

# I. REQUEST BY APPROPRIATION ACCOUNT

Export and Investment Assistance  
Bilateral 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 2005 Actual	FY 2006 Estimate	FY 2007 Request
EXIM-Administrative Expenses	72,614	72,468	75,234
EXIM-Inspector General	-	990	988
EXIM-Loan Subsidy	59,322	99,000	26,382
EXIM-Negative Subsidy	(26,000)	(50,000)	(45,000)

### Export-Import Bank

Export-Import Bank sustains and increases American jobs by financing the exports of U.S. goods and services that would otherwise not go forward by providing direct loans, loan guarantees, working capital guarantees, and insurance.

The FY 2007 request seeks \$26.4 million for loan programs and \$75.2 million for administrative expenses. Such funding, in combination with program budget authority carried over from prior years, will support \$17.5 billion in lending activity.

Ex-Im Bank will finance the export of all types of goods or services, including commodities, as long as they are not military-related (certain exceptions exist). Two of the Bank's mandates are to increase the export of environmental goods and services, which are in strong demand among the developing nations, and to expand the amount of U.S. small businesses exports.

Funding will allow Ex-Im to:

- Match foreign, officially sponsored export credit competition.
- Assume commercial and political risks that U.S. exporters or private sector institutions are unwilling or unable to undertake.
- Overcome limitations in private sector export financing.

## Overseas Private Investment Corporation

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
OPIC-Administrative Expenses	42,542	41,851	45,453
OPIC-Credit Subsidy	23,808	20,073	20,035
OPIC-Net Offsetting Collections	(252,260)	(223,000)	(225,000)

The Overseas Private Investment Corporation (OPIC) is the primary U.S. government agency focused on private sector investment in the developing world. Today, OPIC helps U.S. businesses to invest in 153 countries, promoting development while serving important foreign policy goals. OPIC catalyzes private sector development and by doing so plays a meaningful role in the development of the regions where instability poses foreign policy and national security challenges to the nation.

Private sector investment support provided by OPIC is market driven, and as a result, efficiently aligns government resources with projects that are most likely to drive economic growth. For many countries that have moved beyond basic humanitarian assistance, OPIC is an effective and efficient way to promote private sector growth. OPIC's goal is to generate "additionality" on each transaction it conducts, meaning OPIC is able to add value to every investment it supports.

In FY 2007, OPIC requests the authority to spend \$45.5 million of its resources for administrative expenses. In addition, OPIC requests \$20 million in credit funding to support an estimated \$1.6 billion of direct loans and loan guarantees. OPIC's funding takes the form of budget authority from its own earnings. These earnings are also the basis for OPIC's contribution (in the form of net negative budget authority) to the International Affairs budget. For FY 2007, this contribution is estimated to be \$160 million.

In FY 2007, OPIC will focus its efforts on quality projects that are highly developmental, based on both sector and geographic location. Based on U.S. development and foreign policy priorities, OPIC will place special emphasis on small business, investments in Africa, the broader Middle East, including Iraq, Mexico and Central America Free Trade Agreement (CAFTA) countries, and continue to increase private sector cooperation and increase the availability of housing for the developing world.

In FY 2005 OPIC supported 99 new insurance and finance projects that 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 support an estimated 3,549 U.S. jobs. American firms will supply a substantial portion of the initial procurement for OPIC's projects, resulting in U.S. exports of capital goods and services of approximately \$1.5 billion during the next five years.

OPIC's policy of making good corporate citizenship a key element of responsible risk management contributes to two other U.S. strategic goals: opening political systems and societies to democratic practices, the rule of law, good governance, and respect for human rights; and securing a sustainable global environment in order to protect the United States and its citizens from the effects of international environmental degradation. OPIC urges investors to adhere to recognized labor and environmental standards and anticorruption laws. Projects are encouraged to play a positive role in host communities by recruiting and training local citizens for professional and management positions, responding to local education and health needs, and maintaining transparency through community outreach. While each project has flexibility to address its corporate citizenship in the most appropriate manner, OPIC will continue to ensure that all projects it supports meet its core statutory requirements.

Since its founding in 1971, OPIC projects have generated more than \$70 billion in U.S. exports and supported jobs for more than 266,000 Americans. OPIC has accomplished its development mission by supporting approximately \$170 billion worth of investment in 3,400 projects that have helped created over 767,000 host country jobs.

## Trade and Development Agency

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
TDA	51,088	50,391	50,300

The Administration is requesting \$50.3 million for the U.S. Trade and Development Agency (USTDA) in FY 2007. This request maintains USTDA's ability to spur economic development and advance U.S. commercial interests in developing and middle-income countries.

USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment, and sustainable economic development. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services. USTDA provides a bridge to U.S. technical know-how and experience for developing and middle-income countries. The focus of the agency is unique in creating public-private partnerships that respond to foreign project sponsor needs and priorities. USTDA's program helps to identify and prepare projects for implementation that will establish the infrastructure necessary for economies to expand. At the same time, the agency's activities develop trade partnerships by enhancing the ability of U.S. firms to conduct business overseas through a variety of trade capacity building and technical assistance programs.

The agency's FY 2007 budget request encompasses USTDA's assistance programs that support key trade and foreign policy objectives of the Administration, including: 1) reconstruction efforts and economic development in Iraq, Afghanistan and other areas of conflict; 2) assistance to the Middle East to enhance democracy-building efforts throughout the region; 3) assistance to implement international transportation safety and security standards; 4) capacity building activities in areas in which the United States has engaged in bilateral and multilateral trade negotiations, particularly countries party to the Central American-Dominican Republic Free Trade Agreement (CAFTA-DR); and 5) economic growth in Africa through activities that promote the development goals of the African Growth and Opportunity Act (AGOA).

USTDA has the proven capability to rapidly and effectively respond to new Administration priorities as they emerge. Already, USTDA has targeted significant resources toward the reconstruction efforts in Iraq and Afghanistan with much success. As a result of these early investments, USTDA is well positioned to continue to support the Administration's efforts to create sustainable democratic societies within these emerging states as well as throughout the Middle East. With major trade initiatives such as CAFTA-DR and numerous ongoing Free Trade Agreement negotiations moving forward, USTDA will assist countries that are the beneficiaries of these initiatives.

USTDA has taken several steps to ensure that its program remains results oriented and successfully delivers commercial foreign assistance by taking on an increasingly visible role in providing trade capacity-building assistance around the world.

# BILATERAL ECONOMIC ASSISTANCE

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

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# UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

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Child Survival and Health Programs Fund Detail  
Development Assistance  
Development Assistance Detail  
International Disaster and Famine Assistance  
Transition Initiatives  
Transition Initiatives Detail  
Development Credit Authority  
USAID Operating Expenses  
USAID Capital Investment Fund  
USAID Inspector General Operating Expenses

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## United States Agency for International Development

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
USAID	4,158,464	4,215,420	3,975,826
USAID-SUP	216,900	131,530	-

### 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. More recently, the Secretary of State noted "that development was a two-way street, that it was important that the countries that were trying to govern wisely and democratically and do the best for their people be supported with the resources of the United States."

The U.S. Agency for International Development (USAID) is taking measures to increase the effectiveness of foreign assistance and improve its own efficiency. In 2004, USAID introduced a new strategic approach to the management of bilateral foreign aid with five core strategic goals. This submission reflects progress in codifying and implementing that strategic approach to the foreign aid that USAID manages. In this budget request, USAID proposes to continue improvements in management effectiveness. With significant ongoing investments in people and information systems, USAID will continue to build a foundation of sound management and organizational excellence.

In accordance with the President's Management Agenda emphasis on budget and performance integration, the Joint State-USAID Strategic Plan, and the core strategic goals laid out in USAID's aid effectiveness policy framework, the Agency has improved upon the corporate strategic budgeting approach developed in 2004 by continuing to apply a uniform methodology to its field programs to evaluate and compare country need and performance across regions.

The FY 2007 budget request reflects the President's recognition that development makes a vital contribution to enhancing U.S. national security. It acknowledges that foreign assistance supports several goals, including: promoting transformational development, stabilizing fragile states, supporting strategic states, responding to humanitarian needs, and addressing global issues and special concerns. State and USAID continue to focus on improving the effectiveness of foreign assistance. For example, the allocation of Development Assistance resources prioritizes those countries that are needy and good policy performers. These are the countries that can achieve results and move forward with the help of U.S. assistance resources. Development Assistance and Child Survival and Health funds are also used to encourage stability, security, reform and capacity development in fragile states.

The FY 2007 budget request is also based on USAID's effectiveness policy framework consisting of the following core strategic goals:

- promote transformational development to bring far-reaching, fundamental changes to institutions of governance, human capacity, and economic structure that help countries to sustain further economic and social progress without continued dependence on foreign aid;

- strengthen fragile states 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, or natural disaster;
- support geo-strategic interests to achieve specific U.S. foreign policy goals in countries of high priority from a strategic standpoint; and
- address global issues and special concerns including HIV/AIDS, other infectious diseases, biodiversity, climate change, direct support for international trade agreements, and counternarcotics.

USAID's management priorities for FY 2007 are to rebuild human capacity to address critical workforce shortfalls in technical expertise, and continue to improve information technology systems for better program and organizational accountability.

#### Programmatic Priorities

The corporate approach to strategic budgeting, highlighted in the aid effectiveness policy, enables USAID to operationalize its goals of promoting transformational development, strengthening fragile states, supporting strategic states, providing humanitarian relief, and addressing global issues and special concerns in a more coherent way. This allows us to achieve maximum impact by effectively allocating U.S. development assistance resources, while maintaining progress in important sectoral areas. Sectoral priorities for the FY 2007 budget include combating malaria, avian flu, tuberculosis, HIV/AIDS and other infectious diseases; promoting democracy and good governance; and building trade capacity to bolster developing countries' economic growth.

The United States will maintain its 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. Funding for these countries is requested from the Development Assistance, Child Survival and Health, and Economic Support Funds accounts.

Development Assistance funding proposed for FY 2007 will reflect an emphasis on helping countries strengthen good governance, support economic freedoms, and invest in their people, including in countries that are part of the Millennium Challenge Account "threshold" program and are close to becoming eligible for Millennium Challenge Account assistance.

Addressing the sources of a country's fragility in order to lay the foundation for lasting long-term development is a key U.S. priority. USAID's Fragile States Strategy emphasizes programs to enhance stability, improve security, encourage reform, and support institutional capacity development, based on careful analysis of underlying sources of fragility. Programs to diminish fragility are particularly prevalent in sub-Saharan Africa but span the globe.

FY 2007 programs funded through the Child Survival and Health (CSH) account will focus on supporting the President's initiative to accelerate the fight against malaria, increasing attention to avian influenza – both for surveillance and improving developing countries' ability to cope with a major outbreak, and increasing treatment of tuberculosis, while continuing our support for other health priorities such as HIV/AIDS. Malaria efforts will focus on scaling up interventions to prevent and treat malaria infection in women and children. Work on HIV/AIDS, in coordination with the Global AIDS Coordinator, will provide technical and programmatic support to reduce HIV transmission and mitigate the impact of the HIV/AIDS pandemic.

The United States will continue its leadership role in promoting democracy and good governance in the developing world. USAID-managed programs will encourage responsible participation by all citizens in the political processes of their countries, assist countries in improving governance, prevent and mitigate conflict, and help strengthen non-governmental organizations and civil society.

USAID-managed programs will also focus on growing countries' economies through trade opportunities and expanding local job opportunities to reduce youth unemployment and susceptibility to criminal and terrorist recruitment. Specific trade initiatives include helping with implementation of the Central American Free Trade Agreement, with the development and implementation of the Andean Free Trade Agreement and other bilateral trade pacts, and with the implementation of anticipated agreements reached under the Doha Development Round of global trade negotiations. Efforts will also increase to expand youth employment and thereby diminish susceptibility to criminal and terrorist recruitment in sub-Saharan Africa, the Near East and Asia and Latin America.

### Management Priorities

USAID plays a critical role in successfully implementing the U.S. national security strategy, and sufficient USAID Operating Expenses (OE) and Capital Investment Fund (CIF) resources are vital as the United States strives to address foreign policy and development challenges in increasingly complex settings.

The demand to meet complex foreign policy and international development challenges requires a USAID with sufficient human and physical capacity to oversee development programs and provide accountability. The FY 2007 request will allow USAID to continue its efforts to increase the workforce and improve management to strengthen programs and support systems, as it faces the challenges of high retirement rates among our most experienced officers, significant costs to improve information systems, and increases in the strategic importance and funding of key countries and programs.

Particular emphasis will be placed on hiring additional U.S. direct-hire staff to address critical deficiencies in technical areas and to establish a reconstruction and stabilization reserve. The new hiring will strengthen USAID's technical capacity in the areas of health, economic growth and trade, education, and crisis, stabilization and governance and enhance our capacity to support large stabilization and reconstruction programs following conflict and disaster.

At the same time, USAID is exploring a number of options for using these resources more effectively. We continue to work with the State Department on rightsizing our overseas staff, consolidating administrative functions where it makes sense, and regionalizing other USAID functions that can be regionalized without compromising our ability to implement programs effectively and efficiently.

USAID has made significant progress on and remains steadfast in its support of the President's Management Agenda (PMA), including a "Green" in both Current Status and Progress for the Budget and Performance Integration initiative. USAID is embracing the PMA disciplines as regular management practices for focusing on program results and costs. Accomplishments to date on all five PMA initiatives are detailed in the "Management Landscape" section of the FY 2007 Joint State-USAID Performance Plan.

## Child Survival and Health Programs Fund

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
CSH	1,562,400	1,569,150	1,433,000
CSH-SUP	-	75,200	-

Investing in the health of the developing world contributes to global economic growth, reduction of poverty, a sustainable environment, and regional security. The robustness of the global public health system directly affects public health in the United States because infectious diseases know no borders. Expansion of basic health services and strengthening national health systems are key investments that significantly improve people's health, especially that of women, children, and other vulnerable populations. These investments may contribute to transformational development and the stabilization of fragile states.

A major focus for the use of these funds is the President's Malaria Initiative which will accelerate the fight against malaria, a major killer of children in sub-Saharan Africa. As HIV/AIDS, malaria, and other infectious disease continue to threaten the health of families and children in the developing countries worldwide, CSH-funded programs work to eliminate these threats. USAID-managed programs will continue to focus on scaling-up proven interventions that respond effectively and efficiently to the largest public health challenges and developing key life-saving technologies for the future. Programs will continue to emphasize quality assurance in health care delivery, cutting waste and inefficiency, strengthening strategic planning and management systems, and developing host-country capacities.

The CSH request for USAID health programs is \$1.433 billion and is focused on the following areas:

- USAID's HIV/AIDS programs (\$325 million) are integrated within the overall policy and strategic direction of the President's Emergency Plan for AIDS Relief (PEPFAR). PEPFAR focuses on 15 African, Caribbean and Asian countries and is managed by the Global AIDS Coordinator. All funding for the focus countries will be requested within the Global HIV/AIDS Initiative account, although USAID plays a significant role in implementing them. CSH-funded HIV/AIDS programs in non-focus countries will center on prevention, care, and treatment efforts, and the support of children affected by AIDS, including expanding treatment programs for those who have not previously had access to such life-extending interventions.
- Funding is also included for a \$100 million contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria.
- Other Infectious Diseases programs (\$382 million) will focus on the prevention and control of malaria, tuberculosis, avian influenza, and programs to combat anti-microbial resistance and disease surveillance. The President's Malaria Initiative will scale up from three to seven countries. The goal of this initiative is to reduce malaria deaths by 50 percent in each of the target countries after three full years of full implementation. USAID uses a comprehensive strategy that combines prevention and treatment approaches, including interventions to reduce malaria among pregnant women. These approaches are effective in reducing sickness and death from this disease especially in Africa. Country level expansion and strengthening of the Directly Observed Treatment Short-course (DOTS) Strategy will continue to be the focal point of USAID's tuberculosis program. In addition, USAID will increase and strengthen the availability of human resources to support DOTS implementation, continue contributing to partnerships to address the challenges of multi-drug resistant TB and TB/HIV co-infection, and engage the private sector in DOTS. Avian influenza programs will focus on continuing communications campaigns to increase awareness of risks and appropriate behaviors to reduce

transmission among human and animals, surveillance and diagnosis, response capacity, and planning and preparedness so that countries have plans for effective responses to animal and/or human outbreaks.

- Child Survival and Maternal Health programs (\$323 million) help reduce the number of deaths in children under the age of five and save the lives of women in childbirth. About 7 million of the nearly 11 million annual child deaths could be prevented simply by extending coverage of proven investments, which have always been at the core of USAID's child survival program. These interventions include such things as immunization, pneumonia and diarrhea prevention and treatment, oral rehydration, polio eradication, micronutrient deficiencies, safe birthing and antenatal care, nutrition, breastfeeding, and the USG contribution to the Vaccine Fund. USAID is also working to revitalize nutrition efforts, including food fortification and food security, to make them fundamental components of all child survival and maternal health programs.
- Vulnerable Children programs (\$9 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.

Family Planning and Reproductive Health programs (\$294 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.

**Child Survival and Health Programs Fund**  
(\$ in thousands)

	<b>FY 2005 Actual</b>	<b>FY 2006 Estimate</b>	<b>FY 2007 Request</b>
<b>Africa</b>			
Angola	7,111	14,623	13,374
Benin	7,450	7,903	8,403
Burundi	3,093	2,669	3,080
Democratic Republic of Congo	25,415	23,960	23,170
Eritrea	14	-	-
Ethiopia	20,090	31,570	28,813
Ghana	18,920	18,157	18,543
Guinea	7,050	6,748	5,471
Kenya	14,600	16,840	14,611
Liberia	3,971	3,164	3,001
Madagascar	13,315	11,526	11,479
Malawi	21,425	21,125	21,060
Mali	16,705	16,529	15,893
Mozambique	13,430	17,361	15,929
Namibia	796	1,168	1,180
Nigeria	28,250	21,544	19,677
Rwanda	7,100	7,163	7,729
Senegal	14,775	14,001	14,183
Sierra Leone	100	297	300
Somalia	100	-	-
South Africa	5,328	5,070	5,130
Tanzania	15,110	21,754	20,662
Uganda	15,160	19,948	18,512
Zambia	13,655	16,083	14,402
Zimbabwe	11,100	10,973	10,822
Africa Regional	29,598	28,891	129,875
REDSO/ESA	12,900	9,898	9,510
Regional Center for Southern Africa	7,486	7,401	7,411
Sudan	16,500	19,000	20,400
West Africa Regional	19,737	16,570	15,890
<b>Subtotal - Africa</b>	<b>370,284</b>	<b>391,936</b>	<b>478,510</b>
<b>East Asia and the Pacific</b>			
Cambodia	29,300	28,556	27,378
Indonesia	37,100	28,017	27,507
Philippines	27,050	22,671	21,072
Vietnam	1,200	-	-
Regional Development Mission / Asia	18,511	18,941	20,007
<b>Subtotal - East Asia and the Pacific</b>	<b>113,161</b>	<b>98,185</b>	<b>95,964</b>

**Child Survival and Health Programs Fund**  
(\$ in thousands)

	<b>FY 2005 Actual</b>	<b>FY 2006 Estimate</b>	<b>FY 2007 Request</b>
<b>Europe and Eurasia</b>			
Azerbaijan	500	-	-
Central and Eastern Europe Regional	250	-	-
Georgia	2,000	-	-
Romania	2,000	-	-
Russia	6,450	2,970	2,970
Ukraine	4,663	2,176	2,176
<b>Subtotal - Europe and Eurasia</b>	<b>15,863</b>	<b>5,146</b>	<b>5,146</b>
<b>International Organizations</b>			
International Organizations/Partnerships	402,443	440,242	271,548
<b>Subtotal - International Organizations</b>	<b>402,443</b>	<b>440,242</b>	<b>271,548</b>
<b>South and Central Asia</b>			
Afghanistan	38,000	41,449	42,800
Bangladesh	33,412	26,384	25,884
Central Asian Republics	1,000	1,238	1,238
India	53,222	47,690	48,366
Nepal	25,165	18,613	17,985
Pakistan	21,000	32,172	21,700
Sri Lanka	300	-	-
<b>Subtotal - South and Central Asia</b>	<b>172,099</b>	<b>167,546</b>	<b>157,973</b>
<b>Western Hemisphere</b>			
Bolivia	16,495	16,479	14,689
Brazil	8,710	3,069	5,985
Dominican Republic	13,099	12,721	11,338
Ecuador	-	-	2,000
El Salvador	7,555	8,144	7,348
Guatemala	11,311	12,040	10,838
Haiti	19,969	19,801	15,812
Honduras	13,192	13,140	12,170
Jamaica	4,542	4,472	2,810
Mexico	3,234	3,990	3,720
Nicaragua	7,703	7,699	6,661
Paraguay	1,980	2,884	2,106
Peru	14,756	14,213	12,736
Caribbean Regional	4,695	6,435	5,640
Central American Regional	5,901	6,039	5,700
LAC Regional	11,478	9,735	8,480
<b>Subtotal - Western Hemisphere</b>	<b>144,620</b>	<b>140,861</b>	<b>128,033</b>

**Child Survival and Health Programs Fund**  
(\$ in thousands)

	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Request</b>
<b>Global</b>			
Asia-Near East Regional	4,458	9,501	3,287
Democracy, Conflict & Humanitarian Assistance	6,075	2,970	3,000
Global Health	324,105	298,112	288,153
Other Programs	6,015	12,077	-
Other Programs SUP	-	75,200	-
Program & Policy Coordination	3,277	2,574	1,386
<b>Subtotal - Global</b>	<b>343,930</b>	<b>400,434</b>	<b>295,826</b>
<b>Total</b>	<b>1,562,400</b>	<b>1,644,350</b>	<b>1,433,000</b>

## Development Assistance

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
DA	1,448,320	1,508,760	1,282,000

The Development Assistance (DA) request reflects the President's commitment to promote economic freedom, support efforts to govern justly, and invest in people through education in transformational development countries -- needy countries with good economic and social policy performance. There are measurable goals and concrete benchmarks for achieving these objectives in each country. This request will make important contributions to: 1) economic freedom, by increasing trade capacity, improving agricultural productivity and natural resource management, and improving the business environment; 2) democratic governance, by supporting reforms that help ensure free and fair elections, a free media, human rights, and the adoption of anti-corruption measures, and 3) investment in people by promoting access to quality education. The Administration's FY 2007 DA request of \$1.282 billion includes funding principally for transformational development countries, as well as support for these objectives in fragile and strategic states to enhance stability, improve security, encourage reform and develop key institutional capacities fundamental to lasting recovery. Funding is also requested for global issues and special concerns such as information technology, environmental protection and biodiversity.

DA funds will be used to support transformational development and fragile and strategic states in the following areas:

- Agriculture and natural resources management programs strengthen agricultural productivity in developing countries, especially in South Asia and sub-Saharan Africa under the President's Initiative to End Hunger in Africa (\$47 million), and will encourage public and private development partners to do the same. Programs will mobilize science and technology to reduce poverty and hunger; develop global and local trade opportunities for farmers and rural industries; increase technical knowledge at the local level; and promote sustainable agriculture and sound environmental management.
- Economic growth programs increase trade and investment, by strengthening private markets, providing access to economic opportunity for the rural and urban poor, and supporting micro-finance and microenterprise development, watershed management, access to clean energy, and environmentally sound urbanization. This request promotes stronger linkages between trade and development by increasing the capacity of developing countries to participate in and benefit from trade and investment. Specific Presidential Initiatives include the Central America Free Trade Agreement (CAFTA) (\$20 million), the Africa Global Competitiveness Initiative (AGCI) (\$30 million), formerly called the Trade for African Development (TRADE) Initiative, and the Digital Freedom Initiative.
- Democratic governance programs support fair and free elections, encourage open and competitive political processes, promote the rule of law and respect for human rights, develop politically active civil societies, promote more transparent and accountable government institutions, including local government support and anti-corruption efforts, combat trafficking in persons and manage conflict. Democratic governments are more likely to observe international laws, stand firm with the United States in the War on Terrorism, and pursue policies to reduce poverty, hunger, and suffering.
- Education programs include funding basic education activities that strengthen pre-primary, primary and secondary education, and teacher training. These investments in people are focused primarily in Africa, Asia and Latin America through three Presidential initiatives, the enhanced Africa Education Initiative (\$100 million) announced at the 2005 G-8 Summit, Indonesia Education Initiative (\$15 million) and

the Centers for Excellence in Teacher Training (\$6 million). Education programs also include targeted work in South Asia and the Near East, which strongly emphasize the need to ensure equitable access for girls. DA will also fund programs for higher education that strengthen partnerships with the U.S. higher education community, and workforce training. Education is an important long-term investment in sustaining democracies, improving health, increasing per capita income and conserving the environment.

- In fragile states, DA funding will support solutions to conflict and state failure, help overcome short-term obstacles to peace, and provide technical assistance to address underlying causes of conflict that may jeopardize a country's long-term development goals. USAID's work in the areas of democracy and governance, as well as economic growth, will complement the conflict prevention and mitigation programming in that the legitimacy and effectiveness of political, economic, and social institutions are a critical factor in determining whether conflict will emerge.

The FY 2007 DA request also supports global issues and special concerns that invest in access to clean water and sanitation, renewable and clean energy, and conservation of biological diversity. USAID manages five Presidential Initiatives that are key components of sustainable economic growth. The Water for the Poor Initiative will improve sustainable management of water resources and accelerate international efforts to halve by 2015 the proportion of people who are unable to receive or afford safe drinking water. The Congo Basin Forest Partnership Initiative promotes economic development, poverty alleviation, improved governance and natural resource management. The Clean Energy Initiative provides access to affordable, reliable, clean and efficient energy. The Global Climate Change Initiatives promotes economic growth that minimizes the increase in greenhouse gas emissions, helping to reduce the planet's vulnerability to climate change. The Initiative Against Illegal Logging is the most comprehensive strategy yet undertaken by any nation, reinforcing U.S. leadership in protecting the world's environment by stemming the flow of illegally-logged timber in markets. This initiative focuses on three critical regions – 1) the Congo Basin, 2) the Amazon Basin and Central America, and 3) South and Southeast Asia.

**Development Assistance**  
(\$ in thousands)

	<b>FY 2005 Actual</b>	<b>FY 2006 Estimate</b>	<b>FY 2007 Request</b>
<b>Africa</b>			
Angola	4,990	4,468	7,544
Benin	6,972	4,378	400
Burundi	2,118	2,917	3,943
Democratic Republic of Congo	16,812	10,670	11,088
Eritrea	14	-	-
Ethiopia	32,616	28,910	22,810
Ghana	18,173	25,834	15,451
Guinea	8,132	7,855	4,529
Kenya	15,782	17,792	21,002
Liberia	6,854	23,926	29,499
Madagascar	9,424	9,966	8,129
Malawi	17,523	10,352	8,716
Mali	20,669	14,581	16,932
Mozambique	17,435	12,307	13,403
Namibia	6,602	6,179	5,275
Nigeria	14,808	14,000	21,204
Rwanda	5,680	5,852	3,943
Senegal	12,995	19,554	13,246
Sierra Leone	4,600	3,756	3,820
Somalia	5,000	2,045	2,571
South Africa	25,710	24,362	19,279
Tanzania	8,755	9,167	9,260
Uganda	27,967	21,614	23,845
Zambia	15,212	26,622	16,336
Zimbabwe	2,460	1,376	1,400
Africa Regional	65,356	127,007	125,352
Central Africa Regional	15,000	15,000	15,000
REDSO/ESA	21,524	17,979	17,111
Regional Center for Southern Africa	15,315	15,022	15,990
Sudan	70,000	70,000	70,000
West Africa Regional	23,009	35,026	36,379
<b>Subtotal - Africa</b>	<b>517,507</b>	<b>588,517</b>	<b>563,457</b>
<b>East Asia and the Pacific</b>			
Cambodia	8,950	5,487	6,597
China	-	4,950	5,000
East Timor	500	-	-
Indonesia	27,848	33,212	26,724
Philippines	27,576	25,522	19,603
Vietnam	4,750	2,818	2,440

**Development Assistance**  
(\$ in thousands)

	<b>FY 2005 Actual</b>	<b>FY 2006 Estimate</b>	<b>FY 2007 Request</b>
Regional Development Mission / Asia	10,400	13,628	12,000
<b>Subtotal - East Asia and the Pacific</b>	<b>80,024</b>	<b>85,617</b>	<b>72,364</b>
<b>Near East</b>			
Lebanon	500	-	-
Morocco	6,000	8,217	5,400
<b>Subtotal - Near East</b>	<b>6,500</b>	<b>8,217</b>	<b>5,400</b>
<b>South and Central Asia</b>			
Afghanistan	164,000	148,500	150,000
Bangladesh	16,535	10,859	8,400
India	24,856	10,892	10,004
Nepal	10,000	7,895	7,051
Pakistan	29,000	40,590	29,000
Sri Lanka	6,774	3,465	3,500
<b>Subtotal - South and Central Asia</b>	<b>251,165</b>	<b>222,201</b>	<b>207,955</b>
<b>Western Hemisphere</b>			
Bolivia	8,186	10,091	10,000
Brazil	3,479	8,007	8,000
Cuba	-	1,980	-
Dominican Republic	7,372	7,065	6,009
Ecuador	6,609	6,578	5,644
El Salvador	26,675	22,511	7,557
Guatemala	10,824	9,699	7,515
Guyana	3,572	3,960	4,000
Haiti	24,281	29,700	23,143
Honduras	20,856	18,824	13,290
Jamaica	12,219	9,579	7,391
Mexico	15,055	14,084	9,282
Nicaragua	26,058	20,843	12,996
Panama	5,125	4,335	3,180
Paraguay	3,748	4,385	4,130
Peru	11,246	9,435	9,000
Amazon Environmental Initiative	16,000	-	-
Caribbean Regional	6,214	4,891	6,000
Central American Regional	11,236	5,876	13,000
LAC Regional	26,667	61,082	29,715
South America Regional	1,817	1,485	2,000
<b>Subtotal - Western Hemisphere</b>	<b>247,239</b>	<b>254,410</b>	<b>181,852</b>

**Development Assistance**  
(\$ in thousands)

	<b>FY 2005 Actual</b>	<b>FY 2006 Estimate</b>	<b>FY 2007 Request</b>
<b>Global</b>			
Asia-Near East Regional	28,744	18,186	23,540
Democracy, Conflict & Humanitarian Assistance	103,070	110,050	69,797
Economic Growth, Agriculture and Trade	185,028	160,369	139,024
Global Development Alliance	10,000	11,880	10,000
Legislative and Public Affairs	2,179	1,798	1,816
Other Programs	7,660	40,622	-
Program & Policy Coordination	9,204	6,893	6,795
<b>Subtotal - Global</b>	<b>345,885</b>	<b>349,798</b>	<b>250,972</b>
<b>Total</b>	<b>1,448,320</b>	<b>1,508,760</b>	<b>1,282,000</b>

## International Disaster and Famine Assistance

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
IDFA	384,896	361,350	348,800
IDFA-SUP	190,000	56,330	-

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

IDFA 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 and man-made disasters; (3) reduce the economic impact of disasters on individual livelihoods by supporting and enhancing local capacities and coping mechanisms; and (4) support early intervention to either pre-empt famine or mitigate the impact. The FY 2007 request is \$348.8 million.

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.

In FY 2005, USAID responded to 84 disasters in 76 countries, 68 of which were natural disasters and 16 complex emergencies. Civilians continue to suffer the horrifying consequences of conflict and natural disasters and look to the international community for life-saving and life-sustaining support.

Increasing emphasis is being placed on applying preparedness and mitigation lessons learned to deal with complex emergencies. While it is not possible to predict which countries will need humanitarian assistance in the future, a country such as Sudan will continue to be a cause for concern.

The FY 2007 request includes approximately \$163 million for programs to assist Sudan. This includes supporting continued humanitarian assistance for the Darfur region of Sudan and for southern Sudan. The signing of the comprehensive peace agreement on January 9, 2005, has ended the 22-year civil war in southern Sudan and in the transition zone where the North meets the South. These war-devastated areas are now more stable and accessible, providing an opportunity to extend essential services to these long-neglected regions. Equity in access to resources has been a major cause of the civil war. These IDFA resources will not only provide essential services, but also support the fragile new peace agreement. FY 2007 IDFA funds will be used to avert and resolve conflict as well as to promote stability, recovery and democratic reform. FY 2007 funds will allow a flexible response to the evolving needs of the transition process and will complement USAID's programs in infrastructure, education and capacity building, governance and food security.

USAID has the interagency lead on international disasters and works closely mainly with the Departments of State and Defense to coordinate American relief efforts. In many disaster situations, 24-hour 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 USG agencies; U.S., third country and host country non-governmental organizations (NGOs); and other donors.

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. NGOs are critically important partners in these efforts and play an essential role in raising resources, providing assistance, and implementing programs in the field.

The FY 2007 request includes \$20 million for famine prevention and relief and is intended for contingency needs and to support early intervention to either pre-empt famine or mitigate its effects.

## Transition Initiatives

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
TI	48,608	39,600	50,000

The Transition Initiatives (TI) account provides limited, short-term support to advance local partner efforts to stabilize conditions in a particular country as it moves from crisis to development. Such stabilization efforts lay the groundwork for more systematic development investments in a country, and may play a key role in avoiding large expenditures for military and humanitarian interventions in both pre- and post-conflict scenarios. Traditional forms of humanitarian aid and development assistance are not well suited to these periods of transition. This account provides a mechanism that retains the responsiveness and flexibility of humanitarian aid, but with a focus on addressing the causes of fragility, advancing democratic governance, and managing conflict within highly charged and highly fluid transition environments.

On average, the Office of Transition Initiatives (OTI) has started three new country programs per year in the last five years. Country program startups are determined based on U.S. interagency input, and startups are rapid – with an average of 6-8 weeks elapsing between decision and in-country startup. In FY 2006, OTI plans to hand over five of its ten country programs to USAID Missions, transferring programs in Burundi, DRC, Liberia in the second quarter of FY 2006, and programs in Iraq and Bolivia in the third quarter.

The FY 2007 request will continue to support programs administered by OTI that provide short-term assistance targeted at key transition needs. While predicting crisis and opportunity is inherently problematic, OTI anticipates operating in eight to ten countries in FY 2007, including Haiti, Sri Lanka, Sudan, and Venezuela. OTI is actively engaged with the Department of State, National Security Council, and other USAID offices in monitoring and preparing to respond to countries that are top priorities for U.S. foreign policy interests. OTI will revise its goals, objectives and/or FY 2007 funded activities whenever needed to address rapidly changing conditions and U.S. foreign policy priorities. Consistent with OTI's efforts to implement flexible, effective and short-term programs, some FY 2007 funding is expected to support programs in countries that have not yet been identified.

## Development Credit Authority

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
USAID DCA	7,936	7,920	8,400
DCA Subsidy Appr	-	-	5,000

The Development Credit Authority (DCA) allows USAID to use credit as a flexible development tool to promote broad-based economic growth in developing and transitional economies. It is often the best means to leverage private funds for development purposes.

The use of DCA guarantees by USAID missions has grown substantially in recent years, with over 144 projects across 39 countries. DCA projects forge new economic relations among banks and local investors with entrepreneurs, small and medium-size businesses, microfinance institutions and municipalities. Not only are DCA guarantees often the best means to leverage local private funds for development purposes, but they can also establish the foundation for relationships that will continue the flow of credit to underserved sectors long after DCA's involvement has ended.

In FY 2005, DCA guarantees were targeted to critical areas in the developing world. They mobilized lending to micro and small enterprises damaged by the tsunami in Indonesia, as well as supporting small and medium-size enterprise lending in the West Bank and Gaza. In Serbia, DCA was used to channel \$10 million in loan capital to municipal lending. DCA also proved useful in promoting agribusiness lending in Ethiopia, Kenya, Moldova, Rwanda, Tanzania and Uganda.

In FY 2006, USAID will use DCA to continue to promote the flow of credit to microfinance institutions, small and medium enterprises, agribusinesses, energy-efficiency projects and municipalities in USAID assisted countries. In addition, DCA will support innovative financing of water and sanitation facilities in developing countries under the Presidential Water Initiative.

For FY 2007, the Administration is requesting \$21 million in transfer authority from USAID managed program accounts to provide loan guarantees in every region and in every economic sector targeted by USAID.

In addition, the Administration is requesting \$5 million in appropriated funds for the Africa Housing and Infrastructure Facility (AHIF). This innovative credit facility will build on USAID's experience with DCA and will support subsidy costs of partial guarantees for private sector financing of water, infrastructure and housing projects in Africa. The AHIF will enhance the effectiveness of USAID's response to Presidential Initiatives such as Water for the Poor, and will focus primarily on small and middle market housing and infrastructure projects. Of the \$5 million in direct appropriation, up to \$2 million may be used for project development expenses for this facility.

In accordance with the Federal Credit Reform Act of 1990, the \$8.4 million appropriation request for credit administrative expenses reflects the total cost of development, implementation, and financial management of all USAID credit programs.

## USAID Operating Expenses

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
USAID	613,056	623,700	678,826
USAID-SUP	24,400	-	-

For FY 2007, the Administration is requesting \$678.826 million for USAID Operating Expenses (OE) to fund the administrative costs of managing \$8 billion in program funds. The USAID OE budget covers the costs of salaries and benefits, overseas and Washington operations, and central support, which includes human capital initiatives, security, and information technology. The request includes funding to support management priorities to rebuild human capacity, enhance security and physical infrastructure, and improve information technology systems.

USAID needs to rebuild its human capacity to fulfill U.S. national security priorities and development objectives. The FY 2007 request includes funding to hire additional U.S. direct-hire (USDH) staff to address critical deficiencies in the technical areas and establish a reconstruction and stabilization reserve. This hiring will strengthen our depleted technical ranks in the areas of health; economic growth and trade; education; and crisis, stabilization and governance and enhance our capacity to support large stabilization and reconstruction programs following conflict and disaster. The requested funding also supports the first step of transition to a performance-based pay system and global rate of pay for Foreign Service personnel grade FS-01 and below.

To protect USAID employees and facilities against global terrorism and national security information against espionage, OE funds will also be used to increase physical security measures, such as building upgrades, emergency communications systems, and armored vehicles; personnel security, such as background investigations and security clearances; and information security.

To address significant management challenges, OE funds will also be needed to improve USAID information technology (IT) systems and support State-USAID joint goals for IT management and IT systems security objectives of E-Government under the President's Management Agenda. Joint procurement and financial management systems will serve both agencies' needs and improve program accountability through better integration of budget and performance.

## USAID Capital Investment Fund

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
USAID CIF	58,528	69,300	131,800

For FY 2007, the Administration is requesting \$131.8 million in no-year funding for the Capital Investment Fund (CIF) to provide USAID with greater flexibility to manage investments in information technology and facility construction. CIF provides funding for the capital investment portion of both information technology and facility construction while the Operating Expense account funds the non-capital investment portion, which includes the annual operating and maintenance costs of information systems and facilities infrastructure.

The Facility Construction component (\$102.5 million) will fund the third year of the Agency's contribution to the Capital Security Cost Sharing Program to support the construction of USAID facilities on new embassy compounds and the relocation of USAID/Guatemala to a secure interim office building. The Secure Construction and Counterterrorism Act of 1999 requires USAID to co-locate on new embassy compounds. These funds will support USAID's ability to locate staff in secure work environments.

The Information Technology component (\$29.3 million) will fund the continued implementation of worldwide accounting and procurement systems, full participation in E-Government initiatives, infrastructure collaboration and consolidation between the Department of State and USAID, enterprise architecture, and an executive information system. These investments support Presidential Management Agenda initiatives, Agency transformation goals, and the efficiency of overseas staff.

**USAID Inspector General Operating Expenses**  
(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
USAID OIG	34,720	35,640	38,000
USAID OIG-SUP	2,500	-	-

The FY 2007 request for the USAID Office of the Inspector General (OIG) covers operating expenses, including salaries, and support costs of OIG personnel.

The goals of the OIG are to:

- Assist USAID to implement its strategies for sustainable development and provide USAID managers with information and recommendations that improve program and operational performance.
- Work with USAID to protect and maintain the integrity of the Agency and its programs and operations by investigating allegations of federal criminal violations and serious administrative violations involving USAID programs and personnel.

The request includes \$2.5 million for FY 2007 audit and investigation activities in Iraq.