HIV/AIDS epidemic; improving the quality of basic education; working to consolidate democracy through support of decentralization; and accelerating overall development by making information more widely accessible. Special attention will be given to increasing the use of irrigation in order to lessen Mali's economic and food security vulnerability to climatic variations. The objectives were developed in close coordination with the Malian government and other stakeholders, notably donors and the non-governmental sector. USAID's strategy is well integrated into Mali's own strategy to reduce poverty. Key features of this strategy of relevance to USAID are the development of a rural economy

driven by the private sector, strengthened food production systems in the context of responsible natural resources management; expanded access to and improved delivery of health and education services; reinforced capacity for public sector management of decentralization; and greater gender equity.

Other Program Elements: In addition to the bilateral assistance to the Government of Mali, USAID has other on-going programs in Mali directly funded and/or managed by USAID's Washington-based pillar bureaus, the Africa regional bureau and the West African Regional Program (WARP). The Famine Early Warning System focuses on improving the quality and effectiveness of information/response planning systems that contribute directly to drought preparedness and the adoption of response plans. Collaborative Research Support Programs (CRSPs) focus on a number of crops such as peanuts, sorghum, millet, beans, and cowpeas as well as on soil, pests and natural resources. The West Africa InterCRSP Natural Resource Management Project aims to increase the availability of and access to knowledge, techniques and technologies to improve performance and people-level impact of natural resources management efforts in West Africa. International Agriculture Research Centers develop and disseminate improved varieties and technologies for crops such as rice, corn, sorghum and millet. Private Voluntary Organizations (PVOs) are supported through grants addressing rural poverty and food insecurity, empowerment of women in rural areas, micro-enterprise, maternal and child health, and cooperative development. The Malaria Research and Training Center established in Bamako in 1990 contributes to the improvement of the Malian National Malaria Control Program by updating staff skills in technical and operational aspects of malaria control. Food for Peace P.L. 480 Title II resources are monetized in Chad to generate local currency that is used for development activities in the harsh environmental conditions of northern Mali and in Chad itself under a regional food security program. WARP funding supports the work of a number of public and private sector regional organizations addressing region-wide issues of economic integration, population, health and nutrition, food security, the environment, natural resources management and conflict prevention.

Other Donors: Donor coordination is facilitated through a monthly meeting among Mali's leading bilateral and multi-lateral development partners and regular meetings between the donor community and the government. Leadership of the donor coordination group is shared on a semi-annual rotating basis with USAID having been selected to lead the group during the first six months of FY 2004. Within Mali USAID is also at the forefront (as chief facilitator) of a multilateral technical assistance program initiated by the World Bank to develop an Integrated Framework for expanding Mali's international trade. The United States ranks third among Mali's bilateral partners, and provides approximately 10% of overall assistance, which totals roughly \$380 million per year, excluding debt relief. France and the Netherlands are the leading bilateral donors. Other key bilateral donors include Canada, Germany, Japan, Switzerland and Belgium. Bilateral assistance to Mali covers a wide range of development areas including national budget support (Netherlands, France, Canada, Germany, Switzerland), infrastructure construction (France), decentralization (France, Germany), the cotton sector (France, Switzerland), education (France, Germany, Japan, Belgium), health (Germany, Canada, Switzerland, Belgium), judiciary (Canada, France), microfinance (Canada), the Niger River (France), and energy (France, Germany, Canada). Multilateral donors present in Mali include the World Bank, which is involved in a wide range of development activities including rural development (with a particular focus on the cotton sector), 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 UN agencies are active in health, education and governance, and the World Food Program works in the areas of education, health, nutrition and food security.

Mozambique PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	17,677	22,601	19,700	19,730
Development Assistance	22,438	27,567	24,261	18,319
Economic Support Fund	400	1,250	0	0
PL 480 Title II	17,901	16,166	14,855	18,801
Total Program Funds	58,416	67,584	58,816	56,850

STRATEGIC OBJECTIVE SUMMARY				
656-001 Increased Rural Incomes				
DA	17,910	5,829	0	0
ESF	0	500	0	0
656-002 Government and Civil Society				
DA	1,261	145	0	0
ESF	400	0	0	0
656-003 Maternal and Child Health				
CSH	17,677	8,591	0	0
656-004 Enabling Environment for Growth				
DA	3,267	279	0	0
656-006 Rural Incomes				
DA	0	17,571	15,900	12,088
656-007 Exports				
DA	0	1,988	7,100	4,974
ESF	0	250	0	0
656-008 Maternal and Child Health				
CSH	0	4,428	9,700	9,730
656-009 HIV/AIDS				
CSH	0	9,582	10,000	10,000
656-010 Municipal Governance				
DA	0	1,755	1,261	1,257
ESF	0	500	0	0

Mission Director,
Jay Knott

Mozambique

The Development Challenge: Eleven years after the end of a devastating post-colonial civil war, Mozambique continues on a positive development track. Mozambique's overall macroeconomic performance for calendar year 2003 remained strong. Real gross domestic product (GDP) growth is estimated at a healthy 7%, following on the 10% growth achieved in 2002. Inflation was held to 10.8% during 2003, down from 17% in 2002. The country continues to advance reforms that facilitate private sector-led, poverty-reducing growth. Mozambican non-governmental organizations (NGOs) are building public support for the fight against corruption as the government of the Republic of Mozambique (GRM) develops its capacity to be responsive and actually reduce corruption. Health statistics reveal that the GRM's close partnerships with donors, international private voluntary organizations (PVOs), and domestic NGOs are improving the health status of women and children--and this work is done increasingly by Mozambicans themselves.

These achievements notwithstanding, the country continues to face several development challenges including the need to: maintain high economic growth rates; further reduce widespread poverty; reduce the high incidence of HIV/AIDS; enhance gender equality in political as well as economic life; strengthen democracy and political stability; reduce unemployment levels; and reduce vulnerability to natural calamities. Close to 70% of the population lives at or below the absolute poverty level. Sixty percent of adults are illiterate. Despite increased vaccination rates and improved access to basic health services, life expectancy remains low at 40.2 years for women and 38.4 for men, and continues to fall due to HIV/AIDS. Even if Mozambique can successfully reduce the incidence of HIV/AIDS in the medium-term, the present prevalence rate of 13.6% will eventually translate into large multi-generational costs for the economy and society.

Mozambique's ports provide access to global markets for several landlocked neighboring countries. Its proximity to the industrial heartland of South Africa underscores the fact that its political stability and economic growth contribute 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 in, among others, agriculture, fisheries, and minerals.

The USAID Program: The data sheets that follow cover the five strategic objectives of the new Country Strategic Plan that USAID will implement with FY 2004 and FY 2005 funds. These five objectives will foster sustained, poverty-reducing economic growth that reaches average Mozambicans through agricultural development and increased international trade; stem the spread and impact of HIV/AIDS; improve maternal and child health; and establish models of good governance among municipalities while attacking corruption where it most affects average citizens. FY 2004 funds will be used to implement new and ongoing programs designed to sustain rural income growth in target areas, increase labor-intensive exports, increase the use of quality child survival and reproductive health services, reduce the transmission of HIV while also mitigating the impact of the AIDS epidemic, and make municipal governance more democratic.

Mozambique is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). All proposed HIV/AIDS activities are being integrated into PEPFAR and are subject to the approval of the U.S. Global AIDS Coordinator. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005. As a leading donor in the fight against HIV/AIDS in Mozambique, USAID will contribute to FY 2004 and FY 2005 PEPFAR objectives by promoting abstinence and behavior change for youth, preventing mother-to-child transmission, supporting orphans and vulnerable children, and providing antiretroviral treatment and related care.

The USAID Development Assistance Program grants (DAPs), which integrate Development Assistance (DA) with P.L. 480 Title II resources, seek to improve food security and nutrition of rural households by increasing agricultural production and marketing as well as improving nutrition and health behavior. A 2002 review of the determinants of malnutrition in Mozambique suggests that improvements in food security, while necessary, are not sufficient to guarantee improvements in nutrition. The review noted that

health and sanitation, caring practices by the mother, and the mother's own nutritional status and educational background are key determinants of the nutritional status of children in Mozambique. The DAPs also help to increase cash income through sales of agricultural produce and other income-generating activities. The DAPs place a strong emphasis on nutritional behavior change where the mothers of well-nourished children serve as volunteers in the community to teach their peers how to nurture their children. This is a sustainable effort with increasing impact, as the network of mothers with well-nourished children grows.

USAID has strong collaboration with Mozambican partners in each of the target strategic sectors, with more emerging as the country develops. These partners range from GRM counterparts to leading members of the domestic and international for-profit and non-profit sectors. USAID will continue to rely on Mozambican partners for leadership, guidance, and support.

Other Program Elements: USAID's Economic Growth, Agriculture and Trade Bureau provides central funding for activities in Mozambique as part of the Conservation of Resources in African Landscape (CORAL) program. CORAL improves the sustainable use of agricultural land and increases the protection of natural resources (principally forests) and biodiversity, including both freshwater and coastal ecosystems. Ecotourism development is a key enterprise activity under CORAL, and is being considered as a focus area under the new country strategy.

USAID's Global Health Bureau, which, in collaboration with other USG agencies implements HIV/AIDS activities to help achieve the PEPFAR targets, funds HIV/AIDS activities in Mozambique through centrally-funded grants. Medical Service Corporation International will begin prevention and treatment programs through community and faith-based organizations in FY 2004. The International HIV/AIDS Alliance has also begun work in central Mozambique on community-based prevention and care initiatives. In addition, CARE has begun providing small-scale grants for community-based HIV/AIDS prevention, care, and support initiatives. Mozambique is also part of the Anti-Corruption Initiative (ACI) and through its municipal governance program will work to increase opportunities to reduce corruption in government and public service delivery institutions.

Other Donors: Donor coordination is excellent. In October 2003, the World Bank convened the 14th Consultative Group on Mozambique. The meeting focused on progress made during the past two years in implementing the GRM's Action Plan for the Reduction of Absolute Poverty ("PARPA" in Portuguese). Delegates agreed that the key challenges confronting Mozambique are to encourage private sector-led growth and to extend the benefits of that growth to all Mozambicans, particularly the poor. Delegates recognized the need to broaden participation among Mozambicans in the formulation and monitoring of PARPA priorities and to better integrate these activities into the GRM's legislative and budgetary processes. In this context, the GRM established a "poverty observatory" to evaluate and monitor the implementation of its current PARPA. Donor support is increasingly harmonized through broad agreement on Mozambique's Performance Assessment Framework (PAF), which includes a common set of key monitoring indicators. Based on the positive results that the GRM has achieved in implementing its poverty reduction strategy over the past three years, donors reaffirmed their ongoing commitments by pledging approximately \$790 million in external assistance for 2004, exceeding the GRM's requested level of \$680 million.

The United States is one of the largest bilateral donors, with plans to provide over \$60 million in grants and monetized food aid in FY 2004. Other major donors include the World Bank, the International Monetary Fund, the United Nations Development Program, the European Union, the United Kingdom, Japan, the Netherlands, Sweden, Denmark, Switzerland, Italy, France, and Norway. Portugal, South Africa, and the United Kingdom are major sources of private investment in Mozambique. Donor coordination working groups are active in all of USAID's strategic areas.

Namibia PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	1,850	7,601	2,150	2,150
Development Assistance	8,183	4,851	5,726	6,558
Economic Support Fund	700	1,200	0	0
Total Program Funds	10,733	13,652	7,876	8,708

STRATEGIC OBJECTIVE SUMMARY				
673-001 Private Enterprise Development				
DA	1,475	1,361	400	873
ESF	0	300	0	0
673-002 Basic Education Support				
CSH	350	0	0	0
DA	4,184	1,350	0	0
673-003 Community Based Natural Resource Management				
DA	2,224	1,837	1,380	0
ESF	0	200	0	0
673-004 Democracy and Governance				
DA	300	303	0	0
ESF	700	700	0	0
673-005 Reduced Prevalence of HIV/AIDS in Target Communiti				
CSH	1,500	7,601	0	0
673-006 Basic Education Support				
DA	0	0	1,970	2,410
673-007 Community Based Natural Resource Management				
DA	0	0	1,176	2,500
673-008 Reduced prevalence of HIV/AIDS				
CSH	0	0	2,150	2,150
673-009 Democracy and Governance				
DA	0	0	800	775

Mission Director,
Diana Swain

Namibia

The Development Challenge: Just 13 years after independence from apartheid South Africa, Namibia has emerged as a stable, market-driven, parliamentary democracy. It consistently ranks high on international indices of economic competitiveness, democratic freedom, and good governance. Namibia is also one of the developing world's leaders in public sector investment in education, health and other social sectors. The country is amply blessed with natural resources such as extensive gemstone and mineral deposits, rich offshore stocks of high value fish, and breathtaking scenery and an abundance of wildlife fostering a growing reputation as an attractive tourist destination. Namibia's man-made endowments such as its modern port, network of well-paved highways and its fiber optic communications infrastructure (among the most sophisticated on the continent) are equally impressive, making the country one of the prime gateways into Southern African markets.

Namibia, however, faces continuing challenges related to its long legacy of colonialism and apartheid. An estimated 55% of national income accrues to only 10% of the population. Thus, while Namibia is considered a lower middle income country, almost 35% of Namibians live on less than \$1 per day. Unemployment is estimated at 35%, and 25% of the population is underemployed. Inadequate levels of employment generation are a symptom of economic stagnation, as seen by an annual per capita GDP growth rate that has averaged 1.6% since independence. Until Namibia is able to provide the disadvantaged majority of its citizens with the skills required of a modern workforce, and until it can fully shed the colonial economic model where resources are extracted and exported with little value added, slow economic growth will continue.

Namibia's second challenge is to deepen its nascent democracy. In the 13 years since independence, Namibia has made great progress in realizing its democratic ideals. Multiple free elections have been held; citizens enjoy wide-ranging freedoms, including access to a free press; and relative to other developing countries around the world, the government has performed well in terms of delivering services, respecting human rights, promoting governmental integrity, and abiding by the decisions of the independent judiciary. Nevertheless, the checks and balances that are required for solid democracies are still weak, and the culture of democracy is still taking root. The only president Namibia has ever known has announced his intention to step aside in the late 2004 national elections, and many others from the "liberation generation" also are preparing to move aside. Namibia is about to undergo a watershed period that will test but likely strengthen the country's democracy.

Compounding these challenges, the greatest threat to Namibia's development is the rapid spread of HIV/AIDS. Over 22% of sexually active adults are infected with HIV/AIDS, and the rate of disease transmission is still increasing. AIDS already accounts for 50% of the deaths among individuals aged 15-19, and for 75% of all hospitalizations in public facilities. A 2002 report developed by the Ministry of Health and Social Services estimated that in 2003 Namibia will have 114,000 orphans and vulnerable children, of whom over two thirds are attributable to the epidemic. Namibia is one of the most affected countries in the world and, with its small population, it has a limited capacity to absorb the coming losses. Since Namibia is a focus country in the President's Emergency Plan for AIDS Relief (PEPFAR), the U.S. government plans a major expansion of HIV/AIDS programs, with special attention to care and treatment. Namibia will further benefit from its status as a successful applicant to the Global Fund to Fight AIDS, Tuberculosis and Malaria.

Namibia is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). All proposed HIV/AIDS activities are being integrated into PEPFAR and are subject to the approval of the U.S. Global AIDS Coordinator. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005.

The U.S. national interests in Namibia are based on the desire to deepen Namibia's status as an African success story, to enhance its ability to contribute to peace, security, and stability on the African continent, and to maintain its ongoing support in the war against terror.

The USAID Program: USAID supports five objectives that will accelerate progress toward the economic, social and political empowerment of historically disadvantaged Namibians. These programs promote private enterprise development, improve basic education in grades one through seven, increase the environmental and economic benefits of community-based natural resource management, strengthen democracy and governance, and curb the spread and impact of HIV/AIDS.

Other Program Elements: In addition to the resources requested here, funding was provided by other USAID offices in FY 2003. USAID's Africa Bureau and the Bureau for Democracy, Conflict and Humanitarian Assistance provided \$475,500 to help address resettlement issues related to Namibia's land reform efforts. The Namibia program also benefited from \$600,000 in first-year funding under the President's Africa Education Initiative, to broaden in-service training under USAID's basic education program. During this period, USAID's regional Southern Africa program contributed \$880,000 to disseminate lessons-learned from USAID's community-based natural resource management program to similar programs in Southern Africa and to continue transboundary natural resource management efforts.

Namibia is a target country under the PEPFAR initiative and, in FY 2003, received \$5.45 million in initial funding under the Initiative to Prevent Mother-To-Child Transmission of HIV/AIDS. USAID's HIV/AIDS budget has been supplemented by USAID's Regional Urban Development Office, which has supported the efforts of local government authorities to reduce HIV/AIDS impact at the community level through activities such as improved access to home-based care and to voluntary counseling and testing. USAID's Economic Growth, Agriculture and Trade Bureau (EGAT) continues to finance an International Foundation for Education and Self-Help program, where American volunteers are training local teachers and teaching business skills. In FY 2003, EGAT funded a computer-assisted teacher training program in support of USAID's basic education program.

Other Donors: USAID's program is the second largest among bilateral donors, after Germany. USAID works actively with other donors in every area of engagement to ensure complementarity. United Nations agencies have begun to play an important role in catalyzing a coordinated response to the HIV/AIDS epidemic, supported by Germany, Finland, Sweden, the Netherlands, and France. In 2003, an HIV/AIDS Global Fund activity was approved for Namibia, which will be supported by the United States and several other donors. The European Union (EU), Germany, Sweden, Finland, Norway, United Kingdom (UK), Spain, and several United Nations agencies are engaged in a sector-wide assistance program in the education sector. The World Bank's Global Environment Facility is planning a capacity building program for the Ministry of Environment and Tourism in support of community-based natural resources management, an area also supported by Sweden and the UK, while the EU is designing a major rural development program. The Netherlands parallel finances a civil society support program with USAID and, along with Sweden, partners with USAID in an electoral support activity. Sweden also supports an integrity program with Namibia's Office of the Ombudsman, parallel to USAID's activity in this area. The UK, Germany, Netherlands, Austria, Italy, Luxembourg, the United Nations Development Program and the United Nations International Labor Organization are engaged in small and medium enterprise development programs, while the EU and Germany support trade and investment development.

Nigeria PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	36,066	47,911	42,550	43,724
Development Assistance	21,968	23,385	13,601	15,590
Economic Support Fund	8,500	3,850	4,971	5,000
Total Program Funds	66,534	75,146	61,122	64,314

STRATEGIC OBJECTIVE SUMMARY

620-006 Democracy and Good Governance				
DA	7,886	7,532	0	0
ESF	7,500	1,850	0	0
620-007 Sustainable Agriculture and Economic Growth				
DA	9,412	10,013	0	0
ESF	1,000	0	0	0
620-008 Basic Education				
DA	4,670	5,840	0	0
620-009 Integrated health information and services				
CSH	36,066	47,911	0	0
ESF	0	2,000	0	0
620-011 Democracy and Governance				
DA	0	0	2,500	3,352
ESF	0	0	3,250	5,000
620-012 Sustainable Agriculture and Economic Growth				
DA	0	0	6,351	7,067
ESF	0	0	1,721	0
620-013 Basic Education and Health Care				
CSH	0	0	22,000	23,174
DA	0	0	4,750	5,171
620-014 HIV/AIDS and Tuberculosis				
CSH	0	0	20,550	20,550

Mission Director,
Dawn Liberi

Nigeria

The Development Challenge: Following on the 1999 transition from military dictatorship to elected government, Nigeria successfully concluded a second, largely peaceful round of democratic elections in 2003, leading to the first civilian to civilian electoral transition in 43 years of independence. In the opening months of his second term in office, President Obasanjo has taken a number of positive steps to improve economic and social conditions for Nigeria's citizens, address corruption, improve service provision, and to fight HIV/AIDS. Despite these efforts, public support for and trust in the current administration in Nigeria is weakening. While more than two-thirds of Nigerians continue to concur that democracy is preferable to any other form of government, their trust in institutions and leaders declined significantly in 2003 and the President's approval rating dipped from 72% to 58%. Improved performance in economic management, health and education service delivery, conflict resolution, and ensuring household food security is urgently needed to rebuild public confidence in government.

With 70% of the Nigerian population living in poverty on less than a dollar a day, the need for a national poverty reduction strategy is clear. One of the biggest disappointments of the first Obasanjo government was its failure to develop such a strategy or to engage the wider Nigerian society in the process. The new administration has taken rapid and proactive steps to rectify this failure by putting in place the framework of a National Economic Empowerment and Development Strategy (NEEDS), with poverty reduction as one of its core goals. The NEEDS process is envisioned as open and participatory, inviting the contributions of a broad array of stakeholders, and the President and his new economic team appear committed to making it work. Agriculture and natural resource management are the principal livelihood strategies of the rural poor, and sound investments in these sectors is key to implementing NEEDS, strengthening the rural economy, reducing poverty, and building strong democratic institutions at the community level. Completion of a viable program for improving the welfare of the majority of Nigerians will be an important milestone in the country's development.

Any poverty reduction strategy must also address the status of Nigeria's social indicators. The preliminary results of the 2003 Nigeria Demographic and Health Survey (NDHS) and other data sources confirm the poor state of basic indicators of social well-being in Nigeria. The under-five mortality rate stands at 203 per 1,000, meaning that one out of every five Nigerian children dies before reaching his or her fifth birthday. Many of these deaths are from causes that are largely preventable. Only 12% of Nigerian children in their second year of life have been completely immunized against common childhood diseases, and almost 40% of young children suffer chronic undernutrition. The HIV/AIDS epidemic has claimed an estimated 1.5 million lives, and at least four million Nigerians are currently living with the virus. Although legislation authorizing a program of Universal Basic Education has been passed by the National Assembly, resources to put the infrastructure for the program in place are inadequate. Half of Nigerian adults are illiterate and only 55% of eligible children currently attend primary school. Pervasive poverty and the poor educational and health status of Nigerian children and adults are the key development challenges for the country.

Primary U. S. national interests in Nigeria are reinforcing democracy and good governance, combating international crime and trafficking in persons, promoting global economic growth and stability, battling HIV/AIDS, and preventing regional conflict. As the most populous sub-Saharan African nation and as an established leader in regional initiatives, including the New Partnership for Africa's Development (NEPAD), Nigeria's prosperity and stability are essential to growth and stability in West Africa and more generally to the continent as a whole. Nigeria also supplies about 10% of U. S. crude oil requirements, is our second-largest trading partner in Africa, and is the recipient of significant U.S. foreign investment.

The USAID Program: USAID/Nigeria's Country Strategic Plan (CSP) 2004-2009 was approved in Washington in September 2003. The new strategy builds on results achieved under the previous Transition Strategy that covered the period 1999-2003. The four new Strategic Objectives that comprise the new CSP were designed to help Nigeria address the core development challenges that the country faces.

USAID's democracy and governance Strategic Objective will build the capacity of civil society to demand accountable government, and selected government institutions to operate more openly and transparently. The program will also support public sector and civil society efforts to respond to and manage conflict. The new Strategic Objective addressing agriculture, economic growth and the environment will use environmentally-sustainable technologies to increase the productivity of selected commodities, including cassava and cowpeas, and will introduce new value-added commodities and products. The program will also build a more commercial and competitive orientation among farmers and small entrepreneurs, increase their access to financial services and products, and improve the policy environment. Particular attention will be given to improving agricultural policy and the budget process. In the social sectors, USAID will focus on issues of access and demand for quality basic education and health care, and will build a more supportive enabling environment for service delivery at community, state, and national levels. Because there are powerful, mutually-reinforcing linkages between health and education-related behaviors, programs in reproductive health and family planning, child survival and basic education will be implemented in a strategically integrated fashion wherever feasible and practical.

Nigeria is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). All proposed HIV/AIDS activities are being integrated into PEPFAR and are subject to the approval of the U.S. Global AIDS Coordinator. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005. USAID/Nigeria has developed a stand-alone HIV/AIDS Strategic Objective that will expand HIV/AIDS programming significantly to respond to the initiative. In collaboration with the government of Nigeria and other USG partners, the program will provide treatment for HIV/AIDS patients and HIV-positive pregnant women, behavior-change programs for youth and other at-risk populations emphasizing prevention, including abstinence, delayed sexual debut, fidelity, and condom use, as appropriate, and care and support for people living with HIV/AIDS, orphans and vulnerable children.

Other Program Elements: USAID partners in the West African region and in Washington support programs in Nigeria that complement the Mission's objectives. The West Africa Regional Program (WARP) implements regional trade capacity, business linkages, infrastructure (including oil pipeline and power grid development) and technology transfer activities that benefit Nigeria. Technical and financial support from the Office of Microenterprise Development has enabled the Lift Above Poverty Organization, a microfinance institution based in Edo state, to inaugurate six new branches and to increase the number of borrowers and lenders it serves from 3,000 to 20,000. This exciting development reinforces the Mission's efforts to make scarce financial services and products more widely available, especially in rural areas of Nigeria. The country also benefits from collaborative research programs and university linkages programs managed from Washington.

Other Donors: USAID remains the largest bilateral donor in Nigeria. The British Department for International Development (DFID) also implements a large bilateral program. Since FY 2000, active World Bank lending in Nigeria stands at approximately \$900 million, with an additional \$450 million in the pipeline. Encouragingly, the International Monetary Fund will reinstate permanent representation to Nigeria by the beginning of 2004, and several other donors, most notably Canada, are planning to expand their programs. Donor coordination is strong and USAID has joined forces with both bilateral and multilateral partners to combat polio, support behavior change, enhance food security, and promote basic education, good governance and conflict mitigation.

Rwanda PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	12,100	16,168	13,350	13,406
Development Assistance	6,402	6,555	4,810	5,121
Economic Support Fund	2,500	1,050	0	0
PL 480 Title II	14,498	16,089	3,432	12,131
Total Program Funds	35,500	39,862	21,592	30,658

STRATEGIC OBJECTIVE SUMMARY				
696-001 Democracy and Governance				
CSH	2,000	0	0	0
DA	1,953	1,588	0	0
ESF	2,500	1,050	0	0
696-002 Health				
CSH	10,100	16,168	0	0
696-003 Food Security and Economic Growth				
DA	4,449	4,967	0	0
696-005 Democracy and Good Governance				
DA	0	0	1,500	1,707
696-006 Health and HIV/AIDS				
CSH	0	0	13,350	13,406
696-007 Rural Economic Growth				
DA	0	0	3,310	3,414

Mission Director,
Henderson Patrick

Rwanda

The Development Challenge: The past year has been a democratic turning point for Rwanda as the Government (GOR) promulgated a new constitution, held multi-party presidential and legislative elections, and completed a nine-year post-genocide political transition. Throughout this transitional phase, the GOR showed commitment to increasing rule of law and transparency in governance. As the 2003 election process got underway, however, the government's tolerance for political opposition, press freedom and criticism diminished significantly. Donors, in turn, were hesitant to support elections that might not be declared free and fair. Lacking adequate donor funding, the GOR made up for the deficit by using its own budget to finance elections.

In close collaboration with the U.S. Embassy, USAID will work with other donors to foster an environment that allows the GOR to ensure civil liberties are guaranteed under the new constitution, strengthen civil society, grant greater independence to the media and create a more democratic and transparent society.

The Rwandan economy slowed to its lowest level in the last seven years in 2003, expanding by just 3.5% compared with nearly 10% in 2002. This was largely due to poor weather and weak global commodity prices. In addition to the decline in tea and coffee prices, and reduced food production, the GOR's expenditures on the elections had a detrimental impact on the budget. The situation is expected to continue in 2004. As a result, the completion point for Rwanda under the International Monetary Fund (IMF) enhanced Heavily Indebted Poor Country Initiative (HIPC), originally scheduled for December 2003, has been postponed.

Regional stability in the Great Lakes countries has improved somewhat in the past year. The peace process moved forward in the Democratic Republic of Congo (DRC) and in Burundi, and Rwanda's relations with Uganda continued to improve. The Rwanda military continued the demobilization program while Rwandan rebel leaders and fighters in neighboring countries have begun to lay down arms and return to Rwanda.

Rwanda is experiencing a large influx of resources to combat HIV/AIDS, including funds from the World Bank; the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria; and the United States Government under the President's Emergency Plan for AIDS Relief (PEPFAR). Expanding the health infrastructure and management capacity to ensure that these resources are used to provide services to all Rwandans is an immediate development challenge for the GOR and the donor agencies.

The U.S. national interests in Rwanda are increasing regional stability, promoting democracy and human rights, advancing economic prosperity, and enhancing global health.

The USAID Program: The attached Data Sheets cover the three new objectives from the Rwanda Integrated Strategic Plan for 2004-2009 that was approved by USAID/Washington in September 2003. USAID will continue to promote democracy and governance by working with the new parliament and increasing citizen participation in civil society organizations. With FY 2004 funds, the democracy and governance and health teams will launch a new decentralization activity to increase the capacity of district officials to plan, budget and implement new development projects, and improve social services, especially for health and HIV/AIDS. Increased funding for HIV/AIDS under the President's Emergency Plan for AIDS Relief (PEPFAR) will enable USAID and its USG partners to fund a full range of HIV prevention and AIDS treatment services through the rapid expansion of existing programs. Rural economic growth activities not only will increase agricultural productivity through improved technology development and dissemination, but also will develop agro-businesses and strengthen rural financing, which in turn will create jobs and increase rural incomes. USAID intends to use FY 2005 funds to continue support for the new activities initiated in FY 2004 that reach more rural and underserved districts. These activities will increase citizen participation in political, social, and economic development programs that are designed to meet their specific needs.

Rwanda is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). All proposed HIV/AIDS activities are being integrated into PEPFAR and are subject to the approval of the U.S. Global AIDS Coordinator. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005.

Other Program Elements: In addition to the resources requested in the Program Data Sheets, USAID's Office of Food for Peace in the Democracy, Conflict, and Humanitarian Assistance Bureau, through its P.L. 480 Programs, supports USAID/Rwanda's efforts to improve agricultural productivity and increase food security. USAID's centrally-funded Famine Early Warning System provides timely information on the location and needs of vulnerable populations, which can change with the onset of droughts, floods, earthquakes and volcanic eruptions. The USAID/Rwanda health program is complemented by central funding from USAID's Global Health Bureau for Child Survival Grants to three private voluntary organizations (PVO). The Global Health Bureau also provides condoms to support HIV/AIDS prevention programs. Under the Congo Basin Forest Partnership of the Central African Regional Program for the Environment (CARPE II), international PVOs received support for conservation activities that reduce the rate of forest degradation and loss of biodiversity in two of Rwanda's unique national parks. Funds from the Africa Education Initiative finance the Ambassador's Girls Scholarship Program and a School Partnership Initiative between high schools in Kigali and Miami.

Other Donors: The United Kingdom (U.K.) and Belgium are Rwanda's first and second largest bilateral partners followed by the U.S. and Sweden. Many donors provide budgetary support. These include the U.K., Sweden, the European Union (EU), the World Bank, the African Development Bank and the IMF. Working with the Rwandan Ministry of Finance, these agencies recently drafted a "Partnership Framework for Harmonization and Alignment of Budget Support between the Government of Rwanda and its Development Partners," which provides guiding principals to reduce transaction costs and keep donors aligned under the Poverty Reduction Strategy Plan.

The Rwandan Government has asked donors to help develop and support sector-wide programs. Sector cluster groups were organized in 2003 to facilitate this process and USAID was named as the lead donor for the Private Sector and HIV/AIDS Cluster Groups. Working with GOR Ministries and other donor agencies, USAID will ensure that the new Strategic Objective programs are aligned with GOR sector program priorities and will establish collaborative implementation arrangements with other donors to reduce transaction costs and avoid duplication of effort.

USAID works closely with the Netherlands, Switzerland and U.K. on decentralization activities, and with Belgium, Germany, and the Netherlands on Judicial Reform and Conflict Management. Lead donors in health and HIV/AIDS include Belgium, the World Bank and the African Development Bank, in addition to the United States. For rural economic growth and agriculture, USAID coordinates closely with the EU, and the World Bank. The U.K. is the lead agency for education and macro-economic technical assistance, while Canada supports gender initiatives and Germany provides support for the environmental programs.

Senegal PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	15,005	15,167	14,325	15,873
Development Assistance	13,950	15,014	12,781	10,548
PL 480 Title II	1,790	2,146	0	5,000
Total Program Funds	30,745	32,327	27,106	31,421

STRATEGIC OBJECTIVE SUMMARY				
685-001 Private Enterprise				
DA	4,800	6,717	5,481	3,815
685-002 Democracy and Local Governance				
DA	6,540	3,061	3,200	3,416
685-003 Decentralized Quality Health Services				
CSH	14,505	15,167	14,325	15,873
685-008 Education for Development and Democracy Initiative				
DA	700	0	0	0
685-009 Casamance Conflict Resolution				
CSH	500	0	0	0
DA	1,910	1,500	200	0
685-010 Middle School Basic Education				
DA	0	3,736	3,900	3,317

Mission Director,
Olivier Carduner

Senegal

The Development Challenge: Senegal is a democratic and moderate Muslim nation committed to fighting terrorism. One of the most stable countries in an unstable region, and a model of religious and ethnic tolerance, it plays a key role in conflict resolution in West Africa and beyond. A founder of the New Partnership for Africa's Development (NEPAD), the country is an advocate for private sector-led growth and trade as the essential engines of Africa's economic growth. Senegal is one of the few African and Muslim countries ranked as free by Freedom House. More than ten active political parties, a vibrant civil society with a right to protest, a capacity to organize and administer free and transparent elections, an independent and diversified media, and the recent appointment of a human rights ombudsman in the President's office are evidence of Senegal's democracy.

Senegal's economy, in contrast, remains weak and is not growing fast enough to provide jobs for the rapidly growing population, of which more than half are under 20 years old. While economic growth averaged 5% from 1995-2002 and is estimated at 6.4% in 2003, largely due to excellent rainfall and consequent high crop yields, the country is struggling to put in place the institutional reforms that are necessary to sustain long term growth. The World Economic Forum ranks Senegal 79th out of 102 countries in growth competitiveness. In this year's competitiveness report, Senegalese businessmen identified access to financing as the single most problematic factor for doing business. The trade system is classified as "open" following the recent elimination of explicit non-tariff barriers. However, Senegal has yet to attract much foreign investment; a Presidential Investors Council launched in 2002 has recommended reforms to improve the investment climate. Fiscal management is good with the budget deficit held to 1% of GDP in 2003 but inefficient public enterprises (notably the peanut and electricity companies) continue to drain public resources. The government is working with the World Bank and other development partners on restructuring plans for these sectors. Corruption is a problem as reflected in Senegal's rank (76 out of 133 countries) in Transparency International's 2003 corruption perception index. The government 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.

Low levels of education and poor health are at the heart of Senegal's development challenge, although social indicators are improving due to substantial government and donor investments. More than 50% of all adults, especially women, are unable to read or write. Rising primary school enrollment (76% in 2002) will eventually reduce illiteracy. High under-five child mortality (142.5 deaths per 1,000 live births in 1999) and a high incidence of malaria are among the factors that limit life expectancy to 52 years. While HIV/AIDS prevalence (1% in 2003) is among the lowest in Sub-Saharan Africa, Senegal's total fertility rate remains high (5.2 in 1999); use of modern contraceptives is limited (8% among married women in 1999); and maternal mortality is among the highest in the sub-region. Low labor productivity and a Sahelian environment of poor soils, erratic rainfall, and rapidly disappearing forests create the conditions in which gross national income per capita is only \$470 (in 2002) and 53.9% of households live below the poverty line.

It is in the US national interest to assist Senegal to enhance the productivity of its people and, in so doing, create jobs for unemployed youth, improve access to education and health care and further institutionalize democracy. If poverty is not visibly reduced, the country risks the sort of struggle with demagoguery that has led to the destabilization of many of its neighbors. The pro-Western orientation and moderate Islam practiced by 95% of the population could also be challenged by radical elements.

The USAID Program: The Data Sheets that follow describe the five objectives for which USAID is requesting FY 2004 and FY 2005 funds. These objectives tackle the key 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 non-traditional agricultural and natural products. To strengthen democracy at the grassroots, FY 2004 and FY 2005 funds will be used to improve the effectiveness, transparency and accountability of local governments and 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 Africa Education Initiative, will increase the number of children, especially girls, who complete middle school. Finally, USAID will provide FY 2004 funds for community-led peace initiatives in the Casamance to reinforce resolution of a long-running conflict.

Other Program Elements: USAID central funds support several agriculture and natural resource management activities in Senegal. The Africa Trade and Investment Policy Initiative funded the University of Minnesota to work with Senegalese farmers to export fresh vegetables to the United States under the Africa Growth and Opportunity Act (AGOA). The Africa natural plant project will market some of Senegal's natural products. The World Resources Institute is investigating the effects of decentralization on the charcoal market and the implications for Senegal's forests. The Earth Resources Orbiting Satellite Data Center has undertaken collaborative research on carbon sequestration with Senegal's Environment Monitoring Center and Agricultural Research Institute (ISRA). In addition, several activities under the Collaborative Research Support Program (CRSP) are active in Senegal. The cowpea CRSP with the University of California/Riverside and ISRA are continuing research on early-maturing, drought-tolerant, and disease-resistant cowpea varieties to replace traditional long-cycle peanut and millet crops. The Soil Management CRSP also works with ISRA on two activities: the first focuses on the biophysical aspects of carbon sequestration and is led by the University of Florida and the University of Hawaii; the second focuses on the economic aspects of carbon sequestration and is led by Montana State University. The peanut CRSP is working with the National School for Applied Economics on improving product quality and conducting market surveys. Finally, the locust CRSP conducted research on bio-pesticides for grasshopper control for the West African region, including Senegal.

The Presidential Digital Freedom Initiative (DFI) is being piloted in Senegal due to the favorable information technology environment. The DFI will introduce the use of debit cards for small rural businesses, expand use of internet-based business tools by entrepreneurs to boost productivity and profitability, and improve the overall telecommunications environment to allow wider adoption of new technologies at affordable prices. The program pairs skilled volunteers from U.S. information technology firms with local counterparts. The Cisco Networking Academies Program and Hewlett-Packard's potential microfinance solution are examples of activities that have begun.

With FY 2003 funding to develop trade capacity, USAID will help exporters take advantage of trade opportunities in the West African region and overseas through trade agreements and legislation such as AGOA.

Other Donors: Donor collaboration and information exchange are excellent. Donor coordination is led by the World Bank and the United Nations Development Program (UNDP). Numerous sectoral committees such as the Private Sector Working Group (where USAID is the leading donor) and ad hoc groups allow donors to share information and lessons learned and explore new opportunities. 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/IDA (22%), France (19%) and Japan (11%). The United States provided \$29 million, or approximately 9% of development assistance, ranking it fifth, behind the European Union. Most aid is 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 some \$1.4 billion to finance the 2003-2005 Priority Action Plan of Senegal's Poverty Reduction Strategy (PRSP). Senegal should reach the Heavily Indebted Poor Country (HIPC) initiative completion point in 2004, opening the door to a new IMF poverty reduction facility and reduction of the debt stock.

Sierra Leone PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	841	784	300	0
Development Assistance	6,413	3,007	3,727	3,269
Economic Support Fund	10,225	11,910	4,971	5,000
PL 480 Title II	24,355	19,486	4,225	5,335
Total Program Funds	41,834	35,187	13,223	13,604

STRATEGIC OBJECTIVE SUMMARY				
636-001 Reintegration				
CSH	841	784	300	0
DA	3,012	2,907	1,910	1,927
ESF	3,000	0	2,000	3,260
636-002 Strengthening Democracy				
DA	3,401	100	1,817	1,342
ESF	7,225	11,910	2,971	1,740

Mission Director,
Annette Adams

Sierra Leone

The Development Challenge: Sierra Leone has taken important steps toward recovery from its brutal 11-year civil war, which officially ended in January 2002. In the last two years, peaceful and democratic elections for president, parliament and paramount chief were held; some level of government authority is now re-established in all districts of the country; and the Disarmament, Demobilization and Reintegration (DDR) program came to its conclusion in December 2003. While the formal DDR-sponsored reintegration program for ex-combatants is now finished, completing the more broadly defined reintegration process will take more time. That process requires people from all sides in the conflict in war-torn Sierra Leone - whether they were combatants, displaced, or otherwise victimized - to constructively engage in rebuilding their lives and communities. It also means that basic infrastructure and services necessary for normal life must become available. This is difficult to achieve in a country that ranks as the world's poorest country on the UN Human Development Index. Life expectancy is only 38.9 years, adult literacy is just 36%, per capita GDP is \$490, and maternal mortality rates are the highest in the world. This appalling poverty is exacerbated by the damage inflicted on the country's infrastructure during the civil war, particularly in the North and East. The crumbling remnants of schools, roads, and hospitals give little clue to what existed in pre-war Sierra Leone. In addition, lingering social, political and psychological scars have been left on a population that lived for years in a state of conflict, experienced massive displacement and social upheaval, and lost faith in a corrupt and grossly mismanaged public service.

Despite the poverty and damage seen today in Sierra Leone, the country's macro-economic performance gives some grounds for optimism. Real GDP growth continues to hover at an annual rate of more than 6%. Legal diamond exports increased from \$41 million in 2002 to over \$60 million in 2003. In addition, Sierra Leone was able to benefit from debt relief under the Heavily Indebted Poor Country Initiative (HIPC), and has qualified for duty- and tariff-free status on certain export commodities to the United States under the African Growth and Opportunity Act (AGOA). However, in the past year, inflation increased from -3.1% in 2002 to +6.6% in 2003, mainly as a result of shifting macro-economic priorities at the behest of the Bretton Woods Institutions, but also because of the end of war-time profiteering.

The United States has several important interests at stake in Sierra Leone. The United States is providing approximately \$135 million in 2003 to help support the world's largest U.N. Peacekeeping Force. It is in the U.S. interest to reinforce the gains achieved over the past three years to avert the need for future investment of this magnitude. In addition, the United States has a humanitarian interest in preventing a recurrence of the lawlessness and brutal violence that produced thousands of deaths, injuries, assorted war crimes, and hundreds of thousands of refugees.

The USAID Program: The following Program Data Sheets cover the two mutually supporting Special Objectives for which funds are requested for FY 2004 and FY 2005. FY 2004 resources will fund new or continued activities under a three-year extension of the Transition Strategy which now covers the period FY 2001 - FY 2006. Under the Reintegration Objective, USAID will continue to provide social, economic, and physical support to encourage resettlement and reintegration in war-torn communities. During this three year extension USAID-led reintegration efforts will see a marked shift towards the stimulation of the agricultural sector and income generation activities in the targeted districts. As reintegration advances and communities become more economically and socially viable, there is a corresponding need for these communities to develop a capacity to make political decisions and build the practices of a democratic society. This will be achieved through the continuation of USAID's Democracy Objective whose aim is to broaden 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 the limitation of corruption. During this extension period USAID will step up efforts to focus on youth and gender issues designed to reduce violence, promote community healing, and safeguard human rights.

Other Program Elements: Displaced Children and Orphans Funds and War Victims funding provided by USAID's Africa Bureau is easing the trauma and suffering of the war-affected through programs that address the needs of the handicapped and abducted women and children through various prosthetics, socio-psychological therapy, and basic vaccination programs. The West Africa Regional Program

(WARP) is funding two activities in Sierra Leone: one is the Western Area HIV/AIDS social marketing campaign; the other is the Kailahun-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. Future USAID/Global Health-supported activities include micronutrient augmentation, polio immunization, and child survival programs.

USAID's Office of Food for Peace (FFP) determined in October 2002 that CY 2003 would be the final year of emergency food assistance in Sierra Leone. A total of 26,100 metric tons of cereals, pulses, vegetable oil, and Corn Soy Blend (CSB) were provided valued at US\$ 19.5 million. Nearly two thirds of these commodities were delivered to the World Food Program (WFP) largely for the support of Liberian refugees in eight camps in Sierra Leone. FFP's Cooperating Sponsors focused their final year of emergency activities on additional infrastructure repair including housing and community buildings as well as tertiary roads with an aim at enhancing overall productive capacity and long-term food security. Specifically, fish ponds were established and 6,660 hectares of tree crop plantations rehabilitated. Over 600 km of feeder roads were restored and 35 school buildings were either constructed or rehabilitated. Fourteen new clinics were built. To improve water availability and sanitation, 40 wells and 538 pit latrines were built. Particularly vulnerable groups were supported through periods of transitory food insecurity. NGOs with a focus on health and nutrition interventions received CSB and vegetable oil to support their therapeutic and supplementary feeding programs.

USAID's Office of Foreign Disaster Assistance (OFDA) focused its efforts on complementing overall USG priorities in Sierra Leone by supporting partners to re-establish life-saving basic services to some of the most vulnerable communities in the war ravaged northern and eastern districts. A total of US \$8 million in FY03 OFDA funds supported NGO and UN partners to rehabilitate vital health, nutrition, water and sanitation services. In addition, OFDA funds assisted in the provision of emergency support to food-insecure farming families, and the coordination of activities aimed at systematically identifying the country's most vulnerable populations so that humanitarian assistance could be appropriately targeted.

Finally, joint program funding and coordination extends beyond USAID (for example, the Kailahun District Hospital is jointly planned and equipped in cooperation with STATE/Population, Refugees and Migration (PRM) and Department of Defense).

Other Donors: In addition to the United States, the key donors active in Sierra Leone are the United Kingdom (governance, budget support, civil society development, mining sector), European Commission (health sector, transport and social infrastructure, budget support, decentralization, institution building, governance/accountability), the World Bank (HIV/AIDS, basic education, energy sector, transport sector, community development, capacity building, urban water supply) and UNDP (procurement reform, civil service regulation, infrastructure, youth development, resettlement, policy development for decentralization and devolution of service delivery, infrastructure, poverty reduction, and justice sector support). Coordination has been strong, with regular meetings being organized with the GOSL and major donors. For humanitarian assistance, the United States was the largest single donor to the U.N. Consolidated Appeal for Sierra Leone in 2003, providing approximately 46% of the total contributed. Both the European Commission and Japan each provided another 10% toward Sierra Leone's humanitarian needs. Other major donors providing humanitarian assistance include Sweden, the Netherlands, Switzerland, Norway, and Germany.

**Somalia
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	500	250	100	0
Development Assistance	2,267	3,122	899	986
Economic Support Fund	1,750	0	0	0
PL 480 Title II	19,729	19,128	1,375	0
Total Program Funds	24,246	22,500	2,374	986

STRATEGIC OBJECTIVE SUMMARY				
649-004 Local Governance and Conflict Mitigation				
DA	1,600	1,474	0	781
ESF	450	0	0	0
649-005 Productive Livelihoods				
CSH	500	250	0	0
DA	567	1,548	799	105
ESF	1,300	0	0	0
649-006 Humanitarian Assistance				
CSH	0	0	100	0
DA	100	100	100	100

Mission Director,
Andrew Sisson

Somalia

The Development Challenge: Somalia has been without a central government since 1991, and there have been numerous failed attempts at reconciliation. Ongoing peace talks in Kenya, led by a regional organization, the Intergovernmental Authority on Development (IGAD), repeatedly stalled during 2003. Civil unrest is the primary obstacle to economic growth and development in Somalia. Somalia's dynamic trade and transportation sectors have helped to keep the nation's economy afloat during years of crisis and civil war. However, the absence of effective regulation or systematic oversight, either by Somalia or the countries with which it trades, has generated diverse opportunities for trafficking in arms and contraband.

Export earnings continue to drop following a livestock ban imposed in September 2000 by countries in the Arabian Peninsula because of inadequate animal health control and certification procedures in Somalia. Remittances make up a substantial segment of the economy, but in the absence of a banking system, Somalis working outside the country have a difficult time sending money home, especially following the closure of Al Barakat in 2002, formerly Somalia's largest remittance company. Severe environmental degradation resulting from the combined effects of poverty and post-war breakdown of natural resource management continues to dramatically undermine food security. While there are many incidences of environmental degradation (e.g., fishing exploitation, water contamination, etc.), charcoal production (especially for export) is of particular concern due to the widespread deforestation of the main livestock fodder tree. In addition, insecurity and reduced assets over time have made communities more vulnerable to seasonal climate cycles that result in reduced food production.

Infant and child mortality rates are among the highest in the world. Diarrhoeal disease-related dehydration, respiratory infections, and malaria account for more than half of all child deaths. Malnutrition is chronic and appears in acute forms in areas of drought, flooding and localized conflict. Somalia also reports one of the highest maternal mortality rates in the world caused by poor antenatal, delivery, and postnatal care and limited obstetric facilities. Female genital cutting, affecting up to 95% of girls, is an underlying cause of maternal death and is a serious violation of child rights. Cholera is endemic and occurs on a seasonal basis. Water availability and access is a critical problem and a cause for both conflict and internal migration.

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. U.S. policy is to encourage the return of Somalia to the international community. The United States and its allies combat extremism in Somalia by taking an active role in the peace process and with humanitarian assistance and support for long-term economic, social and democratic development.

The USAID Program: USAID assistance to Somalia works for a more secure, less vulnerable Somalia. The three main objectives of the program are: to strengthen local governance and conflict mitigation, to provide for more productive livelihoods, and to respond to critical needs for vulnerable groups. The first two objectives, funded through Development Assistance and Economic Support Funds, focus on strengthening the capacity of civil society organizations, enhancing the institutional foundation for the rule of law, and promoting economic opportunities by improving basic education, rehabilitating infrastructure and supporting small economic initiatives that enhance alternative energy use. The third objective is supported primarily by humanitarian assistance, including P.L. 480 food aid.

Other Program Elements: USAID uses Development Assistance, Economic Support Funds, International Disaster Assistance, and food assistance to implement an Integrated Strategic Plan (ISP). USAID's humanitarian assistance and P.L. 480 food aid are 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 populations in northern and

southern Somalia, through support to food-for-work activities, school feeding, and direct emergency distributions.

Other Donors: Donor coordination in Somalia is facilitated by a unique and effective mechanism known as the Somalia Aid Coordination Body (SACB) that was founded following the departure of the UN peacekeeping force in 1994 and has evolved into a network of technical advisory committees. USAID is a key participant in the SACB and provides funding to its Secretariat through the United Nations Development Program. The coordination group is made up of donors, UN agencies and non-governmental organizations and provides a framework for a common approach to the allocation of aid resources in Somalia. It recommends how aid should be distributed in Somalia and focuses on key areas for rehabilitation.

Somalia receives aid from several multilateral and bilateral sources. In recent years the European Union has been the largest donor to Somalia. The European Union provides assistance in primary health care, rural development, livestock production and marketing, and irrigation infrastructure. The United States has generally been the largest bilateral donor. Other major donors include 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 PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	20,404	28,565	23,328	24,011
Development Assistance	36,804	34,393	28,678	26,789
Development Credit Authority	500	0	0	0
Economic Support Fund	600	0	1,988	1,000
Total Program Funds	58,308	62,958	53,994	51,800

STRATEGIC OBJECTIVE SUMMARY				
674-001 Democracy and Governance				
CSH	0	275	500	0
DA	6,679	5,486	3,500	4,276
ESF	600	0	1,500	1,000
674-002 Education				
CSH	979	275	500	0
DA	9,422	9,743	9,341	7,602
674-004 Economic Capacity Building				
CSH	0	125	500	0
DA	6,210	4,573	3,254	2,400
674-006 Housing & Municipal Services				
CSH	0	275	500	0
DA	5,902	5,605	5,452	5,352
DCA	500	0	0	0
674-008 HIV/AIDS and Primary Health Care				
CSH	19,425	27,615	20,828	24,011
ESF	0	0	488	0
674-009 Employment Creation				
CSH	0	0	500	0
DA	8,591	8,986	7,131	7,169

Mission Director,
Dirk Dijkerman

South Africa

The Development Challenge: South Africa has made considerable progress since the fall of apartheid in 1994. Major transformations of the judicial, educational, health and governance systems have been launched. Two sets of free and fair national and local elections have been held. The South African government is committed to economic freedom and has invested heavily in its people. Public expenditures in education and health in particular have increased, and comprise more than 10% of the country's Gross National Product. Two million low-cost houses were constructed between 1996 and 2000, and 85% of all households have access to clean water.

Despite these achievements, South Africa continues to face rising gaps in services and opportunities for its historically disadvantaged population. The official unemployment rate is now 31%, and is even higher among black South Africans (37%). South Africa also has one of the largest income disparities in the world, with over 50% of the total population, mostly black South Africans, living below the poverty line. Two-thirds of total income is concentrated in 20% of the population, leaving the poorest 20% with only 2% of total income. Women earn 55% less than men. The infant mortality rate is 61 per 1,000 live births, and life expectancy at birth is estimated at 52 years.

To date, economic growth has been insufficient to lower South Africa's rising unemployment and poverty rates. Real Gross Domestic Product growth in 2003 was lower than expected at 2%, compared to 3% in 2002. Export growth also declined in 2003, primarily due to a stronger currency and a weak global economy. Privatization of state-owned enterprises is continuing at a slow but steady pace, and is expected to boost investment and reduce South Africa's debt burden, currently estimated at \$24 billion. Real capital spending by private businesses in South Africa is relatively high and growing.

HIV/AIDS is a major challenge to South Africa's continuing growth. South Africa has more people living with HIV/AIDS than any other country in the world. Adult HIV prevalence is estimated at 20%, with a rate of 26.5% reported among pregnant women. There are an estimated 660,000 HIV/AIDS orphans in South Africa today. It is estimated that 23% of the skilled and 32% of the unskilled workforce will be infected by 2005 and that, without treatment, five to seven million people will die from the disease by 2010.

South Africa has one of the highest murder rates and lowest conviction rates in the world. These factors have conspired to undermine investment and public confidence in a democratic government. Rapid influx of people into urban areas, including immigrants, has compounded the crime problem. The public perception of corruption has increased given recent allegations of fraud and bribery in government. The next national elections are scheduled to take place in April 2004, with local elections to follow in 2005. Although support for political parties is strongly divided along racial lines, the 2004 elections are expected to be democratic and relatively peaceful. Provision of goods and services is one of the key election issues.

South Africa remains critical to U.S. foreign policy interests. The country plays a key economic and political role in Africa bilaterally and regionally as an active member of the African Union and the New Partnership for Africa's Development, among others. South Africa has been actively engaged in efforts to peacefully resolve conflicts in Angola, the Democratic Republic of Congo, Mozambique, Rwanda, Burundi and, most recently, Zimbabwe. South Africa is also committed to U.S. counter-terrorism efforts, working to address issues such as money-laundering. South Africa remains by far the most important U.S. trading partner in sub-Saharan Africa, excluding Nigeria, a major oil exporter.

The USAID Program: USAID provides strategic assistance in six areas: health and HIV/AIDS, education, urban environment, employment generation, economic policy development, and democracy and governance. These objectives support national efforts to reduce disparities between historically privileged and disadvantaged groups and help build the capacity of local governments to deliver services. USAID uses partnerships with the private sector and non-governmental organizations to help achieve these objectives. South Africa is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). All proposed HIV/AIDS activities are being integrated into PEPFAR and are subject to the

approval of the U.S. Global AIDS Coordinator. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005. A new regional HIV/AIDS strategy supporting 10 countries, including five PEPFAR countries, is expected to be finalized by the end of FY 2004 and will be fully implemented in FY 2005. This program will be managed by USAID/South Africa.

USAID programs will also support South Africa's efforts to increase access to quality education and training for historically disadvantaged groups. In addition, USAID will support policies conducive to sustainable urban management, as well as improved access to energy-efficient housing and basic municipal services through public-private partnerships. These activities meet U.S. Government priorities in clean energy, climate change, and water. USAID programs will foster the growth and development of small and emerging urban and rural businesses by providing linkages and market opportunities that did not exist or were constrained under apartheid. FY 2004 funds will also be used to provide capacity building and training to entrepreneurs from historically disadvantaged groups, facilitate market-based land transactions, and enhance rural finance. Furthermore, USAID programs will support South Africa's efforts to address high rates of crime and perceptions of corruption through such programs as the Anti Corruption Initiative. All FY 2004 and FY 2005 funds will support ongoing programs as described in the following Data Sheets.

Other Program Elements: Twenty centrally and regionally funded activities complement the bilateral program. USAID/Washington awarded eight partnerships with U.S. universities to assist South African universities in the areas of governance, education, workforce development, health and HIV/AIDS, and enterprise development. USAID/Washington-funded activities in HIV/AIDS, as part of PEPFAR, include a grant to a South African university to assist eight government ministries in Africa to develop strategic plans addressing the impact of HIV/AIDS on education systems; two research activities to reduce the transmission of HIV/AIDS and deliver comprehensive primary health care services; a grant to an association of African mayors to address HIV/AIDS at the community level; and support for the regional HIV/AIDS program, which provides prevention services at cross-border sites as well as support to non-presence countries. USAID/Washington supports a program that helps agribusinesses produce and market natural products, as well as a regional public-private alliance that will focus on urban youth employment initially in South Africa, Rwanda, Malawi and Mozambique. USAID's Southern Africa regional program includes a business linkages program, jointly funded with the bilateral South Africa program, that fosters trade among small, domestic enterprises and helps initiate regional trade opportunities. USAID's regional program also funds a Heartwater vaccine and parasite control initiative through a public-private partnership located in South Africa. The regional office also supports economic policy development activities in South Africa and has contributed funds to South Africa's port concessioning program. USAID/Washington provides assistance to a South African non-governmental organization to build capacity and develop structures and systems of conflict resolution.

Other Donors: Donor coordination remains strong. The United States is the largest bilateral donor and second largest overall donor in South Africa. The European Union (EU) is the largest donor in health, education, criminal justice reform and community water projects. Other major bilateral donors and their principal areas of focus, in rank order of resources, include the United Kingdom (health, private sector development, democracy and governance, labor and criminal justice); Germany (democracy and governance, education, health and economic policy); and Sweden (democracy, governance, labor, and poverty alleviation). The USG is working closely with several bilateral governments, as well as the EU and the United Nations (UN), on HIV/AIDS research and poverty alleviation. The 13 UN agencies in South Africa focus on HIV/AIDS, rural development, and regional integration. The European Commission will soon launch a major initiative in local government in South Africa.

Sudan PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	500	700	11,500	11,000
Development Assistance	10,631	18,171	50,263	70,000
Economic Support Fund	20,000	7,000	9,941	20,000
PL 480 Title II	60,190	111,316	44,664	0
Total Program Funds	91,321	137,187	116,368	101,000

STRATEGIC OBJECTIVE SUMMARY				
650-001 Conflict Prevention				
DA	5,961	7,290	0	0
ESF	17,500	7,000	0	0
650-002 Food Security				
DA	4,670	10,881	0	0
ESF	2,500	0	0	0
650-003 Health				
CSH	500	700	0	0
650-004 Support to the Peace Process				
DA	0	0	1,000	1,000
ESF	0	0	9,941	5,000
650-005 Governance				
DA	0	0	12,922	9,849
ESF	0	0	0	15,000
650-006 Education				
DA	0	0	8,041	10,251
650-007 Health Transformation				
CSH	0	0	11,500	11,000
650-008 Economic Recovery				
DA	0	0	28,300	48,900

FY 2004 does not include \$20 million of International Disaster and Famine Assistance funds from the FY 2004 supplemental, which has not yet been allocated.

Mission Director,
Allan Reed

Sudan

The Development Challenge: This is an exciting time for Sudan and for USAID's programs. Among the Sudanese people there is a new-found optimism that the prospects for peace are greater than ever. A shift to higher-level negotiations since September 2003 between Dr. John Garang, leader of the Sudan People's Liberation Movement (SPLM) and Vice President of the Government of Sudan (GOS), Ali Osman Mohamed Taha, yielded a landmark security agreement and a revenue sharing agreement. Sudan is closer to peace now than at any other time in the last 20 years and a peace settlement is anticipated by the summer of 2004.

The current and next rounds of talks are crucial, as they represent the final phase of reaching a peace agreement. Two major areas of disagreement remain: power-sharing and the status of the three contested areas in northern Sudan controlled by SPLM. Pressure from the United States and other international actors played a crucial and welcome role in bringing the peace process to its current advanced stage.

Stable southern areas experienced some economic recovery, with food surpluses realized in the Western Equatoria region and trade increased with Uganda. However, enormous development challenges persist. Intermittent conflict and related human rights abuses (especially in the western Sudan region of Darfur) and deep ethnic and religious rifts will make reconciliation and a transition to peace difficult. The lack of basic physical infrastructure and institutional capacity, particularly in the south, will impede economic and social progress. Extremely high rates of illiteracy, limited access to basic education, high rates of child mortality and infectious diseases, an emerging HIV/AIDS threat, lack of financial institutions and economic opportunities, low agricultural production, and inaccessible markets are legacies from years of conflict and development neglect. With USAID assistance, some southern communities have begun rebuilding their education systems and have begun economic recovery programs.

The U.S. national interest in Sudan is to achieve a durable peace that will improve stability, help safeguard human rights and religious tolerance, end state sponsorship of international terrorism, and ensure unimpeded access for the delivery of humanitarian and development assistance. A peaceful Sudan is also important to the United States to promote regional stability in the volatile Horn of Africa. The U.S. Government is urging both parties to reach agreement, and senior Administration officials have provided encouragement and diplomatic pressure to the Government of Sudan and the SPLM to stay the course.

The USAID Program: The current program helps prepare the southern Sudanese for a transition from conflict to peace, focusing on four strategic objectives (SOs) and one special objective (SpO). The SOs center on good governance, basic education, health and economic recovery. The special objective focuses on quick impact, small scale, infrastructure rehabilitation (such as schools, clinics and waterpoints) and expanded support to the peace process. All activities emphasize capacity building at the local level.

FY 2004 funds will be used for ongoing conflict mitigation, good governance, basic education, health, and agriculture activities. Funds will also support new road and communications infrastructure and primary health services initiatives. FY 2005 funds will be used for ongoing, high cost, road building and other infrastructure, agriculture, education and health services activities and will also support new governance and economic recovery activities. USAID and its nongovernmental implementing partners work with appropriate southern Sudanese authorities. In opposition-administered areas, USAID coordinates activities with the Sudan People's Liberation Movement. In GOS-administered areas, coordination of humanitarian assistance is with the GOS Humanitarian Affairs Commission, within the legal parameters of U.S. sanctions against Sudan.

The \$20 million from the FY 2004 Emergency Supplemental Appropriation Act for Iraq and Afghanistan will be used to support the peace agreement in southern Sudan and for humanitarian response in western Sudan (Darfur). In the south, USAID will support the new Government of Southern Sudan through

infrastructure and training, and the transition to peace through demobilization and reintegration of armed groups in the main southern cities. In the west, where there is on-going conflict in Darfur, USAID will expand its relief programs to assist displaced populations as they become accessible.

Other Program Elements: USAID will continue to provide humanitarian assistance to respond to continuing humanitarian crisis needs throughout the country. In FY 2004, humanitarian funds will be used for immediate disaster response, especially in Sudan's western region of Greater Darfur, where escalating conflict has displaced an estimated one million civilians. Funds will also be 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 will be used for media and conflict mitigation activities. Relief will likely be needed to support ongoing reconstruction and resettlement activities. The State Department will continue to provide funding for the Civilian Protection Monitoring Team and the Verification and Monitoring Team, although it is anticipated that the activities of these bodies will decrease as peace is consolidated in the South. The State Department's Bureau of Population, Refugees and Migration will provide assistance through UNHCR, ICRC and non-government organizations to returning refugees. State also works with USAID, its implementing partners, and other international donors to coordinate reconciliation activities among various armed groups within southern Sudan who are not direct parties to the peace negotiations. In connection with such activities, State will continue to provide funding to help reinforce local southern efforts at reconciliation. State also anticipates support to facilitate reform within the armed forces. These activities complement USAID humanitarian and conflict mitigation efforts. USAID will pursue public-private alliances to complement USG resources.

Other Donors: Other donor funding for development is expected to increase once a formal peace agreement is signed. The United States remains the only major donor providing funds for development in opposition-administered areas. Other donors provide substantial levels of humanitarian assistance throughout Sudan. The European Union provides commodity and cash assistance. Germany, Norway, Sweden, United Kingdom, Canada, Italy, Belgium, the Netherlands, Finland, Switzerland, and Japan channel humanitarian assistance through United Nations (UN) agencies, and non governmental groups. 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 and the UN International Children's Fund administer large programs. Other participating UN entities include the Food and Agriculture Organization, Development Program, Population Fund, the Office of the UN High Commissioner for Refugees, and the World Health Organization.

**Tanzania
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	16,700	25,040	21,200	19,856
Development Assistance	8,108	12,769	7,000	7,132
Economic Support Fund	0	800	0	0
PL 480 Title II	4,827	22,535	5,813	0
Total Program Funds	29,635	61,144	34,013	26,988

STRATEGIC OBJECTIVE SUMMARY

621-001 Family Health and HIV Prevention				
CSH	16,700	25,040	21,200	19,856
ESF	0	500	0	0
621-003 Democracy and Governance				
DA	1,334	3,846	2,600	990
621-008 Natural Resource Management				
DA	3,017	3,910	2,500	3,000
ESF	0	300	0	0
621-009 Economic Growth				
DA	3,757	5,013	1,900	3,142

Mission Director,
Ray Kirkland

Tanzania

The Development Challenge: Following decades of 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. A sea of change is now underway, driven increasingly by a new generation of leaders. Tanzania has made significant strides in its conversion to a market-based economy. The government has undertaken reforms to contain inflation, control public expenditures and curb deficit spending, streamline the civil service, divest more than three hundred public enterprises, and pursue privatization of the key water, electricity, railroads, and telecommunications sectors. Tanzania's annual gross domestic product grew about 5.5% in 2002, building on an economic growth trend that is among the best in sub-Saharan Africa. In return, under the Heavily Indebted Poor Country Initiative, the country benefits from public sector international debt relief, which freed an estimated \$85 million last year for the pursuit of health and education objectives.

However, Tanzania still faces formidable impediments to progress toward its democratization and development goals. Challenges include structural obstacles to economic growth, institutional and human capacity limitations, corruption, the government's uneasy relationship with civil society organizations (CSOs), population growth, high rates of infectious disease, and unsustainable natural resource exploitation. Tanzania ranked 160 out of 175 countries in the 2003 United Nations Development Program Human Development Index. The World Bank estimates Tanzania's 2003 per capita income at \$277. Roughly half the population of 34.6 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 enrollment rate is only 59%, with just 7% in secondary school. Life expectancy is 50 years and falling, while the infant mortality rate is 104 per 1,000 and rising. Both these phenomena are largely attributable to a national HIV/AIDS infection rate for which estimates vary around 11%. Democracy remains fragile. Observers deemed Tanzania's 1995 and 2000 elections to have been free and fair on the mainland, but deeply flawed in Zanzibar, where bloodshed followed the contest in 2000. The two main parties have since negotiated a political reconciliation accord, and Zanzibar's 2003 by-elections occurred in a peaceful, fair environment. In October 2005, general elections will test the durability of the electoral process and institutions of democratic governance.

U.S. national 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 469,000 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: ensuring a healthy population; expanding productive, income-generating opportunities; managing and sustaining wildlife and coastal resources; and creating capacity for effective governance responsive to civil society. FY 2004 funds will continue to help increase the use of reproductive and child health services and, as part of the President's Emergency Plan for AIDS Relief, prevent the spread of HIV/AIDS by building demand for and availability of quality services. Additionally, a country team HIV/AIDS Working Group, headed by the Chief of Mission, is laying the groundwork for a major expansion of programs, especially for prevention and care, under the President's Emergency Plan for AIDS Relief (PEPFAR), for which Tanzania is a focus country. Assistance for rural income generation will concentrate on small farmer productivity and competitiveness, encouraging the development of effective enterprises and producer associations, and promoting trade. FY 2004 funds will continue to build the capacity of indigenous CSOs to pursue their objectives: to help the Tanzanian Parliament improve legislative performance; facilitate constructive relationships between CSOs and Parliament; support civic education; and complete funding for a two-year Muslim education activity. Environmental program funds in FY 2004 will promote policy and legislative reform, community-based natural resource management, conservation enterprise development, and improved coastal and protected area management.

Funds requested for FY 2005 will initiate a new USAID country strategy for Tanzania that builds on successes achieved under the current strategy. While funding will continue to be directed to the same sectors, some shifts in program emphasis will occur. Substantially more funding is expected for HIV/AIDS under the PEPFAR, leading to expanded as well as new activities in behavior change communication, anti-retroviral therapy, care and treatment, and support systems for community-based orphan care. The governance program will heighten attention to 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, with resources from the Initiative to End Hunger in Africa. USAID/Tanzania will receive Africa Education Initiative funding for in-service teacher training. USAID also will initiate a program support objective, managed by the Mission, to ensure that cross-cutting themes (e.g., gender, public-private partnerships, governance and information and communication technology) are fully integrated into the entire program.

Tanzania is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). All proposed HIV/AIDS activities are being integrated into PEPFAR and are subject to the approval of the U.S. Global AIDS Coordinator. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005.

Other Program Elements: Central funding from The Global Alliance for Vaccines and Immunization helps Tanzania develop sustainable immunization programs. Regional Africa programs support the Commonwealth Regional Health Community Secretariat to promote policy reform and dialogue with Commonwealth countries. The Global Conservation Program supports Tanzanian biodiversity conservation efforts in Northern Tanzania and along the coast. Education for Development and Democracy Initiative (EDDI) scholarships provided Tanzanian girls the opportunity to complete secondary school. EDDI funds also were used to install a community development center at Zanzibar's Karume Technical College. The center offers comprehensive, state of the art information technology training and greater access to technology for the college and surrounding communities. The Famine Early Warning System furnishes food availability information to the Government of Tanzania.

Other Donors: Japan (agriculture, transport) and the United Kingdom (public sector finance, agriculture) together provide more than one-third of bilateral assistance. Other bilateral donors include Denmark (health); Sweden and Germany (information technology, wildlife); Norway (energy); and the Netherlands (rural development). The United States is the lead bilateral donor for HIV/AIDS and for wildlife and coastal resource management. USAID activities in health and governance 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 micro-enterprises) and the European Union (rural roads, basic education). The Development Assistance Committee donors have created an Independent Monitoring Group which periodically assesses coordination and the donor relationship with government, and recommends improvements.

**Uganda
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	35,000	41,114	34,460	34,294
Development Assistance	24,724	27,183	27,182	20,450
Economic Support Fund	0	1,600	0	0
PL 480 Title II	27,458	75,896	22,580	17,591
Total Program Funds	87,182	145,793	84,222	72,335

STRATEGIC OBJECTIVE SUMMARY				
617-007 Economic Development				
DA	15,510	16,390	19,222	15,183
ESF	0	1,100	0	0
617-008 Human Capacity				
CSH	35,000	40,259	34,460	34,294
DA	8,154	8,460	6,900	4,446
617-009 Governance and Conflict				
CSH	0	855	0	0
DA	1,060	2,333	1,060	821
ESF	0	500	0	0

Mission Director,
Vicki Lynn Moore

Uganda

The Development Challenge: Uganda has made substantial progress in social and economic development since the USAID program was revived in 1980, moving from recovery and reconstruction toward sustainable growth and poverty reduction. Nonetheless, significant challenges remain. Free primary education is available to all Ugandan children and enrollments have surged to nearly 90%. Only 66% of the children, however, complete primary school. As a result of economic reforms, Uganda achieved relatively high economic growth during the 1990s, but growth slowed to 4.9% in 2003 and per capita income is only \$330. While the population living in poverty declined from 56% in 1992 to 38% in 2002, high population growth, now at 3.4%, is eroding economic growth, deepening poverty, and countering other achievements in social sectors. The number of people living on less than a dollar a day remains at 9.5 million in 2003, the same as in 1992. Conflict continues to affect the poverty level, which remains at 70% in the North, and 1.4 million people are displaced due to insecurity in the North and East. The agricultural sector is central to Uganda's economy and food security. It provides employment to 83% of the population, accounts for 40% of GDP, and generates 85% of export earnings. However economic growth is largely dependent on rain-fed agriculture, making it vulnerable to adverse weather conditions and declining international commodity prices. Consequently, Uganda must step up efforts to diversify the economy and provide an enabling environment to attract private domestic and foreign investment to achieve and sustain the 7% annual GDP growth needed to meet the poverty reduction goal.

Uganda has one of the highest total fertility rates in sub-Saharan Africa, nearly unchanged for 40 years at seven births per woman. Increased availability and better quality reproductive health services are urgently needed to reduce population growth, decrease high infant and maternal mortality rates, and sustain achievements in the fight against HIV/AIDS and other infectious diseases. HIV/AIDS is a major challenge in Uganda's conflict areas where prevalence rates are thought to be much higher than other areas of the country. Despite an overall declining sero-prevalence rate among adults, the HIV/AIDS pandemic could resurge among Uganda's largely young population. Malaria incidence is also high and not improving.

Uganda's democracy lacks viable political opposition and has an overly strong executive branch. Uganda's progress toward a vigorous and representative multi-party democracy requires permitting political parties to operate freely and constructively, as well as building institutions and systems which can check and correct abuse of authority and corruption. On another front, armed conflict in northern Uganda and the spread of attacks on civilians in eastern Uganda by the Lord's Resistance Army (LRA) have displaced more than 1.4 million persons, creating Uganda's worst humanitarian crisis in 17 years. Continued conflict and insecurity causes more than \$100 million per year in lost production.

The United States has security and humanitarian interests in helping Uganda tackle its economic and social problems. Stable political and improved economic conditions in Uganda and the East African region will prevent terrorism from flourishing. Uganda has been a model in the fight against HIV/AIDS, poverty reduction and economic reform, and is a strong ally in the war against terrorism. Promoting democracy and good governance, resolving conflict, developing human capacity, and expanding economic opportunity and growth in Uganda are consistent with U.S. national interests.

The USAID Program: The goal of the USAID program is to assist Uganda in reducing mass poverty. Three strategic objectives address: economic growth, improved human capacity, and effective governance. The rural sector growth objective addresses food security and sustainable agriculture, as well as trade and investment. It is designed to boost economic growth, restructure and revitalize Ugandan exports, curb environmental degradation, and enhance food security for the vulnerable elements of the population, 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 education and health status. The program will help to reduce Uganda's high population growth and fertility rate and mitigate infant and child mortality due to preventable infectious diseases. Improving both the quality of basic education, and primary school completion rates are critical objectives of the program. In collaboration with the GOU and private sector

partners, USAID will also implement major new interventions to ensure delivery of prevention, treatment, care and support services to those living with HIV/AIDS, including orphans. Uganda is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). All proposed HIV/AIDS activities are being integrated into PEPFAR and are subject to the approval of the U.S. Global AIDS Coordinator. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005. USAID's human capacity program also works in conjunction with PEPFAR; the Global Fund to Fight AIDS, TB and Malaria; and the Africa Education Initiative. The third objective, effective governance, addresses problems of accountability and improved legislative oversight, increased political pluralism, district-level management and budgeting skills, 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 assist war-affected children in northern and western Uganda, including formerly abducted children, former child soldiers, child mothers, and the internally displaced, with counseling and vocational training. Victims of Torture Funds are used to rehabilitate and reintegrate adults and children who have been physically or psychologically abused by rebel forces. Other USAID/W resources will assist in capacity building for those involved in conflict resolution. As part of its overall \$80 million food aid program in 2003, USAID provided 102,160 MT of P.L. 480 Title II emergency food aid, valued at \$58 million, which represents 70% of the food aid distributed by the World Food Program to nearly 2.5 million people in the conflict and drought affected areas of northern and eastern Uganda. Other USAID/W resources promote community-based management of childhood illness and increased child survival in southwestern Uganda. Leland Initiative funds have been used to make the Internet accessible to hundreds of teacher trainees and tutors at nine training institutions and to provide girls' scholarships. Regional funding of Ugandan conflict mitigation and resolution activities is complemented by substantial resources from the Office of Foreign Disaster Assistance and Food for Peace to finance humanitarian relief activities and provide commodities for distribution, mainly in northern Uganda. In addition, Uganda benefits from USAID central funds for grants to the International Gorilla Conservation Program.

Other Donors: Uganda is highly dependent on donor assistance, estimated at \$800 million for the fiscal year, which ended June 2003. Donor flows are expected to finance nearly half of the national budget this year. The World Bank is the largest donor, providing budget and project support for private sector development, infrastructure, civil service reform, HIV/AIDS prevention and care, and rehabilitation of northern Uganda. Other multilateral donors include the United Nations Development Program (UNDP), UNAIDS, United Nations Children's Fund (UNICEF), the European Union (EU), and the International Monetary Fund (IMF). The leading bilateral donor to Uganda, the United Kingdom, focuses on justice, rule of law, agriculture and environment, education, health, and public administration. The United States is the third ranking donor to Uganda and the second largest bilateral donor after the United Kingdom. Denmark, the Netherlands, Sweden, and Japan provide substantial bilateral assistance covering a wide variety of activities and sectors. The United States plays a key role in donor coordination as chair of sector working groups for conflict, health, environment, and democratic processes.

Zambia PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	30,700	37,904	34,200	34,100
Development Assistance	14,822	15,676	13,677	11,150
Economic Support Fund	800	650	0	0
PL 480 Title II	8,060	0	0	2,877
Total Program Funds	54,382	54,230	47,877	48,127

STRATEGIC OBJECTIVE SUMMARY				
611-001 Rural Income Growth				
DA	8,160	7,652	0	0
611-002 Basic Education				
DA	5,450	6,501	0	0
611-003 Integrated Health				
CSH	30,700	37,904	0	0
611-004 Democracy and Governance				
DA	1,212	1,523	0	0
ESF	800	650	0	0
611-005 Increased Competitiveness				
CSH	0	0	1,750	625
DA	0	0	6,707	6,770
611-006 Basic Education				
CSH	0	0	1,750	625
DA	0	0	5,770	3,460
611-007 Improved Health Status				
CSH	0	0	21,200	25,600
611-008 Democracy and Governance				
CSH	0	0	500	250
DA	0	0	1,200	920
611-009 Multi-sectoral Response to HIV/AIDS				
CSH	0	0	9,000	7,000

Mission Director,
Helen Gunther - Acting

Zambia

The Development Challenge: Zambia's transition to multiparty democracy has been accompanied by fundamental economic reforms in an effort to establish a liberal political economy. The political and economic reform process has been slow and has been impeded by the country's legacy of authoritarian leadership, historical over-dependency on copper, limited foreign and domestic investment, and corruption. Furthermore, HIV/AIDS has severely impacted the social and economic sectors. Zambia ranks 163 out of 175 countries on the 2003 United Nations Human Development Index. Life expectancy is under 40 years; under-five mortality is 168 per 1,000 live births; and there is a high prevalence of HIV/AIDS (16% of the adult population). Seventy-three percent of the population lives below the official poverty line. Zambia's development progress has been constrained by lack of economic diversification, periodic drought and floods, and budgetary weaknesses.

The World Bank estimates that in 2002 Zambia's per capita domestic product was \$351. External debt was estimated at \$5.419 billion in late 2002, with debt service absorbing 15% of export earnings. Over 60% of the country's debt is owed to multilateral institutions. In late 2000, Zambia successfully reached the next stage for Enhanced Heavily Indebted Poor Countries (HIPC) debt relief. However, the Government of the Republic of Zambia (GRZ) deferred proceeding to the final stage from December 2003 to June 2004. Should the GRZ reach the final stage of the HIPC process, the benefits will include substantial debt relief and a reduction in Zambia's average annual debt.

The GRZ has approved a Poverty Reduction Strategy Plan (PRSP), a comprehensive economic and social plan drawn up with the participation of donors and other stakeholders. However, implementation has been slow due to budgetary constraints. One of the PRSP's key priorities is to promote growth of a vibrant private sector that will contribute to economic and export growth. The PRSP also gives prominence to the issue of good governance, with the principle of zero tolerance of corruption by political leaders. According to the PRSP, the GRZ is very committed to improving public expenditure management, strengthening the Anti-Corruption Commission, and implementing the National Capacity Building Program for Good Governance. The GRZ is focused on increasing the access of the population to justice, decentralizing its functions, and improving communications between government institutions and Zambian citizens. Zambia's Medium Term Expenditure Framework, linked to the PRSP, will guide the annual budget process over a three-year time horizon.

Zambia has many active non-governmental organizations (NGOs) and civic society groups, and there are several independent newspapers and radio stations in addition to the two state-owned newspapers and the Zambia National Broadcasting Corporation. The current government's top three priorities are the fight against corruption, promotion of agriculture in a more diversified economy, and combating HIV/AIDS. The Zambian President also introduced free universal primary education in 2002.

The United States' primary national interest in Zambia is economic prosperity to support Zambia's development as a stable, peaceful, and prosperous free market democracy, thus enhancing the stability of southern Africa. With ongoing conflict within its largest neighbor (the Democratic Republic of Congo) and political and economic instability in Zimbabwe, a stable, democratic, and prosperous Zambia is important for the United States and the region. As a country with significant natural resources, a market-based economy, and a multi-party democratic political system, Zambia can play a significant role in promoting peace and stability in a region of growing importance to the United States. A peaceful, democratic Zambia will assist in the global war against terror by denying terrorists refuge and financial or other support.

The USAID Program: The new USAID Country Strategic Plan for Zambia for 2004-2010 outlines an innovative approach to help Zambia address its challenges and accelerate growth. The vision of this new 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. The data sheets that follow cover the five objectives for which USAID is requesting FY2004 and FY2005 funds. These five 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. The fifth objective provides additional support to the GRZ's multisectoral HIV/AIDS program with a view to reducing the impact of HIV/AIDS. The country strategy hopes to ensure gender-sensitive, people-level improvements and information and communications technology are incorporated throughout the portfolio. USAID's five objectives directly contribute to several sectors and cross-cutting areas of the PRSP.

USAID hosted a workshop for the government, private sector, and NGOs to raise awareness and understanding of the concept and practice of public-private partnerships. As implementation of the new strategy progresses, USAID will seek to leverage international and local private resources to enhance total development aid and increase its efficiency.

Other Program Elements: The activities outlined in the following data sheets are complemented by several Presidential Initiatives and other programs. The Africa Bureau manages the Presidential Initiatives of Trade for African Development and Enterprise program and the Initiative to End Hunger in Africa. USAID's trade competitiveness "hub" for Southern Africa and the regional program for East Africa both address issues related to regional trade facilitation. USAID's Regional Urban Development Office in South Africa is exploring the possibility of obtaining Development Credit Authority loan guarantees for Zambia in partnership with Houses for Africa and Stanbic Bank. USAID's Economic Growth, Agriculture and Trade Bureau provides technical assistance for regulation and rural electrification through energy sector partnerships. The Food for Peace office of USAID's Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) provides emergency food aid through the Consortium for the Southern African Food Emergency program. The U.S. Department of Agriculture provides technical assistance for pest risk assessments for the entry of horticultural products into the U.S. market.

Zambia is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). All proposed HIV/AIDS activities are being integrated into PEPFAR and are subject to the approval of the U.S. Global AIDS Coordinator. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005. Zambia also has been a recipient of funds from the President's Initiative to Prevent Mother-to-Child Transmission of HIV/AIDS (PMTCT), which will be incorporated into PEPFAR in FY 2004. DCHA's Office of Private and Voluntary Cooperation has funded grants to several U.S. private voluntary organizations in Zambia. Education activities are complemented by the U.S. Presidential Africa Education Initiative. USAID/Zambia has also received funds from the Anti-Corruption Initiative.

Other Donors: Overall development assistance to Zambia totals about \$310 million a year. The United Kingdom and the United States are Zambia's first and second largest bilateral donors, respectively. Other major bilateral donors and their principal areas of focus 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. Donor coordination is excellent. 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 PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	6,450	11,923	11,100	11,369
Development Assistance	2,512	2,919	746	1,246
Economic Support Fund	6,000	4,050	2,982	2,000
PL 480 Title II	25,522	0	0	0
Total Program Funds	40,484	18,892	14,828	14,615

STRATEGIC OBJECTIVE SUMMARY				
613-008 Participation				
DA	2,512	1,567	746	1,135
ESF	5,500	4,050	2,282	2,000
613-009 HIV/AIDS				
CSH	5,950	11,423	10,600	10,869
613-010 Increased Access to Economic Opportunities				
CSH	500	500	500	500
DA	0	1,352	0	111
ESF	500	0	700	0

Mission Director,
Paul Weisenfeld

Zimbabwe

The Development Challenge: Zimbabwe is now in its fifth consecutive year of severe economic contraction, precipitated by a political crisis that has embroiled the country since 1997 and aggravates an already worrying social context. Zimbabwe's hopes for economic and social recovery lie with a comprehensive approach that includes the restoration of the rule of law and the reintroduction of sound monetary and fiscal policies. The protracted impasse in Zimbabwe's political arena, however, is setting up the country for a prolonged recovery process. Despite efforts by key players to broker negotiations between the ruling party and the major opposition party, the political stalemate continues and the government has continued to suppress, directly or indirectly, any form of dissent from the opposition party, independent press, the labor movement, or civil society.

Zimbabwe's economic indicators have worsened over the past year, and the outlook is bleak. Gross Domestic Product (GDP) declined by a record high 13.2% in 2003. The foreign currency shortage remains critical (foreign currency earnings declined from \$2.2 billion in 2000 to an estimated \$200 million for 2003). A loose monetary policy and an artificially high official exchange rate (\$824 Zimbabwean dollars to one U.S. dollar) have resulted in a parallel market rate for the currency as high as Z\$6,000 to \$1. At a conservatively estimated rate of 620%, Zimbabwe's inflation is the world's highest. Most of 2003 was characterized by widespread shortages of local currency, fuel, electricity, and basic commodities. More than 70% of the population live below the poverty line. The World Food Program estimates that over seven million Zimbabweans are in need of humanitarian assistance, and the Government of Zimbabwe (GOZ) has neither funds nor credit to secure required food or other essential imports.

Zimbabwe's once robust social services are collapsing in the face of the economic crisis, the AIDS epidemic, and an alarmingly large exodus of the country's educated professionals. Zimbabwe has one of the highest HIV/AIDS prevalence rates in the world (24.6% of all adults). Life expectancy dropped from 61 years in 1990 to 34 years in 2002. 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 restore democratic legitimacy and foster free and fair elections; prevent further deterioration of the political/economic situation and its detrimental regional impact; strengthen prospects for stability by fortifying civil society and democratic institutions; and mount an effective response to both the HIV/AIDS pandemic and the humanitarian crisis.

The USAID Program: The Zimbabwe program focuses on three critical areas: 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 (principally in rural and peri-urban areas) to appropriate business and technical services. The program remains subject to the legislative restrictions of the Brooke-Alexander Amendment and Section 620q and, absent a resolution of the political crisis, U.S. policy also restricts direct USAID assistance to the GOZ.

FY 2004 funds will be used to carry out programs in three focus areas. USAID will expand the HIV/AIDS program to address the growing epidemic more comprehensively by implementing behavior change/prevention activities, care and support, and promotion of effective leadership and policy development. Voluntary counseling and testing services will be expanded, balanced behavior change messages will be broadcast, and there will be efforts to ensure reliable supplies of condoms for health clinics nationwide. USAID will expand its support of community efforts for the care of orphans and other vulnerable children, and will support the provision of services for the prevention of mother to child transmission of HIV and antiretroviral therapy for those with AIDS. USAID will help integrate HIV/AIDS activities into existing family planning programs, strengthen the capacity of the public sector and civil society to formulate and advocate for improved HIV/AIDS policies, and support the engagement of church leaders in the fight against HIV/AIDS.

In democracy and governance, USAID is working to strengthen both the demand and supply sides of the democratic equation by supporting civil society organizations (CSOs) and selected government

institutions to promote sustainable dialogue and public discourse. Democracy and governance activities focus on: 1) supporting CSOs that demand greater inclusiveness in national-level decision-making through improved advocacy to Parliament; 2) supporting 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 that are committed to democratic reform.

USAID's economic opportunities program is designed to 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. This special objective provides technical training services, including basic agronomic practices such as use of low-cost drip irrigation technologies, and helps establish direct farmer to market (out-grower) contracts.

Other Program Elements: USAID's Food for Peace and Foreign Disaster Assistance offices provide emergency food and other humanitarian assistance. The Office of Transition Initiatives supports freedom of the press, the rule of law, grassroots organizations, and human rights. The American Schools and Hospitals Abroad office supports Africa University, a private university located in Mutare and funded by the Methodist Church.

USAID's regional portfolio includes four activities dealing with natural resource management; three supporting agricultural research and policy development; five supporting the development of Southern Africa regional trade and economic integration; and three encouraging anti-corruption, enhanced legislative processes, and greater media freedom. Due to Brooke-Alexander restrictions, Zimbabwe's participation in these activities has been greatly reduced.

The southern Africa regional HIV/AIDS program focuses on HIV/AIDS mitigation along international trucking routes and at border sites. The regional Famine Early Warning System network supports regional food security monitoring, analysis and reporting in selected countries, including Zimbabwe. The Centers for Disease Control and Prevention (CDC) works with the GOZ to combat the AIDS pandemic and with WHO on other health-related issues.

Other Donors: In addition to the United States, the major non-food aid donors are: the European Union (governance, social services and environment); the United Kingdom (HIV/AIDS, health and agriculture recovery); Japan (environment, self help, HIV/AIDS, reproductive health, education, infrastructure and private sector); and Sweden (HIV/AIDS and democracy/human rights). Smaller programs are implemented by the Netherlands (governance and HIV/AIDS) and Norway (DG, health and education, although their program is now in abeyance). Germany and Denmark have withdrawn their development programs since the March 2002 Presidential elections. Humanitarian assistance is provided by 15 bilateral donors, including the United States, as well as the European Union, the African Development Bank, and the United Nations' agencies.

The International Monetary Fund and World Bank programs remain frozen, principally due to non-repayment of arrears, but the World Bank is now actively exploring options to remain engaged in Zimbabwe through its new program, entitled "Low-Income Countries Under Stress." All but one major bilateral donor have stopped government-to-government assistance, opting instead to channel their aid through non-governmental organizations. The UN family of agencies remains active in Zimbabwe in several sectors (AIDS, health, education, environment and governance). Donor coordination is excellent, especially with respect to the emergency food and humanitarian assistance programs. USAID, in conjunction with CDC, leads the coordination of HIV/AIDS activities in country, and participates in other donor coordination groups.

**REDSO-ESA
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	9,475	10,452	12,500	11,009
Development Assistance	15,859	23,774	17,172	16,579
Economic Support Fund	1,000	0	0	0
ESF - Wartime Supplemental	0	5,000	0	0
Total Program Funds	26,334	39,226	29,672	27,588

STRATEGIC OBJECTIVE SUMMARY				
623-005 Regional Food Security				
DA	12,868	16,860	15,356	13,847
ESF	1,000	0	0	0
ESF - Wartime Supplemental	0	5,000	0	0
623-006 Regional Conflict Management and Governance				
DA	3,176	6,789	1,816	2,732
623-007 Regional Health Systems Improvements				
CSH	9,475	10,452	6,000	4,509
DA	15	125	0	0
623-XXX HIV/AIDS				
CSH	0	0	6,500	6,500

FY 2003 ESF Wartime Supplemental funding for Djibouti in the amount of \$5 million was obligated by REDSO-ESA in support of Djibouti.

Mission Director,
Andrew Sisson

REDSO-ESA

The Development Challenge: The region of east and southern Africa (ESA) is composed of countries that, for the most part, have extremely low, or even negative, annual rates of economic growth. They are among the poorest and least developed nations 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 infrastructure, as well as major policy and bureaucratic obstacles, constrain intra-regional trade and aggravate internal and cross-border conflicts along porous borders. 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.

The Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA) actively promotes U.S. national interests in ESA by supporting, complementing and enhancing USAID programs, while managing a unique and innovative program of regional activities. Economic growth, increased foreign investment, and the promotion of international and intra-regional trade are essential components of the U.S. Government's effort to reduce the likelihood that the region will serve as a breeding ground for international terrorist activities. Strengthening regional African organizations and institutions with training and new systems to mitigate conflict enhances the strength of national governments and promotes the application of African solutions to pressing economic and social problems. A reduction in the transmission of HIV/AIDS and other infectious diseases will improve health and diminish the risk of future economic disruption and political disintegration throughout the region.

The USAID Program: REDSO/ESA's program is based on a unique tri-partite mandate to: 1) manage an innovative regional set of activities, such as food security, capacity building and treatment of infectious diseases; 2) provide services to other USAID programs in the region; and 3) manage USAID programs in Somalia, Burundi and Djibouti. REDSO 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, conflict prevention and mitigation, health systems, and HIV/AIDS.

REDSO 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. In addition, REDSO activities addressed gender disparities by supporting the training of women entrepreneurs. These efforts directly support two Presidential initiatives: The Initiative to End Hunger in Africa (IEHA), and the Trade for African Development and Enterprise (TRADE) initiative.

Given the number and intensity of east African potential and actual cross-border conflict situations, REDSO activities emphasize the identification and testing of innovative methodologies and systems to monitor key indicators of conflict in selected geographic areas and then the dissemination of the results and the "best practices" through African organizations throughout the region. Activities in these "cluster areas" have enabled REDSO to develop a unique index for measuring the capabilities of organizations to establish conflict early warning systems. In addition, REDSO has provided technical assistance for important conflict vulnerability assessments.

REDSO 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. Finally, REDSO has 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 (PEPFAR).

In FY 2003 REDSO/ESA provided support (legal, financial, procurement, and food aid management) and technical advisory services to USAID programs in 23 countries throughout eastern and southern Africa. It also managed the USAID programs in Burundi, Somalia, Djibouti and Sudan. During FY 2003 REDSO managed the Sudan program. However, in November of 2003 the Sudan Field Office was established and designated as a separate USAID mission.

Other Program Elements: In FY 2003 REDSO/ESA continued to provide technical and managerial assistance to USAID's 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. REDSO also collaborated with the Office of Disaster Assistance (OFDA) humanitarian and emergency programs in the region and with the Centers for Disease Control and Prevention (CDC) and other U.S. Government agencies on HIV/AIDS activities and programs. Finally, REDSO/ESA facilitated ongoing activities of centrally funded USAID programs that provide technical assistance and training to key regional African institutions in population, health and nutrition activities. For example, in FY 2003 centrally funded health projects worked in the following areas: 1) helping to assess manpower needs, courses and institutions to aid comprehensive planning for HIV/AIDS training in 11 countries in the region; and, 2) supporting the development of a management tool to enable national governments to evaluate the performance of drug and commodity supply systems and measure progress toward implementing national drug policies.

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
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance	20,117	21,115	18,999	18,363
Economic Support Fund	950	1,200	0	0
Total Program Funds	21,067	22,315	18,999	18,363

STRATEGIC OBJECTIVE SUMMARY				
690-001 Improved Democratic Practices in Southern Africa				
DA	1,617	1,879	0	0
ESF	200	1,200	0	0
690-002 Southern Africa Trade Development				
DA	14,500	12,796	0	0
690-012 Shared Natural Resources Management				
DA	0	977	0	0
ESF	750	0	0	0
690-013 Expanded Trade in Farm Technologies and Products				
DA	4,000	5,463	0	0
690-014 A More Competitive Southern African Economy				
DA	0	0	7,500	7,722
690-015 Improved Rural Livelihoods				
DA	0	0	7,544	7,300
690-016 Improved Electoral Competition in Southern Africa				
DA	0	0	1,382	1,101
690-017 Improved Management of Selected River Basins				
DA	0	0	2,573	2,240

Mission Director,
Dawn Thomas - Acting

Regional Center for Southern Africa

The Development Challenge: The Southern Africa regional program covers 12 of the 14 countries that are members of the Southern Africa Development Community (SADC). The country mix ranges from very poor (Angola, Lesotho, Malawi, Mozambique, Tanzania, Zambia, and Zimbabwe) to middle income (Botswana, Mauritius, Namibia, South Africa, and Swaziland). The region is anchored by the modern and dominant economy of South Africa, although many of the countries in southern Africa continue to be predominantly agricultural. Although agriculture accounts for 70-80% of employment, it contributes only about 20% of regional GDP. Average regional GDP growth in 2003 was 3.1%, which is better than the 2.4% of 2002, but only half of the estimated 6.2% the region needs to meet its poverty alleviation goals. Challenged by poverty, hard hit by the HIV/AIDS pandemic, and continually beset by droughts and food insecurity, the region has seen its average life expectancy drop from 57 to only 33 years. The continuing political crisis in Zimbabwe illustrates the fragility of democratic institutions in the region.

Against this bleak picture is the more positive one of a region with relatively well-developed infrastructure, diverse natural resources, nascent democratic governments, generally better education and, apart from HIV/AIDS, better health than the rest of sub-Saharan Africa. The region remains relatively peaceful compared with other African sub-regions, which makes possible its move toward regional integration. In the past five years, under the leadership of SADC, regional agreements ("Protocols") concerning trade, transport, communications, energy, shared watercourses, and corruption have been signed by SADC member states.

The United States has three main interests in southern Africa: increasing trade and strengthening economic ties with the SADC region; mitigating the region's HIV/AIDS crisis and 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 2004 and FY 2005 funding for the four objectives covered in the following data sheets. These objectives focus on increased competitiveness, improved rural livelihoods, increased electoral competition, and improved river basin management in the southern African region. A new southern Africa regional strategy begins in FY 2004. All of the objectives are new and thus were not notified in the FY 2004 Congressional Budget Justification.

USAID will provide a regional platform for several presidential and agency initiatives: the TRADE Initiative, the Initiative to End Hunger in Africa (IEHA), the Anti-Corruption Initiative and the Conflict and Peace Building Fund. These initiatives, in concert with the southern Africa regional program, will finance activities to 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.

More limited funds will be used to fund democracy activities that address electoral frameworks and participation in the eight upcoming national elections scheduled for 2004 and 2005. Funding for the fourth area of activity, river basin management, will be used to support institutional and community work in the Okavango River Basin.

Other Program Elements: USAID's South Africa mission manages a regional HIV/AIDS program that focuses on preventing transmission at border crossings and checkpoints. In addition, USAID's Africa Bureau supports the drought preparedness activities of the Famine Early Warning System Network across the five countries in southern Africa that are most affected by drought. Recognizing the importance of conflict resolution and management skills in sub-Saharan Africa, USAID's Africa Bureau supports the South Africa-based African Centre for the Constructive Resolution of Disputes to expand its capacity, programming, and geographic coverage.

Other Donors: According to a recent donor survey, the European Union (EU), USAID, and the United Kingdom (UK) have the largest regional programs in economic growth and infrastructure. Similarly, the UK and Denmark have the largest regional democracy and governance programs; the EU and Norway

have the largest regional environment and natural resource management programs; and the EU, USAID, and UK have the largest regional agriculture programs. The International Monetary Fund (IMF) works on anti-corruption initiatives and the UK's Department for International Development (DFID) is involved in electoral norms and standards. The World Bank is financing an expansion of the regional energy grid to Malawi and Tanzania, which should lead to further growth of the short-term electricity market that USAID helped establish. Germany and the World Bank's Global Environmental Facility support community enterprise activities and policy development in the Greater Limpopo management area. The economic growth areas in which USAID is working receive support from a number of donors, namely the EU, DFID, and Germany (regional trade); the EU, World Bank and IMF (economic and financial sector reforms); and the World Bank, EU, and DFID (customs reform and administration).

**West African Regional Program (WARP)
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	19,473	19,461	19,300	21,464
Development Assistance	10,773	18,232	14,846	14,405
Economic Support Fund	1,550	1,240	0	0
PL 480 Title II	1,043	1,141	2,053	1,720
Total Program Funds	32,839	40,074	36,199	37,589

STRATEGIC OBJECTIVE SUMMARY				
624-004 Regional Economic Integration Strengthened				
DA	4,875	7,426	6,390	6,456
ESF	1,000	0	0	0
624-005 Family Health and AIDS Prevention				
CSH	19,473	19,461	19,300	21,464
ESF	0	1,240	0	0
624-006 Food Security and Natural Resource Management				
DA	3,366	7,802	7,590	7,100
ESF	250	0	0	0
624-007 Conflict Prevention				
DA	2,532	3,004	866	849
ESF	300	0	0	0

Mission Director,
Carlene Dei

West African Regional Program (WARP)

The Development Challenge: Conflict continues to plague this sub-region, undermining investments in its development and further impoverishing the majority of its people. The failure to resolve the crisis in Cote d'Ivoire has disrupted the pattern of intra-regional trade and displaced its people, both within Cote d'Ivoire and neighboring countries. The monumental task of rebuilding Sierra Leone is made all the more difficult by the influx of refugees from the conflict in Liberia while the potential for upheaval in Guinea threatens the stability and prospects for development of all its neighbors.

Development indicators for the region remain abysmal with more than half of West African countries falling within the bottom 25 countries on the United Nations Human Development Index for 2003. Cape Verde aside, Gross Domestic Product (GDP) per capita for 2001 ranged from a low of \$470 for Sierra Leone to a high of \$2,250 for Ghana. The proportion of the population living on a dollar or less a day when measured between 1990 and 2001 ranged from 12% in Cote d'Ivoire to 73% in Mali. Forty per cent of countries experienced negative GDP growth during the same period. It is not surprising that only four countries - Cape Verde, Ghana, The Gambia, and Guinea - are on track with respect to half or more of their Millennium Development Goals. Although agriculture is viewed as the engine that will drive West Africa's economic growth and development, it too is faced with several biophysical constraints, including low soil fertility and low rainfall. In all, only 4% of West Africa's land area has both high soil fertility and sufficient rainfall for an adequate number of growing days. Ironically, these dismal development indicators for West Africa make the region all the more strategically important to the United States. Desperate and widespread poverty combines with porous borders and lax and corrupt bureaucracies to create a lucrative source of funds from illegal trade in the region's high-value natural resource wealth - diamonds, timber, and uranium - that directly or indirectly support terrorist groups.

The USAID Program: The West Africa Regional Program (WARP) deals with those West African development challenges that are most effectively addressed at a regional level. The WARP program works in partnership with USAID bilateral missions, U.S. Embassies, and leading regional intergovernmental organizations such as the Economic Community of West African States (ECOWAS), the West African Economic and Monetary Union (WAEMU), and the Permanent Interstate Committee for Drought Control in the Sahel (CILSS). The program serves the 18 nations of Benin, Burkina Faso, Cameroon, Cape Verde, Chad, Cote D'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

The data sheets that follow this summary cover the four objectives for which USAID plans to use FY 2004 and FY 2005 funds. These objectives are concerned with: 1) fostering regional economic integration; 2) increasing the adoption of sustainable policies for and approaches to reproductive health, sexually transmitted disease, HIV/AIDS, and child survival; 3) strengthening food security and environmental policies and programs; and 4) supporting the establishment of regional conflict prevention mechanisms. Continued funding from the Presidential Initiative for Trade for African Development and Enterprise (TRADE) will be used to expand trade between the region and the United States, particularly under the Africa Growth and Opportunity Act and to bring the region further into compliance with World Trade Organization regulations. Further funding from the Initiative to End Hunger in Africa (IEHA) will be used to start a program of activities to spread the benefits of biotechnology to farmers and consumers alike, foster the transfer of successful agricultural technologies to producers in the region and support the establishment of a viable sub-regional market information system. Core agriculture and environmental funds will help maintain vital regional food security systems. HIV/AIDS funds will be used to launch an innovative, region-wide program to contain the epidemic with a focus on advocacy and transfer of proven best practices. Child Survival and Health funds will support reproductive health and child survival activities that address the seemingly intractable issues of high fertility and maternal and child mortality in the region. Anti-corruption Initiative funds will be used to develop targeted activities to address the scourge of government corruption.

Other Program Elements: USAID's West Africa Regional Program will continue to collaborate with all USAID bilateral missions in the region and with relevant U.S. Government agencies. The Centers for

Disease Control and Prevention (CDC) and USAID will support each other's work in non-presence countries within the context of the new regional health project and President Bush's Emergency Plan for AIDS Relief. We will also work hand-in hand with agencies that are involved in agriculture and trade including the Department of Agriculture's Animal and Plant Health Inspection Service division and the Office of the U.S. Trade Representative.

Other Donors: Donor collaboration continues to improve significantly, especially in the context of assistance to the program's chief partner, ECOWAS. A united donor front has encouraged ECOWAS to undertake results-oriented strategic planning that sets clear goals and objectives, specific targets, and realistic budgets. Likewise, donors are working well together in the context of their support to CILSS, the organization that has always been the major player in food security issues, and that now has an increasingly important voice in regional agricultural and poverty reduction matters. Here too, USAID takes a lead role in addressing concerns about CILSS' sustainability. Increasingly donors are showing an interest in ECOWAS' conflict prevention role and USAID is working to coordinate donor inputs in this promising area. More importantly, the principal regional intergovernmental organizations are now beginning to work collaboratively in key areas such as energy, food security, agriculture policy development, and trade. This is a welcome trend.

The World Bank (WB), European Union (EU), the United Nations Development Program (UNDP) through the Global Environment Facility and to a lesser extent, the Department for International Development (DFID), fund programs addressing environmental and biodiversity issues by taking a transboundary approach. Regional programs in agriculture are funded by the Japanese International Cooperation Agency, UNDP, the German Development Agency, and DFID, which is also promoting genetically engineered nematode-resistant rice varieties. The Canadian International Development Agency (CIDA) supports the fight against HIV/AIDS in West Africa and general epidemiological surveillance while the WB is funding the new five-country Abidjan-Lagos Transport Corridor HIV/AIDS project, modeled on USAID's HIV/AIDS transport corridor project. The German government gave funds for ECOWAS initiatives to help ensure regional peace and security, and the Canada Fund for Africa supports a West Africa Peace and Security Initiative. The WB is involved in the West African Gas Pipeline Project and a regional payment systems project, both of which also receive significant USAID support, and a West Africa capital markets project.

Central Africa Regional PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance	0	15,000	15,000	15,000
Economic Support Fund	0	1,250	0	0
Total Program Funds	0	16,250	15,000	15,000

STRATEGIC OBJECTIVE SUMMARY				
605-001 Congo Basin Forest Partnership (CBFP)				
DA	0	15,000	15,000	15,000
ESF	0	1,250	0	0

Mission Director,
Anthony Gambino

Central Africa Regional

The Development Challenge: Central Africa contains the second largest area of contiguous moist tropical forest in the world. The nine countries of the Central Africa Congo Basin include Cameroon, Equatorial Guinea, Gabon, the Central African Republic, the Democratic Republic of the Congo, Republic of Congo, Burundi, Rwanda and Sao Tome/Principe. More than 60 million people living in the region depend on the rich forests and other biotic resources for their livelihoods and economic development. Prudent use and conservation of the environmental resources in the Congo Basin will support broad-based economic development and promote good governance. The challenge, however, is how to use and conserve environmental resources without jeopardizing either the future of the human population or the biodiversity of the ecosystem in which they live. These forests form the catchment basin of the Congo River, a watershed of local, regional and global significance. The Congo Basin forests provide valuable ecological services by absorbing and storing excess carbon dioxide released from the burning of fossil fuels, thereby helping to slow the rate of global climate warming. In addition, the Congo Basin forests also contain valuable natural resources. It is in the U.S. national interest to promote sustainable management of these natural resources to protect global bio-diversity, to address global climate warming concerns, and to foster good governance at the regional, national and local levels.

The USAID Program: The Central Africa Regional Program for the Environment (CARPE) has a single strategic objective that is managed by USAID/Kinshasa. CARPE's principal goal is to reduce the rate of forest degradation and loss of biodiversity through increased local, national, and regional natural resource management. Activities supporting this objective take place across the region, both within the nine Congo Basin countries and in trans-border areas. Secretary Powell launched the Congo Basin Forest Partnership at the World Summit on Sustainable Development in Johannesburg on September 4, 2002. CARPE is the principal U.S. vehicle to achieve the goals of the Congo Basin Forest Partnership (CBFP) Presidential Initiative: 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 assistance to communities. Achieving these goals depends upon the conservation of the forest and wildlife resources of 11 key landscapes in six Central African countries. Landscapes are ecologically significant areas, some of which have been designated as national parks. 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, natural resources management planning, improved logging policies, sustainable forest use by local inhabitants, and development of alternative livelihoods where necessary to ensure stability, and improved environmental governance.

In CARPE Phase I (FY 1995 - FY 2002), the program's primary objectives were to increase the knowledge of Central African forests and biodiversity and to build institutional and human resource capacities. In CARPE Phase II, the focus of the program has shifted. During Phase II, CARPE partners aim to apply "lessons learned" and implement sustainable natural resource management practices in the field, improve environmental governance in the region, and strengthen natural resources monitoring capacity. In order to facilitate this programmatic shift a decision was made to move the management of CARPE from the Africa Bureau at USAID/Washington to USAID/Democratic Republic of the Congo based in Kinshasa. A new Strategic Plan was approved in January 2003 and placed under the authority of USAID/Kinshasa. CARPE now operates as the Central Africa Regional Program for the Environment, Strategic Objective 605-001. For the first three months of FY 2003, CARPE was implemented under AFR/SD's SO 17 with the primary outcome being the design of the new SO and the recruitment of the field manager.

Other Program Elements: As the CARPE program is focused on the Congo Basin where only two USAID missions are present, it is heavily dependent upon collaboration among a large number of U.S. private voluntary organizations (PVOs), other U.S. federal agencies and U.S. embassies in the region. Activities in non-presence countries (NPCs) of the Congo Basin are coordinated by USAID/Kinshasa, but actual implementation relies heavily upon the U.S. PVOs and their relationships with the governments

and societies of these NPCs. The EGAT pillar bureau provides support to gorilla conservation in several sites in the Congo basin which is highly complementary to CARPE.

Other Donors: USAID's strategy in the Congo Basin has consistently been to integrate and coordinate with other donors. Now with the CBFP as an organizing framework to help coordinate 29 CBFP organizations, CARPE will play an even more integral role in linking donors to achieve common conservation objectives. Key donor CBFP partners active in the region and/or CBFP include the European Union, World Bank, Global Environment Facility (GEF), The French Fund for the World Environment, German Development Cooperation, DGIS (Netherlands), Government of Japan, British AID (DFID) and the International Tropical Timber Organization, among others.

Africa Regional PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	44,233	82,258	29,292	31,830
Development Assistance	83,961	59,656	111,827	124,423
Economic Support Fund	43,325	24,730	24,355	17,000
PL 480 Title II	80,147	187,843	114,955	30,235
Total Program Funds	251,666	354,487	280,429	203,488

STRATEGIC OBJECTIVE SUMMARY				
698-001 Support for Cross-Cutting Programs				
CSH	23	46,134	4,200	4,500
DA	7,896	18,949	20,206	27,851
ESF	19,175	23,993	24,355	17,000
698-013 Strengthening Democracy and Good Governance				
DA	4,025	2,620	10,926	14,200
ESF	3,500	500	0	0
698-014 African Economic Growth				
DA	5,225	1,810	10,550	10,946
698-015 Improving African Agriculture				
CSH	200	100	0	0
DA	17,025	8,439	17,196	18,390
ESF	0	237	0	0
698-016 Leland Initiative: African Information Technology				
DA	6,233	1,000	500	872
ESF	500	0	0	0
698-017 Improved Environmental/Natural Resource Management				
DA	9,935	686	0	0
ESF	3,150	0	0	0
698-019 Better Health Care in Africa				
CSH	22,368	16,890	13,470	15,460
698-020 Family Planning Promotion				
CSH	2,500	2,000	1,927	2,000
698-021 Improved Regional HIV/AIDS Programs				
CSH	7,500	8,700	8,700	8,700
698-022 Crisis Prevention, Mitigation and Recovery				
CSH	200	0	0	0
DA	8,142	6,734	16,140	17,352
698-023 Environmental Assessment for Sound Development				
DA	800	39	500	690
698-024 Polio Eradicated Through Sustainable Immunization				
CSH	11,442	8,434	995	1,170
698-026 Improving African Education				
DA	24,680	19,379	35,809	34,122
ESF	17,000	0	0	0

Africa Regional

The Development Challenge: With the world's highest rates of poverty, illiteracy, hunger and disease, Africa faces numerous and complex challenges. Yet there is also promise that increased economic growth and new development opportunities will herald a better future for Africa's people. Since investing in people is perhaps the single most important factor in economic growth, USAID will continue to support greater access to basic education and health services to build a better-educated and healthier workforce. The HIV/AIDS pandemic threatens the economic, social, and democratic gains made in Africa in recent decades; new funds and programs will work to contain its spread. At the same time, because agriculture is the backbone of most African economies, raising smallholder productivity and income is critical to reducing poverty and increasing food security. Violent conflict and instability will remain a serious risk for almost half of the countries in Africa for the foreseeable future, yet there are promising signs that democracy is putting down roots across the continent, and research is revealing new ways to help it grow.

For the United States, African development assistance is not charity; it represents a vital investment in global peace and security, in a region that is a growing source of goods as well as a huge potential market. Reducing poverty, mitigating conflict, promoting democracy, and reducing HIV/AIDS are all vitally important to U.S. national security and regional stability, integral to our efforts to encourage worldwide economic growth and combat transnational security threats.

The USAID Program: The following data sheets give an overview of the 12 objectives for which USAID is requesting funds in the Africa Regional Program. Several common themes reflect USAID's approach: (1) increase Africans' capacity to design and manage their own programs; (2) maintain a focus on sustainability; (3) connect more programs across sectors (e.g., health and education) to multiply their effects; and (4) create new partnerships with other development organizations and the private sector--U.S., African and worldwide--to maximize the impact of USAID resources. USAID also emphasizes environmentally sound program design, recognizing Africa's fragile ecology and the importance of preserving global biodiversity and stemming global climate change. Finally, USAID is taking the leadership role on the Presidential initiatives for education and trade, as well as important initiatives on agriculture and anti-corruption.

USAID's program for Africa comprises three 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. Third, it helps African countries and institutions build more effective regional networks for economic and technical cooperation.

Agricultural Development: Hunger remains one of sub-Saharan Africa's most significant problems. Agriculture affects virtually all Africans, underpinning household income, food security, and national economies. Food insecurity often results in malnutrition and conflict, while good nutrition is needed to resist disease. Conversely, agricultural growth depends on better health and education, a healthy environment and good governance. USAID's agricultural programs in Africa, including the Initiative to End Hunger in Africa, thus link several sectors in helping agriculture generate more income and employment; strengthening regional collaboration; and promoting changes in policies and programs in order to liberalize trade, improve market access and foster innovation.

Economic Growth: Building free markets in Africa is a prerequisite for sustainable economic prosperity. In FY 2002, USAID began full implementation of the Trade for African Development and Enterprise (TRADE) Initiative, which supports six themes: promote U.S.-African business linkages; raise competitiveness of African products and services; expand the role of trade in African poverty reduction strategies; improve the delivery of public services supporting trade; strengthen African capacity to create and carry out trade policy; and improve the infrastructure and policy climate for African businesses. Led by USAID's three regional TRADE Hubs, activities include building ties between U.S. and sub-Saharan African firms, strengthening African business groups to foster joint ventures, and increasing access to the Internet and other information technologies.

Human Capacity: Three-fifths of all Africans have never been to school, and AIDS threatens to worsen the situation. To address these challenges, USAID has combined the best elements of its just-completed Education for Development and Democracy Initiative with effective basic education programs in designing and guiding the President's new 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: USAID's many activities to improve the quality and sustainability of African health care services emphasize increased African capacity to design, manage and evaluate health systems. The Africa regional program supports innovative approaches to HIV/AIDS prevention, 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. Other programs target polio, TB, malaria, malnutrition, respiratory diseases, diarrhea, vaccine-preventable illnesses, and maternal/child health problems, as well as widespread lack of access to health services.

Democracy and Governance: USAID's regional democracy and good governance (DG) program advances U.S. national security goals by fighting corruption, strengthening weak civic institutions, and promoting human rights. USAID's work involves innovative projects integrating the promotion and practice of DG principles into other sectors, thus strengthening their work; giving guidance and grants to African non-governmental organizations (NGOs) for activities to build peace, human rights and democracy; and a new initiative to combat corruption in Africa, which will test diverse strategies in order to build replicable models that can guide anti-corruption work continent-wide. USAID will place special emphasis on encouraging greater accountability in government and promoting respect for the rule of law.

Crisis Prevention: Humanitarian crises in Africa continue to challenge our development efforts. These emergencies threaten lives, economic growth, democratic progress, and regional stability. USAID's regional crisis prevention/mitigation programs will continue to seek solutions to problems before they become acute and to give African decision-makers the tools to identify and ward off approaching crises, lessen their impact and help nations recover from crises. The regional program continues to focus on conflict prevention, in particular by assisting missions with conflict vulnerability analyses (CVAs). CVAs not only discuss areas and issues that may spark conflict but note in-country and multi-sectoral resources and programs to avoid conflict. USAID gives both on-site and virtual support for CVAs and has begun work on a CVA handbook.

A new Africa Regional strategy with follow-on strategic objectives, which will be separately notified, is being designed for implementation later in FY 2004.

Other Program Elements: As appropriate, USAID's Africa regional program works with the 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 to 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 Near East PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	214,028	254,729	274,750	256,100
CSH - Wartime Supplemental	0	40,000	0	0
Development Assistance	209,316	279,059	351,740	343,800
Development Credit Authority	0	779	0	0
Economic Support Fund	1,891,500	2,160,380	1,788,884	2,187,250
ESF - FY 02 Supplemental	238,000	0	0	0
ESF - Emergency Response Fund	600,000	167,000	153,000	0
ESF - Wartime Supplemental	0	1,180,000	0	0
ESF - FY 04 Supplemental	0	0	972,000	0
International Disaster Assistance	0	102,235	0	0
Iraq relief and Reconstruction Fund	0	0	0	0
IRRF - Emergency Response Fund	0	1,438,229	2,436,501	0
PL 480 Title II	304,177	335,461	53,487	113,849
Total Program Funds	3,457,021	5,957,872	6,030,362	2,900,999

Assistant Administrator/ANE
Gordon West, Director

ASIA AND THE NEAR EAST

The Development Challenge

The Asia and Near East (ANE) region is at the core of U.S. national interests and foreign policy priorities. It is also a region that faces major development challenges including instability, widespread corruption, oppressive governments, HIV/AIDS, and persistent environmental degradation. Strongholds of extremism and fundamentalism prey on poverty stricken people who see little hope in the future. Regional pockets harbor terrorists and radicals who are of significant risk to those countries' governments as well as to the United States.

The lack of transparency in economic and legal institutions and severe restrictions on human freedoms impose a sense of fear and hopelessness, robbing the people of their dignity and freedoms. Oppressive regimes impose their will while sanctioning illicit activities that destroy opportunities for equitable economic growth and human well being. These challenges hinder prospects for the millions of people in the ANE region living in abject poverty and, in many cases, terror.

The USAID missions in the ANE region carry out foreign assistance programs that meet these challenges while supporting key U.S. foreign policy interests. These interests include the fight against terrorism, regional stability, combating the spread of HIV/AIDS, sustaining economic and social progress, halting environmental degradation, increasing trade opportunities, and promoting freedom and democracy.

The war in Iraq, the ongoing Israeli-Palestinian issue, and the spread of fundamentalism make the Middle East one of the highest U.S. national priorities. USAID participated in Operation Iraqi Freedom by moving into Iraq literally on the heels of coalition forces. In nine months, ANE has achieved remarkable successes in Iraq, in spite of gunfire and direct rocket attacks. Through close coordination with the Coalition Provisional Authority and other USG agencies, USAID is rebuilding Iraq's infrastructure, aiding in the establishment of local and national governance systems, rebuilding the education and health systems and revitalizing the national economy.

Many Muslim countries in the region are threatened by growing fundamentalism. Morocco, Lebanon, Egypt and others are threatened by radicals who would use terror to establish oppressive governments. ANE is addressing these issues with programs that support our national interests of stability, democracy and economic prosperity. In addition, debt relief via cash transfers has been provided to the governments in specific countries, such as Pakistan, to increase investments in social services and generate employment.

In the ANE region, millions of girls and women are not allowed to pursue an education. ANE believes that education for all, regardless of gender or religion, is a key element in achieving the democracy and economic prosperity goals that contribute to stability. To accomplish this, however, programs must overcome strong cultural and religious biases and traditions.

HIV/AIDS is a plague that destroys communities and bankrupts social systems. In Asia and the Near East, 7.1 million people are HIV positive, and each year 457,000 people die from HIV/AIDS-related illnesses, accounting for about one-sixth of deaths worldwide. This rate is expected to increase substantially as the epidemic spreads from high risk groups to the general population in countries like India, Indonesia, and Vietnam.

Rapid industrialization, unsustainable energy policies and growing populations are straining the region's natural resources and environmental systems. Urban air pollution levels are among the highest in the world. It is estimated that the nations of South East Asia lose five to six percent of their national incomes to pollution. The consumption and destruction of natural resources is occurring at an unsustainable rate that does not allow for replenishment.

Rapid social and economic changes occurring in the region fuel mobile migrant populations and the growth of the sex and drug trades. Trafficking is one of today's greatest human tragedies. The U.S.

Government estimates that up to a million women and children are trafficked annually. Some victims are tricked into leaving their homes with the promise of a better life and a well-paid job. Others are kidnapped or sold by desperate family members faced with inescapable poverty. These conditions, coupled with soaring unemployment among youth entering the work force and continued migrations to urban centers, create fertile recruitment grounds for extremists and terrorists.

The programs ANE has implemented to meet these challenges support the joint State-USAID strategic plan to align US diplomacy efforts with development assistance. Throughout the region, USAID strives to "create a more secure, democratic, and prosperous world for the benefit of the American people and the international community."

Major Accomplishments and Results

ANE continually reviews programs and initiatives to ensure alignment with U.S. national interests. Events of the past year required an immediate shift of financial and personnel resources to initiate the reconstruction and humanitarian assistance needed for Iraq. To enable ANE to provide an immediate response, resources were diverted from other missions in the region, so people, finances and contractors were ready to move as soon as they were allowed into Iraq. To date, 2,241 schools have been rehabilitated, three million children under the age of five have been vaccinated, a peak generation of 4,518 MW of power was achieved on October 6, 2003, and over 19 million people in Iraq's 18 districts have engaged in local policy discourse.

At the same time, ANE recognizes the need to address issues in other Muslim countries to head off growing radicalism and anti-Americanism. Assistance programs in Morocco and Jordan have been restructured to better respond to USG priorities and joint State-USAID strategies, with emphasis on education, employment opportunities and economic growth. In addition, a new USAID mission was opened in Yemen to address U.S. foreign policy objectives in that country.

The reconstruction and development of Afghanistan continues at an accelerated pace. The most striking success to date has been the completion of the first layer of pavement on 390 kilometers of the Kabul-Kandahar highway, which links Afghanistan's two largest cities. This achievement will reduce transportation costs, improve economic growth prospects, and expand access to services for one-third of the country's population. In addition, USAID has constructed or rehabilitated 142 schools, daycare centers, and vocational schools; 72 health facilities; and over 6,100 water projects. USAID contributions in seeds and fertilizer also contributed to an 82% increase in crop production, which is expected to reduce by 4 million the number of Afghans dependent on food aid.

In Pakistan, a key ally in the Global War on Terror, U.S. foreign policy objectives place improvement of primary education first and foremost among ANE's development goals in Pakistan. Improved and more accessible education will be a tool to build the economy, counter teachings of despair and extremism, and promote moderation among the population. USAID assistance has increased public debate about national priorities and issues, including the need for women to participate more in the political process.

USAID's assistance program in Sri Lanka supports economic growth focused on enhancing that country's competitiveness through economic reform, strengthening key private sector industries, and skills development for the workforce. To capitalize on the peace efforts, USAID has strengthened the government's Peace Secretariat's abilities in management, outreach, and negotiation. Energized by a year of peace, Sri Lanka's trade-based economy grew by 4.4% in 2002 after the 1.4% contraction in 2001. The gross domestic product in 2003 is expected to increase by 5.5%.

Indonesia has successfully transitioned from a country in crisis to one that now has the foundation for economic, social and political reform. It has converted from one of the world's most centralized countries to one of the most decentralized, devolving authority and transferring administrative responsibilities to over two million civil servants, almost two-thirds of the government workforce, at the local level. Indonesia has placed its economy back on a growth path. Beginning with its FY 2004 funding, USAID will be the lead donor supporting transparent, inclusive and peaceful legislative, and first-ever direct

presidential, elections in Indonesia. With these in place, USAID efforts now focus on helping establish a moderate, stable and productive Indonesia.

USAID has developed an exceptionally close working relationship with local and national figures in the long-running Muslim separatist conflict in Mindanao and the Sulu Archipelago of the Philippines. ANE's efforts to reintegrate former combatants of the Moro National Liberation Front (MNLF) into a peacetime economy have been so successful that the State Department has distributed a video presentation of the program to be used as a model for U.S. relations with the Islamic community worldwide. To date, USAID has assisted over 21,000 former combatants by providing materials and training, including 150 post-harvest facilities to MNLF communities. One hundred fifteen rural bank units now can provide loans to 107,000 microenterprises. An expanded education program in the Philippines is providing books, teacher training and computer literacy training to schools in conflict-affected communities to provide an alternative to the extremist teaching taking place in hundreds of private "madaris."

During the past year, ANE opened a new Regional Development Mission for Asia in Bangkok, Thailand to strengthen the management of programs in mainland Southeast Asia and to respond better to U.S. interests in the region. The new mission manages programs in Burma, China, Laos, Thailand, and Vietnam, as well as regional programs focused on HIV/AIDS, anti-trafficking, and environmental degradation that extend east into the Pacific and west into South Asia.

Program and Management Challenges

In the aftermath of September 11, 2001, security is the single gravest and most costly concern to the Asia and Near East Bureau. In responding to U.S. interests in the region, the professionals charged with carrying out assistance programs must be protected.

Iraq and Afghanistan top the list of countries with serious security concerns, but they are not alone. Jordan, Indonesia, Pakistan, Lebanon, Israel, and the Philippines, to name a few, also have security problems. Virtually every country in the ANE region bears the burden of increased risk and the attendant security procedures and costs that accompany those risks, all of which impacts the effectiveness of development programs. Meeting these costs and protecting our most important asset, the direct hire and contract staff that design and manage these important programs, requires a greater operating budget or expanded authority to use program funds to cover these costs.

In terms of program challenges, Iraq and Afghanistan will remain USAID's highest priorities in the ANE region. Rebuilding these countries will improve world stability. In Iraq, USAID efforts will allow a freed Iraqi people to govern their own country in an atmosphere of democratic freedom. In Afghanistan, ANE has made great strides with completion of the Kabul-Kandahar road and a new constitution. The Afghan people are now looking forward to a free and open election in the near future. ANE will continue to rebuild infrastructure while improving educational and economic opportunities that will allow democracy to flourish in both of these countries that have not enjoyed basic human rights for decades.

Education is the Bureau's next priority, as it recognizes that education is a key factor to stability, democracy and economic prosperity throughout the region. New or expanded initiatives will be implemented in Indonesia, Philippines, Morocco, Egypt, Pakistan, Afghanistan, Bangladesh, and Cambodia. USAID is working closely with the Department of State to administer education activities under the Middle East Partnership Initiative (MEPI), which focuses on improving education, especially for girls. In addition, ANE has allocated \$5 million within the FY 2004 DA budget to support a new public-private partnership effort in education, specifically to expand investment in school-to-work training programs in Pakistan, Indonesia, Philippines, and Morocco.

Several countries in the ANE region are battling economically devastating epidemics of HIV/AIDS. Countries with lower prevalence are beginning to slow, or even turn around the rate of infection, because of the interventions being taken. Unfortunately, the epidemic continues to grow in some of the more densely populated countries. For example, India, with a prevalence of just less than one percent, has the second largest number of HIV positive people in the world. In Indonesia and Nepal, the epidemic is also

showing signs of moving into the general population and will require intensive efforts to slow or stem its spread.

Finally, endemic corruption and weak governance throughout the region limit economic and social development, impede badly needed investment and rob societies of the resources necessary to provide for their people. Along with security, this is a common denominator spread across the region and must be an Agency priority.

Other Donors

The international donor community is very active throughout the Asia and Near East region. The World Bank, International Monetary Fund and various agencies of the United Nations are some of the predominant multi-lateral donors. The European Union, Japan, Germany, Britain, France, Sweden, Canada, Australia, Norway and Sweden are among the list of countries that donate development resources in the region. In addition, The Arab Fund, Islamic Development Bank and Saudi Arabia are major donors in the Middle East, while the Asian Development Bank operates throughout Asia. Coordination with these other development players is carried out by USAID representatives at the mission and regional levels to ensure complementarity and avoid duplication of programs.

FY 2005 Program

A summary of resources within the ANE region is shown below by sub-region and funding source (in \$000).

<u>Sub-region</u>	<u>DA</u>	<u>CSH</u>	<u>ESF</u>	<u>P.L. 480</u>	<u>Total</u>
East Asia	78,018	106,800	156,000	23,000	363,818
South Asia	241,211	146,400	562,000	90,849	1,040,460
Middle East & N. Africa	6,000	0	1,292,000	0	1,298,000
Regional	18,571	2,900	177,250	0	198,721
Total*	\$ 343,800	\$ 256,100	\$ 2,187,250	\$ 113,849	\$ 2,900,999

The allocation of these resources by Agency pillar is shown below (in \$000).

Economic Growth, Agriculture and Trade	\$ 2,140,820
Global Health	\$ 352,350
Democracy, Conflict and Humanitarian Assistance	\$ 293,980
Total*	\$ 2,787,150
P.L. 480	\$ 113,849
Grand Total	\$ 2,900,999

*Note: The total amount does not include funding for Iraq.

East Asia PROGRAM SUMMARY

(in thousands of dollars)

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Burma				
Child Survival and Health Programs Fund	0	2,000	0	0
Economic Support Fund	6,500	6,954	12,923	7,000
Total Burma	6,500	8,954	12,923	7,000
Cambodia				
Child Survival and Health Programs Fund	15,000	22,100	29,860	25,300
Development Assistance	0	3,687	2,000	2,200
Economic Support Fund	20,000	15,000	16,900	17,000
PL 480 Title II	1,085	0	0	0
Total Cambodia	36,085	40,787	48,760	44,500
China				
Economic Support Fund	5,000	5,961	3,976	0
Total China	5,000	5,961	3,976	0
East Timor				
Economic Support Fund	25,000	24,838	22,367	13,500
Total East Timor	25,000	24,838	22,367	13,500
Indonesia				
Child Survival and Health Programs Fund	35,568	31,955	34,000	32,300
Development Assistance	38,704	39,016	31,291	32,742
Economic Support Fund	50,000	59,610	49,705	70,000
PL 480 Title II	10,400	29,540	6,604	23,000
Total Indonesia	134,672	160,121	121,600	158,042
Laos				
Child Survival and Health Programs Fund	1,000	1,000	0	0
Development Assistance	1,000	1,000	0	0
PL 480 Title II	513	405	0	0
Total Laos	2,513	2,405	0	0
Mongolia				
Economic Support Fund	12,000	10,000	9,941	10,000
Total Mongolia	12,000	10,000	9,941	10,000
North Korea				
PL 480 Title II	0	15,698	0	0
Total North Korea	0	15,698	0	0
Philippines				
Child Survival and Health Programs Fund	25,599	22,920	29,350	28,000
Development Assistance	24,459	28,209	22,068	26,076
Economic Support Fund	21,000	15,000	17,645	35,000
ESF - FY 02 Supplemental	12,000	0	0	0
ESF - Wartime Supplemental	0	30,000	0	0
Total Philippines	83,058	96,129	69,063	89,076
Thailand				
Child Survival and Health Programs Fund	1,000	1,500	0	0
Development Assistance	750	1,250	0	0
Total Thailand	1,750	2,750	0	0

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Vietnam				
Child Survival and Health Programs Fund	4,106	5,300	6,600	5,700
Development Assistance	6,950	7,671	3,000	4,500
Total Vietnam	11,056	12,971	9,600	10,200
Regional Development Mission-Asia (RDM-Asia)				
Child Survival and Health Programs Fund	7,777	9,602	16,620	15,500
Development Assistance	10,100	1,989	9,800	12,500
Economic Support Fund	9,000	3,720	2,982	3,500
Total Regional Development Mission-Asia (RDM-A)	26,877	15,291	29,402	30,000
Total Program Funds	344,511	395,905	327,632	363,818

South Asia PROGRAM SUMMARY

(In thousands of dollars)

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Afghanistan				
Child Survival and Health Programs Fund	4,000	48,475	21,000	22,000
Development Assistance	10,701	43,817	150,000	150,000
Economic Support Fund	17,250	49,675	74,558	225,000
ESF - FY 02 Supplemental	88,000	0	0	0
ESF - Emergency Response Fund	0	167,000	153,000	0
ESF - FY 04 Supplemental	0	0	672,000	0
International Disaster Assistance	0	60,235	0	0
PL 480 Title II	159,472	47,356	0	0
Total Afghanistan	279,423	416,558	1,070,558	397,000
Bangladesh				
Child Survival and Health Programs Fund	39,950	33,100	36,000	36,300
Development Assistance	21,670	21,391	18,850	19,187
Economic Support Fund	3,000	4,000	4,971	5,000
PL 480 Title II	23,974	38,577	18,238	46,000
Total Bangladesh	88,594	97,068	78,059	106,487
India				
Child Survival and Health Programs Fund	41,678	39,438	48,300	43,400
Development Assistance	29,200	34,495	25,739	25,400
Development Credit Authority	0	779	0	0
Economic Support Fund	7,000	10,500	14,912	15,000
PL 480 Title II	93,679	44,849	20,218	44,849
Total India	171,557	130,061	109,169	128,649
Nepal				
Child Survival and Health Programs Fund	20,000	19,899	24,840	23,350
Development Assistance	7,597	10,247	11,274	11,000
Economic Support Fund	3,000	4,000	4,971	5,000
PL 480 Title II	2,352	0	0	0
Total Nepal	32,949	34,146	41,085	39,350
Pakistan				
Child Survival and Health Programs Fund	5,000	15,645	25,600	21,050
Development Assistance	10,000	34,500	42,350	29,000
Economic Support Fund	9,500	188,000	0	300,000
ESF - FY 04 Supplemental	0	0	200,000	0
ESF - Emergency Response Fund	600,000	0	0	0
ESF - FY 02 Supplemental	15,000	0	0	0
PL 480 Title II	5,134	6,792	5,849	0
Total Pakistan	644,634	244,937	273,799	350,050
Sri Lanka				
Child Survival and Health Programs Fund	300	300	300	300
Development Assistance	5,150	6,150	4,750	6,624
Economic Support Fund	3,000	3,950	11,929	12,000
PL 480 Title II	1,325	596	2,578	0
Total Sri Lanka	9,775	10,996	19,557	18,924
Total Program Funds	1,226,932	933,766	1,592,227	1,040,460

Middle East and North Africa PROGRAM SUMMARY

(In thousands of dollars)

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Algeria				
PL 480 Title II	2,009	0	0	0
Total Algeria	2,009	0	0	0
Egypt				
Economic Support Fund	655,000	611,002	571,608	535,000
ESF - Wartime Supplemental	0	300,000	0	0
PL 480 Title II	3,839	2,347	0	0
Total Egypt	658,839	913,349	571,608	535,000
Iraq				
Child Survival and Health Programs Fund	0	0	0	0
CSH - Wartime Supplemental	0	40,000	0	0
Economic Support Fund	0	140,000	0	0
International Disaster Assistance	0	42,000	0	0
Iraq relief and Reconstruction Fund	0	0	0	0
IRRF - Emergency Response Fund	0	1,438,229	2,436,501	0
PL 480 Title II	0	137,424	0	0
Total Iraq	0	1,797,653	2,436,501	0
Israel				
Economic Support Fund	720,000	596,100	477,168	360,000
Total Israel	720,000	596,100	477,168	360,000
Jordan				
Economic Support Fund	150,000	248,000	248,525	250,000
ESF - FY 04 Supplemental	0	0	100,000	0
ESF - Wartime Supplemental	0	700,000	0	0
ESF - FY 02 Supplemental	100,000	0	0	0
Total Jordan	250,000	948,000	348,525	250,000
Lebanon				
Development Assistance	600	0	400	0
Economic Support Fund	35,000	34,772	34,794	32,000
Total Lebanon	35,600	34,772	35,194	32,000
Morocco				
Child Survival and Health Programs Fund	4,600	0	0	0
Development Assistance	5,766	6,644	5,400	6,000
Economic Support Fund	0	0	0	20,000
Total Morocco	10,366	6,644	5,400	26,000
West Bank and Gaza				
Economic Support Fund	72,000	74,500	74,558	75,000
ESF - Wartime Supplemental	0	50,000	0	0
PL 480 Title II	0	9,984	0	0
Total West Bank and Gaza	72,000	134,484	74,558	75,000
Yemen				
Development Assistance	0	2,000	0	0
Economic Support Fund	5,000	9,898	11,432	20,000
ESF - FY 02 Supplemental	3,000	0	0	0
PL 480 Title II	395	1,893	0	0
Total Yemen	8,395	13,791	11,432	20,000
Total Program Funds	1,757,209	4,444,793	3,960,386	1,298,000

Asia and Near East Regional PROGRAM SUMMARY

(in thousands of dollars)

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
ANE Regional				
Child Survival and Health Programs Fund	8,450	1,495	2,280	2,900
Development Assistance	36,669	37,013	24,818	18,571
Economic Support Fund	63,250	44,900	123,019	177,250
ESF - FY 02 Supplemental	20,000	0	0	0
ESF - Wartime Supplemental	0	100,000	0	0
Total ANE Regional	128,369	183,408	150,117	198,721
Total Program Funds	128,369	183,408	150,117	198,721

**Burma
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	0	2,000	0	0
Economic Support Fund	6,500	6,954	12,923	7,000
Total Program Funds	6,500	8,954	12,923	7,000

STRATEGIC OBJECTIVE SUMMARY				
482-002 Promote Democracy and Aid Burmese Refugees.				
ESF	6,500	6,954	12,923	7,000
482-XXX ANE Regional HIV/AIDS Program				
CSH	0	2,000	0	0

Acting Mission Director,
Leon Waskin

Burma

The Development Challenge: Conditions in Burma continue to reflect the State Peace and Development Council's (SPDC, formerly called SLORC) thus far successful effort to maintain political and military control of the country. Despite multiparty elections in 1990 that resulted in the main opposition party, the National League for Democracy (NLD), winning a decisive victory, SPDC refused to hand over power.

The military believes that it is the only institution capable of keeping Burma united as a single country, and that pluralism is destructive to national unity. It views economic progress, reform and liberalization as secondary to the maintenance of political control. The military is now more powerful than it has ever been, due to an aggressive recruitment program, improved weaponry, and cease-fire agreements with several ethnic armies that have allowed troops to be concentrated in fewer areas. The SPDC has signed cease-fire agreements with all but three armed insurgent groups representing the Shan, Karenni, and Karen ethnic groups. Extra-judiciary killings, torture, forced labor, portering, forced relocation, rape, and other abuses still commonly occur in most of the ethnic states of Burma.

U.S. Government policies are increasing pressure on the SPDC to engage in meaningful dialogue with the democratic opposition leading toward a peaceful transition to civilian rule. In 2002, the regime released NLD leader Aung San Suu Kyi from house arrest and freed of political prisoners. However, on May 30, 2003, Suu Kyi's convoy upcountry was attacked; several NLD supporters were killed or injured. This prompted the arrest of Suu Kyi and many party leaders as well as closure of all NLD offices and activities. As of this writing, Suu Kyi has been moved from jail to house arrest. This has been an enormous setback for the opposition and the potential for any type of reconciliation or talks about power sharing. The SPDC has since presented its own 'roadmap' to democracy, which has been met with much skepticism by the international community.

Economic policies and management by the Burmese Government have resulted in a deteriorating social and economic situation. U.S. sanctions following the May 30 attack of Suu Kyi's convoy and her subsequent arrest have intensified the regime's economic problems by causing closure of several factories and making it much more difficult for Burma to operate in the international arena due to restrictions on use of dollars. While statistics are hard to verify, most agree that at least 13 million of Burma's 48 million people (more than 25 percent of the population) live below the subsistence level of \$1 per day. 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.

As a result of ethnic fighting and deteriorating economic conditions in Burma, more than 1.6 million people have fled the country, and an estimated 1.5 million more remain inside Burma as internally displaced people. Of the population that fled Burma, approximately 180,000 reside in refugee camps in Thailand and Bangladesh, while the majority live as illegal migrants in Thailand, Bangladesh, India, China, and Malaysia. Thailand alone hosts more than one million Burmese outside the camps.

U.S. interests in Burma include promoting democracy, supporting human rights and religious freedom, fighting HIV/AIDS, furthering effective counter-narcotics efforts, recovering World War II remains, and promoting regional stability. The United States also pursues a global strategic goal of preventing or minimizing the human costs of conflict and natural disasters.

The USAID Program: USAID suspended assistance to Burma following the 1988 suppression of the pro-democracy movement. A FY 1993 earmark of \$1 million reinstated USG assistance, initially through the Department of State's Bureau for Democracy, Human Rights and Labor (State/DRL). Since 1998, USAID has co-managed the Burma assistance program with the Department of State. Funding has been used to support democracy in Burma and pro-democracy groups outside Burma, and to meet the humanitarian needs of Burmese who reside in Thailand.

Currently, USAID administers the following activities:

- Humanitarian assistance activities that provide primary health care and basic education support to refugees living in refugee camps on the Thai-Burma border;
- Humanitarian assistance to provide access to health care for out of camp Burmese in Thailand; and
- 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 and fund scholarships for Burmese refugees to study at colleges and universities in Asia, Europe, Canada, Australia, and the U.S.

Other Program Elements: USAID carries out programs to address HIV/AIDS in Burma, and to reduce the spread of infectious diseases such as tuberculosis and malaria along the Thai-Burma border through the regional "Stabilize Population Growth and Protect Human Health" program (498-022). These activities are funded and managed by the Regional Development Mission/Asia. In addition, the Department of State's Population, Refugees and Migration Bureau funds refugee assistance programs that complement USAID activities on the Thai-Burma border. State/DRL also supports a grant to the National Endowment for Democracy and Prospect Burma.

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, led by UNAIDS, among HIV/AIDS donors to try and maximize use of funds. Bilateral donors that focus on humanitarian assistance to Burma and to Burmese refugees include the Netherlands, Denmark, Sweden, Australia, 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 PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	15,000	22,100	29,860	25,300
Development Assistance	0	3,687	2,000	2,200
Economic Support Fund	20,000	15,000	16,900	17,000
PL 480 Title II	1,085	0	0	0
Total Program Funds	36,085	40,787	48,760	44,500

STRATEGIC OBJECTIVE SUMMARY				
442-001 Human Rights				
ESF	55	0	0	0
442-002 Family Health				
ESF	3,853	0	0	0
442-009 HIV/AIDS & Family Health				
CSH	15,000	22,100	29,860	25,300
ESF	5,519	0	0	0
442-010 Democracy and Human Rights				
ESF	10,573	13,000	16,900	17,000
442-011 Improving Basic Education				
DA	0	3,687	2,000	2,200
ESF	0	2,000	0	0

Mission Director,
Lisa Chiles

Cambodia

The Development Challenge: The Kingdom of Cambodia continues to struggle in its transition to democratic governance after decades of war and authoritarian governance. The challenges to political and economic progress are many: a narrow and vulnerable economic base of garments and tourism, limited foreign and domestic investment, poor infrastructure, low levels of education and literacy, and wide-spread corruption. The judicial system is weak and generally unable to protect human rights or fairly resolve commercial disputes. Cambodia's social indicators, among the worst in the region, reflect poverty and lack of access to basic health services. Life expectancy is in the mid 50's; population growth rate is 2%, and infant mortality 95 per 1000 births. The estimated HIV prevalence among adults aged 15-49 in Cambodia declined from 3.3% in 1997 to 2.6% in 2002; however, Cambodia still faces the most serious HIV/AIDS epidemic in Asia and the Near East.

The World Bank estimates that Cambodia's per capita GDP is \$273, making it one of the poorest countries in Asia. External debt in 2002 is estimated at 65.6% of GDP, with debt servicing 3% of exports and imports. Although 36% of the population remains below the poverty line, economic growth was a strong, 6.3% in 2002. Cambodia has a large trade surplus with the United States because of the garment sector, and tourism remains an important area of growth for the economy. US imports from Cambodia in 2002 were more than \$1 billion, and US exports to Cambodia were \$29 million.

Cambodia has made progress: In the July 2003 national assembly elections, activities funded by USAID helped create the most open political environment in the past decade, with the first public candidate debates ever held in the country and on local TV and radio programs. Also in 2003, Cambodia's bid to be the first developing country to be offered WTO membership was successful.

U.S. national interests in Cambodia lie in reducing Cambodia's vulnerability to international terrorism and international crime (such as trafficking in persons and narcotics) through building the country's potential to become a democratic state with an effective legal and judicial system and market-led growth that protects civil liberties and human rights.)

The USAID Program: USAID's objectives include increasing competition in Cambodian political life; increasing use of high impact HIV/AIDS and family health services and appropriate health seeking behavior; and, increasing the relevance and quality of basic education.

USAID's democracy and governance program actively seeks out and funds NGOs that challenge the political and judicial system to treat Cambodian citizens equitably. USAID support sustains the development of professional party organizations, expands participation of youth in politics, and provides all democratic parties a presence on Cambodian airwaves. USAID's human rights activities strengthen the skills of organizations in monitoring, investigation and follow-up of human rights cases. These efforts also support NGOs taking on precedent-setting human rights cases with the potential to influence government policy and public opinion.

USAID's health program will continue to increase the number of health centers that can deliver an integrated health package that ensures links between HIV/AIDS and all other health programs. These health centers will include a fully functional minimum package of services, including maternal and child health, reproductive health, family planning, tuberculosis, HIV prevention and care and support, and community outreach. The program will expand work in prevention interventions and care targeted for populations engaging in high risk behaviors; home-based care and support for people living with HIV/AIDS; support for orphans and vulnerable children; and voluntary counseling, testing and support for prevention of mother-to-child transmission of HIV.

The USAID basic education program in Cambodia is focused on improving the quality and proficiency of the education system by increasing the relevance of the basic education curriculum to everyday life, building the capacity of the school system to deliver competency-based education, and training teachers to utilize student-centered teaching methodologies. Impact is nationwide, with activities planned for all 22 provinces, 18 provincial teacher training colleges, and six regional training colleges. The program

addresses key issues including increased attendance for females, minorities, students with disabilities, and the poor. The project is strong on reform and positive change within the Ministry of Education and supports the recruitment and training of teachers from minority groups including Cambodia's Islamic Cham population.

Other Program Elements: USAID/Washington funded programs complement and reinforce the USAID bilateral program strategy. The Leahy War Victims Fund helps to coordinate government, private and donor activities for disabled persons, and funds rehabilitation centers to provide prosthetic and orthotic devices, vocational training, and job placement for war and mine victims and those with other physical disabilities. USAID's Office of Foreign Disaster Assistance is strengthening the flood warning system in the Mekong River Basin to meet the needs of at-risk populations. In the Mekong Delta, USAID's Bureau for Economic Growth, Agriculture, and Trade is helping to design and implement national and local policies regarding land tenure, sustainable forest management, and wildlife trade. USAID's Center for Human Capacity Development is supporting grants to Fisk University and Florida A&M. 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 partnered with the Royal University of Phnom Penh on environmental studies. USAID also supports a partnership between California State University, Fullerton, and Pannasastra University of Cambodia to establish a Center for Community Service Learning at Pannasastra University. The Center will provide training in areas that meet community needs such as HIV/AIDS, literacy, and education. Additional health-related partnerships are funded through the Global Fund to Fight HIV/AIDS, TB, and Malaria. The Cambodian Government also asked USAID and the Centers for Disease Control and Prevention to assess the Ministry of Health's Strategic Plan for HIV/AIDS and STI Prevention and Care in Cambodia.

Other Donors: Donor coordination is excellent. USAID was successful in having other donors build on its HIV/AIDS activities. Overall development assistance to Cambodia totals about \$700 million per year. Japan and the United States are the first and second largest bilateral partners respectively. However, USAID is the largest donor in the area of HIV/AIDS. Other major bilateral donors and their areas of focus include Germany (education), France (higher education, training of judges), Australia (rule of law), the United Kingdom (HIV/AIDS and health sector support), Sweden (decentralization) and Denmark (forestry). Multilateral donors include the United Nations Agencies, the Asian Development Bank, the European Commission, the World Bank (legal, judicial reform), and the International Monetary Fund (finance reform). The United Nations Development Program provides support for public administration reform, and the U.N. Theme Group focuses on HIV/AIDS. With funding from the United States and other donors, the World Food Program supports school feeding. De-mining efforts receive support from the European Commission. The Asian Development Bank is planning a new program to support rural development, agriculture and fisheries around the Tonle Sap Basin.

**China
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Economic Support Fund	5,000	5,961	3,976	0
Total Program Funds	5,000	5,961	3,976	0

STRATEGIC OBJECTIVE SUMMARY				
435-003 Selected Foreign Policy Objectives Achieved				
ESF	5,000	5,961	3,976	0

China

The Development Challenge: The People's Republic of China (PRC) sprawls across East Asia. Its sheer size and economic power dominate the region. For the United States, seeing China fully integrated into the global economic and trading system is critical for regional security, prosperity, environmental protection, and peace. Not only does China play a key role in international security affairs through its permanent membership in the United Nations Security Council, but it also is a major U.S. trading partner. Trade between the two countries totaled almost \$150 billion in 2002. For these economic and security reasons, the United States actively seeks a good relationship with China.

Currently, there is no USAID presence in the PRC. The United States, however, maintains principled and purposeful engagement with the Government and people of China. Although significant differences remain, this engagement has led to important gains in a number of critical areas, such as human rights and tariff reductions. The Chinese Government does not share core American values on human rights, religious freedom, or democracy, and the United States and China also disagree on the best policies for Taiwan. To narrow these differences and take advantage of the many areas where U.S. and Chinese interests coincide, the United States undertakes regular contacts and dialogue.

Since 1979, China has been engaged in an effort to reform its economy. China has tried to combine central planning with market-oriented reforms to increase productivity, living standards, and technological quality without exacerbating inflation, unemployment, and budget deficits. The United States firmly supports this effort. In addition to reducing the role of ideology in economic policy, the Chinese leadership has emphasized political and social stability and economic productivity. This has included increased support for market-based personal income growth and consumption. In the last 20 years, China has taken more people out of poverty than any country. Yet challenges remain. More than 200 million Chinese live on less than \$1 a day, many of them in poor and remote regions of the country. The number of urban poor is also on the rise.

The Chinese Government's efforts to promote rule of law are significant and ongoing, but rule of law is still weak. After the Cultural Revolution, China's leaders worked to develop a legal system to restrain abuses of official authority and revolutionary excesses. In 1982, the National People's Congress adopted a new state constitution that emphasized the rule of law under which even party leaders are theoretically held accountable. Since 1979, when the drive to establish a functioning legal system began, more than 300 laws and regulations, most of them in the economic area, have been enacted.

With its entry into the World Trade Organization (WTO) in 2001, China agreed to lower tariffs and ease import and export restrictions for Chinese and foreign business people. This opens up new opportunities for U.S. industries and service providers, particularly in the banking, insurance, and telecommunications fields. However, hundreds of laws and regulations still need to be put into place, and enforcement of existing laws and regulations needs to be strengthened before China can comply fully with WTO requirements. Over the years, China has come to rely more upon foreign financing and imports, but modernizing the banking and legal systems to accommodate increased foreign ties remains a major hurdle.

The USAID Program: USAID's program in China is focused around two objectives:

- Improve China's legal infrastructure so that it is more compatible with a market economy and better protects its citizens' rights; and
- Assist Tibetan communities to preserve their cultural traditions, promote sustainable development, and conserve the environment.

The first objective is being met through a cooperative agreement to Temple University that is introducing key members of the Chinese legal and judicial system to the constitutional principles that support the rule of law -- due process, transparency, and equal access to justice. The program also teaches critical thinking and advocacy skills to support the application of those principles in the Chinese judicial system.

The second objective is being met through activities that directly assist Tibetan communities in China. This program is implemented through NGOs headquartered outside China that provide Tibetan communities with access to the financial, technical, marketing, environmental, and educational resources they need to sustain their traditional livelihoods, unique culture and environment and to avoid economic marginalization as China develops its western regions.

Other Program Elements: Department of State's Bureau for Democracy, Human Rights and Labor (State/DRL) manages a number of activities that support rule of law in China. USAID efforts complement these activities. As part of its Greater Mekong HIV/AIDS strategy, USAID will work on a limited scale with NGOs in two southern provinces in China, 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. ASHA has also supported the Johns Hopkins Center for Chinese-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. Important donors include Japan, Germany, and the United Kingdom. Sweden, the United Nations, Australia, Italy, New Zealand, and Canada also provide support. Multilateral donors include the World Bank, the European Union, the Asian Development Bank, and the United Nations Development Program.

**East Timor
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Economic Support Fund	25,000	24,838	22,367	13,500
Total Program Funds	25,000	24,838	22,367	13,500

STRATEGIC OBJECTIVE SUMMARY				
472-001 Economic Revitalization				
ESF	11,500	12,538	11,367	7,000
472-003 Support for Democratic Transition				
ESF	12,500	12,300	11,000	6,500
472-xxx ANE Regional HIV/AIDS Program				
ESF	1,000	0	0	0

Acting Mission Director,
James Lehman

East Timor

The Development Challenge: East Timor has gone through three major transitions since its vote for independence. These include a political transition to a democratic government, an economic transition to a free and open market, and a social transition dealing with major social conflicts and reconciliation from 25 years of Indonesian occupation and reconciliation. Fundamental democratic and economic reforms have accompanied this transition period. As of May 20, 2004, the people of East Timor (Republica Democratica de Timor-Leste) will be completing their second year as an independent democratic country in Southeast Asia. The challenges of building a strong democracy and vibrant economy with fragile democratic institutions and limited human capital remain daunting over the next several years.

East Timor's budget revenues for the next three years are projected to be lower than previously estimated, creating an unexpected short-term financing gap from FY 2004 through FY 2006 of an estimated \$120 million. This financing gap is due to lower than expected oil and gas revenues to significantly cover core government expenditures through FY 2007. During this three-year period continued donor budgetary support financing is critical to narrowing the central government's revenue gap, maintaining stability and supporting the implementation of the National Development Plan.

East Timor's economy has declined significantly. United Nations staff is departing and foreign investments are not materializing due to the uncertainty in the investment climate, concern about regional security, and a weak judicial system. More than two-fifths of the population live on less than \$1 per day and only one in five families has access to electricity and only two in five families have access to clean water. Unemployment is rising and it is a major national concern. Urban youth unemployment is estimated around 40%. The declining local economy and expected lower economic growth levels over the next year will be unable to provide the number of new employment opportunities for workers entering the labor force. The country had a per capita income of \$430 in 2002, which is expected to decline in 2003, life expectancy of 57 years, high infant mortality, and a literacy rate of 43%. Food security remains a major problem for the majority of rural families facing inadequate access to basic food sources.

U.S. foreign policy interests in East Timor remain focused on assisting the country to establish a stable and secure democratic government and a growing market economy. As one of the first and largest foreign aid providers during East Timor's transition period, the United States is recognized by the Timorese as a reliable, credible and efficient source of outside advice and assistance. Continued funding levels through FY 2005 will enable the United States to continue its critical development support and central leadership role in East Timor.

The USAID Program: USAID's East Timor program focus on two objectives: 1) institutional and policy changes that support private sector development including the revitalization of the local economy; and 2) strengthening democracy and good governance. In FY 2004 funds will be used to implement the ongoing economic growth programs that support the expansion of coffee and vanilla exports, increased household incomes, technology transfers, diversification and sustainability of agricultural systems, expansion of technical/vocational training, and improved enabling environment for private sector growth and job creation. Also, ESF funds will sustain a network of critical health clinics providing basic health services to coffee workers and their families to maintain worker productivity and address basic family health care. ESF funds will be used to support a new micro enterprise activity that will expand rural families' access to critical rural markets (input, financial, and labor) to further stimulate the local economy and expand employment opportunities.

USAID plans to use FY 2004 funds to continue support of East Timor's democratic development by increasing public participation in good governance including strengthening of the judicial system, supporting the development of political parties, strengthening civil society, and fostering civilian oversight of uniformed forces.

The democracy program will improve citizens' access to justice through institution building in the judiciary system, training of judicial personnel, and expanding the reach of legal aid groups. Furthermore, USAID will support increasing citizens' knowledge of rights, responsibilities and legal processes; and the

strengthening of government and independent institutions, including new legislative and executive bodies, to implement democratic processes, adopt effective legislation and deliver services to communities. In FY 2004, USAID will continue to contribute to the World Bank-administered Transitional Support Program (TSP), which supports East Timor's nascent governing structures and provides critical support for the implementation of the National Development Plan supporting priorities in basic education, health, and poverty reduction. In response to the current financing gap facing the East Timor Government, due to unexpected shortfall in gas and oil revenues and a weaker than expected economy, the US government anticipates increasing its contributions to the TSP program in response to the East Timor government's request for assistance in narrowing the budgetary shortfalls in FY 2004 and FY 2005.

USAID plans to use FY 2005 funds to support the new strategy, which is focused on strengthening of the private sector and creating jobs with a significant emphasis on rural areas to further reduce poverty and improve rural livelihoods. In addition, USAID will maintain support for the strengthening of democratic values and good governance with a focus on rule of law and justice. In response to the increasing government financing gap due to delayed oil and gas revenues coming on line, USAID, in line with other donors, is planning to continue support to the central government, but likely at a reduced rate.

Other Program Elements: An NGO strengthening program, funded and managed by USAID's Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA), provides support for a set of NGOs in and around Dili to support their ability to provide continued and sustainable services to rural areas. A Victims of Torture program, funded through DCHA, trains rural community groups to address the needs of survivors of torture from Indonesian presence in East Timor. Through the Global Health Fund, East Timor receives funding for tuberculosis and malaria programs.

Other Donors: Coordination among donors is excellent with bi-annual development partners meetings, which have been held since January 2000. A donor coordination meeting is held monthly in Dili chaired by the Vice-Minister of Finance and Planning. The UN Mission of Support for East Timor is currently scheduled to close in May 2004 but may be extended in considerably smaller numbers to provide support to the security sector. Donors, including USAID, support the World Bank-managed Transitional Support Program, which provides direct support to the East Timor national budget with benchmarks linked to the five-year National Development Plan. TSP donors participate in a bi-annual review of the Government of East Timor's progress in meeting National Development goals and objectives. The United Nations agencies represent the largest multilateral donors, followed by the World Bank and the Asian Development Bank.

With respect to the bilateral donors, the top five bilateral donors are Australia, Japan, European Union, United States, and Portugal. Bilateral programs cover a wide array of development activities, including capacity building, 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 have received much less support. The top five donors and the multilateral donors account for over 75% of the total external assistance. Since East Timor's vote for self-autonomy, over 35 official donors have provided assistance to East Timor and approximately 20 of these donors continue to be active.

Indonesia PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	35,568	31,955	34,000	32,300
Development Assistance	38,704	39,018	31,291	32,742
Economic Support Fund	50,000	59,610	49,705	70,000
PL 480 Title II	10,400	29,540	6,604	23,000
Total Program Funds	134,672	180,121	121,600	188,042

STRATEGIC OBJECTIVE SUMMARY				
497-007 Democracy Reform				
DA	8,000	7,000	1,860	0
ESF	15,000	18,600	20,305	25,700
497-008 Health, Population and Nutrition				
CSH	35,568	31,955	25,450	28,300
497-009 Crisis Mitigation				
CSH	0	0	2,200	2,000
DA	4,000	4,000	1,800	2,060
ESF	12,500	12,050	3,000	4,500
497-010 Strengthening Local Government				
DA	7,451	8,050	5,050	0
ESF	7,000	5,950	8,600	15,000
497-011 Promoting Economic Growth				
DA	5,123	7,000	5,100	0
ESF	14,000	8,010	6,800	13,800
497-012 Natural Resource Management				
CSH	0	0	6,350	2,000
DA	10,500	11,966	7,481	13,682
ESF	1,500	0	0	0
497-013 Energy Sector Reform				
DA	3,630	1,000	0	0
ESF	0	0	1,000	1,000
497-XXX State Department Programs				
ESF	0	15,000	0	0
497-ZZZ Basic Education				
DA	0	0	10,000	17,000
ESF	0	0	10,000	10,000

Mission Director,
William Frej

Indonesia

The Development Challenge: Six years into a comprehensive political and economic transition, Indonesia has made significant progress in consolidating democratic reforms and processes. It has successfully converted one of the world's most centralized countries to one of the most decentralized, and has placed the country's economy back on a growth path. It is beginning to tackle terrorism.

Serious challenges remain that could derail what is still a fragile situation. The education system is in crisis. Indonesia continues to struggle with deeply entrenched legacies of authoritarian rule. Indonesia is the only major ASEAN country yet to fully recover from the 1997-1998 Asian financial crisis. Decentralization shifted responsibility for the delivery of essential human services to more than 400 local governments most of which are ill-prepared to address the challenges of planning, budgeting, and managing these services in an effective, transparent and accountable manner. More than 40 million people live in poverty with limited access to adequate health services, food, clean water and effective sanitation. An estimated 77 million people (one-third of the population) lack access to clean water. Hundreds of thousands of Indonesians continue to suffer from ethnic and religious conflict and natural disasters.

As the world's largest Muslim-majority country, Indonesia is too important to fail. 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. A thriving Indonesian democracy could serve as an example and inspiration to other Muslim nations with a long experience of autocratic rule.

The USAID Program: USAID's 2000-2004 assistance program to Indonesia was designed to support a transition from 1998-era crisis response initiatives to strategic interventions that establish the foundation for economic, social and political reforms. This has largely been accomplished. The next step is to provide assistance to Indonesia that will make it a more moderate, stable and productive country. USAID is embarking on a new strategic direction that will address these needs.

FY 2004 and FY 2005 funds will be used to fund ongoing and new activities that will accomplish the following:

- Strengthen decentralized local governance by consolidating the decentralization processes and Indonesia's democratic reform agenda, improving the rule of law, and elections assistance, and promote pluralism;
- Improve the delivery of basic human services by targeting integrated watershed management, municipal water supplies, sanitation, food security, family planning, child survival, maternal health and HIV/AIDS and other infectious diseases;
- Increase economic growth and job creation through assistance that will liberalize trade and investment, improve economic policies, and reform economic governance; and
- Improve the quality of education in public and private schools.

With FY 2004 funding, USAID will be the lead donor supporting transparent, inclusive and peaceful legislative and, first-ever, direct presidential elections in Indonesia.

The education program, which will be initiated and implemented with FY 2004 and FY 2005 funds, is a new one based on President Bush's announcement of an Indonesian education initiative. Program activities will prepare the children of Indonesia to be more productive members of the world economy. USAID's program will also prepare them to be effective participants in their own democratic society, while reducing extremism and intolerance in favor of democracy, respect for diversity, and resolution of societal and political differences through non-violent means. In addition, USAID/Indonesia will continue to expand

the development of public-private partnerships, including major new efforts in the Digital Freedom Initiative, use of Development Credit Authority approaches in the water sector, and a significant engagement with private sector partners in our new education program.

Other Program Elements: USAID's Office of Foreign Disaster Assistance's emergency and disaster relief activities complement USAID/Indonesia's P.L. 480 food assistance and programs related to internally displaced persons. As appropriate, USAID's democracy activities are closely integrated with State Department public diplomacy efforts. USAID will fund technical assistance and training to strengthen national and local economic institutions in partnership with other U.S. agencies including the Department of State, Department of Justice and U.S. Federal Trade Commission. USAID is implementing activities in Indonesia through global and regional programs in health, economic growth and environment. Programs previously implemented through the U.S.-Asia Environmental Partnership are being integrated into Mission programs. The State Department's East Asia and Pacific Women's Rights Initiative continues to fund anti-trafficking programs in Indonesia.

Other Donors: The United States is the second largest bilateral donor to Indonesia and the largest donor of grant assistance. Other major bilateral donors include Japan, the Netherlands, Australia, Germany, the United Kingdom, and Canada. Through flexible and responsive programming, USAID plays a leadership role among donors, most notably in elections assistance, civil society development, and decentralization. USAID works closely with the major multilateral donors including the World Bank, the Asian Development Bank, the International Monetary Fund, the European Union, and the United Nations agencies. The World Bank-chaired Consultative Group on Indonesia coordinates donor assistance to Indonesia. The United Nations-led Partnership for Governance Reform also coordinates donor interventions on civil society, corporate governance, anticorruption, decentralization, justice sector reform, and poverty reduction.

**Laos
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	1,000	1,000	0	0
Development Assistance	1,000	1,000	0	0
PL 480 Title II	513	405	0	0
Total Program Funds	2,513	2,405	0	0

STRATEGIC OBJECTIVE SUMMARY				
439-004 Economic Development				
DA	1,000	1,000	0	0
439-005 HIV/AIDS				
CSH	1,000	0	0	0
439-XXX ANE Regional HIV/AIDS Program				
CSH	0	1,000	0	0

Acting Mission Director,
Leon Waskin

Laos

The Development Challenge: Laos is one of the poorest and least developed countries in East Asia. A recent World Bank economic report in 2003 estimated that Laos' 5.5 million people had a per capita income of just \$310 in 2002. Agriculture remains the economic mainstay, contributing 51% of the Gross Domestic Product. Social indicators in Laos, among the worst in the world, are comparable to those of sub-Saharan Africa; e.g. infant mortality in Laos is 87 per 1000 births in the latest report in 2001, compared with an average of 92 in Sub-Saharan Africa and life expectancy in Laos is 54.5 years according to 2002 reports. Available data indicates that Laos currently has a low level of HIV/AIDS. However, systematic and nationwide surveillance for HIV is not yet in place, so the future course of the epidemic is uncertain. With Laos surrounded by countries such as China, Thailand, and Vietnam that have significant numbers of HIV infections and with the current levels of international migration, it is very likely that the epidemic will continue to spread in Laos in the absence of appropriate interventions. A significant HIV epidemic would have a serious impact on development efforts in Laos.

Laos is one of the few remaining official communist states. The country's economy remains hampered by inadequate infrastructure and health and education services to support its workforce and population. While the government's stated intention is to decentralize control and encourage private enterprise, the transition from a centrally-planned and controlled economy to a more market-driven one is moving very slowly. The government recognizes that it needs considerable technical assistance, training, and donor and private sector investment if it is to modernize its economy and address critical health, education, and employment generation issues. Reforms underway in Vietnam may encourage Laos to undertake changes, including improving its human rights record, to attract outside support. The continuation of reforms in Vietnam and the increasing availability of Thai broadcasting may create greater incentives for the regime to undertake necessary reforms.

U.S. national interests in Laos remain unchanged, focusing on five main issues:

- Reducing the cultivation of opium through law enforcement, crop substitution and infrastructure development;
- Finding the remains of U.S. citizens missing in action and assisting in the removal of unexploded ordnance from the Indochina conflict;
- Promoting respect for human rights, including religious freedom;
- Encouraging movement towards a market-oriented economy; and
- Countering global terrorism.

All of these issues continue to be important, with increased support for clearing unexploded ordnances (UXO) an Embassy priority for the years ahead. The long-term U.S. interest is to encourage a transition to representative government with a significantly improved human rights record and a viable, market-based economy. The United States also has a humanitarian interest in addressing the effects of the country's extreme poverty by providing assistance to improve health and generate income in rural areas. The aim is to help the impoverished people of Laos without helping or lending credence to the one-party Communist regime. Crop substitution programs, particularly those involving sericulture, serve the dual purpose of poverty reduction and alleviating opium poppy. Supporting UXO clearance not only reduces the human toll of deaths and injuries from explosions, but also contributes to poverty reduction by making more land available for farming and new infrastructure.

The USAID Program: The Laos Economic Acceleration Program for the Silk Sector (LEAPSS) aims to develop a viable economic alternative to opium production. Crop substitution programs like this one contribute to the eradication of opium poppies and also help reduce poverty. The program provides technical assistance and training to improve the quality, quantity, and yield of cocoons and silk yarn production in Xieng Khouang and Huaphan provinces. Key interventions focus on strengthening the capacity of local, provincial, and national institutions to support development of the private silk sector. The program will also expand access to silk and handicraft markets, both nationally and internationally, and will strengthen coordination among silk production groups. An integral part of the program is to enhance the participation of women at all levels of decision-making within villages and in management or coordination of production groups.

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No funding is requested either for FY 2004 or FY 2005 for this program. Activities will be carried out with prior year unobligated funding.

Other Program Elements: In addition to the LEAPSS program, USAID supports five programs in Laos:

-- The War Victims Assistance Project with funding of \$2.6 million, started in 1995, to reduce the impact of UXO accidents in northern and central Laos. USAID plans to add \$500,000 CSH in FY 2004 resources to the existing grant with World Education, Inc/World Learning Consortium to allow it to continue activities into FY 2005. USAID will then issue a Request for Applications for a follow-on grant that would begin in FY 2005. In addition to reducing the human toll of deaths and injuries from explosions, UXO clearance helps reduce poverty by making more land available for farming and new infrastructure;

-- The Vulnerable Groups Inclusive Education Program, started in September 2003 with close to \$1 million, to strengthen inclusive education in Laos at both the policy and classroom levels to ensure that all children with disabilities in Laos are able to attend and achieve in school;

-- Anti-trafficking activities with funding of approximately \$750,000 started in FY 2002. This program is assisting in the drafting of anti-trafficking legislation, raising community awareness, and providing vocational and leadership training for women, children, and youth groups in Vientiane Municipality and southern Laos;

-- Regional HIV/AIDS activities implemented since 1998 seek to strengthen local capacity to monitor the spread of the HIV/AIDS epidemic. Increased funding has enabled USAID to expand activities to include improving market research and strategies for condom sales, developing sexually-transmitted disease prevention and treatment programs, and expanding surveillance and interventions with high-risk populations; and

-- The East Asia and Pacific Environmental Initiative supports a small community-based wildlife management program in Laos.

Other Donors: Donor coordination is uneven. Main bilateral donors include Japan, Germany, Sweden, France, Australia, and Norway. Bilateral donor efforts focus primarily on education, health, rural development and environment. The World Bank and the Asian Development Bank work on poverty reduction, agriculture, natural resources management, rural energy, environment, transportation, communications, and social infrastructure. They also provide assistance to the financial sector and state-owned enterprise reforms needed to create an enabling environment for private sector development.

**Mongolia
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Economic Support Fund	12,000	10,000	9,941	10,000
Total Program Funds	12,000	10,000	9,941	10,000

STRATEGIC OBJECTIVE SUMMARY				
438-001 Private Sector-Led Economic Growth				
ESF	8,000	7,300	7,241	7,500
438-002 More Effective and Accountable Governance				
ESF	4,000	2,700	2,700	2,500

Mission Director,
Jonathan Addleton

Mongolia

The Development Challenge: Mongolia, a remote and sparsely populated country, provides an important example to other countries in East Asia, Central Asia and elsewhere on how to manage a challenging economic transition within a democratic political framework. It shares long land borders with China to the south and the resource-rich Siberian region of Russia to the north. Mongolia's progress in recent years offers an important beacon of hope for other countries attempting to make a similar transition.

Politically, Mongolia's transition to democracy is a remarkable achievement with ramifications that go well beyond its frontiers. Nine elections have been held over the past decade, three each at the local, parliamentary and presidential level. Governments have been elected to power in free and fair elections and then peacefully relinquished that power following the outcome of subsequent elections. Upcoming parliamentary elections, scheduled for June 2004, will provide an important test of the extent to which democracy is truly taking root in Mongolia.

Economically, Mongolia's harsh climate, small market and lack of infrastructure present formidable challenges. However, here too the direction and pace of change have been encouraging. Approximately 80% of the Mongolian economy is now in private hands, up from virtually nothing at the beginning of the 1990s. Total GDP is estimated at \$1 billion and per capita income is estimated at \$450. Mining, tourism, construction and light industry offer significant economic potential. Over the past year, international investor interest in mining increased significantly.

After several years of economic stagnation and decline, economic growth rates approached 4% in 2002 and are expected to exceed 5% in 2003. This encouraging development suggests that Mongolia's hard-won economic stability is beginning to have positive impact. A vibrant "underground" economy and informal remittances from the estimated 70,000 Mongolians working overseas in South Korea, Taiwan, Japan, Germany, the United States and elsewhere perhaps make the actual figures even higher. At the same time, the growing international debt burden--now approaching \$1 billion, or the equivalent of the country's annual GDP--is cause for concern.

U.S. interests in Mongolia stem largely from geo-political considerations: 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, during the past year a Mongolian peacekeeping contingent consisting of approximately 200 soldiers arrived to assume duties in southern Iraq. At the same time, smaller numbers of Mongolian advisors have helped train members of the new national army in Afghanistan.

A successful Mongolia has important and positive implications for a number of other countries in East and Central Asia, ranging from Vietnam to 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. Finally, the links that Mongolia maintains with North and South Korea position Mongolia to make a positive and constructive contribution as a potential "role model" for North Korea when that country eventually emerges from the isolation that it has maintained over the past many decades.

The USAID Program: A new five-year USAID strategy for Mongolia was approved in Washington in May 2003 and took effect on October 1, 2003. This document sets the stage for a tightly focused program that directly addresses two of Mongolia's most pressing concerns: sustainable private sector led economic growth and more effective and accountable governance. Every USAID activity, whether funded bilaterally or through various Washington-managed mechanisms, helps advance at least one of these two objectives.

Judicial reform is the single largest program within USAID/Mongolia's "good governance" portfolio. Following the introduction of new civil and criminal codes in September 2002, USAID assisted in a series of training and outreach programs involving every judge in the country. Simultaneously, USAID/Mongolia

improved case management and court administration, introduced new approaches to continuing legal education and helped address corruption in the legal sector. As a result, courtrooms responsible for 80% of Mongolia's caseload now have been fully automated. At the same time, USAID/Mongolia provides political party training as well as assistance to the Mongolian parliament.

Activities aimed at promoting sustainable private sector-led growth operate at a policy level, a company level and a "grassroots" level. As a result of USAID/Mongolia assistance, two of Mongolia's three largest banks--the Trade and Development Bank and the Agricultural Bank--were privatized during FY 2003. Together, the sale of these two banks provided nearly \$20 million to the government while holding out the promise of another \$40 million in private investment. Significant work is also underway aimed at commercializing and ultimately privatizing Mongolia's energy sector.

USAID/Mongolia's newest program--the Economic Policy Reform and Competitiveness project-- provides training and advisory services to both government institutions and private firms. At the same time, business training provided through the GER Initiative (aimed at rural migrants displaced to urban areas) and Gobi Initiative (aimed at rural Mongolians, especially those living in the Gobi region) help extend knowledge and familiarity about the market economy to a much larger segment of the population.

Other Program Elements: The USAID/Mongolia program is a vital part of the Mission Performance Plan (MPP) developed by the Embassy country team. In addition, several USAID/Washington-funded programs have been launched, all of which contribute to the new USAID country strategy for Mongolia. The growing list of such activities include a grasslands management program in eastern Mongolia; a support grant to XacBank, a pioneering microfinance institution; an energy partnership between the Delaware public utilities commission and its Mongolian counterpart; non-governmental organization (NGO) strengthening related to human rights and rural development; and a variety of information technology (IT) initiatives. Finally, monetization of the U.S. Department of Agriculture wheat program is providing significant additional development resources, especially to NGOs working in rural areas.

Other Donors: The "alphabet soup" of foreign donors working in Mongolia partly reflects the relative success that the country has enjoyed in recent years, especially in terms of its ability to effect both economic and political reforms simultaneously. In recent years, a number of "non traditional" donors have provided assistance to Mongolia. In fact, six of the sixteen bilateral donors represented at the most recent Consultative Group donor meeting in Tokyo on Mongolia included countries in which USAID either has had or still has development assistance programs--Hungary, Russia, South Korea, Turkey, India and Egypt.

Japan is Mongolia's largest bilateral source of both loan and grant assistance. Programs have included a variety of infrastructure and education programs. The United States ranks a distant second in terms of development assistance, followed by a German aid effort of roughly comparable size that includes programs in legal reform, energy, conservation and regional economic development. Many other donors offer limited support to Mongolia, including India (education and IT development), Australia (scholarships), Canada (NGO development), Russia (scholarships), Luxembourg (banker training) and Korea (training for civil servants).

The Asian Development Bank (ADB) is the single largest multilateral donor, followed by the World Bank. Other multilateral donors include the European Union and various United Nations agencies. Finally, NGOs such as World Vision and the Soros Foundation make a variety of useful contributions. In fact, with annual funding levels now approaching \$10 million, World Vision has recently emerged as one of the largest providers of foreign assistance to Mongolia.

Philippines PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	25,599	22,920	29,350	28,000
Development Assistance	24,459	28,209	22,068	26,076
Economic Support Fund	21,000	15,000	17,645	35,000
ESF - FY 02 Supplemental	12,000	0	0	0
ESF - Wartime Supplemental	0	30,000	0	0
Total Program Funds	83,058	96,129	69,063	89,076

STRATEGIC OBJECTIVE SUMMARY

492-002 Economic Governance				
DA	5,592	7,792	8,708	8,500
ESF	10,000	2,500	2,725	5,000
492-003 Family Planning and Health				
CSH	13,685	22,920	29,350	28,000
ESF	4,000	0	0	0
492-004 Environment and Energy				
DA	13,667	13,667	7,860	8,076
ESF	0	0	1,140	5,320
492-010 Conflict Resolution in Mindanao				
DA	5,200	6,750	2,500	6,500
ESF	7,000	12,500	12,780	20,000
ESF - FY 02 Supplemental	12,000	0	0	0
ESF - Wartime Supplemental	0	30,000	0	0
492-011 Education				
DA	0	0	3,000	3,000
ESF	0	0	1,000	4,680
TRANSFER				
CSH	11,914	0	0	0

Mission Director,
Michael Yates

Philippines

The Development Challenge: Corruption and conflict continue to limit the Philippines' economic and social development, impeding badly needed investment and growth. Forty-six percent of the population lives on \$2 per day or less, and the country continues to fall further behind its neighbors on key economic and social indicators. This is aggravated by an alarming rate of population increase (2.4%), continued resistance by some vested interests to badly needed reforms, and steady degradation of the country's natural resource base. While the Philippines is one of the United States' most important allies in Southeast Asia in the global war on terror, it is also a fragile state. Nevertheless, it has maintained its vibrantly participatory democratic institutions and its market-based economic system, as well as its historic ties with the United States. The country made some important strides forward in the past two years, and President Arroyo's strong and consistent support for President Bush's efforts in the global war on terrorism was complemented by reciprocal state visits and the Philippines being declared a major non-NATO U.S. ally in 2003.

The USAID Program: USAID/Philippines' assistance is organized around five strategic areas: the Muslim separatist conflict in Mindanao; corruption and poor economic governance; damaging mismanagement of the Philippines' unique natural resources; serious deterioration in quality and access to education; and the impacts on health and economic growth of the high number of unwanted pregnancies, the recent resurgence of tuberculosis, and potential vulnerability to HIV/AIDS. Reducing corruption and mismanagement through decentralization, private-sector involvement, and administrative reform are cross-cutting implementation approaches for all areas. Assistance in all five areas has focused on the conflict-affected areas of Mindanao since the resurgence of fighting in early 2000 and the events of September 11.

USAID has an exceptionally close working relationship with both local and national figures working to manage the long-running Muslim separatist conflict in Mindanao and the Sulu Archipelago. USAID's program will, by 2005, have assisted every one of the 25,000 former combatants of the Moro National Liberation Front who need assistance to reintegrate themselves into the economy. The U.S. Department of State distributed a video presentation of this program worldwide as a model for U.S. relations with the Islamic community. USAID is fully prepared to implement a similar assistance package for the Moro Islamic Liberation Front should a peace agreement be signed.

Economic and social conditions are fundamental factors underlying extremism and conflict in the Philippines. Therefore, in addition to providing assistance to re-integrate former combatants into the economy, USAID is addressing economic growth and job creation in Mindanao in other ways. Microfinance field programs are achieving dramatic successes by helping rural banks lend to micro enterprises profitably by using local resources to implement lending programs based on international best practices. Working through private producers' associations, commodity development programs have increased farmer incomes by successfully moving farmers into new higher value-added crops. Programs to strengthen economic governance are helping communities increase forest and coastal zone productivity to enhance basic food security. USAID has continued and expanded community infrastructure construction. As conflict-affected communities benefit from these interventions, USAID's new education program is the stepping stone to the future for the next generation. The United States is already providing books, teacher training in English, and computers and computer literacy training to elementary/high schools in conflict-affected communities in Mindanao. These and other education activities underway will help counter inadequate, extremist teaching taking place in some of the hundreds of private "madaris" that have sprung up in the southern Philippines. They will also help build a truly pluralistic democracy by preparing the poor in the conflict-affected areas to take advantage of growing economic opportunities. USAID is also giving increasing priority to the conflict-affected areas of Mindanao in its health, environmental, and energy programs.

Nationally, the continued failure of the Philippine economy to attain the success achieved elsewhere in the region has turned the spotlight onto governance factors and corruption, especially after former President Estrada's downfall in 2001. USAID is developing transparency and accountability improvement

programs in government agencies to address areas of their operation that are vulnerable to corruption, such as revenue administration, government procurement, and judicial strengthening.

USAID supports both governmental and non-governmental stakeholders in reform efforts in regulation of public utilities, including electricity, telecommunications, ports, and airlines, where governance is especially weak. USAID provides critical technical assistance for an energy-sector reform program that may be a make-or-break initiative for an economy confronted with high electricity prices, looming power shortages, and investor skepticism. USAID also provides technical assistance for reforms that are vital to the transition to less-polluting and renewable sources of energy and improved air quality, including promotion of natural gas vehicles for the transportation sector. USAID approaches environmental management, in Mindanao and nationally, as a governance issue. Assistance, therefore, emphasizes strengthening transparency and accountability in local governance to more effectively manage natural resource use rights (often vested in communities), especially for threatened resources.

USAID's assistance for health recognizes the Government of the Republic of the Philippines' (GRP) devolution of responsibility to local levels of government for family planning, maternal and child health care, TB and HIV/AIDS management, and food fortification and thus works to strengthen the capacity of local government to provide health services. USAID is also breaking new ground in finding innovative ways to stimulate the private commercial sector to play a greater part in improving access to quality health services for those who can afford to pay, even in non-traditional areas such as family planning and tuberculosis management, thus relieving the burden on the public sector to provide these services. USAID is also seeking ways of financing health care through internal mechanisms in the country to reduce the country's long-term donor dependency.

Other Program Elements: USDA's PL 480 Title-I program provided local currency for budget support to the government, part of which has been directed to agricultural development. Co-financing with USAID Washington of microfinance assistance continues, and new initiatives under the Making Cities Work program and the Monsanto Corn Alliance were funded. USAID has tapped the Development Credit Authority (DCA) Program for an innovative loan guarantee program for participants in the Well-Family Midwife Clinic program, a first such application of DCA funds. USAID's environment program was highly successful in utilizing both USAID's Global Development Alliance funds for the Marine Aquarium Council, as well as the ANE Mission Incentive Fund for Public Private Alliances, specifically for the SUCCESS Cacao Project expansion and activities under the Energy and Environment Incentive Fund. The U.S. Department of State, Treasury, Justice and Energy Departments provide training and technical assistance in important areas like tax administration, privatization of the energy sector, and control of money laundering.

Other Donors: The major donors to the Philippines are the Japan Bank for International Cooperation, the Asian Development Bank (ADB), and the World Bank, which support infrastructure or sector policy programs. USAID collaborates closely with the ADB and the World Bank on sectoral policy in energy, basic grains, bank and non-bank financial regulation, and expenditure management. USAID and the U.S. Embassy maintain an active dialogue with the IMF, which has a small but influential technical-assistance program that includes tax administration assistance to the Philippines Bureau of Internal Revenue. The United Nations Development Program has been active in coordinating assistance of other donors who complement USAID's programs in Mindanao, and the Japanese continue to coordinate their Mindanao planning with USAID. Bilateral assistance from Australia and Canada includes an emphasis on Mindanao, corruption and governance that complements USAID's. A number of donors have education initiatives for which coordination has been initiated. Other bilateral donors with substantial programs, including Germany and other Economic Union members, emphasize direct assistance to small enterprises and small farmers.

**Vietnam
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	4,106	5,300	6,600	5,700
Development Assistance	6,950	7,671	3,000	4,500
Total Program Funds	11,056	12,971	9,600	10,200

STRATEGIC OBJECTIVE SUMMARY				
440-006 Accelerated Transition to a Market-Based Economy				
DA	5,450	6,371	3,000	4,500
440-007 Assistance to Selected Vulnerable Groups				
CSH	4,106	5,300	6,600	5,700
DA	1,500	1,300	0	0

Acting Mission Director,
Leon Waskin

Vietnam

The Development Challenge: Vietnam is undergoing a transition from a centrally planned to a market-oriented economy. Since 1986, Vietnam has succeeded in achieving rapid economic growth, doubling the size of its economy and reducing poverty by half. However, with a GDP of \$34.1 billion and GDP per capita of \$441 in 2002, Vietnam still ranks among the poorest 25 countries in the world. Foreign debts accounted for 42% of GDP by the end of 2002. Although Vietnam's social and political environment is rated as more stable than that of neighboring countries, foreign direct investment has decreased in recent years due to a lack of transparency, uncertainty and inconsistency in the legal and taxation system, and high costs of doing business.

Vietnam is pursuing its goal of acceding to the World Trade Organization (WTO) by the end of 2005. To achieve this goal, the Government of Vietnam (GVN) must undertake fundamental reforms in the economic, financial, and administrative spheres. Despite criticism of its slow implementation of administrative and regulatory reforms, the GVN continues to manifest uneven political will to undertake rapid reforms due to concerns that these would lead to social unrest, economic instability, and political upheaval. Hundreds of existing laws and regulations will need to be amended, new ones put in place, and law enforcement strengthened as the GVN pursues its roadmap to global integration. Legal and regulatory reform is possibly the greatest challenge and it is precisely the area in which USAID can best assist.

The passage of the Enterprise Law in early 2000 has spurred the establishment of more than 72,000 new businesses. Private small and medium-sized enterprises now account for almost 50% of GDP and create most of the 1.4 million new jobs needed each year by a young and growing workforce. However, private businesses are handicapped by limited access to bank credit and management skills, a restrictive regulatory environment, and an absence of incentives in land rental and taxes. Vagueness, unexpected changes and divergent interpretation of laws and regulations lead to serious problems in consistent implementation and enforcement for businesses. Improving private sector competitiveness is a main challenge if Vietnam and the United States are to benefit from new opportunities that arise as the country reforms. USAID activities focus on these areas.

Vietnam has continued to improve key human development indicators over the last few years. The UNDP's 2003 Human Development Index Report ranks Vietnam 104th in the world, citing Vietnam as a model for many areas of social development. Adult literacy is estimated at 94% and life expectancy is 68 years. The country, however, still faces many social challenges. The disparity of living standards between regions and social groups is on the rise. One-third of children under five are underweight and the child mortality rate is 42 per 1000. Economic growth is associated with deteriorating air and water quality and environmental hazards, threatening health status and economic sustainability. The HIV/AIDS epidemic is now generalized in border provinces, posing one of the greatest human development challenges for Vietnam. HIV incidence is increasing throughout Vietnam. By mid 2003, the number of HIV/AIDS infected people was estimated at 71,500.

U.S national interests in Vietnam include maintaining Vietnamese cooperation on POW/MIA accounting, furthering normalization of ties; fighting terrorism, HIV/AIDS and transnational crimes; encouraging compliance with international standards of human rights and the rule of law; and supporting economic reforms that create opportunities for U.S businesses. For the United States, Vietnam's integration into the world economic and trading system is critical for regional security, prosperity, and peace.

The USAID Program: USAID's program focuses on the following:

- Accelerating Vietnam's transition to an open and market-based economy;
- Improving access to services for selected vulnerable groups; and
- Improving sustainable urban and industrial environmental management.

To meet the first objective, USAID provides advisory assistance to help the GVN implement required reforms consistent with WTO requirements and its commitments under the U.S. Bilateral Trade

Agreement, which was ratified on December 11, 2001. New activities launched in FY 2003 have begun to help the private sector compete successfully in global markets. These programs ensure that Vietnam will continue to liberalize and follow a strict roadmap toward global economic integration. Regarding better access to services for vulnerable groups, USAID - through the Displaced Children and Orphans Fund and other regional funds - helps Vietnam provide war victims, displaced and orphaned children, people with disabilities, victims of trafficking, and HIV/AIDS infected people with increased access to services. Economic Support Funds (ESF) support USAID's work in the rehabilitation of trafficked women and children from the Mekong Delta provinces, as well as research and development of effective interventions to prevent trafficking in persons. The third objective, improvement of sustainable environmental management, is being met through the United States-Asia Environmental Partnership Program (US-AEP). This program provides short-term technical assistance, training, exchanges, and small grants to help Vietnam improve environmental policies and governance systems; improve the quality of and access to potable water and sanitation services; improve air quality management; and improve the efficiency of resource use.

Other Program Elements: The Office of Foreign Disaster Assistance supports improving Vietnam's disaster preparedness capacity and disaster mitigation. As part of the Regional Cocoa Alliance, USAID supports a Cocoa Development Project in the Mekong Delta and Central Highlands. Through the Association Liaison Office, USAID has provided a grant to Purdue University to support a Higher Education Partnership with the Vietnamese University of Agriculture and Forestry (UAF) to develop a training curriculum for improved environmental management. UAF also is carrying out research on coffee and cocoa that is supported by a grant under the USAID/Sustainable Agriculture and Natural Resource Management Collaborative Research Program. The Regional Information and Communication Technology (ICT) Initiative, managed by USAID's Economic Growth, Agriculture, and Trade Bureau, implements a number of ICT activities to support e-commerce, internet development, and strengthening the capacity of software cluster in Vietnam.

Other Donors: In the Donor Consultative Meeting in December 2003, donors pledged \$2.8 billion of Official Development Assistance to Vietnam in 2004. Japan remains the largest donor in Vietnam, focusing on infrastructure projects in the transport and energy sectors as well as economic growth and poverty reduction programs. Second, the World Bank concentrates on the transport and energy sectors, modernization of the banking system, poverty reduction, and rural development. As the third largest donor, the Asian Development Bank focuses its disbursements on encouraging private sector development, state-owned enterprises (SOE) reform, and social development. The International Monetary Fund provides loans to support policy reforms in banking, SOE reform, public expenditure management, private sector development, and a fiscal and monetary program. Other important bilateral donors include Australia, Canada, France, Denmark, the Republic of Korea, Sweden, and the United Kingdom, which direct their assistance mainly toward social and human resource development, health, rural development, and natural resource management. United Nations agencies, including UNDP, UNICEF, WHO, UNFPA, and UNAIDS, continue to provide assistance in agriculture, health, and social development. Given this donor portfolio and USAID's comparative advantages, USAID expects to collaborate with the World Bank, the UNDP, the IMF, and other bilateral donors in the areas of HIV/AIDS protection and prevention, trade liberalization and legal reform, and private sector development.

**Regional Development Mission-Asia (RDM-Asia)
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	7,777	9,602	16,620	15,500
Development Assistance	10,100	1,969	9,800	12,500
Economic Support Fund	9,000	3,720	2,982	3,500
Total Program Funds	26,877	15,291	29,402	31,500

STRATEGIC OBJECTIVE SUMMARY				
486-XXX Improved Governance in South East Asia				
DA	0	0	0	2,000
486-YYY Special Foreign Policy Interests Addressed				
ESF	0	0	2,982	3,500
498-009 U.S. Asia Environmental Partnership				
DA	10,000	969	9,800	10,500
498-022 Regional HIV/AIDS and Infectious Diseases				
CSH	7,777	9,602	16,620	15,500
498-036 East Asia Regional Democracy Fund				
DA	100	1,000	0	0
ESF	9,000	3,720	0	0

Acting Mission Director,
Leon Waskins

Regional Development Mission-Asia (RDM-Asia)

The Development Challenge: The East Asia region faces major development challenges including widespread corruption, poor or oppressive governance, the spread of HIV/AIDS and other infectious diseases, and persistent environmental degradation. These challenges hinder the prospects for equitable economic growth and human well being. A lack of transparency in economic and legal institutions and severe restrictions on human freedoms in some countries demonstrate the region's democratic weaknesses. For instance, extrajudicial killings, torture, forced labor, and other abuses occur throughout Burma and have contributed to growing numbers of Burmese refugees in neighboring countries. Parts of the region harbor terrorists often linked to radical Islam who poses significant risks to the United States.

In the Asia and Pacific region, each day approximately 1,192 people die of AIDS and about 2,685 people become infected with HIV. Population increases, rapid industrialization, and unsustainable energy policies are straining the region's natural resources and environmental systems. Urban air pollution levels are among the highest in the world: it is estimated that China loses as much as 10 percent of its national income to pollution, while the nations of South East Asia lose 5% to 6%. Rapid social and economic changes occurring in the region fuel mobile migrant populations and the growth of both the sex and drug trades.

United States foreign policy priorities in East Asia include supporting the war on terrorism, promoting transparency and democracy, expanding trade and investment, stopping the spread of HIV/AIDS, and halting environmental degradation

The USAID Program: USAID's Regional Development Mission/Asia (RDM/A) opened in Bangkok, Thailand in June 2003. The new mission manages regional and country-specific programs in mainland South East Asia (Burma, China, Laos, Thailand, 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 will manage four programs. Two of these programs, "Cleaner Cities and Industries in Asia" and "Effective Responses to HIV/AIDS and Other Infectious Diseases", were previously managed in Washington. RDM/A is redesigning these two objectives to streamline activities and improve performance. In addition, RDM/A is proposing two new programs, "Improved Governance in South East Asia" and "Special Foreign Policy Interests Addressed in South East Asia." These programs will incorporate some ongoing activities as well as allow for new projects to address the development challenges in the region.

USAID programs managed through the 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: USAID's RDM/A manages the regional programs summarized above in close coordination with bilateral programs in China, Burma, 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, improving access to services for selected vulnerable groups, and (through US-AEP) on improving urban and industrial environmental management.

Other Donors: USAID also coordinates closely with other donors in the region when implementing regional activities. The HIV/AIDS and environment activities have especially benefited from regional partnerships with multilateral and bilateral donors that have helped to bolster the results achieved by USAID initiatives. Major donors in the region include the World Bank, the Asian Development Bank, the

European Union, the Japan International Cooperation Agency, and the United Nations. USAID coordinates with these donors at both the country and regional levels.

Afghanistan PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	4,000	48,475	21,000	22,000
Development Assistance	10,701	43,817	150,000	150,000
Economic Support Fund	17,250	49,675	74,558	225,000
ESF - FY 02 Supplemental	88,000	0	0	0
ESF - Emergency Response Fund	0	167,000	153,000	0
ESF - FY 04 Supplemental	0	0	672,000	0
International Disaster Assistance	0	60,235	0	0
PL 480 Title II	159,472	47,356	0	0
Total Program Funds	279,423	416,568	1,070,558	397,000

STRATEGIC OBJECTIVE SUMMARY

306-001 Agriculture				
DA	9,985	0	48,000	45,190
ESF	0	0	0	11,000
IDA	0	14,285	0	0
306-002 Basic Education and Health				
CSH	4,000	48,475	21,000	22,000
DA	0	0	2,599	23,926
ESF	0	0	0	0
ESF - FY 04 Supplemental	0	0	144,000	0
IDA	0	10,000	0	0
306-003 Infrastructure, Economic Governance & Democracy				
DA	716	43,817	94,401	75,884
ESF	17,250	49,675	72,051	207,000
ESF - FY 02 Supplemental	88,000	0	0	0
ESF - Emergency Response Fund	0	167,000	148,000	0
ESF - FY 04 Supplemental	0	0	520,000	0
IDA	0	35,350	0	0
306-004 Program Support				
DA	0	0	5,000	5,000
ESF	0	0	2,507	7,000
ESF - Emergency Response Fund	0	0	5,000	0
ESF - FY 04 Supplemental	0	0	8,000	0
IDA	0	600	0	0

Mission Director,
James Bever

Afghanistan

The Development Challenge: Afghanistan remains at or near the bottom of every socio-economic indicator used to measure human and economic progress. The country's overall human misery index is among the highest in the world. As just one grim reminder of the harshness of this long-suffering land, one of four Afghan children dies before the age of five. Reasons for poor health status include an infrastructure damaged by 23 years of conflict, no preventive care, the unavailability of treatment facilities and drugs, and the lack of appropriately trained health care personnel. Civil war and drought destroyed productive agricultural assets; crops were uprooted, livestock lost, and farmers heavily indebted. Eighty percent of schools were either severely damaged or destroyed at the end of Taliban rule, and girls were denied an education. In addition to the infrastructure damage caused by the long conflict, Afghanistan is recovering from the institutional devastation. When the USAID team arrived in Kabul in January 2002, the nation was without a viable security apparatus, courts, or functioning ministries. Compounding these challenges, Afghanistan has some of the harshest climatic conditions and most difficult terrain on earth, some of it laced with millions of unmarked landmines. The security situation in the country also poses a challenge as the Taliban and their allies do all they can to disrupt the paving of highways, rebuilding of schools (burning several of the schools as a signal to the people not to cooperate with the international community), and the establishment of free and fair elections.

The USAID Program: When the USAID office re-opened in January 2002, the first objective was to prevent a major humanitarian crisis. Programs were put in place immediately to ensure sufficient supplies of food and shelter, especially for returning refugees and displaced persons, and to prevent the outbreak of hunger and epidemic diseases.

The USAID/Afghanistan mission is now working on the building blocks of a reconstructed Afghanistan. The new phase of reconstruction builds on achievements in the past year: the building of schools and clinics; the immunization of children; the development of infrastructure; and the introduction of a new, stable currency. The six building blocks of the current program are:

1. **Infrastructure.** Highways and roads are the commercial lifelines in Afghanistan. USAID is rebuilding key road links, including the Kabul-Kandahar-Herat highway, contributes to the revitalization of the economy and reunification of the country's people. These roads also provide access from the vast rural areas to markets, health services and schools.
2. **Agriculture and Rural Development.** USAID has emphasizes agricultural recovery and rural reconstruction to assist the 85% of Afghans who participate in the agricultural sector. Revitalizing Afghanistan's Agricultural Markets (RAMP) is a three-year program aimed at increasing food security and incomes of Afghanistan's rural population through increased agricultural productivity and output and effective linkages between producers, processors and markets.
3. **Education.** Working with communities that demonstrate a commitment to education, USAID is rebuilding schools and providing textbooks, teacher training and accelerated learning for over-aged students, to ensure that schools are functional centers of learning. A main focus is on women and girls long denied an education.
4. **Economic Governance.** USAID is strengthening Afghanistan's economy by creating jobs in a variety of sectors, enabling Afghans to support their families and help rebuild their country. USAID programs also focus on currency and banking reform, investment law reform, sound budgeting procedures by the Afghan government and related "economic governance" initiatives.
5. **Health Care.** The objective of USAID's health care program in Afghanistan is to reduce the mortality and morbidity of women and children. USAID has built and renovated health centers in needy areas to increase women and children's access to basic health care. Grants are provided to NGOs to operate clinics and train new community health workers, midwives, and clinic staff. USAID is helping build Ministry of Health (MOH) capacity at the national and provincial levels.

6. Reconstituting the Basic Organs of Governance. USAID is working to support the Bonn process, including the Constitutional, Human Rights, Legislative and Judicial Commissions, the June 2004 presidential elections, and a free and independent media. USAID is also working to build the capacity of the ministries to carry out legitimate government functions and support reconstruction of the judicial infrastructure.

Other Program Elements: In addition to USAID/Afghanistan's health program, the Bureau for Global Health's programs include purchase of contraceptives (\$2.5 million), and buy-ins to UNICEF's polio eradication program (\$1.5 million), the universal salt iodization to combat iodine deficiency (\$250,000), and the World Health Organization's malaria prevention program (\$500,000). In addition, \$2 million from the Global Displaced Children and Orphans Fund (DCOF) is being used for the care and protection of war-affected children and \$1 million from the Victims of War Fund is being used in a pilot program to train orthopedic technicians and provide support to fledgling Afghan disability councils. The Office of Foreign Disaster Assistance continued its humanitarian support for refugees, internally displaced persons and other disenfranchised segments of the Afghan population and to cover some of Afghanistan's emergency winter needs. Another \$17 million was obligated to continue the implementation of quick impact projects by the Office of Transition Initiatives. Bureau for Economic Growth, Agriculture and Trade (EGAT) used both an Indefinite Quantity Contract (IQC) task order and a buy-in to the Consortium for Elections and Political Process Strengthening (CEPPS) to support the Support of Democracy Initiative (SDI). Lastly, \$40 million in P.L. 480 was granted to the World Food Program.

Other Donors: The challenges of Afghanistan's reconstruction call for an unprecedented response by the international community. The multilateral Afghanistan Reconstruction Trust Fund (ARTF) was set up in May 2002 to provide support to Afghanistan in three main areas: recurrent costs of the government, investments, and financing the return of expatriate Afghans.

Along with the United States, 21 donors pledged \$430 million to the ARTF. Other donors are Bahrain, Canada, Denmark, European Commission, Finland, Germany, India, Ireland, Italy, Japan, Kuwait, Luxembourg, Netherlands, Norway, Portugal, Saudi Arabia, South Korea, Sweden, Switzerland, Turkey, and United Kingdom. About \$276 million has been received to date. The Transitional Islamic State of Afghanistan (TISA) maintains an inventory of donor-funded activities through the Afghan Assistance Coordination Unit, a subordinate office of the Ministry of Finance. TISA has published a National Development Framework to guide the country's rehabilitation.

The ARTF is jointly managed by the Asian Development Bank, Islamic Development Bank, United Nations Development Program, and the World Bank, which also administers the fund.

In addition to the ARTF, there are over 80 other bilateral, multilateral, non-governmental, and private donors to the political and economic reconstruction of Afghanistan. The largest of which, after the United States, are the World Bank, the European Commission, the Asian Development Bank, Japan, the United Kingdom, and Germany. The Bonn Conference in 2001 determined leadership roles for each of the major G-7 donors. The US has taken the lead in establishing the Afghan National Army. USAID has taken a leadership role in major infrastructure projects, such as the Kabul to Kandahar road, and in supporting a democratic political transition. The World Bank coordinates other large infrastructure projects, and has taken the lead on developing local governance. The EC has a leadership role in governance, health and education, the ADB has contributed funds towards education, Japan is coordinating the demobilization, disarmament and reintegration (DDR) of soldiers, and Germany is the lead on developing a national police force. Other donors are providing technical assistance for the institutional strengthening of the Afghan government, to increase its ability to govern transparently and effectively and to deliver social services.

Bangladesh PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	39,950	33,100	36,000	36,300
Development Assistance	21,670	21,391	18,850	19,187
Economic Support Fund	3,000	4,000	4,971	5,000
PL 480 Title II	23,974	38,577	18,238	46,000
Total Program Funds	88,594	97,068	78,059	106,487

STRATEGIC OBJECTIVE SUMMARY				
388-001 Integrated Family Planning and Health				
CSH	39,950	33,100	35,000	35,700
388-005 Private Enterprise Development				
DA	4,800	6,000	4,500	4,687
ESF	0	1,000	1,000	1,000
388-006 Environment				
DA	2,900	2,700	2,500	2,500
388-007 Bilateral Energy				
DA	4,770	4,741	3,500	3,000
ESF	1,500	1,000	1,000	1,000
388-008 Food Security and Disaster Management				
DA	3,700	2,600	2,100	2,500
ESF	500	1,000	971	1,000
PL 480	23,974	38,577	18,238	46,000
388-009 Democracy and Governance				
CSH	0	0	250	300
DA	5,500	4,000	3,750	4,300
ESF	0	0	500	500
388-010 Education				
CSH	0	0	750	300
DA	0	1,350	2,500	2,200
ESF	0	1,000	1,500	1,500
TRANSFER				
ESF	1,000	0	0	0

Mission Director,
Gene George

Bangladesh

The Development Challenge: Bangladesh has progressed significantly in the past decade. It has achieved self-sufficiency in rice production, lowered infant and child mortality rates, virtually eradicated polio, increased girls' enrollment in schools; and annual GDP growth has averaged about 5% for ten years. With progress in many areas, Bangladesh is no longer the hopeless case that it seemed to be 30 years ago. Yet Bangladesh, one of the world's most densely populated and underdeveloped countries, is still considered highly corrupt, and its people remain among the most malnourished and impoverished in the world.

Nearly half of Bangladesh's 133 million people live below the national poverty level of \$1 per day. The Government of Bangladesh (GOB) has increased its investments in education, health, food security, and other social services, thus helping reduce poverty by 1% per year, and plans to reduce the incidence of poverty by 50% by 2015. However, poverty reduction on this scale will require achieving annual growth rates of at least 7%. Whereas economic reforms introduced by the GOB have been promising, further progress will require bolder structural reforms that are certain to disrupt the uneasy status quo of cronyism and patronage politics that determines social benefits and power relations. Without a firm commitment to improve governance and rule of law, the growth of the private sector and foreign investment will continue to be seriously constrained, and there will be little hope of achieving these poverty reduction goals. Bangladesh has a window of opportunity on several fronts--to keep HIV/AIDS prevalence at low levels; to continue to make needed investments in health and education; to safeguard press freedom and a vital, non-politicized civil society; to strengthen its democracy in ways that will make government more accountable and transparent; to protect its remaining natural resources; and to diversify and improve the quality of exports, including the potential export of natural gas. USAID is poised to assist Bangladesh to take advantage of this opportunity to improve the country's future prospects and raise the living standards of its people.

U.S. national interests in Bangladesh are threefold: democracy and human rights, economic prosperity, and national security. Bangladesh is one of the world's few moderate, democratic Islamic nations. If its fragile democratic institutions or growing market economy do not advance, the consequences for its neighbors and for U.S. interests could be quite serious. USAID's program of assistance in Bangladesh is particularly attuned to the priorities expressed in the joint USAID-State Department Strategic Plan 2004-09. In particular, the program for Bangladesh supports the joint objective of promoting democracy and economic freedom in the Muslim world, reducing the threat of famine, and advancing sustainable development goals. U.S. strategic interests include improving health, education, economic development, and the environment for the Bangladeshi population, and minimizing the costs of natural disasters.

The USAID Program: The USAID program consists of seven objectives which concentrate on reducing fertility and improving family health, increasing the 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, promoting democracy and governance, and improving the quality of Bangladesh's basic education system.

Other Program Elements: In addition to resources requested in the Program Data Sheets, USAID's food security and disaster preparedness program relies on several activities not managed in-country. University Linkages promote collaboration between U.S. universities (Virginia Tech, University of Houston) and the Bangladesh University of Engineering and Technology (BUET) to strengthen BUET's capacity to address Bangladesh's vulnerability to seismic hazards and local capabilities in energy economics and related policy issues. The Agricultural Biotechnology Support Project (ABSP II) activity focuses on the safe and effective development and commercialization of selected biotechnology crops in Bangladesh. The Program for Bio-Safety helps Bangladesh create the infrastructure, policies and capacity needed to use biotechnology safely. Climate Forecast Applications in Bangladesh (CFAB) involves a consortium of partners generating flood forecast information. The Program for Enhancement of Emergency Response (PEER) Phase-2 (2003-2008) aims at improved earthquake response readiness through emergency response training, institutional strengthening, networking and coordination. Bangladesh also participates in the Food and Nutrition Technical Assistance Project to test concepts and

measures of hunger and food security in order to develop a protocol for use in impact evaluations. The Child Survival Program (CSP) 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 targeted areas. CSP develops the management capacity of municipality managers, improves the skills of municipal health service providers, and strengthens the municipality's community based health promotion approach. The Center for Rehabilitation of Torture Survivors provides medical and psychiatric support to more than 100 former prisoners, who were victims of torture and underwent physical and mental trauma.

Over the past two years, USAID has been actively engaging new audiences, cultivating key relationships, and developing creative ways to expose Bangladeshis to the benefits of USAID's development activities. Our approach to outreach has been to deliberately seek out contacts with people who have the ability to influence a broad spectrum of society. We have exposed local imams (religious clerics) to the values of social and economic development, and they are now discussing such issues as human trafficking with their followers. We have taken journalists to see our development projects, which has helped to get USAID activities featured more consistently and accurately in the local press. We helped provide university law students with information about their rights under the Bangladeshi constitution, and they are now voluntarily visiting high schools to share this information. USAID has joined efforts led by the U.S. Embassy to Bangladesh to put on an annual event, "America Week," aimed at taking the message of U.S. contributions to Bangladesh to the populace in secondary cities around the country. These efforts have relied upon the creative use of existing resources, but with increased emphasis on Muslim outreach, we expect to attract additional resources to support our various outreach activities.

Other Donors: Donor coordination is excellent in Bangladesh, and USAID plays a leading role in several sectors, including health, private sector development, energy and democracy. The largest donors to Bangladesh are the World Bank, the Asian Development Bank, the European Union, the United Kingdom, Japan, the United States and Canada. USAID coordinates with multilateral banks in agriculture, water resources, and energy. Other multilateral cooperation includes the United Nations Children's Fund and the United Nations Population Fund for health, population, education and children's rights; the International Labor Organization for child labor issues; the World Food Programme for food security; United Nations Development Programme on environment, poverty reduction, human capacity, democracy, and disaster; and the World Health Organization on health issues.

USAID coordinates with the following bilateral donors: Japan (rural development, agriculture, health, disaster assistance); the European Commission (rural development, forestry, governance, democracy, human rights, health, food security, poverty reduction); United Kingdom (agriculture, fisheries, natural resources, rural development, disaster management, water and sanitation, energy, enterprise development, education, democracy, health); Germany (health, energy, economic reform, private sector development, education); Switzerland (education, agriculture, forestry, enterprise development, water and sanitation, rural development, transportation, humanitarian assistance); the Netherlands (health, education, energy); Australia (food security, education, environment, enterprise development, microfinance, health); Norway (education, enterprise development, energy, democracy, human rights); Canada (health, education, microfinance, governance); Denmark (water and sanitation, agriculture, transportation, poverty reduction, private sector support); and Sweden (education, health, democracy, governance, enterprise development, human rights). The United Kingdom, Canada and the Netherlands recently declared Bangladesh a priority country and have accordingly increased future commitments.

India PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	41,678	39,438	48,300	43,400
Development Assistance	29,200	34,495	25,739	25,400
Development Credit Authority	0	779	0	0
Economic Support Fund	7,000	10,500	14,912	15,000
PL 480 Title II	93,679	44,849	20,218	44,849
Total Program Funds	171,557	130,061	109,169	128,649

STRATEGIC OBJECTIVE SUMMARY				
386-002 Reproductive Health in North India				
CSH	11,900	0	0	0
386-003 Improved Child Survival				
CSH	8,000	0	0	0
PL 480	93,679	0	0	0
386-004 Environmental Protection				
DA	13,348	0	0	0
ESF	2,994	0	0	0
386-007 Reduce infectious Diseases				
CSH	21,778	0	0	0
386-009 Women and Girls Service Networks				
DA	2,958	0	0	0
386-011 Governance				
DA	11,522	0	0	0
ESF	2,506	0	0	0
386-012 Vulnerable Groups				
DA	1,372	0	0	0
ESF	1,500	0	0	0
386-013 Economic Growth				
DA	0	17,492	9,039	9,900
DCA	0	779	0	0
ESF	0	2,500	2,700	2,500
386-014 Improved Health and Reduced Fertility				
CSH	0	39,438	48,300	43,400
PL 480	0	44,849	20,218	44,849
386-015 Disaster Management Support				
DA	0	2,165	2,000	2,500
ESF	0	2,500	2,300	2,000
386-016 Environmental Protection				
DA	0	10,495	10,000	8,800
ESF	0	3,000	2,500	5,000
386-017 Education/Equity				
DA	0	4,343	4,700	4,200
ESF	0	2,500	7,412	5,500

Mission Director,
Walter North

India

The Development Challenge: India, the world's largest democracy, is home to over one billion people, roughly one-sixth of the world's population; 17 million people are added each year. Approximately 82 percent of India's people are Hindu, but it is also the home of one of the world's largest Muslim populations (over 120 million).

Over 300 million Indians live in abject poverty -- more than all the poor in Africa and Latin America combined -- resulting in India being the country with the world's largest concentration of desperately poor people. India will overtake China as the world's most populous country by 2050 and, if current population growth rates are not reduced, will reach two billion people by 2070. India has about 4.5 million people infected by HIV. The U.S. National Intelligence Council projects that India could have as many as 25 million people infected by 2010 if more aggressive steps to combat the disease are not taken. More than half of the country's children are malnourished. India has thirty percent of the world's births, 20 percent of the world's maternal deaths, and 20 percent of the world's child deaths. Forty-two of every 1,000 female children (compared to 29 male 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, and is one of the world's last countries where significant concentrations of polio infections 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 affect 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 feticide/infanticide, child abuse and rape.

Compounding the serious problems in health and education is India's inadequate infrastructure which slows economic growth. The lack of financial viability in the power sector is having an adverse affect on economic growth. Significant power shortages plague the economy due to unsustainable subsidization policies, a lack of cost-recovery by utilities, and the subsequent inability of utilities to provide reliable, high quality power. The result is widespread financial insolvency of both the utilities and state governments that are forced to bail them out, significantly contributing to increasing levels of state fiscal deficits. The World Bank estimates that current losses in the Indian power sector amount to more than \$5 billion per year and are growing rapidly.

The United States and India, the two largest democracies in the world, share many values. Both nations want to dramatically and positively transform 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 South Asia. Since independence, and particularly in the last decade, India has dramatically reduced its levels of poverty. While there remain threats to further gains, with the right policies, peace and continued perseverance, India's development agenda can be completed by the middle of this century or earlier. Moreover, a strong, stable and economically advancing India can be a linchpin for peace and prosperity in the region. India's is the world's 11th largest economy. Its per capita gross domestic product in 2002-2003 was approximately \$500. India can achieve a rate of growth of at least eight percent, provided it launches a second generation of economic reforms.

The USAID program addresses many of the challenges, and in so doing 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 2004 and FY 2005 funds for the following programs:

- Economic Growth - targeting increased transparency and efficiency in the mobilization and allocation of resources;
- Health - targeting improved overall health with a greater integration of food assistance, and reduced fertility;
- Disaster Management Support - targeting reduced vulnerability to disasters for marginalized people;
- Environmental Protection - targeting improved access to clean energy and water; the reduction of public subsidies through improved cost recovery; promoting more efficient technology and management; and
- 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 the bilateral program, the Asia and Near East Bureau's (ANE) South Asia Regional Initiative/Energy (SARI/Energy) program encourages regional cooperation in energy development and the eventual trade in clean energy resources among South Asian countries. ANE's SARI/Equity program seeks to address inequity as it affects women and children and funds efforts to combat cross-border human trafficking, end abusive child labor practices and improve women's microfinance services. The United States-Asia Environmental Partnership promotes the adoption of clean and efficient technologies, and policies and practices that support the positive relationship between economic growth and environmental protection in India. The Bureau for Global Health has 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, increase food quality and quantity, and demonstrate U.S. educational and medical technologies and practices.

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, children's basic education and women's empowerment.

**Nepal
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	20,000	19,899	24,840	23,350
Development Assistance	7,597	10,247	11,274	11,000
Economic Support Fund	3,000	4,000	4,971	5,000
PL 480 Title II	2,352	0	0	0
Total Program Funds	32,949	34,146	41,085	39,350

STRATEGIC OBJECTIVE SUMMARY				
367-001 Sustainable Forest and Agricultural Products				
DA	0	1,500	1,900	2,637
367-002 Health and Family Planning				
CSH	20,000	19,899	23,840	23,350
367-006 Hydropower Development				
DA	2,200	2,227	2,100	2,000
367-007 Governance				
CSH	0	0	200	0
DA	3,647	3,761	5,811	4,324
ESF	750	203	700	1,200
367-008 Ending Conflict and Expanding Democracy				
CSH	0	0	800	0
DA	1,750	2,759	1,463	2,039
ESF	2,250	3,797	4,271	3,800

Mission Director,
Donald Clark

Nepal

The Development Challenge: In the last 53 years, Nepal has made a transition from an isolated kingdom to a 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 literacy and increased access to basic services. Nonetheless, Nepal remains one of the poorest countries in the world, with an annual per capita income of \$250 and 42% of the population living below the national poverty line. Although 80% of the population depends on agriculture for their livelihood, population growth has fragmented land holdings and depleted forest products. Life expectancy at birth has increased, but at 59 years, it is still lower than neighboring South Asian countries. Maternal mortality is amongst the highest in the region. One of eleven children dies before they reach their fifth birthday - the vast majority during their first year. Moreover, Nepal is in the midst of a concentrated HIV epidemic, the World Health Organization/United Nations Joint Programme on HIV/AIDS (UNAIDS) estimates that 14 Nepalese adults become infected with HIV in Nepal every day.

While Nepal's human development indicators are low by any standard, they are particularly low for the very poor, and include wide disparities by region, gender and ethnic group. Economic growth has been almost exclusively in urban areas, while the rural economy has been virtually stagnant, particularly in the hill and mountainous regions. Life expectancy in Kathmandu is over 70 years, while it is under 42 years in the far western mountains. The literacy rate is 54% nationwide, but only 26% for women.

The most pressing problem facing the country today is the profound impact of a Maoist insurgency on political and economic development and security. The Maoist insurgency, which began in 1996, found fertile ground due to Nepal's poor governance, poverty and exclusion. The initial pro-people approach, which won the Maoists converts among the disenfranchised of Nepal, has degraded into a campaign of violence, lawlessness, intimidation, and destruction. More than 8,000 people have been killed by the Maoists and security forces, with almost 6,000 deaths occurring since 2001. In addition to the human toll, the conflict has severely disrupted the fragile national economy. The U.S. Embassy estimates losses to national property and the economy at \$1.5 billion.

Since a breakdown of peace talks in late August 2003, the Maoists have expanded their activities in eastern Nepal and the Terai (the fertile flatlands on the Nepal-India border), robbed banks, increased the extortion of food and money from both locals and tourists, and continued to destroy infrastructure. During the cease-fire, the Government of Nepal (GON) and Royal Nepalese Army (RNA) fortified their positions, effectively prohibiting the Maoists from launching any major scale assault on the security forces. However, by focusing their strength in a few places, the RNA has reduced its presence in much of the countryside where the Maoists have significant influence. Human rights abuses committed by both parties to the conflict are rampant.

The U.S. has an interest in an economically and politically stable multi-party 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 U.S. is making an important contribution to fighting terrorism, promoting regional stability, and diminishing the likelihood of a humanitarian crisis.

The USAID Program: 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, expand 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 GON capacity at the central and local level is generally weak, it works cooperatively with USAID to implement programs through numerous partners, primarily international non-governmental organizations that work both directly and through local non-governmental organizations. The USAID program engages the private sector significantly, for example in the hydropower sector, the delivery of health and family planning services, and through three public-private alliances.

Other Program Elements: In addition to the efforts described in the Program Data Sheets, other USAID regional and central programs provide assistance to Nepal. USAID's South Asian Regional Initiative for Energy Cooperation and Development is actively involved in regional energy cooperation, and its South Asia Regional Initiative for Women's and Children's Equity strives to eliminate trafficking of women, violence against women, and child labor. USAID's Regional Program of the Office of Economic Growth/USAID/India has granted the Kathmandu Metropolitan City Office \$25,000 to improve household and medical waste management in selected areas of the capital city through community mobilization and training of policy makers. USAID supports the Bangladesh, Bhutan, India and Nepal Network through its Environmental Health Project to coordinate inter-country cross-border issues on malaria, kala-azar, Japanese encephalitis and other vector-borne diseases in all four countries. The Asia Regional Office of USAID's Office of Foreign Disaster Assistance (OFDA) enhances medical first response, collapsed structure search and rescue, and hospital preparedness capacities of emergency responder agencies, thereby reducing the potential for earthquake damage and injury in Kathmandu Valley. OFDA also enhances regional cooperation between countries in the Hindu Kush Himalayan region for the exchange of flood information and data and develops adaptive strategies for flood and drought mitigation to enable basic and tangible reduction in vulnerability, as well as providing training in emergency management to non-governmental organizations.

Other Donors: Donor coordination in Nepal is good. The GON budget report shows that donors provided roughly \$106 million in grants and \$113 million in loans directly to the GON from June 2002 to June 2003 (the Nepali fiscal year). In addition, donors contribute approximately \$230 - \$280 million to 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 Program (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 United Nations International Children's Emergency Fund (UNICEF), United Nation Fund for Population Activities (UNFPA), United Nations Joint Programme on HIV/AIDS (UNAIDS) and United Nations International Labor Organization (ILO) are also active in Nepal.

Coordination between USAID and the British Department for International Development (DFID) has been exceptional, such that Britain contributed \$774,000 to USAID's Special Objective program to promote peace through improved incomes and governance. DFID and USAID also work closely in the health sector to address the immediate health needs of Nepalese families in conflict affected areas. USAID and the Japan International Cooperation Agency (JICA) have a Memorandum of Understanding (MOU) to collaborate closely on Maternal and Child Health and HIV/AIDS activities. USAID also funds a rural roads program initiated in collaboration with the European Union.

**Pakistan
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	5,000	15,645	25,600	21,050
Development Assistance	10,000	34,500	42,350	29,000
Economic Support Fund	9,500	188,000	0	300,000
ESF - FY 02 Supplemental	15,000	0	0	0
ESF - Emergency Response Fund	600,000	0	0	0
ESF - FY 04 Supplemental	0	0	200,000	0
PL 480 Title II	5,134	6,792	5,849	0
Total Program Funds	644,634	244,937	273,799	350,050

STRATEGIC OBJECTIVE SUMMARY

391-003 Primary Education and Literacy				
DA	10,000	21,500	24,000	19,403
ESF	5,000	0	0	47,300
391-004 Democracy and Governance				
DA	0	8,000	11,350	3,597
ESF	2,000	0	0	12,000
391-005 Emergency Economic Assistance				
ESF	2,500	188,000	0	200,000
ESF - FY 02 Supplemental	15,000	0	0	0
ESF - Emergency Response Fund	600,000	0	0	0
ESF - FY 04 Supplemental	0	0	200,000	0
391-006 Economic Growth				
DA	0	5,000	7,000	6,000
ESF	0	0	0	11,000
391-007 Basic Health				
CSH	5,000	15,645	25,600	21,050
ESF	0	0	0	29,700

Acting Mission Director,
Lawrence Hardy

Pakistan

The Development Challenge: Pakistan poses one of the Agency's most daunting development challenges. A country beset since independence with widespread poverty and weak governance structures; it now faces additional burdens related to the war on terrorism in Afghanistan.

Pakistan's macroeconomic picture has stabilized and grown measurably stronger since the early 1990s. Since 1999, President Musharraf has mobilized strong support from the World Bank, the Asian Development Bank, and the Paris Group and succeeded in significantly redressing much of the economic management picture, particularly its debt burden. The Prime Minister has publicly pledged to continue economic, social, and political reforms. Challenges remain however, despite strong macro-economic performance; poverty has risen during the last five years. Approximately 33% of Pakistan's 148 million people live in poverty in urban and rural areas and in all four provinces. Social sector spending in education and health, though increased slightly in 2002, still lags far behind appropriate levels, largely due to military expenditures.

The United States has a compelling national interest in Pakistan's success as a nation. U.S. Government (USG) efforts will focus on maintaining political stability throughout the country and region, assisting the Government of Pakistan (GOP) in the international campaign against terrorism, strengthening Pakistan as a development partner, addressing fundamental economic and social weaknesses, and launching the country on a stable developmental course. The government is making efforts to address Pakistan's social inequities, devolve political and economic authority to the provinces, and raise basic health and education standards.

The USAID Program: USAID returned to Pakistan in July 2002 after a seven-year hiatus, as part of the USG's commitment to help Pakistan in the fight against global terrorism. USAID operations are severely constrained by the security situation in Pakistan. Staff is very limited and office space is very tight. USAID has adapted to this situation in several ways. It is staying focused on four sectors, outsourcing some USAID functions to private firms, using Pakistani organizations as much as possible to implement its programs and partnering with NGOs and other donors wherever possible.

The program is focused on four sectors, namely, education, health, democracy/governance and economic growth. It concentrates on institutional building and human development to improve the quality of and access to basic education programs; delivery of health services (including reproductive health, HIV/AIDS, tuberculosis and polio) to women, children, and vulnerable groups; availability of credit to boost rural incomes; and elected official and civil society collaboration on resolve social and economic issues. The cross-cutting theme, which cannot be addressed in isolation, is developing human resources. This includes promoting the participation of communities and citizens, encouraging women and development, improving NGO capacity, and increasing private sector involvement in all aspects at social and economic development. USAID has signed four grant agreements with the Government of Pakistan that total more than \$300 million. These include education (\$100 million); health (\$115 million); democracy/governance (\$38 million); and economic growth (\$53 million). All USAID funds are grant assistance.

Other Program Elements: In addition to its programs in basic education, democracy, economic growth, and health, USAID provided a cash transfer of \$600,000,000 in FY 2002 to the GOP from funds made available under the Emergency Supplemental Appropriations Act (P.L. 107-38). USAID also provided \$188,000,000 to the GOP in FY 2003 to buy down \$1 billion of Pakistan's international debt. In FY 2004, USAID plans to provide another \$200,000,000 for debt relief.

Other Donors: Foreign assistance to Pakistan, from multilateral and bilateral bodies and international financial institutions (IFIs) shows an upward trend. Multilateral aid comes from United Nations and the European Union. The UN aid covers sectors ranging from governance and gender development to health, education and environment. The EU concentrates on the health and education sectors. The top three IFIs supporting Pakistan are the World Bank, Asian Development Bank and International Finance Corporation. Their areas of focus are the governance, infrastructure and energy sectors. The top three

bilateral donors are Japan, U.K., and Germany. The focus areas of the top ten bilateral donors are the financial sector, energy and governance.

In the social sector, donor coordination is strong, and donors work together to develop joint sector concept papers in certain areas. Each donor subsequently selects a portion of the portfolio for funding. Key partners are the U.K.'s Department for International Development for health and legislative strengthening; the Asian Development Bank for microfinance and access to justice; and the Canadian International Development Agency for education.

Sri Lanka PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	300	300	300	300
Development Assistance	5,150	6,150	4,750	6,624
Economic Support Fund	3,000	3,950	11,929	12,000
PL 480 Title II	1,325	596	2,578	0
Total Program Funds	9,775	10,996	19,557	18,924

STRATEGIC OBJECTIVE SUMMARY

383-003 Humanitarian Assistance				
CSH	300	300	0	0
DA	1,900	400	0	0
ESF	200	0	0	0
383-004 Competitiveness				
DA	3,250	4,000	0	0
ESF	0	2,000	0	0
383-005 Democracy and Governance				
DA	0	1,500	0	0
ESF	2,800	0	0	0
383-006 Supporting the Benefits of Peace				
ESF	0	0	5,429	2,750
383-007 Humanitarian Assistance				
CSH	0	0	300	300
DA	0	0	500	350
ESF	0	0	1,000	750
383-008 Economic Growth				
DA	0	0	4,250	5,500
ESF	0	0	1,500	4,250
383-009 Democracy and Governance				
DA	0	0	0	774
ESF	0	0	4,000	4,250
383-XXX ANE Regional US-AEP				
DA	0	250	0	0
383-YYY Transition Initiatives				
ESF	0	1,950	0	0

Mission Director,
Carol Becker

Sri Lanka

The Development Challenge: Sri Lanka is grappling with not only one peace process but two. Until recently, peace negotiations between the Government of Sri Lanka (GSL) and the separatist Liberation Tigers of Tamil Eelam (LTTE), parties to a 20-year war waged mostly in the North and East, were at center stage. In November 2003, however, the GSL-LTTE talks were eclipsed by the President's move to reassert control over three key ministries, including defense, leading the Norwegian government to put a hold on its mediation role in the peace process. The move precipitated high-stakes discussions between the President and Prime Minister, rivals from the two major political parties, to establish a more unified approach to key peace-related issues. Historically, the political opposition from either party has been unwilling to compromise with the ruling party on peace proposals and related constitutional revisions, while the ruling party has not always felt compelled to put forward broadly acceptable proposals. In the uneasy cohabitation government that resulted from elections in 2001, the task of generating and maintaining political support for the peace process has been difficult and delicate. Complicating the situation is the President's power to force elections at any time by exercising her power to dissolve the government. This cohabitation crisis postponed serious dialogue and debate on the LTTE's counterproposal to the Government's suggested plan for an interim administration in the North and East, the basis for resumption of formal peace talks. Negotiations have been on hold since the LTTE announced its temporary withdrawal from talks in April 2003. This standoff between the two most powerful figures in the Sri Lankan state highlighted the urgent necessity of building a more transparent and inclusive peace process in which a broad range of stakeholders not only have the opportunity to participate but recognize the importance of doing so constructively. That the 2002 ceasefire agreement between the GSL and LTTE has remained intact bodes well, and neither side seems eager to pursue a military solution to the conflict.

During 2003, the international community pledged \$4.5 billion to support the GSL's efforts to address the immediate and longer-term needs of the war-affected North and East. Disbursement of these funds was made contingent upon the resumption of negotiations, along with satisfactory progress against benchmarks related to human rights, security, and democracy. While humanitarian assistance programs continue, implementation of development projects for the North and East remains at a standstill pending resumption of the talks. Meanwhile, there is urgent need to identify and fund durable solutions for more than 500,000 internally displaced persons (IDPs) and an estimated 85,000 refugees from India. Reintegrating IDPs into their communities of origin and resettlement villages will require significant human and material resources, as well as resolution of thorny issues such as expropriation, compensation, and displacement. Other priority tasks include eliminating the danger of landmines, rebuilding homes, schools, hospitals, and water sanitation facilities, and providing sustainable livelihoods.

Long-term priorities focus on development to help sustain and consolidate the ongoing reconciliation process. Recognizing the links between unemployment, political exclusion, and social unrest, the government seeks to develop a workforce that will meet the demands of a modernizing and increasingly outward-looking employment market, while envisioning a future in which decision making is decentralized and shared with citizens and other stakeholders. Greater capacity to meet the physical, social, psychosocial and economic needs of the burgeoning population of conflict-affected and vulnerable Sri Lankans is required. The services must include improved, appropriate technology devices and employment training for the mobility disabled, interventions that improve function for torture affected individuals and communities, programs addressing threats to children's security and well being, and targeted interventions to assist Sri Lanka's response to the HIV/AIDS epidemic.

Sri Lanka is endowed with generous human and natural resources, and is well placed as a regional hub for trade and investment. Provided the political-security situation remains stable, the economy is well-positioned to take advantage of international economic opportunities. Energized by a year of peace, the trade-based economy grew by 4.4 % in 2002 after the 1.4 % contraction in 2001. GDP is expected to grow by 5.5 % in 2003. However, spending is required to renovate and construct essential infrastructure, create two million jobs, and provide social services to address poverty. The GSL's ability to respond is severely constrained by the continued high cost of maintaining its security forces and the burden of

servicing its debt through interest payments that account for more than 30 percent of government expenditures. Key economic reforms will address the debt burden, privatization of key industries, revenue enhancing fiscal measures, downsizing of the central government, e-governance, the reduction of trade barriers, and job creation.

The USAID Program: USAID/Sri Lanka's portfolio consists of four programs that concentrate on: 1) laying the foundations for economic growth; 2) promoting inclusive and peaceful approaches to politics and governance; 3) improving the social and economic status of disadvantaged groups; and 4) supporting the peace process. These programs were developed and approved in 2003 in response to new opportunities to support the peace process while laying the foundations for long-term development. In addition, Congressionally earmarked funds support activities implemented under the humanitarian assistance program (383-007) through Leahy War Victims, Displaced Children and Orphans, and Victims of Torture funding.

Other Program Elements: USAID's Bureau for Asia and the Near East manages three regional programs with activities that benefit Sri Lankans. The U.S Asia Environmental Partnership Program focuses on policy and technology transfer related to urban air and water quality and solid waste management. The South Asia Regional Initiative for Energy Cooperation and Development is helping the Government of Sri Lanka to broaden participation and improve management of the energy sector, providing a cleaner, less expensive, and higher quality energy supply to business and industry. The South Asia Regional Initiative for Women and Children's Equity promotes the rights of women and children. USAID's Office of Transition Initiatives (OTI) bolsters public support for a negotiated peace settlement through fast, flexible, small-grants support for community-based activities that: deliver visible peace dividends, including infrastructure improvement and livelihoods development; reduction of violence in targeted communities; and enhancement of the quality and exchange of peace-related information to increase public ownership of the peace process.

Other Donors: Overall donor assistance to Sri Lanka was \$330 million in 2001. Japan is Sri Lanka's largest donor, followed by the Asian Development Bank, the World Bank, Germany and the United States. Donor coordination in Sri Lanka has improved although there is need for better information sharing in this dynamic, high-stakes environment. Almost all donors provide assistance related to peace building and humanitarian assistance, though the level of resources and focus varies. The World Bank and the International Monetary Fund provide multi-year loans to support the Government of Sri Lanka's poverty reduction strategy and macroeconomic reforms. Japan and the Asian Development Bank provide loans and grants in the areas of infrastructure, reconstruction and rehabilitation, industrial development, agriculture, health, human resources, transportation, and power sector reform. In the area of democracy and good governance, the World Bank has a project supporting legal reform, while the United Kingdom, Germany, Sweden and Norway have programs related to conflict, human rights, civil society and media development. USAID has a comparative advantage in a number of areas, including private sector development, trade capacity building, participatory governance, and providing a quick and flexible response for immediate reconstruction and rehabilitation needs. In humanitarian assistance, USAID will continue the lead role it has occupied since the early 1990s in support for the civilian disabled.

Egypt PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Economic Support Fund	655,000	611,002	571,608	535,000
ESF - Wartime Supplemental	0	300,000	0	0
PL 480 Title II	3,839	2,347	0	0
Total Program Funds	658,839	913,349	571,608	535,000

STRATEGIC OBJECTIVE SUMMARY				
263-016 Creating Jobs through Trade and Investment				
ESF	498,800	498,873	483,708	446,800
ESF - Wartime Supplemental	0	300,000	0	0
263-017 Workforce Development				
ESF	19,010	0	0	0
263-018 Infrastructure				
ESF	0	5,000	7,400	0
263-019 Environment and Natural Resources Management				
ESF	48,480	13,050	9,940	0
263-020 Healthier, Planned Families				
ESF	46,490	42,029	29,750	26,900
263-021 Democracy and Governance				
ESF	9,420	13,300	37,050	30,100
263-022 Improved Basic Education				
ESF	32,800	38,750	3,760	31,200

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 United States share strategic interests that include the achievement of stability and peace in the region. This continuing bilateral relationship serves the national security interests of both countries. It promotes prosperity in Egypt by assisting the country's ongoing, but incomplete, transition from an economy controlled by the state to a free market-oriented 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 is popular frustration with recent weak economic performance and a persistent lack of economic opportunity. About one-third of Egypt's 69 million people live below the poverty line, despite a per capita GDP of about \$1,470. Officially, the unemployment rate was said to be 9% in 2003; various independent estimates, however, place the real rate somewhere between 12% and 25%.

The government recognizes the need for increased investment, both foreign and domestic, in order to stimulate growth and create jobs for an estimated 750,000 new entrants annually. It took steps during the 1990s to improve the investment climate and raise the private sector's share in the economy. More recently, reform has lagged as the economy has slowed and suffered external shocks. Notable problems include cumbersome customs and business registration processes, a growing fiscal deficit, a foreign exchange regime that impedes business, lagging privatization (particularly in the financial sector), lack of transparency, and an educational system that does not meet Egypt's needs. Last January, the Egyptian pound was de-linked from the dollar, but the hoped-for shift to a market-determined exchange rate has been somewhat frustrated by on-and-off restrictions governing the availability of foreign exchange.

On the other hand, in 2003, the Government of Egypt (GOE) built on key legal reforms undertaken in 2002 regarding intellectual property rights, money laundering, and export promotion. New legislation promoting business competition went to Parliament this year, and that body also ratified the Patent Cooperation Treaty. Egypt acceded to the Basic Telecommunications Agreement and the Information Technology Agreement (both within the World Trade Organization) and ratified the International Labor Organization's Convention on Agricultural Occupational Health and Safety. Additionally, Egypt will shortly be included in the IMF's Special Data Dissemination Standards grouping of countries, which means that it is making available to the public timely and accurate economic and financial data. 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.

The economy continued to experience slow real growth in FY 2002/03 – about 3.2%, slightly higher than in the previous year. Nonetheless, there have been some positive signs in recent months. Tourism rebounded sharply after the war in Iraq, and this vital sector then enjoyed successive record-breaking months during the summer. Another important foreign currency earner, the Suez Canal, actually realized increased receipts in 2003 - from higher war-related shipping traffic. The deficit in the balance of trade narrowed, largely as a result of the pound's sharp depreciation since January. Through July, exports were up by 27%, and the trade deficit shrank by 42%. Nonetheless, the economic mood remains cautious because of the uncertain policy environment and regional tensions.

U.S. national interests in Egypt hinge upon a strong bilateral relationship with Egypt to form an effective partnership to combat terrorism, resolve regional conflicts, advance regional peace, ensure domestic and regional security, and accelerate economic growth.

The USAID Program: USAID/Egypt's program covers six objectives. The strategy's primary focus is on accelerating economic growth - essential to strengthening Egypt as a stable and prosperous U.S. ally. Two objectives emphasize the creation of private sector jobs: strengthening the trade and investment environment; and increasing access to sustainable utility services. Four objectives target the enhancement of the human and natural resource base: improving basic education, strengthening governance and participation, providing health services and upgrading natural resource management.

In response to Egypt's development needs and to the Administration's Middle East Partnership Initiative, the program will place greater emphasis on creating jobs through trade and investment, improving basic education, democracy and governance and on healthier, planned families compared with other areas of the program. In support of the Administration's initiative, special programs in three areas that had their beginnings in FY 2003 are continuing in FY 2004 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. Second, the governance and participation program will significantly expand to provide for programs to: improve election administration; increase transparency and participation in government, and train journalists and judges. Third, an enterprise fund activity may be established to provide primarily equity financing to medium-sized Egyptian firms.

Other Program Elements: Supplementary USAID-funded programs contribute to the achievement of the overall development goal pursued in USAID's Egypt strategy. ACDI/VOCA, using funding from the central Economic Growth and Agricultural Development office, is implementing a three-year, \$1.39 million activity under the Dairy Directive Program, which increases the availability of safe, hygienic processed dairy products to decrease 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. Donors emphasized these areas at the 2002 Consultative Group meeting, and they have been stressed during 2003 in donors' dealings with the GOE. The United States and European Union are the largest providers of assistance, and other major donors include Japan, Germany, the Arab Fund, 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. Recently, the UNDP, which acts as the secretariat for donor coordination, compiled an extensive database showing the sectors, types, sizes, and locations of donor programs; this is now available in CD-ROM form.

Iraq PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	0	0	0	0
CSH - Wartime Supplemental	0	40,000	0	0
Economic Support Fund	0	140,000	0	0
International Disaster Assistance	0	42,000	0	0
Iraq relief and Reconstruction Fund	0	0	0	0
IRRF - Emergency Response Fund	0	1,438,229	2,436,501	0
PL 480 Title II	0	137,424	0	0
Total Program Funds	0	1,797,653	2,436,501	0

STRATEGIC OBJECTIVE SUMMARY

267-001 Restore Economically Critical Infrastructure				
CSH	0	0	0	0
CSH - Wartime Supplemental	0	9,000	0	0
ESF	0	17,500	0	0
IDA	0	25,065	0	0
IRRF	0	0	0	0
IRRF - Emergency Response Fund	0	1,117,000	1,800,000	0
267-002 Education, Health, and Other Social Services				
CSH	0	0	0	0
CSH - Wartime Supplemental	0	31,000	0	0
IDA	0	3,935	0	0
IRRF	0	0	0	0
IRRF - Emergency Response Fund	0	95,898	165,000	0
267-003 Expand Economic Opportunity				
ESF	0	1,000	0	0
IDA	0	3,013	0	0
IRRF	0	0	0	0
IRRF - Emergency Response Fund	0	46,000	48,000	0
267-004 Efficiency and Accountability of Government				
ESF	0	6,000	0	0
IDA	0	2,900	0	0
IRRF	0	0	0	0
IRRF - Emergency Response Fund	0	165,711	388,000	0
267-006 Program Support and Development				
ESF	0	3,500	0	0
IDA	0	7,087	0	0
IRRF	0	0	0	0
IRRF - Emergency Response Fund	0	13,620	37,501	0
267-XXX				
ESF	0	112,000	0	0

Mission Director,
James Stephenson

Iraq

The Development Challenge: USAID began contingency planning for possible humanitarian and reconstruction efforts in post-conflict Iraq in late 2002. USAID was prepared to mobilize development resources and technical expertise to support any humanitarian relief and reconstruction requirements. Prior to the conflict, the U.S. Government had provided nearly \$794 million in humanitarian assistance to internally displaced persons (IDPs) in northern Iraq between 1991 and 1996.

On March 20, 2003, coalition forces began military operations in Iraq. On May 1, 2003, 42 days after the conflict began, U.S. President Bush announced the cessation of major combat operations. The U.S. Government deployed a multi-agency disaster assistance response team (DART) to the region to assess and respond to humanitarian needs and to help coordinate the emergency relief effort. At the same time, USAID deployed a number of technical staff to prepare for immediate reconstruction requirements. USAID established offices in Arbil, Baghdad, Al Hillah, and Al Basrah, with USAID personnel located in Kuwait, Qatar, Jordan, and Cyprus providing regional support. USAID's program in Iraq supports the objectives of the Coalition Provisional Authority (CPA) and involves working closely with United Nations Agencies, non-governmental organizations (NGOs), and coordinating with U.S. Military Civil Affairs personnel.

The USAID Program: On July 27, 2003, USAID officially announced the formation of its Mission to Iraq at the USAID office in Baghdad. Currently, the USAID Mission is working closely with the people of Iraq, the CPA, NGOs, private sector partners, and United Nations involved with relief and reconstruction efforts. USAID implements assistance programs in education, food security, infrastructure, telecommunications, seaports and airports, transportation, local governance, health, electricity, water, and sanitation.

The process for allocating USAID operating and administrative expenses under the Iraq Reconstruction and Rehabilitation Fund (IRRF) II is yet to be agreed upon and discussions are on-going on this subject.

Other Program Elements: Other program elements include other U.S. Government offices such as USAID's Asia and Near-East Bureau, Office for Transition Initiatives (OTI), Office of Foreign Disaster Assistance (OFDA), Food for Peace (FFP), the U.S. Department of Defense, and the U.S. Department of State.

Other Donors: 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, including the World Bank and United Nations International Reconstruction Fund Facility for Iraq. Other major donors of humanitarian are providing support through UN agencies as well as directly to the Iraqi people as assistance-in-kind. These donors include Japan, United Kingdom, European Commission, Australia, Saudi Arabia, Canada, Spain, Kuwait, Germany, Netherlands, Norway, and Italy. In October 2003, the International Donors Conference for Iraq Reconstruction held in Madrid, Spain drew representatives from 73 countries and 20 international organizations. Major pledges were received from Japan, Saudi Arabia, Kuwait, United Kingdom, Italy, Spain, United Arab Emirates, Korea, Canada, and Qatar. Donors other than the United States pledged loans and grants totaling a minimum of \$13 billion. That figure is based on the low end of the range of assistance offered by the World Bank, which pledged \$2.5 - \$4.5 billion, and the International Monetary Fund, which pledged \$1.7 - \$3.4 billion. With the U.S. contribution, the total amount of grants and loans that the international community pledged toward Iraq reconstruction is at least \$32 billion.

**Israel
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Economic Support Fund	720,000	596,100	477,168	360,000
Total Program Funds	720,000	596,100	477,168	360,000

STRATEGIC OBJECTIVE SUMMARY				
271-001 Israel Cash Transfer				
ESF	720,000	596,100	477,168	360,000

Office Director,
Larry Brady

Israel

The Development Challenge: Israel has long been a strong ally of the United States. Israel strongly condemned the September 11 attacks on the United States, and 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 cornerstone of U.S. foreign policy in the Middle East.

The fundamental objective of the U.S. cash transfer to Israel is to reduce Israel's balance-of-payment pressures as it continues to pursue the economic reforms required for financial stability and structural adjustments needed for sustainable growth. The U.S. assistance provides Israel the funds it needs both to promote economic reforms and to carry out a domestic agenda that reinforces the government's peace process policy. Though the U.S. cash transfer is not conditioned on economic policy reform, the U.S. continues to encourage Israeli efforts to reduce government spending and deficits.

Since 1990, Israel's economy has become increasingly sophisticated and technologically advanced. In FY 1999, Congress began a reduction of the economic assistance earmark in recognition of this progress.

Israel's economic boom in the 1990s was based on a thriving high-tech sector, sharply increased investment by venture capital firms, the opening of new markets to Israeli exports, and record levels of tourism. With the downturn in the global economy, problems in the high tech sector and the worsening security situation, Israel now faces growing unemployment and declining tax revenues. In addition to the obvious effect on tourism, the violence has had a strong impact on foreign investment and overall economic confidence. Israel has now endured nearly three years of economic recession. GDP contracted by 0.5 % in 2001 and 0.9 % in 2002. Although the economy is on track to grow by approximately one percent in 2003, this still represents a decrease in per capita income.

The USAID Program: The United States, acting through USAID, will provide \$360,000,000 ESF in FY 2005 to Israel as a cash transfer. These funds will be used by Israel to repay debt to the U.S., including re-financed Foreign Military Sales debt, and to purchase goods and services from the United States. The U.S. will continue to encourage Israel to reduce government spending and deficits, improve tax and public wage structures, increase privatization, reform labor markets, and continue to liberalize its trade regime.

Other Program Elements: In addition to 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 and the U.S. working with 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 open to 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.

Other Donors: The United States is the largest bilateral donor to Israel.

**Jordan
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Economic Support Fund	150,000	248,000	248,525	250,000
ESF - FY 02 Supplemental	100,000	0	0	0
ESF - Wartime Supplemental	0	700,000	0	0
ESF - FY 04 Supplemental	0	0	100,000	0
Total Program Funds	250,000	948,000	348,525	250,000

STRATEGIC OBJECTIVE SUMMARY				
278-002 Water Resources Management				
ESF	45,000	41,500	0	0
278-003 Reproductive and Primary Health Care				
ESF	9,000	31,700	0	0
ESF - FY 02 Supplemental	9,000	0	0	0
278-005 Broad-based Economic Growth				
ESF	96,000	174,800	0	0
ESF - FY 02 Supplemental	91,000	0	0	0
278-007 Emergency Assistance to Jordan				
ESF	0	0	0	0
ESF - Wartime Supplemental	0	700,000	0	0
278-008 Water Resources Management				
ESF	0	0	39,600	70,000
278-009 Social Sector Development and Governance				
ESF	0	0	32,850	40,000
278-010 Economic Opportunities for Jordanians				
ESF	0	0	37,550	40,000
278-011 Cash Transfer				
ESF	0	0	138,525	100,000
ESF - FY 04 Supplemental	0	0	100,000	0

Mission Director,
Anne Aarnes

Jordan

The Development Challenge: Jordan currently faces several critical long-term challenges with the potential to slow reform and growth. Prominent among these challenges is Jordan's high population growth rate that will double the population by 2027. This challenge is compounded by a strained public health care system with inadequate primary health care services. Jordan also suffers from severe water shortages. As one of the ten most water deprived countries in the world, Jordan must ensure that lack of water combined with environmental degradation due to population pressures does not have a negative impact on its citizens' well-being.

Two other key challenges exist. First, Jordan has high levels of poverty and unemployment. At least 15%, and possibly up to 30% of Jordanians live below a poverty line set at a meager \$439 per capita annual income level. Second, there is a relatively low level of participation in civil society, and a perceived lack of personal freedom, especially in terms of public discourse.

To help address the challenges above, USAID promotes Jordanian-led development. This development is spearheaded by King Abdullah, who is strongly supported by the Jordanian Government. The Mission's program is jointly designed and implemented with the Government and other Jordanian entities. In line with U.S. interests, this program promotes a stable, reform-driven Jordan. In so doing, the program not only strengthens a strong strategic ally in the Middle East but also serves as a model to less reform-oriented Middle Eastern nations.

The USAID Program: The goal of the USAID/Jordan program is to help Jordan become a model for growth and prosperity in the region. To do so, the USAID program addresses the development challenges enumerated above while accelerating the pace of reform in sectors closely linked to social and economic transformation. Specifically, USAID works in three areas: economic growth, social sector development and governance, and water resource development. Social sector development and governance encompasses health, education, and democracy. A fourth area, funded by the cash transfer, strengthens all other areas through policy reforms and enables the Jordanian Government to service debt. In all cases, USAID partners with the Government of Jordan (GOJ), local non-governmental organizations (NGOs), and the private sector to achieve its objectives. The Government is very closely involved in the Mission program, producing a true partnership based on both the GOJ's reform program and USG interests. Local NGOs also cooperate closely with the Mission in designing and implementing programs. The private sector, too, is key to Mission successes, particularly in economic growth. In this regard, private companies in several fields are eager to become bigger players on the regional and world stage.

The Mission's new strategy is effective starting October 2003 through September 2009. The old strategy was closed out in September 2003 and subsequently, ongoing Mission activities were moved under the new programs. This Congressional Budget Justification describes activities and anticipated results to be funded in FY 2004 and FY 2005 under the new programs.

Other Program Elements: Other USG programs also support Jordanian reform efforts. Assistance in preparation for Jordan's parliamentary elections was provided this year through U.S. experts under the Middle Eastern Partnership Initiative (MEPI). Other MEPI activities, both regional and bi-lateral, are managed by the Department of State and USAID/Washington. USAID Global Development Alliance activities are also managed by or cooperatively with USAID/Washington. Through food aid programs, including P.L. 480 Title I in 2003 and section 416 (b) in previous years, USDA also supports several development and agricultural productivity enhancement projects. Additionally, the International Arid Lands Consortium focuses on use of reclaimed water in agriculture, which complements ongoing Mission activities. Several projects funded under the Middle East Regional Cooperation program continue to provide technical assistance and promote regional cooperation, mainly in the areas of environmental protection, health, water and agriculture.

Other Donors: Although USAID is the largest donor in Jordan, Jordan receives important technical assistance from a wide variety of other donors. In broad terms, it is expected that the total commitments

of foreign assistance in 2003 will amount to approximately \$1.5 billion, representing a 170% increase over 2002. Approximately \$1.18 billion of this amount is in the form of grants. The remaining \$390 million is loans.

The United States is by far the largest grantor, providing 78% of the total, followed by Japan at 8%, Saudi Arabia, Kuwait and Abu Dhabi at 8%, and the European Union at 2.8%. Canada, Germany, Spain, Italy, United Kingdom, Norway, Sweden and the World Bank each provided less than 0.4%.

The World Bank is the Kingdom's largest creditor, providing \$120 million in loans followed by The Arab Fund at \$100 million, Spain at \$50 million, the Abu Dhabi Development Fund at \$50 million, the Islamic Bank for Development at \$35 million, the United States at \$20 million and Germany, Italy, Norway, Belgium, the International Fund for Agricultural Development and OPEC together at \$34 million.

USAID coordinates closely with other donors in our technical assistance efforts. USAID is an active participant in the regular monthly Donors/Lenders Committee meetings chaired by the United Nations Development Programme. These meetings are used to ensure continuous coordination of efforts. For example, USAID, as a major donor in water in Jordan, heads the sub-group on water in the Donors/Lenders Committee to coordinate all activities in the water sector. Within this framework, USAID specifically manages private sector participation, cost recovery and institutional capacity building. The Japanese manage environmental issues and unaccounted-for-water, and the Germans are responsible for information management.

Similarly, USAID is quickly becoming a key player in education. A Development Coordination Unit has been established within the Ministry of Education to manage implementation of the GOJ's Education Reform for Knowledge Economy (ERfKE) program. Through this Unit's coordination efforts and additional coordination meetings with donors, USAID committed to working on early childhood education and youth education focused on the school-to-work transition. The Canadians will manage curriculum development, the British will handle policy and administration reform, the Japanese will develop information and communication technologies, and the Germans will handle school infrastructure. The World Bank provided the bulk of the loan to the Government for ERfKE. MEPI also is making a multi-million dollar investment with FY 2003 funding in the Jordanian Education Initiative.

USAID coordinates in other sectors as well. As the largest donor and recognized leader in the health sector, USAID is looked to by other donors, such as the World Health Organization, for analysis of their proposed strategies and plans for the health sector. USAID is also actively involved in donor meetings on microfinance, regularly carrying out tasks agreed upon at these meetings to improve microfinance delivery in Jordan. Additionally, USAID participates in and organizes donor workshops on specific topics such as governance in Aqaba and information technology.

Lebanon PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance	600	0	400	0
Economic Support Fund	35,000	34,772	34,794	32,000
Total Program Funds	35,600	34,772	35,194	32,000

STRATEGIC OBJECTIVE SUMMARY				
268-001 Economic Development				
DA	0	0	400	0
ESF	23,000	26,272	18,794	20,000
268-002 Promoting Democracy and Good Governance				
ESF	7,000	5,000	4,000	7,000
268-005 Improved Environmental Policies and Practices				
DA	600	0	0	0
ESF	5,000	3,500	12,000	5,000

Mission Director,
Raouf Youssef

Lebanon

The Development Challenge: This year witnessed significant events taking place in the region that have had a tremendous impact on Lebanon. The Iraqi war and increased violence in West Bank/Gaza as well as worldwide terrorist actions have created an atmosphere of tension. The Iraqi market was an important market for Lebanese industrialists. Losing this avenue has added to the economic stagnation felt here. Internally, the security situation near the southern borders with Israel remained guardedly quiet, with only scattered clashes and disruptions. Politically, tensions continue to mount in the run up to the 2004 presidential elections. The divisiveness that is inherent in Lebanon's confessional system of government contributes to neighboring Syria's continued ability to intervene in the political affairs of the country. As a result, the economic situation in Lebanon continues to be unfavorable, leading to widening disparities between the rich and the poor, increased rates of unemployment (around 20%), and weak marketing of industrial and agricultural products. The country's external debt has reached \$32.6 billion and has forced the government to dedicate approximately 70% of its public revenues to service the public debt instead of financing public services. The environment in Lebanon is in a deteriorating state due to years of neglect. Perspectives on environmental protection and preservation have not progressed. This has resulted in polluted air, soil, rivers, and beaches, open dumping, and lack of control on industrial emissions. This is coupled with a lack of government investment in remedies. As a response to the challenges facing the country, the USAID program is helping the people of Lebanon improve their standard of living, protect their environment and health, and address their legal rights as citizens. It is also promoting humanitarian assistance.

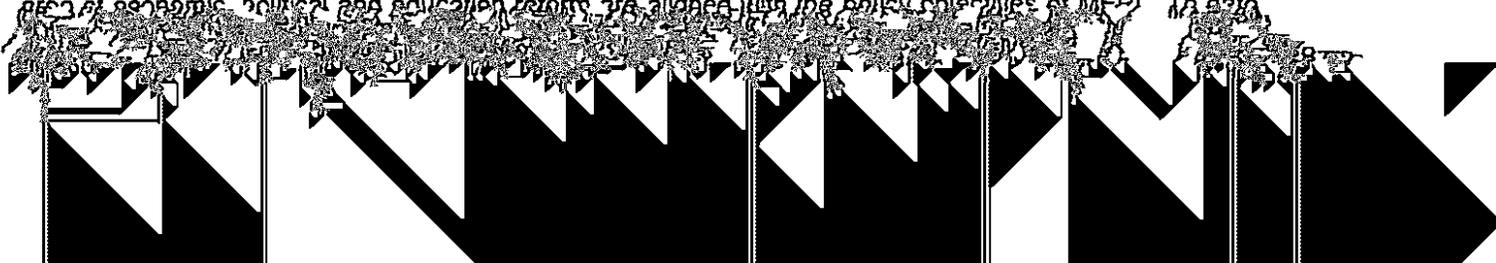
USAID's key strengths are its flexibility and technical know how. Over the years, USAID has built a reputation as one of the most active donors in Lebanon and is viewed by many as having one of the more responsive and targeted programs, though far from the largest. The Mission attributes this to following:

- Promotion of equitable and sustainable development in Lebanon over the long-term;
- Programs that are demand driven and focus on the average citizen;
- Highly skilled and experienced group of partners (NGOs, foundations, universities, and business associations) capable of operating effectively at high government levels as well as at the community level; and
- Procedures that demonstrate efficiency by channeling funding directly to implementing partners in contrast with other donors.

USAID is contributing to the USG policy priorities of promoting democratic principles and free economies through investing in people. The program is increasing the capacity of the Lebanese people by strengthening their local institutions, providing them with economic opportunities, and improving their environment.

The USAID Program: The USAID/Lebanon programs address the economic, political and environmental challenges the country is facing. They concentrate on improving living standards by revitalizing and expanding economic opportunities for small entrepreneurs and disadvantaged, mine-affected people, encouraging trade and investment with WTO accession, strengthening American educational institutions, and building the capacities of indigenous groups. Also they aim 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 continues to encourage good governance and transparent practices by strengthening municipalities all over Lebanon and providing assistance to civil society groups' advocacy programs. As a cross-cutting theme, USAID will continue to increase awareness of landmine-affected areas and prevention practices.

In the coming year, the Middle East Partnership Initiative (MEPI), managed by the Department of State, is proposing to conduct a review of the entire USAID program to ensure that the planned programs in the area of economic, political and education reform are aligned with the policy objectives of MEPI. To date,



Other Program Elements: Lebanon has been included in regional MEPI programs. It also 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 Jizzine, Lebanon's most heavily-mined and casualty afflicted area.

Other Donors: Donor coordination in Lebanon is active, with bi-monthly meetings devoted to addressing common issues and providing an opportunity for each donor to present its program. The most recent UNDP reports list Arab countries as the main source of Lebanon's external funding, led by the Kuwait Fund for Arab Economic Development (transport infrastructure); the Arab Fund for Economic and Social Development (human resource development, energy); the United Arab Emirates (demining); Saudi Arabia (infrastructure, social services); and the Islamic Development Bank (infrastructure). Also active are the World Bank (broad-based development); the EU (training and capacity building, administrative development, rural development, trade); France (technical cooperation, water and waste water, training); UN organizations (broad-based development); Italy (agriculture, infrastructure, water and waste water), Canada (development administration, economic management), and Norway (technical cooperation, social services, mine awareness). Most of the funding comes in the form of loans or soft loans that are channeled to the Council of Development and Reconstruction and approved by the Council of Ministers in contrast to the USAID assistance, which is totally channeled to the NGO community and the private sector in the form of grants. USAID assistance, ranking approximately 10th in resources, is among the top three donors in aggregate spending. USAID's main donor partners are the World Bank, the EU, Italy and UNDP for rural development, agriculture and environment; the EU, Italy 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
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	4,600	0	0	0
Development Assistance	5,766	6,644	5,400	6,000
Economic Support Fund	0	0	0	20,000
Total Program Funds	10,366	6,644	5,400	26,000

STRATEGIC OBJECTIVE SUMMARY				
608-005 Expanded Business Opportunities				
DA	2,038	2,891	0	0
608-006 Environment for Sustainable Development				
DA	2,300	2,225	0	0
608-007				
CSH	4,600	0	0	0
608-008 Keeping Girls in School				
DA	1,428	1,528	0	0
608-011 Free Trade Agreement Support				
DA	0	0	3,400	4,000
ESF	0	0	0	4,000
608-012 Education for a better future				
DA	0	0	2,000	2,000
ESF	0	0	0	12,000
608-013 Improved Government Responsiveness to Citizens				
ESF	0	0	0	4,000

Mission Director,
James Bednar

Morocco

The Development Challenge: Morocco is a middle-income country with the human and social development levels of a low-income country. Per capita income is nearly \$1,200, while social indicators rank among the lowest in the region. Approximately 48% of adults aged 15 and above were illiterate in 2000, placing Morocco 20th among the 22 Arab League countries (surpassing only Mauritania and Yemen). Women are particularly affected, with a female illiteracy rate of 62%, and higher in rural areas.

Despite macroeconomic stability, the hopes of large segments of the population striving for better living conditions remain unmet. Job creation has not kept pace with rapid growth in the labor force. While there have been some improvements since 2001, nearly 20% of the urban labor force was unemployed in 2002. Progress made in the early 1990s in poverty alleviation has been lost, and approximately 19% of the total population remains below the absolute poverty line (about one dollar per day). Two-thirds of the poor live 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.

Rural poverty is the result of adverse climatic conditions, primarily an increase in the frequency of droughts over the past 35 years. Rural poverty is further aggravated by government policies that prevent rapid modernization of the rural economy, diversification out of cereal production, and efficient use of scarce water resources. Migration from rural to urban areas further exacerbates urban problems.

In 2003, with the appointment of a new government headed by a business-oriented, non-partisan prime minister, the economic reform agenda began to move. Under the new government, adoption of long-needed reforms, such as the labor code and the insurance code, has begun.

Politically, Morocco is being transformed from a highly centralized government to a system that promotes stability through democratization, local participation and decentralization. King Mohammed VI and his advisors recognize the clear message that came out of the most recent elections: political reforms must be accelerated and deepened. Morocco requires a more flexible, competitive, and transparent political order that creates tangible improvements in people's lives, and yet at the same time does not provide an opportunity for extremists to destabilize the country. The September 2003 municipal elections, coming one year after the first fair and transparent elections of parliamentary representatives, confirmed the engagement of the government in the democratization process. Moreover, Morocco is on the eve of a major change in gender relations with the coming declaration of a new family code (moudawana), which will put Morocco in the vanguard of Arab countries in terms of women's legal rights.

The U.S. Government's highest economic priority in Morocco is the negotiation, conclusion, and implementation of the U.S.-Morocco Free Trade Agreement (FTA). The FTA offers an opportunity to accelerate the major economic reforms and restructuring that will attract investment, open global markets, and create jobs. Besides promoting broader economic development in the context of the FTA, the United States will also support programs in basic education and democratization. President Bush's specific references to Morocco in his May 9, 2003 speech underscore the importance and visibility of these initiatives for Morocco.

The USAID Program: The goal of USAID's strategy for Morocco is to support the overarching U.S. foreign policy interests in Morocco: promoting regional stability, economic development, and democratic values and combating international terrorism.

USAID activities support the Government of Morocco's goal of providing jobs, opportunities, and political stability through the promotion of free trade, education and workforce development and a government that responds to the needs of the people.

Other Program Elements: USAID manages a number of activities funded by the Middle East Partnership Initiative (MEPI), including:

- a girls' scholarship program that provides safe housing for rural girls to attend middle school;
- training for local political parties and newly elected parliamentary members;

- technical assistance to improve women's legal rights;
- a women's literacy program;
- work with civil society;
- microcredit programs for small businesses; and
- activities to help Morocco negotiate and implement a free trade agreement with the U.S.

Other Donors: General trends in official development assistance (ODA) show a decrease in assistance levels since the early 1990s. After a peak at about \$1.2 billion in 1992, net ODA disbursements decreased progressively to approximately \$336 million in 2002. With disbursements of about \$302 million over the 2000-2002 period, France maintained a leading position, far ahead of Germany (\$65 million), Spain (\$38 million) and the United States (\$33 million).

Bilateral donor assistance focuses on infrastructure development, distribution and management of water resources, and workforce training. Loans provided by the European Union (largest multilateral donor over the 2000-2002 period) and the World Bank are dominated by large policy reform programs in multiple sectors, including public administration, housing, water and sanitation, transportation, health, education, financial and legal sectors. The multilateral donors also provide resources for developing the private sector and strengthening the workforce.

USAID's activities will focus on critical areas, consistent with the Government of Morocco's priorities, which either complement or are not addressed by other donors and in which USAID has an established comparative advantage.

West Bank and Gaza PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Economic Support Fund	72,000	74,500	74,558	75,000
ESF - Wartime Supplemental	0	50,000	0	0
PL 480 Title II	0	9,984	0	0
Total Program Funds	72,000	134,484	74,558	75,000

STRATEGIC OBJECTIVE SUMMARY				
294-001 Private Sector Development				
ESF	13,601	10,000	13,950	12,500
ESF - Wartime Supplemental	0	4,400	0	0
294-002 Water Resources Development				
ESF	27,725	34,511	22,808	39,500
ESF - Wartime Supplemental	0	3,500	0	0
294-003 Democracy and Governance				
ESF	11,375	10,150	13,350	7,500
294-005 Higher Education and Training				
ESF	205	2,812	2,250	2,500
294-007 Family Health				
ESF	1,369	17,027	6,200	7,000
294-008 Community Services Program				
ESF	17,725	0	16,000	6,000
ESF - Wartime Supplemental	0	42,100	0	0

Mission Director,
Lawrence Garber

West Bank and Gaza

The Development Challenge: This past year held moments of anticipation and despair for the Palestinian people. Hopeful signs included the establishment of the post of Palestinian Authority (PA) Prime Minister, the implementation of significant PA financial management reforms and the agreement by the Israelis and Palestinians to accept the Road Map. These developments provided a sense of optimism that President Bush's June 24, 2002 vision of a democratic Palestinian state living side-by-side, in peace and security with Israel might soon be realized. Indeed, following the June 4 Aqaba Summit, the U.S. Government (USG) dispatched a senior diplomat to establish the U.S. Coordination and Monitoring Mission to coordinate with the parties on the ground as they fulfilled their Road Map obligations. For a time, both sides undertook limited actions consistent with the Road Map: Israel removed several illegal outposts and withdrew from Northern Gaza; and the PA took measures to exert security control over areas of the West Bank and Gaza (WBG), including negotiating a "hudna", or temporary ceasefire, with Palestinian militants.

The hudna was broken in mid-August and through the end of the reporting period the situation spiraled downhill, with a resumption of suicide bombings, the collapse of Prime Minister Abbas' government, and the stagnation of the PA reform process and consequent impediments to roadmap implementation. The realities of the past 12 months reflect a continued low-intensity conflict, which include a cycle of suicide bombings and Israeli incursions into populated Palestinian areas, followed by periods of perceived calm. The consequences of this on-going conflict are loss of life, severe damage to the economy, restrictions on the movement of Palestinians, and a difficult environment for USAID project implementation.

After several years of steep decline, the gross domestic product (GDP) is estimated to have risen between 3-5 percent in CY 2003. Unemployment remains at close to 30 percent of the workforce. More than 60 percent of Palestinians are living at or below the poverty line of two dollars a day. Some 40 percent of WBG inhabitants are food insecure and an additional 30 percent are on the verge of becoming so.

The Mission faces competing challenges. On the one hand, the immediate needs of the population are quite enormous, with the large amounts of donor emergency assistance viewed as a major reason that a humanitarian catastrophe has been averted in the West Bank and Gaza. On the other hand, the U.S. and others have emphasized the importance of PA political and economic reform that will contribute to the formation of a democratic, market-oriented, independent Palestinian state in the near future. Consequently, during the past three years, the Mission has reallocated more than \$200 million to emergency response programs, while maintaining longer-term programs that promote the development of institution building, infrastructure and human capital.

The political uncertainty and accompanying instability increase the planning and implementation challenges facing the Mission. Within this context, the Mission has developed innovative approaches to ensure that adequate oversight is provided and 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 Inspector General is now supervising audits of all on-going projects. USAID engineering staff based in the West Bank and Gaza regularly visit project sites to review progress and identify problems. All local organizations that receive USAID funds, and their key officials, are vetted for terrorist affiliations. The Mission conducts regular project evaluations and funds research analysis to ensure that effective programming tools are utilized and that critical development needs are addressed.

The USAID Program: The goal of the USAID program is to promote stability in the West Bank and Gaza and in the region and to support the development of moderate Palestinian groups. To do this, the Mission implements six programs: Expanded Private Sector Economic Opportunities; Greater Access to and More Effective Use of Scarce Water Resources; Maintaining and Strengthening Key Institutions of a Modern, Inclusive Palestinian Democracy; Increased Access to Higher Education and Training; Improved and Sustained Performance in the Health Sector; and Improved Community Services.

Within the framework of these programs, USAID will use FY 2004 and FY 2005 resources to fund projects within four thematic areas, which respond both to emergency and longer term development needs. First, the Mission will continue to address the basic needs of the Palestinian population through activities that improve and sustain performance in the health care system, create jobs and long term employment on an emergency basis, and provide assistance to rebuild damaged infrastructure and roads. Second, the Mission will fund political and economic policy reforms, including the strengthening of key PA ministries and regulatory agencies, the legislature and the judiciary, and support for Palestinian NGOs that promote democratic values and moderation. The third thematic area is directed at revitalizing the private sector, which includes the repair of damaged small and medium businesses, work with small and medium enterprises on improved management processes, financial restructuring, and the development of appropriate private sector and investment laws and regulations. The fourth area is building essential water infrastructure, including the much-needed Gaza water carrier and desalination plant, and improving human capital through scholarships for study in the United States and the region, and short term training.

Other Program Elements: Other Program Elements: None.

Other Donors: Following a drastic decline in revenue collections (from \$973 million in 2000 to around \$280 million in 2001 and 2002), the PA has become heavily reliant on the donors for budgetary support. Approximately \$1.2 billion (\$532 million in 2001, \$467 million in 2002 and \$216 million in 2003) has been received in budgetary support during the past three years. USAID's principal donor partners are the European Union (EU), the United Nations family (UNRWA, UNDP, WFP, UNICEF, etc.), the World Bank, Germany, Japan, Italy, Norway, and the United Kingdom (UK). For 2004, the PA is seeking \$1.2 billion in total donor contributions, of which \$650 million is requested for budget support.

Donor coordination is highly developed, with several layers of mechanisms. The Ad Hoc Liaison Committee (AHLC) brings together capital level decision makers from key donor organizations. A Local Aid Coordinating Committee (LACC) includes all donors active in the Palestinian Territories. Several Task Forces operate under LACC auspices, including: a) Task Force on Project Implementation, which includes representatives from USAID, the EU, the United Nations and the World Bank and which works closely with Israeli Government officials to facilitate project implementation and field access for the delivery of all forms of assistance; and b) the Humanitarian and Emergency Policy Group (HEPG), which monitors the humanitarian crisis in the WBG and proposes policy approaches to the LACC. A host of sectoral working groups and emergency operation centers share information and facilitate the coordination of assistance on the ground. In 2002 principal donors established the Task Force on Palestinian Reform (TFPR) to monitor and promote progress on Palestinian institutional reform efforts and identify obstacles to reform. Operating in parallel with the AHLC and LACC, the TFPR has both capital-level and local level bodies, with the local level TFPR operating through seven Reform Support Groups.

**Yemen
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance	0	2,000	0	0
Economic Support Fund	5,000	9,898	11,432	20,000
ESF - FY 02 Supplemental	3,000	0	0	0
PL 480 Title II	395	1,893	0	0
Total Program Funds	8,395	13,791	11,432	20,000

STRATEGIC OBJECTIVE SUMMARY				
279-004 Graduate Studies and Program Support				
ESF	5,000	0	700	700
ESF - FY 02 Supplemental	3,000	0	0	0
279-005 Reproductive, Maternal and Child Health Services				
ESF	0	4,000	5,140	7,380
279-006 Basic Education, Especially for Women and Girls				
DA	0	2,000	0	0
ESF	0	3,000	3,270	6,330
279-007 Income Opportunities and Food Security				
ESF	0	2,498	1,642	3,410
279-ZZZ Strengthening of Democratic Political Institutions				
ESF	0	400	680	2,180

Acting Mission Director,
Douglas Heisler

Yemen

The Development Challenge: Following 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 has also begun to decentralize resource allocation decisions and local management of social services, and define development goals. The ROYG has 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. However, increasing democracy and development have been threatened by the emergence of international terrorism in Yemen, such as the al-Qa'eda bombing of the USS Cole in October 2000; the attack on the M/V Limburg in October 2002; and the murder of three American NGO health workers in Jibla Hospital in December 2002. As a result, the USG's foreign policy interests in Yemen are to expand the USG and ROYG partnership against terrorism, to neutralize al-Qa'eda's ability to threaten US interests both inside and from Yemen, and to enhance regional security by building a close partnership between the US and Yemeni military.

To achieve these goals, USG development assistance will reinforce diplomatic, military, law enforcement, counter terrorism and intelligence cooperation. USG resources are especially needed in remote governorates where terrorists have received support and safe-haven from local tribal leaders who often do not recognize the authority of the ROYG. These remote areas are very poor and their populations suffer from some of the worst health and education indicators in the Middle East. Among the many challenges that Yemen faces are a low per capita GDP of \$465, a high population growth rate of 3.5%, an unemployment rate of 18%, a high infant and child mortality rate, a high maternal mortality rate of 1,400 per 100,000 births, and dwindling oil and water reserves. Furthermore, the country's land base suffers from overgrazing, deforestation, erosion, desertification, and soil salinization.

The USAID Program: USAID's overall goal in Yemen is to support 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 the ROYG decentralization, development, democracy and counter terrorism objectives, the USAID program will quickly create jobs, increase income, and improve health, education, and community empowerment. The program will focus 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 terrorists in Yemen.

USAID/Yemen programs will improve the delivery of tangible, practical support in basic sectors (health, education, agriculture) that touch the lives of the average Yemeni living in the target governorates. FY 2004 and FY 2005 ESF funds will be used to expand programs in basic education, health and agriculture previously described in the FY 2004 Congressional Budget Justification and in the September 2003 Congressional Notification for the FY 2003 ESF carry-over funds. Limited amounts of USAID funds will also be used to assist the ROYG to build the context for sustainable development through policy initiatives in the program sectors. USAID plans to amend the Yemen Interim Strategy 2003-2006 to include a new Special Objective in Democracy and Governance. USAID will notify Congress through established procedures prior to obligating funds for any revised efforts.

Other Program Elements: In addition to the resources requested in the Yemen data sheets, USAID's Office of Democracy and Governance manages programs to improve the electoral process, increase the capacity and the role of the parliament, local councils and political parties, strengthen the rule of law and bolster women's legal and political rights. These activities will be transferred to USAID/Yemen in FY 2004 after the USAID Strategy has been amended as mentioned above. The core of these activities has been funded by the Middle East Partnership Initiative (MEPI). MEPI also funds the USAID-managed Yemen Adult Life-skills Literacy Education (YALLE) Program, implemented by Care International in the target governorate of Amran and the Yemen Internet in the Schools Project.

Other Donors: USAID coordinates very closely with the donor community to assure that the impact of relatively scarce donor resources is maximized in response to the nearly overwhelming needs in Yemen.

In terms of health, following the United States, the three largest bi-lateral donors in health for 2004 are Germany (\$3.74 million), the United Kingdom (\$3.74 million), and the Netherlands (\$2.24 million). The Netherlands, Germany and the World Bank have taken a strong lead in donor coordination, especially relating to donor support of Yemen's Health Sector Reform proposal. The Japanese continue to have a modest hardware orientated program. Four multilateral donors also have significant health programs in Yemen in 2004: World Bank (\$10 million); UNFPA (\$2.4 million); WHO (\$2 million); the European Union (\$6.23 million in 2004); and UNICEF (\$2.1 million). However, almost none of these donors work in the five remote governorates targeted by USAID.

In education, the two largest bi-lateral donors in education are the Netherlands (\$18.6 million) and Germany (\$9.2 million) in planned levels for 2004. The Japanese and the United Kingdom will begin modest programs in basic education in 2004. There are also three multilateral donors with significant basic education programs in Yemen in 2004: the World Bank (\$24.7 million), the World Food Program (\$6.3 million), and UNICEF (\$2.6 million). A range of donors (World Bank, Germany, IFAD, UNDP, FAO, Netherlands, Abu-Dhabi Fund, Islamic Bank) are providing approximately \$20 million per year in agriculture projects, but, none of this assistance reaches poor farmers (especially women) in the USAID five target governorates.

ANE Regional PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	8,450	1,495	2,280	2,900
Development Assistance	36,669	37,013	24,818	18,571
Economic Support Fund	63,250	44,900	123,019	177,250
ESF - FY 02 Supplemental	20,000	0	0	0
ESF - Wartime Supplemental	0	100,000	0	0
Total Program Funds	128,369	183,408	150,117	198,721

STRATEGIC OBJECTIVE SUMMARY				
498-007 Program Development and Learning				
CSH	8,450	1,495	2,280	2,900
DA	25,797	27,063	13,748	11,071
498-012 Middle East Regional Democracy Fund				
ESF	6,525	4,000	0	0
498-023 South Asia Regional Initiative for Energy				
DA	9,600	8,000	7,500	5,000
ESF	4,000	3,000	0	0
498-024 East Asia and Pacific Environmental Initiative				
ESF	3,500	0	1,740	0
498-037 South Asia Regional Democracy				
DA	1,272	1,950	3,570	2,500
ESF	3,500	1,900	1,988	2,000
498-xxx – Department of State Programs				
ESF	45,725	36,000	119,291	175,250
ESF - FY 02 Supplemental	20,000	0	0	0
ESF - Wartime Supplemental	0	100,000	0	0

Office 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 threats of HIV/AIDS, tuberculosis and malaria, environmental degradation, and increasing water scarcity) plague the development of much of Asia and the Near East.

The USAID Program: USAID has four regional programs reported under this section. They are a vital component of 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/Asia) in Bangkok. The four regional programs managed by USAID/Washington are:

Program Development and Learning (PD&L). 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, as well as Agency compliance with reporting and public information needs. The program also funds the Bureau's efforts to mobilize additional resources for education funding in the region using the public/private partnership approach.

South Asia Regional Initiative for Energy. This program supports regional energy cooperation and the eventual trade in clean energy resources in South Asia.

East Asia and Pacific Environmental Initiative. This program addresses critical environmental challenges and opportunities in East Asia and the Pacific in the areas of forest resources management and coastal and marine resources management.

South Asia Regional Democracy Program. Funds support activities to reduce the trafficking of women and children, and improve governance and human rights in South Asia.

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 UN Agencies that has bolstered overall results for USAID objectives in the region.

Europe PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Asst. for E. Europe and the Baltic States	621,000	521,588	442,375	410,000
Child Survival and Health Programs Fund	131	250	250	250
Development Assistance	500	0	0	0
Economic Support Fund	45,000	43,200	134,700	75,500
ESF - FY 02 Supplemental	200,000	0	0	0
ESF - Wartime Supplemental	0	1,000,000	0	0
PL 480 Title II	1,738	0	0	0
Total Program Funds	868,369	1,565,038	577,325	485,750

Deputy Assistant Administrator,
Thomas Mefford

Europe PROGRAM SUMMARY

(In thousands of dollars)

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Albania				
Asst. for E. Europe and the Baltic States	35,213	28,500	27,835	28,000
Total Albania	35,213	28,500	27,835	28,000
Bosnia and Herzegovina				
Asst. for E. Europe and the Baltic States	65,250	50,150	44,735	41,000
Total Bosnia and Herzegovina	65,250	50,150	44,735	41,000
Bulgaria				
Asst. for E. Europe and the Baltic States	33,993	28,000	27,835	27,000
Total Bulgaria	33,993	28,000	27,835	27,000
Croatia				
Asst. for E. Europe and the Baltic States	43,983	30,000	24,853	20,000
Total Croatia	43,983	30,000	24,853	20,000
Cyprus				
Economic Support Fund	15,000	14,903	13,420	13,500
Total Cyprus	15,000	14,903	13,420	13,500
Europe Regional				
Asst. for E. Europe and the Baltic States	73,877	69,438	37,775	59,000
Child Survival and Health Programs Fund	0	250	250	250
Total Europe Regional	73,877	69,688	38,025	59,250
Ireland				
Economic Support Fund	30,000	28,297	21,870	12,000
Total Ireland	30,000	28,297	21,870	12,000
Kosovo				
Asst. for E. Europe and the Baltic States	118,235	85,000	78,534	72,000
Child Survival and Health Programs Fund	131	0	0	0
Total Kosovo	118,366	85,000	78,534	72,000
Macedonia				
Asst. for E. Europe and the Baltic States	49,630	50,000	38,770	34,000
Total Macedonia	49,630	50,000	38,770	34,000
Montenegro				
Asst. for E. Europe and the Baltic States	59,986	40,000	34,794	15,000
Total Montenegro	59,986	40,000	34,794	15,000
Romania				
Asst. for E. Europe and the Baltic States	35,992	30,500	27,835	27,000
Total Romania	35,992	30,500	27,835	27,000
Serbia				
Asst. for E. Europe and the Baltic States	104,841	110,000	99,409	87,000
PL 480 Title II	1,738	0	0	0
Total Serbia	106,579	110,000	99,409	87,000
Turkey				
Development Assistance	500	0	0	0
Economic Support Fund	0	0	99,410	50,000
ESF - FY 02 Supplemental	200,000	0	0	0
ESF - Wartime Supplemental	0	1,000,000	0	0
Total Turkey	200,500	1,000,000	99,410	50,000
Total Program Funds	868,369	1,565,038	577,325	485,750

Deputy Assistant Administrator,
Thomas Mefford

**Eurasia
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	0	5,750	5,750	5,750
FREEDOM Support Act	784,000	755,060	583,537	550,000
FSA - Emergency Response Fund	64,000	0	0	0
FSA - FY 02 Supplemental	110,000	0	0	0
PL 480 Title II	29,377	25,501	16,591	10,000
Total Program Funds	987,377	786,311	605,878	565,750

Deputy Assistant Administrator,
Gloria Steele

Eurasia PROGRAM SUMMARY

(In thousands of dollars)

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Armenia				
FREEDOM Support Act	90,605	89,415	74,558	62,000
PL 480 Title II	911	3,991	380	0
Total Armenia	91,516	93,406	74,938	62,000
Azerbaijan				
FREEDOM Support Act	44,299	45,938	38,782	38,000
PL 480 Title II	2,239	2,974	2,151	0
Total Azerbaijan	46,538	48,912	40,933	38,000
Belarus				
FREEDOM Support Act	10,910	9,045	6,850	6,500
Total Belarus	10,910	9,045	6,850	6,500
Central Asian Republics Regional				
Child Survival and Health Programs Fund	0	1,000	1,000	1,000
FREEDOM Support Act	7,877	6,831	3,000	2,000
FSA - Emergency Response Fund	6,000	0	0	0
Total Central Asian Republics Regional	13,877	7,831	4,000	3,000
Eurasia Regional				
FREEDOM Support Act	38,112	53,139	45,960	47,000
Total Eurasia Regional	38,112	53,139	45,960	47,000
Georgia				
FREEDOM Support Act	91,310	84,056	71,376	90,000
PL 480 Title II	0	3,006	2,281	0
Total Georgia	91,310	87,062	73,657	90,000
Kazakhstan				
FREEDOM Support Act	48,220	43,416	33,342	28,000
FSA - FY 02 Supplemental	1,500	0	0	0
Total Kazakhstan	49,720	43,416	33,342	28,000
Kyrgyzstan				
FREEDOM Support Act	34,730	37,878	35,938	33,000
FSA - Emergency Response Fund	3,500	0	0	0
FSA - FY 02 Supplemental	33,000	0	0	0
Total Kyrgyzstan	71,230	37,878	35,938	33,000
Moldova				
FREEDOM Support Act	36,020	30,242	21,898	17,500
Total Moldova	36,020	30,242	21,898	17,500
Russia				
Child Survival and Health Programs Fund	0	3,000	3,000	3,000
FREEDOM Support Act	162,449	143,307	93,445	79,500
PL 480 Title II	0	5,536	5,119	0
Total Russia	162,449	151,843	101,564	82,500
Tajikistan				
FREEDOM Support Act	18,939	25,853	24,411	25,000
FSA - FY 02 Supplemental	37,000	0	0	0
PL 480 Title II	26,227	9,994	6,660	10,000
Total Tajikistan	82,166	35,847	31,071	35,000
Turkmenistan				
FREEDOM Support Act	8,045	7,805	5,700	6,000
FSA - FY 02 Supplemental	4,000	0	0	0
Total Turkmenistan	12,045	7,805	5,700	6,000
Ukraine				
Child Survival and Health Programs Fund	0	1,750	1,750	1,750
FREEDOM Support Act	156,540	138,700	92,589	79,500
Total Ukraine	156,540	140,450	94,339	81,250
Uzbekistan				
FREEDOM Support Act	35,944	39,435	35,688	36,000
FSA - Emergency Response Fund	54,500	0	0	0
FSA - FY 02 Supplemental	34,500	0	0	0
Total Uzbekistan	124,944	39,435	35,688	36,000
Total Program Funds	987,377	786,311	605,878	565,750

EUROPE AND EURASIA

DEVELOPMENT CHALLENGE

The Foreign Policy Context

From the collapse of the Berlin Wall to the post-September 11, 2003 war on terrorism, the United States has continually supported Europe and Eurasia's (E&E) transition to democratic freedom and economic opportunity. A peaceful and growing E&E region expands possibilities for U.S. trade and investment – including commercial access to oil and gas reserves – and encourages the integration of these countries into regional organizations and global markets. The United States also looks to the E&E region for cooperation on a range of critical national security issues, ranging from support for the international coalition in Afghanistan and Iraq to the future make-up and viability of trans-Atlantic institutions.

President Bush's National Security Strategy emphasizes development, diplomacy, and defense as the fundamental pillars of U.S. foreign policy. In the E&E region, USAID is implementing the National Security Strategy by focusing on three strategic areas: economic restructuring and growth, promotion of democracy and governance, and the amelioration of the social impacts of the post-communist transition. USAID's work has the goals of promoting peace and prosperity in the strategically important E&E region.

Transition Status and Obstacles

The U.S. Government has always assumed that assistance to the 27 country E&E region would be temporary, lasting only long enough to ensure a sustainable transition to market-oriented democracies. While this goal has been met in selected countries, most countries in the region have not fully achieved it, both in democratic and socio-economic terms. Continued failure to achieve this goal of sustainable transition would leave the region vulnerable to instability. U.S. Government engagement confronts high priority national security concerns such as HIV/AIDS, international organized crime, and trafficking in persons, arms and drugs, which have implications far beyond the borders of the E&E region.

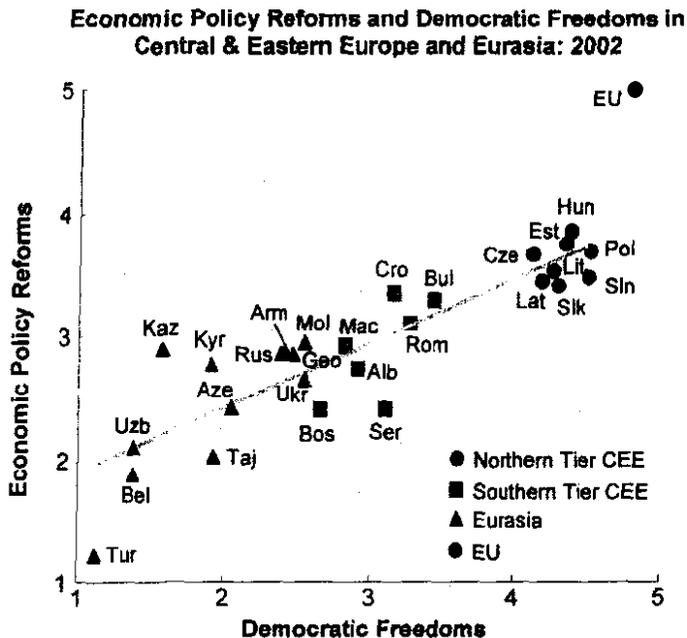
Already, USAID has helped facilitate extraordinary progress across the E&E transition area.

- The private sector share of GDP in the E&E region has risen from 12% in 1990 to 62% in 2002.
- After years of economic contraction, the region has recorded positive growth since 2000, and most states today can be characterized as market, rather than command, economies.
- As of 2002, Freedom House ranks 21 of the former communist states as free or partly free, and only two (Turkmenistan and Belarus) as not free. A return to communism in most E&E countries is highly unlikely.
- Responsive social protection systems have emerged in most of the European northern tier countries.
- E&E countries are integrating into regional and global organizations. To date, 17 have gained membership in the World Trade Organization (WTO); eight are on track for European (EU) membership by 2004, with two more by 2007; and ten will have become members of NATO by 2004.¹

¹ Those that have joined the WTO are: Albania, Armenia, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kyrgyzstan, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Slovakia, and Slovenia. The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, the Slovak Republic, and Slovenia will join the EU in 2004. Bulgaria and Romania are expected to accede by 2007. Those that have joined NATO are: Hungary, Poland, and the Czech Republic; while Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia are poised to enter in 2004.

- Overall, performance has been sufficiently good that the European northern tier countries of Central and Eastern Europe (CEE) have graduated from major levels of U.S. bilateral assistance,² and USAID Missions in several other E&E countries, most notably Bulgaria, Croatia, and Russia, are moving towards a similar phase-out process.

Still, there is much unfinished business within the region. In contrast with the Northern Tier, the Southern Tier CEE and Eurasia differ widely in development status, especially Eurasia.³



Ratings of democratic freedoms are from Freedom House, *Nations in Transit 2003* (2003) and cover events to December 2002. Economic policy reform ratings are from EBRD, *Transition Report 2002* (November 2002), and cover events through September 2002. Ratings are based on a 1 to 5 scale, with 5 representing most advanced.

On balance, the Southern Tier CEE has been making impressive progress in reform, finding itself somewhere between the Northern Tier CEE and Eurasia in terms of economic and social development. At one end of the reform spectrum, progress has been sufficiently good that Bulgaria and Croatia are candidates for phase-out of USAID assistance. Also in the CEE Southern Tier, areas of the former Socialist Federal Republic of Yugoslavia – Bosnia-Herzegovina, Macedonia, Kosovo, and Serbia and Montenegro – are recovering from the ethnic conflicts of the 1990s and other related economic disruptions and making progress towards Euro-Atlantic integration. Albania similarly is working on an ambitious reform agenda.

While considerable reform progress has been made in Eurasia, there is much yet to be accomplished before the transition can be considered sustainable. Of particular concern is that since the collapse of the Soviet Union, democratic freedoms have stagnated and, in some instances, declined in most of Eurasia. While economic growth since 2000 has been the highest in Eurasia, much of it is not sustainable, as it is driven by high prices for commodity exports (energy, metals, and cotton) and devaluations in the aftermath of 1998 Russian financial crisis. The most alarming trend may be the growing health gap between the CEE and Eurasian countries, which have the highest under-five mortality rates in the transition region, declining life expectancies, and the highest gender differences in life expectancy worldwide.

The State/USAID Joint Strategic Plan and the E&E Strategy

To better integrate the new focus on development in the U.S. National Security Strategy with other U.S. foreign policy objectives, the U.S. Department of State and USAID developed a Joint

² The Northern Tier Central European countries that have graduated from USAID assistance include: Estonia (1996), Slovenia (1997), Czech Republic (1997), Hungary (1999), Latvia (1999), Poland (2000), Lithuania (2000), and Slovakia (2000).

³ The CEE southern tier includes Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia-Montenegro, and Kosovo. The Eurasian countries are Belarus, Moldova, Russia, Ukraine, Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

Strategic Plan. The E&E Bureau is focusing on three of the Plan's twelve strategic goals: a) democracy and human rights, b) economic prosperity and security, and c) social and environmental issues. USAID programs in the E&E region also advance the joint strategy's strategic goals of humanitarian response, regional stability, and the promotion of international understanding.

Democracy and Human Rights: Democracy and human rights efforts received 36% of USAID's E&E Bureau resources in FY 2003. The entire E&E region is making headway in the development of advocacy NGOs; a strong civil society, a focus of USAID programming, provides a check on repressive political leadership. Democratic reforms are moving forward in the Southern Tier CEE, and most countries in this group are catching up to the Northern Tier CEE. Notwithstanding the progress in civil society, democratic reforms are lagging in Eurasia. The recent popular rejection of a stolen election in Georgia is one of the few positive developments in that region. Enhancement of the rule of law, particularly in terms of protecting human rights and guaranteeing civil liberties, is an important element of USAID's democracy work and includes ensuring the rights of minority groups and other disadvantaged elements of the population. Other key elements of USAID's democracy strategy consist of promoting free and fair elections, independent media, political party development, and municipal governance. Combating trafficking in persons, including its prevention and the protection of its victims, and the promotion of democracy in historically Islamic areas are other areas of emphasis.

Economic Prosperity and Security: In FY 2003, roughly 42% of USAID E&E Bureau's resources were targeted to programs in the economic transition arena, including promoting effective economic governance, competitive products and financial markets, and efficient and reliable infrastructure systems. A large number of E&E transition countries have implemented major macroeconomic reforms that are producing results. Inflation has come down and is in single-digit levels in most countries. Vibrant and more inclusive private sectors have emerged in both the Northern and Southern Tier CEE. Most recipient countries are increasingly integrating into global markets. USAID is working to increase transparency within the region's energy sector by ensuring that tariffs are collected and returned to the operation of utilities. USAID also works to create jobs through small and medium enterprise development, competitiveness initiatives that marry macroeconomic reforms to the microeconomic foundations for business expansion, agri-business development, rationalized financial sectors, and work in anti-corruption and business ethics.

Social and Environmental Issues: Seventeen percent of USAID's E&E Bureau allocations in FY 2003 went to support social transformation and environmental engagement. Due in part to recipient country governments' low budgetary emphasis on social issues and wide variation in economic reform, performance has been mixed. Social indicators are improving in the Northern and Southern Tier CEE and deteriorating in Eurasia. USAID has aggressive programs to combat the spread of HIV/AIDS and tuberculosis, to address the causes of infant and child morbidity, and to promote women's reproductive health. HIV/AIDS has been especially virulent in Russia, which is recording one of the steepest rises globally. USAID also is working to give citizens the skills and capabilities they need to meet the labor demands of the private marketplace.

In addition, USAID will pursue programs in the cross-cutting areas of the promotion of values/social capital, anti-corruption, and combating trafficking in persons. USAID has always recognized that sustainable development is strongly supported by widespread acceptance among the beneficiary population of certain values necessary to the fair and efficient functioning of the state and the economy. Examples of these values include: respect for personal freedom, the sharing of power democratically, respect for private property, and economic freedom within the rule of law. Corruption is endemic to much of the transition region, undermining the achievement of prosperity, democracy, and stability. The E&E Bureau is taking an integrated approach to combating corruption, targeting the key elements of transparency, accountability, awareness, prevention, and enforcement across the program portfolio. Trafficking in persons is an abuse of human rights that is also a highly lucrative, illegal, and dangerous business. USAID combats

trafficking through its democratic, economic, and social sector programs. All E&E countries are source and transit countries and some are becoming destination countries as well.

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 the five relatively poor Eurasian countries where the debt service ratio (annual debt service as a percent of annual exports) is very high: the Kyrgyz Republic (341%), Tajikistan (321%), Moldova (203%), Georgia (189%), and Armenia (168%). With the exception of Georgia, these ratios are higher than those in 1995. Total debt as a percent of GDP, another indicator of the debt burden, is highest in the Kyrgyz Republic -- 135% of GDP in 2002. Some concerns also exist in CEE as these countries move towards EU membership. Two CEE countries scheduled for EU accession in 2004 exceeded the Maastricht debt ceiling of 60% of GDP during 2002: Latvia (83%), and Estonia (72%). While Bulgaria will not accede to the EU in 2004, it also exceeds the Maastricht criteria with a debt level of 70% of GDP.

PROGRAM AND MANAGEMENT CHALLENGES

USAID is adjusting the ramp down of programs and budget levels as E&E countries reach sustainable and irreversible reform thresholds. Through this period USAID is working to enhance its focus on building alliances with the private sector. Already, a number of alliances have been developed, and additional alliances will be encouraged through the establishment of a \$15 million Global Development Alliance-incentive fund for the E&E region. USAID will also work to enhance E&E countries' access to Millennium Challenge Account funds.

On the management side, E&E Bureau continues to implement improvements and reforms. Chief among these are the workforce and staffing assessments that have been carried out over the past year. These are being used to allocate workforce and OE in a manner that enables its overseas missions to maximize the benefits that their programs produce for their countries' populaces. As part of the State Department/USAID Joint Policy Group work plan, the E&E Bureau will work to enhance its close long-standing relationship with the Department of State's Office of the Coordinator for Assistance to Europe and Eurasia to coordinate policy, strategy, results reporting, budget and management.

OTHER DONORS

The United States is the largest bilateral donor in Eurasia, followed by Japan and Germany. USAID also collaborates with the ADB on activities in the Central Asian Republics. In CEE, the EU is the largest donor, contributing about three times what the United States contributes. EU programs include technical assistance to transition countries in Europe (PHARE) as well as Eurasia. The United States is the single largest bilateral donor to CEE, followed by Germany, France, Austria, and the Netherlands.

Since reaching a peak of \$8.6 billion, other donor flows (net disbursements of official development assistance from OECD countries) to the E&E region have been declining since 1999 to stand at roughly \$8 billion. The pattern of decline in other donor assistance occurred in each sub-region and was true of both multilateral and bilateral donors, including the European Union (EU), World Bank, European Bank for Reconstruction and Development, Asian Development Bank (ADB), European bilateral donors, and Japan. The largest declines in this type of donor support have occurred in countries that will imminently be members of the EU.

FY 2005 PROGRAM

The FREEDOM Support Act (FSA) FY 2005 request level for Eurasia totals \$550 million to fund USAID and other USG agencies' programs in the economic, democratic, and social transition areas. The FY 2005 FSA request is an approximately 8% decrease from the FY 2004 level. The FY 2005 SEED Act request level is \$410 million, a decrease of 8% from the FY 2004 level.

Proposed SEED and FSA funding includes other USG agencies that manage technical cooperation programs using inter-agency transfers from USAID such as the Departments of Agriculture, Commerce, Energy, State, and the Treasury.

In addition, the FY 2005 request includes \$75.5 million in Economic Support Funds. In recognition of its role as a frontline state in the war against terrorism, Turkey will receive a \$50 million allocation for debt-servicing and economic stabilization. To promote reconciliation and conflict resolution, USAID is requesting \$13.5 million for Cyprus and \$12 million for Ireland.

To support the Democracy and Human Rights goal, \$254.5 million in SEED funds and \$178.3 million in FSA allocations are requested to pursue programs focusing on the empowerment of the citizenry via interventions in the areas of the transparent conduct of elections, rule of law, civil society advocacy, independent media, political party development, and municipal governance.

To buttress the Economic Prosperity and Security goal, allocations of \$108.5 million in SEED funds and \$199.3 million in FSA monies are proposed to support broad-based economic growth via transparent and accountable economic governance, SME development, agri-business promotion, financial sector reform, work in anti-corruption, and energy sector rationalization. Competitiveness and jobs creation will be important emphases.

The FY 2005 request for Social and Environmental Issues is \$44.3 on the SEED side and \$143.8 million on the FSA side. These funds will target (a) infectious diseases including HIV/AIDS and TB, maternal and reproductive health and child survival focusing on mothers and children, (b) human capital inventories and workforce planning to ensure that a minimum level of management and technical expertise is in place to compete globally, and (c) the roles and responsibilities of the public, private, and NGO sectors in financing and delivering social services.

Finally, the FY 2005 request for the Humanitarian Response goal provides \$2.7 million in SEED monies and \$28.6 million in FSA funds. The allocations will promote inter-ethnic dialogue and cooperation and facilitate the transition from emergency relief to more traditional development programs.

Europe and Eurasia PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Asst. for E. Europe and the Baltic States	621,000	521,588	442,375	410,000
Child Survival and Health Programs Fund	131	6,000	6,000	6,000
Development Assistance	500	0	0	0
Economic Support Fund	45,000	43,200	134,700	75,500
ESF - FY 02 Supplemental	200,000	0	0	0
ESF - Wartime Supplemental	0	1,000,000	0	0
FREEDOM Support Act	784,000	755,060	583,537	550,000
FSA - Emergency Response Fund	64,000	0	0	0
FSA - FY 02 Supplemental	110,000	0	0	0
PL 480 Title II	31,115	25,501	16,591	10,000
Total Program Funds	1,855,746	2,351,349	1,183,203	1,051,500

Assistant Administrator,
Kent R. Hill

**Albania
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Asst. for E. Europe and the Baltic States	35,213	28,500	27,835	28,000
Total Program Funds	35,213	28,600	27,835	28,000

STRATEGIC OBJECTIVE SUMMARY				
182-0130 Economic Restructuring and Agriculture Development				
AEEB	12,250	5,339	6,413	6,438
182-0210 Civil Society				
AEEB	5,171	3,474	4,077	4,077
182-0220 Rule of Law				
AEEB	2,479	2,300	2,200	2,200
182-0320 Health Sector Improvement				
AEEB	3,775	3,250	2,700	2,700
182-0410 Special Initiatives				
AEEB	2,900	4,590	3,130	3,130
182-0420 Cross-Cutting Programs				
AEEB	2,428	2,500	2,830	2,955
TRANSFER				
AEEB	6,210	7,047	6,485	6,500

Mission Director,
Harry Birnholz

Albania

The Development Challenge: The legacy of fifty years of misguided economic policies continues to leave Albania with widespread poverty, a decrepit infrastructure, and weak public institutions. Twelve years into transition, Albania's 3.5 million people have a per capita income of \$1,300, which is among the lowest in the region. The economy is dominated by subsistence agriculture, which provides more than 33% of output and employs 70% of those who have jobs, and a large informal sector. As poor infrastructure, corruption, and lack of commercial law discourage private investment, Albania ranks among the lowest Foreign Direct Investment recipients in the region. High levels of private remittances, which are sensitive to internal and external shocks, contribute to Albania's growing trade imbalance.

Public support for reform is diminished by: a) 10% to 22% unemployment, b) underemployment, in which only 22% of individuals aged 15 and older are fully employed, and c) high levels of poverty with almost 30% of all Albanians falling below the poverty line. While only one in four rural households receive running water indoors, more than 50% of the population have no running water, and only 14% receive a continuous stream of electricity. The poor are twice as likely to lack access to key public and private services, thus facing large physical and economic barriers to accessing quality health care. Democracy and governance remain weak, as bureaucracies consistently fail to deliver rights, privileges, and services due citizens under law. Pervasive corruption within the system taints the legitimacy of the State.

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. Continued U.S. Government (USG) assistance will accelerate Albania's transition towards a market economy, a stronger establishment of democracy based on the rule of law, and integration with the European Union (EU) and neighboring states. It will also enable Albania, as the largest Balkan Muslim country, to continue its contributions to regional stability and its support for U.S. foreign policy. The Government of Albania (GoA) supported for the USG in its war on terrorism and its actions in Iraq. The GoA entered the Article 98 agreement (a bilateral non-surrender agreement protecting American citizens from the International Criminal Court), and deployed Albanian troops in Iraq and Afghanistan.

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. These 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-USAID Strategic Plan. The Program Data Sheets provided below cover the six strategic objectives for which USAID is requesting funds. They concentrate on the following three general development themes:

- 1) Economic growth and SME development by increasing 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 by increasing citizen awareness of public issues, assisting in elections, strengthening legal institutions, supporting the GoA decentralization program, and mitigating corruption and trafficking of persons;
- 3) Health reform 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.

FY 2004 funds will be used to implement ongoing activities and programs. USAID also intends to use FY 2004 and FY 2005 funds to carry out new activities and programs in support of a new faith-based initiative as well as ongoing initiatives in democracy and governance, rule of law, anti-corruption, and anti-trafficking. The specific activities to be funded by FY 2004 and FY 2005 appropriations are described in more detail in the following Program Data Sheets.

Other Program Elements: USAID provides assistance for Albania through numerous programs that do not draw on bilateral funding. For example, regionally-funded activities in Albania include: support for NGOs that monitor government accountability; support for NGOs working on anti-corruption; advocacy and information sharing via the Organization for Economic Cooperation and Development's Anti-Corruption Network; support for women's legal rights; provision of training for journalists, labor leaders, health professionals, bankers, and other professionals; and a number of energy activities that seek greater efficiency in power generation and distribution as well as management of energy resources.

Other Donors: The U.S. remains Albania's third largest bilateral donor after Italy and Greece. Multilateral contributors and include the International Bank for Reconstruction and Development, International Monetary Fund, 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 (DFID), Danish Agency for International Assistance (DANAID), and 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, export competitiveness, and industrial clustering.

Cooperation between USAID and other donor organizations active in Albania is robust. Through work with the Organization for Security and Cooperation in Europe, the international community coordinates its support for democratic reform, elections, and improved security. USAID, IBRD and EBRD collaborate in working on energy sector reform. A donor coordination group in support of the GoA implementation of its National Strategy for Social Economic Development (poverty reduction strategy) meets regularly. The Council of Europe, DANAID, DFID, SIDA and USAID work jointly to assist the recently established School of Magistrates in education for new judges and prosecutors. The SNV and USAID coordinate closely on assistance to local governments. UNICEF, SIDA, the Oak Foundation, Terre des hommes (Tdh), and the National Albanian American Council (NAAC) work closely in the area of child anti-trafficking. In addition, the IBRD, the World Health Organization and USAID are integrating efforts to reform Albania's health sector.

Bosnia and Herzegovina PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Asst. for E. Europe and the Baltic States	65,250	50,150	44,735	41,000
Total Program Funds	65,250	50,150	44,735	41,000

STRATEGIC OBJECTIVE SUMMARY				
168-0130 Economic Restructuring				
AEEB	18,697	10,159	8,226	9,000
168-0210 Multi-Ethnic Democratic Society				
AEEB	17,074	11,773	11,999	10,800
168-0311 Minority Returns				
AEEB	12,483	8,762	3,856	2,500
168-0420 Cross-Cutting Programs				
AEEB	0	0	2,919	3,200
TRANSFER				
AEEB	16,996	19,456	17,735	15,500

Mission Director,
Howard Sumka

Bosnia and Herzegovina

The Development Challenge: Bosnia-Herzegovina (BiH) continues to struggle with the structural challenges of the Dayton Peace Accords. Composed of two entities, the Federation and the Republika Srpska, and with a weak state government, the arrangement places few demands on the three ethnic groups to work together. Add to that the fact that the three Serb, Croat and Bosniak (Muslim) hard-line parties have all returned to power, and the result is a country with very little centralized power, whose ethnic rivalries turn even the smallest decisions into political stalemates. As a result, BiH functions in large part as an international protectorate, with the Office of the High Representative (OHR) stepping in to impose decisions that the governments refuse to implement. The entity structure also imposes far too great a financial burden on BiH, which has a population of four million and GDP of \$5.2 billion. In the Federation, the situation is even more critical, as that entity is broken down into 10 cantons, all of which have their own mini-state structures that duplicate entity and state institutions. Given BiH citizens' almost universal approval of their former ruler, Tito Broz, the advent of democracy has always been viewed with some ambiguity. Multi-layered bureaucratic structures make it difficult for reformers to initiate significant change, thus provoking a sense of resignation in the population when it comes to electing officials. This sense of resignation was reinforced by the failure of the moderate Social Democratic Party (SDP) to make a noticeable difference in government. As a result, the hard-line parties were voted back into power in 2002, with one of the lowest voter turnouts in BiH history.

In contrast to its political problems, BiH has achieved significant success in the banking sector, enjoying a stable currency (linked to the Euro) and an absence of inflation. The Central Bank is probably the most trusted institution in the nation, while the private banking sector has consolidated and grown stronger, thanks in large part to USAID's support for deposit insurance. Bank deposits increased by 30% in the first year of the program and 17% over the past year. OHR has used input from local businesspeople to push through reforms that make it easier to own and operate a business in the country. Nevertheless, BiH is still only at the beginning stages of transition to a market economy. Per capita income stands at about one-half the pre-war level, making BiH one of the poorest countries in the region. The public sector dominates the economy, accounting for about two-thirds of the country's \$5 billion GDP. Political uncertainty, slow progress on privatization and the prevalence of organized crime and corruption deter both domestic and foreign investment. On a brighter note, a USAID-conceived initiative to recomplete all judicial positions throughout the country has resulted in a restructuring of the court system, and thus improved the quality of justice for all citizens.

The overriding U.S. interest in Bosnia 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, along with its neighbors. U.S. assistance in creating new laws and robust institutions will help prevent terrorists from using Bosnia and Herzegovina to threaten American citizens and interests, a high priority goal.

The USAID Program: USAID is addressing BiH's development challenges through a program targeted at economic transformation, democratic reform, and the reestablishment of multi-ethnic society. USAID's economic programs focus on supporting small- and medium-sized businesses, enhancing government services and accountability through improved treasury and tax collection systems, and strengthening the banking sector and commercial law regimes. The mission's democracy programs are promoting greater transparency and professionalism in the legal sector, helping moderate political parties to modernize and become more issues-based, increasing citizen participation through support to NGOs and independent media, and improving responsiveness and efficiency in local government. Efforts to re-establish a multi-ethnic society are focused on providing access to basic services through repairing infrastructure, improving the economic self-sufficiency of returned refugees, and strengthening institutions responsible for the delivery of power and water. Cross-cutting programs support the previous three areas with a wide range of participant training activities, as well as combating trafficking in persons, promoting values, and helping children at risk.

Other Program Elements: Risknet is a USAID regional project managed out of USAID's Regional Support Center in Budapest. Through cross-border activities, Risknet represents a regional approach to reducing the transmission of the HIV virus by reaching such high-risk behavior groups as intravenous

drug users and youth and increasing knowledge about risk factors. The program aims to increase outreach and activities for HIV prevention among vulnerable populations and improve harm reduction activities on a regional level.

The Commercial Dispute Resolution project seeks to promote, develop, and support effective commercial dispute resolution in countries within the Europe and Eurasia region. It is managed by the Europe and Eurasia Bureau's Office of Economic Growth.

USAID's Global Trade Network is a program designed to assist BiH businesses to build partnerships with firms in the U.S. and South-East Europe. GTN provides free services and information to BiH businesses. The assistance helps them increase trade, implement joint ventures, and enter into licensing and franchise agreements. GTN facilitates linkages between Bosnian firms and firms in Croatia, Albania, Romania, Hungary, Bulgaria, Macedonia, Montenegro, and the U.S. through qualified trade leads. The program is managed by the Bureau for Economic Growth, Agriculture and Trade.

Other Donors: The International Bank for Reconstruction and Development (IBRD) 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 German, Swedish, Dutch and Japanese governments, 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 where USAID funds infrastructure. USAID also collaborates closely with other major donors in the World Bank Power III project. Partners in this project include the Spanish, Italians, Norwegians, Japanese, Canadians, and EBRD. On the economic front, USAID works closely with the IBRD, EU, International Monetary Fund (IMF), German Organization for Technical Assistance (GTZ) and the EU's Customs and Financial Assistance Office (CAFAO) on a variety of issues. In the democracy sector, Rule of Law activities are coordinated with the EU and the Organization for Security and Cooperation in Europe (OSCE), while media and civil society projects include collaboration with the Soros Foundation and the EU. Governance activities support efforts by OSCE, Swedish International Development Agency, the Dutch Embassy, IBRD and the IMF.

Bulgaria PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2006 Request
Asst. for E. Europe and the Baltic States	33,993	28,000	27,835	27,000
Total Program Funds	33,993	28,000	27,835	27,000

STRATEGIC OBJECTIVE SUMMARY				
183-0130 Private Sector Development				
AEEB	7,575	8,704	8,121	7,050
183-0140 Financial Sector Development				
AEEB	5,100	2,960	0	0
183-0210 Vibrant Civil Society				
AEEB	3,700	3,750	0	0
183-0220 Rule of Law				
AEEB	4,000	1,686	5,844	7,050
183-0230 Local Governance				
AEEB	3,675	3,196	4,850	4,525
183-0410 Special Initiatives				
AEEB	2,520	486	0	0
183-0420 Cross-Cutting Programs				
AEEB	3,218	1,893	3,645	2,875
TRANSFER				
AEEB	4,205	5,325	5,375	5,500

Mission Director,
Debra McFarland

Bulgaria

The Development Challenge: Bulgaria's transition to a market-based democracy has been slow and troubled. Despite the exceptional progress of the past six years, the country remains poor with the lowest compensation levels in Central and Eastern Europe. Macroeconomic stability and democratic politics have not yet been transformed into tangible social improvements for the majority. Bulgarians are frustrated and angered by the influence of organized crime and endemic corruption. 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 the public institutions, hamper business investment, and prevent Bulgaria from meeting international and European Union (EU) standards in the rule of law area. Fiscal decentralization is far from complete and requires political will to speed it up. Despite the favorable legal environment and the increased number of active NGOs, the sustainability of Bulgaria's civil society sector remains fragile.

In spite of the sustained solid macroeconomic performance and sound financial discipline, Bulgaria's real GDP remains below its pre-transition level and foreign direct investment remains low. The business environment, though improving, continues to hinder investors with frequent changes in the legislative framework, poor law and contract enforcement, and burdensome administrative barriers. While unemployment started to decline in 2003, living standards have not yet improved for all Bulgarians. Ethnic minorities, the long-term unemployed, and people with low education continue to face poverty. Therefore, one of the key challenges 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 also need to stay on course in tackling the remaining challenges in its transition agenda, including: creating an efficient and competitive business environment; finalizing second generation economic reforms with an emphasis on key privatization deals in the telecommunications, tobacco, and utilities sectors; putting in place better and transparent government systems; and improving the quality and access of social services for all citizens. While the Bulgarian Government (GOB) remains committed to addressing these challenges, the pace of reform has been mostly uneven. Increasing disagreements within the ruling majority and constantly declining support for the current government point to a growing uncertainty as to the future of the cabinet, whose current mandate runs through the spring of 2005.

U.S. national interests in Bulgaria are two-fold: Bulgaria remains a dependable ally and a reliable partner in the war on terrorism; and has the potential to continue to be a stable political and economic anchor in Southeastern Europe, contributing to the stabilization of the Balkan region.

The USAID Program: The Program Data Sheets provided below cover the four strategic objectives for which USAID is requesting FY 2004 and FY 2005 funds. These objectives are in compliance with the priorities identified in the recently approved Graduation Strategy for Bulgaria, with FY 2006 the last year of SEED assistance: enhanced rule of law, economic growth and increased prosperity, local governance, and program support. To assist in the process of institutionalizing the rule of law, USAID devotes resources to modernizing the court administration, increasing the capacity of legal professionals to apply the law equally and swiftly, and combating corruption and 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. The Mission 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 (SMEs), enhancing the competitiveness of priority industry clusters, facilitating trade, and providing access to credit. 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. To mitigate the adverse social impact of transition, the Mission will continue to support crucial reforms in the areas of labor market efficiency, healthcare financing, pension reform, and inclusion of vulnerable groups. FY 2004 funds will be used to implement ongoing programs in rule of law, economic and democratic development, local government, and the social sector as described in the FY 2004 Congressional Budget

Justification. USAID also intends to use FY 2004 funds to carry out certain new activities or modify existing ones in response to changing circumstances.

Other Program Elements: In addition to the resources requested in the Program Data Sheets, Bulgaria will benefit from several regional programs. Bulgarian non-governmental organizations (NGOs) will benefit from the Balkan Trust for Democracy, and the Regional Youth program. Bulgarian municipalities will participate in the regional Fiscal Decentralization Initiative. The country will also benefit from USAID/EGAT managed programs dealing with corporate governance, commercial law reform, and information technology for development. Bulgaria will participate in several E&E managed initiatives, including the Regional Infrastructure Program for Water and Transportation, the Energy Regulators Regional Association, and Balkan Regional Electricity Markets. In addition, Bulgarian experts will participate in 14 long-term academic and two short-term programs in U.S. universities, and over 150 trainees will attend short-term in-country training under the Eastern and Central Europe Scholarship Program. The American University in Bulgaria also continues to receive USG support.

Other Donors: EU support to Bulgaria has progressively increased, with the EU currently being the largest multilateral donor providing nearly \$300 million per year. Assistance is channeled through three pre-accession instruments: PHARE (institution building, regulatory infrastructure development, and economic/social cohesion), SAPARD (agricultural and rural development), and ISPA (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 (UNDP) centers its Country Cooperation Framework on good governance, job creation, information technology, and environmental protection.

USAID is among the leading bilateral donors in Bulgaria and the only bilateral represented at the donors' task force, closely working with the Deputy Prime Minister to streamline the 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 (infrastructure development), and the British Know-How Fund (public sector, civil society, financial markets, social welfare). While USAID was the first donor to announce its graduation strategy, others are already thinking in the same direction, linking their graduation dates to Bulgaria's EU accession in 2007.

Croatia PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Asst. for E. Europe and the Baltic States	43,983	30,000	24,853	20,000
Total Program Funds	43,983	30,000	24,853	20,000

STRATEGIC OBJECTIVE SUMMARY				
160-0130 Growth of a Dynamic & Competitive Private Sector				
AEEB	14,350	12,491	9,935	8,735
160-0210 Citizen Participation & Improved Governance				
AEEB	8,059	6,605	9,605	7,935
160-0310 Return & Reintegration of War-Affected Populations				
AEEB	12,450	3,614	968	0
160-0340 Mitigation of Adverse Social Conditions & Trends				
AEEB	3,150	2,580	535	0
160-0420 Cross-Cutting Programs				
AEEB	933	685	700	830
TRANSFER				
AEEB	5,041	4,025	3,110	2,500

Mission Director,
William Jeffers

Croatia

The Development Challenge: Croatia has made significant, if still fragile, progress toward macroeconomic stability, growth, and strengthening of democratic institutions. Croatia's advancement toward integration into regional and Euro-Atlantic institutions and developing positive relations with other states in Southeast Europe is essential to achieving U.S. foreign policy goals of improving regional stability in the Balkans and managing transnational threats.

Recent parliamentary elections witnessed the reemergence of the Croatian Democratic Union (HDZ), the same political party that voters rejected in elections in January 2000 for its corrupt, nationalist policies that led to Croatia's isolation. The next Croatian government will be led by the HDZ, which captured a majority of the parliamentary seats, making it the only party able to form a coalition government. During nearly four years in opposition, the HDZ went through significant internal changes that it claims have transformed it into a responsible, democratic party capable of continuing reform efforts in Croatia. These assertions are untested, however, and the HDZ has not participated in some of the national-level democratic reform processes supported by U.S. assistance in the past three years. The most important task of USAID will be to consolidate these reforms and to convince the new government that it is in its interest to continue to work toward building Croatia's civil society.

Two of the leading challenges facing the new government are judicial reform and reintegration of refugees, both top conditionalities for European Union (EU) accession. Croatia's judiciary continues to lag behind other areas of democratic development, and lack of progress in judicial reform is hampering Croatia's economic development. Civil cases can take years to come to trial. Inefficient courts, untrained jurists and outdated, often contradictory, legislation led to huge case backlogs, predominantly in civil courts.

Progress toward re-integrating Croatia's ethnic Serb minority displaced by the war was irregular and disappointing. Although the Government announced a series of measures aimed at encouraging the return of refugees and the restitution of their property, implementation lagged far behind expectations. One bright spot, however, was the passage of the new Constitutional Law on National Minorities, which gave minorities a new level of representation at both the local and national levels.

The USAID Program: USAID's program continues to be an integral tool in achieving U.S. national interests. SEED assistance resources enable the U.S. to support and, in some cases, accelerate Croatia's successful transition from Communism and the legacy of ethnic war. USAID programs are aimed at ensuring that Croatia develops a fully democratic society and productive market-oriented economy that will serve as a cornerstone for peace and stability in Southeast Europe while promoting Croatia's aspirations for membership in NATO and the EU.

USAID funds in FY 2004 and FY 2005 will be used to assist Croatia in accomplishing these goals. Economic programs will address small and medium enterprises (SME) and agribusiness development, improve the investment climate by accelerating the privatization process, and support the development of a competitive energy sector and energy-sharing agreements between Croatia and its neighbors. Democracy activities will concentrate on local government reform, strengthening non-governmental organizations (NGOs), political party and legislative strengthening, judicial reform, and anti-trafficking in persons. Refugee return and reintegration interventions will continue to revitalize the economic sector in the war-affected regions. Social sector programs will strengthen Croatia's pension reform and social dialogue programs.

Based on the results of a SEED assistance review last year that confirmed Croatia will be ready to graduate from SEED assistance, with the last year of funding in FY 2006, USAID's portfolio will be consolidated from the current four Strategic Objectives to two. To maximize Croatia's likelihood of achieving sustainable reforms comparable to Northern Tier countries at graduation, economic reform, good governance, and civil society will be the focus in FY 2005. The specific activities to be funded by FY 2004 and FY 2005 appropriations are described in more detail in the following Program Data Sheets.

USAID's existing program to accelerate the return and reintegration of war-affected populations, will end as planned in 2004. USAID assistance will continue to target resources within its economic and democracy programs through FY 2006 to improve economic opportunities in war-affected communities and improve the environment for returnees. USAID's program for mitigating adverse social conditions and trends will end in September 2004. Social sector activities that merit continued support will be merged into the main program. U.S. transnational concerns regarding vulnerable groups, such as Anti-Trafficking in Persons, will be integrated into the democracy strategic objective through FY 2006.

Other Program Elements: USAID's Regional Infrastructure Program (RIP) provides assistance to targeted Croatian cities in developing private sector participation in the provision of local utility services. RIP seeks to attract private investment to finance capital improvements to local infrastructure such as water facilities. 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. RiskNet, the Southeast 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 raises youth and policymaker's awareness of the role non-governmental youth organizations play in civil society through a series of workshops and seminars to be held throughout Croatia.

Other Donors: As U.S. resources decline, EU and international financial institution (IFI) programs are increasing significantly to support harmonization of Croatian laws and policies with the EU. Croatia sees its future in EU membership, both in political terms and as the engine for future economic growth. This is a key underlying principle of USAID's graduation strategy, including its timeline and recommended funding levels.

USAID has made progress with the Commission and EU member state donors (as well as the IFIs) in ensuring programs and long-term visions are complementary and reinforcing. For example, collaboration on a common case-management system for the Croatian courts facilitated a real step forward by the GOC toward improved judicial efficiency. USAID has been able to achieve similar excellent cooperation on police assistance and refugee-return programs and see it evolving in other program areas as well.

**Cyprus
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Economic Support Fund	15,000	14,903	13,420	13,500
Total Program Funds	15,000	14,903	13,420	13,500

STRATEGIC OBJECTIVE SUMMARY				
233-0410 Cyprus Bicomunal Program				
ESF	15,000	14,903	13,420	13,500

Deputy Assistant Administrator,
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-sectoral development program aimed at increasing the quality and quantity of interaction between the estranged and geographically-separated Greek Cypriot and Turkish Cypriot communities. 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 GDP is approximately \$16,400, Turkish Cypriot per capita GDP is approximately \$5,263. During recent years, the continuing depreciation of the Turkish Lira and Turkey's growing economic problems have exacerbated economic hardships in the Turkish Cypriot community. 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. The international community, especially the United States, has been encouraging resumption of negotiations between the two sides on the basis of the Annan Plan, to arrive at a permanent solution before the Republic of Cyprus formally joins the EU on May 1, 2004. This remains a challenge since the December 2003 parliamentary elections in the northern Cypriot parliament resulted in a deadlock between the pro-European Union (EU), pro-settlement opposition, and long-dominant hard-line parties.

The USAID Program: The U.S. Congress' objectives for Cyprus, reflected in the annual Congressional appropriations language, include reunification of the island, reduction of tensions, and promotion of peace and cooperation between the two communities on Cyprus. The USAID approach supports Congress' objectives by focusing on increasing and strengthening cooperation and mutual tolerance between Greek Cypriots and Turkish Cypriots and provides initiatives that support a comprehensive 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-sectoral 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 \$60 million 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 agriculture and veterinary science, education, civil society and non-governmental organization (NGO) strengthening, information technology, communication, and telecommunications. Other activities involve 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 bicomunal meetings by the Turkish Cypriot leadership. According to the UNDP Annual Report (October, 2002), there were over 155 bicomunal meetings in 2001. In 2002, the number of BDP-facilitated bicomunal meetings (over 200) far exceeded the number that took place in 1996, previously considered the highpoint of bicomunal activities. The opening of the checkpoint between the north and south in April 2003 has enabled a deepening of bicomunal activities. Meetings between Greek Cypriots and Turkish Cypriots to plan and implement projects of island-wide interest are 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.

The Program Data Sheet provides additional detail on the program for which USAID is programming FY 2004 funds and requesting FY 2005 funds. These funds are implemented through a major grant to the UNDP for the BDP, which averaged approximately \$10 million in annual obligations. Other agencies'

activities include the U.S. State Department's Cyprus-America Scholarship Program, implemented by the Cyprus Fulbright Commission with \$4.3 million obligated in FY 2003 funds, and the Bicomunal Support Program, implemented by the U.S. Embassy in Nicosia with \$2.0 million obligated in FY 2003 funds.

In case of actual political settlement, the program would support the terms of the approved peace agreement in strategic areas, facilitate the transition, and be dedicated to the success and viability of the UN-brokered agreement between the two communities.

Other Program Elements: None.

Other Donors: The United States is the principal donor supporting bicomunal activities in Cyprus. The EU and, separately, a number of European countries, including Germany, Norway, Slovakia, and the Czech Republic, are funding bicommunally-oriented initiatives focused on civil society, urban restoration, women, political parties, entrepreneurs, journalists, and labor unions. As Cyprus advances towards EU membership, it is expected that the EU, which is the largest overall donor to Cyprus, will also become the largest donor to bicomunal programs.

**Ireland
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Economic Support Fund	30,000	28,297	21,870	12,000
Total Program Funds	30,000	28,297	21,870	12,000

STRATEGIC OBJECTIVE SUMMARY				
190-0410 Int. Fund for Ireland and Walsh Visa Program				
ESF	30,000	28,297	21,870	12,000

Note: The Ireland funds include the Walsh Visa Program at the following levels: FY 2002 - \$5,000; FY 2003 - \$3,460; FY 2004 - \$3,479; and FY 2005 - \$3,500.

Deputy Assistant Administrator,
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 population in Ireland and a large majority in Northern Ireland. After general acceptance of the GFA and with the continuing ceasefires by various 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 towards Northern Ireland. Sectarian confrontation within Northern Ireland, as well as 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 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 as described below and in the Program Data Sheet.

The USAID Program: 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. The IFI has provided new investment aimed at creating jobs and reconstructing disadvantaged areas. Reconciliation projects have fostered cross-community exchanges involving youth and community leaders. Fund policy requires that projects benefit both nationalist and unionist communities, and that the implementing organization includes members of the two communities. Through this policy, the IFI has encouraged communities to take ownership of projects.

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, they are hired by a Walsh employer in the United States for up to 36 months. The last round of participants arrived in the United States in 2003; the program sunsets in 2006 when these final Walsh participants depart.

Other Program Elements: None.

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 that do not actively contribute to the Fund, retain the right to send non-voting observers to IFI Board meetings.

Kosovo PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Asst. for E. Europe and the Baltic States	118,235	85,000	78,534	72,000
Child Survival and Health Programs Fund	131	0	0	0
Total Program Funds	118,366	85,000	78,534	72,000

STRATEGIC OBJECTIVE SUMMARY				
167-0120 Economic Policy and Institutions				
AEEB	0	1,217	7,050	5,700
167-0130 Private Sector Growth				
AEEB	24,300	15,733	4,750	5,600
167-0210 Accountable and Transparent Governance				
AEEB	8,750	8,950	7,250	8,200
167-0220 Democratic Institutions				
AEEB	0	1,498	6,100	4,900
167-0310 Community Development				
AEEB	11,900	3,302	0	0
167-0410 Special Initiatives				
AEEB	985	1,694	1,816	300
CSH	131	0	0	0
167-0420 Cross-Cutting Programs				
AEEB	1,900	930	4,100	3,800
TRANSFER				
AEEB	70,400	51,676	47,468	43,500

Mission Director,
Dale Pfeiffer

Kosovo

The Development Challenge: Four years after war swept through Kosovo, dislocating over half of the population and devastating the economy, the reconstitution of a functioning economic, political, and cultural environment is well underway. Having addressed the most immediate needs following the end of conflict, Kosovans are engaged in rebuilding the institutions and the foundations of their society. Many challenges lie ahead, most prominently the strengthening of Kosovan economic and democratic institutions, building a sustainable and growing economy that creates jobs, and developing a harmonious multi-ethnic society that is responsive to the rule of law.

Over the last four years, the combination of accelerated institution building and sound economic policies has resulted in impressive results in the economic sphere. GDP has risen over 40% since 2000. Total deposits in the banking system increased by approximately 17% over the past year and the loan-to-deposit ratio increased from 21% at the end of 2002 to its current level of 39%. A sound tax system now provides 100% of recurrent expenditures of the Kosovo Consolidated Budget from domestically collected tax revenues. However, a deeper analysis reveals weaknesses and aberrations that make the economy vulnerable. In the Balkans region, Kosovo has the lowest total GDP, the largest percentage of population living at a subsistence level, and partly because privatization has been slow, Kosovo remains the most command-driven economy, in that the private sector accounts for only 28% of the official economy. Both foreign and domestic investment are constrained by insufficient rule of law, poorly defined property rights, and a lack of trade agreements with neighboring countries (with the exception of Albania). Unemployment is arguably the key social and economic problem for Kosovo, with estimates ranging from 35%-50%. Rates are especially high among youth (ages 16-24), women, and the rural population. Exacerbating this poor economic picture is the decreased level of donor assistance, as well as Kosovo's inability to access alternative sources of financing, such as from the International Finance Institutions.

On the political front, Kosovo has made important advances towards self-government: A Constitutional Framework established the Provisional Institutions of Self-Government (PISG), three free and fair elections have been held, and the transfer of competencies from the United Nations Mission in Kosovo (UNMIK) to the PISG is underway. This transfer of responsibility, however, has proceeded somewhat unevenly, and advances have been accompanied by polarization over issues including the rate and substance of transferred powers, the issue of final status, and continued presence of parallel governing and financial structures in select areas of Kosovo supported by Belgrade in contravention of UN Security Council Resolution 1244. While there has been a decrease in the rate of ethnically-motivated crimes and an increase in minority participation in organizations such as the Kosovo Police Service, the judiciary, and other public bodies, opinion polls indicate that inter-ethnic relations remain tense.

The United States has been, and continues to be, a major contributor to the recovery of Kosovo. Stability in the Balkans is of paramount importance to both the United States and Europe. Stability in Kosovo, and its integration into the region and Europe, is a requisite to achieving this regional stability. Kosovo's integration into the European economy is a key priority for the United States Government, and the conditions needed to achieve this integration are fundamental elements of the USAID program. The investment that the United States has made in Kosovo has been critical in bringing Kosovo out of a decade of neglect and conflict. The immediate challenges are to consolidate the gains made, ensure there is no relapse in progress, and continue to strengthen the foundations for a stable democracy and sustainable economy.

The USAID Program: A new USAID/Kosovo strategic plan covering FY 2004 -2008 was approved in August 2003. The new strategy moves from a humanitarian response focus of early interventions to a development program with the objective of transforming Kosovo into a democratic self-governing economically sustainable entity in which all citizens have equal opportunities and rights. The U.S. Mission has provided the impetus and support for much of the progress realized to date in Kosovo. The Kosovans (including the public sector, private sector, and civil society) have been active partners and participants in this recovery, exhibiting a receptivity to change that has been a major contributor to the substantial progress that has been made. This active participation is expected to continue into the new strategy period and will be a key ingredient in the reach and sustainability of the program. The Program

Data Sheets provided below cover four core and two supporting objectives for which USAID is requesting FY 2004 and FY 2005 funds.

The two economic objectives concentrate on improving the institutional, policy, and legal environment for productive investments, while supporting the development and expansion of competitive industries, promoting growth in local and regional market share, and creating options for market-driven allocations of capital assets. Special emphasis will be placed on redressing the current over-reliance on trading and service industries.

The democracy objectives will support the transformation to self-government by strengthening recently-created democratic institutions, helping the Kosovans take ownership of these bodies, and strengthening the relationship between civil society and local governments so that they act as partners in furthering democratic processes. Building on the progress in devolving authority to municipal governments, USAID will initiate a local governance program that will address broad policy issues concerning municipal competencies and decentralization, as well as practical hands-on assistance at the local level. These activities will be complemented by civil society and media activities that will strengthen the ability of civil society and media to perform a watchdog role and assist effective citizen participation by increasing the level of citizen awareness and understanding of important political, economic, and social reforms.

Throughout the program there is an emphasis on capacity building, both institutional and human. The transition of Kosovo from the poorest province in the former Yugoslavia to a viable and fully functioning market-driven democracy is dependent on the capacity of Kosovans to both lead and sustain the transformation. Training and education activities will address the shortfall in human capacity that currently hinders Kosovo's ability to develop mature economic and democratic systems. Among these programs is a women's leadership activity implemented by the National Albanian-American Council.

Special initiatives will support an anti-trafficking program, provide assistance for effective turnaround management of the electric company, and support targeted assistance to the health sector through HIV/AIDS and tuberculosis control programs. FY 2004 funds will be used to transition from the current program to full implementation of the new strategy as projects are designed over the course of the year.

Other Program Elements: None

Other Donors: The European Commission, through programs implemented by the European Agency for Reconstruction and through funding for UNMIK's Pillar IV (Reconstruction, Economic Recovery and Development), has been the largest donor to date, 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); Canada (education, public administration, public health); 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 United Nations Development Program (security, job-creation and minority programming, local development). Although there are few formal mechanisms for donor coordination, donor collaboration has increased significantly over the past year, most significantly in the areas of support to the central and municipal assemblies, legal reform, judicial reform, and media.

**Macedonia
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2006 Request
Asst. for E. Europe and the Baltic States	49,630	50,000	38,770	34,000
Total Program Funds	49,630	50,000	38,770	34,000

STRATEGIC OBJECTIVE SUMMARY				
165-0130 Economic Growth				
AEEB	13,800	12,505	10,350	8,800
165-0200 Democracy and Governance Reform				
AEEB	12,770	15,845	11,750	10,000
165-0340 Social Transition				
AEEB	7,105	6,730	8,200	8,200
165-0410 Special Initiatives				
AEEB	5,120	4,560	0	0
165-0420 Cross-Cutting Programs				
AEEB	4,299	4,410	4,320	3,250
TRANSFER				
AEEB	6,536	5,950	4,150	3,750

Mission Director,
Richard Goldman

The Former Yugoslav Republic of Macedonia

The Development Challenge: The Former Yugoslav Republic of Macedonia is faced with the dual development challenge of trying to build a stable, multi-ethnic society, while completing the transition to a democratic, market-oriented economy. Its future depends upon successfully managing these development challenges. Macedonia has made significant progress toward reestablishing peace and building the foundations of a functioning democracy. Since the signing of the Ohrid Framework Agreement, which ended the 2001 ethnic conflict, the government has modified the constitution in 16 areas to comply with the peace accord; passed landmark legislation to begin decentralizing government; and implemented an amnesty law that paved the way for former combatants to reintegrate into society. Free and fair parliamentary elections in 2002 resulted in the election of a moderate government that is committed to implementation of the Framework Agreement. Despite the general improvement in inter-ethnic relationships, ethnic tensions remain high and ethnically motivated acts of violence still occur sporadically. On the economic front, the Prime Minister undertook a major cabinet reshuffle replacing the ministers of Economy, Finance, and Transport and Communications in an effort to deal with the slow pace of economic growth, which was estimated at just less than 3% in 2003. Further, unemployment climbed from 32% to 37% during the past year, according to the Government of Macedonia's Labor Market Survey. On a positive note, Macedonia did successfully negotiate a Stand-By Arrangement with the International Monetary Fund (IMF), which frees up \$150 million in donor funding and will give a substantial boost to needed structural reform efforts. The resultant macroeconomic stabilization will generally strengthen the business climate and should improve prospects for next year. But to enable more extensive investment, further action will be needed to reduce corruption and to create a more business-friendly legal environment.

Macedonia remains the poorest country of the former Yugoslav Republics. According to the National Bank of the Republic of Macedonia, per capita GDP for 2002 was \$1,835. In 2002, real GDP grew by 0.7%, and the preliminary estimate for 2003 is 3%. External debt for 2002 was 41.6% of GDP.

Key U.S. national interests in Macedonia include national and regional stability, economic prosperity, and democratization. Macedonia is also in a position to be a helpful partner in combating organized crime and extremists in the region.

The USAID Program: The USAID program is aimed at addressing the principal challenges that Macedonia faces, namely maintaining stability and addressing the root causes of ethnic conflict. USAID's objectives concentrate on the revitalization and accelerated growth of the private sector; strengthening vital components of democracy, including decentralization; and preparing the labor market for the transition to a market economy by reorienting the education system to train for modern job skills. Private sector activities include competitiveness, financial sector reform, and active participation in the World Trade Organization (WTO), energy privatization, small and medium enterprise (SME) financing, corporate governance, and quality improvements for agricultural processors. Democracy assistance includes decentralization, support for the 2004 presidential and local elections, judicial reform, parliamentary development, strengthening political parties, and civil society development. Labor market reform assistance includes support for primary and secondary school reform, expansion of information, communication and technological capability in schools, and assistance to strengthen the quality of instruction at the South East European University (SEEU). USAID also intends to use FY 2004 funds to respond to changing circumstances, such as increasing the integration of minority groups into Macedonian society, combating human trafficking, and developing human resources. USAID will continue to implement assistance in cooperation with a solid network of development partners, including the Government of Macedonia (GoM); a variety of non-governmental actors; the private sector; and the education community.

Other Program Elements: USAID's Bureau for Europe and Eurasia Bureau is funding four regional projects in Macedonia. The Strengthening the Youth Sector Program provides capacity-building services through coaching, workshops, exchange programs, and grants for non-governmental organizations (NGOs) supporting youth in South Eastern Europe countries. In these exchanges, NGOs share

formal education, health, civic education, and democracy building. So far, eight out of 48 grants have been given to youth NGOs in Macedonia for projects in non-formal education, health promotion, and technology. Another project is the Joint History and Reconciliation Project being implemented by the Center for Democracy and Reconciliation in South East Europe. This activity is providing alternative teaching kits for history teachers at primary and secondary school levels. The third is the Balkan Trust for Democracy, a program to strengthen democratic institutions in the region. It has made one grant to a local NGO in Macedonia, in order to host a workshop for youth leaders from the Balkans to discuss common community development issues across the region. The final project is the Regional Networking Program for NGOs implemented by Freedom House. This program provided grant support for interchange of ideas between Albanian and Macedonian NGOs to enhance relations between the countries.

Other Donors: USAID and other donors collaborate on issues of particular interest to the U.S. Government, such as decentralization, development of SMEs, and reforms in the judiciary, education, financial and pension systems. The United States and the European Union (EU) are the largest donors in Macedonia. The European Agency for Reconstruction (the EU development arm) focuses on good governance, institution-building, rule of law, market economy development, environment, infrastructure, social development, and civil society strengthening. The Dutch government is the third largest donor, providing balance-of-payments assistance, support to the education, agriculture and public finance reforms; and assistance for development of a civil society and respect for human rights. Macedonia also receives assistance from the German, British, and Swedish governments. Donor coordination is excellent.

Montenegro PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Asst. for E. Europe and the Baltic States	59,986	40,000	34,794	15,000
Total Program Funds	59,986	40,000	34,794	15,000

STRATEGIC OBJECTIVE SUMMARY				
170-0130 Economic Reform, Restructuring and Policy				
AEEB	12,843	9,900	8,454	4,608
170-0200 Democratic Transitions				
AEEB	0	5,921	7,101	4,232
170-0210 Local Governance and Community Development				
AEEB	23,977	13,919	13,589	2,660
170-0410 Special Initiatives				
AEEB	15,000	1,200	0	0
170-0420 Cross-Cutting Programs				
AEEB	1,986	1,650	1,500	1,500
TRANSFER				
AEEB	6,180	7,410	4,150	2,000

Mission Director,
Spike Stephenson

Montenegro

The Development Challenge: A constituent republic of the Federal Republic of Yugoslavia (FRY) until the dissolution of the FRY in March 2003, Montenegro became a constituent republic of the new state union of Serbia and Montenegro. 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 and Serbian, with less than 25% Bosniak, Albanian, Croatian, and Roma. Currently, there are about 31,000 refugees and internally displaced persons, primarily from Kosovo, within Montenegro.

Elected President in October 1997, Milo Djukanovic was supported by a broad multi-ethnic coalition which ousted supporters of Serbian President Slobodan Milosevic from power. This laid the foundation for the democratization of Montenegrin society. Social and political life became more open, NGOs and the media enjoyed greater freedoms, and the Government of Montenegro (GoM) embarked upon a series of potentially far-reaching political and economic reforms. By 2000, Montenegro acquired a large degree of independence and established a separate economic system; however, it remained minimally subordinate to the FRY in foreign affairs and defense matters. The United States and the European Union welcomed the GoM's efforts to democratize society and provided critical financial and technical assistance for reforms.

Montenegro is more politically and economically stable now than it has been in over a decade. However, this has not yet led to high levels of growth or decreases in unemployment. Much remains to be done. The recently published Poverty Reduction Strategy Paper (November 2003) reports the absolute poverty rate in Montenegro to be 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. GDP remains near 1990 levels (about 1.4 billion Euros); unemployment, adjusted for the gray market, is 17%; the average recorded net wage in the formal sector is about 188 Euros; inflation in 2002 was 9.4%; international trade, excluding Serbia, yielded a deficit of \$402 million in 2002, though some of this was made up by tourism and other receipts to yield a current account deficit of \$161 million; and if arrears accumulation is considered, the deficit for 2002 is 39 million Euros.

In FY 2003, USAID built upon the legislative and institutional framework it helped to develop in past years and has become more constructively engaged in assisting and encouraging the government in the implementation of its ambitious reform agenda. Significant implementation gains were made in the financial sector; pension reform; the economic reform agenda; tax administration; local governance and community revitalization; democracy and human rights; and rule of law. The continuing challenge in the coming years will be to accelerate the pace of the GoM's reform agenda while renewing public confidence in the GoM to improve the quality of life.

The USAID program in Serbia and Montenegro is aligned to achieve the four strategic objectives enumerated in the joint State-USAID Strategic Plan. The intent of these objectives is to synchronize diplomacy and development assistance through 1) achieving peace and security; 2) advancing sustainable development and global interests; 3) promoting international understanding; and 4) strengthening diplomatic and program capabilities.

The USAID Program: To accelerate the development and growth of private enterprises, USAID concentrates on economic growth and job creation; competitiveness-building activities that seek to attract investment and drive exports; privatization of State-owned enterprises; 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.

To promote more effective, responsive, and accountable democratic institutions, USAID focuses on training for democratically-oriented parties; technical assistance for selected government institutions;

support for non-partisan efforts aimed at ensuring more participatory and fair election processes; building capacity of the civil society sector, independent media and trade unions; and anti-trafficking efforts. Due to the strong need to strengthen the rule of law in Montenegro, USAID will significantly expand efforts in this area in FY 2004 and concentrate on promotion of a better-trained, more efficient and democratically-oriented judiciary, legal profession, and court system; support for legal aid and human rights programs;

To increase and inform citizens' participation in political and economic decision-making, USAID will continue to concentrate on building trust in communities to demonstrate the value of citizen participation; provide technical assistance, training and information technology grants to improve local government customer focus and responsiveness; improve constituent access to and involvement in local government; and increase financial sustainability of local government.

The specific activities to be funded by FY 2004 and FY 2005 appropriations are described in more detail in the following Program Data Sheets.

Other Program Elements: USAID will, in conjunction with U.S. Treasury advisors, continue to advance the policy and economic framework for sustainable economic growth and the emergence of a viable private sector. U.S. Department of Treasury advisors will complement USAID's program and focus on financial crime investigation, tax implementation, budget and banking reforms. The Department of State will support Public Diplomacy and similar high priority programs, such as policy reform and training.

Other Donors: USAID has been the primary donor in Montenegro, but other donors have become increasingly active and coordinate closely with USAID. USAID recently handed over responsibilities to the British Department for International Development (DfID) and the European Agency for Reconstruction (EAR) for technical assistance to the Energy Regulatory Agency, and to the International Bank for Reconstruction and Development (IBRD) for the completion of the unbundling exercise at the state power company. DfID has also taken on some responsibilities in the banking sector, handling the deposit insurance program and the privatization of the last majority state-owned bank in Montenegro. In pension reform, the IBRD is planning a loan and technical assistance program to take over from USAID advisors improving efficiencies in the pension system. USAID is closely coordinating its efforts with EAR customs advisors in implementation of the Value-Added Tax and on development and implementation of the new treasury system, as well as municipal development efforts and the upgrading of border crossing facilities. The German Development Assistance Bank has provided a line of credit for small- to medium-sized enterprise lending to the Opportunity Bank, which was established in Montenegro with USAID support. With the ending of USAID budget support in FY 2003, the IBRD initiated a structural adjustment credit. The International Monetary Fund assists with monetary stabilization.

**Romania
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Asst. for E. Europe and the Baltic States	35,992	30,500	27,835	27,000
Total Program Funds	35,992	30,500	27,835	27,000

STRATEGIC OBJECTIVE SUMMARY				
186-0130 Expanding the Market-Driven Private Sector				
AEEB	15,355	11,900	11,290	10,306
186-0230 Improved Local Democratic Governance				
AEEB	9,163	7,800	9,550	9,900
186-0340 Child Welfare and Women's Health Care Reform				
AEEB	6,874	7,697	5,535	5,294
TRANSFER				
AEEB	4,600	3,103	1,460	1,500

Mission Director,
Roger Garner

Romania

The Development Challenge: When communism fell in 1989, then-President Ceausescu's draconian policies had left Romania the poorest country in Southeastern Europe. Until 2000, much of Romania's economic progress was hampered by slow privatization and stop-and-start economic reforms. Under the current government, the macro-economy has improved. Growth in 2003 is estimated at 4.5% and is projected to be 5% in 2004 and 2005, despite a severe drought. Inflation has declined from 40.7% in 2000 to an anticipated 14.5% in 2003 and is projected to decline to 8.8% by 2005. Most major privatizations have been completed, with the significant exception of the energy sector.

Despite this progress, the economic situation remains mixed, with Romania one of the poorest European Union (EU) applicants. Government statistics indicate that almost one in three Romanians lives in poverty. The proportion is much higher in rural areas, where wages are far below Romania's average of \$140 per month. GDP per person reached only \$2,100 in 2002. Many Romanians are under-employed, and attractive employment options remain limited. Over 40% of the population is engaged in agriculture, most on small subsistence plots. Many young, educated workers continue to leave the country in search of better opportunities elsewhere.

Confidence in democracy is undercut by endemic corruption, low political accountability, and continued high levels of poverty. Civil society remains weak, with little influence on public policy or public opinion. Partly a legacy of communism, the concept of citizenship, including the responsibility of constituent interest and involvement, has yet to take root among much of the population. This is exacerbated by a "party list" system for parliamentary elections, eliminating any real tie between national level office holders and their constituent districts. In the 2000 elections, a large number of disaffected voters turned to an extremist and xenophobic party that offers no sustainable solutions for resolving the country's problems. The central government is transferring responsibility for many services to local governments without providing the necessary fiscal and management resources. Unfunded central government mandates in utilities, education, social welfare, and health are a pressing problem. On the whole, there appears to be no coherent plan for decentralization and no analysis of the impact of decentralization on local governments. Too little attention has been given to the efficient use of local resources, the need to establish community priorities, and the means to enhance local service delivery.

The health and child welfare situation in Romania remains bleak. Life expectancy at birth is 71 years, one of the lowest in Europe. Infant mortality, under-five mortality, and maternal mortality are among the highest in Europe. In 2000, maternal mortality rates were six times the EU average and pediatric AIDS cases are the highest in Europe. More than 34,000 children still live in state-run "children's homes". Romania's nascent community-based services, which care for an additional 60,000 children, require considerable assistance to mature into an effective sustainable system.

The most recent European Commission (EC) Report concludes provisionally that Romania will likely meet EU membership requirements by 2007, despite not yet being recognized by the EC as a functioning market economy. Nevertheless, "overall capacity for programming, operational management and financial control remains insufficient," evidence of the serious challenges facing Romania.

The USAID Program: The USAID program is fully integrated into the Embassy's Mission Performance Plan, which identifies democracy, rule of law, economic development, and regional security as priorities. The prospect of joining NATO and the EU and stronger ties with the U.S. provide the important incentives that keep Romania on the path to reform.

USAID support for economic growth in Romania includes projects to support: capital market reform, energy sector reform, privatization, and improvements in the business climate in order to attract increased foreign direct investment and boost domestic entrepreneurial initiatives. Additionally, USAID will broaden support to agricultural development to move the rural economy from small-plot subsistence agriculture to increased efficiency and competitiveness.

USAID will continue to assist local governments, judicial reform, civil society organizations, and political parties to create and sustain the necessary democratic institutions and behavior. As 2004 is an electoral year, USAID assistance will support increased transparency in campaign financing and reporting, balanced media coverage and equal access to media, issue-oriented public dialogue and debates, and increased voter turnout. The Government of Romania (GOR) recently adopted a strategy for judicial reform; USAID assistance will support the integrity and capabilities of the Romanian judiciary, including activities to strengthen the Superior Council of Magistrates, and enforce an ethics code among judges and court staff.

Corruption is widespread in the health and welfare sector and undermines citizen confidence in democracy in addition to impeding service delivery. USAID will help to develop more transparent and accountable procurement and financing systems to allocate limited resources more appropriately and reduce corruption. Assistance for broader policy and program reforms in the social sector will continue.

Other Program Elements: USAID/Romania's portfolio is supplemented by several regional projects. Most of these activities contribute directly to Mission strategic objectives while some are special initiatives. They include: Agro-industry Competitiveness, Development Credit Authority 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, and the Global Fund for HIV/AIDS, Malaria and Tuberculosis.

Other Donors: USAID works closely with the European Union, the World Bank, the International Monetary Fund, European Bank for Reconstruction Development, United Nations Development Program, and other donors to ensure coordination and avoid duplication. The EU committed \$780 million for pre-accession funding; this funding is expected to increase to approximately US\$1 billion annually by 2006. In its last Country Strategy for Romania, the World Bank programmed approximately \$995 million for FY 2002 - FY 2004.

**Serbia
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Asst. for E. Europe and the Baltic States	104,841	110,000	99,409	87,000
PL 480 Title II	1,738	0	0	0
Total Program Funds	106,579	110,000	99,409	87,000

STRATEGIC OBJECTIVE SUMMARY				
169-0130 Economic Reform, Restructuring and Policy				
AEEB	15,500	25,000	17,000	17,000
169-0200 Democracy and Governance				
AEEB	0	14,375	15,000	15,000
169-0210 Civil Society and Local Governance				
AEEB	52,452	53,399	49,410	38,000
169-0410 Special Initiatives				
AEEB	4,990	0	0	0
169-0420 Cross-Cutting Programs				
AEEB	2,809	1,500	3,000	3,000
TRANSFER				
AEEB	29,290	15,726	14,999	14,000

Mission Director,
Spike Stephenson

Serbia

The Development Challenge: Serbia is at a pivotal point of no less significance than the exhilarating period that surrounded Milosevic's ouster in October 2000. Compliance with The International Criminal Tribunal for the former Yugoslavia (ICTY) at The Hague is uneven and key publicly-indicted war criminals remain free. The economic and democratic reform agenda has stalled; the new government is not expected to act on the reform agenda rapidly. The Republic currently has neither a president nor parliament. Parliamentary elections, held on December 28, 2003, resulted in another coalition government which likely will move slowly on the reform agenda.

The March 2003 assassination of Serbian Prime Minister Zoran Djindjic accelerated the political disintegration of the democratic governing coalition, dramatically endangering reform efforts and changing the political landscape in Serbia. March and April 2003 saw passage of public information and broadcast laws that set back considerably the goal of laying the groundwork for an open, competitive media market. In November 2003, a third presidential election since October 2002 failed due to lower-than-required 50% turnout, and official results show that the anti-reform Serbian Radical Party candidate took first place, a disturbing indicator of the level of dismay over the Serbian leadership's infighting, corruption and perceived preference for bowing to international pressures. The Djindjic assassination conspiracy trial is scheduled to get underway in early 2004 in Serbia's Special Court for Organized Crime and War Crimes, established with U.S. Government support.

The Serbian macro-economy remained relatively stable. The budget deficit was held in check at approximately 4% of GDP, inflation fell into single digits (8% - 9%) and GDP grew modestly between 2% - 3%. The International Monetary Fund (IMF) projects that the State Union of Serbia and Montenegro will register about 3% of GDP growth for 2003. Serbia represents 94% of the Union economy; thus its growth is similar. Growth slowed in 2003 from 4% in 2002 and remains slower than expected given the low starting base in 2000. Job creation, along with the growth of small and medium enterprises, has been slow, which is expected for a nation emerging from over 40 years of a centrally controlled economy and 10 years of international sanctions. Economic and democratic development has been stalled for much of the year due to political infighting and government paralysis. The assassination of the Prime Minister was a catalyst for the demise of the reform movement in Serbia, as civil rights were rescinded, media legislation was restricted, and economic reforms were set aside.

The USAID managed program in Serbia and Montenegro is aligned to achieve the four strategic objectives enumerated in the joint State-USAID Strategic Plan. The intent of these objectives is to synchronize diplomacy and development assistance through 1) achieving peace and security; 2) advancing sustainable development and global interests; 3) promoting international understanding; and 4) strengthening diplomatic and program capabilities.

The USAID Program: USAID's support for the accelerated development and growth of private enterprises concentrates on economic growth and job creation; competitiveness building activities to attract investment and drive exports; privatization of State-owned enterprises; increased access to credit and financial services; preparation of Serbia for membership in the World Trade Organization; restructuring 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 commercial laws and related institutions.

USAID's efforts to create more effective, responsive, and accountable democratic institutions focuses on training for democratically-oriented parties; technical assistance for key government institutions; support for non-partisan efforts aimed at ensuring more participatory and fair election process; building capacity of civil society sector, independent media and trade unions; and anti-trafficking efforts. USAID will expand significantly efforts in judicial reform in FY 2004 and concentrate on promotion of a better-trained, more efficient, and democratically-oriented judiciary, legal profession, and court system, support for legal aid and human rights programs, and a special program aimed at strengthening the capacity of Serbia's newly-established Special Court for Organized Crime and War Crimes.

USAID's efforts to increase an informed citizens' participation in political and economic decision-making will concentrate on building trust between different ethnic groups and highlight the value of citizen participation; provide technical assistance; training and information technology grants to improve local government customer focus and responsiveness; increase citizen and civil society organization involvement and access to local government; improve legal and financial sustainability; and increase local government influence at the national level.

Other Program Elements: U.S. Department of Treasury advisors will complement USAID's program and focus on financial crime investigation; tax implementation; budget and banking reforms; and continue to advance the policy and economic framework for sustainable economic growth and the emergence of a viable private sector. The Department of Commerce will focus on small- and medium-sized companies to improve the country's economic situation and assist it in attracting additional foreign direct investment. The Trade and Development Agency will focus on increasing U.S. exports and fostering economic development in Serbia. Department of State will support Public Diplomacy and similar high priority programs, such as policy reform and training.

Other Donors: USAID is the largest bilateral donor active in Serbia and cooperates actively with multi-lateral and bilateral donors. Among the most significant multilateral donors with whom USAID works are the International Bank for Reconstruction and Development (IBRD), the IMF, European Union (EU), the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB). USAID also collaborates with a large number of bilateral donors, notably the United Kingdom, Germany and Switzerland. USAID's joint efforts center on macro-economic stabilization and restructuring, which includes building an economic policy and legal environment that is conducive to business development and job creation, and which is oriented towards reintegration with regional and world institutions, such as the World Trade Organization and the EU. USAID actively worked with World Bank teams under the €78 million Private and Financial Sector Structural Adjustment Credit on numerous laws, including the Bankruptcy Law and the Company Law. In 2002, Serbia and Montenegro successfully completed a one-year IMF Stand-by arrangement and secured the approval of the IMF Board for a three-year \$829 million Extended Fund Facility which sets important budget and monetary targets. USAID advisors to the National Bank of Serbia and to the Ministry of Finance and Economy coordinate, to the greatest extent possible, with the IMF's Resident Representative and missions to Belgrade. The EU committed €223 million in the past year with major investments focused on energy, agriculture, border crossings and public administration. Lesser sums support commercial law reform and private sector development, and USAID works closely with EU implementers in each of these areas. The EBRD and the EIB pledged approximately €143 million and €124 million respectively in 2003. These sums are part of the total €586 and €528 million, respectively, pledged between 2001 and 2003. The bulk of both the EBRD and EIB programs target municipal infrastructure development and energy sector rehabilitation. All USAID programs are carefully coordinated with other donor efforts, and orient Serbia for ultimate accession into the EU.

Turkey PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance	500	0	0	0
Economic Support Fund	0	0	99,410	50,000
ESF - FY 02 Supplemental	200,000	0	0	0
ESF - Wartime Supplemental	0	1,000,000	0	0
Total Program Funds	200,500	1,000,000	99,410	50,000

STRATEGIC OBJECTIVE SUMMARY				
277-0410 Cash Transfer Program				
DA	500	0	0	0
ESF	0	0	99,410	50,000
ESF - FY 02 Supplemental	200,000	0	0	0
ESF - Wartime Supplemental	0	1,000,000	0	0

The FY 2003 \$1 billion ESF-Wartime Supplemental was apportioned to the Department of Treasury.

Deputy Assistant Administrator,
Thomas Mefford

Turkey

The Development Challenge: Since the 1980s, Turkey has encountered repeated challenges to its legislative and economic reform efforts toward democracy and a more private-sector market based economy. By early 2002, its economic reforms efforts began to show results, thanks in part to International Monetary Fund (IMF) assistance. On March 11, 2003, Recep Tayyip Erdogan, the leader of the Justice and Development Party, was elected to replace Abdullah Gul as Prime Minister. Erdogan pledged that the government must maintain sound economic policies and institute further reform in order to win market confidence and create an internationally competitive economy. This includes progress with tax reforms, privatization, and administrative streamlining. Turkey won praise for progress from the IMF leadership in Fall 2003. However, Turkey's present economy remains weak, especially due to public sector indebtedness and inflation.

The United States recognized Turkey as an important ally in the global war on terrorism after September 11, 2001. Turkey has provided valuable assistance in the stabilization and rebuilding of Iraq, including the resupply of U.S. forces and use of bases and ports for operations consistent with United Nations Security Council Resolution 1483, which lifted economic sanctions on Iraq and encouraged the international community to contribute to Iraq's recovery. The Turkish Government has facilitated delivery of humanitarian assistance from or through Turkey, and helped to meet the energy needs of the Iraqi people and rehabilitate the medical sector. Turkey's role as a front-line ally is expected to assume even greater prominence as the stabilization and rebuilding of Iraq and the global war on terrorism continue.

The U.S. also considers Turkey's stance on the Cyprus issue to be of strategic importance in the region. While the desire of both Turkey and Cyprus to join the European Union (EU) has increased efforts to resolve the longstanding problem of a divided island, only the Greek Cypriot portion is set to join the EU by invitation on May 1, 2004. A resolution of the Cyprus problem would help Turkey to reach agreement on a date to begin EU accession negotiations. The EU is anxious to avoid the problem of having a divided country within the community, while the U.S. does not want to see relations worsen between two neighboring NATO countries, Greece and Turkey.

The USAID Program: The United States seeks the Government of Turkey's (GOT) continued support in the ongoing global war on terrorism. In order to protect U.S. interests in the region, it is important that the USG mitigate Turkey's potential economic loss from its continued assistance, as well as a possible domestic economic crisis. In FY 2004, \$99,410,000 will be applied to continue Turkey's debt servicing to the United States and international financial institutions (IFI) through a cash transfer program to the Government of Turkey. This will tangibly demonstrate U.S. support for the GOT's continued assistance in the war on terrorism, besides offsetting added economic stress; it will relieve potential balance-of-payments shortfalls, help maintain market confidence in Turkey, and enable the GOT to continue carrying out its necessary economic and fiscal reforms. U.S. assistance is conditioned on Turkey's continued adherence to its IMF-backed economic reform program. The FY 2005 request for \$50 million Economic Support Funds (ESF) will be applied to a cash transfer program to the GOT for the same purpose.

Though USAID closed its Mission in Turkey in 1976, USAID continues to provide assistance to Turkey for discrete issues, including immediate humanitarian and disaster mitigation needs after serious earthquakes there in 1999, and support to Turkey's family planning and reproductive health program until spring 2002.

In 2002, the United States gave \$200,000,000 in ESF provided by the 2002 Supplemental Appropriations Act for Further Recovery and Response to Terrorist Acts on the United States (P.L. 107-206), to offset the economic stress on Turkey that resulted from the GOT's support for combating international terrorism. U.S. grant funds were used to service Turkey's debts to the U.S. and IFIs, and to thereby aid its economic recovery.

Other Program Elements: USAID's Economic Growth Bureau oversees a water resource management plan for the city of Istanbul, implemented by Mississippi State University. It is expected to be completed in FY 2004.

Other Donors: The United States is the principal donor of support funds to Turkey, with assistance meant to compensate this important ally for the economic costs of its participation in the global war on terrorism at a time of general economic hardship in Turkey. 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 PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Asst. for E. Europe and the Baltic States	73,877	69,438	37,775	59,000
Child Survival and Health Programs Fund	0	250	250	250
Total Program Funds	73,877	69,688	38,025	59,250

STRATEGIC OBJECTIVE SUMMARY				
180-0120 Fiscal Reform				
AEEB	733	248	239	532
180-0130 Private Enterprise Development				
AEEB	1,152	1,358	221	791
180-0140 Strengthening the Financial Sector				
AEEB	1,411	1,004	1,389	1,068
180-0150 Sustainable Energy Systems				
AEEB	6,044	4,363	1,645	1,349
180-0160 Better Environmental Management				
AEEB	5,244	3,461	1,409	856
180-0210 Civil Society				
AEEB	3,875	3,374	1,227	1,593
180-0220 Rule of Law				
AEEB	1,106	1,462	0	178
180-0230 Local Government and Urban Development				
AEEB	738	1,271	133	145
180-0310 Strengthened Humanitarian Responses to Crises				
AEEB	110	0	0	0
180-0320 Health Promotion and Care				
AEEB	2,967	2,956	2,019	1,522
CSH	0	250	250	250
180-0340 Social Sector Reform				
AEEB	820	366	223	1,080
180-0410 Special Initiatives				
AEEB	3,445	2,495	0	0
180-0420 Cross-Cutting Programs				
AEEB	3,755	3,728	6,170	5,886
TRANSFER				
AEEB	42,477	43,352	23,100	44,000

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 Eurasia 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 Former Yugoslav 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 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 as women's reproductive health and HIV/AIDS prevention; and 4) social capital and public/private alliance initiatives that foster irreversible reform.

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, 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 will establish three legacy institutions: the Balkans Infrastructure Development Facility (a revolving fund to develop public infrastructure in water, transportation and energy); the Balkans Infrastructure Investment Guarantee Fund (applying Development Credit Authority support to private investment in public infrastructure); and the Sava River Basin Commission for managing navigation and flood control. Other regional initiatives will seek to accelerate financial market integration, and promote the development and use of debt and mortgage instruments. In the energy arena, USAID assistance will 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 continue to engage civil society in pressing for legal reform, will promote regional networking among local NGOs, and will promote cooperation among Balkan labor union leaders.

3) USAID will continue to carry out a number of activities under the social transition rubric in response to Congressional directives. 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.

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 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 PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
FREEDOM Support Act	90,605	89,415	74,558	62,000
PL 480 Title II	911	3,997	380	0
Total Program Funds	91,516	93,408	74,938	62,000

STRATEGIC OBJECTIVE SUMMARY

111-0130 Economic Restructuring				
FSA	15,800	16,785	15,000	14,000
111-0150 Energy Sector Reform				
FSA	3,200	7,700	9,900	8,900
111-0160 Water Management				
FSA	2,400	2,595	0	0
111-0210 Democracy and Governance				
FSA	9,450	7,328	7,425	6,900
111-0320 Primary Health Care				
FSA	0	0	5,765	5,169
111-0340 Social and Health Sectors				
FSA	15,665	11,365	7,270	6,900
111-0411 Earthquake Zone Recovery Program				
FSA	5,113	4,875	0	0
111-0420 Cross-Cutting Programs				
FSA	5,320	5,040	6,300	5,000
TRANSFER				
FSA	33,657	33,727	22,898	15,131

Mission Director,
Keith Simmons

Armenia

The Development Challenge: Armenia is politically and economically isolated, with Azerbaijan and Turkey maintaining an economic blockade against it as a result of the Nagorno-Karabakh (NK) conflict. The blockade has a large negative impact on Armenia's economy and its prospects for growth, though some highway and rail traffic continues across the borders with Iran to the south and Georgia to the north and a small amount continues with Turkey through Georgia. 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. Corruption is undermining Armenia's economic, political and social reform process. Despite high rates of economic growth, poverty in Armenia remains persistent. Basic poverty indicators demonstrate little progress during the last few years.

U.S. Interests and Goals. Since its independence, Armenia has emerged as a strategically important country in the Caucasus. U.S. ties to Armenia are many and varied, from the cultural bond of the large Armenian-American diaspora to diverse personal connections, commercial interests, and broader political relationships. U.S. national interests in Armenia, and in the larger Caucasus region, revolve around security, conflict resolution, internal reform and energy security. Armenia's progress towards becoming a stable, Western-oriented and democratic country with a transparent, market-based economy is important to U.S. security and economic interests in the region. USAID contributes to USG policy priorities in Armenia through its support for reforms advancing democratic governance and a market economy, integrated into the community of nations.

The USAID Program: The USAID/Armenia Program covers seven strategic objectives for which USAID is requesting FY 2004 and FY 2005 funds. These seven programs concentrate on technical assistance and training to support institutional changes that support growth in small and medium enterprises (SMEs), the economic segment most likely in the near term to create jobs; companion public investment in a healthy and appropriately-trained society; a climate of governance conducive to those public and private investments; and, the presence of transparent, accountable institutions that respond to the needs and demands of the Armenian society. FY 2004 funds will be used to implement ongoing programs in economic restructuring, energy sector reform, democracy and governance, primary health care, and social assistance, including earthquake zone recovery. The specific activities to be funded by FY 2004 and FY 2005 appropriations are described in more detail in the following Program Data Sheets.

Other Program Elements: The USAID Farmer-to-Farmer Program strengthens the capacity of host organizations at three levels: the firm level, agricultural support organizations, and financial institutions.

Other Donors: The United States is the largest bilateral donor in Armenia. The second largest bilateral donor is Germany (private sector, small and medium enterprise development, export promotion, infrastructure development, public administration, and education). Other bilateral donors include France (education, health sector, and culture), United Kingdom (public sector reform, civil society, and support for the national census), the Netherlands (agribusiness), Japan (private sector development and technical assistance), Sweden (social and health sectors, poverty reduction, environment, governance and civil society, and education), Switzerland (housing, social sector, health, and elections), Belgium (health) and Italy (health and culture).

The largest multilateral donor in Armenia is the World Bank (WB) (natural resource management and poverty reduction, foreign investment and export promotion, information technologies, infrastructure, education, health, social sector, agricultural reform, municipal development, transport, and judicial reform). Armenia joined the WB in 1992 and the International Development Association (IDA) in 1993. IDA lending has helped finance infrastructure rehabilitation, including support for earthquake reconstruction, irrigation, power, road maintenance, and municipal water. IDA credits supporting the social safety net and improving access to services have included operations in health, education, and a social investment fund aimed at improving basic social and economic infrastructure. WB and USAID activities complement each other's efforts in most sectors, particularly social, health, and information technology development.

Donors to Armenia have established formal mechanisms to coordinate their assistance, supplementing frequent informal consultations. Most donors participate in formal monthly donor meetings, co-chaired by the World Bank (WB), United Nations Development Programme (UNDP) and USAID. Theme groups meet periodically as well, reporting critical technical and policy information to the donor coordination group.

Other multilateral donors include the European Union (energy, legal reform, environment, macroeconomic policy, governance, education, transport, SME development, and information technology), the International Monetary Fund (macroeconomic policy), the United Nations network of agencies, e.g. United Nations Development Program (poverty reduction, democracy and governance, post-crisis management, infrastructure, and information technology), United Nations High Commission for Refugees (refugee support), United Nations Children's Fund (health, education, and social sector), World Food Program, World Health Organization, and the OSCE (anticorruption and elections).

Several Armenian diaspora donors are active as well, the largest of which is the Lincy Foundation (road network, Yerevan public works restoration and improvements, SME development, tourism and earthquake recovery). In addition to Armenian diaspora, private foundations such as the Open Society Institute, are also active in Armenia (civil society, education, public health, culture, media, and judicial reform).

Azerbaijan PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
FREEDOM Support Act	44,299	45,938	38,782	38,000
PL 480 Title II	2,239	2,974	2,151	0
Total Program Funds	46,538	48,912	40,933	38,000

STRATEGIC OBJECTIVE SUMMARY				
112-0130 Development of Small and Medium Enterprises				
FSA	10,300	13,750	11,082	13,350
112-0210 Civil Society				
FSA	5,678	6,097	5,900	6,000
112-0310 Humanitarian Assistance				
FSA	8,900	5,200	8,790	7,200
112-0420 Cross-Cutting Programs				
FSA	3,444	4,479	5,350	5,031
TRANSFER				
FSA	15,977	16,412	7,660	6,419

Mission Director,
Denny Robertson

Azerbaijan

The Development Challenge: Since 1994, Azerbaijan has been working to develop its oil and gas resources successfully and to achieve macroeconomic stability. However, it is still far from achieving broad-based prosperity for its eight million citizens. One of the greatest challenges facing the country is to ensure all sectors of society derive a modicum of benefits from the increasing oil revenues. Also important is diversifying the economy by reducing its reliance on oil and gas and improving the productivity of the non-energy sectors, especially in the agricultural sector, on which 45% of the population is dependent. Corruption is pervasive at all levels of government, including judicial bodies, ministries, and local government administrations. Azerbaijan ranks 124th out of 133 countries in Transparency International's 2003 Corruption Perception Index. Corruption is a significant deterrent to investment. Settling the conflict with Armenia over Nagorno-Karabakh (NK), which generated nearly 800,000 refugees and internally displaced persons (IDPs) is key to the region's stability. Refugees comprise close to 10% of the country's population. In terms of income, IDPs typically are on a par with other vulnerable groups.

According to the World Bank poverty assessment in 2002, four million people, nearly half the population, live below the poverty line, earning less than \$24.50 per capita per month. The most vulnerable groups are children under five years of age, women especially in their childbearing years (UNICEF estimated the maternal mortality rate for 2000 was 79 per 100,000 live births), the IDPs, and the poor who do not have access to basic health care. The primary risk for conflict is over NK. Since 9/11, U.S. relationships with the Government of Azerbaijan have been productive and are broadening.

Azerbaijan's macroeconomic situation continues to improve. Increased oil prices and production have been the major factors that led to a 10.6% growth in GDP in 2002 and a projected growth of 9.2% in 2003. The currency is stable, and oil has given Azerbaijan a healthy trade surplus throughout 2002 and 2003. Sound fiscal and monetary policies have kept the budget deficit and inflation low. Per capita GDP, however, is low at about \$750. The consolidated government budget deficit was only 0.5% of GDP in 2002, and external debt was \$1.4 billion or 23% of GDP.

U.S. foreign policy goals seek an independent, secure, and prosperous Azerbaijan as a vital corridor of commerce between East and West. Stability in Azerbaijan is essential for stability in the Caucasus and the Central Asia regions. USG assistance priorities are to: (1) strengthen counterterrorism and related security capabilities; (2) support economic growth and reform, including guiding energy wealth toward developing infrastructure and sustainable social systems; and (3) strengthen and expand democratic institutions and rule of law. Azerbaijan is an ally of the United States in the war on terrorism and has deployed peacekeeping troops to Afghanistan and Iraq (following an earlier deployment to Kosovo).

The USAID Program: The Program Data Sheets cover the four objectives for which USAID is requesting FY 2004 and FY 2005 funds. These four objectives concentrate on increasing citizen representation in democratic processes and promoting broad-based economic growth. Since the waiver of FSA Section 907 in 2002, USAID has been working with the GOAJ toward achieving these Strategic Objectives through policy changes and provision of technical assistance. As described in the FY 2004 Congressional Budget Justification, FY 2004 funds will be used to continue fostering democratic progress, developing a market economy with a well functioning private sector to include job creation, and promoting social transition activities for vulnerable communities. USAID will work more closely with the GOAJ to implement these activities.

Other Program Elements: In addition to the resources requested in the Program Data Sheets, the USAID Global Health Bureau manages the Child Survival Program. The USAID Economic Growth Agriculture and Trade (EGAT) Bureau manages the Cluster Access to Business Services Program. Both are implemented by Mercy Corps in southeast Azerbaijan.

Other Donors: Donor coordination has been good. Major international donors in Azerbaijan implement programs aimed at the development of a democratic society and an open market economy in the country. Among the donor agencies, USAID has assumed a strong role of donor coordination. USAID has

coordinated with the European Union (EU) on rule of law; with the United Kingdom (UK), Dutch and German governments and the Organization for Security and Cooperation in Europe (OSCE) on elections; with the Council of Europe on municipalities; with the United Nations Population Fund on reproductive health; with the United States Department of Agriculture on agricultural technical assistance; and with the World Bank and International Monetary Fund (IMF) on financial sector reforms. Bilateral donors include Germany (privatization; rule of law, judicial reform projects and media); Japan (power-electricity sector, food production, economic infrastructure, improved social integration, and human resource development); UK (democracy and governance, conflict prevention, poverty reduction, drugs/trafficking/organized crime, private sector development, macroeconomic reform, and environmental protection).

Multilateral assistance is provided by: the EU (market economics, private sector development, pluralist democracy, human rights, refugee housing); the United Nations Development Programme (governance, poverty reduction, environment and engineering, HIV/AIDS); and the United Nations High Commissioner for Refugees (refugees and internally displaced persons).

International Financial Institutions assistance includes: the World Bank (agricultural development, infrastructure, health/financial reform policy, and education); the IMF (macroeconomic stability, governance, and the non-oil sector development); the Islamic Development Bank (infrastructure: power, roads, agriculture, irrigation, and refugees); and the Black Sea Trade and Development Bank (trade finance, equity investment, develop non-oil sectors, and inter-regional projects).

**Belarus
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
FREEDOM Support Act	10,910	9,045	6,850	6,500
Total Program Funds	10,910	9,045	6,850	6,500

STRATEGIC OBJECTIVE SUMMARY

113-0210 Citizen Participation in Democratic Practices				
FSA	4,998	4,171	4,250	4,000
TRANSFER				
FSA	5,912	4,874	2,600	2,500

Mission Director,
Chris Crowley

Belarus

The Development Challenge: Belarus gained independence in early 1990 and had a hopeful start in developing a market-based economy and democratic processes. However, for the past nine years of President Lukashenko's rule, the country has moved away from democratization, and the economy remains mired in state-controlled economic structures. Over the course of 2003, there were unprecedented attacks on political parties, independent media, and civil society writ large. The impetus for this harassment appears to be the President's desire to push for a third presidential term. Political freedom continues to be constrained, as numerous administrative and criminal measures are employed against political leaders attempting to exercise their rights. While Belarus' neighbors head towards the European Union, the country's policies are becoming more isolationist.

In 2002, the Committee to Protect Journalists (CPJ) declared Belarus one of the 10 worst countries in the world in which to be a journalist.

In its 2003 Index of Economic Freedom, the U.S.-based Heritage Foundation characterized the economy of Belarus as "repressed." It ranked Belarus 151 out of 161 countries. The country still bears the hallmarks of a communist system: state-owned industries, collective and state farms, investment spending influenced by central fiat rather than by markets. The industrial base is deteriorating, and many state firms have negative net worth, kept afloat by government subsidies and orchestrated Russian import demand. Firms have little scope to rationalize production because of mandated wage increases and restrictions on employment reduction. Existing legislation hinders private business. The hostile climate for private investment inhibits foreign investment.

From a social perspective, the government is increasingly failing to deliver benefits and employment opportunities. While real wage growth is slow, the country budget for 2004 forecasts significant cuts in benefits and privileges for low-income citizens.

U.S. national interests: An authoritarian Belarus not only adds to regional stability, but credible allegations of the transfer of arms and dual-use equipment to states of concern underscore the importance of achieving a more open, transparent form of governance in Belarus. Although Belarus is currently led by an authoritarian regime and has a stagnant economy, it continues to have the potential, through pockets of its civil society, to develop both democratic institutions and a market-driven economic system.

The USAID Program: The USAID Strategic Plan for FY 2003 - FY 2005 for Belarus aims to engage diverse and, as yet, disempowered elements of Belarusian society, including independent media, non-governmental organizations (NGOs) and pro-democracy groups, under the single Strategic Objective: "Increased citizen participation in democratic practices." This strategic objective is in harmony with the joint State Department/USAID Strategic Goal - "to advance the growth of democracy and good governance, including civil society, the rule of law, and respect for human rights and religious freedom."

Other Program Elements: There are two additional activities not funded under the country budget. First, the Citizens Network for Foreign affairs currently implements the West NIS (New Independent States) Agribusiness Volunteer Program in Belarus. This initiative will receive regional funding until 2007. The program objectives are to strengthen private farmer associations, to develop private agribusinesses and to stimulate the development of farmers' entrepreneurial initiatives. This program is in harmony with the Presidential "Volunteers for Prosperity" Initiative. Second, a \$100,000 seven-month anti-trafficking activity is being implemented regionally by Winrock International to reduce trafficking of Belarusian women by developing their job-market skills and by providing vulnerable women with economic opportunities in selected regions. These programs currently operate unfettered by governmental interference.

Other Donors: Multilateral: The U.N. 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 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 World Bank's 2002-2004 Country Assistance Strategy for Belarus envisioned up to \$140 million in loans to the government for targeted social issues. However, as of November 2003, the strategy has not been approved. A \$1 million energy-saving project will be implemented in 2004. A World Bank \$260,000 program supports Belarusian NGO partnerships with Ukraine and Moldova. The United Nations Development program and Economic Commission's TACIS program jointly launched a \$1.5 million two-year program to combat trafficking in women. The European Bank for Reconstruction and Development has a limited portfolio of private sector development.

Georgia PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
FREEDOM Support Act	91,310	84,056	71,376	90,000
PL 480 Title II	0	3,006	2,281	0
Total Program Funds	91,310	87,062	73,657	90,000

STRATEGIC OBJECTIVE SUMMARY				
114-0130 Increased Economic Growth				
FSA	14,700	13,200	0	0
114-0131 Increased Economic Growth				
FSA	0	0	9,233	14,000
114-0150 Energy and Environment				
FSA	13,496	8,750	0	0
114-0151 Energy and Environment				
FSA	0	0	8,000	8,000
114-0220 Rule of Law				
FSA	3,206	4,025	0	0
114-0230 Good Local Governance				
FSA	8,480	5,825	0	0
114-0231 Good Local Governance				
FSA	0	0	7,510	10,000
114-0310 Reduced Human Suffering				
FSA	11,908	9,950	0	0
114-0340 Reduced Human Suffering				
FSA	0	0	10,507	16,500
114-0410 Special Initiatives and Cross-Cutting Issues				
FSA	0	0	6,000	5,100
114-0420 Cross-Cutting Programs				
FSA	3,743	7,858	3,680	7,100
TRANSFER				
FSA	35,777	34,448	26,446	29,300

Mission Director,
Denny Robertson

Georgia

The Development Challenge: A flawed parliamentary election resulted in mass demonstrations and the resignation of President Shevardnadze in November 2003 - without bloodshed, and installation of an interim government. A new presidential election was held on January 4, 2004. Parliamentary elections will be held on March 28, 2004. USAID's strategy (FY 2004-2008) has focused on working more at local government and community levels, but USAID hopes to engage increasingly with the new Government of Georgia (GOG). The new leadership may create a favorable environment to resurrect reform proposals and USAID programs will support reform efforts of the new government. A major challenge will be ensuring political stability, economic growth and security. There will likely be a thorough reassessment of U.S. bilateral assistance. The government has formulated its immediate priorities and goals and is seeking donor support. As these goals are consistent with U.S. foreign policy interests, USAID will respond positively in areas where assistance will generate maximum impact. This approach will support Georgia's development as a stable, democratic country, increasingly integrated into the global economy, and a key U.S. national interest at this crossroads linking Russia, Iran, and Turkey.

The peaceful transition of power was a very positive development. However, much work lies ahead. Georgia's business and political environment continues to be challenging. Corruption is rife, legislation is poorly enforced, and the industrial sector is beset by frequent power outages. In addition, special interests exert a marked influence over the government, and powerful vested interests continue to block reform efforts. Furthermore, Georgia's territorial fragmentation deters foreign investment. Political stability has been negatively affected by the unresolved territorial conflicts with Abkhazia and South Ossetia that displaced 250,000 persons. Relations with Russia have been strained. These factors have adversely affected the living conditions of the population. Today, 61% of Georgians live below the poverty line. The quality of basic social services such as health and education continues to decline. The energy sector is paralyzed by embezzlement, technical inefficiency, a low rate of collection, payment arrears, and heavy dependence on external sources of energy.

Strong economic growth of 8.6% in the first half of 2003 reflects construction work being carried out on the Baku-Tbilisi-Ceyhan oil pipeline. Growth is expected to remain at 8% in 2003, and rise to 10% in 2004. Despite the temporary boost to the economy from pipeline construction activity, the prospects for sustained, broad-based growth remain poor as investment is deterred by predatory tax enforcement, lack of adequate legal protection, pervasive corruption, arbitrary application of regulations, and unreliable energy management. The country's foreign debt has stayed roughly constant, at just under 55% of GDP, owing to the weakness of fiscal performance and to high trade and current account deficits. Fiscal performance still remains one of Georgia's most intractable problems, with tax revenues remaining among the lowest in the region.

The USAID Program: The Program covers six strategic objectives for which USAID is requesting FY 2004 and FY 2005 funds. These six objectives concentrate on: economic growth (agriculture, banking and financial sector reforms, and private sector development); energy sector reform; democracy and governance (promoting electoral reform, efficient and responsive local governance, civil society, and independent media); social development and health; human resources development; and special initiatives; e.g., anti-corruption and anti-trafficking. FY 2004 funds will be used to implement the current programs in agriculture, micro-finance, banking sector reforms, energy sector reforms, strengthening electoral processes, improving local government management, rule of law, community development, health and human resources development. Most of these programs have cross-sectoral implications. USAID also will use FY 2004 funds to start new activities in energy security, local government management, agricultural business development, and micro-finance. Increased programmatic emphasis will be put on anti-corruption activities, support for the 2004 parliamentary and presidential elections, anti-trafficking, and community development in potential conflict areas. Specific activities to be funded by FY 2004 and FY 2005 appropriations are described in more detail in the following Program Data Sheets.

Other Program Elements: Other programs funded by the Department of State and via FSA transfers to other USG agencies complement USAID's Georgia strategy. These programs include activities in public diplomacy, border security, rule of law, banking sector reforms, as well as tax and fiscal reforms.

Other Donors: Other donors in Georgia are the World Bank, the International Monetary Fund, the Government of Germany, the United Nations Development Programme, the European Bank for Reconstruction and Development (EBRD), and the European Union (EU). While donor coordination remains uneven, it has been satisfactory in the following general areas: poverty reduction/economic growth initiative, free and fair elections, banking sector reform, energy security, and health care reform. The World Bank supports projects in energy (including electricity and oil transportation), municipal infrastructure, and institution building. These programs complement several elements of USAID's programs. Similarly, EBRD programs in banking, small- and medium-sized enterprises, micro-finance, and the energy sector complement USAID activities in these areas. EU activities support institutional, legal, and administrative reform, food security, health care, border guards, and transport infrastructure. UNDP programs complement USAID activities supporting poverty reduction, democracy, and capacity-building of government institutions.

Kazakhstan PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
FREEDOM Support Act	48,220	43,416	33,342	28,000
FSA - FY 02 Supplemental	1,500	0	0	0
Total Program Funds	49,720	43,416	33,342	28,000

STRATEGIC OBJECTIVE SUMMARY				
115-0120 Tax and Budget Policy				
FSA	1,455	0	0	0
115-0131 Small and Medium Sized Enterprise Program				
FSA	13,395	13,680	12,266	9,600
115-0161 Energy and Water				
FSA	2,700	2,410	1,973	1,150
115-0211 Strengthened Democratic Culture				
FSA	6,300	5,750	5,283	5,450
FSA - FY 02 Supplemental	1,000	0	0	0
115-0240 Conflict Prevention				
FSA	0	0	423	0
115-0320 Health and Population				
FSA	6,000	6,470	4,880	3,800
115-0420 Cross-Cutting Programs				
FSA	4,086	3,277	3,157	1,619
TRANSFER				
FSA	14,284	11,829	5,360	6,381
FSA - FY 02 Supplemental	500	0	0	0

Mission Director,
George Deikun

Kazakhstan

The Development Challenge: Kazakhstan has achieved rapid economic growth in recent years and substantial progress in economic reform, yet continues to face major challenges of diversification, competitiveness, and corruption that hamper growth of a sizeable middle class and reduction of the widening gap between rich and poor. While Kazakhstan's GDP growth rate was 9.5% in 2002, mostly due to the rise of the energy sector, approximately 26% of the population continued to live below the poverty line, and per capita income remained at only \$1,600. Huge disparities exist between urban and rural areas, and among regions. For example, as stated in The Economist July 26, 2003 article, "A Survey of Central Asia," over 95% of the rural population in the Caspian Sea border region lives in poverty. This underscores a need to further develop small and medium enterprises, eliminate trade barriers, and expand domestic and foreign investment outside of extractive industries. Despite these economic challenges, Kazakhstan has made major achievements in USAID-supported banking reform and supervision, fiscal reform, small-scale privatization, and pension reform.

Kazakhstan's performance in the transition to democracy has been mixed. Journalists, opposition leaders, and civil society actors have been targeted in the government's attempt to maintain control over society. Institutions, including the media, political parties, civil society, and the judiciary, are at nascent stages, and accountable and transparent government processes are not yet well established. An illustration of this is Freedom House's indices for democratization and rule of law in Kazakhstan, which are 5.88 and 6.13, respectively, with 7.0 indicating the worst possible score. Without a more pluralistic political power structure, achieved through the inculcation of democratic values, this fledgling democracy will continue to struggle. Corruption also continues to be a significant issue in Kazakhstan. According to Transparency International, Kazakhstan ranks 101 out of 133 countries in terms of perceptions of the extent of corruption. One critical human rights issue where some progress has been made is trafficking in persons as indicated by the re-classification of Kazakhstan from Tier III to Tier II in the U.S. Department of State's 2003 Trafficking in Persons report.

With respect to social development, Kazakhstan has experienced unprecedented declines in life expectancy and health status. This is due to a low level (only 2%) of GDP investment in the health sector, compared with international standards of 5% or more, as well as an ineffective health delivery system. A tremendous resurgence of infectious diseases is taking place in Kazakhstan, which poses an immediate threat to the sustainability of the country's transition. Tuberculosis (TB) case notification rates in Kazakhstan are the highest in the world and threaten to grow even higher as multi-drug resistant TB becomes more difficult and costly to cure. Already, current treatment success rates of TB in Kazakhstan are low (approximately 70% compared to an international standard of 85%). While by global standards HIV prevalence in Kazakhstan remains relatively low, there is an escalating trend (from 100 cases in 1996 to 3,730 cases today).

Kazakhstan's tremendous oil and gas resources, and strategic location make it not only a major player in the war on terrorism, but also the key to economic development for Central Asia. A genuine economic and democratic reform agenda would directly advance U.S. national interests. The growing infectious disease rates in Kazakhstan also explain U.S. interest in the country. 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 Kazakhstan faces and which could eventually destabilize the country.

The USAID Program: The Program Data Sheets provided below describe six programs for which USAID is requesting funds in FY 2005. The strategy aims to promote the growth of small and medium enterprises and improve the investment climate; promote democratic culture; improve the primary health care system and prevent infectious diseases; encourage better use of the region's water and energy resources; prevent conflict; and support cross-cutting participant training and small grant programs. In the economic growth sector, small and medium enterprise growth, land reform, and trade are USAID priorities. Small and medium enterprise growth, critical to job creation, requires reform of the investment climate by, for example, simplifying business administrative requirements and the tax code. USAID support for land reform is intended to stimulate greater productivity of the agricultural sector, thereby

accelerating economic growth and broadening the benefits of growth. USAID's strategic approach to supporting democracy in Kazakhstan is two-pronged: 1) laying the foundation for democracy by inculcating democratic values; and 2) strengthening democratic processes and institutions that provide a counterbalance to executive power. In the health sector, TB, HIV/AIDS, and health sector reform are priorities. Programs aim to reduce mortality and morbidity rates due to TB, isolate the incidence of HIV/AIDS to the current high-risk group of IV drug users, and encourage the shift from centralized curative care to preventive, primary care. Additionally, USAID programs incorporate cross-cutting components related to youth, gender, rule of law, and anti-corruption. As part of an assistance review, interagency discussions were held in November 2003 that reviewed indicators showing that economic progress masks serious structural deficiencies, human capital indicators have worsened dramatically, and political space is contracting. A need was identified to investigate options for leveraging GOK resources to promote SME development, and to focus resources on the run up to the October 2004 parliamentary elections.

Other Program Elements: Several centrally-managed USAID programs assist the Mission to achieve its goals. EcoLinks, a regional environmental program, fosters partnerships between local businesses, governments, and associations by linking them to counterparts in the United States. The Monitoring and Evaluation to Assess and Use Results Program allows USAID to tap into coordinated, cost-effective, and efficient approaches of 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/Europe & Eurasia, works with the private, public, and non-profit sectors in Kazakhstan to support small business development, encourage civic advocacy, and increase local government responsiveness to citizens' needs. Lastly, USAID's Office of Foreign Disaster Assistance conducts a regional earthquake preparedness activity that targets Almaty. 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 in Kazakhstan, particularly in the health and democracy sectors. A number of other donors are active in Kazakhstan, all of whose assistance is well-coordinated with that of USAID. There is significant donor support in the financial sector. 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 small and medium enterprises. 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 Kazakhstan's tax, treasury, and banking systems (EU, EBRD, the World Bank, GTZ, and Japan) also attract many donors. Additionally, 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. Open Society Institute, the EU, Germans, 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, and the German Development Bank are engaged in the health sector. Lastly, Mashav, the Israeli foreign assistance agency, through USAID support, provides training and implements demonstration projects in a variety of natural resource-related and business development areas.

Kyrgyzstan PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
FREEDOM Support Act	34,730	37,878	35,938	33,000
FSA - Emergency Response Fund	3,500	0	0	0
FSA - FY 02 Supplemental	33,000	0	0	0
Total Program Funds	71,230	37,878	35,938	33,000

STRATEGIC OBJECTIVE SUMMARY				
116-0120 Tax and Budget Policy				
FSA	850	0	0	0
116-0131 Small and Medium Enterprises				
FSA	10,430	11,885	12,575	9,950
FSA - FY 02 Supplemental	5,500	0	0	0
116-0161 Energy and Water				
FSA	1,500	1,675	1,860	1,350
FSA - FY 02 Supplemental	200	0	0	0
116-0211 Democratic Culture and Institutions				
FSA	4,700	5,600	6,500	5,400
FSA - FY 02 Supplemental	2,325	0	0	0
116-0240 Conflict Prevention				
FSA	0	0	643	600
116-0320 Health and Population				
FSA	3,000	5,458	5,340	3,600
FSA - FY 02 Supplemental	1,500	0	0	0
116-0340 Strengthened Basic Education Sector				
FSA	0	0	155	120
116-0420 Cross-Cutting Programs				
FSA	3,610	3,794	1,585	1,499
FSA - FY 02 Supplemental	8,230	0	0	0
TRANSFER				
FSA	10,640	9,466	7,280	10,481
FSA - Emergency Response Fund	3,500	0	0	0
FSA - FY 02 Supplemental	15,245	0	0	0

Mission Director,
George Deikun

Kyrgyzstan

The Development Challenge: Kyrgyzstan is a small, poor, mountainous country with limited natural resources, high indebtedness, and a predominantly agricultural economy. Despite these constraints, Kyrgyzstan is the most open, progressive, and cooperative country in Central Asia. It leads the region in local government reform, health care reform, and in actively addressing new health issues, such as malaria, TB, and HIV/AIDS, in an open and direct manner. Civil society and media are, at times, able to influence government policy and legislation. Parliament is increasingly active and sometimes provides a check on government control. The budgeting process is one of the most transparent in the region. Despite widespread poverty, pervasive corruption, and deteriorating infrastructure, Kyrgyzstan is at least able to hold its own economically, with GDP growth at 5.9% during the first 10 months of 2003, per capita income growth at 1.5%, and average monthly salaries up by 13.5%. Banking deposits increased by 25% which, together with investments by three Kazak banks, indicates increased confidence in the system.

Kyrgyzstan is the only country in Central Asia in which a majority of local government officials are elected, and almost 42% of incumbents were voted out of office in the last elections. The 2005 Presidential elections will be an important barometer of Kyrgyzstan's commitment to democratic reform. Nevertheless, corruption, stemming in part from very low government salaries and a powerful oligarchy, has become a primary concern. 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. The government's control of the media and its harassment of critics are generating increasing cynicism among the population. Essential social services, critical to maintaining public support for reform, are still inadequate. Poverty-level wages in the education sector are jeopardizing the education of an entire generation. Government estimates place approximately half the population at or below the poverty line. Trade barriers, such as the closed border with Uzbekistan and protectionist measures in Kazakhstan, continue to constrain trade.

Kyrgyzstan is a strong U.S. ally in the war on terrorism. Its support in the form of the vital coalition airbase in Manas and over-flight rights was essential to efforts to combat terrorism. Kyrgyzstan's reform agenda directly advances U.S. national interests by promoting economic and democratic reform. Its location at the headwaters of major river systems in Central Asia also enables it to play a pivotal role in regional resource management, such as irrigated agriculture, power generation, and flooding in the downstream countries. The challenges described above, and protectionist trade measures from neighbors, especially the closed border with Uzbekistan, are potential sources of conflict that could undermine regional stability

The USAID Program: USAID's strategy has been to strengthen democratic culture, foster a favorable business environment, promote health system restructuring, support anti-trafficking measures, improve basic primary education, and encourage "self-help" initiatives to avoid conflicts and improve living conditions within local resource constraints. These efforts contribute to an environment in which democracy and open markets can flourish, thereby promoting internal stability and greater prosperity. The U.S. is providing assistance to help Kyrgyzstan fight trafficking in persons. Partnerships, training, and exchanges remain an important component of U.S. assistance. USAID supports a number of U.S.-Kyrgyzstan institutional partnerships that seek to build lasting relationships. USAID also supports a successful program for independent testing of secondary school graduates, and collaborates where possible to support the American University of Central Asia.

All of USAID's programs work directly through private firms and NGOs. USAID provides technical assistance to government ministries and agencies to implement reform; no funds are given directly to the government. Technical assistance is also given to Parliament to strengthen its role as a counterweight to executive power. To help the government compensate for the steady brain-drain to the private sector since Kyrgyzstan's independence, USAID has provided training as a key component of all programs.

The Program Data Sheets cover seven strategic objectives for which USAID is requesting funds. The strategy aims to promote reforms that foster the growth of small/medium enterprises, promote democracy and civil society, increase utilization of quality primary health care and prevent infectious disease,

encourage better use of the region's water and energy resources, improve basic education, strengthen conflict prevention, and address cross-cutting issues within the program (i.e., training). FY 2005 funds will be used to implement the program as currently planned, including cross-cutting objectives in youth, gender, anti-corruption, and rule of law. USAID will continue to integrate conflict prevention into the overall program through education, agro-enterprise growth, and community development, especially in the more vulnerable southern portion of the country.

Other Program Elements: The Farmer-to-Farmer Program, managed by USAID's Bureau for Economic Growth, Agriculture, and Trade, is active in Kyrgyzstan. The Eurasia Foundation has an active small grants program, which complements the USAID programs in education, small business, local government, and civil society. Centrally-funded activities include some applied research in health. The Departments of Commerce, Defense, and State also manage programs complementary to USAID field activities in various sectors. At the U.S. Embassy's request, USAID coordinates a very large program of donated humanitarian commodities, transported with State Department funding.

Other Donors: Almost all major multinational donors are active in Kyrgyzstan, together with many important bilateral donors such as the European Union, the British, Germans, Swiss, and Japanese. The largest donors are the Asian Development Bank, the International Monetary Fund, and the World Bank. Also important are the Economic Bank for Reconstruction and Development, the International Organization for Migration, the Islamic Development Bank, the Aga Kahn Foundation, and the Open Society Institute. USAID coordinates with all regularly, working in particular with the World Bank and the United Nations. Kyrgyzstan has received a grant from the Global Fund to fight AIDS, Tuberculosis, and Malaria, and USAID will continue cooperation with the government throughout its implementation. The World Bank leads the donor coordination efforts in the country and maintains an active database of projects and programs. USAID collaborates in all areas, but especially significant are joint efforts in health reform with the World Bank.

Moldova PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
FREEDOM Support Act	36,020	30,242	21,898	17,500
Total Program Funds	36,020	30,242	21,898	17,500

STRATEGIC OBJECTIVE SUMMARY				
117-0120 Fiscal and Financial Reforms				
FSA	1,751	0	0	0
117-0130 Private Enterprise Development				
FSA	16,133	0	0	0
117-0131 Private Enterprise Development				
FSA	0	14,029	12,978	6,671
117-0230 Democratic Transition				
FSA	5,866	3,500	1,350	5,485
117-0340 Social Transition				
FSA	1,680	4,233	3,930	3,498
TRANSFER				
FSA	10,590	8,480	3,640	1,846

Mission Director,
Chris Crowley

Moldova

The Development Challenge: The dismal economic condition of Moldova was inherited from the former Soviet Union. It worsened during a painful economic transition during the 1990s and after the loss of traditional markets in the East. Since the 2001 presidential election, conditions have been improving very gradually. At that time, the Communist Party of Moldova (CPM) was elected to office in what most observers consider to be a reasonably free and fair process. The CPM was elected based upon the opinion shared by the majority of the population that the previous "reform" government was corrupt, not accountable, and certainly not proactive in helping to improve economic and social conditions within the country. Unfortunately, in many instances the CPM-dominated Government of Moldova (GOM) has demonstrated the same negative qualities of the previous regime. The GOM's public declaration in 2003 that integration into the European Union is the country's strategic priority may signal a renewed commitment to reform processes in Moldova.

Although the GOM has not denounced pro-democratic, economic and social reform initiatives that were introduced during the 1990's, they have been selective in their support of some reform measures and have worked to reverse or derail others. Good banking regulation has helped the banking sector to develop into one of the strongest among the CIS-7 (Commonwealth of Independent States) countries. However, the GOM has reversed the outcome of several earlier privatizations. As a result, important foreign investors left the country, while others have faced substantial levels of intervention from the authorities. Fortunately, the resolution of the Union Fenosa case, Moldova's largest foreign investment, as well as the amical resolution of a long-running dispute with a French investor, has started the process of restoring Moldova's image. Corruption, however, remains a serious problem.

Other factors that have adversely affected the situation in Moldova include a general decline in the world economy, the reduction in trade with its historically largest trading partner, Russia, and the economic dislocations caused by the breakaway of the Transnistria region, which is home to the majority of Moldova's heavy industry. Drought conditions during 2003 were reported as the worst since 1945, further exacerbating growth in the agri-business sector and serving as a drag on gross domestic product (GDP) growth for the country. Nevertheless, Moldova continues to make progress toward developing a viable free-market economy. Moldova will record its fourth consecutive year of GDP growth in 2003, with year-end real GDP growth predicted at 6%, the same rate of growth as in 2002. This growth rate is impressive considering that, prior to 2000, Moldova had recorded only one year of GDP growth since independence. However, inflation is estimated to be 18% in 2003, up significantly from the 8% rate in 2002.

Moldova has adopted the basic reforms necessary for a market economy: prices have been largely freed, foreign trade has been almost fully liberalized, and the Moldovan leu is fully convertible for current account transactions. Customs revenue increased by approximately 40% in 2003. Export quotas have been eliminated, and import tariffs have been substantially reduced.

According to the European Bank for Reconstruction and Development (EBRD), GDP per capita is \$448. This is equivalent to about \$1,400 if output is corrected according to purchasing power parity. This puts Moldova in the same income bracket as many low-income developing countries. According to a 2002 household survey, just over 40% of Moldovans live in absolute poverty. Over 70% of the poor live in rural areas, and only 8% live in large cities. Between 12% and 30% (approximately 800,000) of the population has emigrated to work abroad.

Current account deficits remain the Achilles' heel of Moldova's macroeconomic performance. Even with substantial inflows of remittances from Moldovans who are working abroad, the current account deficit is 5% - 7% of GDP. The cumulative current account deficits, particularly large during the second half of the 1990s, have resulted in a debt stock that greatly exceeds prudent limits. According to the International Monetary Fund (IMF), external debt to GDP is projected at roughly 90% this year. The GOM realizes that this magnitude of external imbalance is unsustainable and has attempted to act preemptively by working on rescheduling debt service with many, if not all, of its institutional lenders.

Geopolitically, Moldova remains important to U.S. interests. A democratic Moldova with a growing economy and improved social services sector will enhance the trade borders with Romania, which is scheduled to join the European Union in 2007, and it will contribute to the development of a Western-oriented Ukraine. The USAID assistance program in Moldova continues to focus on small and medium enterprises and agri-business development, local government reform, citizen participation and citizen rights protection, fighting infectious diseases, and anti-trafficking. Each of these focus areas contribute directly to the U.S. interests noted above.

The USAID Program: The Program Data Sheets provided below cover the three objectives for which USAID is requesting funds in FY 2004 and FY 2005. These objectives concentrate on supporting private enterprise growth to create jobs and generate income; developing effective, responsive and accountable democratic institutions by strengthening local government autonomy and civil society; and helping create a social safety net to reach vulnerable groups.

In the economic area, resources will be used for continued assistance to the agri-business sector, private farmers, and SMEs. A land privatization project will help develop a land market and increase investment opportunities. Continued funding will be provided for the enhancement of credit and the Western NIS Enterprise Fund programs, which also promote investment and private enterprise development.

USAID assistance for better government will be enhanced this year with new or expanded activities in local government reform, citizen participation, assistance to political parties and promotion of the rule of law.

All USAID activities for Moldova include assistance for the economic and social empowerment of women. This common theme throughout the portfolio aims to provide tangible assistance and hope for girls and women who may be misguided into a trafficking situation. USAID will supplement ongoing activities with a new anti-trafficking activity that will be awarded this year. USAID will also assist with combating tuberculosis and other priority health concerns that are prevalent in Moldova.

Other Program Elements: USAID's Economic Growth, Agriculture and Trade Bureau manages the Farmer-to-Farmer Agribusiness Volunteer Program, a Food Industry Development Program, and a Loan Portfolio Guarantee program. The latter, which assists micro-enterprises and small businesses on the basis of a risk sharing arrangement, has been a particular success in Moldova. During the first three years of this program, nearly 1,000 loans became available in the SME sector, totaling approximately \$8 million. The U.S. Department of Agriculture administers a commodity monetization program that provides agricultural land mortgage loans. Mortgage loans under this program, working through three financial institutions, total about \$1 million.

Other Donors: Donor coordination is maintained through occasional meetings of all bilateral and multilateral donors, at which the United States is represented by the U.S. Ambassador and the USAID Country Program Coordinator. The U.S. is the major bilateral donor. However, Germany, the Netherlands, Denmark, Japan, Great Britain and Sweden all have bilateral programs. In addition, the Soros Foundation and several other private organizations run development programs in Moldova. Besides U.S. bilateral assistance, the other major players include multilateral donors such as the International Monetary Fund (economic policy), the World Bank (economic policy, social investment fund, micro-projects at the village level and energy), the European Union-Technical Assistance to the Commonwealth of Independent States (poverty reduction, legal and economic development, and macro-financial assistance); the European Bank for Reconstruction and Development (private sector development), and the International Fund for Agriculture Development (agricultural sector). The United Nations Development Program provides support for a number of separate activities. By including Moldova in its New Neighbor Process, the EU signaled at the end of 2003 a willingness to increase its assistance levels to Moldova, if it pursues policies bringing it closer to the EU's standard of a democratically-grounded political process and a market-based economy.

Russia PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	0	3,000	3,000	3,000
FREEDOM Support Act	162,449	143,307	93,445	79,500
PL 480 Title II	0	5,536	5,119	0
Total Program Funds	162,449	161,843	101,564	82,500

STRATEGIC OBJECTIVE SUMMARY				
118-0131 Small Business Development				
FSA	11,497	7,615	10,379	8,421
118-0141 Economic Policy Reform				
FSA	6,343	6,800	4,221	3,700
118-0161 Environment				
FSA	6,800	7,850	3,590	0
118-0211 More Open, Participatory Society				
FSA	13,199	12,422	11,590	15,477
118-0221 Legal Systems Strengthened				
FSA	4,854	4,091	3,395	3,093
118-0231 Improved Local Governance and Economic Development				
FSA	3,850	3,692	2,650	910
118-0321 Health and Child Welfare				
CSH	0	3,000	3,000	3,000
FSA	13,615	15,100	17,500	17,113
118-0410 Special Initiatives				
FSA	20,000	19,870	12,000	11,000
118-0420 Cross-Cutting Programs				
FSA	14,991	14,239	11,285	9,586
TRANSFER				
FSA	67,300	51,628	16,835	10,200

Mission Director,
Terry Meyers

Russia

The Development Challenge: While Russia's economic recovery continued to gather momentum this past year, its overall performance in areas like consolidating a democratic, open, and participatory civil society, and fighting global epidemics like AIDS and tuberculosis, was mixed. New restrictions on media coverage of elections, a new law redefining local governance, and pressure on oligarchs, including budding private philanthropists, had a chilling effect on Russia's emerging democratic institutions.

Buoyed by high oil prices, the Russian Federation's economic performance in 2003 exceeded the most optimistic expectations. Since the economic collapse of 1998, output has increased by a cumulative 28% and is expected by many analysts to grow by 6.5% to 7% in 2003, compared to 4.3% in 2002. Performance of the hydrocarbon sector also helped spur government revenues and was a key factor in producing a significant overall government budget surplus for the fourth year in a row. In 2003, the percentage of the population living below the subsistence level was 24.6%, compared to 31.5% in early 2002. Nonetheless, while the benefits of rapid growth are visible, unemployment was a full percentage point higher than a year earlier. Other indicators of economic well-being such as health indicators and life expectancy failed to improve. Progress continued on key economic reforms, but implementation remains a serious problem. Administrative barriers and a weak banking system continue to retard the growth of small and medium-sized firms. The contribution of small and medium enterprises to GDP remains low by international standards.

Progress on democratic reforms is incomplete, and democratic institutions remain fragile. Progress in judicial reform was mixed. Judicial administration continues to improve and the range of issues that is considered by courts is broadening, but charges of corruption and threats to judicial independence persist. Efforts to control the media and concerns about human rights abuses and religious intolerance are evidence of Russia's continued struggle between proponents of broad participation and the GOR's pursuit of "managed democracy." The arrest of an oil magnate sent a chill through the corporate community and dampened hopes that corporate philanthropy might substitute for foreign assistance in support to civil society.

In the health sector, results were also varied. Issues concerning intergovernmental fiscal relations and delivery of communal services remain. Russian government adoption of international protocols for treating tuberculosis, including multi-drug-resistant strains, is a major step forward. But, the HIV/AIDS pandemic in Russia, one of the fastest increases in the rate of infection in the world, poses a serious threat to the country's future, and the need to adopt healthier lifestyles is vital to reversing a decades-long slide in Russia's life expectancy rates.

Critical issues such as anti-terrorism, energy, non-proliferation, trade and investment, trafficking in persons, regional stability and conflict prevention, and trans-boundary health and environmental threats, are key to U.S. national interests, and USAID's program activity supports U.S. objectives in Russia as outlined in the Embassy's Mission Program Plan (MPP).

The USAID Program: USAID's programs in Russia focus on democracy, economic growth, and health. They concentrate on supporting development and implementation of market-oriented reforms, including support to the small and medium-size business sector; strengthening civil society, including those that promote improvements in environmental resource management; improving legal systems; strengthening local governance; and improving health care and child welfare practices. The USAID program addresses Congressional interests in combating infectious diseases, promoting reproductive health/family planning and child survival/maternal health, addressing the needs of vulnerable children and orphans, combating trafficking in persons and domestic violence, and providing financial support for the Russian Far East and the U.S.-Russia Investment Fund.

The budget for FY 2004 reflects a 16% cut in resources to USAID's Russia program from FY 2003. As the first step in phasing out FSA support, there is a significant reduction in funding for economic growth programs, including reductions in the financial sector reform area and as well as in environment activities. Funding in the democracy areas will be generally sustained. USAID will reduce funding for some cross-

cutting programs. Following this transition year, an increase in funding for the democracy area is planned for FY 2005. The budget for the health area is being increased in FY 2004, reflecting increased efforts in the HIV/AIDS area.

USAID is preparing for phasing out FREEDOM Support Act (FSA) programs in Russia. In 2004, the Mission will prepare a strategy for FSA and other assistance to Russia. Periodic assessments will be undertaken to ensure that resources are being targeted to the highest priority sectors from the standpoint of U.S. national interests.

Virtually all of USAID's assistance is managed by non-governmental and private sector organizations, and only a small portion directly benefits the Russian Government. USAID's Russian partners, including a number of think tanks, while highly effective in their respective fields, are not yet fully sustainable. The need to ensure the sustainability of these key institutions and the irreversibility of Russia's transition must be taken into account throughout the phase down period.

Other Program Elements: Non-bilateral resources include U.S.-Russian health and environmental partnerships; donated medical equipment; regional programs to combat tuberculosis and HIV/AIDS and to promote international accounting standards; the efforts of the Eurasia Foundation; the U.S.- Russia Investment Fund; farmer-to-farmer advisors; and small business loan guarantees.

USAID also works closely with other USG agencies working in Russia, especially in supporting Department of Energy programs in "nuclear cities" and in ensuring maximum coordination with public affairs activities.

Other Donors: The United States is the largest bilateral donor to Russia. Other major donors include the European Union (legal, civil service, fiscal, banking, and social reform); Italy (agriculture, urban development, market economy); Germany (education, health, environment, and economic infrastructure); the United Kingdom (economic policy reform, participatory government, civil society, the rule of law, health, and enterprise development); Sweden (common security; integration in Europe; civil society, including legal system, independent mass media, and equality between the sexes; socially sustainable economic transition, including health and public administration; environment; trade and investment into Baltic Sea region); Norway (environment, including nuclear safety and energy issues; economic development); France (economic and social infrastructure); Finland (economic transition, environment, health, culture); and Canada (transition to a market-based economy, democratic development, environment, indigenous people, trade and investment links). Private foundations also play an important role, particularly in the areas of civil society and health. However, over the last year, with the Soros Foundation's near-complete withdrawal and with events that have discouraged local philanthropy, that role may be diminishing.

Tajikistan PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
FREEDOM Support Act	18,939	25,853	24,411	25,000
FSA - FY 02 Supplemental	37,000	0	0	0
PL 480 Title II	26,227	9,994	6,660	10,000
Total Program Funds	82,166	35,847	31,071	35,000

STRATEGIC OBJECTIVE SUMMARY				
119-0131 Small and Medium Sized Enterprises				
FSA	2,700	5,090	5,000	4,700
FSA - FY 02 Supplemental	6,250	0	0	0
119-0161 Water and Energy				
FSA	1,100	1,400	872	1,200
FSA - FY 02 Supplemental	4,250	0	0	0
119-0211 Democratic Culture and Institutions				
FSA	2,500	3,495	5,364	4,800
FSA - FY 02 Supplemental	2,000	0	0	0
119-0240 Conflict Prevention				
FSA	0	0	1,801	800
119-0320 Health and Population				
FSA	2,500	3,450	4,610	4,700
FSA - FY 02 Supplemental	4,750	0	0	0
119-0340 Improved Quality of and Access to Basic Education				
FSA	0	0	300	130
119-0420 Cross-Cutting Programs				
FSA	5,598	5,140	1,884	1,308
FSA - FY 02 Supplemental	8,750	0	0	0
TRANSFER				
FSA	4,541	7,278	4,580	7,362
FSA - FY 02 Supplemental	11,000	0	0	0

Mission Director,
George Deikun

Tajikistan

The Development Challenge: The continuing instability in Afghanistan and the ongoing war on terrorism have spotlighted Tajikistan as a key U.S. ally in this isolated region of the world. Long noted as the poorest country to gain independence of the former Soviet Union, Tajikistan is using increased donor assistance to address the most pressing needs of its people. While economic growth in 2002 was 9.1% and has held steady at 7.9% for the first 10 months of 2003, 83% of the population still lives below the poverty line, with 18.6% of the urban and 23.4% of the rural population in extreme poverty. A national nutritional survey undertaken this year found that 4.7% of children under five years of age suffer from acute malnutrition and that 36.2% are affected by chronic malnutrition. Primary school enrollment has slipped to 88.4% overall, with girls affected most seriously. The agricultural sector, which employs over 60% of the population, is seriously constrained by the country's deteriorated irrigation infrastructure, a poorly executed program of land privatization, and a lack of quality inputs and financial capital for farmers. Thus far, the government has not been able to establish the rule of law sufficiently to attract the domestic and foreign investment needed to spur economic growth. The situation is worsened by poor public sector salaries and weak government institutions that have fostered a culture of corruption, earning Tajikistan a ranking of 128th out of 133 countries assessed by Transparency International. Narcotics trafficking remains a significant problem, as heroin producers in Afghanistan use Tajikistan as a primary transit route for exports to Russia and Europe. Neighboring Uzbekistan continues to severely restrict movement across its border, effectively shutting off much of Tajikistan's international trade. The country is also heavily burdened by a crushing external debt of almost \$1.05 billion, or 78% of GDP, owed mostly to Russia and Uzbekistan. Despite the problems it faces, the Government of Tajikistan (GOT) has been energized by increased support from the donor community and is moving on a broad front to complete the transition to a market economy and meet social sector needs. This includes legislative and regulatory reforms in the areas of banking supervision, tax administration, commercial law, and the judiciary needed to improve the quality and honesty of governance and fight corruption. The Government is also increasing public spending on health and education and is making fundamental reforms in how these services are provided and financed.

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 of the Tajik people.

The USAID Program: The Program Data Sheets provided below cover seven strategic objectives for which USAID is requesting funds. These seven objectives promote reforms and training 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, improve primary education, and mitigate or prevent conflict. 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 we are re-establishing links between communities and local government. Such efforts are critical to our success in a country where neither businesses and communities nor government structures are accustomed to working together to address development needs. FY 2004 funds will be used to implement the program as currently planned and previously described in the FY 2004 Congressional Budget Justification, including cross-cutting objectives in youth, gender, anti-corruption, and rule of law. The specific activities to be funded by FY 2004 and FY 2005 appropriations are described in more detail in the following Program Data Sheets.

USAID expanded new activities in Tajikistan, including: 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, and civic education; and initiated new activities relating to local government, maternal and child health/reproductive health, drug demand reduction, and basic education.

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 the isolated and under-served

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. 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 also undertaking a new regional earthquake preparedness project that will target Dushanbe, Tajikistan; Almaty, Kazakhstan; and Tashkent, Uzbekistan. The Departments of Commerce, Defense, Agriculture, and State also manage programs complementary to USAID field activities in various sectors.

Other Donors: The U.S. Government is the largest bilateral donor, providing assistance through USAID, the State Department, the U.S. Department of Agriculture, and others. The second largest bilateral donor is Japan, which provides assistance for rehabilitation of the agricultural sector, and food security and poverty reduction programs through international NGOs. 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 the USAID effort, particularly in the areas of 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. The largest non-state donor is the Aga Khan Development Network which supports a number of economic development activities throughout the country. Multilateral donors include the World Bank (health reform and private sector development), the Asian Development Bank (ADB) (social service sector rehabilitation, transportation, irrigation, and hydroelectric generation), 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 ADB and the World Bank in a number of areas, but particularly in microfinance, irrigation rehabilitation, health care reform, and basic education.

Turkmenistan PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
FREEDOM Support Act	8,045	7,805	5,700	6,000
FSA - FY 02 Supplemental	4,000	0	0	0
Total Program Funds	12,045	7,805	5,700	6,000

STRATEGIC OBJECTIVE SUMMARY				
120-0131 Small and Medium Sized Enterprises				
FSA	650	645	765	530
120-0161 Energy and Water				
FSA	400	373	275	200
120-0211 Democratic Culture and Institutions				
FSA	1,500	1,100	1,100	1,000
FSA - FY 02 Supplemental	100	0	0	0
120-0320 Health and Population				
FSA	1,200	1,434	1,540	1,190
FSA - FY 02 Supplemental	300	0	0	0
120-0420 Cross-Cutting Programs				
FSA	947	300	400	233
FSA - FY 02 Supplemental	500	0	0	0
TRANSFER				
FSA	3,348	3,953	1,620	2,847
FSA - FY 02 Supplemental	3,100	0	0	0

Mission Director,
George Deikun

Turkmenistan

The Development Challenge: Over the past year, the Government of Turkmenistan has grown more repressive and less responsive to the developmental challenges faced by its people. Social indicators continue to be alarming. Government investments in health and education continue to decline. Less than 4,000 students out of a graduating class of about 100,000 were able to enter higher educational institutions last year. Of that, only 32% were women. Approximately 45% of the population is under the age of 25. Only 42% of rural families have access to potable drinking water. Only 2.3% of GDP is generated by the private sector (although this figure does not take into account the robust informal economy). Child and infant mortality are alarmingly high, and there is no political will to tackle the spread of HIV/AIDS. Unemployment continues to rise, with some estimates putting it as high as 70% in areas outside of the capital, Ashgabat. Brain drain continues to concern development agencies as educated workers seek employment opportunities abroad, mainly in Russia. There are only 0.24 internet users per 1,000 people in Turkmenistan. The only internet service provider is the government-owned telecom, which monitors use.

The preponderance of U.S. assistance is directed to the needs of the Turkmen people, primarily through education, training, and exchanges. Investing in people is the foundation of USAID's assistance program in Turkmenistan. Giving them the tools to create an environment of change is essential to plan for the future in Turkmenistan. Assistance to the Government of Turkmenistan (GOT) is limited, and interaction with the government occurs only in cases where dividends are linked directly to reform. The U.S. national interest in Turkmenistan is substantial. Turkmenistan has been supportive of the Global War on Terrorism and provides critical support in Operation Enduring Freedom. Although Turkmenistan's economic, political, and social performance is poor, disengaging from the Turkmen people would serve only to further isolate them and lessen the likelihood of their achieving sustainable development.

The USAID Program: Meeting the challenges in Turkmenistan necessitates a long-term view with a focus on human capital development. Training and exchanges are necessary to continue people-to-people interactions and information exchange in Turkmenistan. The Program Data Sheets outline USAID's objectives in Turkmenistan. USAID is requesting funds for: democratic culture and citizen advocacy, primary health care, small enterprise development, water and energy management, and cross-cutting activities such as conflict mitigation, youth and education, gender equity, 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.

Other Program Elements: The Farmer-to-Farmer Program, financed through P.L. 480 is active in Turkmenistan. In FY 2003, about 30 agricultural specialists interacted with Turkmen farmers to improve the lives of rural citizens. They also established the Future Farmers of Turkmenistan program mirrored on the Future Farmers of America model in the United States. This allows for investment in the future generation of rural leaders of the country. The Eurasia Foundation maintained a presence in Turkmenistan during FY 2003, providing grants to civil society development organizations. Other USG programs, such as International Narcotics and Law Enforcement, Export Control and Related Border Security Assistance, and Defense Security Assistance, continue to collaborate with USAID.

Other Donors: Donor coordination has improved over the past year in Turkmenistan. 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 is facing programming cuts. World Bank lending has ceased; the U.N. Children's Fund (UNICEF) continues to support women and children through maternal and child health programming, educational reform projects, and other important initiatives. USAID funds or co-funds several projects with UNICEF in Turkmenistan. 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 and the International Organization for Migration works on migration issues. The United Nations Population Fund

works on reproductive health issues. USAID is the leading bilateral assistance provider in Turkmenistan. Other bilaterals include the UK, Germany and Turkey. The Asian Development Bank has a limited presence in Turkmenistan. The European Bank for Reconstruction and Development recently restarted its small/medium enterprise credit line that was suspended for three years due to lack of currency conversion.

Ukraine PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	0	1,750	1,750	1,750
FREEDOM Support Act	156,540	138,700	92,589	79,500
Total Program Funds	156,540	140,450	94,339	81,250

STRATEGIC OBJECTIVE SUMMARY				
121-0120 Support to Economic and Fiscal Reform				
FSA	4,331	0	0	0
121-0130 Growth and Development of Private Enterprises				
FSA	29,069	0	0	0
121-0132 Small and Medium Enterprise and Agriculture				
FSA	0	21,935	17,249	14,301
121-0140 Reform of Financial Sector and Commercial Law				
FSA	3,000	0	0	0
121-0141 Improved Investment Climate				
FSA	0	9,370	4,991	4,075
121-0150 Energy				
FSA	2,814	0	0	0
121-0160 Environment				
FSA	1,645	0	0	0
121-0210 Civil Society				
FSA	7,668	0	0	0
121-0213 Strengthening Citizen Participation				
FSA	0	15,409	13,361	12,403
121-0220 Rule of Law				
FSA	1,225	0	0	0
121-0224 Good Governance				
FSA	0	7,704	7,717	8,117
121-0230 Municipal/Local Government Development				
FSA	4,954	0	0	0
121-0320 Health				
FSA	5,496	0	0	0
121-0325 Social Protection and Health				
CSH	0	1,750	1,750	1,750
FSA	0	10,744	9,475	9,475
121-0340 Social Protection				
FSA	2,500	0	0	0
121-0410 Special Initiatives				
FSA	12,000	9,935	0	0
121-0418 Environment				
FSA	0	1,113	474	0
121-0420 Cross-Cutting Programs				
FSA	12,448	0	0	0
121-0427 Program Support Initiatives				
FSA	0	6,760	3,302	3,590
TRANSFER				
FSA	69,390	55,730	36,020	27,539

Mission Director,
Chris Crowley

Ukraine

The Development Challenge: After prolonged economic stagnation during the 1990s, Ukraine has made some strides in developing and implementing sound macroeconomic policies and in strengthening its financial institutions. Ukraine has also started to lay the foundation of a legal environment conducive to private sector growth. However, despite recent, strong economic growth rates, delays in structural reforms still stymie more profound longer-term progress. The Government of Ukraine (GOU) has made considerably less progress in establishing the spread of sound democratic institutions and practices. While there are promising signs of political reform for elected local government, weak political accountability, particularly at the national level, unequal enforcement of law, and tightly controlled media hinder democratic development. 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 the most vulnerable population groups.

Cautious macroeconomic policies, increased consumer spending, and external demand were major factors behind strong economic growth in 2003. In January-September 2003, the GOU maintained a budget surplus and a stable foreign exchange rate. Real GDP growth exceeded 6% while inflation was only 4%. The Government also made improvements to state procurement processes, state auditing procedures, and the administration of social transfers. Significant problems still remain, however, such as the accumulation of tax arrears (now equal to 29% of the national budget) and the use of non-cash transactions to settle public sector liabilities.

The GOU pursued the development of a sounder financial system by making progress in accounting reform and through the establishment of an independent regulator for non-bank financial institutions. These institutional developments, together with strong economic growth, have stimulated the financial sector not only to grow, but also to develop new and more sophisticated products. Important legal reforms included the passage of a Civil Code, a Personal Income Tax Law and a Legal Entity Registration Law. However, poor structural policies (particularly, in the energy and foreign trade sectors), high transaction costs and the extensive network of direct government subsidies and implicit taxes, continue to distort the efficient allocation of resources. Overall, businesses still face extensive barriers, such as long delays in registration procedures, a myriad of non-tax penalties, and high real interest rates. Because of these distortions, the informal economy remained sizeable by most estimates.

Due to conflicting legislation, a weak judiciary, and an ambivalent attitude towards international corporate governance practices, foreign direct investors continue to be wary of Ukraine. As a result, Ukraine still has one of the lowest per capita levels of direct investment in the region (about \$130 per capita). Furthermore, the GOU's reticence to take further hard steps on the reform path has put a damper on cooperation with the International Monetary Fund (IMF) which decided to defer approval of a precautionary stand-by arrangement until the GOU made more tangible advances in reducing value added tax exemptions and refund arrears. However, at the end of the year the Government appeared to be closer to reaching agreement with the IMF.

Limited progress was made during FY 2003 towards developing an increasingly transparent, democratic government. Although political parties and other civil society organizations have become more visible, so far these groups have not been able to mobilize their constituencies and offer easily distinguishable services to the public. Moreover, increased media censorship and extensive pressure on the opposition to support the current Government has tempered progress in the democracy arena. With the approaching presidential elections, the situation is unlikely to improve. Therefore, a growing majority of Ukrainians feel that democratic change is not occurring.

Frequent changes of key personnel within the coalition Government over the past year did not fundamentally alter the political landscape. However, the shuffling of positions has impaired the GOU's institutional capacity to develop and implement sustainable national development policies, as well as serious policy debate and efforts to increase transparency within the government. In the absence of effective political opposition, strong civil society organizations and an institutionalized system of checks and balances, these factors have particularly hindered advances in the social sector.

The Government has made little progress towards advancing modern social practices in health, education and social security. The official data show that about 30% of the Ukrainian population still live in poverty. The growth of HIV/AIDS and other infectious diseases has been increasing at an alarming rate. The level of domestic violence, alcoholism, prostitution, and abandoned children are also of concern. Perhaps the only important positive legislative development in this area was the adoption of pension legislation, which opens tremendous possibilities for private sector expansion. Otherwise, social systems continue to be characterized by low staff morale, obsolete equipment, and ineffective practices.

The USAID Program: The overall strategic goal of the USAID Mission, increased social and economic well-being of all Ukrainians within a framework of democratic governance, has several facets. First, to improve the investment climate and accelerate the growth of small and medium enterprises (SMEs) and agriculture, USAID supported Ukraine's aspired accession to World Trade Organization and continued partnering more with local governments, private sector, and non-governmental organizations. For example, USAID reprogrammed its assistance in the fiscal area to local governments, expanded support to SMEs, and started new programs to improve agricultural marketing and access to bank finance in the rural areas. USAID, however, also had to withdraw its support to the energy sector because of the GOU's inability to pursue key sectoral policy reforms.

Second, to improve democratic governance by strengthening government institutions and civil society, USAID started a new project that consolidates and institutionalizes democratic practices in the Parliament. Also, given the increasing pressure on the media, USAID continued providing support to independent media, focusing on financial viability and improving the legal and regulatory framework, and developed a program aimed at increasing citizens' participation and transparency during elections.

Finally, in response to Ukraine's emerging HIV/AIDS epidemic, USAID has designed a new HIV/AIDS strategy that will focus on reducing the HIV/AIDS transmission rate and the disease's associated stigma and discrimination. USAID also began a new project to develop modern prenatal services and will begin a new five year program to reduce trafficking of women and children.

Other Program Elements: USAID/Ukraine receives support for mother-to-child transmission of HIV/AIDS and will receive Washington matching funds for the new HIV/AIDS strategic objective. USAID is also providing support to Ukraine's \$92 million Global HIV/AIDS Fund to develop a national surveillance and evaluation system, support procurement of anti-retro viral drugs, and provide key technical assistance to principal HIV/AIDS-stricken regions. Other health program-related support is provided through a World Health Organization grant for tuberculosis control and a policy project for reproductive health. With USAID funding, the Eurasia Foundation manages an economics education program and small research grants.

Other Donors: The largest donor is the European Bank for Reconstruction and Development (EBRD) with a portfolio in food production, financial sector development, energy, and transport development. The World Bank (WB) supports programs in public utilities, agriculture, health, social protection, and public finance. The U.S. is Ukraine's largest bilateral donor, followed by the European Union (EU) which funds programs for institutional, legal, and administrative reform, private sector support, and economic development. The United Kingdom (UK) provides assistance in social protection, governance, civil society, and private sector development. Canada and Germany assist in public policy development and capacity building, private sector development, and education. USAID cooperates with the EBRD for SME development, the WB and the EU for policy reform, agriculture, and social transformation, with the UK for social protection and governance, and with Canada and Germany for private sector development and agriculture.

Uzbekistan PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
FREEDOM Support Act	35,944	39,435	35,688	36,000
FSA - Emergency Response Fund	54,500	0	0	0
FSA - FY 02 Supplemental	34,500	0	0	0
Total Program Funds	124,944	39,435	35,688	36,000

STRATEGIC OBJECTIVE SUMMARY				
122-0131 Small and Medium Sized Enterprises				
FSA	2,100	6,270	6,086	5,100
FSA - FY 02 Supplemental	5,900	0	0	0
122-0161 Energy and Water				
FSA	1,850	2,300	3,000	2,400
FSA - Emergency Response Fund	18,000	0	0	0
FSA - FY 02 Supplemental	1,350	0	0	0
122-0211 Democratic Culture and Institutions				
FSA	4,100	5,200	6,321	4,900
FSA - FY 02 Supplemental	4,440	0	0	0
122-0240 Conflict Prevention				
FSA	0	0	302	400
122-0320 Health and Population				
FSA	4,000	6,400	7,363	5,950
FSA - Emergency Response Fund	15,000	0	0	0
122-0340 Improved Quality of and Access to Basic Education				
FSA	0	0	250	150
122-0420 Cross-Cutting Programs				
FSA	2,522	3,776	2,626	1,755
FSA - Emergency Response Fund	4,000	0	0	0
FSA - FY 02 Supplemental	7,500	0	0	0
TRANSFER				
FSA	21,372	15,489	9,740	15,345
FSA - Emergency Response Fund	17,500	0	0	0
FSA - FY 02 Supplemental	15,310	0	0	0

Mission Director,
George Deikun

Uzbekistan

The Development Challenge: The Government of Uzbekistan (GOU) remains a key partner in the war against terrorism. It is beginning to make progress toward economic policy reform, but much remains to be done. In early 2002, the government began implementing a program of foreign exchange liberalization that culminated in October 2003 with acceptance of the currency convertibility obligations of the International Monetary Fund Agreement (Article Eight). However, this was achieved by restricting trade, which has had negative impacts on the economy. More significant advances included "privatization" of some large collective farms through land lease arrangements, legislation that devolved control of irrigation systems to private water user associations, a Presidential decree in March 2003 that committed the government to further agricultural reform, and government cooperation with Uzbek NGOs on Trafficking in Persons initiatives.

High expectations for increased opportunities for independent political activity and reduced state control of the economy have, however, remained largely unmet. Governance in Uzbekistan remains autocratic. Corruption is endemic. GOU unwillingness to open borders and liberalize trade has resulted in adverse political as well as economic effects. Arrearages on wages combined with gas and electricity shortages are causing social tension to increase. While the government did register a second human rights organization in 2003 and is developing an action plan to implement recommendations of the U.N. Rapporteur on Torture, its overall human rights record remained poor, with three suspicious deaths in detention in 2003 that have not been satisfactorily investigated. A government crackdown on human rights activities and activists continued last year.

Uzbekistan also is plagued by widespread unemployment, poor social infrastructure, and weak educational and health facilities. Nearly one-third of Uzbeks live below the national poverty line. At current growth rates of 2.3% to 3% per annum, Uzbekistan's population of approximately 25 million is expected to double over the next 50 years, placing greater pressure on the country's poor infrastructure and health care and education systems. Inefficient water management and deteriorating irrigation systems have contributed to the drying up of the Aral Sea, and increased salinity of the soil.

USAID and the USG 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 that historically has played a leading role in trade and enterprise, Uzbekistan's development and stability are critical for the region and the U.S.

The USAID Program: Continuing with the momentum created by robust supplemental funding in 2002, USAID's activities in 2003 have laid the groundwork for democratic reform and market transition. USAID and the State Department's Bureau of Democracy, Human Rights, and Labor launched a new human rights defenders program, and opened a human rights clinic at Tashkent State Law Institute. New programs were also launched in civil society, media, judicial reform, housing reform, civic advocacy, and anti-trafficking. USAID is working in 110 communities at risk for conflict in the volatile Ferghana Valley and southern Uzbekistan. Important achievements have been made in microfinance, conflict prevention, health care reform, press freedom, judicial reform, and natural resource management. USAID is helping to expand economic opportunities, foster democratic values and practices, support natural resource management, and improve health care services. The Program Data Sheets cover the objectives for which USAID is requesting funds: primary health care, infectious diseases, natural resource management, democratic transition, and small enterprise and macro-economic reform, with cross-cutting objectives in gender equity, anti-corruption, and rule of law. Specific activities to be funded in FY 2004 and FY 2005 are described in greater detail in the Program Data Sheets.

Other Program Elements: USAID also supports institutional partnerships that seek to build lasting relationships between the United States and Uzbekistan. USAID/Washington has agreements with the U.S. Centers for Disease Control and Prevention, Project HOPE, Counterpart International, and the Monitoring and Evaluation to Assess and Use Results (MEASURE)/Evaluation Program. The Farmer-to-Farmer Program managed by USAID's Bureau for Economic Growth, Agriculture, and Trade is also active. The Eurasia Foundation manages small grants in education, small business, local government,

and civil society that reinforce USAID's strategic objectives. The Departments of Commerce, Defense, Energy, Treasury, Agriculture, and State also manage programs complementary to USAID field activities in various sectors. 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: The United States is the largest bilateral donor, and the third largest overall donor to Uzbekistan. The largest overall donor is the Asian Development Bank, followed by the European Bank for Reconstruction and Development. The World Bank 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) and the Government of China. Other important bilateral donors include the Government of Switzerland and the Government of Germany (through the German Society for Technical Cooperation). Other important multilateral donors include the United Nations Development Program and 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 and treasury system reform activities. USAID has a cooperative agreement with the International Finance Corporation to develop the legislative framework for microfinance. USAID assistance to credit unions is coordinated with the Asian Development Bank, and our 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.

**Central Asian Republics Regional
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	0	1,000	1,000	1,000
FREEDOM Support Act	7,877	6,831	3,000	2,000
FSA - Emergency Response Fund	6,000	0	0	0
Total Program Funds	13,877	7,831	4,000	3,000

STRATEGIC OBJECTIVE SUMMARY				
176-0131 Small and Medium Sized Enterprises				
FSA	1,000	1,050	469	200
176-0161 Water and Energy				
FSA	3,500	3,121	1,658	1,200
176-0211 Democratic Culture and Institutions				
FSA	500	550	207	150
176-0320 Health and Population				
CSH	0	1,000	1,000	1,000
FSA	1,000	1,050	600	400
176-0420 Cross-Cutting Programs				
FSA	1,000	190	66	50
FSA - Emergency Response Fund	6,000	0	0	0
TRANSFER				
FSA	877	870	0	0

Mission Director,
George Deikun

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. At the same time, the countries face pervasive poverty, authoritarian rule, political repression, significant health issues, and the potential for extremism.

The regional nature of Central Asia's development challenges requires coordinated and integrated assistance from USAID. Several regional issues pose particular challenges. All countries in the region have a vital stake in improving regional management of shared water resources, which are absolutely essential to the agricultural sector and energy supply sector. The ecological problems posed by the disappearing Aral Sea also have regional consequences. Health issues are rapidly becoming regional in nature. The incidence of tuberculosis, HIV/AIDS, and drug use has increased dramatically in all countries of Central Asia. A failure to prevent the spread of malaria from Afghanistan to Tajikistan has now resulted in a malaria problem that has already grown into a regional threat. 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. Lastly, 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 USAID Program: To meet these challenges, the goals of USAID in Central Asia are to promote economic growth, democratic development, health care reform, improved natural resource management, expanded access to basic education, and conflict mitigation.

The Program Data Sheets provided below cover six strategic objectives for which USAID is requesting regional funds. These six objectives promote reforms and training 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, prevent conflict, and address other cross-cutting issues within the region. Regional resources will complement country resources to allow for multi-country expansion of activities supporting regional objectives.

FY 2004 funds will be used to implement the program as currently planned and previously described in the FY 2004 Congressional Budget Justification. Specific activities to be funded by FY 2004 and FY 2005 appropriations are described in the Program Data Sheets that follow.

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 PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
FREEDOM Support Act	38,112	53,139	45,960	47,000
Total Program Funds	38,112	53,139	45,960	47,000

STRATEGIC OBJECTIVE SUMMARY				
110-0110 Transfer of State-Owned Assets to Private Sector				
FSA	419	0	0	0
110-0120 Fiscal Reform				
FSA	348	351	1,372	233
110-0130 Private Enterprise Development				
FSA	1,342	608	1,471	552
110-0140 Strengthening the Financial Sector				
FSA	568	402	573	672
110-0150 Sustainable Energy Systems				
FSA	1,025	1,208	898	1,054
110-0160 Better Environmental Management				
FSA	1,453	391	994	719
110-0210 Civil Society				
FSA	825	571	895	838
110-0220 Rule of Law				
FSA	1,049	1,410	1,309	357
110-0230 Local Government and Urban Development				
FSA	1,048	508	168	340
110-0310 Strengthened Humanitarian Responses to Crises				
FSA	58	0	0	0
110-0320 Health Promotion and Care				
FSA	4,567	5,590	4,662	1,261
110-0340 Social Sector Reform				
FSA	510	490	570	580
110-0420 Cross-Cutting Programs				
FSA	5,017	6,354	2,018	5,572
123-0310 Strengthened Humanitarian Responses to Crises				
FSA	2,000	1,987	2,000	2,000
TRANSFER				
FSA	17,883	33,269	29,030	32,822

Deputy Assistant Administrator,
Gloria Steele

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 "northern tier" graduate countries and increasingly behind countries in south-east Europe.

While early democratic reforms across the region and recent developments in Georgia are encouraging, lack of democratic reform in several countries along with set backs 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, 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, 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.

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.

**Latin America and Caribbean
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Andean Counterdrug Initiative	219,000	248,375	229,200	229,300
Child Survival and Health Programs Fund	144,815	163,317	147,500	130,299
Development Assistance	220,241	260,578	267,840	241,700
Development Credit Authority	785	1,859	0	0
Economic Support Fund	166,500	79,620	84,498	92,000
ESF - Wartime Supplemental	0	4,500	0	0
PL 480 Title II	124,333	139,966	71,867	112,356
Total Program Funds	875,674	898,215	800,905	805,655

Adolfo A. Franco
Assistant Administrator
Latin America and Caribbean

Latin America and Caribbean PROGRAM SUMMARY

(in thousands of dollars)

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Bolivia				
Andean Counterdrug Initiative	39,600	41,727	42,000	42,000
Child Survival and Health Programs Fund	19,890	18,594	15,302	16,139
Development Assistance	12,853	12,082	12,032	14,454
Economic Support Fund	10,000	10,000	8,000	8,000
ESF - Wartime Supplemental	0	2,000	0	0
PL 480 Title II	19,566	31,547	17,827	23,696
Total Bolivia	101,709	115,950	95,161	104,289
Brazil				
Child Survival and Health Programs Fund	9,150	10,300	9,850	7,638
Development Assistance	4,799	7,967	7,876	6,993
Total Brazil	13,949	18,267	17,726	14,631
Caribbean Regional Program				
Child Survival and Health Programs Fund	3,550	4,233	3,733	4,637
Development Assistance	0	8,775	3,935	11,798
Economic Support Fund	10,800	2,500	3,976	9,000
ESF - Wartime Supplemental	0	500	0	0
Total Caribbean Regional Program	14,350	16,008	11,644	25,435
Central America Regional Program				
Child Survival and Health Programs Fund	4,000	4,950	4,950	6,708
Development Assistance	15,792	24,383	16,487	21,582
Development Credit Authority	0	469	0	0
Total Central America Regional Program	19,792	29,802	21,437	28,290
Colombia				
Andean Counterdrug Initiative	101,900	122,200	122,200	122,300
Total Colombia	101,900	122,200	122,200	122,300
Cuba				
Economic Support Fund	5,000	6,000	6,959	9,000
Total Cuba	5,000	6,000	6,959	9,000
Dominican Republic				
Child Survival and Health Programs Fund	9,532	12,508	12,700	11,354
Development Assistance	6,450	8,631	10,982	8,324
Economic Support Fund	2,300	3,000	2,982	3,000
Total Dominican Republic	18,282	24,139	26,664	22,678
Ecuador				
Andean Counterdrug Initiative	10,000	15,896	15,000	15,000
Child Survival and Health Programs Fund	0	0	0	351
Development Assistance	6,840	7,127	6,821	6,953
Development Credit Authority	198	0	0	0
Economic Support Fund	17,250	17,500	14,911	15,000
PL 480 Title II	1,530	0	0	0
Total Ecuador	35,818	40,523	36,732	37,304
El Salvador				
Child Survival and Health Programs Fund	15,653	9,800	7,150	8,871
Development Assistance	45,640	26,334	28,605	17,342
Economic Support Fund	25,200	0	0	0
PL 480 Title II	0	1,809	0	0
Total El Salvador	86,493	37,943	35,755	26,213

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Guatemala				
Child Survival and Health Programs Fund	15,700	12,017	11,400	9,723
Development Assistance	12,320	14,810	11,099	6,647
Development Credit Authority	0	530	0	0
Economic Support Fund	10,000	6,500	4,971	4,000
PL 480 Title II	21,502	16,673	11,154	17,631
Total Guatemala	59,522	50,530	38,624	38,001
Guyana				
Child Survival and Health Programs Fund	1,000	4,200	1,700	1,700
Development Assistance	3,100	2,180	2,750	4,957
Total Guyana	4,100	6,380	4,450	6,657
Haiti				
Child Survival and Health Programs Fund	638	19,207	19,626	16,525
Development Assistance	250	13,999	8,119	7,963
Economic Support Fund	30,000	0	0	0
PL 480 Title II	23,128	36,580	24,693	27,000
Total Haiti	54,016	69,786	52,438	51,488
Honduras				
Child Survival and Health Programs Fund	13,177	13,400	12,777	10,777
Development Assistance	15,430	24,112	22,367	19,925
Development Credit Authority	298	162	0	0
Economic Support Fund	1,000	0	0	0
PL 480 Title II	6,436	10,479	2,406	11,916
Total Honduras	36,341	48,153	37,550	42,618
Jamaica				
Child Survival and Health Programs Fund	3,121	3,713	3,117	4,339
Development Assistance	9,471	13,713	13,234	17,532
Development Credit Authority	0	106	0	0
Economic Support Fund	1,532	0	0	0
Total Jamaica	14,124	17,532	16,351	21,871
LAC Regional				
Child Survival and Health Programs Fund	9,434	11,194	12,128	4,621
Development Assistance	39,910	36,734	51,574	32,501
Development Credit Authority	0	35	0	0
Economic Support Fund	16,163	5,470	15,362	14,000
Total LAC Regional	65,507	53,433	79,064	51,122
Mexico				
Child Survival and Health Programs Fund	5,509	5,200	3,700	3,230
Development Assistance	7,715	10,440	17,855	13,915
Economic Support Fund	10,000	11,650	11,432	11,500
Total Mexico	23,224	27,290	32,987	28,645
Nicaragua				
Child Survival and Health Programs Fund	8,470	9,830	7,805	6,913
Development Assistance	16,602	23,460	27,206	25,311
Development Credit Authority	158	0	0	0
Economic Support Fund	2,800	0	0	2,500
PL 480 Title II	15,136	16,200	5,662	11,013
Total Nicaragua	43,166	49,490	40,673	45,737

Country / Fund Account	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Panama				
Development Assistance	4,500	5,499	5,322	5,446
Economic Support Fund	4,205	3,000	2,982	3,000
Total Panama	8,705	8,499	8,304	8,446
Paraguay				
Child Survival and Health Programs Fund	2,525	1,959	2,125	1,907
Development Assistance	3,600	3,895	4,140	4,040
Economic Support Fund	3,500	3,000	2,982	3,000
Total Paraguay	9,625	8,854	9,247	8,947
Peru				
Andean Counterdrug Initiative	62,500	68,552	50,000	50,000
Child Survival and Health Programs Fund	23,666	19,912	17,282	13,037
Development Assistance	14,969	16,437	15,036	10,492
Development Credit Authority	131	557	0	0
Economic Support Fund	16,750	11,000	9,941	10,000
ESF - Wartime Supplemental	0	2,000	0	0
PL 480 Title II	37,035	26,678	10,125	21,100
Total Peru	155,051	145,136	102,384	104,629
South America Regional				
Andean Counterdrug Initiative	5,000	0	0	0
Child Survival and Health Programs Fund	0	2,300	2,155	1,829
Development Assistance	0	0	2,400	5,525
Total South America Regional	5,000	2,300	4,555	7,354
Total Program Funds	875,674	898,215	800,905	805,655

Adolfo A. Franco
Assistant Administrator
Latin America and Caribbean

LATIN AMERICA AND THE CARIBBEAN

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

On balance, LAC countries have experienced greater political stability over the last several decades. With the exception of Cuba, governments have shifted from mainly authoritarian rule to representative and constitutional democracy. Even where governments have fallen due to popular pressure (as in Argentina, Ecuador, and Bolivia), this has happened within constitutional constraints. More of the region's governments and the private sector realize that corruption and crime are antithetical to the effective rule of law, fair government, and sound economic growth. Official human rights abuses have diminished throughout the region. There is greater civil society oversight of public institutions, and elections are held under the management and supervision of professional electoral commissions. Governments seek support to stamp out corruption, strengthen civil society, improve local governance, build trade negotiating capacity, attract foreign investment, and increase productivity. Centralized economies are transforming into privatized competitive markets with corresponding reductions in corruption. The World Bank estimates that weak judiciaries and corruption in LAC reduce annual growth by 15%; however, governments are taking steps to reduce this threat to developmental gains.

The lack of effective rule of law threatens business interests and puts citizens, including Americans, at risk. Narcotics wealth gives large trafficking organizations a practically unlimited capacity to corrupt. In economically weak countries such as Haiti and Jamaica, the drug trade's wealth makes it a great threat to democratic government. Terrorist organizations overtly seek to topple governments by force, while drug syndicates undermine them surreptitiously from within. This has led to Colombia's protracted conflict with narco-traffickers and the forced resignation of Bolivia's president. In recognition of this threat, the U.S. government is committed to improving security overseas so that threats never arrive on our shores. This calls for targeted foreign assistance and complementary institutional reform programs where organized crime exploits weak governance and institutions, especially in the justice sector.

The region's economic situation is improving and LAC countries are closer to trade liberalization and integration with their neighbors than they have ever been. The World Bank and the U.N. Commission for Latin America and the Caribbean estimate that the region's gross domestic product (GDP) grew by 1.5% in 2003 (slightly more than the population growth rate of 1.3% - 1.4%), compared with a 0.4% - 0.8% contraction in 2002. Those LAC countries that have adopted sound fiscal policies and oriented their economies toward greater foreign investment and rules-based trade proved more resilient to the recent global economic downturn than those that did not take such outward-looking, market-based steps. The region's GDP is expected to continue to expand to 3.5% in 2004, with growth predicted across the region.

Since 1990, external debt for the region as a whole has increased substantially, from \$444 billion to \$750 billion, and debt service consumes about one-fifth of the region's export earnings. The biggest increases occurred in Central and South America. Central America's total external debt increased by \$2.7 billion, almost all of which is accounted for by Guatemala and Honduras. South America's external debt increased from \$295 billion to \$552 billion, and its debt service ratio increased from 28% of export earnings to an even more burdensome 37%. The debt-to-income ratios of Nicaragua, Honduras, Guyana, and Bolivia make them eligible for the World Bank/International Monetary Fund Heavily Indebted Poor Country (HIPC) program, which will relieve substantial portions of their external debt upon completion of policy reforms and successful implementation of a poverty reduction strategy.

On aggregate, the region's economic recovery rate is still not enough to reverse the effect of recent years of economic stagnation. Approximately 44% of the region's population lives under the poverty line of two dollars a day, and unemployment averages 10.7%, with underemployment significantly higher. Most of the region returned to an average inflation rate of 8.5% in 2003, down from 12% in 2002, though real wages fell. In response to improved monetary and fiscal policies, more competitive exchange rates, and stronger domestic economic policy performance, central banks reduced interest rates during the second half of 2003.

Although economic growth is still weak, governments increasingly understand the benefits of free trade and are willing to take steps to make it happen. The recent signing of the U.S.-Central American Free Trade Agreement (CAFTA) demonstrates the commitment by Guatemala, Honduras, Nicaragua, and El Salvador to implement policy, trade, and economic growth reforms. Two recent studies by the World Bank and the Carnegie Foundation concluded that many of Mexico's trade gains from the North American Free Trade Agreement (NAFTA) were due to reforms carried out in anticipation of the agreement. Lessons learned from Mexico and shared with the Central American countries indicate that more open trade leads to improved policies, export diversification, political reform, stable exchange rates, increased foreign direct investment, employment generation, greater public investments in the social sector, and a more open society. The United States is working with the Dominican Republic to have it become an active partner in CAFTA, as well as with the smaller economies of the Caribbean toward achieving a Caribbean Single Market and Economy by 2005. Negotiations are proceeding for the docking of Peru and Colombia with the Andean Trade Preferences and Drug Eradication Act.

The progress with CAFTA bodes success for the Free Trade Area of the Americas (FTAA), which will further strengthen and expand economic partnership in the Americas. They form a vast market of over 800 million people producing nearly \$14 trillion in goods and services every year. For example, the political and economic liberalization encouraged by the United States and successfully adopted by El Salvador has made El Salvador a model for post-conflict developing countries. The United States is El Salvador's most important trading partner, receiving 67% of its exports and providing 50% of its imports. An estimated two million Salvadorans reside in the United States. By promoting prosperity in El Salvador through USAID programs and mechanisms such as CAFTA, the United States can help strengthen the Salvadoran economy, thereby reducing the flow of economic migrants to the United States, as well as the country's vulnerability to narcotics trans-shipment and trafficking in persons. The example of El Salvador can serve as inspiration for the other countries in the hemisphere.

Despite gains in human rights and democracy, and increased economic linkages across the region, threats to the development achievements of the last decade persist. Great inequities remain in access to and delivery of quality health care and education. These impediments weaken economic growth, labor productivity, and the ability to compete globally. Maternal and neonatal mortality rates remain unacceptably high, and resistance to accessible medicines is on the rise. The LAC region has the second highest HIV/AIDS rate in the world, with over two million people living with HIV, including the estimated 200,000 that contracted the deadly virus in 2003. Diseases such as dengue and malaria are posing an emerging threat as well. In education, nearly one-half of the children who enter primary school fail to make it to the fifth grade, and only about 30% graduate from secondary school. Access to education especially affects poor, rural, and indigenous children, particularly girls.

The success of U.S. development assistance must not be viewed in yearly snapshots as unpredictable political factors and global economic downturns can divert scarce resources and interrupt longer-term progress. Popular dissatisfaction with tepid economic growth, public sector inefficiencies, and failure by elected governments to perform effectively and responsibly have led to numerous setbacks including: political crisis and economic instability in Venezuela; rapidly escalating violence and abysmal poverty in Haiti; and growing civil unrest in the Dominican Republic. President Bush noted that "...when governments fail to meet the most basic needs of their people, these failed states can become havens for terror... No amount of resources transferred or infrastructure built can compensate for – or survive – bad governance." (March 2002). Thus, sustained efforts by the United States to work in partnership with our neighbors are essential to promote democratic and economic integrity in the Western Hemisphere.

The USAID Program: USAID's strategic priorities in the LAC region are to: 1) improve good governance and reduce corruption; 2) increase economic growth and free trade; and 3) reduce narcotics trafficking. These themes give paramount importance to the implementation of policies that address the key constraints to development, with the overarching goal of advancing the U.S. foreign policy agenda. In addition, USAID is addressing critical transnational issues such as HIV/AIDS and other infectious diseases, a deteriorating natural resource base, and trafficking in persons.

Furthermore, the LAC Bureau is responding to Presidential Initiatives, especially those that have implications for the Western Hemisphere, including: the U.S.-Central America Free Trade Agreement; Global Fund to Fight AIDS, Tuberculosis, and Malaria; Emergency Plan for AIDS Relief; Mother and Child HIV Prevention; Centers for Excellence in Teacher Training; Initiative for a New Cuba; Global Climate Change; and Initiative Against Illegal Logging.

Democracy and Good Governance. Justice sector modernization remains the largest focus of USAID governance programs in the LAC region. In addition, governance programs promote accountability and transparency in government institutions; increase the capacity of local governments to manage resources and provide services; and strengthen civil society organizations to advocate for citizens' rights.

Without a reliable and fair justice system, investor confidence and a stable trade environment are jeopardized. Likewise, impunity for crime and corruption undercuts social and economic growth. USAID efforts to advance criminal justice reform, strengthen judicial independence, expand access to justice, and improve administration of justice, are underway in 12 LAC countries. New criminal procedure codes and other criminal justice system reforms, developed and enacted over the last decade with USAID support in Nicaragua, Honduras, Guatemala, El Salvador, Bolivia, Colombia, and the Dominican Republic, are introducing profound changes. USAID is helping Peru to increase judicial accountability by introducing reforms to make judicial selection more transparent and improve oversight of the courts. In Colombia and Guatemala, USAID's assistance has expanded access to alternative dispute resolution and other legal services to millions of poor citizens through a network of community-based centers. New efforts in justice reform will examine crime prevention and commercial codes.

USAID anticorruption programs in 15 countries emphasize citizen oversight and building capacities to attack weak governance, entrenched political institutions, and poor public sector management. USAID provides assistance to citizens groups and nongovernmental organizations to devise anticorruption plans and monitor government officials and agencies. USAID supports local initiatives to establish special commissions and investigative units to expose and prosecute cases of corruption by public officials. In Nicaragua, USAID assistance to improve the capacity of the Attorney General's Office to tackle high-profile corruption cases is beginning to bear fruit. The United States is the only country helping the Dominican Republic with the bank fraud cases under investigation and in the courts.

With direct election of local mayors and devolution of authority to municipalities, USAID is helping citizens and elected leaders devise community development plans that respond to local needs and generate growth. In 14 countries USAID helps mayors establish transparent accounting and fiscal management procedures to create a framework for greater revenue generation for roads, schools, health centers, and job creation. In turn, citizens monitor the use of public funds and devise "social audits" in countries such as the Dominican Republic and Bolivia to track spending in accordance with local development plans and hold officials accountable.

Economic Growth. USAID is assisting LAC countries to enact legal, policy, and regulatory reforms that promote trade liberalization, hemispheric market integration, competitiveness, and investment, which are essential for economic growth and poverty reduction. Increased support is envisioned to respond to increasing demands for assistance. In FY 2003, USAID provided technical assistance and training in support of CAFTA negotiations to Central American government officials, and assisted Bolivia, Peru, Guyana, and Suriname to prepare national trade capacity building strategies. USAID also assisted governments in Central America and the Caribbean as well as Brazil to raise the public level of understanding about the benefits of free trade under CAFTA and FTAA.

USAID played a major role in helping the U.S. Government shape and launch the FTAA Hemispheric Cooperation Program. Negotiation of the FTAA will continue to be a priority. USAID's trade capacity building (TCB) programs will focus on helping LAC countries to implement the three major components of their national TCB strategies—preparing for trade negotiations; implementing obligations under the WTO, FTAA, and bilateral free trade agreements; and transitioning to free trade, the latter emphasizing small business development and rural diversification. USAID will work with the region's smaller economies to help them join the global trading system by meeting their WTO-related obligations, developing specialty markets, and providing assistance for business development. USAID will assist governments to comply with the rules of trade, such as sanitary/phytosanitary measures, customs reform, and intellectual property rights. In the Caribbean, a sub-region with small island economies that lack diverse sources of income, USAID is conducting outreach programs that describe the benefits of free trade, providing assistance for small business development, and assisting eight Caribbean Community (CARICOM) countries to prepare national trade capacity building strategies. USAID has also developed a regional program to help Andean Community countries address rules of trade and competitiveness issues, including customs reforms, sanitary/phytosanitary measures, and competition policy. USAID has begun an aggressive program in Peru to improve the regulatory and institutional framework to facilitate trade and investment and help Peru's private sector take advantage of the Andean Trade Preferences and Drug Eradication Act, and prepare for accession to the FTAA.

Numerous USAID programs support development of regulatory frameworks and innovative approaches to widen and deepen financial intermediation in the small and microenterprise sector. As a result, marginalized business people have greater access to borrowing capital, increasing the number of self-employed entrepreneurs, especially women, and their profitability. USAID's demonstrated successes in microfinance (Haiti, Jamaica, Ecuador, and Peru) have made other prominent donors eager to replicate its approaches. USAID is also supporting cutting-edge efforts to increase the developmental impact of remittances, which were estimated at \$32 billion in 2003 – more than all other development assistance combined. In response to the coffee crisis, consequent to the devastating drought in 2001 and the decline in coffee prices, USAID helped Central American coffee farmers apply best practices to increase sales to the high-value, niche coffee market through expanded partnerships with U.S. and European coffee traders and roasters. This project is resulting in increased rural competitiveness, incomes, and employment, all crucial to poverty reduction.

USAID has been involved in implementing the President's Initiative Against Illegal Logging, which seeks to address the negative impacts of the illegal timber trade on economic, social, and political stability. In Peru, illegal loggers have developed a symbiotic relationship with resurgent terrorist groups in remote forested areas. In response, the USAID environmental program in Peru is targeting resources to combat illegal logging and support improved management of Peru's forest resources. In Brazil's Amazon Basin, a largely unexplored biodiversity treasure, USAID is helping to develop management systems that maintain a balance between development and protection of natural resources. Other USAID programs have contributed to the conservation of millions of hectares of land and passage of key laws such as the Special Law for the Galapagos. USAID's sustained support helped develop sustainable timber harvest, and reduced significantly the rate of deforestation in several South American protected reserves.

Investing in People. USAID has made significant progress in raising vaccination coverage and reducing or eliminating major childhood illnesses such as measles. Also, because of USAID assistance, affected countries are more willing to openly discuss HIV/AIDS, which is particularly relevant since the Caribbean has the second highest rate of HIV/AIDS in the world. Haiti and Guyana, the two Presidential priority countries in LAC, have expanded their fight against HIV/AIDS by initiating national programs to prevent mother to child transmission of HIV/AIDS. While progress is being made to lower maternal mortality and apply proven, cost-effective protocols for combating malaria, tuberculosis, and other infectious diseases, rates remain unacceptably high. Because diseases do not respect geographic boundaries and due to the high numbers of legal and undocumented immigrants to the United States, USAID's health-related assistance to LAC countries is critical to the security and health of the United States.

The quality and relevance of primary and secondary schooling in LAC countries continue to cause concern, as the majority of students attend weak and under-funded schools and fail to acquire basic skills

in mathematics, language, and science. Fewer than 30% of students in the region complete secondary school, and many of those who do finish lack the skills to compete in the workplace, let alone in an increasingly competitive global economy. USAID education and training programs are improving education systems by developing innovative pilots and more effective service delivery models, many of which are being replicated by host governments and multilateral development banks. USAID will continue to improve the skills of teachers and administrators through the Centers of Excellence for Teacher Training, an initiative announced by President Bush in April 2001. Three sub-regional training networks established in Peru, Honduras, and Jamaica are training up to 15,000 teachers who will serve 600,000 students. USAID has been a leader in education policy reform through efforts such as the Partnership for Educational Revitalization in the Americas. In addition, USAID is supporting advancements in workforce training and helping youths prepare to enter the workforce; for example, USAID's Training, Internships, Exchanges, and Scholarships program in Mexico is enhancing the capacity of Mexican scholars and institutions to respond to the emerging U.S./Mexico Common Development Agenda.

Alternative Development. The scourge of narcotics threatens the social and economic fabric of the Andean countries and poses a threat to the United States. Despite bold efforts by Colombia, Bolivia, and Peru to combat narco-trafficking, the lack of a state presence in some areas has allowed illegal narcotics production and armed terrorist organizations to continue to flourish. Drug-related spillover criminal activity makes Ecuador's northern border with Colombia vulnerable; and intensive eradication efforts by one country may increase pressure by the narco-trafficking industry in another. Alternative development programs emphasize licit crop production and rural competitiveness, improved social, physical, and productive infrastructure, access to fair justice, and increased state presence in coca-growing regions. USAID is working in partnership with the Andean region's leadership, who are actively pursuing policies to fight narco-terrorism and expand the reach of government and rule of law.

To help small farmers permanently abandon illicit crop production, USAID's alternative development programs increase licit income opportunities for small producers of opium poppy and coca. In 2003, USAID supported cultivation of over 135,000 hectares of licit crops in Bolivia, including pineapple, bananas, specialty coffee, and black pepper. In Peru, the newly established voluntary coca eradication program resulted in the elimination of 5,445 hectares of coca, with 459 communities and more than 19,000 families participating. In Colombia, USAID completed 406 social infrastructure projects, including construction of roads, bridges, schools, and water treatment facilities, in 13 municipalities to provide short-term employment and access to markets necessary to sustain a licit economy. Since some coca growing areas are not suitable for sustainable agriculture due to agronomic or security reasons, USAID works with the private sector to increase licit income opportunities, making coca production less attractive. Expanded democracy and good governance activities are another important component of USAID's approach to combating illegal drugs.

One effect of the narcotics trade is the large number of internally displaced persons (IDPs); and Colombia has one of the largest IDP populations in the world (about 2.5 million). USAID has provided relief to about 1.1 million IDPs and demobilized child soldiers, targeting aid at female heads of households.

Alliances: Private investments in Latin America, including contributions from civil society and faith-based organizations, far exceed official development assistance levels. Linking USG investments with private investments will assure a greater impact for both, as was articulated by President Bush at the Monterrey Conference last year. The Global Development Alliance (GDA) and the Development Credit Authority (DCA) are exciting business models where USAID has given U.S. resources much greater impact by partnering with businesses, municipalities, universities, and philanthropic groups. Key alliances in LAC include working with coffee companies and small producers to address the crisis in this sector; cutting-edge work on remittances, and a new alliance for the chocolate industry. Using DCA authority to provide guarantees to microfinance institutions, commercial banks, rural savings and loans, and municipalities, USAID leveraged more than \$30 million in private capital in 2002.

Enhancing Management Efficiency and Effectiveness: By responding to initiatives in the President's Management Agenda, including Strategic Management of Human Capital, USAID is maximizing the impact of foreign assistance. In FY 2003, using OMB's Program Assessment Rating Tool, the LAC

Bureau scored 65% and 63% respectively on the Development Assistance and Child Survival and Health accounts. The LAC Bureau has begun to develop indicators to track performance at the regional level. Administrator Andrew Natsios recently approved staffing levels to better allocate staff in overseas missions and ensure best use of personnel. Four more mission management assessments were completed in 2003, resulting in measures to improve efficiency by consolidating financial management and other support services in four LAC missions to serve 16 country programs. Similarly, the assistance programs in Central America and Mexico were consolidated into one regional strategic framework thereby enhancing coordination, sharing best practices, and creating synergies in program implementation. In addition, a new regional hub is being established which will operationally consolidate provision of support services thereby further streamlining implementation. To improve alignment of USAID programs with U.S. foreign policy objectives, an incentive-based Performance Fund, to be initiated in FY 2005, will reward good performance by host countries as well as serve as an incentive to focus on national-level impact.

Other Donors: Official development assistance to LAC totals just over \$5.0 billion (all figures compiled by the OECD are for 2001, as 2002 data are not yet available). Multilateral donors play a very significant role across the entire region, accounting for \$1.3 billion in assistance; bilateral donors provided \$3.7 billion. The largest multilateral donor is the European Commission (\$507 million), followed by the International Development Association (\$257 million), United Nations agencies (\$237 million), and the Inter-American Development Bank (\$234 million). The United States and Japan have been the top two bilateral donors for the last 10 years; Japan was the top donor for the six years up to 2001. U.S. assistance in 2001 was just over \$1.0 billion, followed by Japan (\$719 million), Spain (\$631 million), and Germany (\$295 million). The United Kingdom, Netherlands, and Germany are very active donors as well.

FY 2005 Program: USAID employed a strategic and performance based budgeting tool to estimate its FY 2005 program resources needs. Factors considered were country need and commitment, administration priorities, management decisions, foreign policy considerations, and relative sector focus. FY 2005 resources requested for the LAC region total \$805,656,000. Of this amount, \$241,700,000 is Development Assistance (DA), \$130,300,000 is Child Survival and Health (CSH), \$92,000,000 is Economic Support Funds (ESF), \$229,300,000 is Andean Counterdrug Initiative (ACI), and \$112,356,000 is P.L. 480 Title II.

**Bolivia
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Andean Counterdrug Initiative	39,600	41,727	42,000	42,000
Child Survival and Health Programs Fund	19,690	18,594	15,302	16,139
Development Assistance	12,853	12,082	12,032	14,454
Economic Support Fund	10,000	10,000	8,000	8,000
ESF - Wartime Supplemental	0	2,000	0	0
PL 480 Title II	19,566	31,547	17,827	23,696
Total Program Funds	101,709	115,950	95,161	104,289

STRATEGIC OBJECTIVE SUMMARY				
511-001 Democracy				
ACI	4,000	3,500	0	0
DA	2,500	2,500	0	0
ESF	4,000	0	0	0
511-002 Increased Economic Opportunities				
DA	3,500	4,850	5,550	6,632
ESF	5,000	0	0	5,000
PL 480	8,556	13,632	7,827	8,600
511-003 Improved Health				
CSH	19,690	18,594	15,302	16,139
ESF	0	0	0	0
ESF - Wartime Supplemental	0	2,000	0	0
PL 480	11,010	17,915	10,000	15,096
511-004 Natural Resources Sustainably Managed				
DA	6,853	4,932	4,773	5,083
ESF	1,000	0	0	333
511-005 Alternative Development				
ACI	35,600	38,227	38,500	37,500
511-006 Balance of Payments Support				
ESF	0	10,000	8,000	0
511-XXX Democracy				
ACI	0	0	3,500	4,500
DA	0	0	1,709	2,739
ESF	0	0	0	2,667

Mission Director,
Liliana Ayaide

Bolivia

The Development Challenge: Through January 2003, Bolivia experienced two decades of relative political and economic stability, including 21 uninterrupted years of democracy and 17 years of far-reaching and fundamental reforms in fiscal management, human rights, and democratic decentralization. Since January 2003, Bolivia has been confronted with serious social and political instability, including two periods of severe social unrest and violence that have left dozens dead. This turmoil has resulted in millions of dollars in property damage and forced the resignation of President Gonzalo Sanchez de Lozada, which has put the national government on the political defensive regarding a broad range of national policies. This threatens key initiatives that address major U.S. foreign policy objectives emphasizing support for Bolivian democracy and counter-narcotics efforts. Radical opposition groups, emboldened by their success in ousting President Lozada, are calling for severe restrictions on trade and investment, easing or elimination of restrictions on all coca cultivation, and an overhaul of the national constitution.

With a new President and cabinet in place, USAID is closely supporting peaceful and positive resolution of conflicts through its regular assistance program, continuous policy dialogue with the Government of Bolivia, and a special series of carefully targeted activities in specific areas. Much of Bolivia's political and social conflict is rooted in the deep and widespread poverty and social exclusion of the indigenous majority, which is aggravated by inequitable economic growth, over-reliance on price-volatile exports, lack of state presence in most rural and some urban areas, government corruption and administrative incompetence, and a weak and under-capitalized private sector.

Though significant progress has been made over the last 20 years, high levels of poverty and social exclusion remain. Currently, about 58% of the Bolivian population lives in poverty, and 24% live in extreme poverty. Over 80% of the rural population is poor. Economic growth and job creation are lagging due to limited financial services, poor productive infrastructure, lack of access to technology and markets, and low levels of education. A worldwide economic downturn, coupled with economic crises in neighboring Argentina and Brazil, has exacerbated Bolivia's economic problems. The crisis and its attendant problems are becoming a threat to the consolidation of Bolivia's democracy and economic stability. Despite important progress in social indicators, Bolivia still has the second highest level of infant, child, and maternal mortality in the hemisphere. Land tenure is becoming the most contentious issue in rural areas, occasionally leading to deadly violence. Illegal coca replanting is a constant threat to the successful implementation of Bolivia's anti-narcotics strategy. These issues require close and continuous attention to avoid the failure of the Bolivian state.

The Government of Bolivia and USAID have a strong and positive partnership. The Government of Bolivia remains committed to the objectives of USAID's collaboratively developed strategy; however, the Government's political weakness and severe fiscal crisis impede its ability to fully meet its commitments. The private sector has also been significantly debilitated by the recession and its own structural weaknesses.

The USAID Program: The Data Sheets provided below cover the six strategic objectives for which USAID is requesting FY 2004 and FY 2005 funds. These objectives are designed to advance key U.S. Government foreign policy objectives regarding Bolivia and the requirements of Bolivia as represented in its government policy agenda, including the Poverty Reduction Strategy Paper. The objectives focus on: improving the responsiveness and transparency of national and local governance and the justice system; increasing economic opportunities for poor rural populations through business development, trade, and improved agricultural productivity; improving health practices and the quality of, and access to, health services; sustainably managing natural resources and biodiversity; promoting licit income alternatives for rural farm families to reduce excess coca production; and providing budget support for the payment of multilateral debt held by the Bolivian Government. USAID is adjusting its current program to help address, in an expedited manner, the causes of the recent violent conflict. Changes include increased focus on the indigenous population especially in conflict-prone geographic areas, such as the city of El Alto, and measures to increase the State's presence in previously underserved rural and urban areas.

"State presence" in this context refers to the presence of the government as a legal authority and arbiter; service provider (including health, education, and basic infrastructure); and protector of law and order. The effective absence of the State in many areas is a leading contributor to the underdevelopment, poverty, and disorder that prevails there. USAID will also fund a series of targeted high-impact activities addressing urgent economic and social service needs in conflictive areas.

Other Program Elements: USAID's Office of Private and Voluntary Cooperation support ongoing child survival projects implemented by three U.S. private and voluntary organizations (PVOs) under the Democracy, Conflict and Humanitarian Assistance Bureau (DCHA). All projects are in under-served rural areas of Bolivia where child health is at greatest risk. DCHA also funds a political party training activity. Under the Economic Growth, Trade, and Agriculture (EGAT) Bureau, various grants support U.S. non-governmental organizations to expand financial services in Bolivia as well as a Farmer-to-Farmer program, which provides short-term, U.S. volunteer technical assistance to increase farm and agribusiness productivity. EGAT also funds an adult literacy program and is helping to support the 2003 Demographic and Health Survey. The Centers for Excellence in Teacher Training, managed by the Latin America and Caribbean Bureau's Office of Regional Sustainable Development (LAC/RSD), provides teacher training. USAID also funds vocational education aimed at increasing the employability of poor youth through skills training. LAC/RSD also manages a grant to help fight trafficking in persons in Bolivia. The Global Development Alliance (GDA) Office supports ongoing efforts in the forestry sector through the Bolivian Chamber of Forestry. These efforts were matched by the Chamber itself; Fundación PUMA, an environmental fund established under the Enterprise of the Americas Initiative; and the Swedish Development Agency. A new GDA activity will increase cocoa production in partnership with the U.S. chocolate industry. USAID is also exploring a potential partnership with a local natural gas producer/distributor which will supply funding for the establishment of a permanent agricultural research and extension service in the Chapare region. Finally, as part of USAID's South America Regional program, trade capacity building and malaria control activities are also implemented in Bolivia.

Other Donors: Donor coordination is strong in Bolivia, with the participation of eight multilateral and 15 bilateral donors. Thirteen of the bilateral donors are DAC (Paris Club/Consultative Group) members. Principal areas of donor interest are health, education, democracy and poverty reduction. The United States and Japan are the largest bilateral donors, and collaborate in the health sector. Multilateral donors include the United Nations agencies, the World Bank, the Inter-American Development Bank, and the European Union. The donors' assistance is organized around the Bolivian Poverty Reduction Strategy Paper and the Government of Bolivia's Plan of Action. USAID plays an active role in donor coordination and will continue to take a leadership position in the Alternative Development Donor Group. Spain, the United Nations Drug Control Program, and the European Union are also active members of this group.

Brazil
PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	9,150	10,300	9,850	7,638
Development Assistance	4,799	7,967	7,876	6,993
Total Program Funds	13,949	18,267	17,726	14,631

STRATEGIC OBJECTIVE SUMMARY				
512-001 Environment Program				
DA	3,349	0	0	0
512-002 Clean and Efficient Energy Program				
DA	1,000	0	0	0
512-003 HIV/AIDS and TB Program				
CSH	7,700	0	0	0
512-005 At-Risk Youth Program				
CSH	1,450	0	0	0
DA	450	0	0	0
512-007 Communicable Diseases Program				
CSH	0	9,300	9,050	6,660
512-008 Environment Program				
DA	0	6,319	5,000	4,738
512-009 Energy Program				
DA	0	1,294	1,276	1,000
512-010 At-Risk Youth Program				
CSH	0	1,000	800	978
DA	0	354	600	400
512-011 SME Growth, Trade, and Poverty Reduction				
DA	0	0	1,000	855

Mission Director,
Richard Goughnor

Brazil

The Development Challenge: The most pressing development challenge facing Brazil today is how best to generate sustainable economic growth while responding to overwhelming public pressure for rapid solutions to extensive poverty and social inequality. During the first year of President Luis Inacio Lula da Silva's administration, considerable progress was made in stabilizing the economy: inflation is under control, interest rates are beginning to fall, and investor confidence is rising. Likewise, several programs have been launched to address hunger, unemployment, and needed improvements to Brazil's health care and education systems. However, the effectiveness of these measures, particularly in the social sector, is still in question. Heavy foreign debt remains a serious constraint to productive spending, crime has grown dramatically, and unemployment stands at 12.9% nationally and as high as 18% in major urban centers, while Brazil's income distribution continues to be among the world's worst. Approximately 15% of the nation remains illiterate, nearly 20 million Brazilians lack access to reliable energy and an estimated 53 million people (one third of the population) live below the international poverty line. Brazil is home to nearly 60% of all HIV/AIDS cases in South America and the majority of its malaria cases, and is a high-burden tuberculosis country. Finally, environmental degradation continues at an alarming rate, with increased pressure to look towards the Amazon for the resources needed to generate economic growth and employment. It is important to note, however, that the Government of Brazil (GOB) has achieved outstanding success in implementing the kinds of fiscal and monetary policies that will be critical to eventually turning the tide on these daunting socio-economic challenges. In addition, USAID has found the Government of Brazil and Brazilian civil society to be highly collaborative and committed partners in joint efforts to address the U.S. transnational priorities of combating HIV/AIDS and other communicable diseases, protecting the region's unique biodiversity and natural ecosystems, mitigating global climate, and combating poverty.

The USAID Program: USAID is working with Brazil to address regional and global issues of mutual concern and in addressing its serious socio-economic problems. USAID's program, for which FY 2004 and FY 2005 funding is being requested, comprises five objectives contributing to: (1) protection of Brazil's environment and unique biodiversity;(2) reduction of greenhouse gas emissions through the promotion of alternative energy and energy efficiency;(3) increased training and employment opportunities for disadvantaged Brazilian youth and the elimination of trafficking in youth; (4) HIV/AIDS prevention and decreased tuberculosis and other communicable diseases; and (5) promotion of free trade and small and medium enterprise development, as well as support for the Government of Brazil's Zero Hunger program. Implementation of the above strategic objectives began in October 2003, following the approval of a six-year Country Strategic Plan (FY 2003 - FY 2008).

Four of the current objectives build upon successes achieved under USAID's Country Strategic Plan (FY 1998 - FY 2002), while the fifth reflects U.S. foreign policy priority of promoting free trade, the Free Trade Area of the Americas (FTAA), and enhanced hemispheric integration. This objective will also contribute to Brazil's efforts to alleviate poverty and overcome social exclusion by promoting economic growth in the small and medium enterprise sector and supporting a social safety net.

USAID does not provide funding directly to the Government of Brazil, but rather, works through U.S. and Brazilian non-governmental organizations (NGOs) and firms. In addition, USAID works with its contractors and grantees to form strategic partnerships with national and local government and other donors, which have resulted in shared development agendas, enhanced resources, and a high degree of collaboration. USAID also manages four Global Development Alliances in Brazil that are leveraging private sector funds and support for activities that prepare disadvantaged youth for employment and promote the use of certified forest products. Throughout its program portfolio, USAID has identified extremely capable and committed government, NGO, private sector and donor community partners.

Other Program Elements: USAID, through centrally-funded programs, implements complementary activities to the bilateral programs described in the data sheets. For example, in the health sector, in FY 2003 HIV/AIDS prevention programs and key family planning studies are supported through the Global Health Bureau. Also, under the Amazon Malaria initiative a malaria control program is managed through

the South American Regional program. In support of free trade and hemispheric integration, the Latin America and Caribbean Bureau funds supplemental activities, such as six Free Trade Area of the America (FTAA) outreach events in major Brazilian industrial cities, the travel of key public opinion makers to Mexico to observe the impact that the North American Free Trade Agreement (NAFTA) has had on that country, and a Washington visit by members of the Brazilian congress to discuss free trade with their U.S. counterparts.

The International Youth Foundation received support for its Entra 21 program, which supports youth employment training, through the Global Development Alliance Secretariat with significant support provided by the Inter-American Development Bank (IDB). The goal of the Entra 21 program is to enhance opportunities for disadvantaged youth in the formal job market, which complements similar Mission-funded activities in the northeastern region of the country.

USAID's Bureau for Economic Growth, Agriculture and Trade (EGAT) supported Lions Clubs International Foundation with assistance to disadvantaged youth. Finally, in the energy sector, EGAT supported development of: (1) a joint environment/energy initiative to promote awareness and engagement of indigenous populations in the development of small hydro-electric plants; (2) two solar powered tele-centers in the Amazon to connect isolated communities to the internet; and (3) a diagnostic study of the possibility of using performance-based contracts for public sector energy efficiency projects.

Other Donors: USAID collaborates extensively with bilateral and multilateral donors, the Government of Brazil, and the country's private sector, for the purpose of leveraging funds and coordinating efforts, and plays a key role in donor coordination by actively participating in conferences, workshops, and meetings that address USAID's focus areas. In addition, USAID takes the lead in facilitating annual meetings in the environment and energy sectors, which bring key government, international donor, and NGO representatives together to discuss challenges and priorities, lessons learned, and potential areas of collaboration.

Key interest areas of other donors in the environment sector include: protection of the Brazilian rainforest, biodiversity conservation, natural resource management, expansion of parks and indigenous reserves, sustainable forest management and the elimination of predatory logging; promotion of ecotourism and green markets for forest products, poverty alleviation and economic activities compatible with environmental protection, community-based development projects, indigenous issues, and institutional strengthening.

USAID also meets regularly with a multi-donor United Nations Joint Program on HIV/AIDS theme group to ensure cooperation on prevention activities. USAID also meets with the Pan-American Health Organization to address tuberculosis and malaria treatment and prevention. In the energy sector, the United Nations Development Program (UNDP) is focused on co-generation issues, while Japan and Great Britain share USAID's interest in promoting renewable, alternative energy sources and energy efficiency. In the area of assisting disadvantaged youth and combating trafficking and the sexual exploitation of youth, USAID collaborates with the Brazilian Ministries of Justice, Labor, and Education, several NGOs, the World Children's Fund, and the United Nations Educational, Scientific and Cultural Organization (UNESCO).

The World Bank and European Union are the first and second largest development partners, respectively. They are followed by USAID, the Inter-American Development Bank, the German Government, UNDP (education, environment, and health), the United Nations Children Fund, the Canadian Government (health and education), and Great Britain (health and sustainable development).

**Colombia
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Andean Counterdrug Initiative	101,900	122,200	122,200	122,300
Total Program Funds	101,900	122,200	122,200	122,300

STRATEGIC OBJECTIVE SUMMARY				
514-007 Democracy				
ACI	22,000	24,000	25,000	25,000
514-008 Alternative Development				
ACI	49,400	50,429	54,200	54,300
514-009 Internally Displaced Persons				
ACI	30,500	43,300	43,000	43,000
TRANSFER				
ACI	0	4,471	0	0

Mission Director,
Michael Dean

Colombia

The Development Challenge: Since President Alvaro Uribe Velez took office in August 2002, he has worked relentlessly to reestablish state control throughout the country, revitalize the Colombian economy, and combat corruption. Throughout 2003, the Colombian economy has grown at roughly 3% per quarter. Colombia's ranking in the Transparency International Corruption Index improved 17% between 2000 and 2003, the highest improvement among the more than 40 medium and low-income countries surveyed. Similarly, the country's human rights record improved significantly as the national homicide rate fell by 22%, trade unionist killings were reduced by 68%, and kidnappings fell by 27%. Moreover, the National Planning Department reported a 60% reduction in the number of attacks on vulnerable civilian populations and a 46% decrease in the forced displacement of Colombian families. With critical support from the United States, the Colombian military is hitting the country's illegal armed groups harder, as demonstrated by an 85% increase in desertions. Furthermore, the combined tactics of eradication, interdiction, and alternative development resulted in a coca crop reduction of 37.5% between 2000 and 2002 and an additional 43% between 2002 and 2003, exceeding Plan Colombia goals.

Despite these significant accomplishments, Colombia continues to face several challenges. Numerous rural municipalities remain 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 15% of rural dwellers have access to telephone services, 62% to potable water, and 32% to sewage treatment services. These conditions are exacerbated by a 15% illiteracy rate. World Bank studies estimate that Colombia will require sustained economic growth of 4% through 2010 to reduce poverty to the levels recorded in 1995. This is especially challenging considering that the Uribe Government has tightened fiscal spending and that foreign direct investment in 2002 fell to just under \$2 billion -- a decline of about one-half relative to the mid-1990s. Finally, lack of state presence in large portions of the country has allowed illegal narcotics production to flourish and armed, drug-dealing terrorist organizations to continue inflicting violence against the state and civilians.

The USAID Program: Since USAID initiated support for Plan Colombia in 2000, significant advances have been made in expanding state presence, strengthening Colombian democracy, creating licit economic opportunities, and providing assistance to the internally displaced. However, given the magnitude and complexity of the challenges facing Colombia, much remains to be done. Coca and poppy cultivation has sprouted in new regions; democratic institutions, especially in rural areas, remain fragile; and thousands of rural Colombians continue to abandon their homes to escape guerilla and paramilitary violence. In confronting these realities, USAID's strategy in Colombia directly supports President Uribe's Democratic Security Policy, which seeks to consolidate the rule of law and defend and strengthen democratic institutions throughout the country.

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

Other Program Elements: USAID assists the Government of Colombia in the management of a \$45 million environment fund created under the Enterprise for the Americas Initiative, which forgives foreign debt in exchange for environmental and child protection initiatives. In addition, activities in trade capacity building and malaria control are implemented in Colombia under USAID's South America Regional program. USAID is also carrying out activities in Colombia through the Latin America and the Caribbean Bureau and the Democracy, Conflict Prevention, and Humanitarian Assistance Bureau. Programs include democracy, environment, and health.

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 \$49.9 million in 2002 to strengthen the Colombian social safety net and support the peace process. Other bilateral development assistance to Colombia reached roughly \$65 million in 2002 with Germany, Spain, and the Netherlands the most significant contributors.

USAID has been an active participant in the "Group of 24" international donors committee. This committee, which includes 24 primary donor countries active in Colombia, has met on a regular basis to discuss and coordinate programs and policies. The "Group of 24" also has worked closely with the Colombian Government to assist in preparing for the international donors conference scheduled for March 2004. The U.S. Government and other donor countries have helped the Colombian Government formulate a strategy for presenting its medium and long-term programmatic and policy priorities to the international donor community as a means of garnering greater support and funding for Plan Colombia.

**Cuba
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Economic Support Fund	5,000	6,000	6,959	9,000
Total Program Funds	5,000	6,000	6,959	9,000

STRATEGIC OBJECTIVE SUMMARY				
516-001 Civil Society Developed				
ESF	5,000	5,668	6,959	9,000

TRANSFER				
ESF	0	332	0	0

Mission Director,
David Mutchler

Cuba

The Development Challenge: Cuba continues to suffer under one of the world's most repressive regimes. The Cuban government denies its people the opportunity to read the United Nations Declaration on Human Rights, labeling it a "subversive document." The government continues to violate fundamental human rights, and directly controls all educational institutions, trade unions, and formal economic activity. It censors access to all information, banning foreign books, newspapers and magazines, and forbidding importation of videocassettes and videocassette recorders. Freedom House, Human Rights Watch, the Committee to Protect Journalists, and other human rights organizations have systematically documented the human rights abuses of the Cuban government.

During 2003, the Cuban government cracked down on Cuba's emerging independent civil society. The government imprisoned 75 leading human rights activists, independent journalists, and independent librarians, sentencing them to 15 to 25 year prison terms. Nevertheless, the peaceful opposition continued to operate openly. Organizers of a petition calling for a referendum on economic and political reform gathered nearly 30,000 signatures and presented them to the National Assembly. The government dismissed this action, although it is authorized by the current Cuban Constitution.

Cuba's sugar dropped 40% in 2003. Tourism, nickel exports and overseas remittances provide most of the island's foreign exchange. During 2003, increased tourist visits, and higher sugar and nickel prices helped to bolster foreign exchange earnings, but oil prices remained high, and disruptions to supplies from Venezuela added to the procurement cost of Cuba's oil imports. Cuba saw little foreign direct investment during 2003 and continued its default on its more than \$20 billion in foreign debt. Cuba suffered no hurricanes in 2003, but continued a slow recovery from storms that struck central and western agricultural areas the previous year.

Although the Cuban government reported GDP increased 2.6% in 2003, the average Cuban's standard of living and calorie consumption level remained below that of 1991 when the collapse of the Soviet Union resulted in the withdrawal of massive Soviet subsidies. The level of literacy is quite high, but books and newspapers are in short supply. Cuban government health statistics report one of the world's lowest rates of infant mortality: 7 per 1,000 live births, but many former Cuban health officials say this claim is exaggerated. Repeat abortion is the most prevalent form of family planning practiced on the island.

Unofficial estimates of unemployment in Cuba exceed 25%. Unemployment and under employment in Cuba increased substantially after the government closed more than 70 sugar mills, displacing more than 100,000 sugar workers and their dependents. In 2003, the government again tried to reduce self-employment by increasing already high taxes on owners of small restaurants and those leasing out rooms to tourists. The government issued 210,000 licenses for self-employment in 1997. The number fell to 110,000 by the end of 2001. In 2002, the government stopped issuing new licenses.

The country remains on the list of terrorist countries compiled by the U.S. Department of State. The goal of U.S. policy toward Cuba is to promote a rapid, peaceful transition to democracy. To achieve this goal, U.S. policy continues a multifaceted approach: comprehensive economic sanctions; outreach to the Cuban people; promotion and protection of human rights; multilateral efforts to press for democracy; and migration accords to promote safe, orderly and legal migration.

The USAID Program: To support a rapid, peaceful transition to democracy in Cuba, USAID focuses on development of civil society through information dissemination. The objective is to increase the flow of accurate information on democracy, human rights, and free enterprise to, from, and within Cuba, as authorized by the Cuban Democracy Act of 1992 and the Cuban Liberty and Solidarity (LIBERTAD) Act of 1996. Authorized assistance includes informational material, assistance to victims of political repression and their families, support for democratic and human rights groups in Cuba, and support for visits to Cuba by independent international human rights monitors.

USAID requests funds under the formulated objective, "Civil Society Developed through Information Dissemination," as described in the Data Sheet below. The program provides grant support to U.S. universities and nongovernmental organizations to further achievement of this objective. The program also encourages 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 seven years, USAID has provided \$30 million to 25 U.S. universities and nongovernmental organizations for this purpose.

Other Program Elements: USAID participates in all five working groups of the Presidential Commission for Assistance to a Free Cuba, chaired by the Secretary of State. These groups plan for U.S. Government support to a future transition government in Cuba.

Other Donors: The Roman Catholic Church provides assistance to CARITAS Cubana, one of the few independent Cuban nongovernmental organizations. In 2000, Canada, China, Russia, the European Union, Japan, and the United Nations Development Program delivered more than \$90 million in economic and humanitarian aid through Cuban government organizations.

Dominican Republic PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	9,532	12,508	12,700	11,354
Development Assistance	6,450	8,631	10,982	8,324
Economic Support Fund	2,300	3,000	2,982	3,000
Total Program Funds	18,282	24,139	26,664	22,678

STRATEGIC OBJECTIVE SUMMARY				
517-002 Basic Health Care				
CSH	1,932	0	0	0
517-003 Democracy Consolidation and Better Governance				
DA	700	0	0	0
517-007 Policy Reform				
DA	575	0	0	0
ESF	600	0	0	0
517-008 Economic Growth				
DA	2,375	6,369	7,618	5,584
517-009 Consolidating Democracy and Improving Governance				
DA	2,800	2,262	3,364	2,740
ESF	1,700	3,000	2,982	3,000
517-010 Improved Health Services and Systems				
CSH	7,600	12,508	12,700	11,354

Mission Director,
Elena Brineman

Dominican Republic

The Development Challenge: The Dominican Republic is facing enormous challenges - hardship not seen in this country since the early 1990s. Serious economic and political crises - including three failed banks, a government fiscal crisis, a currency that has lost half of its value, high inflation rates, a serious shortage of electricity generation leading to sporadic, localized blackouts throughout the country, a divisive 2004 presidential campaign, and government corruption and cronyism - are collectively resonating through Dominican society and directly affecting vital government services, especially health, education, and justice. These dilemmas make USAID's work more difficult and important than ever in this country, which is a close U.S. ally for geographic, political, and economic reasons. The biggest challenges in the year ahead will be to help the Dominican Republic regain macroeconomic balance, maintain social services, and strengthen key government and democratic institutions.

The collapse of the country's third-largest bank, Banco Intercontinental (Baninter), was followed by problems with two smaller banks, Banco Mercantil and Bancredito. The Central Bank intervened to secure depositors' money, which led in turn to a huge increase in the quasi-fiscal debt, sustained depreciation of the Dominican peso, sharp increases in the cost of living, and stagnation of salaries while jobs were being lost. After years of vigorous growth, the Dominican government is currently forecasting a negative 1.3% gross domestic product (GDP) growth rate for 2003 with inflation forecast at close to 40%. In 2004, the economy is forecast to contract by 1%, and inflation is forecast to be 14%. Although the government secured a two-year, \$600 million standby agreement with the International Monetary Fund (IMF) in August 2003, its unannounced purchase of two previously privatized but failing electricity distribution companies increased the debt burden beyond IMF agreed-upon limits and the IMF stopped the program after the first disbursement. The IMF is reassessing its agreement with the Government of the Dominican Republic, and a new agreement is expected to gain approval in early 2004. Although tourism, free trade zones, export sectors, and remittances are experiencing healthy growth in response to the upsurge in the U.S. economy, the internal economy, imports, and investments have fallen dramatically and capital flight is evident.

The USAID-funded 2002 Demographic and Health Survey shows an 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 for residents of former sugar cane worker villages is 5.0%. Government expenditures for HIV/AIDS prevention have been limited and largely dependent on external support from international agencies. More than 96% of mothers deliver their newborns with a trained attendant but, paradoxically, maternal mortality continues to be high (estimated at 178 deaths per 100,000 live births) due to poor quality care. Infant mortality is 31 per 1000 births, and vaccination rates continue to be low (the fully vaccinated coverage rate in 2002 was 34.9%). Inequities in access to quality health services remain an important issue, and the government is undertaking a fundamental health sector reform intended to guarantee a basic package of primary care services through health insurance plans. The quality of basic education is poor, particularly for children in rural areas, and public investment in education remains relatively low. Additionally, the sustained influx of illegal and transient Haitians adds to the country's poverty burden and further strains the already inadequate health and education services.

Overall lack of transparency and confidence in public sector institutions, high levels of corruption, lack of respect for the rule of law, and high transaction costs limit the economy's competitiveness. The Dominican Republic is being carefully monitored for human rights violations and trafficking in persons. The May 2004 presidential campaign has begun, and the country will be closely scrutinized for the fairness and transparency with which it is able to conduct the election and transfer power to the winning candidate.

Sustained economic growth and continued social and political progress in the country depend on increasing the country's competitiveness in world markets, resolving the electricity sector crisis, protecting the fragile island environment, addressing the health and education needs of the country's poor, bringing widespread corruption under control, strengthening rule of law, and reinforcing key government and democratic institutions. The Dominican Republic serves as a source of employment and public services

for large numbers of Haitians, while the porous border creates a challenge in controlling illegal activities such as drug, arms, and alien smuggling.

U.S. national interests include ensuring economic prosperity and security in this strategic partner, which has strong economic, trade, diplomatic, and cultural ties to the United States, as well as important links to other Caribbean and Latin American countries. The United States is interested in seeing the Dominican Republic become an active partner in a Free Trade Area of the Americas (FTAA), attain robust democratic institutions where rule of law and respect for human rights predominate, develop efficient and reliable systems for transparent governance, collaborate fully with the war against international terrorism and U.S. efforts to safeguard homeland security, maintain regional stability, deter illegal immigration, curb international crime, fight the spread of HIV/AIDS and other diseases, and safeguard U.S. citizens.

The USAID Program: USAID's objectives are designed to: 1) increase and sustain economic opportunities for all Dominicans, especially the poor; 2) strengthen participatory democracy; and 3) improve the health of vulnerable populations. The economic opportunities portfolio concentrates on institutional changes, policy reforms, and public-private partnerships that will help expand job creation, foster private-sector led growth, increase trade and investment, achieve a sustainable energy sector, expand electrical service in rural areas, improve environmental protection, and enhance the quality of basic education. Through technical assistance to key government institutions coupled with support to sustain dynamic participation of civic action groups, USAID's democracy program fosters continued progress through development and enforcement of the rule of law and advancement of political and electoral reforms and anticorruption systems. In addition to working with the Government of the Dominican Republic to carry out an ambitious health sector reform program, health activities are concentrated on HIV/AIDS prevention and care services, tuberculosis detection and treatment, vaccination coverage for children under age five, community managed clean water systems, and reproductive health services. All USAID programs work with partners from the public and private sectors, nongovernmental organizations, and citizen coalitions.

Other Program Elements: In addition to the bilateral program, the Central America Regional Program (G-CAP) and the Bureau for Latin America and the Caribbean's Office of Regional Sustainable Development (LAC/RSD) each manage two programs in the Dominican Republic. G-CAP's regional trade and investment program trains officials in trade, labor, and energy policies to prepare for the Dominican Republic's integration into free trade agreements. G-CAP's rural diversification program will improve coffee quality and marketing. LAC/RSD manages a program to strengthen regional mechanisms to promote human rights, fortify government accountability, promote decentralization and local governance, and provide outreach to civil society on trade and economic issues. LAC/RSD also manages the Cooperative Association of States for Scholarships (CASS) program, which funds scholarships for socioeconomically disadvantaged students who demonstrate leadership potential. These students study in the United States in programs tailored specifically to meet the development needs of the students' respective countries. The Center of Excellence for Teacher Training (CETT) Presidential Initiative, a program designed to improve teacher training and address high rates of school underachievement and illiteracy in disadvantaged areas, is managed by the USAID mission in Jamaica. The USAID mission in the Dominican Republic also manages initiatives to reduce trafficking in persons as well as a Haiti/Dominican Republic bi-national program to reduce tensions and foster joint development efforts along the Haiti/Dominican Republic border.

Other Donors: Donor coordination in the Dominican Republic is good and roundtables take place regularly to exchange information on issues, funding, and activities. Development assistance to the Dominican Republic in calendar year 2002 totaled \$318 million. After the United States, the largest bilateral donors and their principal areas of focus are Venezuela (petroleum), Japan (agriculture, education, water, urban infrastructure, and health), and Spain (governance, education, environment, health, infrastructure, tourism, and private sector development). Other top bilateral donors include Taiwan, Brazil, Germany, and France. Multilateral donors include the Inter-American Development Bank (the largest donor overall at \$112 million), the World Bank, the European Union, and multiple United Nations agencies.

Ecuador PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Andean Counterdrug Initiative	10,000	15,896	15,000	15,000
Child Survival and Health Programs Fund	0	0	0	351
Development Assistance	6,840	7,127	6,821	6,953
Development Credit Authority	198	0	0	0
Economic Support Fund	17,250	17,500	14,911	15,000
PL 480 Title II	1,530	0	0	0
Total Program Funds	35,818	40,523	36,732	37,304

STRATEGIC OBJECTIVE SUMMARY				
518-001 Biodiversity Conservation				
DA	5,375	5,097	4,691	4,645
ESF	2,000	1,000	1,000	1,000
518-011 Southern Border Development				
ESF	2,250	3,000	1,988	2,000
518-012 Democracy and Conflict Prevention				
DA	85	300	100	0
ESF	8,000	8,251	7,923	8,000
518-013 Northern Border Development				
ACI	10,000	15,896	15,000	15,000
518-014 Economic Opportunities				
DA	1,380	1,730	2,030	2,308
DCA	198	0	0	0
ESF	5,000	5,249	4,000	4,000
TRANSFER				
CSH	0	0	0	351

Mission Director,
Lars Klassen

Ecuador

The Development Challenge: Ecuador is still recovering from the disastrous, twin effects of the interruption in the constitutional order and the collapse of the economy and the banking system that befell the country in 1999. Rampant inflation and capital flight in that same year caused Ecuador to dollarize the economy almost literally overnight, and the country experienced five changes in government in a little over a year. In short, the end of the century saw Ecuador in economic and political shambles, bordering on social chaos. However, Ecuador has made significant strides in recovering from the low points of 1999. The government completed the country's first International Monetary Fund (IMF) standby agreement since the 1980s, and the 2002 presidential election was deemed by international observers as the fairest in Ecuador history. A former army colonel, Lucio Gutierrez won the 2002 elections and took office in January 2003. This year also marks the 25th anniversary of Ecuador's return to democratic elections and civilian rule.

Nevertheless, much remains to be done before stability, development, and prosperity are assured. In 2003, Transparency International ranked Ecuador as the 20th most corrupt country out of 133, as perceived by business people, academics, and risk analysts. Without appropriate policy reforms called for by dollarization, competitiveness suffers. The lack of competitiveness fuels concerns about the stability and the future of dollarization. Although a real gross domestic product (GDP) growth of 3% was originally estimated for 2003, this figure has been adjusted to 2.2%, based on the poor second quarter results, which showed a quarter-on-quarter contraction of 0.8%. The total external debt estimated for 2003 represents 59% of GDP, and debt service estimated as a percentage of earnings from exports reached 20.8%. The most recently reported data indicates an unemployment rate close to 10%, while underemployment is approaching 50%. Over 60% of the population lives in poverty and only 40% has access to safe water.

Furthermore, Ecuador continues to suffer from the destabilizing effects of drug trafficking activities in neighboring countries and the collateral effects on its internal security. Communities along Ecuador's northern border are especially vulnerable to drug-related criminal activity and incursions by guerrillas across the Colombian border. 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, now also has the second highest deforestation rate in South America.

The United States and Ecuador maintain close ties based on mutual interests in upholding democratic institutions; combating drug trafficking; combating terrorism; fostering Ecuador's economic development; building trade, investment, and financial ties; combating poverty; and cooperating and participating in inter-American organizations. Ecuador's position in the heart of South America's most conflicted 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: The Data Sheets provided below cover the five strategic areas for which USAID is requesting FY 2004 and FY 2005 funds: 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 also seeks to increase support for the democratic system by strengthening the transparency and accountability of Ecuador's democratic institutions, fostering greater inclusiveness of disadvantaged groups in its democratic processes, and increasing consensus on policies critical to democratic consolidation. USAID aims at reducing rural and urban poverty by helping to develop a strong and sustainable microfinance sector in Ecuador and by improving the macroeconomic environment for more equitable growth. USAID continues working 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. Finally, USAID assists in the improvement of social and economic conditions of inhabitants along the Peru-Ecuador border,

encourages equitable development on both sides of the border, and fosters economic integration along this border.

USAID does not currently have a health program in Ecuador. However, available health data suggest deterioration in major health indicators since the closing of the health objective in September 2000. Ecuador could benefit from targeted technical assistance in the health sector. Staff from the Latin America and the Caribbean (LAC) Bureau and the Global Health Bureau are working with the USAID mission in Ecuador to define the type of activities that might be feasible for assistance in following years. USAID/Ecuador will transfer \$351,000 in FY 2005 Child Survival and Health funds to the LAC Bureau's Office of Regional Sustainable Development for possible health programming which will be defined in FY 2004, following the results of a USAID-funded national household health survey.

Other Program Elements: In addition to activities described in the program data sheets, USAID's office of Private and Voluntary Cooperation within the Democracy, Conflict, and Humanitarian Assistance Bureau manages a program to increase farm and agribusiness productivity and incomes. The Office of Natural Resource Management within the Bureau for Economic Growth, Agriculture, and Trade manages programs to protect the biodiversity of the Ecuadorian Amazon and improve the well-being of farmers in Ecuador by increasing their capacity to produce, utilize, and market agricultural commodities through cost-effective and environmentally sustainable methods.

USAID manages three South America regional programs that involve Ecuador: 1) the Andean Region Trade Capacity Building program enhances the capacity of the Andean Community (CAN) as a partner in the 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; 2) the Centers of Excellence for Teachers Training (CETT) in the Andean region trains teachers working in disadvantaged communities to improve the quality of reading instruction -- by the end of FY 2003, 527 teachers and 92 school directors participated in this training program; and 3) the Amazon Malaria initiative, which is a malaria control program.

In order to improve current health information, the LAC Bureau is contributing FY 2004 funds to support a national household health survey that will provide detailed data for future health program planning. Subsequent programming, funding levels, and management approaches will be determined based on availability of funds, LAC Bureau guidance, and results from the survey. The LAC Bureau provisionally included Child Survival and Health funding in the LAC Regional Program's FY 2005 budget, as a basis for possible health programming which will be defined in FY 2004.

Other Donors: USAID has worked with the IMF, the World Bank, the Inter-American Development Bank (IDB), and the Andean Development Corporation (CAF) to support government initiatives that have brought inflation under control, reduced budget deficits, and stabilized a financial system that was spinning out of control. USAID's assistance has been instrumental in enabling the Government of Ecuador to obtain balance of payments assistance under the standby agreement with the IMF. Overall development assistance to Ecuador in 2002 totaled approximately \$236 million; the United States accounted for 46% of the grant assistance and continues to be the largest donor, followed by the European Union and Japan. The IDB's strategy for Ecuador is centered on economic stabilization and recovery of growth capacity, poverty reduction, and management of infrastructure with private sector participation. The World Bank is working to consolidate Ecuador's macroeconomic framework, broaden access to economic resources, and strengthen government institutions. The CAF provides funding mainly for infrastructure projects.

El Salvador PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	15,653	9,800	7,150	8,871
Development Assistance	45,640	26,334	26,605	17,342
Economic Support Fund	25,200	0	0	0
PL 480 Title II	0	1,809	0	0
Total Program Funds	86,493	37,943	35,755	26,213

STRATEGIC OBJECTIVE SUMMARY				
519-001 Economic Growth, Agriculture and Education				
DA	6,555	17,285	5,730	0
519-002 Democratic Consolidation and Governance				
DA	3,225	4,950	5,362	0
ESF	200	0	0	0
519-003 Health of Women and Children				
CSH	9,353	9,800	7,150	0
519-004 Clean Water Access				
DA	3,200	4,099	4,500	0
519-008 Earthquake Response				
CSH	6,300	0	0	0
DA	32,660	0	0	0
ESF	25,000	0	0	0
519-021 Ruling Justly				
DA	0	0	0	2,347
519-022 Economic Freedom				
DA	0	0	13,013	11,316
519-023 Investing in People				
CSH	0	0	0	8,871
DA	0	0	0	3,679

Mission Director,
Mark Silverman

El Salvador

The Development Challenge: El Salvador has made progress on all fronts--political, economic and social--despite the problems caused by Hurricane Mitch, the earthquakes of 2001, the U.S. recession and September 11th. In March 2003, El Salvador held its fifth series of free and fair national elections since the 1992 Peace Accords, electing 262 municipal mayors and 84 deputies to the National Legislature. There is every expectation that the upcoming March 2004 presidential elections will also be free and fair, firmly consolidating democratic electoral processes in El Salvador. Over the past three years, while much of Latin America has experienced negative economic growth rates, the Salvadoran economy has maintained a positive average annual growth rate of 2%. Economic growth projections for 2004 indicate a more modest 1.5%-1.8% rate of increase due to a 30% increase in prices of imported oil dampening economic activity. Despite this decade of positive economic growth and a 35% decrease in levels of poverty, the country continues to be challenged by extreme income inequality. In 1991, the poorest 20% received only 3% of the nation's wealth. As of 2002, this percentage has dropped to a mere 2.8%. This declining share of national income for the poor undercuts the significant progress that El Salvador has made over the past decade and poses a serious threat to an emerging democracy. Finally, despite significant reductions in levels of crime and violence over the last five years, they are still at critical levels--a direct disincentive to direct foreign investment and economic growth.

El Salvador still suffers from poverty: approximately 49% of the rural population lives below the poverty line; almost 17% of the population is illiterate; the average educational level among the rural population is 3.4 years; and 61% of the rural population has no access to water piped into the home. Security issues in urban and rural areas and low citizen confidence in the justice system compound the poverty problem and are a strong disincentive to investment and growth. Centralization of power and decision-making has resulted in the national government being perceived as unresponsive and unaccountable to citizen concerns.

El Salvador's strategic location and strong historical and cultural ties to the United States make political and economic stability in El Salvador a vital U.S. interest. El Salvador's adoption of the political and economic liberalization that the United States has encouraged has made it a model for developing countries in the region. The United States is El Salvador's most important trading partner, receiving 67.3% of its exports and providing 50.1% of its imports. There is both hope and expectation that the recently concluded U.S.-Central American Free Trade Agreement (CAFTA) between the United States and four Central American countries will be key to the future economic growth and prosperity for El Salvador and the region. An estimated two million Salvadorans live in the United States, many of them illegally. By promoting prosperity in El Salvador through USAID programming and mechanisms such as CAFTA, the United States can strengthen the Salvadoran economy, thereby reducing the flow of economic migrants to the United States and the country's vulnerability to narcotics transshipment and trafficking in persons.

The USAID Program: FY 2004 and FY 2005 are transition years as USAID concludes ongoing programs under its 1997-2004 strategy and begins programs under its new FY 2004-FY 2008 El Salvador Country Plan under the Central America and Mexico (CAM) Regional Strategy. Accordingly, in FY 2005, USAID will conclude four objectives that focus on: 1) economic opportunities for rural poor families, 2) promote democracy and good governance, 3) improve health of rural Salvadorans, and 4) increase rural household access to clean water. USAID will also finish its high-profile earthquake recovery program, having contributed to significant reconstruction of rural housing, health and education facilities, water systems, and reactivation of the most affected sectors of the rural economy. Under the CAM Regional Strategy, and consistent with the Millennium Challenge Account, USAID will initiate a new objective--Economic Freedom--in FY 2004, and will begin the new Investing in People and Ruling Justly objectives in FY 2005. Activities and funding requests under these objectives are described in the Data Sheets.

Other Program Elements: In addition to the bilateral program, the Regional Central American Program (G-CAP) also manages programs in El Salvador. G-CAP provides training to the electricity regulatory body to help it comply with the responsibilities, functions, and roles laid out in its mandate. G-CAP will

continue working with HIV/AIDS high-risk populations to control and prevent the spread of HIV/AIDS through behavioral change interventions at the community level. Another G-CAP program, the Environmental Program for Central America (PROARCA), will continue supporting environmental conservation of the Gulf of Fonseca, and will assist El Salvador in the area of clean production related to the CAFTA. Finally, the regional quality coffee program will continue to improve production, processing, and marketing of high quality specialty coffees grown by small and medium-scale coffee producers.

Through the Department of State's International Criminal Investigation Training and Assistance Program (ICITAP), assistance is provided to continue strengthening community policing. USAID's Economic Growth, Agriculture and Trade Bureau (EGAT/NRM) assists projects protecting migratory birds and their winter habitats in El Salvador's El Imposible National Park and works with a local NGO to provide rural water quality testing. USAID's Democracy, Conflict, and Humanitarian Assistance Bureau funds activities through the Farmer-to-Farmer Program and the Private and Voluntary Cooperation Program to promote economic opportunities for the rural poor.

Other Donors: Donor coordination in El Salvador is dynamic. The United States remains the largest bilateral donor. Multilateral lending institutions continue to provide the largest share of economic development assistance to El Salvador (76%) of the total. Major lending institutions in order of contributions include: the Inter-American Development Bank focusing on earthquake reconstruction, infrastructure, legislative and judicial strengthening, microfinance, agribusiness, local governance, education and modernization of the state; the World Bank focusing on earthquake reconstruction, education, health infrastructure; and the Central American Bank for Economic Integration focusing on rural development, markets, health, and earthquake-related infrastructure reconstruction. Active multilateral donors in order of significance include the European Union (earthquake reconstruction), World Food Program (health), United Nations Children's Fund (health), United Nations Development Program (rule of law and local development), and the Pan American Health Organization (health). Among the bilateral donors, Japan ranks second to the United States and provides assistance for earthquake reconstruction, education, and the agriculture sector; Germany ranks third and provides assistance for health and local governance; Spain is next and provides assistance for earthquake reconstruction and judicial strengthening.

Guatemala PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	15,700	12,017	11,400	9,723
Development Assistance	12,320	14,810	11,099	6,647
Development Credit Authority	0	530	0	0
Economic Support Fund	10,000	6,500	4,971	4,000
PL 480 Title II	21,502	16,673	11,154	17,631
Total Program Funds	59,522	60,530	38,624	38,001

STRATEGIC OBJECTIVE SUMMARY

520-001 Democracy				
DA	2,000	1,000	0	0
ESF	1,000	0	0	0
520-002 Better Educated Rural Society				
DA	2,750	4,550	0	0
520-003 Better Health for Women and Children				
CSH	15,700	12,017	0	0
520-004 Increased Rural Incomes				
DA	3,500	4,792	0	0
DCA	0	530	0	0
PL 480	0	16,673	0	0
520-005 Natural Resource Management				
DA	4,070	3,468	0	0
520-006 Support the Implementation of the Peace Accords				
DA	0	1,000	0	0
ESF	9,000	6,250	0	0
520-021 Ruling Justly				
DA	0	0	1,821	1,409
ESF	0	0	4,971	4,000
520-022 Economic Freedom				
DA	0	0	5,878	2,501
PL 480	0	0	5,654	10,000
520-023 Investing in People				
CSH	0	0	11,400	9,723
DA	0	0	3,400	2,737
PL 480	0	0	5,500	7,631
TRANSFER				
ESF	0	250	0	0

Mission Director,
Glenn Anders

Guatemala

The Development Challenge: Guatemala has passed a critical juncture in 2003 by holding the most participatory election in its democratic history. Both presidential candidates in the December run-off election were individuals of character, who advocated social reform. Business sector leaders are energetically engaged in initiatives to meet Millennium Challenge Account Goals, such as extending education and achieving universal access to basic health care. The administration of newly elected Oscar Berger will enjoy strong popular support and a mandate to clean up government. Moreover, it will be able to count on United Nations and donor backing for a special commission to investigate organized crime and free Guatemala from its dreadful influence. Guatemala, as one of the strongest supporters of the U.S. Central American Free Trade Agreement (CAFTA) during negotiations and as Central America's largest economy, will take full advantage of its unprecedented opportunities for investments to spur economic growth. The change of government affords an important opportunity to reverse negative trends in the country. Donor support will remain essential, however, to keep Guatemala on the positive democratic path and avoid any fall towards a failing state so near to U.S. borders.

Guatemala's \$23.3 billion economy and population of 12 million are the largest in the region, yet it has a highly unequal distribution of income and pervasive poverty. Despite a per capita gross national income of \$1,740, its lower-middle income classification is deceiving, masking extreme inequalities between urban, largely ladino (non-indigenous) and rural, indigenous populations. Over half (56%) of its population lives in poverty, and 21.5% of its people are extremely poor. Guatemala ranks among the worst in the region for life expectancy, infant mortality (39 per 1,000 live births), maternal mortality (153 per 100,000 live births), and chronic malnutrition (49%). Only three out of every 10 school-age children graduate from the sixth grade, and only one in 20 enters high school. Guatemala's complex topography and its 23 languages hugely complicate efforts to expand education and health services, and contribute to an extremely low rate of labor productivity. Agriculture, which employs the majority of the poor, was particularly hard hit from the combined impact of the worldwide economic downturn and crises in the world coffee and cardamom markets.

On the positive side, the United States is Guatemala's most important trading partner, accounting for 30% of its exports and providing 36% of its imports. Remittances (\$1.5 billion) from Guatemalans in the United States are the second leading source of foreign exchange. Guatemala's rich natural resource base and location on Mexico's southern border position the country to benefit significantly from an expansion of trade--both within the region and with the United States and Mexico. Guatemala is currently classified as a noncooperating country under the Financial Action Task Force (FATF) criteria because of vulnerability to money-laundering. However, the country has made substantial progress in all areas and could be found to be fully compliant by the next FATF meeting in February 2004.

U.S. national interests in Guatemala include the containment of illegal migration, organized crime, and narco-trafficking; strengthening of democracy; fulfillment of the Peace Accords; and building trade capacity. Strengthening Guatemala's weak governmental institutions and fostering broad-based economic growth are essential to effective collaboration in containing illegal migration, combating organized crime and drug trafficking, and addressing other potential threats to homeland security. A free and fair national election in 2003, leading to a peaceful transition in power, is a major step in this direction. Following decertification in 2002 for failing to cooperate fully to combat narco-trafficking, Guatemala made significant efforts during 2003 and was recertified in September 2003. While cooperation on combating drug trafficking has improved significantly, Guatemala remains the region's main transit point for illegal migrants and narcotics en route to the United States.

The USAID Program: The Data Sheets provided below cover the three new objectives for which USAID is requesting FY 2005 funds. These objectives are part of the new regional strategy for Central America and Mexico and support institutional changes that reinforce democracy and the rule of law, improve the quality of basic education and the health of rural families, and increase trade, rural incomes, and food security while improving natural resource management and conservation.

Other Program Elements: USAID's Central America Regional Program provides technical assistance to strengthen Guatemala's understanding of trade issues, control and contain HIV/AIDS, promote rural diversification, and support environmental conservation and clean production.

USAID's Office of Regional Sustainable Development within the Latin America and Caribbean Bureau (LAC/RSD) manages several democracy and governance activities that provide technical assistance, training and membership to regional networks of nongovernmental organizations (NGOs), human rights ombudsmen, and municipalities. These activities involve the Inter-American Democracy Network, the Inter-American Institute of Human Rights, the Federation of Municipalities of Central America, the Americas Anti-Corruption and Accountability project, the Inter-American Coalition for the Prevention of Violence, the Justice Studies Center of the Americas, the U.S. Department of Justice's ICITAP police training, as well as municipal development. In addition, LAC/RSD supports clean production and activities to preserve biological diversity. LAC/RSD's regional health initiatives for maternal child health/family planning, health sector reform, and HIV/AIDS and infectious diseases work through the Pan American Health Organization, a health NGO strengthening program. LAC/RSD funds several activities to increase access to and the quality of primary education, including the Program for Educational Reform in the Americas, the Civic Engagement for Education Reform in Central America program, and the Center for Excellence in Teacher Training in Honduras.

The Bureau for Democracy, Conflict and Humanitarian Assistance manages a matching grants program, which, through Project Hope, Curamericas, and Habitat for Humanity International, leverages financial resources to improve primary health care, support institutional strengthening of non-profit housing organizations, and alleviate poverty through microenterprise development. The Global Health Bureau's Child Survival Program funds activities that provide technical assistance to reduce infant, child and maternal mortality and morbidity.

The Bureau for Economic Growth, Agriculture, and Trade (EGAT) manages Partnerships for Food Industry Development, which, through Michigan State University and private sector partners, is assisting fruit and vegetable producers to meet developed market requirements for their products. EGAT also funds the Farmer-to-Farmer Program, which provides short-term, U.S. volunteer technical assistance to increase farm and agribusiness productivity. Finally, EGAT runs the Integrated Pest Management/Collaborative Research Support Program.

Other Donors: USAID has successfully encouraged other donors to build upon its pioneering pilot programs in education and health, and has played a pivotal role in the Consultative Group on Guatemala, which involves all the major donors. Overall development assistance to Guatemala totals about \$998 million per year, excluding debt relief. The United States and Japan (health, education, and agriculture) are Guatemala's first and second largest bilateral partners, respectively. Other major bilateral donors and their principal areas of focus include Germany (education and health), Canada (rural development), Sweden (social sectors), the Netherlands (Peace Accords and the environment), and Norway (social sectors).

Multilateral donors, listed in order of program size, include the Inter-American Development Bank (infrastructure, social sectors, and financial reform); the Central American Bank for Economic Integration (infrastructure); the World Bank (financial reform and physical infrastructure); the European Union (Peace Accords implementation and decentralization); and the United Nations system/agencies, including the World Food Program, the United Nations Development Program, the United Nations Children's Fund, the World Health Organization, and the Food and Agriculture Organization.

**Guyana
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	1,000	4,200	1,700	1,700
Development Assistance	3,100	2,180	2,750	4,957
Total Program Funds	4,100	6,380	4,450	6,657

STRATEGIC OBJECTIVE SUMMARY				
<i>504-001 Economic Growth and Opportunity</i>				
DA	1,600	836	0	0
<i>504-003 Prevent the Spread of HIV/AIDS Among Youth</i>				
CSH	1,000	4,200	0	0
<i>504-004 Governance and Rule of Law</i>				
DA	1,500	1,344	0	0
<i>504-005 Reduced Impact of HIV/AIDS</i>				
CSH	0	0	1,700	1,700
<i>504-006 Democratic Governance Consolidated</i>				
DA	0	0	1,750	1,957
<i>504-007 Environment for Sustained Growth of Exports</i>				
DA	0	0	1,000	3,000

Mission Director,
Michael Sarhan

Guyana

The Development Challenge: Guyana's development continues to be impeded by ethnic and political polarization. This polarization negatively affects almost every sphere of national life and periodically leads to government paralysis, as it did during the minority party's boycott of parliament from February 2002 to May 2003. While the two dominant parties have since agreed on a broad range of constitutional reforms that could have a positive influence in democratization and restoration of the economy, the government has moved slowly to implement these reforms. Guyana currently faces a declining economy, a high level of debt, rising crime, social malaise, continued out-migration of skilled workers, narcotics trafficking, and a generalized HIV/AIDS epidemic. In 2002, Guyana's external debt was \$1.2 billion. It is one of the Hemisphere's poorest countries, with a per capita gross domestic product (GDP) of \$797 in 2002. Roughly 35 percent of the population lives below the poverty level. Guyana also has one of the lowest indicators of health status among Caribbean countries. Maternal mortality is 190 per 100,000 live births; infant mortality is 54 per 1000. The United States has several foreign policy interests in Guyana, given Guyana's geographic proximity to the United States, its participation in the Caribbean Community (CARICOM) and the Third Border Initiative, and the large expatriate Guyanese community living in the United States. The United States has a vested interest in democracy and human rights, regional stability and economic growth, stemming the flow of narcotics and illegal immigrants into the United States, as well as a humanitarian and strategic concern for Guyana's HIV/AIDS epidemic.

The USAID Program: In FY 2004, USAID will begin implementing a new five-year Country Strategic Plan (FY 2004 - FY 2008). This strategic plan builds upon past program accomplishments. USAID's development program addresses Guyana's most pressing development challenges and concentrate on institutional changes that reduce the threat of HIV/AIDS, foster continued democratic reform, and create economic prosperity. Guyana is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). All proposed HIV/AIDS activities are being integrated into PEPFAR and are subject to the approval of the U.S. Global AIDS Coordinator. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005. USAID plans to implement programs that support conflict resolution, anti-corruption and transparency, civil society and citizen participation, trade related policy reform, private sector export development.

Other Program Elements: USAID's Housing and Urban Development Office, under the Making Cities Work Program, conducts a visitor exchange program between Guyana's second largest city, New Amsterdam and Huntsville, Texas. Management and technical teams from Huntsville provide Guyanese officials with invaluable insights on management and administration issues as well as citizens' involvement in municipal affairs. USAID, through the Partners of the Americas' program, supports a Guyana Dairy Development Program which provides technical assistance and training to strengthen Guyana's dairy industry and increase the nutritional level of children in Guyana. Additionally, the local Partners of the Americas chapter is engaged in a "Farmer to Farmer" program under which fruit and vegetable husbandry and aquaculture projects are being implemented. The USAID centrally-funded Environment Program supports the creation of Guyana's first protected area in the Kanuku Mountain region. Another USAID centrally-funded program funds the Microenterprise Training Services Market Initiative. This pilot project will test and demonstrate the feasibility of establishing a sustainable market for training services to microenterprises.

Other Donors: Donor coordination is exemplary. As one of the major donors in Guyana, USAID participates regularly in donor fora and provides leadership and policy input on democratic, economic, and social reforms. USAID's implementing partners work closely with other agencies in coordinating project activities. The United States, the United Kingdom, and Canada are Guyana's largest bilateral partners, respectively, and work in the same sectors. Other bilateral donors include Germany (environment) and Japan (HIV/AIDS and assistance to NGOs). Multilateral donors include the Inter-American Development Bank (public sector reform), the European Union (infrastructure, micro-projects and civil society capacity building), the World Bank (accountability in the public sector), and the United Nations Development Program (governance and conflict resolution, and the environment).

Haiti
PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	638	19,207	19,626	16,525
Development Assistance	250	13,999	8,119	7,963
Economic Support Fund	30,000	0	0	0
PL 480 Title II	23,128	36,580	24,693	27,000
Total Program Funds	54,016	69,786	52,438	51,488

STRATEGIC OBJECTIVE SUMMARY				
521-001 Economic Growth				
DA	0	7,749	1,719	2,879
ESF	6,464	0	0	0
PL 480	0	36,580	24,693	27,000
521-003 Health Systems				
CSH	638	19,207	19,626	16,525
ESF	18,536	0	0	0
521-004 Education				
DA	0	4,000	3,500	2,737
ESF	2,500	0	0	0
521-005 Democracy and Governance				
DA	250	2,250	2,900	2,347
ESF	2,500	0	0	0

Mission Director,
David Adams

Haiti

The Development Challenge: Haiti is the poorest country in the Western Hemisphere. The country's socio-economic profile resembles those of the most destitute nations in the world. Life expectancy is 53. Literacy ranges between 48%-52%. Average annual per-capita income hovers around \$400. Income distribution leaves 76% of the population living below the poverty line. Formal employment accounts for barely 200-250,000 jobs in a non-farm labor force of some 2,000,000. Rural Haitians seek non-existent jobs in the urban areas. The country's population of eight million could double by 2040. Desperate Haitians take to the high seas or flee across the border to the Dominican Republic, hoping to secure a better life. Annual remittances of \$900 million appear to be a significant factor in surviving otherwise intolerable conditions.

Haiti's economy stagnated in FY 2003. GDP increased by only 0.7%, a decline of 1.3% per capita. Exports increased by 6% and imports by 10%. Inflation was 42% in 2003. Foreign direct investment was 1% of GDP in 2003 and net international reserves are \$42 million, barely enough to cover two weeks' imports. One bright spot is exports (mainly apparel and textile), which have increased significantly to the United States, Haiti's largest trading partner.

The political impasse caused by fraudulent parliamentary elections in 2000 is entering its fourth year. The executive has consolidated power at the expense of the judicial and legislative branches. In 2003, there was an increase in human rights violations, suppression of dissent, and concerted efforts to intimidate the independent media. There are mounting protests throughout the country and calls for President Aristide to resign. Private investment has almost ceased, due to a lack of confidence both in the political process and the ability of the state to uphold the rule of law. At the same time, international financial institutions that had reduced or terminated their programs have begun to re-engage with the Government of Haiti. Since the Government cleared its arrears to the Inter-American Development Bank (IDB) in July, the IDB has activated almost \$146 million in suspended loans, and approved another \$250 million in new loans. Furthermore, there has been progress toward completion of a twelve-month IMF Staff Monitored Program (SMP).

The USAID Program: U.S. foreign policy objectives in Haiti -- to decrease narcotics trafficking, strengthen democracy, provide humanitarian assistance, and stem the flow of illegal migrants -- will be more fully achieved if and when the Haitian Government complies with the terms of OAS Resolution 822, and free and fair elections subsequently occur. In the meantime, USAID will continue programs designed to meet essential needs, fight the scourge of HIV/AIDS, generate employment, and strengthen civil society's ability to resist authoritarianism. USAID will support self-help efforts and income generation, education, and improvement in health and nutrition. Haiti is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR). All proposed HIV/AIDS activities are being integrated into PEPFAR and are subject to the approval of the U.S. Global AIDS Coordinator. Additional funding from the Global HIV/AIDS Initiative account is anticipated for both FY 2004 and FY 2005.

In health, USAID has built a network of some 29 local nongovernment organization (NGO) service providers to reach approximately one-third of Haiti's population (2.6 million people) with basic primary care and child survival services. This extensive network will continue to increase access to a broad range of health services and a mix of modern family planning methods, including an expanded, very effective, natural family planning program and maternal health care. This NGO network is enabling the rapid scale-up of HIV/AIDS activities by combining USAID implementation experience and lessons learned with the Centers for Disease Control and Prevention's (CDC) expertise in laboratory services and applied research. Integration of health service delivery with PEPFAR activities ensures that the overall network will be strengthened and increases the potential for sustainability. USAID will also increase focus on service delivery to the peri-urban areas of Port-au-Prince where there is a high incidence of infectious diseases. In addition, USAID is pursuing new partnerships with faith-based and other volunteer health organizations interested in assisting Haiti. A USAID-sponsored Health Summit held in 2003 demonstrated that such partnerships had the potential to greatly expand health service delivery.

In the economic growth area, USAID continues to consolidate past gains in the production and export of high-value fruit and tree crops, which are yielding significant increases in small-farmer income as well as protecting the hillside environment. Last year these programs increased the revenues for more than 35,000 farmers of targeted crops, increasing farm gate prices by as much as 44% in the case of mangos. In addition, USAID is assisting Haitian artisans to regain their predominant position in the Caribbean for marketing and exporting handicrafts. USAID will continue to expand a micro-lending industry that is now serving nearly 80,000 borrowers, more than 80% of whom are women.

USAID's assistance in education is focused on improving the quality of primary education through upgrading the skills of teachers and school directors, providing materials and equipment and strengthening NGOs, community schools and parent/teacher associations. To improve performance in reading and math in grades 2, 3 and 4, USAID has employed interactive radio instruction. In FY 2004 USAID will begin a program for out-of-school youth, estimated at more than 50% of the population aged 15-20, to help them obtain basic education and job skills training.

In democracy USAID is strengthening the independent media and expanding a community radio network that broadcasts civic awareness and other education programs. The project "building coalitions for judicial reform" has been expanded to incorporate human rights promotion objectives, and the program for developing political parties has gained momentum after a slow start. USAID will continue activities designed to help Haitian society withstand authoritarianism, and to demand accountability and better performance by their government. In addition, in FY 2003 USAID provided assistance for anti-corruption activities by helping to establish a local affiliate of Transparency International and a project to combat trafficking of children.

USAID also administers a large P.L. 480 Title II food program which is critical to meeting humanitarian needs and reducing food insecurity in the economically hardest-hit areas of the country. Food is distributed through maternal child health facilities to children under five, nursing and/or pregnant mothers and children enrolled in primary schools. In addition to direct food distribution, the program monetizes a portion of the food commodities and uses the proceeds to finance projects in health care, primary education, agriculture, and provide a safety net for orphans, the elderly and physically disabled. These programs are managed by CARE International, Catholic Relief Services, Save the Children and World Vision. USAID intends to further integrate the Title II program into the overall portfolio to better align food assistance resources with overall program goals and to track the contribution of Title II to development-oriented results as well as those that are more humanitarian in nature.

Other Program Elements: Centrally funded programs include the Cooperative Association of States for Scholarships (CASS), which will send 18 students in FY 2004 to the United States to study in fields that complement USAID's objectives. HIV/AIDS activities previously funded through central mechanisms will be expanded under PEPFAR. USAID/Washington provided support for a Cross-Border Initiative in FY 2003, designed to reduce socio-economic tensions among the communities along the border between Haiti and the Dominican Republic, resulting from the out-migration of Haitians as they try to escape the economic hardships in Haiti. This program will be continued in FY 2004 and FY 2005.

Other Donors: The United States Government was the largest donor in FY 2003, providing over one-third of all humanitarian and development assistance to Haiti. The United Nations, Taiwan and Canada are other major contributors. Payment of IDB arrears freed nearly \$400 million in loans and new credits. If the Haitian Government adheres to the SMP and clears its World Bank arrears, Haiti will be eligible for an IMF credit of \$162 million. The World Bank could then reengage with programs in health, education, and poverty mitigation in FY 2005. The European Union currently has an approximate pipeline of \$300 million that would be available to Haiti if the terms of OAS Resolution 822 were satisfied.

Honduras PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	13,177	13,400	12,777	10,777
Development Assistance	15,430	24,112	22,367	19,925
Development Credit Authority	298	162	0	0
Economic Support Fund	1,000	0	0	0
PL 480 Title II	6,436	10,479	2,406	11,916
Total Program Funds	36,341	48,153	37,550	42,618

STRATEGIC OBJECTIVE SUMMARY				
522-001 Economic Reactivation Meeting Needs of the Poor				
DA	3,730	4,945	0	0
522-002 Effective and Sustainable Water Management				
DA	2,800	0	0	0
522-003 Sustainable Improvements in Family Health				
CSH	13,177	13,400	0	0
PL 480	6,436	10,479	0	0
522-004 Rule of Law & Respect for Human Rights				
DA	2,400	1,850	0	0
ESF	1,000	0	0	0
522-006 Basic Education and Skills Training				
DA	3,500	3,250	0	0
522-007 Municipal Development Project				
DA	3,000	1,000	0	0
DCA	298	0	0	0
522-021 Ruling Justly				
DA	0	3,250	5,710	3,992
522-022 Economic Freedom				
DA	0	6,067	10,857	10,916
DCA	0	162	0	0
522-023 Investing in People				
CSH	0	0	12,777	10,777
DA	0	3,750	5,800	5,017
PL 480	0	0	2,406	11,916

Mission Director,
Paul Tuebner

Honduras

The Development Challenge: October 2003 marked the fifth anniversary of Hurricane Mitch and its widespread devastation. Although most of the infrastructure has been rebuilt, a myriad of other challenges face the country. Honduras is suffering from a growing economic crisis, especially in the rural sector. Many farmers have been negatively affected by recurring droughts, floods, and low commodity prices. These factors accelerate migration to urban areas, putting more pressure on limited municipal resources. Honduras' failure to attract the levels and quality of private investment that could provide employment to the burgeoning urban poor exacerbates the country's social problems. Efforts to attract sizable new investment in agriculture, manufacturing, and tourism are undermined by the high costs of security, telecommunications and electricity, bureaucratic obstacles, a weak legal system, low work force skill and productivity levels, and a lack of laws and enforcement to protect investor rights. The pace of reform within the Honduran justice system continues to be stymied by political infighting and protection of vested interests, representing a direct challenge to the rule of law and eroding public confidence in the democratic system. Conflicts over the use of natural resources, ineffective environmental management and controls, lack of economic alternatives, and rapid population growth threaten the natural resource base upon which Honduras' economy is largely dependent.

Provision of social services in Honduras remains weak, with centralized decision making and an administration ineffective in dealing with serious challenges. Honduras' social indicators are among the worst in the Western Hemisphere with 4.8 million people (72% of the population) living in poverty, an annual population growth rate of 2.6%, an infant mortality rate of 34 per thousand, a high prevalence of HIV/AIDS (1.9% of the population and 50% of the reported AIDS cases in Central America), chronic undernourishment (33% of children under 5 years), an average education level of 5.3 years, and continuous deterioration of water, coastal, and forestry resources.

The World Bank estimates that in 2003, Honduras' per capita gross national income was \$923 and its external debt reached \$4.6 billion (approximately 76% of GDP). The Government of Honduras has failed to meet conditions to support a new three-year Poverty Reduction and Growth Facility (PRGF) Program with the International Monetary Fund (IMF). Negotiations are ongoing with the IMF, requiring the Government of Honduras to show greater restraint in government expenditures (primarily public wage increases), increased tax revenues, greater financial solvency, and prosecution of corrupt financial managers and government officials. The lack of an IMF program resulted in the loss of \$250 million in 2003 from donors who tie their balance of payments programs to an IMF program.

The Government of Honduras realizes that the country must increase exports and attract new investments in order to grow and generate revenue to provide quality public social services, such as schools, hospitals, clinics, water systems, electricity, roads, security, and a fair judicial system. In 2003 the Government of Honduras supported a number of programs to encourage greater private investment, competitiveness, tourism, and exports in the areas of agro-industry, forestry and wood products, light manufacturing, telecommunications, and energy. It is also making a significant effort to open its borders to free trade through the U.S.-Central American Free Trade Agreement (CAFTA), the Free Trade Area of the Americas (FTAA), and agreements with other countries.

U.S. national interests in Honduras include: 1) increased imports of U.S. goods and services; 2) greater investment and economic growth in Honduras to increase the number of customers for U.S. businesses, reduce illegal immigration into the United States, lessen the need for U.S. border controls and law enforcement, and strengthen citizen support for democracy; and 3) consolidation of civilian-controlled military, police, and legal institutions to protect U.S. investments and reduce international crime, terrorism, and illicit narcotics activities.

The USAID Program: The Central America and Mexico (CAM) Regional Strategy focuses bilateral and regional USAID investment on three performance "arenas," designed to closely align with the Millennium Challenge Account (MCA) goals. The three arenas are: 1) just and democratic governance, 2) economic freedom, and 3) investing in people. USAID/Honduras' new Country Plan mirrors the CAM Regional

Strategy with the intent of helping Honduras meet MCA criteria and move toward broad-based prosperity. The Data Sheets below describe further these three strategic objectives.

USAID will support the first objective, Ruling Justly, by increasing the responsiveness and accountability of public institutions, building on past successes with municipal development for better models of governance, transparency and participation, and addressing critical justice reforms. USAID will bolster Economic Freedom by focusing on trade policy and maximizing Honduras' trade opportunities through CAFTA, the FTAA, and the World Trade Organization (WTO). In addition, USAID programs will help increase productivity and create linkages between agricultural production in rural areas and relatively higher value processing and marketing enterprises in urban centers. The integrated natural resource management program will improve sustainable land and water use and biodiversity, and reduce disaster vulnerability. To support the Investing in People objective, the health program will focus on improved reproductive health and family planning, child survival, HIV/AIDS and other infectious diseases, and household food security. USAID will contribute to a better-educated Honduran work force by expanding access to education at the pre-school, middle school, and upper secondary levels using alternative delivery systems. USAID will also assist the Government of Honduras' efforts to develop quality education standards, testing, and evaluation.

Other Program Elements: The Central America Regional Program (G-CAP) funds training in trade, labor, and energy policies for officials to prepare for Honduran integration into free trade agreements. The regional environmental program focuses on border areas and supports implementation of the Central America - U.S. commitment to biodiversity conservation and environmental legislation. The regional HIV/AIDS program continues to mobilize communities and organizations to deliver HIV/AIDS services, fund AIDS prevention campaigns, and lobby for rights and access to services for people affected by AIDS. Honduras has also benefited from programs managed by the Bureau for Latin America and the Caribbean's Office of Regional Sustainable Development (LAC/RSD) to strengthen regional mechanisms to promote human rights, fortify government accountability, promote decentralization and local governance, and provide outreach to civil society on trade and economic issues. Through its farmer-to-farmer program, the Office of Private and Voluntary Cooperation (DCHA/PVC) funds short-term voluntary technical assistance to increase farm and agribusiness productivity and incomes. The USAID mission in Honduras serves as the regional coordinator for implementation of President Bush's Center of Excellence for Teacher Training (CETT) Initiative. CETT is designed to improve teacher training and address high rates of school underachievement and illiteracy in disadvantaged areas in Central America. The mission also participates in the Cooperative Association of States for Scholarships (CASS) program, managed regionally by LAC/RSD. CASS funds scholarships for students to study in the United States in programs tailored specifically to meet the development needs of students' respective countries. The program targets socioeconomically disadvantaged scholars, women, and other previously excluded groups who demonstrate leadership potential.

Other Donors: Development assistance to Honduras totaled \$386 million in 2003 (\$201 million in donations and \$185 million in loans). The United States, Japan, and Sweden are the largest bilateral donors, while Spain provides a large amount of bilateral loans. Bilateral donors and their principal areas of focus include: Japan (public infrastructure and agriculture); Sweden (statistics, justice and human rights, and social programs); Spain (judicial reform and decentralization); Germany (agriculture and education); Canada (forestry and rural development); United Kingdom (rural development); Italy (irrigation); Holland (rural development and housing); and Switzerland (rural water projects). Multilateral donors include: the Inter-American Development Bank with a very diversified portfolio of projects valued at \$460 million (2002 through 2005); the World Bank (education, land tenancy, and health); the IMF (currently negotiating a new three-year PRGF); the European Union (rural water infrastructure and food security); and the United Nations agencies (United Nations Development Program, Food and Agriculture Organization, World Food Program, United Nations Children's Fund, and International Fund for Agricultural Development). As a key player in the Group of 15 Donors, USAID will continue to strengthen donor coordination efforts in Honduras.

Jamaica PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	3,121	3,713	3,117	4,339
Development Assistance	9,471	13,713	13,234	17,532
Development Credit Authority	0	106	0	0
Economic Support Fund	1,532	0	0	0
Total Program Funds	14,124	17,532	16,351	21,871

STRATEGIC OBJECTIVE SUMMARY

532-002 Sustainable Improvement of Natural Resources				
DA	3,203	3,248	3,266	0
DCA	0	53	0	0
532-003 Improved Reproductive Health				
CSH	3,121	3,713	3,117	0
532-004 Improving Education Quality in Jamaica				
DA	3,678	4,678	4,878	0
532-006 Enhancing Business Development in Jamaica				
DA	2,090	2,837	2,590	0
DCA	0	53	0	0
532-007 Peace and Prosperity in Inner City Communities				
DA	500	0	0	0
ESF	500	0	0	0
532-008 Strengthening Democracy and Governance in Jamaica				
DA	0	2,950	2,500	0
ESF	1,032	0	0	0
532-x10 Rural Livelihood				
DA	0	0	0	5,051
532-x11 Healthy Lifestyles				
CSH	0	0	0	4,339
532-x12 Education				
DA	0	0	0	4,561
532-x13 Strengthening Democracy and Governance in Jamaica				
DA	0	0	0	4,500
532-xx9 Bolstering Economic Growth and Competitiveness				
DA	0	0	0	3,420

Mission Director,
Karen Turner

Jamaica

The Development Challenge: Achieving sustainable economic growth and eliminating the root causes of crime and violence are, perhaps, Jamaica's greatest development challenges today. After a period of negative growth in the late 1990s, Jamaica's economy began to show signs of recovery in 2000, registering a positive 0.7% of real growth in Gross Domestic Product (GDP). This growth continued through 2002 (1.0%), into the first half of 2003 (3.1%) and the Government of Jamaica projects 2-3% GDP growth for all of 2003. The reality, however, is that per capita GDP in Jamaica has not grown since 1982. Although poverty has decreased substantially over the past 20 years, many attribute that reduction to the impact of migrants' remittances as opposed to economic growth. Despite the positive trends in real GDP growth, the economy is threatened by a widening fiscal deficit (7.7% of GDP for the Jamaican Government's FY 2002/2003) and extremely high levels of both external and domestic debt. At the end of 2002, the country's debt had reached 140.3% of GDP. The percentage of government revenue used to service debt remained essentially unchanged at 63% as compared to the previous year, an indicator of the stifling impact of debt on the government's ability to invest in today's citizens and the leaders of tomorrow. Furthermore, extremely high interest rates on the government's domestic debt are stifling other more productive economic activity. Meanwhile, the government continues to grapple with ways to control sharp exchange rate fluctuations, while working to reduce the potential negative impact of inflation (12.2% in October 2003 versus 6.7% one year ago).

In this economic context, social pressures are inevitable since after debt service and payment of public sector salaries, only 5.5% of the government's operating year budget is available for all other expenditures. Crime and violence remain high, with Jamaica having the third highest murder rate in the world as well as significant amounts of domestic violence. These high levels of crime and violence erode the social fabric, chip away at the concept of rule of law, and weaken the very foundation of the bond between a government and its citizens. Further, high crime and violence lead to exorbitant financial costs that divert otherwise productive resources into increased security measures, and for managing in the aftermath of criminal acts. Moreover, crime and violence are symptoms of much more fundamental social ills such as weakened family structures, poor education, high unemployment, failed justice systems that are unable to bring redress in a timely manner, and political tribalism.

In 2002, high unemployment at 15.1% remained essentially unchanged from the previous year. The quality of primary education remains generally low in the public school system, due mainly to a shortage of resources. Likewise, the upgraded high schools, which have an enrollment of 120,000 students, are underperforming in the Caribbean Examination Council (CXC) exams and the education system in general fails to produce graduates with needed skills for the economic marketplace. HIV/AIDS indicators for Jamaica are finally showing positive trends, due to concentrated and sustained interventions from both the private and public sectors. The prevalence rate among those in their most productive years, however, is cause for grave concern as it continues to increase at an alarming rate. Estimates of the HIV prevalence rates in adults aged 15 - 49 years in 2002 ranged from 1.5 - 2%, with HIV/AIDS being the leading cause of death in this age group. This rate is higher among sex workers and other high risk populations.

The private sector struggles with the problems created by these social ills, while trying to increase operational efficiency and output. This transformation is essential for their survival in an increasingly competitive global business environment. As tourism and other productive sectors struggle to expand, there are increasing pressures on Jamaica's delicate natural resource base, creating the need for intensified interventions in this sector. Inefficiencies in the judicial system continue to negatively impact on respect for human rights and the rule of law.

The Jamaican Government is aware of the seriousness of fiscal imbalances on other social problems and the country's future growth potential; however, it is sometimes criticized for its lack of political will to aggressively attack governance issues, and take actions that would alleviate its fiscal deficit. In any event, what is needed to truly turn the current situation around is a shared awareness of these problems and their seriousness among all stakeholders -- government, private sector, labor, civil society organizations,

political leaders, and the general public, and an acceptance that change is necessary. As stated by one commentator, all key partners have to place the long-term health of the economy ahead of short-term parochial interests and all must be willing to contribute to addressing the fiscal problem. Nascent efforts to build that consensus are emerging from the private sector, but progress on this front is slow.

The U.S. national interest in Jamaica stems from its proximity to the United States, national security concerns, and the threat from transnational crime and drugs that have found a secure operating environment in Jamaica. Also, the benefits of a democratically stable and prosperous partner in the region and threats to the U.S. citizens emanating from a potential HIV/AIDS pandemic in Jamaica are important considerations for the United States.

The USAID Program: USAID's strategic program goal is to help Jamaica transform itself into a more competitive economy based on a stable political and social framework. Its strategic priorities are: 1) reducing constraints that limit growth, expansion and competitiveness in the micro, small, and medium enterprise sectors; 2) facilitating greater environmental sustainability together with economic growth by encouraging improved environmental management practices; 3) improving reproductive health by controlling the spread of HIV/AIDS and other sexually transmitted diseases, and addressing risky sexual behavioral patterns among youth; 4) increasing the literacy and numeracy skills of the country's youth to provide the human resource skills needed to support a growing economy; 5) improving efficiency and transparency in the justice system; 6) stimulating development in targeted inner city communities through activities that are increasing employment, encouraging the use of peaceful means for resolution of conflict, and improving community-police relations; and 7) strengthening civil society for improved oversight, local governance, and accountability.

FY 2004 funds will be used not only to implement and complete on-going programs but also to initiate arrangements for rapid implementation start-up under a new country strategic plan developed for FY 2005 - FY 2009. The Democracy and Governance program, which began in earnest only in 2002, will continue through FY 2005. USAID plans the implementation of a new strategy, as described in more detail in the attached Data Sheets.

Other Program Elements: In addition to the bilateral activities, a new Presidential Initiative activity, the Center of Excellence for Teacher Training (CETT), has started one of its three subregional sites in Jamaica. It seeks to upgrade the skills of classroom teachers in order to make them more effective reading instructors in the early primary grades (1-3). Schools in rural and urban poor communities that have a significant number of Creole-dominant speakers are targeted. CETT is being linked to USAID's education program which also targets primary schools.

Other Donors: Assistance from the donor community remained an important source of the Jamaican Government's funding for projects in 2002, although the levels declined by 22.8% in 2002 compared to 2001. Of the total \$247.7 million provided in loans and grants in 2002, 60% supported projects that are focused on economic infrastructure (mainly improvements in road and water supply), social infrastructure (including HIV/AIDS treatment and protection) in health and education, natural resource management, and security and justice enhancement. The remaining 34% supported the legal and regulatory environment of the financial sector. The largest multilateral donor in 2002 was the Inter-American Development Bank (50.9%), followed by the World Bank (19.3%). Based on the portfolio of current programs, the U.S. Government is the largest bilateral donor, followed by the Japanese and Canadian governments in that order. Donor coordination is spotty. An annual meeting of donors is held but is largely focused at the macro level and an actionable agenda rarely emerges from the meeting. Periodically donors and other partners meet on a sectoral basis.

Mexico PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	5,509	5,200	3,700	3,230
Development Assistance	7,715	10,440	17,855	13,915
Economic Support Fund	10,000	11,650	11,432	11,500
Total Program Funds	23,224	27,290	32,987	28,645

STRATEGIC OBJECTIVE SUMMARY				
523-002 HIV/AIDS				
CSH	1,500	2,200	0	0
523-003 Democratic Processes				
DA	700	800	0	0
ESF	9,000	5,700	0	0
523-006 Environmental Conservation				
DA	4,565	950	0	0
523-007 Energy Conservation and Pollution Reduction				
DA	1,750	694	0	0
523-008 Tuberculosis Control				
CSH	4,009	3,000	0	0
523-009 Microenterprise				
DA	700	900	200	0
523-010 Training, Internships, Education and Scholarships				
DA	0	2,500	5,700	5,268
ESF	1,000	2,200	1,932	1,000
523-021 Ruling Justly				
DA	0	0	781	986
ESF	0	3,750	9,500	10,500
523-022 Economic Freedom				
DA	0	4,596	11,174	7,661
523-023 Investing in People				
CSH	0	0	3,700	3,230

Mission Director,
Edward Kadunc

Mexico

The Development Challenge: Since the signing of the North American Free Trade Agreement (NAFTA) in 1994, Mexico has become the third largest trading partner of the United States and is among the top ten export markets for 43 states. In 2001, it was the ninth largest economy in the world. As President Bush said in 2001 and reiterated in early May 2002: NAFTA "is 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 100 million, the Government of Mexico estimated gross domestic product (GDP) per capita at \$6,884. By comparison, the GDP per capita in Guatemala (population 13 million) in the same period was \$1,642 and in Honduras (population 6.2 million) was \$920. 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. Moreover, environmental degradation in Mexico presents a significant development challenge to the country's biodiversity as well as the country's continued economic growth, particularly in rural areas. The government, after decades of one-party rule, has lacked the rigor necessary to achieve high standards of transparency and accountability.

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.

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 promoting environmental protection, alternative energy and ecotourism; improving public administration, transparency, and accountability; broadening microfinance and remittance utilization; preventing infectious diseases; and furthering competitiveness. FY 2004 is a transition year for the USAID program in Mexico, as it moves into a new strategic plan, under the new regional strategy approved for Central America and Mexico (CAM). The activities under the old strategy, including adoption of more democratic processes, biodiversity conservation, clean energy and production, HIV/AIDS prevention, and access to microfinance, will end in FY 2004. The tuberculosis program will continue to carry out activities through the end of FY 2006. The United States-Mexico joint scholarship and training programs, under the education exchange and scholarship objective started in FY 2002, will continue under the new strategy. Under the new CAM Regional Strategy, USAID's program in Mexico has four areas of focus: economic growth (including access to finance and natural resources management), accountable governance and rule of law, infectious disease prevention and control, and educational exchange and scholarships. Each strategic objective is discussed below in greater detail in the Data Sheets.

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. In FY 2003, 16 university partnerships implemented activities and eight more partnerships will be awarded in the second quarter of FY 2004. In addition, nine U.S. and ten Mexican States will continue to address a wide range of issues, including transborder administration and governance, small business development, and water conservation in Northeastern Mexico. 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 to encourage savings and investment by Mexicans in both countries.

Other Program Elements: USAID will continue to collaborate closely with USAID regional activities designed to protect Mesoamerican (Mexico and Central America) Reef and the Mesoamerican Biological Corridor as well as 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). The LFA is a two-year, \$1 million grant in support of 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 goal of the Lead-Free Alliance is to remove lead from pottery production in order to increase income and employment opportunities for producers of traditional low-fire pottery and to create markets for their lead-free 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. The LFA will begin in FY 2004.

Other Donors: The World Bank is the first and the Inter-American Development Bank (IDB) is the second largest development assistance organization in Mexico. The World Bank's portfolio in Mexico in 2002 comprised about 28 active projects with five areas of focus: macroeconomic stability through budget and tax reform; enhancing competitiveness through infrastructure, financial reform, agricultural productivity and integration of more small and medium-sized firms into the new economy; developing human capacity through education and health; creating environmental sustainability; and building more efficient, accountable, and transparent government. IDB lending to Mexico funded approximately 30 projects centered around four themes: social sector modernization, economic integration through NAFTA and Plan Puebla-Panama, modernization of the state and lowering barriers that limit the competitiveness. The North American Development Bank is providing funding to the border states (4 U.S., 6 Mexican) for water, solid waste, and wastewater infrastructure development, including technical assistance on rates and management issues. Its efforts have been slow in starting, but should begin to improve water quality and use in the border states in the coming years.

Japan is the third largest donor and has historically been the largest bilateral donor. It is collaborating with USAID in several activities related to environment and HIV/AIDS. Smaller bilateral donors include the British Department for International Development (environment), the British Council (education and governance), Spain (microfinance and environment), and France (environment).

The United Nations (UN) group is represented by 18 organizations in Mexico. Among the UN organizations with which USAID collaborates more closely are the Pan American Health Organization, the United Nations Development Program, the United Nations Environment Program, the United Nations Fund for Population, UN-AIDS, and the United Nations Children's Fund (UNICEF). Areas of collaboration include prevention of tuberculosis and HIV/AIDS, streamlining government, promotion of renewable energy, and protection of natural resources.

Nicaragua PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	8,470	9,830	7,805	6,913
Development Assistance	16,602	23,460	27,206	25,311
Development Credit Authority	158	0	0	0
Economic Support Fund	2,800	0	0	2,500
PL 480 Title II	15,136	16,200	5,662	11,013
Total Program Funds	43,166	49,490	40,673	45,737

STRATEGIC OBJECTIVE SUMMARY				
524-001 Strengthening Democracy				
DA	4,022	500	0	0
ESF	2,300	0	0	0
524-002 Sustainable Economic Growth				
DA	9,930	3,900	0	0
DCA	158	0	0	0
ESF	500	0	0	0
PL 480	5,450	9,200	0	0
524-003 Improved Health and Education				
CSH	8,470	1,750	0	0
DA	2,650	2,583	0	0
PL 480	9,686	7,000	0	0
524-021 Ruling Justly				
DA	0	5,580	6,750	5,283
ESF	0	0	0	2,500
524-022 Economic Freedom				
DA	0	6,742	15,156	17,018
PL 480	0	0	5,662	6,260
524-023 Investing in People				
CSH	0	8,080	7,805	6,913
DA	0	3,617	5,300	3,010
PL 480	0	0	0	4,753
TRANSFER				
DA	0	538	0	0

Mission Director,
James Vermillion

Nicaragua

The Development Challenge: Nicaragua has hovered for decades in the ranks of the less developed countries of the world. Despite its rich natural and human resource potential, and substantial donor support, economic growth has failed to take off and the country remains among the poorest in the Western Hemisphere. The per capita gross domestic product (GDP) and income levels are lower than those of the 1960s, and real economic growth declined from 7.4% in 1999 to 1% in 2002. Nicaragua's external and internal debt of \$6.5 billion and \$1.5 billion respectively, is greater than its 2002 GDP, and serves as an economic straightjacket that inhibits future growth. Around three-quarters of the population live on less than \$2 a day; unemployment and underemployment are close to 50%; and income inequality is very pronounced. Access to capital decreased sharply with the collapse of the national banking sector in 2001, and foreign direct investment has been declining.

Juxtaposed on this economic landscape are a justice and institutional system in disarray. While the country has seen three technically satisfactory presidential elections since 1990, it suffers from extremely weak institutions that continue to be manipulated by political bosses for personal gain and power. Observance of the rule of law is fragmented, and the current administration's fight against corruption will only be sustained if ingrained in the national consciousness. The justice system, in general, is inefficient and politicized, and dramatic reforms are needed to establish the legal and institutional framework that promotes transparency, rule of law, and business and investor confidence.

Though significant improvements in health and education were made over the past decade, problems remain. On average, Nicaraguans complete fewer than five years of schooling, and nearly 500,000 children remain outside the formal education system. Population growth is estimated at 2.4%, one of the highest in the region. There are serious inequities in health care access for the poorest 40% of the population, and chronic malnutrition levels remain high for Nicaraguans in the lowest income groups. Compounding these development problems are the frequent natural disasters from which Nicaragua has weak capacity to recover.

Some signs of progress have appeared. In 2003, the economy is expected to make some gains, with GDP growth rate anticipated at 2.3%. The U.S.-Central American Free Trade Agreement (CAFTA), which was recently signed and is waiting for ratification, could bring the investments and jobs that the country urgently needs, and serve as an impetus for economic growth and improved social conditions. Nicaragua is poised to reach its Heavily Indebted Poor Country (HIPC) completion point by January 2004. As a result, Nicaragua will see a significant amount of its external debt forgiven, which will free up resources for critical economic growth and poverty reduction programs.

Nicaragua is slowly moving along the right path, consistent with the development precepts outlined in the Millennium Challenge Account (MCA) of just and democratic governance, economic freedom and investing in people. Despite political pressures, 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 and advances in health and education, if sustained, can help pave the way for achieving long-term development goals.

Increased stability in Nicaragua's democratic institutions and growth in its impoverished economy are at the heart of U.S. interests to maintain Nicaragua among those nations aspiring to contribute to a more secure, democratic, and prosperous world. Promoting economic growth through integration into regional and global markets is a top U.S. foreign policy priority, since Nicaragua's poverty and high unemployment can threaten the long-term sustainability of democracy and rule of law. The USAID assistance program for Nicaragua is a vital element in achieving these U.S. foreign policy objectives and is central to the USAID-State Department Strategic Plan goals related to democracy, economic prosperity and security, and social and environmental issues.

The USAID Program: The accompanying Data Sheets cover the three new strategic objectives (SOs) of "Ruling Justly: More Responsive, Transparent Governance," "Economic Freedom: Open, Diversified,

Expanding Economies,” and “Investing in People: Healthier, Better Educated People,” for which USAID is requesting FY 2004 and FY 2005 funds. These three objectives are part of the recently approved Central America and Mexico Regional Strategy. Activities for the Ruling Justly SO include promoting justice sector reform and implementing an aggressive anti-corruption program, in coordination with other U.S. government agencies. Under the Economic Freedom SO, USAID will work with the Nicaraguan government and private sector to improve their capacity to implement CAFTA and other free trade agreements by enhancing competitiveness and creating linkages to regional and world markets to promote rural diversification and economic expansion. Activities under the Investing in People SO include: improving government capacities to plan and manage health and education investments; increasing access to quality education at the primary level; and working with the Ministry of Health, private health service suppliers, and non-governmental organizations to improve health status at the household and community levels, including HIV/AIDS prevention. USAID is also continuing activities under three strategic objectives that will be closed out at the end of FY 2004, although no new funding is requested for those activities.

Other Program Elements: In addition to its bilateral program, USAID funds activities in Nicaragua managed regionally by the Bureau for Latin America and the Caribbean, including programs to strengthen regional mechanisms that promote human rights, fortify government accountability, and promote decentralization and local governance. The Bureau for Global Health implements 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, rural diversification, green markets, protected area management, specialty coffee development, energy sector reforms, natural resources management, and HIV/AIDS prevention. Nicaragua also benefits from President Bush’s Center of Excellence for Teacher Training (CETT) Initiative, which is designed to improve teacher training and address high rates of school underachievement and illiteracy in disadvantaged areas.

Other Donors: The Government of Nicaragua continues to strengthen donor coordination through the recently established sector coordination roundtables. USAID leads the economic growth roundtable. This new system promises to be an improved forum to prioritize development needs jointly and harmonize donor activities. The Nicaraguan Ministry of Foreign Relations reports that donor assistance in grants and loans totaled \$3 billion during 1997-2002. Based on the annual average assistance level during this period, the top six bilateral donors are: Japan (education and training including school construction, health, and agricultural production), United States, Republic of China (agriculture, small- and medium-sized enterprise lending, housing, and trade promotion); Sweden (transport and communications, governance, education, and health); Germany (water supply and wastewater management, governance, and decentralization); and Denmark (productive sector programs including infrastructure, decentralization and public administration, and environment). Of the multilaterals, the major donors are the Inter-American Development Bank (IDB) (competitiveness and economic growth, governance, and social sector adjustment including social safety nets), the World Bank (support for implementation of Nicaragua’s Poverty Reduction Strategy Paper, or PRSP, including institution building and modernization of the state, land tenure, agriculture, education, and health), the European Union (rural development, agricultural policy reform, governance and citizen security, and education), and the World Food Program (food security). An IDB report indicates that donors, in general, provide broad support for the pillars of the PRSP by focusing approximately 41% of their assistance in economic growth and reform programs; 38% for human capital formation and support for vulnerable groups; 7% for governance; and 14% for the cross-cutting themes of environment, social equity, and decentralization.

**Panama
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance	4,500	5,499	5,322	5,446
Economic Support Fund	4,205	3,000	2,982	3,000
Total Program Funds	8,705	8,499	8,304	8,446

STRATEGIC OBJECTIVE SUMMARY

525-004 Protection of the Panama Canal Watershed				
DA	4,181	5,499	5,322	0
525-005 Judicial Reforms				
ESF	1,205	750	0	0
525-006 Rural Community Development				
ESF	3,000	2,250	741	0
525-021 Ruling Justly				
ESF	0	0	2,241	3,000
525-022 Economic Freedom				
DA	0	0	0	5,446
TRANSFER				
DA	319	0	0	0

Mission Director,
Leopoldo Garza

Panama

The Development Challenge: Panama remains on a path that lacks the impetus to achieve sustainable economic growth and development. Its dual economy consists of a progressive modern sector and a traditional rural sector. Slow economic growth, double-digit unemployment, and a highly skewed income distribution characterize Panama's poor socioeconomic performance. Around 28% of Panamanian households (37% of the population) live in poverty; of these, more than 12.3% live in extreme poverty. The economic and social wellbeing of many Panamanians, particularly those in the lower income bracket and those living in poverty, will worsen without sustained economic growth. Panama is currently in the process of transforming its education system. Although many of its education indicators are among the best in Central America, substantial inequalities in access to and quality of education remain. This situation adversely affects labor force productivity.

The overall performance of the Panamanian economy is tied to the Panama Canal and the Panama Canal Watershed (PCW). Availability of sufficient water to operate the locks system is a key factor for ensuring continued effective operation of the Panama Canal. Massive deforestation has reduced the forest cover in the Panama Canal Watershed and, in the process, eroded its river valleys and lakeshores. Increasing rates of population migration into the watershed, with concomitant urbanization and increased economic activity, threaten the Canal's environmental sustainability. The PCW is increasingly vulnerable to agricultural and industrial pollution, siltation, and sedimentation, which reduce the storage capacity of the lakes that serve as the Canal's water source.

The organization of Panama's judicial system is complex, involves numerous players, and is beset with many problems. Corruption is pervasive among the three branches of government and grudgingly accepted by many in the Panamanian private sector as a cost of doing business. Foreign investors perceive the legal system as working to the benefit of insiders. The judicial system, which is viewed as slow and cumbersome, has a substantial backlog of civil and commercial cases. In addition, the corrupting influence of the narcotics trade undermines local institutions, spawns violence and lawlessness, distorts the economy, and discourages legitimate investments.

It is in the U.S. national interest to ensure that Panama develop the capacity to sustainably manage and protect the Panama Canal Watershed. An effectively operating Canal facilitates world maritime commerce and ensures rapid transit of U.S. military vessels between oceans. Sustainable rule of law and anti-corruption measures will help increase investor confidence in Panama and attract more foreign direct investment, making it a more stable partner. Improved development and alternative sources of income in the Darien Province will stem the flow of illicit drugs into the United States and contribute to regional stability.

The USAID Program: FY 2004 and FY 2005 are transition years for the USAID program in Panama. In FY 2004, USAID will provide final year funding under the current bilateral strategy for the Panama Canal Watershed Strategic Objective. Unless unforeseen circumstances change the present situation, USAID will conclude the Darien Community Development Program, a short-term program under the Andean Regional Initiative, with final funding in FY 2004. Upon approval of a new Panama Country Plan under the Central America and Mexico (CAM) Regional Strategy, USAID plans to continue Panama Canal Watershed and justice reform activities. The Data Sheets provided below cover the two objectives for which USAID is requesting FY 2004 funding to complete activities under the current strategy, and two new objectives under the CAM Regional Strategy. USAID is also continuing activities under the justice reform special objective, which will be closed out in summer 2004; however no new funding is requested for these activities.

Other Program Elements: In addition to the bilateral program, the Central America Regional Program (G-CAP) and the Office of Regional Sustainable Development in the Bureau for Latin America and the Caribbean (LAC/RSD) manage programs in Panama. G-CAP programs expand Central American participation in global markets, improve environmental management in the Mesoamerican Biological Corridor, and enhance Panama's capacity to respond to the HIV/AIDS crisis. Activities include technical

assistance, pilot demonstrations, training, alliance building, financial strengthening, and policy studies. Initiatives include: a Development Credit Authority project supporting clean production by small- and medium-size enterprises; Global Development Alliances promoting 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 from changes in land use and forest cover; and modeling of potential future climate impact for uses in decision-making concerning climate change vulnerability, adaptation, mitigation, and sustainable development. In addition, G-CAP is funding short-term technical assistance to small producers to help them offer consistent quantities of high quality Panamanian coffee for domestic and export markets. This project improves business practices and provides market linkages that increase the competitiveness and sustainability of this important industry in Panama. LAC/RSD, through its Parks in Peril program, mitigates threats to conservation in the Amistad Biosphere Reserve. Management and oversight of the Peregrine Fund, which repopulates harpy eagle populations in the Panama Canal Watershed, is now under the purview of the USAID bilateral program in Panama.

Other Donors: USAID is the major donor active in the PCW region. The Japan International Cooperation Agency (JICA) provides assistance to the Government of Panama and non-governmental organizations (NGOs) in the PCW that is complementary to, and coordinated with, USAID's efforts. JICA is supporting the establishment of a training center that provides environmental education and awareness training in forestry and agro-forestry techniques, and providing technical assistance to pilot communities in the PCW to improve environmentally-friendly agricultural production.

Beginning in FY 2004, the Inter-American Development Bank (IDB) plans to assist the Government of Panama to strengthen its institutional management and implementation mechanisms in support of community environmental mitigation efforts, with particular focus on the PCW. The IDB also supports conversion of destructive agricultural practices to environmentally friendly productive activities in the PCW. In addition, the IDB is helping the Government of Panama implement an integrated development program with important environmental elements in Darien Province. The IDB is the lead donor supporting a major Government of Panama effort to improve the criminal justice system, and has helped strengthen the Center for Mediation and Arbitration of Commercial Disputes at the Panamanian Chamber of Commerce.

The Food and Agriculture Organization of the United Nations (UN) assists the Ministry of Agricultural Development in its implementation of land use changes in the rural eastern region of the PCW, measuring the socioeconomic impact of these changes. Emphasis is on community participation and on environmental and socioeconomic sustainability. This effort is expected to lead to the development of a 20-year program with possible funding from the World Bank. The UN International Fund for Agricultural Development supports a sustainable rural development effort in Darien Province with emphasis on indigenous communities in the area. The UN facilitates coordination among other donors in Darien by sharing its extensive database. The USAID effort to strengthen selected communities in Darien complements both the IDB and UN programs.

The European Union supports a modest program to assist the Government of Panama in implementing a program of free legal services for poor pre-trial detainees.

**Paraguay
PROGRAM SUMMARY**

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	2,525	1,959	2,125	1,907
Development Assistance	3,600	3,895	4,140	4,040
Economic Support Fund	3,500	3,000	2,982	3,000
Total Program Funds	9,625	8,854	9,247	8,947

STRATEGIC OBJECTIVE SUMMARY				
526-004 Democracy & Governance				
DA	2,600	2,095	1,952	1,847
ESF	3,500	3,000	2,982	3,000
526-005 Environment				
DA	1,000	1,000	938	911
526-006 Reproductive Health				
CSH	2,525	1,959	2,125	1,907
526-007 Economic Growth				
DA	0	800	1,250	1,282

Mission Director,
Wayne Nilsestuen

Paraguay

The Development Challenge: Since the fall of Paraguay's dictatorship 14 years ago, the country has adopted a new constitution, established freedom of expression, developed a transparent and free electoral process, made improvements in the judicial system, and defended 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. Consolidating democracy and promoting a fair and licit market economy are the primary U.S. national interests in Paraguay. During the past two years Paraguay has been a valuable U.S. ally in the war on terrorism.

During 2003, the country continued its eighth consecutive year in which per capita income was stagnant or declined. Poverty rates increased at an alarming rate, especially in rural areas, and the value of the Paraguayan currency depreciated significantly against the dollar. Perceptions of government corruption are among the highest in Latin America. With the newly-elected President having taken power in August 2003, there is renewed optimism that serious problems such as poverty, corruption, environmental degradation, and lack of effective basic services to Paraguay's citizens will be addressed. In 2002, the Office of the President was perceived to be the second most corrupt institution in Paraguay; whereas, it is now perceived to be the least corrupt institution. This dramatic change in perception from a year ago is directly attributable to strong anti-corruption measures taken by President Duarte's administration. During his first months in office, President Duarte has demonstrated a serious commitment to fighting corruption, reactivating the economy and providing hope to the growing ranks of the poor. Enormous challenges lie ahead.

Paraguay's external debt is approximately \$2.2 billion, over 40% of its gross domestic product. While Paraguay has historically pursued a conservative macroeconomic policy, the economic tribulations of Brazil and Argentina (Paraguay's two most important trading partners) and weak political will have combined to produce worsening budget deficits and expedient short-term borrowing. A very positive indicator of how multilateral banks now view Paraguay is the December 2003 International Monetary Fund approval of a stand-by agreement, the first one in 50 years.

Sustainable development in Paraguay is threatened by the indiscriminate exploitation of land, water, and wildlife resources. Economic growth is severely threatened by the depletion of Paraguay's rich endowment of natural resources. The once rich topsoil of the eastern border region (largely uncultivated until the 1970s) is now severely eroded. The eastern border region sits on the largest underground water aquifer on the continent which is being threatened by unchecked use of land.

There is limited access to quality reproductive health services in Paraguay. Approximately 35% of pregnant women do not receive adequate pre-natal care. Citizens also lack access to other basic services, such as education, potable water, sewerage systems, solid waste collection, and basic infrastructure. The national government is increasingly hard pressed to provide these services, and some local governments are struggling to compensate for these deficiencies.

At a minimum, Paraguay must be able to demonstrate an ability to improve economic conditions, ensure the provision of basic services to its citizens, and reduce crime and corruption. If democracy does not provide hope for the future, there is a real possibility that people will lose faith in it and select another form of government. This is reflected in recent survey findings of the Latinobarometro poll indicating that Paraguayans were the least satisfied in all of Latin America with democracy and the second least satisfied with a market economy.

The USAID Program: USAID's program focuses on four strategic objectives for which funds are requested: economic growth, reproductive health, environmental initiatives, and democracy. Two themes that link these objectives are: (1) a pluralistic civil society is the basis for democratic governance, improved trade capacity (poverty alleviation), improved health and provision of services, and care of natural resources; and (2) government responsiveness, accountability, and accessibility are strengthened through the decentralization of power and authority to local levels and measures which promote honesty

and transparency throughout all levels of government. These activities are further described in the following data sheets.

Other Program Elements: USAID's Democracy, Conflict, and Humanitarian Assistance Bureau, Office of U.S. Foreign Disaster Assistance, assists Paraguayans to coordinate efforts in disaster preparedness, emergency training activities, and disaster relief activities. The Global Development Alliance Office awarded a grant that includes Paraguay as one of the countries to receive information technology training and assistance to graduates looking for jobs. The Latin America and Caribbean Bureau's Office of Regional Sustainable Development has programs to increase citizen participation, strengthen civil society organizations, and promote human rights in Paraguay. Finally, USAID monitors a USAID centrally funded grant to the Integrated Water Resource Management Incentive Fund.

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. USAID has organized donor coordination activities in areas of 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, and USAID are collaborating with the Ministry of Health to implement a demographic and health survey and to provide technical assistance to develop the National Reproductive Health Plan. These are major achievements in terms of donor coordination.

The major bilateral donors and their interests are: Japan (agriculture and health), Germany (state reform and natural resources), and Spain (education and cultural support). The Inter-American Development Bank, the World Bank, the European Union, various United Nations agencies, and the Global Environmental Facility play a major role in the international development community.

**Peru
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Andean Counterdrug Initiative	67,500	68,552	50,000	50,000
Child Survival and Health Programs Fund	23,866	19,912	17,282	13,037
Development Assistance	14,989	16,437	15,036	10,492
Development Credit Authority	131	557	0	0
Economic Support Fund	16,750	11,000	9,941	10,000
ESF - Wartime Supplemental	0	2,000	0	0
PL 480 Title II	37,035	26,678	10,125	21,100
Total Program Funds	160,061	145,136	102,384	104,629

STRATEGIC OBJECTIVE SUMMARY				
527-003 Health and Family Planning				
ESF	0	0	0	0
ESF - Wartime Supplemental	0	2,000	0	0
527-006 Education				
DA	2,000	3,174	2,924	1,299
527-008 Peru-Ecuador Border Region Development				
ESF	2,250	3,000	1,988	2,000
527-009 Democratic Strengthening				
DA	2,322	2,141	1,632	1,565
ESF	14,500	8,000	7,953	8,000
527-010 Economic Growth				
DA	5,920	7,320	6,420	4,103
DCA	58	0	0	0
PL 480	37,035	26,678	10,125	21,100
527-011 Health				
CSH	23,866	19,912	17,282	13,037
527-012 Environment and Natural Resources				
DA	4,727	3,802	4,060	3,525
DCA	73	0	0	0
527-013 Alternative Development				
ACI	67,500	68,552	50,000	50,000
DCA	0	557	0	0

Mission Director,
Patricia Buckles

Peru

The Development Challenge: Throughout the 1990s, Peru made significant progress in combating terrorism, reducing the production of coca, stabilizing its economy, and increasing access to social services. However, the government of President Fujimori collapsed in November 2000 under the weight of a decade of increasingly authoritarian rule, discredited elections, revelations of rampant corruption, and an economic downturn. A transitional government took measures to stabilize the political and social environment in Peru, culminating with elections of a new president, congress, and regional/local authorities. Since 2001, the Government of Peru has pursued an ambitious program to re-establish democracy and promote a market-based economy that will provide benefits to all of Peru's citizens.

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. With a current per capita gross domestic product (GDP) of about \$2,100, Peru has merely maintained its 1967 income level, in real terms. Income remains unevenly distributed, with approximately 54% of the population living below the poverty line, almost half of whom live in extreme poverty. The country's total debt servicing requirement is expected to represent 33% of exports in 2004; the Peruvian government finds it difficult to limit its fiscal deficit while still addressing the country's social needs. Unemployment and underemployment rates remain very high (approximately 9% and 50%, respectively). Social services, especially in isolated, conflict-prone regions in Peru's highlands and jungles, are inadequate (e.g., in USAID's geographic focus areas 36% of children under five are malnourished, 27% of women are illiterate, 50% of the population does not have access to electricity, and 69% does not have access to 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/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 for the population, and prevents sustainable economic growth and development.

While Peru's economy out-performed the rest of Latin America (Peru experienced 5.2% GDP growth in 2002 and 4% projected in 2003), the Government of President Alejandro Toledo remains politically weak and social discontent prevails. To move forward, Peru must 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), initiate and conclude negotiations of a free trade agreement with the United States, and prepare itself to participate in the Free Trade Area of the Americas (FTAA) to stimulate economic growth and reduce poverty levels. Likewise, Peru must successfully complete its decentralization process to facilitate the dispersion of economic activity and more representative and effective governance throughout the country; reform the justice system to ensure predictable and equitable application of criminal and commercial law; modify the tax system to introduce transparent and efficient mechanisms to raise revenues for investment in critical infrastructure and services; and comprehensively restructure government institutions to reduce corruption, control government expenses, and provide appropriate and effective services.

In the Toledo Administration, 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 a lack 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, non-governmental organizations, and the private sector to help Peru achieve a secure, democratic, and prosperous future for its citizens. USAID will facilitate both Peru's international and national integration, thereby contributing to the mutual U.S. and Peruvian goals of good governance, security, and prosperity. USAID's overarching goal in Peru is to create jobs and, within its manageable interests, improve the climate for trade and investment, both domestic and international. 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.

The Data Sheets demonstrate how USAID will use FY 2004 and FY 2005 funding to provide: 1) national-level assistance related to policy reform and institutional strengthening; and 2) 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 are: 1) the Peru-Ecuador border region, where USAID efforts will help ensure a lasting peace between the two countries; and 2) the seven departments 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 to ensure that these areas are no longer a breeding ground for crime, terrorism, and social unrest.

Other Program Elements: In addition to resources requested in the attached Data Sheets, a range of USAID centrally-funded activities are implemented in Peru. In the democracy area, centrally-funded programs complement the bilateral program in strengthening regional mechanisms to promote human rights and rule of law, civil society, and educational reform. In the health sector, USAID/Washington-based activities support maternal and child care, nutrition, and malaria control. Central funds also support credit and small business development programs, as well as activities to alleviate the effects of poverty on women and children.

USAID also manages three South American sub-regional programs that involve Peru: 1) the Andean Region Trade Capacity Building program, which enhances capacity of the Andean Community as a partner in the 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; 2) the Centers of Excellence for Teachers Training (CETT) in the Andean region, training teachers who work in disadvantaged communities to improve the quality of reading instruction; and 3) the Amazon Malaria initiative which is a malaria control program.

USAID's program in Peru includes activities that contribute to seven Presidential Initiatives: Anti-Illegal Logging, Global Climate Change, Digital Freedom and Water for the Poor, Clean Energy, Center for Excellence in Teacher Training (CETT), and HIV AIDS.

Other Donors: Official international technical cooperation to Peru for 2002 was over \$364 million, including both bilateral and multilateral assistance. The United States is the largest bilateral donor. Other donors include: Germany (in democracy, environment, education and health, economic growth and water and sanitation); Switzerland (in economic growth, natural resources and democracy); the United Kingdom (in democracy, economic growth and health); and Spain (in democracy, education and health). Major multilateral donors include the United Nations, the Inter-American Development Bank, 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, counternarcotics, health, environment, and nutrition.

Caribbean Regional Program PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	3,550	4,233	3,733	4,637
Development Assistance	0	8,775	3,935	11,798
Economic Support Fund	10,800	2,500	3,976	9,000
ESF - Wartime Supplemental	0	500	0	0
Total Program Funds	14,350	16,008	11,644	25,435

STRATEGIC OBJECTIVE SUMMARY				
538-004 Competitiveness in the Caribbean				
DA	0	5,283	2,905	0
ESF	4,600	1,000	860	0
538-005 Improved Environmental Management				
DA	0	2,509	570	0
ESF	3,300	0	0	0
538-006 Rule of Law				
DA	0	983	460	0
ESF	1,000	0	516	0
538-008 HIV/AIDS				
CSH	3,550	4,233	3,733	0
ESF	1,900	1,500	0	0
ESF - Wartime Supplemental	0	500	0	0
538-x10 Global Competitiveness and Open Trade				
DA	0	0	0	4,362
ESF	0	0	0	3,500
538-x11 Regional Response to HIV/AIDS				
CSH	0	0	0	4,637
538-x12 Caribbean Performance Fund				
DA	0	0	0	7,436
TRANSFER				
ESF	0	0	2,600	5,500

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, ranging in size from 91 sq km Anguilla to 214,970 sq km Guyana. Most share a common history of European colonization and mono-crop plantation economies, giving rise to a number of developmental similarities and strong correlations among their current economic problems. Their small size, isolation from markets, susceptibility to natural disasters, and general ecological vulnerability make the Caribbean a special case for development assistance.

During the 1990s, while major preferential trade agreements with former colonial powers still existed, real GDP in the region grew at an average rate of 3.5%. After the 1990s, this growth rate decreased, registering 2.5% in 2000, and 1.0% in 2001. From 2002 to the present, some countries in the region are showing negative real growth. The onset of trade liberalization and globalization has resulted in the gradual loss of preferential trading agreements which, coupled with the low capital investment, has caused a reduction in foreign exchange earning potential. The dependence on a very narrow range of goods and services and limited private sector competitiveness in many of the countries have contributed to low or negative economic growth in the region.

There has also been inadequate progress in providing the necessary regulatory and institutional infrastructure to promote private investment. These gaps, combined with the region's vulnerability to natural disasters, e.g., floods, hurricanes, and volcanic eruptions, and the global economic downturn post September 11, have created tremendous developmental challenges for the region. A number of the Caribbean countries now face growing trade imbalances, unemployment (ranging from 8% in Antigua/Barbuda to 20% in St Lucia), widening fiscal deficits (from 5.5% of GDP in 2000 to 7.7% of GDP in 2002/3), and growing unsustainability in their debt stock.

Within this context, critical issues, as seen from the viewpoint of the Caribbean countries and their regional representative bodies, such as the Caribbean Community Secretariat (CARICOM) and the Organization of Eastern Caribbean States (OECS), are: (i) the challenge of increasing competition under the Free Trade Area of the Americas (FTAA), the African Caribbean and Pacific/European Union (ACP/EU) and the World Trade Organization (WTO) agreements; (ii) the growing threat of HIV/AIDS to national development (the region's HIV/AIDS infection rate ranks second in the world); (iii) unemployment and its potential impact upon safety/security and increased crime; (iv) the need for fiscal reform; (v) traditional and emerging environmental challenges; and (vi) human capacity deficiencies.

One strategy developed by the CARICOM countries for meeting these growing issues plans for the formation of a single economic bloc under the Caribbean Single Market and Economy (CSME) by 2005. At the sub-regional level, the OECS has already created a single monetary and judicial system, and has plans for a more comprehensive economic union within the CSME. Specific implementation deadlines for both of these parallel efforts, however, have not yet been formalized, and there will be difficulties in meeting the 2005 deadline. USAID is supporting plans for economic integration as well as other important initiatives at the regional and sub-regional levels. These include a multi-donor effort to provide support to the Caribbean Epidemiology Centre (CAREC) to combat HIV/AIDS across the region and to provide support at the national level. Under CARICOM, a mechanism has been created to assist in regional trade negotiations to support efforts at both the regional and national levels. At the OECS level, the Secretariat has created specific organizational units and programs involved in environmental management, small and medium enterprise development, and trade.

As a third border with the United States, the region's economic, political and social stability is of critical importance to U.S. national interests. The United States considers the small countries of the Eastern Caribbean region to be important partners on trade, health, education, and homeland security issues.

The USAID Program: USAID provides direct and indirect development support to 23 diverse nations across the Caribbean region, through a variety of regional institutions, including CARICOM, the OECS,

and the CAREC, among others; however, a large portion of our direct assistance is focused on OECS member states.

USAID's program focuses on four areas: economic growth and trade, environment, rule of law, and the fight against the HIV/AIDS pandemic. The economic growth and trade program is assisting the region with sustainable economic growth. The program focuses on improving the enabling legislative and regulatory environment for growth and investment, coupled with firm-level support. A new activity addressing trade and competitiveness is helping in the transition to new and open trade regimes and the enhancement of private sector competitiveness. The environment program is based on the recognition that the economies and the ecosystems of the Caribbean states are inextricably linked. It places emphasis on the tourism sector in an effort to ensure sustainability of the delicate natural resources upon which this critical industry depends. It also seeks to promote increased efficiency and competitiveness through improved environmental management and compliance with internationally accepted standards.

The rule of law program is ensuring that the justice infrastructure is sufficiently modernized to improve efficiency and applicability of important legal tools for economic growth. USAID assistance is introducing and improving technology in the judicial system in such areas as case and court reporting. It has also established a regional legislative drafting facility to draft and revise critical laws for market integration, security, and HIV/AIDS. The battle against HIV/AIDS is being carried out throughout the wider Caribbean through a broad-based, multi-donor funded program to enhance capacities for prevention as well as care and treatment. The program includes elements to support both public and private sector activities in the region in an effort to strengthen HIV/AIDS non-governmental organizations (NGOs) and NGO networks and to increase the governments' capacity to fight the spread of the disease. All of these programs have the active interest and participation of Caribbean governments.

Other Program Elements: The Center of Excellence for Teacher Training (CETT) is a Presidential Initiative program started in FY 2003, which upgrades the skills of classroom teachers so that they can become more effective reading instructors. Rural and urban communities, especially those in remote areas, and schools that have a significant enrollment of Creole-dominant speakers in the English-speaking Caribbean island nations are targeted. The program involves public and private sector partnerships, and, to date, several U.S.-based companies have supported the program.

A significant portion of the ESF will be transferred to the State Department to address the lack of capacity many Caribbean nations face in security. Funds (\$2,600,000 in FY 2004 and \$5,500,000 in FY 2005) will be used to help Caribbean airports modernize their safety and security regulations and to support border security programs, including the strengthening of immigration controls.

Other Donors: According to a 2001 World Bank report, the top seven donors to the OECS countries - the Caribbean Development Bank (CDB), the European Union, the World Bank, UN organizations, Kuwait, the United States, and Canada (listed by size of contributions) - account for 93% of total disbursements for 1999-2001. In 2001, the European Union's contribution, which increased to \$75 million, was expected to supercede that of the CDB. For that same period, the largest amount of donor support (\$68 million) was being channeled into the road and transport sector. Education, environment, and budget support were each allocated another 10% of the total expected disbursements from 1999 to 2001. Education, health, and social planning together accounted for approximately 17% of the total. CAREC and the Caribbean Regional Technical Assistance Center (CARTAC) are working in health and finance respectively and are supported by USAID and several other donors. Donor coordination, however, remains a challenge in the region given its size and diversity, the number of donors, and the limited capacity of host governments to participate effectively in projects that are spread across several islands. This aspect of the regional program is carefully being reviewed with a view to improving the level of coordination.

**Central America Regional Program
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	4,000	4,950	4,950	6,708
Development Assistance	15,792	24,383	16,487	21,582
Development Credit Authority	0	469	0	0
Total Program Funds	19,792	29,802	21,437	28,290

STRATEGIC OBJECTIVE SUMMARY

596-005 Regional Trade and Investment				
DA	2,800	7,300	7,616	0
596-006 Central America Regional Environment Program				
DA	6,842	9,821	6,021	0
DCA	0	469	0	0
596-008 Regional HIV-AIDS				
CSH	4,000	4,186	0	0
DA	150	0	0	0
596-009 Increased Diversification of the Rural Economy				
DA	6,000	7,262	2,850	0
596-022 Economic Freedom				
DA	0	0	0	14,795
596-023 Investing in People				
CSH	0	764	4,950	4,950
596-025 Performance Fund				
CSH	0	0	0	1,758
DA	0	0	0	6,787

Mission Director,
Glenn Anders

Central America Regional Program

The Development Challenge: With negotiations complete between the United States and El Salvador, Guatemala, Honduras, and Nicaragua, Central America is poised for a U.S.-Central American Free Trade Agreement (CAFTA) that will be a historic step toward regional integration and opening economies to global markets. Central America's \$68 billion economy and its population of 36 million make it the seventh-largest Latin American economy. U.S. exports to Central America in 2000 exceeded \$8.8 billion - more than U.S. exports to Russia, Indonesia, and India combined.

Central America is still recovering from decades of civil conflict and dealing with spiraling crime and widespread poverty. Four countries in the region suffered from military-controlled regimes and over a quarter of a million lives were lost in Cold War-related conflicts of the 1970s and 1980s. During the 1990s, Central America's annual average GDP growth rate was around 1.6%, less than the rate of population growth. The economic situation has worsened due to combined fall-out from a decline in coffee prices and the global economic slowdown. The result is a social crisis with increases in chronic malnutrition, gang violence, and a proliferation of organized criminal activities such as drug smuggling, human trafficking, and money laundering. Central America continues to rely on the "escape valve" of migration to the United States in the face of deteriorating economic and social conditions. The rapidly growing Hispanic population (13% of the U.S. population) is the largest minority group in the United States. Five percent of the documented U.S. Hispanic population is from Central America and four of the 10 leading source countries for U.S. undocumented immigrants are from the region. This combined population of documented and undocumented U.S. residents, sends \$4 billion annually to Central America funds which are essential for sustaining the region's economies.

Central America's 2002 per capita income was \$1,883. Despite its lower-middle income classification, over one-fourth of its population lives below the poverty line and one-third is illiterate. Central America has the worst primary school repetition and completion rates in Latin America, undermining its competitiveness in the global economy. Regional poverty stems from reliance on traditional agricultural products and deeply rooted social inequalities, with wide gender, ladino - indigenous and rural - urban gaps. The low income-generating ability of the vast majority of Central Americans is reflected in poor living conditions, including an unacceptably high rate of infant mortality (28 per 1,000 live births) and persistent chronic malnutrition among children.

Living standards are deteriorating and economic growth is limited by environmental degradation, including persistent and unchecked deforestation that limits water for industry, towns, and surrounding agricultural lands. In many areas, hunting, fishing, tourism, and extraction of wood for timber, fuel, and non-wood products have reached unsustainable levels, causing irreversible damage and growing threats to the region's water supply and sustainable economic growth. Environmental degradation also destroys refuges for endangered species. Regional forests, coastal areas, and wetlands are increasingly under pressure from human population growth, road building, and conversion of land for grazing and agriculture.

Central America is threatened by the emerging HIV/AIDS epidemic. Conservative estimates indicate that there are currently more than 175,000 infected individuals, the majority of whom are unaware of their condition and unable to take measures to prevent future transmission. While the epidemic began among homosexual and bisexual men, there has been a steady increase among women. As HIV/AIDS becomes established in the heterosexual population, vertical transmission (from mother to unborn/newborn child) is increasing. AIDS is the leading cause of death for women of reproductive age in Honduras, and the leading cause of death for adults aged 20 to 49 in Panama. In other countries it is one of the main causes of admittance to hospitals. The region's future economic development is threatened since the costs of AIDS-related morbidity and mortality tax both human and financial resources. HIV/AIDS is most likely to affect labor productivity, medical costs, the orphan population, and the size of the labor force.

The persistence of organized crime, including a proliferation of gangs, poses a continuing challenge. The Mesoamerican corridor is the preferred route for illegal migrants and narcotics; up to 70% of illicit South American narcotics shipments pass through the isthmus to the United States. Weak governments and

deteriorating living standards could undermine U.S. efforts to contain illegal migration, HIV/AIDS, organized crime, and other potential threats to homeland security.

Although the size of Mexico's economy (per capita GDP of \$6,884 in 2002) and population (100 million) far outweigh those of its Central American neighbors, Mexico faces some similar challenges. About 53% of Mexicans have an annual income of less than \$720, and environmental degradation presents a significant challenge to the country's biodiversity and continued economic growth, particularly in rural areas. On the other hand, Mexico has developed some institutions that can serve as models for other countries. For example, Mexico is a regional leader in its efforts to combat the HIV/AIDS. Inclusion of Mexico in the common framework of Central America regional programs provides an opportunity for increased cooperation across borders.

U.S. national interests in Central America include: 1) regional trade integration; 2) democracy; and 3) containment of illegal migration, organized crime (including gangs), and narco trafficking. Trade remains at the top of the region's political agenda. The United States expects to complete negotiations for CAFTA in January, which will serve as a vital step toward completion of the Free Trade Area of the Americas (FTAA) by 2005. Since 1990, trade between the five countries and the United States has nearly tripled. The United States is Central America's most important trading partner, accounting for 43% of Central American exports and providing 41% of its imports. In spite of the region's relative non-competitiveness, U.S. private investment in the region is around \$1 billion, and is anticipated to increase substantially under CAFTA. The free trade agreement is expected to reinforce the region's integration process and help maintain stability while assisting the region to invigorate its faltering economies. U.S. assistance will play a critical role in addressing the challenge of implementing CAFTA by engaging the region's governments and civil society, and, ultimately, supporting the creation of an integrated Central American economy.

The USAID Program: The Data Sheets provided below notify four strategic objectives (SOs) for which USAID has requested FY 2004 funds: 1) strengthening regional economic integration by promoting open trade and investment policies; 2) promoting environmental management and disaster prevention; 3) diversifying rural economies; and 4) containing and controlling HIV/AIDS (this Data Sheet also notifies FY 2005 funds). Beginning in FY 2005, the Regional Trade and Investment, Regional Environment, and Rural Economic Diversification SOs will be incorporated into SO 596-022 "Economic Freedom: Open, Diversified, Expanding Economies" under USAID's new Central America and Mexico Regional Strategy, which is also notified below. A new Performance Fund for Central America and Mexico also notifies FY 2005 funds.

Other Program Elements: Central America benefits from programs managed by USAID's Office of Regional Sustainable Development (LAC/RSD) to strengthen regional mechanisms to promote human rights, fortify government accountability, promote decentralization and local governance, and provide outreach to civil society on trade and economic issues. LAC/RSD also manages programs to develop cleaner production technologies, as well as the Parks in Peril program to mitigate threats to conservation. The Bureau for Democracy, Conflict and Humanitarian Assistance's (DCHA) matching grant program leverages U.S. private voluntary financial resources to improve primary health care, evaluate nonprofit housing organizations, and promote microenterprise development. Through its farmer-to-farmer program, the Office of Private and Voluntary Cooperation (DCHA/PVC) funds short-term voluntary technical assistance to increase farm and agribusiness productivity and incomes. Finally, the Global Health Bureau's child survival program funds activities that provide technical assistance to reduce infant, child, and maternal mortality and morbidity.

Other Donors: USAID has been successful in encouraging other donors to work together on regional efforts in trade capacity building, the environment, and HIV/AIDS control. Overall development assistance to the region totals around \$1.8 billion per year, excluding debt relief. The United States and Canada are the region's first and second largest bilateral partners, followed by Japan, the Netherlands, and Germany. Multilateral donor support is led by the Inter-American Development Bank, followed by the Central American Bank for Economic Integration, the World Bank, the European Union, and the United Nations.

South America Regional PROGRAM SUMMARY

(In thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Andean Counterdrug Initiative	5,000	0	0	0
Child Survival and Health Programs Fund	0	2,300	2,155	1,829
Development Assistance	0	0	2,400	5,525
Total Program Funds	5,000	2,300	4,555	7,354

STRATEGIC OBJECTIVE SUMMARY				
530-001 Andean Trade Capacity Building				
ACI	5,000	0	0	0
CSH	0	2,300	0	0
DA	0	0	2,400	2,180
530-XXXX Amazon Malaria Initiative				
CSH	0	0	2,155	1,000
530-YYY South America Performance Fund				
CSH	0	0	0	829
DA	0	0	0	3,345

Mission Director,
Patricia Buckles

LAC Regional PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	9,434	11,194	12,128	4,621
Development Assistance	39,910	36,734	51,574	32,501
Development Credit Authority	0	35	0	0
Economic Support Fund	16,163	5,470	15,362	14,000
Total Program Funds	65,507	53,433	79,064	51,122

STRATEGIC OBJECTIVE SUMMARY				
598-003 Health Priorities				
CSH	8,434	6,007	0	0
598-005 Regional Democracy Initiatives				
DA	4,500	4,538	4,194	5,000
ESF	4,163	5,000	4,924	0
598-006 Leadership Training				
CSH	1,000	0	0	0
DA	9,000	0	0	0
598-017 Market Access				
DA	3,150	3,126	4,700	5,000
DCA	0	35	0	0
ESF	0	470	0	0
598-018 U.S.-LAC Environmental Partnership				
DA	895	172	300	500
598-019 Participation in FTAA Process				
DA	1,030	0	0	0
598-020 Program Development and Learning				
CSH	0	1,187	5,105	271
DA	2,021	867	1,955	1,349
598-021 Special Development Opportunities				
CSH	0	4,000	623	0
DA	3,759	3,340	18,240	3,752
ESF	0	0	10,438	9,000
598-022 Conservation of Biological Resources				
DA	7,200	4,746	4,500	4,900
598-023 Education and Training Improvement				
DA	8,355	19,945	17,685	12,000
ESF	12,000	0	0	0
598-024 Health Advancement				
CSH	0	0	6,400	4,350
TRANSFER				
ESF	0	0	0	5,000

Mission Director,
Adolfo Franco

LAC Regional

The Development Challenge: The Latin America and Caribbean (LAC) region has evolved from decades marred by internal wars and authoritarian regimes to relative peace and stability. Colombia continues in conflict, while Venezuela and Bolivia have become less stable. Still, on balance, the region has normalized over the last several decades as countries have shifted from authoritarian rule to participatory, constitutional democracy. Even where governments fall due to popular pressure (as in Ecuador, Argentina, and Bolivia), they have managed to remain within constitutional constraints.

The region's gross domestic product (GDP) shrank by 0.8% in 2002, the worst economic performance since 1983. Last year's inflation edged up to 12% after eight years of steady decline, but is on track to return to trend at 8%-9% this year. Several countries with worrisome problems in the past are now in good standing with the International Monetary Fund. GDP of the LAC region grew by 1.5% in 2003 and is expected to continue to expand to 3.5% in 2004. Countries that have adopted sound fiscal policies and oriented their economies toward foreign investment and rules-based trade under the World Trade Organization have tended to resist the recent downturn better than those which have not taken such steps. Those countries stand to benefit more from the nascent world-wide and U.S. economic recovery and the related world-wide bull market in commodities. Further, the North American Free Trade Agreement (NAFTA) has contributed substantially to economic growth for its three partners. Since 1993, trade among the NAFTA countries has increased dramatically and U.S. merchandise exports have nearly doubled.

Despite these promising indicators of economic recovery, mediocre economic performance has caused per capita income in LAC countries to decline significantly since 1998, and poverty overall has increased. These woes have brought political discontent and turbulence, and raised questions about the health of democracy in the region, investment priorities, social sector policies, and the benefits of a decade of liberal reforms, even if sometimes halfhearted. The effects in the poorest countries, such as Haiti, and even regions within countries with generally solid economic performance, such as northeast Brazil, have been even more disheartening.

In education, the quality and equity of primary and secondary education are major problems. In most of Latin America, nearly one half of the children who enter primary school fail to make it to the fifth grade and only about 30% graduate from secondary school. Moreover, poor, rural, and indigenous students are least likely to be enrolled in school at any level and tend to score lower on achievement tests. Great inequities remain in the access to, and delivery of, quality health care in the LAC region. Maternal and neonatal mortality rates remain unacceptably high, and antimicrobial resistance patterns are on the increase. The Caribbean region has the second highest HIV/AIDS rate in the world. The entire LAC region has over two million people living with HIV, including the estimated 200,000 that contracted HIV in the past year. Other infectious diseases, such as dengue, are also posing an emerging threat.

Despite continued success in introducing new technologies for clean production in industry and improved practices in park and protected areas management, the environment in LAC region suffers from accelerating rates of severe degradation. This degradation is evident in the loss of many coastal reefs, eroded watersheds, and polluted water. It results in increased vulnerability to disasters and health problems, conflicts over natural resources, and reduced economic opportunities.

The Summit of the Americas continues to influence the foreign policy agenda in the region and has forged greater commitment among the 34 nations of the hemisphere to mutually agreed-upon priorities for addressing areas of critical concern. A special, interim summit in January 2004 solidified a robust set of targets for economic growth, social sector reform, and good governance, to which regional program resources will be dedicated.

The USAID Program: The Data Sheets below cover the eight objectives for which USAID is requesting FY 2004 and FY 2005 funds. These objectives focus on supporting the FTAA through regional trade capacity building and improving market access; strengthening democratic institutions and processes;

improving the quality of education; protecting the region's biodiversity; supporting new environmental technologies and partnerships; improving the health status of the region's population, with a particular emphasis on women and disadvantaged groups; program development and assessment; and advancing development cooperation opportunities in the hemisphere. In FY 2004, USAID will fund a follow-on strategic objective in health while continuing to support efforts in democracy, economic growth, education and the environment. In FY 2005, USAID plans to continue the activities in economic growth, environment, democracy and health. USAID will transfer \$5,000,000 to the Department of State in FY 2005 to fund activities in anti-corruption and in support of the Summit of the Americas.

Other Program Elements: The LAC Regional program has been instrumental in developing several alliances and partnerships to benefit multiple countries in LAC. These include public-private partnerships to address the coffee crisis in Central America, protect the Meso-American coral reef, develop the certified timber industry in selected countries, improve basic reading skills of primary school children, and use remittances to promote increased access of the poor to financial services.

Other Donors: The United States is the largest provider of Official Development Assistance among all bilateral donors in the LAC region. Other major donors include the European Union, Japan, the Netherlands and Germany. Coordination with the World Bank, Inter-American Development Bank (IDB), Organization of American States (OAS), Pan American Health Organization (PAHO), and other regional and international organizations is excellent and helps USAID to promote U.S. foreign policy interests in the region, influence development policy, and shape the direction of other donor's programs. USAID also collaborates extensively with other U.S. agencies including the Departments of State, Justice, Agriculture, Education, and Health and Human Services, the U.S. Trade Representative, Environmental Protection Agency, and others. In the economic growth area, USAID, IDB, OAS and the Economic Commission for Latin America and the Caribbean collaborate to help Central American countries identify their trade capacity needs in preparation for the CAFTA. In the environment sector, USAID has partnered with the United Nations (UN) Foundation and various environmental NGOs and private industry to protect the Meso-American coral reef. In education, USAID is developing a public-private partnership to support the Presidential Summit Initiative, the Centers of Excellence for Teacher Training. USAID continues to collaborate with the World Bank, IDB, OAS, PAHO, and the UN to support the Inter-American Coalition for the Prevention of Violence in the Americas to promote national strategies to combat crime and violence. USAID works closely with PAHO, IDB, and the World Bank to implement its health initiatives.

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 2003.

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, 2004.

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 2004.

Child Survival and Health Programs Fund: An appropriation account (formerly Child Survival and Diseases Program Fund) for funding child survival, 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 1 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. 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, are not included in this category.

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. It 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, represents the total value of goods and services received, disbursement for which may not have been made. A disbursement, also referred to as an actual expenditure or 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 September 30.)

Foreign Assistance Act (FAA): The Foreign Assistance Act of 1961, as amended (USAID's present authorizing legislation).

Foreign Assistance 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).

Functional Assistance: Development Assistance funded from the Development Assistance, Child Survival and Health Programs Fund, and Development Credit Programs appropriation accounts and authorized from one of the following eight authorization accounts: (1) Agriculture, Rural Development and Nutrition; (2) Population Planning; (3) Health; (4) Child Survival; (5) AIDS Prevention and Control; (6) Education and Human Resources Development; (7) Private Sector, Environment and Energy; and (8) Science and Technology.

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): Currently 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: 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: 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 in 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 are 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 signed agreements between the U.S. Government and host governments, contracts and grants to organizations, and purchase orders.

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 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 2004.

Operational Program Grant (OPG): A grant to private and voluntary organizations to carry out specific programs.

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.

Parameter: A given framework or condition within which decision-making takes place, i.e., Agency goals, earmarks, legislation, etc.

Parameter-setting: A process by which a parameter is agreed upon and used to define limits, constraints and options for the development or revision of a strategic plan.

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 2003). It reports by Agency goal against the Agency's FY 2003 annual performance plan that was prepared and submitted to Congress in 2001. 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 2005). 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.

Pillar: USAID's new strategic orientation involves four pillars. The first, the Global Development Alliance (GDA), represents a change in the way USAID implements assistance; USAID will serve as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporations, the higher education community, and nongovernmental organizations in support of shared objectives overseas. USAID has aggregated its current and mutually reinforcing programs and activities into three program pillars to utilize resources more effectively and to describe its programs more clearly. The three program pillars are Democracy, Conflict, and Humanitarian Assistance; Economic Growth, Agriculture, and Trade; and Global Health.

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. (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.

Results Review and Resource Request (R4): This document has been replaced by the Annual Report.

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 Support for East European Democracy 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.

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).

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.)

Congressional Presentation: Now called Congressional Budget Justification (CBJ).

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 2003. This publication is released shortly after the Budget Justification is presented to the Congress.

Program Summary Table: The table found at the end of each region, country and central program narrative contained in the Budget Justification document. This table summarizes the budget levels for the prior two fiscal years (i.e., FY 2002 and FY 2003), current year (i.e., FY 2004), and budget year (i.e., FY 2005) by type of assistance (i.e., by accounts).

Strategic Objective Summary Table: The table found at the end of each region, country and central program narrative contained in this Budget Justification document. The table summarizes budget levels for the prior two fiscal years (i.e., FY 2002 and FY 2003), current year (i.e., FY 2004), and budget year (i.e., FY 2005) for the strategic objectives by type of assistance (i.e., by accounts).

ABBREVIATIONS AND ACRONYMS

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	Agriculture Cooperation Development International
ACDI	Agricultural Cooperative Development Institute
ACI	Andean Counterdrug Initiative
ACILS	American Center for International Labor Solidarity
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
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
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	Adminstration of Justice
AOJS	Administration of Justice Support
APAC	AIDS Prevention and Control
APEC	Asia-Pacific Economic Cooperation
APEDA	Agricultural Products Export Development Authority
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
ARV	Anti-Retroviral Vaccines
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
BASIC	Basic Support for Institutionalized Child Support
BBSA	Basic Business Skill Acquisition
BCN	Biodiversity Conservation Network
BIGUF	Bangladesh Independent Garment Workers Union Federation
BOD	Biochemical Oxygen Demand
BOOT	Build-Own-Operate-Transfer
BOT	Build-Operate-Transfer
BRAC	Bangladesh Rural Advancement Committee
BSM	Business Systems Modernization
BTEC	Business Transformation Executive Committee
CA	Cooperating Agency
CAAEF	Central Asian – American Enterprise Fund
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
CAIC	Caribbean Association of Industry and Commerce
CAMP	Coastal Aquifer Management Program
CAP	Counterpart Alliance for Partnership Program
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
CBFRM	Community-based Forest Resource Management
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
CDIE	Center for Development Information and Evaluation
CDO	Cooperative Development Organization
CDP	Cambodian Defenders Project
CDR	Cooperative Development Research Program (U.S.-Israel)
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
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
CIT	Communities in Transition
CITES	Convention of International Trade in Endangered Species
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
CO2	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
CRM	Coastal Resources Management
CRS	Catholic Relief Services
CRSP	Collaborative Research Support Program
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
CSW	Commercial Sex Workers
CT	Cash Transfer
CVA	Conflict Vulnerability Assessment
CWS	Church World Services
CY	Calendar Year
CYP	Couple-Years' Protection
DA	Development Assistance
DAC	Development Assistance Committee (OECD)
DAF	Development Assistance Fund
DAI	Development Alternatives International
DAP	Development Activity Proposal
DART	Disaster Assistance Response Team
DBO	Design-Build-Operate
DCA	Development Credit Authority
DCHA	Democracy, Conflict and Humanitarian Assistance Bureau (USAID)
DCOF	Displaced Children and Orphans Fund
DCP	Development Credit Program
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	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
DTT	Deloitte Touche Tohmatsu
DVS	Democratic Values Survey
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
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECEP	Energy Conservation and Environment Project
ECHO	European Commission Humanitarian Organization
ECLAC	Economic Commission for Latin America and the Caribbean
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	Europe and Eurasia
EE	Emergency and Evacuation
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
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
EPSP	Economic Policy Support Project
ERF	Emergency Response Fund
ESAF	Extended Structural Adjustment Facility (International Monetary Fund)
ESCOs	Energy Service Companies
ESEG	Energy Security for Economic Growth

ESF	Economic Support Fund
ETU	Egyptian Technology University
EU	European Union
EU/PHARE	European Union – Poland, Hungary, Albania, Romania, Estonia
FANTA	Food and Nutrition Technical Assistance
FAO	Food and Agriculture Organization (United Nations)
FAR	Fixed Amount Reimbursable
FBO	Faith-Based Organization
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
FFMIA	Federal Financial Management Improvement Act
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
FORWARD	Fostering Resolution of Water Resources Disputes
FP	Family Planning
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-8	Group of Eight (leading industrialized nations consisting of Canada, France, Germany, Italy, Japan, United Kingdom, and United States)
GAI	Global AIDS Initiative
GAIN	Global Alliance for Improved Nutrition
GAO	General Accounting Office
GAVI	Global Alliance for Vaccines and Immunization
GATT	General Agreement on Tariffs and Trade
GCA	Global Coalition for Africa
GCC	Global Climate Change
GDA	Global Development Alliance
GDF	Global Drug Facility
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)
GHAI	Greater Horn of Africa Initiative
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
HA	Hectare
HBCUs	Historically Black Colleges and Universities
HCC	Historical Clarification Commission
HG	Housing Guaranty
HIID	Harvard Institute of International Development
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
HKI	Helen Keller International
HMHC	Health Maintenance and Health Care
HMO	Health Maintenance Organization
HPSP	Health Policy Support Program
HRC	Human Rights Commission
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
ICASS	International Cooperative Administrative Support Services
ICDDR	International Center for Diarrheal Disease Research
ICDS	Integrated Child Development Services
ICICI	Industrial Credit and Investment Corporation of India
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
ICZM	Integrated Coastal Zone Management
ID	Infectious Diseases
IDA	International Development Assistance
IDA	International Disaster Assistance (now International Disaster and Famine Assistance)
IDB	Inter-American Development Bank
IDE	International Development Enterprises
IDEE	Institution for Democracy in Eastern Europe
IDFA	International Disaster and Famine Assistance
IDP	Internally Displaced Person
IDSR	Integrated Disease Surveillance and Response
IEC	Information, Education and Communication
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
IFPP	International Relief Partnership Program
IFOR	Implementation Force (NATO)
IFPRI	International Food Policy Research Institute
IFPS	Innovations in Family Planning Services
IFRC	International Federation of the Red Cross
IG	Inspector General
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
IMCI	Integrated Management of Childhood Illnesses
IMET	International Military Education and Training
IMF	International Monetary Fund
IMR	Integrated Managing for Results
IMR	Infant Mortality Rate
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
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
IRRF	Iraq Relief and Reconstruction Fund
ISA	Initiative for Southern Africa
ISAR	Institute on Soviet - American Relations
ISBO	Institutional Strengthening for Business Opportunities
ISO	International Export Standard
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
JAFPP	Jordan Association of Family Planning
JBIC	Japanese Bank for International Development
JFMIP	Joint Financial Management Improvement Program
JHPIEGO	Johns Hopkins Program Providing Reproductive Health
JHU/PCS	Johns Hopkins University/Population Communication Services
JICA	Japanese International Cooperation Agency
JSI	John Snow Incorporation
JUSBP	Jordan U.S. Business Partnership
JVA	Jordan Valley Authority
JWC	Joint Water Committee
KfD	Knowledge for Development
KG	Kilogram
KHANA	Khmer HIV/AIDS Alliance
LAC	Latin America and the Caribbean
LAF	Lebanese Armed Forces
LAU	Lebanese American University
LC	Local Currency
LE	Egyptian Pound
LEB	Locally Elected Body
LEWS	Livestock Early Warning System
LG	Local Government
LGU	Local Government Unit
LMI	Lower-Middle-Income
LTTE	Liberation Tigers of Tamil Elam
LWVF	Patrick J. Leahy War Victims Fund
M	Management Bureau (USAID)
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
M&E	Monitoring and Evaluation
MEA	Middle East and North Africa
MEG	Morocco Education for Girls
MEPI	Middle East Partnership Initiative
MERC	Middle East Regional Cooperation
MES	Mongolian Energy Sector Project
MFA	Microenterprise Finance
MFI	Microfinance Institution
MHO	Mutual Health Organizations
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
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
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
NA	Not applicable, or Not Available
NACP	National AIDS Control Program
NAMRU-3	Naval Medical Research Unit
NAPA	National Academy for Public Administration
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
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
NID	National Immunization Day
NIH	National Institutes of Health
NIS	New Independent States of the Former Soviet Union (now Independent States of the Former Soviet Union)
NMS	New Management System
NOAA	National Oceanic and Atmospheric Administration
NORAD	Norwegian Aid
NPA	Non-Project Assistance
NPI	New Partnership Initiative
NPR	National Performance Review
NRECA	National Rural Electric Cooperative Administration
NRM	Natural Resources Management
NTA	New Transatlantic Agenda
NTE	Non-Traditional Export
NTFP	Non-Traditional Forest Products
NWI	Ministry of Water and Irrigation
OAS	Organization of American States
OAU	Organization of African Unity
ODA	Official Development Assistance
OE	Operation Expenses
OECD	Organization for Economic Cooperation and Development
OECS	Overseas Economic Cooperation Fund
OECS	Organization of Eastern Caribbean States
OFDA	Office of Foreign Disaster Assistance (USAID)
OHCHR	Office of the High Commissioner for Human Rights (United Nations)

OIG	Office of the Inspector General (USAID)
OMB	Office of Management and Budget
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)
OVC	Orphans and Vulnerable Children
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	Provincial Environment Departments
PERPP	Public Enterprise Reform and Privatization Program
PEPFAR	President's Emergency Plan for AIDS Relief
PES	Policy Environment Score
PHC	Primary Health Care
PHCI	Primary Health Care Initiative
PHN	Population, Health and Nutrition
PIEFZA	Palestinian Industrial and Free Zone Authority
PIL	Public Interest Litigation
PIP	Parks in Peril
PIPA	Palestinian Investment and Promotion Agency
PL	Public Law
PLANTE	National Alternative Development Plan (Colombia)
PLC	Palestinian Legislative Council
PLN	Indonesian National Electric Company
PLO	Palestinian Liberation Organization
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
PNFPP	Philippine National Family Planning Program
POP	Persistent Organic Pollutant
PPC	Policy and Program Coordination Bureau (USAID)
PPG7	Pilot Program to Conserve the Brazilian Rainforest, Group of 7

PREAL	Program for Education Reform in the Americas
PRIME	Program for Innovation in Microenterprise
PRIME	Primary Providers' Training and Education in Reproduction
PRM	Population, Refugees, and Migration (State Department)
PRSP	Poverty Reduction Strategy Paper
PSC	Personal Service Contract
PSI	Population Services International
PSIP	Procurement System Improvement Project
PSO	Private Sector Organization
PVC	Private Voluntary Cooperation
PVO	Private and Voluntary Organization
PW	Price-Waterhouse
PWA	Palestinian Water Authority
PWC	Price Waterhouse Coopers
QCHT	Quality Control of Health Technologies
QIZ	Qualifying Industrial Zones
RACHA	Reproductive and Child Health Alliance
RCSA	Regional Center for Southern Africa (USAID)
RCSP	Rural Civil Society Program
RDS	Regional Development and Support
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
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
SCA	Supreme Council for Antiquities
SDF	Special Development Fund
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SEED	Support for East European Democracy
SEI	State Environmental Initiative
SEP	Senior Executive Program
SET	Supreme Electoral Tribunal
SIGN	Safe Injection Global Network
SIWM	Souss-Massa Integrated Water Resources

SME	Small and Medium-sized Enterprises
SME	Small and Micro-Enterprises
SMME	Small, Medium and Micro Enterprises
SO	Strategic Objective
SOE	State-Owned Enterprise
SOW	Scope of Work
SPA	Special Program of Assistance
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
SSRC	Social Science Research Council
SSMSC	Stock Market State Commission (Ukraine)
STD	Sexually Transmitted Disease
STI	Sexually Transmitted Infection
TAACS	Technical Advisors for AIDS and Child Survival
TACIS	Technical Assistance for the Commonwealth of Independent States, European Union
TAF	The Asia Foundation
TB	Tuberculosis
TBD	To be Determined
TCB	Trade Capacity Building
TDA	Tourism Development Authority
TFCA	Tropical Forest Conservation Act
TFET	Trust Fund for East Timor
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 Initiative
TRG	Triangle Research Group
TRM	Tadla Resources Management
TSG	The Services Group
UC	Union Council
UECP	Urban Environmental Credit Program
UES	Urban Environmental Services
UK	United Kingdom
ULP	University Linkages Project
UMCOR	Untied Methodist Committee on Relief
UN	United Nations
UNAIDS	United Nations Joint Program on HIV/AIDS

UNCHS	United Nations Center for Human Settlements (Habitat)
UNDB	United Nations Development Bank
UNDCP	United Nations Drug Control Program
UNDP	United Nation Development Program
UNECE	United Nations Economic Commission for Europe
UNEP	United Nations Environment Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNGA	United Nations General Assembly
UNHCR	United Nations High Commissioner for Refugees
UNHRC	United Nations Human Rights Commission
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Fund for Women
UNOPS	United Nations Operations Support
UNRWA	United Nations Relief and Works Agency
UNTAET	United Nations Transitional Authority for East Timor
URC	University Research Corporation
US	United States
USACE	United States Army Corps of Engineers
USAEP	U.S.-Asia Environmental Partnership
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USDH	United States Direct Hire
USEA	United States Energy Association
USF	University of San Francisco
USFS	United States Forest Service
USFDA	U.S. Food and Drug Administration
USG	United States Government
USIA	United States Information Agency
USIS	United States Information Service
USSR	Union of Soviet Socialist Republics
USTR	United States Trade Representative
UTC	United Technologies Corporation
VC	Vulnerable Children
VCT	Voluntary Counseling and Testing
VfP	Volunteers for Prosperity
VHS	Voluntary Health Services
VITA	Volunteers in Technical Assistance
VOA	Voice of America
VOCA	Volunteers in Overseas Cooperative Assistance
VOT	Victims of Torture
VSC	Voluntary Surgical Contraceptive
WAEN	West Africa Enterprise Network
WAJ	Water Authority of Jordan
WARP	West African Regional Program
WB	World Bank (International Bank for Reconstruction and Development)
WCC	World Coast Conference

WCF	Working Capital Fund
WFF	World Wildlife Federation
WFP	World Food Program (United Nations)
WHO	World Health Organization
WID	Women in Development
WMO	World Meteorological Organization
WOCCU	World Council of Credit Unions
WRS	Water Resource Sustainability
WSSCC	Water Supply and Sanitation Collaborative Council
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization
WWF	World Wildlife Fund
YMCA	Young Men's Christian Association