

I. REQUEST BY APPROPRIATION ACCOUNT

Export and Investment Assistance
Bilateral Economic Assistance
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Multilateral Economic Assistance

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EXPORT AND INVESTMENT ASSISTANCE

Export-Import Bank of the United States
Overseas Private Investment Corporation
Trade and Development Agency

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Export-Import Bank
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
EXIM-Admin	54,900	61,864	65,000
EXIM-Dir Loan	-15,000	-15,000	-11,000
EXIM-Loan Act	756,064	863,097	633,323
Subtotal:	795,964	909,961	687,323

National Interests:

The Export-Import Bank of the United States is chartered by Congress through the Export-Import Bank Act of 1945, as amended. The Bank supports the U.S. national interest of economic prosperity. The mission of the Bank is to sustain and increase jobs in the United States by financing the exports of U.S. goods and services that would otherwise not go forward. The Bank's authority and resources allow U.S. exporters, large and small, to meet foreign officially sponsored export credit competition, assume commercial and political risks that U.S. exporters or private sector institutions are unable to undertake, overcome limitations in private sector export financing, and provide leadership and guidance in export financing to the U.S. exporting and banking communities and to foreign buyers. The Bank does not allocate its resources to any one region but reacts to demand from the market. Bank programs are available to exporters regardless of the size of the exporter or the size of the transaction. In FY 2000, the Bank supported \$15.5 billion in exports to the fastest growing markets in the world.

Objectives & Justification:

The Bank's direct credit program addresses the inability of the private sector to offer financing for U.S. exports on terms sufficiently competitive to enable a sale to go forward when compared to financing offered by foreign official export credit agencies to their exporters. By addressing this problem, the U.S. Government attempts to ensure that U.S. exporters do not suffer widespread losses of export sales as a result of subsidized financing offers by other governments to their exporters.

The decision to operate a subsidized U.S. Government supported direct credit program is based on a belief that the long-run benefits to the U.S. economy resulting from U.S. manufacturers being competitive from a financing standpoint with their foreign counterparts outweigh the costs of offering credits to finance such exports. That is, the economic benefit of a direct loan program arises from using the program's resources to neutralize the effect of export credit subsidies offered by other governments. If Ex-Im targets its resources to those export transactions that face such foreign credit competition, the Bank permits foreign buyers' purchase decisions to be based on market factors (price, technology, service) as opposed to a non-market factor (the availability of subsidized credit from a foreign government). To the extent that Ex-Im activities allow market forces to determine purchase decisions, Ex-Im helps to maintain the optimal level of U.S. productivity by ensuring that U.S. capital goods industries operate at market-determined (not foreign government determined) output levels.

The Bank increases private financial participation in U.S. export sales by guaranteeing or insuring banks and exporters against certain commercial and political risks of non-payment involved in export transactions. Since financing is a critical element in many export sales, the Bank's guarantee and insurance programs help exporters increase their export sales through increased availability of financing from private capital markets.

The exporter insurance program encourages additional exports by overcoming financing and risk perception constraints by efficiently providing risk protection for those exports requiring short-term (up to 180 days) and medium-term (up to five years) credit terms and for which private sector credit insurance is not available.

For FY 2002, it is estimated that direct loan authorizations will be \$62 million with a program usage of \$7 million and guarantee and insurance authorizations will be \$11.34 billion with an estimated program usage of \$716.4 million. Ex-Im Bank's appropriation request is \$698.3 million.

Funding at the requested administrative expense level of \$65 million will enable the Bank to provide necessary services to the exporting community on a timely basis, increase debt collection efforts, process claim payments expeditiously and attempt recoveries of those payments to the fullest extent possible, provide a thorough portfolio and risk analysis on a regular basis, reach new exporters and expand small business awareness of their export potential.

Full funding of administrative expenses is essential if the Bank is to fulfill its Congressional mandate to preserve jobs here in the United States by helping exporters compete in an increasingly competitive world market place. Decreased processing time, increased debt collection efforts, the expeditious processing of claim payments, better portfolio and risk analysis, and the reaching of new exporters are all dependent on sufficient personnel, personnel training, and the upgrading of equipment.

Overseas Private Investment Corporation
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
OPIC-Admin	34,934	37,916	38,608
OPIC-CF	23,842	23,947	0
OPIC-NOC	-108,776	-261,863	-289,608
Subtotal:	-50,000	-200,000	-251,000

National Interests:

The Overseas Private Investment Corporation (OPIC) makes a strong contribution to American national interest of economic prosperity. OPIC's contribution to foreign policy goals includes promoting broad-based economic growth in developing and transitional economies, increasing global economic growth, and opening foreign markets to the free flow of goods, services, and capital. Additionally, OPIC contributes to the goal of expanding U.S. exports. OPIC-supported projects positively affect both U.S. exports and U.S. employment, not only by providing opportunities for the parent companies of the projects, but for their various subcontractors and equipment suppliers as well. OPIC achieves all of this while operating on a self-sustaining basis, operating at no net cost to the American taxpayer.

Objectives & Justification:

OPIC is a self-sustaining agency that sells investment services to small, medium, and large American businesses expanding into some 140 developing nations and emerging markets around the world. OPIC's political risk insurance, project finance and investment funds fill a commercial void, support development in emerging economies and helping U.S. businesses to compete. Since 1971, OPIC has supported nearly \$138 billion worth of investments that will generate \$64 billion in U.S. exports and create or support more than 250,000 American jobs.

OPIC does not receive direct appropriations, but instead receives authority to spend its own earnings. These earnings are also the basis for OPIC's contributions (in the form of net negative budget authority) to the Function 150 international affairs account (estimated \$251 million available for other international programs in FY 2002).

For FY 2002, OPIC requests the authority to spend \$38.6 million of its revenues for administrative expenses. The FY 2002 request is in the form of a limitation on amounts to be transferred from OPIC's revolving fund rather than a direct appropriation. OPIC will source its administrative expenses from its revolving fund, consistent with past practice and OPIC's statutory authority to operate as a self-sustaining government corporation and to use its own earnings to fund its programs.

In FY 2002, OPIC is making a one-time request for no new authority for credit funding due to the availability of anticipated carry-over funding from appropriated FY 2001 amounts and other available funds. OPIC will use anticipated FY 2001 credit funding carry-over to support an anticipated \$1.2 billion in direct and guaranteed loans in FY 2002.

The 40 new projects that OPIC facilitated in FY 2000 are expected to provide significant benefits for U.S. exports, balance of payments, and employment. During the first five years of operation, the projects will generate an estimated 31,552 person-years of direct and indirect employment for U.S. workers, equivalent to approximately 6,300 U.S. jobs. A substantial portion of the initial procurement for OPIC projects will be supplied by American firms, resulting in U.S. exports of capital goods and services of \$1.85 billion. The value of American materials and equipment required for ongoing operations is estimated at \$500 million during the next five years. The combined impact of these projects on the U.S. balance of payments over the five-year period is expected to be a positive \$1.7 billion.

OPIC continues to place strong emphasis on assisting U.S. small businesses in their efforts to access markets in developing regions. FY 2000 was the biggest year yet for OPIC assistance to small business-sponsored projects. Of the new projects that OPIC assisted in FY 2000, 40 percent went to projects with small business sponsors. In FY 2000, OPIC developed new products to meet the needs of American small businesses. OPIC designed a new on-line training for small businesses and a Small Business Pilot Program to streamline the application process.

OPIC advances the important U.S. foreign policy goal of promoting broad-based economic growth in developing and transitional economies. In achieving its mission to mobilize and facilitate the participation of United States private capital in the economic development of developing countries, OPIC places special emphasis on countries and regions that have been identified as Administration and Congressional foreign policy priorities. For example, at a U.S. and Mexican government sponsored small business forum, OPIC recently signed a cooperation agreement with the Nacional Financiera (NAFIN), Mexico's largest government-controlled development bank. The agreement follows an announcement that OPIC would offer long-term financing to U.S. small businesses investing in Mexico.

In FY 2000, OPIC supported the U.S. Government's Hurricane Mitch relief effort through the Central America and Caribbean Initiative (CACI). With \$1 million in supplemental funding, OPIC promoted U.S. private investment in that region. OPIC hosted CACI conferences in Los Angeles, Chicago, Miami, Houston, and New York. OPIC also sponsored a business forum in Panama City, Panama and a forum in conjunction with Hispanic Heritage Month.

OPIC also played an important role in the accomplishment of U.S. Government objectives to rebuild, revitalize, and stabilize Southeast Europe in the wake of the war in Kosovo. Towards this end, OPIC established a joint office in the region in February 2000 with the U.S. Trade and Development Agency and the U.S. Export-Import Bank. In FY 2000, OPIC also supported establishment of a \$150 million Southeast Europe Equity Fund. In addition to these accomplishments, OPIC signed a bilateral agreement with Montenegro at the Brussels Stability Pact meeting in March 2000.

The U.S. Government's foreign policy goals in sub-Saharan Africa, the Caspian region, the Middle East, and North Africa are supported by OPIC. OPIC reopened for business in Niger, where programs were reactivated in response to the restoration of a democratically elected government. In FY 2000 OPIC also signed replacement bilateral agreements with Gabon, Nigeria,

and Panama. Regardless of the location, OPIC supports projects that contribute to the development and stability of the host country.

OPIC also contributes to the accomplishment of the U. S. Government's international affairs goal of opening political systems and societies to democratic practices, the rule of law, good governance and respect for human rights. For example, in Equatorial Guinea, OPIC identified a potentially problematic situation with respect to worker rights and used its leverage, in concert with the Departments of State and Labor, to negotiate a far reaching package of labor and human rights reforms with potential project sponsors and the host government.

OPIC also contributes to the achievement of the U. S. international affairs goal of securing a sustainable global environment in order to protect the United States and its citizens from the effects of international environmental degradation. OPIC employs environmental standards that are both reasonable and effective in assessment of the impacts of projects seeking OPIC support. OPIC procedures strike a reasonable balance between the need for environmental safeguards and efficient decision-making to support OPIC's developmental mission.

In FY 2000, OPIC engaged a full-time on-site contractor to report on all aspects of a sensitive pipeline project in Bolivia and Brazil including construction and related social issues and environmental impacts. The project is a complex energy project involving two countries and many public and private stakeholders. This unprecedented commitment of resources allowed OPIC not only to have real-time information about the project but also to intervene in a timely manner to address issues that could have become sources of project failure. With assistance from the on-site contractor OPIC also produced a state of the art dedicated website on the project incorporating regularly updated information from the field and high-definition, multimedia graphics. This website sets new standards for transparency in public reporting on investment projects. OPIC won respect with this effort from environmental groups that previously opposed OPIC's support of the project.

In FY 2000, OPIC introduced new products that are responsive to client and international development needs. For example, OPIC continued the initiative established in 1999 to determine the market for utilizing OPIC's products in support of housing construction and primary and secondary mortgage markets. Using the U.S. mortgage system as a model, OPIC supported the development of financing mechanisms in Central America, where the need for housing is ever-increasing. In September 2000, this culminated in OPIC's first ever financing commitment to a housing project in Nicaragua. By increasing the supply of credit available to financing institutions, OPIC will be able to assist communities in the developing world as they address their housing shortfalls.

OPIC has developed a micro-lending product that supports small-scale investments to meet the development needs of small rural villages throughout the world. An example is the Peoples Investment Fund for Africa (PIFA) which, with OPIC support, will support micro-enterprises with small-scale loans for development in Ghana. Another new OPIC product supports franchise investment in emerging economies. OPIC's franchising program cooperates with associations whose member franchisers may be interested in financing in emerging economies.

Trade and Development Agency
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
TDA	43,833	49,890	50,024

National Interests:

The Trade and Development Agency's overarching goal is to expand exports, thereby creating manufacturing jobs for Americans and contributing to the nation's economic prosperity. While this is TDA's primary focus, the agency often makes its funding decisions in the context of the broader foreign policy objectives of the United States. Examples of strategic goals that are considered as they relate to the overall goal of promoting exports include increasing global growth and stability, promoting broad-based economic development, securing a sustainable global environment, and protecting human health.

Objectives & Justification:

Key goals and objectives of TDA are: fight foreign competition and position U.S. companies in overseas projects; complement U.S. foreign policy initiatives in critical countries; increase developing country access to U.S. expertise; and inform U.S. firms, particularly small and medium-sized enterprises, of major export opportunities in foreign projects.

TDA assists in the creation of jobs for Americans by helping U.S. companies pursue overseas business opportunities. Through the funding of feasibility studies, orientation visits, specialized training grants, project-specific conferences and various forms of technical assistance, TDA helps American businesses compete for infrastructure and industrial projects in emerging markets. The proposed FY 2002 budget will allow TDA to:

Strengthen its core regional budgets: After years of stagnant budget levels, last year TDA requested and received a budget increase that raised their funding level from \$44 million to \$50 million. Continued funding at that level will allow TDA to continue to ramp up its program to absorb the higher budget level while not sacrificing the soundness of its investment decisions. The reasons for continuing TDA's higher funding level are compelling, with the increasingly robust demand for TDA's activities in Asia, Africa, and Eastern Europe.

Fight Foreign Subsidized Competition: The unparalleled levels of subsidized foreign competition that U.S. businesses face in the infrastructure market abroad is another reason to maintain TDA's budget at \$50 million. An analysis of competitor nation spending on programs similar to TDA's shows that countries such as France and Germany spend more than thirty times the amount TDA spends in relation to GDP in support of their companies. Japan spends literally hundreds of millions of dollars through various MDB trust funds. To counter this competition, TDA must continue to offer more feasibility study and technical assistance grants, in higher amounts if necessary.

Support its on-going High Tech Initiative: Experience shows that decisions to go "high tech" are tantamount to decisions to go American. In this regard, TDA has identified two new sectors with high export potential -- banking and financial information technology systems and emergency management systems. TDA has been increasingly active in these sectors, and anticipates growing demand for feasibility study funding in these areas in FY 2002.

China Program: TDA's program in China has been recently re-opened, and TDA is proceeding cautiously in establishing its new China strategy. Prior to 1989, TDA's program in China was very successful, generating some \$1.4 billion in exports from roughly \$24 million in TDA investments. Working closely with the State Department and the U.S. business community, TDA is developing an approach to China that will focus initially on projects in the energy development, environment, and aviation safety and navigation sectors. Because our major commercial competitors already have extensive programs similar to TDA's in China, the reactivation of TDA's program should help to level the playing field for U.S. companies in China.

BILATERAL ECONOMIC ASSISTANCE

United States Agency for International Development
Other Bilateral Economic Assistance
Independent Agency
Department of State
Department of the Treasury

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

Strategic Orientation
Child Survival and Disease Programs Fund
Development Assistance
International Disaster Assistance
Transition Initiatives
Development Credit Program
USAID Operating Expenses
USAID Office of the Inspector General

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USAID Development Program Overview
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
Child Survival and Disease Programs Fund ¹	724,448	960,881	1,011,000
Development Assistance ²	1,210,260	1,302,129	1,325,000
International Disaster Assistance ³	227,014	299,340	200,000
Transition Initiatives	-	49,890	50,000
Development Credit Program Subsidy – by transfer	-	[4,989]	[25,000]
Development Credit Program Subsidy – Appropriation	-	1,497	-
Development Credit Program - Administrative Expense	-	3,991	7,500
Development Credit Authority subsidy-by transfer	[3,000]		
Micro and Small Enterprise Development	2,000	1,996	-
Urban and Environmental Credit Program	6,490	-	-
USAID Operating Expenses ⁴	518,960	531,827	549,000
USAID Inspector General Operating Expenses	24,950	26,941	32,000
Total, USAID	2,714,122	3,178,492	3,174,500
NOTE: FY 2000 and FY 2001 levels are post rescissions.			

¹ Reflects the transfer of \$12.5 million from DA to CS/D pursuant to the waiver authority of section 599D(c)(2)(A) of the FY 2000 Foreign Operations, Export Financing and Related Programs Appropriations Act (P.L. 106-113) and includes a \$110 million transfer for UNICEF in FY 2000, FY 2001 and FY 2002.

² FY 2000 includes \$19.3 million for transfer to the Inter-American Foundation (IAF) and African Development Foundation (ADF); FY 2001 includes \$28 million for transfer to IAF and ADF; and FY 2002 includes \$28 million for transfer to the IAF and ADF.

³ International Disaster Assistance levels include supplementals of \$25 million in FY 2000 and \$135 million in FY 2001.

⁴ USAID Operating Expenses excludes a \$4 million transfer from Plan Colombia in FY 2000 and includes a \$13 million OE supplemental in FY 2001.

National Interests:

The U.S. foreign assistance program is an instrument of the President and the Secretary of State for the conduct of foreign policy. USAID programs are actively engaged in the Middle East Peace Process, the transitions within the former Soviet-Bloc, countries facing crisis, transnational threats, and recovery from disasters as well as more traditional issues associated with the problems of developing countries.

Objectives & Justification:

USAID's FY 2002 budget marks the beginning of a new strategic orientation and the incorporation of a new way of doing business to ensure that USAID's long-term development assistance and humanitarian/disaster relief programs better respond to U.S. national interests. In the future, USAID will be more highly focused on post Cold-War issues and the dual imperatives of "Globalization" and "Conflict".

Globalization removes barriers to exchange of information, technology, finance, goods and services. If properly managed, globalization can lead to productivity increases, economic prosperity and secure markets for U.S. goods and services, and also allow developing countries and their populations to accrue benefits from the international trading system. However, if developing countries and their populations do not accrue benefits from the international trading system, globalization can exacerbate the gaps between rich and poor, foster extremism and accelerate the onset of global health problems like HIV/AIDS and other infectious diseases. This can undermine economies and political institutions and contribute to instability and possibly conflict.

Increasing levels of conflict are leading to regional instabilities, complex humanitarian emergencies and, in some cases, chaos, and are threatening the achievement of USAID's development objectives and broader U.S. foreign policy goals.

While some of USAID's programs already respond to these issues, the new Administration intends to more highly concentrate Agency resources and capabilities to address globalization and conflict, particularly armed conflict.

USAID as an institution must recognize its shortfalls and adjust rapidly to improve its effectiveness. Several important changes are proposed:

Reorientation of USAID programs to focus on "Four Pillars" supporting achievement of USAID's objectives;

Introduction of the "Global Development Alliance" as USAID's new model for doing business; this is USAID's First Pillar;

The simplification, integration and reorientation of programs and their alignment with three new program pillars: Economic Growth and Agriculture; Global Health; and Conflict Prevention and Developmental Relief;

Adjusting the Agency's budget priorities to target increased funding for agriculture, HIV/AIDS, basic education, and conflict prevention and resolution;

Directing senior management attention to the sweeping overhaul of the Agency's management and operating systems.

The Global Development Alliance Pillar

The Global Development Alliance (GDA) is USAID's business model for the 21st Century and is applicable to all USAID programs. As USAID's first pillar, the GDA is based on USAID's recognition of significant changes in the environment of economic development assistance. No longer are governments, international organizations and multilateral development banks the only assistance donors; nor is Official Development Assistance the only source of funding for international economic development. Rather, over the past 20 years a growing number of new actors have arrived on the scene: NGOs, PVOs, foundations, corporations, the higher education community and even individuals are now providing development assistance. As a result, the U.S. Government is not the only, or perhaps even the largest, source of American funding and human resources being applied to the development challenge.

USAID is uniquely positioned among this range of actors as well as within the U.S. government. USAID plays a critical role within the foreign affairs community headed by the Secretary of State, and possesses unparalleled long-term experience with, and access to, host-country governments. Thus, it is in an excellent position to play a catalyzing, integrating, coordinating and facilitating role in the context of a public-private alliance among U.S. development assistance actors.

The GDA will be a fundamental reorientation in how USAID sees itself in the context of international development assistance, in how we relate to our traditional partners, and in how it seeks out and develop alliances with new partners. USAID will use its resources and expertise to assist strategic partners in their investment decisions and will stimulate new investments by bringing new actors and ideas to the overseas development arena. USAID will look for opportunities where relatively small amounts of risk or start-up capital can prudently be invested to generate much larger benefits in the achievement of overall objectives. USAID will increasingly fill the role of a venture capital partner in the resolution of serious development issues. USAID will continue to deploy resources where private funding is not available and for activities where the governmental role is clear and pre-eminent and stimulate institutional and policy change.

In order to launch the GDA, a special unit will be established to expand outreach into the private, for-profit and not-for-profit sectors. To stimulate movement towards the Global Development Alliance in its early years, USAID has identified \$160 million in the FY 2002 request to be used to initiate the new business model and to help fund alliances by Washington

bureaus and/or field missions, with a view toward fully integrating GDA into the three program pillars and normal USAID business practices not later than FY 2004. GDA is not expected to become a separate funding account.

The funds for initiating the GDA are proposed from the following appropriations accounts: \$110 million in Development Assistance (DA); \$25 million in the Child Survival and Disease Program Fund (CSD); and \$25 million in International Disaster Assistance (IDA). Uses will be consistent with the authorized intentions of these accounts.

Program Pillars

The three program pillars are discussed below as part of the justification for the proposed overall program level of \$3.4 billion for USAID's directly-managed programs, including food aid and excluding USAID's administrative expense accounts and programs jointly managed with the State Department which are discussed elsewhere in this volume.

The Economic Growth and Agriculture Pillar (\$928 million):

Assistance provided under this pillar will work towards creating economies that are viable over the long term. Special emphasis will be directed at integrating growth, agriculture and environmental objectives and concerns in a manner such that "market forces" play an increasingly important role in our strategic approach and in determining a program's long-term viability. Activities funded will assist: the productive sectors especially agriculture; the environment and energy sectors; human capacity development (including basic education); micro-enterprises; and improvement of the business, trade, and investment climate. The interrelationship and interdependence of economic growth, environmental sustainability and the development of a country's human capital will be highlighted in this pillar.

The request for FY 2002 is \$928 million compared to an equivalent figure of \$871 million in FY 2001 (both including \$28 million for the African and Inter-American Development Foundations).

Given the importance of agriculture and basic education (especially for girls and women) in most recipient countries, USAID plans to increase its emphasis in these sectors.

The Global Health Pillar (\$1.276 billion):

Under this pillar, USAID groups its programs related to maternal and child health, nutrition, family planning and many of the related transnational issues confronting the U.S., such as HIV/AIDS and other infectious diseases. This budget includes a major initiative to combat HIV/AIDS and other infectious diseases, mainly malaria and tuberculosis, which have significant public health impact.

Child survival interventions target the major childhood killers, including vaccine-preventable diseases (e.g. polio), diarrheal disease, malnutrition, acute respiratory infections, and malaria. USAID programs continue an aggressive effort to eliminate vitamin A and other

micronutrient deficiencies. Maternal health activities aim to reduce maternal deaths and adverse outcomes as a result of pregnancy and childbirth. In family planning, USAID programs seek to promote family health and allow couples to achieve their desired family size. For HIV/AIDS and infectious diseases, USAID will aggressively promote public/private partnerships and provide technical leadership for programs at the national and grass-roots levels.

The Global Health programs are funded from the CSD account with the exception of family planning, which is currently financed from DA funds and other accounts. The FY 2002 request for Global Health, \$1.276 billion, compares to an equivalent figure of \$1.259 billion in FY 2001 (both include \$110 million in transfers to UNICEF).

The Global Health request for HIV/AIDS funding has increased from \$299 million in FY 2001 to \$329 million to better address this major public health issue. The total amount available for HIV/AIDS from all appropriated accounts, including ESF, is expected to be \$369 million.

The remaining \$947 million is proposed for child survival and other global health activities. These funds would support efforts to improve maternal and child health and nutrition; reduce infant and child mortality; support programs that promote family health and allow couples to achieve their desired family size. The total amount available for family planning is \$425 million, from all appropriated accounts.

The Conflict Prevention and Developmental Relief Pillar
(\$1.217 billion):

Given the rising number of collapsed states and internal conflicts in the post-Cold War period, some of which have become focal points of U.S. foreign policy, USAID will undertake a major new conflict prevention, management, and resolution initiative. This initiative will integrate the existing portfolio of USAID democracy programs with new approaches to anticipating crisis, conflict analysis, comprehensive assessment, and provide new methodologies to assist conflicting parties resolve their issues peacefully. This initiative will also address on-going efforts to seamlessly bridge and integrate foreign policy and foreign assistance in a way which accommodates both short-term operational and longer-term structural prevention needs. These new approaches will necessarily involve strategic alliances with institutions such as the U.S. Institute for Peace, the U.S. military, indigenous religious institutions dedicated to conflict prevention and resolution, and PVOs with conflict management expertise. (There will be continuing close coordination with the U.S. foreign affairs community, especially the Department of State, in this area.)

USAID continues to stand at the forefront of agencies around the world in its ability to respond to man-made and natural disasters. The request will enable USAID to maintain this capability (unique within the United States) to provide needed help rapidly when international emergencies occur:

The request for FY 2002 is \$1.217 billion compared to an equivalent figure of \$1.181 billion in FY 2001 (both including PL 480 Title II at \$835 million).

International Disaster Assistance funding increases from \$165 million (excludes the FY 2001 \$135 million supplemental) to \$200 million in recognition of the increased demands generated by complex emergencies and natural disasters.

The request includes Transition Initiative funding of \$50 million to meet challenges in conflict-prone countries and those making the recovery from crisis.

Democracy and Local Governance funding continues at \$132 million.

Management

USAID and its ability to perform optimally has been seriously compromised for a number of years by ineffective management systems, particularly those related to finance, human resources, information management and procurement. There has been progress toward strengthening these systems recently despite difficulties caused by heightened security needs overseas, fewer staff, and tight operating expense budgets. Nevertheless significant work remains to carryout necessary sweeping reforms:

USAID needs a financial management system which meets Federal accounting standards and provides the breadth of cost information to enable effective management of USAID's programs world-wide.

USAID needs a secure information and knowledge management capability for its world-wide operations.

USAID must meet the growing demographic, workforce transition facing it.

USAID needs to improve its ability to procure and deliver services world-wide in a more timely manner.

It is imperative that USAID continue to aggressively confront the range of management issues still facing the Agency, especially those related to our overseas operations.

The importance that Agency senior management places on correcting management deficiencies and implementing further improvements cannot be overstated. Reforms will be undertaken, wherever necessary, to assure that efficient and effective operating systems are in place and in use as quickly as possible.

In addition to the accounts in the table at the front of this section, which are described in the following narratives, USAID also manages programs under other accounts jointly administered with the State Department Economic Support Fund (ESF), Assistance for Eastern Europe and the Baltic States, and Assistance for the Independent States of the Former Soviet Union. These accounts address most of the same objectives noted above.

Child Survival and Disease Programs Fund
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
CSD	724,448	960,881	1,011,000

National Interests:

The USAID Child Survival and Disease Programs Fund (CSD) supports the U.S. foreign assistance objectives of economic prosperity (in terms of human capacity development), protecting peoples' health and reducing the spread of infectious diseases. Programs covered under this account are important forerunners of efforts to support economic growth and stability.

Objectives & Justification:

Most of this account, \$901 million, falls under the Global Health pillar, with \$110 million under the Economic Growth pillar.

The CSD Fund includes support for child survival and maternal health, vulnerable children, HIV/AIDS and other targeted infectious diseases including malaria and tuberculosis, and basic education. CSD also includes funding for UNICEF and the Global Assistance Vaccine Initiative (GAVI), as well as \$25 million for the new Global Development Alliance.

USAID focuses attention on strengthening in-country systems and capacity to deliver health services, and prevent and monitor health problems:

- Child survival and maternal health programs are focused on improving infant and child health and survival and reducing deaths and adverse outcomes due to pregnancy and childbirth.
- Programs for vulnerable children include displaced children and orphans, blind children, and children affected by HIV/AIDS.
- HIV/AIDS assistance is targeted to expanding primary prevention efforts, improving community and home-based care and increased support for those sick and dying of AIDS, helping AIDS orphans affected by HIV/AIDS, and reducing the risk of mother-to-child transmission. Funding for HIV/AIDS program includes \$329 million from the CSD account (with a total from all accounts of \$369 million).
- Other infectious disease programs include improving control of tuberculosis, reducing the deaths due to malaria; reducing the spread of antimicrobial resistance; and improving surveillance and response capacity.

The focus of basic education programs is to strengthen pre-primary, primary, and secondary education and teacher training. Efforts are focused primarily in Africa, but also include targeted work in Asia and the Near East and Latin America. (In addition to the \$110 million requested in the CSD Fund, another \$12.6 million is requested for basic education in the DA.)

The levels shown for the Child Survival and Disease Program Fund account include funding transfers for UNICEF -- in FY 2000 (\$109.6 million), in FY 2001 (\$109.8 million) and in

FY 2002 (\$110 million). FY 2000 also reflects the transfer of \$12.5 million from DA to CSD pursuant to the waiver authority of section 599D(2)(A) of the FY 2000 Foreign Operations, export Financing, and Related Programs Appropriations Act (P.L. 106-113).

Development Assistance
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
DA	1,210,260	1,302,129	1,325,000

National Interests:

The Development Assistance (DA) account, in conjunction with other USAID-managed program accounts, serves to promote and sustain several U.S. policy objectives: broad-based economic growth, democracy and human rights, stabilizing population growth, and strengthening the environment.

Objectives & Justification:

DA funding covers all four of the new pillars – Economic Growth is \$818 million (\$110 million of which is for the Global Development Alliance); Global Health is \$376 million; and Conflict Prevention is \$132 million.

The Administration's FY 2002 request for DA includes funding programs for economic growth and agriculture, microenterprise programs, improvement in business, trade and investment, family planning, environmental activities, human capacity development (including a small amount for basic education), protecting human health, and democratic participation.

DA funds support programs in Africa, Asia, and Latin America, as well as central programs that are global in nature. Programs in Europe and the Independent States are covered under their own separate accounts. The Economic Support Fund also provides modest assistance for some of the above activities:

- Economic growth programs will help expand and strengthen private markets, encourage more rapid and enhanced agricultural development for food security, and provide access to economic opportunity for the rural and urban poor. Funding will encourage institutional reforms, provide technology, especially for small farmers, and support microenterprise lending.
- Environmental programs will reduce the threat of global climate change, conserve biological diversity, provide for sustainable urbanization and pollution control, increase environmentally sound energy services and promote management of natural resources.

In terms of global health activities, population programs will help spread access to information and services regarding family planning practices, which will reduce unintended pregnancies, improve infant and child health and reduce their mortality rates, and decrease maternal deaths associated with childbirth. Funding for population programs includes \$358 million from DA, with a total of \$425 from all accounts. These programs are integrated with programs that also protect human health.

In the area of conflict prevention, democracy and local governance programs will strengthen the rule of law and respect for human rights, encourage credible and competitive political processes, promote the development of politically active civil society, and make government institutions more transparent and accountable. A new initiative will integrate the existing democracy programs with new approaches in dealing with conflict resolution, including programs that address the economic causes of conflict.

All years include funding for the Inter-America Foundation and the African Development Foundation. The FY 2000 level also reflects a transfer of \$12.5 million from DA to the Child Survival and Disease Programs Fund account pursuant to the waiver authority of section 559D©(2)(A) of the FY 2000 Foreign Operations, Export Financing, and Related Programs Appropriations Act (P.L. 106-113), as well as the across-the board rescission. FY 2001 also reflects an across-the-board rescission.

International Disaster Assistance
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
IDA	227,014	299,340	200,000

National Interests:

International Disaster Assistance (IDA) funds humanitarian programs that provide relief, rehabilitation and reconstruction assistance to victims of natural and man-made disasters. Until FY 2001, this account also funded transition assistance, which now is appropriated separately. Funds in this account support USAID's Conflict Prevention and Developmental Relief pillar. The request includes \$25 million budgeted for the new Global Development Alliance.

Objectives & Justification:

International Disaster Assistance program objectives are to: (1) meet the critical needs of targeted vulnerable groups in emergency situations; (2) increase adoption of disaster prevention and mitigation measures in countries at risk of natural disasters; and (3) 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 (DARTs) 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.

Effective humanitarian assistance requires that relief, mitigation, transition and development programs within USAID support each other. USAID collaborates with other assistance providers in the international community to coordinate programs and share the burden of relief costs. U.S. private voluntary organizations (PVOs) and non-governmental organizations (NGOs) are critically important partners in these efforts and play an essential role in raising resources, providing assistance, and implementing programs in the field.

Pursuant to Section 493 of the Foreign Assistance Act of 1961, as amended, 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. 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 accurately target emergency assistance and to coordinate with PVOs, NGOs, USG agencies and other donors.

Demands on resources have increased steadily for a number of years. In FY 2000, USAID responded to 74 disasters, from Afghanistan to Vietnam. Among the disasters were 21 floods, five epidemics, eight cyclones/hurricanes, and three earthquakes. Among the most severe were:

- The Ethiopia drought, affecting more than 10 million people. A DART team was deployed and organized a program totaling \$14.8 million for emergency health/nutrition, water, sanitation and emergency seeds for agriculture and averted wide-scale malnutrition, out-migration, morbidity and mortality.
- Eritrea suffered both a drought and a complex emergency when a third round of hostilities between Eritrea and Ethiopia broke out. Approximately 1.6 million Eritreans were affected, producing widespread human suffering and hardship. USAID ultimately provided \$5.9 million for emergency health/nutrition, water, sanitation, shelter, clothing and emergency seeds for agriculture, with extensive collaboration between USAID and NGOs.
- Southern Africa floods affected nearly four million in Mozambique, Madagascar, Botswana, Zimbabwe and South Africa. Flood damage was extensive, isolating many areas and displacing large populations. Many people lost homes, household possessions, crops, livestock and seed base. USAID led the USG response to emergency humanitarian needs. At its peak the regional DART was comprised of 34 disaster response specialists and the Miami Dade Search and Rescue Team.

Complex emergencies, involving civil conflict often complicated by natural disasters, account for an increasing share of the IDA budget. Although these conflicts fluctuate in intensity, their resolution is very 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.

The FY 2000 International Disaster Assistance level includes \$50 million for the Office of Transition Initiatives (OTI). Beginning in FY 2001, funding for OTI is now appropriated as a separate account as Transition Initiatives. Levels for FY 2000 and FY 2001 reflect rescissions and include supplementals of \$25 million in FY 2000 and \$135 million in FY 2001.

Transition Initiatives
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
TI	0	49,890	50,000

National Interests:

Transition Initiatives (TI) funds humanitarian programs which provide post-conflict assistance to victims of natural and man-made disasters. Until FY 2001, this type of assistance was funded under the International Disaster Assistance account. Funds in this account also support USAID's Conflict Prevention and Developmental Relief pillar.

Objectives & Justification:

The FY 2002 TI request of \$50 million will support programs administered by USAID's Office of Transition Initiatives (OTI). The Office addresses the opportunities and challenges facing conflict-prone countries and those making the transition from the initial crisis stage of a complex emergency (frequently addressed by OFDA) toward a more stable political and economic situation.

USAID established OTI in 1994 to help local partners advance peaceful, democratic change in conflict-prone countries. OTI works on the ground to provide fast, flexible, short-term assistance targeted at key transition needs. Its ability to assist local partners in addressing the root causes of conflict is key to bridging the gap between emergency relief and long-term development.

Transition Initiatives programs support U.S. foreign policy priorities in assisting transition countries usually during the critical two-year period when they are most vulnerable to renewed conflict or instability. Working closely with local, national, international and non-governmental partners, these are short-term, high-impact projects designed to increase momentum for peace, reconciliation, and reconstruction. Strategies are tailored to meet the unique needs of each transition country and are initially tested on a small scale and only applied more broadly when it is clear that high impact is being achieved. Changing conditions require new or modified strategies.

In FY 2000 OTI initiated a new program in Zimbabwe, continued programs in 12 countries or provinces (Albania, Colombia, Democratic Republic of Congo (DROC), East Timor, Indonesia, Kosovo, Lebanon, Montenegro, Nigeria, Philippines, Sierra Leone, and Serbia), and completed programs in five countries (Angola, Bosnia-Herzegovina, Croatia, Honduras and Rwanda). OTI also provided technical assistance to help USAID missions develop transition strategies in countries where OTI does not have a presence. A new program in Peru was initiated early in FY 2001.

Transition assistance has included:

- Supporting community development programs that encourage political participation at the local level;
- Funding reintegration of ex-combatants into their communities as productive citizens;
- Backing alternative media and public information campaigns to encourage peace, reconciliation, and informed participation in elections;
- Assisting local efforts to fight corruption and promote transparent, accountable governing systems;
- Helping governments develop action plans for key reforms;
- Encouraging measures to bring the military under civilian democratic control;
- Building the capacity of civil society organizations to effectively engage government officials in dialogue and debate;
- Promoting human rights by funding human rights education and monitors;
- Assisting national governments to manage their strategic natural resources; and,
- Supporting local efforts to mitigate/manage ethnic and religious conflict.

USAID Credit Programs
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
Development Credit Program			
Subsidy – by transfer		[4,989]	[25,000]
Subsidy – Appropriation	-	1,497	-
Administrative Expense	-	3,991	7,500
Development Credit Authority		-	-
Subsidy – by transfer	[3,000]		
Micro and Small Enterprise Development			
Subsidy	1,500	1,497	-
Administrative Expense	500	499	-
Urban and Environmental Credit Program			
Subsidy	1,500	-	-
Administrative Expense	4,990	-	--

National Interests:

Credit promotes broad-based economic growth in developing and transitional economies and is often the best means to leverage private funds for development purposes.

Objectives and Justification:

For FY 2002, the Administration is requesting transfer authority of up to \$25 million from USAID-managed program accounts, including ESF, SEED, and FSA accounts, for the newly consolidated Development Credit Program (DCP). This program consolidates the former Urban and Environmental Credit program, the Micro and Small Enterprise Development programs and the former Development Credit Authority program. The DCP will allow USAID to use credit as a flexible development tool for a wide range of development purposes and will increase the flow of funds to urban credit and micro and small enterprise development programs.

In addition, \$7.5 million is requested for administrative costs for the expanded program. It is envisioned that all future agency credit activities will be carried out under the reforms embodied in DCP regulations and the Federal Credit Reform Act of 1992. This program augments grant assistance by mobilizing private capital in developing countries for sustainable development projects. DCP is not intended for sovereign risk activities.

USAID Operating Expenses
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
Operating Exp.	518,960	531,827	549,000

National Interests:

USAID's development and humanitarian programs play an important role in support of U.S. foreign policy and national security objectives. The Operating Expenses (OE) budget of USAID provides critical funding for salaries and support costs of the staff responsible for managing these programs.

Objectives & Justification:

The FY 2002 request for USAID Operating Expenses is \$549 million, excluding the Office of Inspector General, which is requested separately. These funds will provide resources needed to maintain current staffing levels associated with USAID's presence in key developing countries, continue to build effective information technology and financial management capabilities, and strengthen staff capabilities with training. The request includes \$8 million for facility security where USAID is not collocated with Embassies. (There is also a request for \$50 million for collocated USAID facilities included within the State Department's Embassy Security, Construction, and Maintenance request.)

These funds cover the salaries, benefits, and other administrative costs associated with USAID programs worldwide, including those managed by USAID and financed through Development Assistance, the Child Survival and Disease Program Fund, the Economic Support Fund, the Support for East European Democracy Act, the Freedom Support Act, and PL 480 Title II Food for Peace Programs.

The increase requested is needed to offset reduced availability of funds from non-appropriated sources CHR[150] including prior-year recoveries CHR[150] which totaled \$82 million in FY 2001 but will drop to \$63 million in FY 2002. Total operating resources remain constant at \$613 million; USAID will absorb the cost of inflation.

FY 2000 excludes a \$4 million transfer from Plan Colombia for administrative costs and FY 2001 includes a \$13 million supplemental for administrative cost related to emergency assistance in Eastern Europe.

USAID Office of The Inspector General
(\$ in thousands)

Account	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
IG Operating Exp.	24,950	26,941	32,000

National Interests:

The FY 2001 request covers operations, including salaries, expenses, and support costs, of the Office of Inspector General's (OIG) personnel.

Objectives & Justification:

The goal of the Office of the Inspector General (OIG) is to help: (1) assist USAID to implement its strategies for sustainable development and provide USAID managers with information and recommendations that improve program and operational performance and 2) work with USAID to protect and maintain the integrity of the Agency and its programs by investigating allegations of federal criminal violations and serious administrative violations involving USAID programs and personnel.

The FY 2002 budget request of \$32 million covers operations, including salaries, expenses, and support costs of the Office of the Inspector General (OIG) involving USAID programs and personnel operating in over 80 different countries around the world.