FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS  
(FOREIGN OPERATIONS) 

I. Export and Investment Assistance 

<table>
<thead>
<tr>
<th>($ in thousands)</th>
<th>FY 2003 Actual</th>
<th>FY 2004 Estimate</th>
<th>FY 2005 Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export-Import Bank of the United States</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Subsidy</td>
<td>509,566</td>
<td>-</td>
<td>125,700</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>67,856</td>
<td>72,467</td>
<td>73,200</td>
</tr>
<tr>
<td>Inspector General</td>
<td>-</td>
<td>-</td>
<td>1,140</td>
</tr>
<tr>
<td>Direct Loans, Negative Subsidies</td>
<td>(13,000)</td>
<td>(18,000)</td>
<td>(44,000)</td>
</tr>
<tr>
<td>Total, Export-Import Bank of the United States</td>
<td>564,422</td>
<td>54,467</td>
<td>156,040</td>
</tr>
<tr>
<td>Overseas Private Investment Corporation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>39,626</td>
<td>41,141</td>
<td>42,885</td>
</tr>
<tr>
<td>Net Offsetting Collections</td>
<td>(302,851)</td>
<td>(264,000)</td>
<td>(254,000)</td>
</tr>
<tr>
<td>Credit Funding</td>
<td>23,844</td>
<td>23,858</td>
<td>24,000</td>
</tr>
<tr>
<td>Total, Overseas Private Investment Corporation</td>
<td>(239,381)</td>
<td>(199,001)</td>
<td>(187,115)</td>
</tr>
<tr>
<td>Trade and Development Agency</td>
<td>46,706</td>
<td>49,707</td>
<td>50,000</td>
</tr>
<tr>
<td>Total, Export and Investment Assistance</td>
<td>371,747</td>
<td>(94,827)</td>
<td>18,925</td>
</tr>
</tbody>
</table>

**Export-Import Bank of the United States (Ex-Im)**

The Export-Import Bank of the United States (Ex-Im) is the official export credit agency of the United States. The purpose of the Ex-Im Bank is to facilitate U.S. exports by providing competitive export financing in situations where U.S. exporters are facing foreign competition backed by officially supported financing or where the private market is unwilling or unable to offer this financing. In either case, Ex-Im Bank financing is predicated on a determination that reasonable assurance of repayment exists. Funding from the Bank enables U.S. companies — large and small — to turn export opportunities into sales that help to maintain and create U.S. jobs and contribute to a stronger national economy. The Bank provides its export credit support through direct loan, loan guarantee, and insurance programs. The Bank actively assists small and medium-sized businesses.

The FY 2005 budget proposes $12.0 billion in authorizations funded by the program budget request of $125.7 million plus program budget authority carried over from prior years, and administrative expenses of $73.2 million.

**Overseas Private Investment Corporation (OPIC)**

In FY 2005 the Overseas Private Investment Corporation (OPIC) will continue to focus its efforts on projects that are highly developmental, based on both sector and location. Based on U.S. development and foreign policy priorities, in FY 2005 OPIC will place special emphasis on the areas of small business,
Russia and Central Asia (including Afghanistan, Pakistan and Iraq), Sub-Saharan Africa, Mexico and housing.

OPIC’s contribution to America’s international development goals has become doubly important since America’s war on terrorism began. OPIC’s role in promoting private sector development projects can help alleviate the chronic unemployment and sense of hopelessness that makes individuals in impoverished countries more susceptible to recruitment by extremist groups.

From its estimated net offsetting collections of $254 million in FY 2005, OPIC is requesting $42.9 million for administrative expenses and $24 million for credit funding. This amount will support over $700 million in new direct loans and loan guaranties at an average credit funding rate of about 3.3 percent.

OPIC’s goal is to generate “additionality” on each transaction it conducts, meaning that OPIC’s participation will “add value” to every investment it supports. OPIC’s additionality is threefold: 1) OPIC bridges gaps in political risk insurance coverage and financing to bring coverage/financing to developmental projects that the private market is unable to provide; 2) OPIC leverages resources to attract additional private and public sector dollars to these developmental projects; and 3) OPIC uses its unique position to mitigate project risk.

OPIC is a self-sustaining agency that provides political risk insurance, project finance, and investment funds products to American businesses. Its accomplishments have allowed American businesses to expand into as many as 150 developing nations and emerging markets around the world.

**Trade and Development Agency (TDA)**

The Administration is requesting $50 million for TDA in FY 2005. This request maintains the Agency’s mission of spurring economic development and advancing U.S. commercial interests in developing and middle-income countries.

TDA is a foreign assistance agency that delivers its funding through commercially oriented means. The Agency’s proposed development activities further the Administration’s key foreign assistance priorities while increasing U.S. private sector participation abroad.

The Agency uses various tools to facilitate U.S. business opportunities in the international marketplace. TDA support comes in the form of technical assistance, feasibility studies, specialized studies, orientation visits, training grants, and conferences.

In FY 2005, TDA will target activities that support supply chain security and management, trade capacity building, reconstruction efforts, and the environment. In addition, TDA will focus its resources on potential business activities in the emerging areas of North Africa and the Middle East, South Asia, and sub-Saharan Africa.
II. Bilateral Economic Assistance

A. United States Agency for International Development

<table>
<thead>
<tr>
<th>($ in thousands)</th>
<th>FY 2003 Actual</th>
<th>FY 2004 Estimate</th>
<th>FY 2005 Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Survival and Health Programs Fund</td>
<td>1,939,563</td>
<td>1,824,174</td>
<td>1,420,000</td>
</tr>
<tr>
<td>Development Assistance</td>
<td>1,479,972</td>
<td>1,376,829</td>
<td>1,329,000</td>
</tr>
<tr>
<td>International Disaster and Famine Assistance</td>
<td>431,915</td>
<td>473,993</td>
<td>385,500</td>
</tr>
<tr>
<td>Transition Initiatives</td>
<td>61,675</td>
<td>54,676</td>
<td>62,800</td>
</tr>
<tr>
<td>Development Credit Authority - Admin. Exp.</td>
<td>7,542</td>
<td>7,953</td>
<td>8,000</td>
</tr>
<tr>
<td>USAID Operating Expenses</td>
<td>592,782</td>
<td>640,536</td>
<td>623,400</td>
</tr>
<tr>
<td>USAID Capital Investment Fund</td>
<td>42,721</td>
<td>98,315</td>
<td>64,800</td>
</tr>
<tr>
<td>USAID Inspector General Operating Expenses</td>
<td>33,084</td>
<td>34,794</td>
<td>35,000</td>
</tr>
<tr>
<td><strong>Total, United States Agency for International Development</strong></td>
<td><strong>4,589,254</strong></td>
<td><strong>4,511,270</strong></td>
<td><strong>3,928,500</strong></td>
</tr>
</tbody>
</table>

Overview

Today more than ever, U.S. foreign policy toward the developing world plays a vital role in the global balance between conflict and peace. U.S. national security challenges are increasingly complex, and the role of development is recognized as pivotal. This is reflected in President Bush’s National Security Strategy of the United States, issued on September 17, 2002, which for the first time elevated development as the third component of U.S. national security, alongside defense and diplomacy.

The FY 2005 budget request reflects the President’s new focus on the role of foreign assistance in enhancing our national security and promoting a sound economic development agenda. This commitment is a key part of America’s war on terrorism and strengthens our country’s leadership in the provision of hope and opportunity for people in the developing world. The budget was constructed to reflect foreign policy priorities, country commitment and performance, development needs, and program results.

Key elements of the budget include:

- Rebuilding the ranks of the Agency’s Foreign Service by hiring an additional 50 staff and strengthening training under the Development Readiness Initiative.

- Maintaining our strong support for countries on the front lines in the War on Terrorism, especially Afghanistan, Pakistan, and Sudan, as well as other front-line states in Asia, the Near East, and Africa.

- Working to eliminate evolving health issues, especially HIV/AIDS, tuberculosis and malaria and other infectious diseases. USAID will work closely with the Global AIDS Coordinator in implementing the President’s Emergency Plan for AIDS Relief.

- Focusing on trade and agriculture as important contributors to economic growth, especially in Africa and Latin America.
Child Survival and Health Programs Fund (CSH)

The FY 2005 request of $1.420 billion for the Child Survival and Health Program Fund (CSH) account addresses critical health and family planning needs worldwide. Investing in the health of the world’s population contributes to global economic growth, poverty reduction, a sustainable environment, and regional security.

- HIV/AIDS programs ($600 million) will focus on the prevention, care, and treatment efforts, and the support of children affected by AIDS. Funding is provided for a $100 million contribution to the Global Fund. The President’s Emergency Plan for AIDS Relief (PEPFAR) focuses on fourteen African and Caribbean countries. USAID will play a significant role in implementing PEPFAR, which will be managed by the Department of State’s Global AIDS Coordinator. All USAID Mother to Child HIV Prevention activities in the focus countries will be financed out of the State Department’s Global HIV/AIDS Initiative appropriation.

- Family Planning and Reproductive Health ($425 million from all funding sources, including $346 million from this account).

- Child Survival and Maternal Health ($325 million) to address the primary causes of maternal and child mortality, and to improve health care systems, primarily in sub-Saharan Africa and South Asia.

- Other Infectious Diseases ($139 million), particularly the prevention and control of tuberculosis and malaria, and programs to combat anti-microbial resistance and disease surveillance – focusing on sub-Saharan Africa, the Caribbean Basin, India, Indonesia and Cambodia.

- Vulnerable Children ($10 million) to support the Displaced Children and Orphans Fund worldwide.

Development Assistance (DA)

The FY 2005 request for DA is $1.329 billion, which will fund several program sectors.

The bulk of this request (1.121 billion) will go toward Economic Growth, Agriculture, and Trade:

- Agriculture programs ($268 million), particularly the President’s End Hunger in Africa Initiative, to rebuild agricultural capability in developing countries, reduce hunger, and foster trade and growth.

- Economic Growth programs ($316 million) to promote trade-led growth and development, especially the Central America Free Trade Agreement (CAFTA), and the Trade for African Development (TRADE) Initiative. Funds will also support microenterprise and small business development worldwide.

- Education programs ($262 million), including $212 million for basic education programs such as the African Education Initiative, and $50 million for higher education and training.

- Environment programs ($275 million), including funding for the Congo Basin Forest Partnership, to address global climate change and promote programs aimed at sustaining natural resource management.
• The Global Development Alliance ($10 million included in the sectors above) to mobilize resources by creating alliances between the public and private sectors in support of the Agency’s objectives.

The remaining $208 million in DA will support Democracy, Conflict and Humanitarian Assistance, which includes funding to support elections, political party assistance, rule of law, security, anti-corruption, human rights and conflict prevention. It will also help prevent trafficking of persons and assist victims of war and victims of torture.

**International Disaster and Famine Assistance (IDFA)**

The FY 2005 request of $385.5 million will provide emergency relief, rehabilitation, and reconstruction assistance to countries struck by natural and man-made disasters, and support for disaster mitigation, prevention, and preparedness.

The request will be used to provide relief services and commodities including temporary shelter, blankets, supplementary food, potable water, medical supplies, and agricultural rehabilitation aid, including seeds and hand tools. Funding of $100 million for post-conflict humanitarian needs in Sudan is included in this request, in addition to ongoing programs there.

It also includes $50 million for famine prevention and relief, which is intended to support early intervention to either pre-empt famine or mitigate the impact.

**Transition Initiatives**

The FY 2005 request of $62.8 million will provide a fast, flexible response capacity to address the needs of countries experiencing significant political transitions or facing critical threats to basic stability and democratic reform. TI programs often bridge the gap between emergency humanitarian assistance and longer-term development. Sudan will be a priority in FY 2005.

**Development Credit Authority (DCA)**

Credit promotes broad-based economic growth in developing and transitional economies. The Development Credit Authority (DCA) allows USAID to use credit as a flexible development tool for a wide range of development purposes. It also increases grant assistance by mobilizing capital in developing countries for sustainable development projects.

The FY 2005 request includes $21 million in transfer authority to provide loan guarantees in every region and in every sector targeted by USAID.

The request also includes $8 million for credit administrative costs that reflect the total cost of development, implementation, and financial management of all USAID credit programs.

**USAID Operating Expenses (OE)**

The FY 2005 request ($623.4 million) covers administrative costs of managing over $8.5 billion in program funds. The request includes funding for new initiatives and reforms to further streamline and improve operational efficiency, while maintaining proper oversight of existing programs
Consistent with the Secretary’s commitment to rebuild the ranks of the Foreign Service, the Agency will continue its Development Readiness Initiative and hire an additional 50 staff over and above anticipated attrition to address critical overseas workforce requirements.

Overseas, the Agency will continue efforts to “rightsize” missions worldwide and fund critical overseas mission needs. USAID will also fund required increases for International Cooperative Administrative Support Services (ICASS), security and inflation.

The Agency will also fund information technology support for a joint Department of State/USAID procurement system, the installation of a joint financial management platform for the two separate systems, and the establishment of a secure Agency IT environment.

**USAID Capital Investment Fund**

The FY 2005 Capital Investment Fund request ($64.8 million) uses no-year authority to provide the Agency with greater flexibility to manage investments in technology and facility construction.

$36.1 million will fund Information Technology for the implementation of worldwide accounting and procurement systems modernization, full participation on E-Government initiatives, and development of joint enterprise architecture with the Department of State. These activities support Presidential Management Agenda initiatives and Agency transformation goals.

The remaining $28.7 million will fund construction of new office facilities, relocation and communication costs on new embassy compounds under the Department’s proposed new Capital Security Cost-Sharing Program. These funds will support USAID’s ability to locate staff in secure work environments.

**USAID Inspector General Operating Expenses**

The FY 2005 request ($35 million) for the USAID Office of Inspector General covers salaries, operating expenses, and benefits for staff, and supports critical audit and investigative coverage for the agency.

The OIG assists USAID to implement its strategies, providing staff with information and recommendations to improve program and operational performance. The office also works with USAID to protect and maintain the integrity of the Agency and its programs.