U.S. SMALL BUSINESSES: CREATING OPPORTUNITIES WITH USAID

*"I encourage you to share your ideas on changes
you think are necessary as USAID writes the
next chapter in our agency's noble and proud story."*

**AMBASSADOR RANDALL L. TOBIAS
USAID ADMINISTRATOR**

USAID PRIMER: WHAT WE DO AND HOW WE DO IT

The USAID Commodities Program allows for the purchase of U.S. goods and export to people in need.

INTRODUCTION AND PURPOSE

The purpose of this primer is to explain the internal principles, strategies, structure, legal framework, operating procedures, and program mechanisms of the U.S. Agency for International Development (USAID). It has been prepared primarily for employees of other federal agencies such as the departments of State and Defense, personnel in partner organizations, congressional staff, and new USAID employees. The primer contains information of particular interest to those seeking to do business with USAID.

USAID plays a vital role in advancing U.S. national security, foreign policy, and the War on Terrorism. It does so by addressing poverty fueled by lack of economic opportunity, one of the root causes of violence today. As stated in the President's National Security Strategy, development stands with diplomacy and defense as one of three key pieces of the nation's foreign policy apparatus. USAID promotes peace and stability by fostering economic growth, protecting human health, providing emergency humanitarian assistance, and nurturing democracy in developing countries. These efforts to improve the lives of millions of people around the globe represent U.S. values and advance U.S. interests by building a safer, more prosperous world.

USAID provides assistance in sub-Saharan Africa, Asia and the Near East, Latin America and the Caribbean, and Europe and Eurasia. With headquarters in Washington, D.C., USAID's strength is its field offices in many regions of the world. The Agency operates in approximately 100 developing countries (the number varies from year to year), working closely with private voluntary organizations (PVOs), indigenous groups, universities, American businesses, international organizations, other governments, trade and professional associations, faith-based organizations, and other U.S. government agencies. Through contracts and grant agreements, USAID partners with more than 3,500 companies and over 300 U.S.-based PVOs.

THE TYPES OF ASSISTANCE USAID PROVIDES INCLUDE:

- Technical assistance and capacity building
- Training and scholarships
- Food aid and commodity purchases
- Construction of infrastructure (e.g., roads, water systems)
- Small-enterprise loans
- Budget support
- Enterprise funds supporting transition to a free market society
- Credit guarantees

We hope you find the information in this primer useful. For additional information, visit USAID's website at www.usaid.gov.

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A MESSAGE FROM AMBASSADOR RANDALL L. TOBIAS

When I began my term as your new Administrator and our nation's first Director of U.S. Foreign Assistance, I signaled my commitment to communicating directly with you—both here in Washington and in the field—with a town hall meeting. I spoke then, as I have on numerous occasions since, of my vision for the exciting reforms Secretary Rice announced in January.

In the weeks that followed, I have set about the business of getting the operations under way—and the buy-in around Washington—that will make those reforms a reality. We have made much progress. Last week, at an off-site meeting, we brought together the USAID and State Department staff that will form the new Office of the Director of Foreign Assistance (S/F). Functional and regional experts at USAID and the State Department, along with some of our partners in other U.S. Government (USG) agencies, are now working together to flesh out the new strategic framework for foreign assistance based on our goals and objectives.

I have personally met with Assistant Administrators and senior leadership at the State Department; senior leadership at other USG agencies, including the Office of Management & Budget (OMB), the National Security Council (NSC), the Department of Defense (DoD), the U.S. Trade Representative (USTR), and the Millennium Challenge Corporation (MCC); members of Congress; as well as Deputy Assistant Administrators and Deputy Assistant Secretaries at USAID and State. This coming week, I will have an opportunity to update other opinion leaders on foreign assistance—including leading members of the NGO community and think-tank scholars interested in the issue—when I address the Aspen Institute's *Effective Aid, Effective Advocacy: Development Assistance in a "3-D World"* retreat.

I have heard from many USAID staff who would welcome some user-friendly tools so that they might be able to better explain the changes under way. We expect to have a public S/F website up and running in the near future that will include many frequently asked questions. While efforts to communicate changes face to face with all of you—through staff briefings at the bureau level—are under way, in the interest of ensuring you have the very latest information directly from me, what follows are details of where the reforms stand today.

As Secretary Rice has articulated, United States security is linked to the capacity of foreign states to govern justly and effectively, invest in and improve the lives of their people, create the conditions for economic growth and development, and conduct themselves responsibly in the international system. Foreign assistance is an essential component of achieving these aims. A comprehensive review of our current foreign assistance structure indicates that foreign assistance is fragmented among many bureaus within the State Department, USAID, and across a multiplicity of other agencies. Such fragmentation could lead to conflicting or redundant efforts, poor accountability, and little coherence among programs, policies, and goals.

OFFICE OF THE DIRECTOR OF U.S. FOREIGN ASSISTANCE

In order to transform our capabilities to use foreign assistance to meet our current challenges, the Secretary has established the Office of the Director of U.S. Foreign Assistance (S/F) to serve as an umbrella leadership structure

The children of Montecillos, Honduras with access to clean water.

for aligning and coordinating all foreign assistance policy, planning and oversight. The new Director of Foreign Assistance (F), who concurrently serves as the Administrator of USAID (A/AID), will report directly to the Secretary and serve at the rank equivalent to Deputy Secretary of State.

In accordance with the Secretary's plans, the new office brings together, under the leadership of the Director of Foreign Assistance, those State and USAID staff currently performing the common foreign assistance functions of strategic planning, budgeting, program planning, results reporting and accountability. Accordingly, the new office includes the State Department's Bureau of Resource and Management's Office of Foreign Assistance Programs and Budget (RM/FA), which has been transferred in its entirety to S/F, as well as staff from the USAID offices of Policy Planning (PPC/P), Strategic and Performance Planning (PPC/SPP), and Resource Allocation (PPC/RA).

Many at USAID have asked how the agency relates to the new office. S/F will not attempt to duplicate the resources, capacity, or expertise that exists at USAID. The role of S/F, simply put, is to provide the strategic direction and umbrella leadership on all U.S. foreign assistance. USAID remains an independent agency—as will its voice and perspective—as we work together to achieve sustainable results. S/F will not set up parallel systems and functions—after all, the whole point of this reform is to bring the talents and voices of both State and USAID to bear on the challenges we face. We are—and must always operate as—one team.

PRINCIPLES UNDERLYING THE REFORMS

Several principles underlie the reforms now being implemented:

- Focus foreign assistance on the achievement of the Secretary's transformational diplomacy goal
- Strengthen the role of the Secretary and other senior leadership in driving the strategic, budget, and program planning process rather than reacting to the process
- Focus Washington on setting integrated, coherent strategic direction and priorities across agencies
- Focus the field on developing integrated, coherent tactical plans for the achievement of results based on strategic direction from Washington—and implementing those plans
- Provide a "full picture" of country programs and all resources brought to bear against the achievement of goals, to allow more immediate assessment of costs and benefits of programs
- Recognize the importance of certain global and regional programming to achieve U.S. foreign policy objectives
- Program comprehensively for greater impact
- Strengthen accountability to ensure that foreign assistance resources are:
  - Used for the achievement of strategic priorities
  - Used efficiently and effectively
- Improve the relevance of the process for all involved, and reduce duplicative planning and reporting

GOALS AND OBJECTIVES

The Secretary has now made a number of key decisions in terms of the current

foreign assistance structure and budget process. First, she has clarified a single overarching goal for foreign assistance: "Helping to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system." Second, she has identified five priority objectives that will drive the attainment of this overarching goal. These are: Peace and security, governing justly and democratically, investing in people, economic growth, and humanitarian assistance.

NEW STRATEGIC FRAMEWORK FOR FOREIGN ASSISTANCE

The Secretary has approved five country categories that group countries on the basis of similar characteristics and the goals we seek to achieve. The approved country categories are as follows:

REBUILDING COUNTRIES

- Countries are placed in this category because the Secretary of State has decided that they are in or emerging from internal or external conflict.

DEVELOPING COUNTRIES

- Countries in this category have a gross national income (GNI) per capita of less than $3,256, classifying them as low- or low-middle income countries; and
- All country governments either: 1) Perform below the median on at least half of the Millennium Challenge Account (MCA) indicators in one or more of the three policy categories of ruling justly, encouraging economic freedom, or investing in people; or 2) Perform below the

median on either or both the corruption and the political rights indicators under ruling justly.

TRANSFORMING COUNTRIES

- Countries in this category have a gross national income (GNI) per capita of less than $3,256, classifying them as low- or low-middle income countries; and
- All country governments both: 1) perform above the median on at least half of the MCA indicators in all of the three policy categories of ruling justly, encouraging economic freedom, and investing in people; or 2) perform above the median on both the Corruption and the Political Rights indicators under Ruling Justly.

Country categorization is based entirely on objective, transparent criteria such as income, as measured by the World Bank.

SUSTAINING PARTNER COUNTRIES

- All countries in this category have a GNI per capita of greater than $3,256, classifying them as upper-middle income countries; and
- USG support is provided to sustain partnerships, progress, and peace in areas of mutual interest.

REFORMING COUNTRIES

- Countries placed in this category may have legislative restrictions on direct USG funding to their governments and/or have significant governance issues.

COUNTRY CATEGORIES

The Secretary has approved a country-focused strategic framework based on the five priority objectives listed previously and five country categories. The framework focuses foreign assistance program priorities on addressing the circumstances unique to each of the five country categories (e.g., the particular security challenges in rebuilding countries, which may be different from those in developing countries), and the requirements for progress toward the achievement of each of the five priority objectives.

The contributions of regional and global programs will also be focused on the attainment of the five priority objectives and the overarching transformational diplomacy goal.

Please note that placement of countries into categories has no relationship to the amount of funding countries may receive. Except for countries in the Rebuilding and Reforming categories, which are selected by the Secretary, country categorization is based entirely on objective, transparent criteria such as income, as measured by the World Bank and performance against the MCA criteria.

Anticipating that these categorizations will become public and that host countries might have questions about the significance of a given category, I have advised the field that S/F is prepared to work with regional bureaus to brief embassies in Washington and the host governments in the field. I also suggested the field share these criteria with host countries so that they understand that the country

categorization is not political. Countries also should understand that the amount of foreign assistance funding for which they are eligible is not dictated by country category under the new Foreign Assistance Framework. Earlier foreign assistance reform proposals did tie categories to accounts, which is not the case here.

It is important to dispel any confusion in that regard and that countries understand that categories are part of an internal USG planning tool separate from appropriations accounts. If post believes it needs guidance on how to communicate host country's placement in a country category to host government counterparts, they have been asked to refer to regional bureaus.

FY 2008 BUDGET PROCESS

The process for developing the FY 2008 foreign assistance budget request to Congress will be led by the Office of the Director of Foreign Assistance and will reflect the new Framework described above and the principles and tools, approved by the Secretary, for use by the Director of Foreign Assistance. Work has begun in Washington to implement the new approach. Using the Chiefs of Mission Statements and other relevant information from the FY 2008 Mission Performance Plans and FY 2008 Annual Reports already submitted, and strategic guidance developed by the Director of Foreign Assistance, the Secretary will issue initial budget guidance by the end of May that regional and functional bureaus at State and USAID will use to identify integrated program priorities.

The Office of the Director of Foreign Assistance has formed integrated, interagency functional committees (corresponding to the five priority objectives) to define program areas and priorities for each objective. In keeping with S/F's value of building on the existing experience and knowledge in both State and USAID, these committees are being led by DASs and DAAs with the support of S/F staff. We have also begun to organize integrated, interagency country category committees that will further help to define priorities for programs

> *The Office of the Director of Foreign Assistance has formed integrated, interagency functional committees to define program areas and priorities for each objective.*

within a country category (e.g., economic growth programs in transforming countries, democracy programs in developing countries), and to develop guidance on the best mix of programs across all five objectives within a country category.

Based on the programming guidance and initial FY 2008 budget guidance from the Secretary, as well as the information already submitted through the FY 2008 MPP (including the "blue sky" papers) and FY 2008 AR submissions, interagency country-focused core teams will develop country-specific recommendations on country program priorities and on a

proposed allocation of funds across country program priority areas.

These country-focused recommendations will then feed into the development of the Senior Review presentations, expected to take place in July. Regional Assistant Secretaries will lead the presentation of integrated program and budget plans to the Secretary and/or Deputy, with support from functional Assistant Secretaries and Regional and Functional Assistant Administrators. The presentation to the Secretary will focus on what can be accomplished with the FY 2008 budget numbers she provided and highlight any trade-offs. The Secretary will also determine a set of global issues on which there will be separate Senior Reviews. The Secretary's input from the Senior Reviews will then be incorporated for the FY 2008 budget submission to OMB.

After the FY 2008 budget is submitted to Congress, post country teams, under the leadership of the Ambassador, will use approved strategic budget and program guidance to develop five-year country strategies and tactical country operational plans for the specific use of funds to meet strategic priorities. These strategies and plans will be reviewed by integrated review teams in Washington and ultimately approved by the Director of Foreign Assistance.

In this way, operational plans are developed closer to the year of execution, allowing for more specific program planning. In addition, programs are well-planned and approved in advance of the FY 2008 appropriation, which will allow countries to begin implementation immediately after

funds are appropriated.

FY 2007 FAST-TRACK COUNTRIES

The Secretary has also approved a new process for implementing the FY 2007 budget in +/-35 "fast-track" countries that will submit FY 2007 operational plans. These countries, representative of all country categories except reforming and listed alphabetically below, will participate in a pilot program for integrated country operational planning.

Washington-based core teams will review FY 2007 budget allocations within the fast-track countries during the FY 2008 budget planning process and will adjust as necessary the FY 2007 budget to reflect the new Strategic Framework. A standard set of measures and results indicators will be provided so that country teams can then set specific targets to be achieved.

Post country teams, under the Ambassador's leadership, will use approved strategic budget and program guidance from Washington to develop five-year country strategies and tactical FY 2007 country operational plans for the use of funds to meet strategic priorities. S/F is prepared to send out technical teams to support posts in developing these plans, a process that will begin this September. These plans will report which activities will be funded, how much they will cost, who will implement them, and how they will help reach the objectives laid out in the country strategy.

The FY 2007 fast-track countries, in alphabetical order, are: Afghanistan, Bangladesh, Bolivia, Cambodia,

Colombia, Cote d'Ivoire, Democratic Republic of the Congo, Egypt, Ethiopia, Guatemala, Haiti, Honduras, India, Indonesia, Jordan, Kenya, Lebanon, Liberia, Malawi, Mexico, Nepal, Nigeria, Pakistan, Peru, Rwanda, Mozambique, Philippines, Sierra Leone, Somalia, South Africa, Sudan, Tanzania, Uganda, Vietnam, and Zambia.

A LOOK AHEAD

This coming week, as staff continue to brief bureaus here in Washington, I will head to the field in my first trip as Administrator and Director of U.S. Foreign Assistance. I anticipate that upon my return, the work of the functional committees will be even farther along. As decisions are made, we will continue to keep you informed.

I realize this is a lot of information to take in, but we are moving at a fast pace for good reason. Your support is essential to our success and I know that a monologue is not the most effective form of communication. As such, in order to facilitate hearing directly from you, I am setting up a comment box on our USAID intranet.

This new era in foreign assistance requires bold thinking. I encourage you to share your ideas on changes you think are necessary as USAID writes the next chapter in our agency's noble and proud story.

Randall L. Tobias

Ambassador Randall L. Tobias
USAID Administrator
May 12, 2006

USAID HISTORY

USAID has been the principal U.S. agency providing assistance to countries recovering from disaster, trying to escape poverty, and engaging in democratic reforms.

Many believed that after the 2004 tsunami, crops would never again grow in this region. But the efforts of villagers in Jantang, Indonesia proved them wrong.

Much of the United States' modern-day international development assistance evolved out of Secretary of State George C. Marshall's plan to commit massive U.S. resources as a way of responding to calls to rebuild Europe's infrastructure and economy, destroyed by World War II. Passed into law as the European Recovery Act of 1947, the goal of the Marshall Plan, as it came to be known, was to stabilize Europe by providing financial and technical assistance.

Building on the success of the Marshall Plan, President Truman proposed an international development assistance program in his 1949 inaugural address. The 1950 Act for International Development focused on two goals: Creating markets for the United States by reducing poverty and increasing production in developing countries, and diminishing the threat of communism by helping countries prosper under capitalism.

From 1952 to 1961, programs supporting technical assistance and capital-intensive projects continued as the primary form of U.S. aid, and were recognized as a key component of U.S. foreign policy. During this time, various precursor organizations were established: The Mutual Security Agency, the Foreign Operations Administration, and the International Cooperation Administration. Programs such as Food for Peace (food aid) and the Development Loan Fund also were introduced.

In 1961, Congress passed the Foreign Assistance Act (FAA), which mandated the creation of an agency to promote long-term assistance for economic and social development. On November 3, 1961, President John F. Kennedy established USAID. The years of the Kennedy and Johnson administrations, known as the "decade of development," witnessed tremendous growth in international development assistance. This was also called the period of "high development," when aid focused on centralized programming, predominantly in the form of general-purpose monetary transfers between governments.

Since 1961, USAID has been the principal U.S. agency providing assistance to countries recovering from disaster, trying to escape poverty, and engaging in democratic reforms. The 1970s were marked by a significant departure in the delivery of U.S. development assistance. A "basic human needs" approach replaced technical and capital assistance programs. The New Directions legislation of 1973 identified five categories of assistance

for meeting the basic needs of the poorest countries. Programs were designed along functional categories to support:

- Food and nutrition
- Population planning
- Health, education, and human resources development
- Selected development problems
- Selected countries and organizations

USAID's goal was to share American technical expertise and provide commodities to meet development problems, rather than rely on large-scale transfers of money and capital goods or the financing of infrastructure. USAID's operations today remain very similar to what was laid out in the 1973 legislation.

In the 1980s, foreign assistance turned to "stabilization and restructuring." USAID designed export-oriented production and trade projects to stabilize currencies and financial systems. It also promoted market-based principles to restructure developing countries' policies and institutions. During this decade, USAID reaffirmed its commitment to broad-based economic growth, emphasizing employment and income for the poor through a revitalization of agriculture and expansion of domestic markets. The Reagan administration restored foreign economic assistance as a function of national security policy and created four pillars of aid:

- Policy dialogue and reform
- Institutional development
- Technology transfer
- Private sector development

In this decade, development activities were increasingly channeled through PVOs, and aid shifted from individual projects to large programs comprising a number of projects.

In the 1990s, "sustainable development" was the priority, and USAID concentrated on programs that capitalized on the capacity of a country to improve its own quality of life. Four areas identified as fundamental to sustainable development were population and health, broad-based economic growth, environmental protection, and building democracy. During this decade, development assistance programs also were packaged according to a country's economic condition: Developing countries received an integrated package of assistance, while transitional countries received help in times of crisis. Countries with limited USAID presence received support through non-governmental organizations (NGOs).

The fall of the Berlin Wall brought new development challenges. In 1989, Congress passed the Support for East European Democracy (SEED) Act, and in 1991 the Freedom for Russia and the Emerging Eurasian Democracies and Open Markets (FREEDOM) Support Act. While the overall coordination for these two acts is with the Department of State, USAID plays a lead role in planning and implementing programs to establish functioning democracies that have open, market-oriented economic systems and responsive social safety nets.

In the new millennium, USAID and the Department of State, for the first time, issued a joint strategic plan for the years 2004-09. The plan focuses on advancing the U.S. National Security Strategy and intensifies U.S. attention on failing states. President George W. Bush announced the creation of the Millennium Challenge Account (MCA) in March 2002 to support a "new compact for global development." The president linked greater contributions by developed nations to greater responsibility by developing nations. In January 2004, he signed into law the Millennium Challenge Corporation to administer the MCA.

In his 2003 State of the Union Address, President Bush announced the Emergency Plan for AIDS Relief (PEPFAR), a five-year, $15 billion initiative to turn the tide in the global effort to combat the HIV/AIDS pandemic. The initiative will provide antiretroviral drugs for two million HIV-infected people, prevent seven million new infections, care for 10 million individuals and orphans infected and affected by the disease, and build health system capacity in Africa, the Caribbean, and Asia. PEPFAR builds on the Global Fund to Fight AIDS, Tuberculosis, and Malaria, established in 2002 by independent public-private partnerships to fight three of the world's most devastating diseases. The United States, through USAID and the U.S. Department of Health and Human Services, is the largest contributor to the Global Fund and has pledged $500 million to date.

Today, USAID furthers U.S. foreign policy objectives by supporting economic growth, agriculture, and trade; global health; and democracy, conflict prevention, and humanitarian assistance.

USAID'S BRAND HERITAGE

The USAID handclasp is one of the best-known U.S. emblems throughout the world.

Found in the most remote corners of the globe, the USAID hand-clasp is one of the best-known U.S. emblems throughout the world. It has become a symbol of the long history of the United States aiding those in need.

In 2004, USAID announced it was undertaking a global branding effort to ensure that the U.S. government and American taxpayer receive full credit and recognition for the billions spent each year on foreign assistance. The new logo makes it clear: Foreign assistance is "from the American people."

Labeling of foreign assistance was first required during the years of the Marshall Plan, when Congress became concerned that the Soviet Union was taking credit for the poorly marked U.S. foreign aid donations to European countries. First designed in 1948, the logo was adapted from the Great Seal of the United States, with the words "For European Recovery/ Supplied by the United States of America" in the center. It was translated into the languages of recipient countries.

But the slogan became obsolete when military aid was added to the economic program, and when some Near East and Asian countries were added to the roster of recipients under President Truman's Point IV Program. In 1951, the slogan became "Strength for the Free World from the United States of America."

In several countries, there were problems translating the slogan into local languages, so different designs and slogans were used. Moreover, the wide variety of containers used required a range of labels, decals, metal plates, tags, and stencils in all sizes. The value of the overall message was diminished due to a lack of uniformity.

In 1953, Eleanor Gault, an employee in the Marking and Labeling Office of the Mutual Security Agency—a USAID predecessor—revised the emblem. During her research, she discovered that clasped hands have been recognized as a sign of unity, goodwill, and cooperation for centuries. She concluded that clasped hands "could serve to identify the aid as part of the mutual effort with mutual benefits shared by our country and friends around the world."

In the early 1990s, a completely new logo was developed. It combined a modern image of the globe and U.S. flag, with "USAID" prominently displayed. This image, however, was viewed as too far a departure from previous logos and was soon discarded.

The Agency returned to the shield in the mid-1990s, but moved the stars to the lower third of the design and added "USAID" to the top.

In 2001, "United States Agency for International Development" was added in a circle around the shield. The goal was to ensure people understood the assistance was from the U.S. government.

DID YOU KNOW?

The USAID logo was adapted from the Great Seal of the United States.

USAID ACCOMPLISHMENTS

USAID directly administered about $8.8 billion in aid and co-managed another $4.5 billion with the Department of State.

Historically, about one-half of one percent of the federal budget has been allocated to economic and humanitarian aid. In 2004, USAID directly administered about $8.8 billion in aid and co-managed another $4.5 billion with the Department of State. Of this $13.3 billion, $2.3 billion targeted relief and reconstruction projects in Iraq.

Here are a few examples of what USAID is accomplishing:

- More than 3 million lives are saved every year through USAID immunization programs.
- Eighty thousand people and $1 billion in U.S. and Filipino assets were saved due to early warning equipment installed by USAID that warned that the Mount Pinatubo volcano was about to erupt in 1991. USAID has also supplied early warning systems to Bangladesh, Thailand, Chile, and Peru.
- In Egypt, infant mortality declined 26 percent between 1982 and 1987, while child mortality fell 43 percent. Mortality attributed to diarrhea fell 82 percent among infants and 62 percent among children. A diarrheal disease program, funded largely by USAID, established local production of oral rehydration salts and used mass media to educate the population about their use.
- The United Nations Drinking Water Supply and Sanitation Decade (1981-90), in which USAID played a major role, resulted in 1.3 billion people receiving safe drinking water sources and 750 million people receiving sanitation for the first time.

More than 3 million lives are saved every year through USAID immunization programs.

- Beginning in the mid-1950s, U.S.-sponsored agricultural research sparked the Green Revolution in South Asia. These breakthroughs in agricultural technology and practices resulted in the most dramatic increase in agricultural yields and production in human history, allowing nations like India and Bangladesh to become nearly self-sufficient in food.
- After initial USAID startup support for loans and operating costs, in 1992 Banco Solidario (BancoSol) became the first full-fledged commercial bank in Latin America dedicated to microbusiness. BancoSol serves about 44,000 small Bolivian businesses with loans averaging $200. The bank now is a self-sustaining commercial lender that needs no further USAID assistance.
- Since 1987, USAID has launched HIV/AIDS prevention programs in 32 countries, and is recognized in the developing world as the technical leader in the design and development of these programs. Over 850,000 people have been reached with USAID HIV prevention education, and 40,000 people have been trained to support HIV/AIDS programs in their own countries.
- USAID child survival programs have made a major contribution to a 10 percent reduction in infant mortality rates worldwide in just the past eight years.

Foreign buyers visit the Minh Phu Stone Company to scout for products in in Vietnam's north-central Ha Tay province.

POLICIES, STRATEGIES, AND ANALYSIS

USAID has an extensive set of policies on foreign assistance, key development sectors, subjects that cross sectors, and operational issues.

Youth learn how to install solar panels to power a computer center in the rural community of São João, Brazil.

Agency policies, strategies, and research and analysis papers are prepared by experts to guide programs, promote discussion, and give useful information to USAID's development partners, other U.S. government agencies, and the general public in the United States and abroad.

POLICIES AND POLICY GUIDANCE

A USAID policy is a binding document that describes the context of development or humanitarian challenges, states and justifies USAID's approach to them, and gives specific guidelines that must be followed in designing and implementing USAID programs addressing the challenges. A policy also communicates USAID's priorities and approaches to other U.S. government agencies, donors, implementing partners, and others.

USAID has an extensive set of policies on foreign assistance, key development sectors, subjects that cross sectors, and operational issues. Policies and policy guidelines can be found at www.usaid.gov/policy and at http://dec.usaid.gov.

Recent examples include the following:

- Political Party Assistance identifies goals, principles, and guidelines for providing assistance to political parties. In particular, USAID programs aim to support representative multiparty systems.

- Assistance to Internally Displaced Persons seeks to ensure that a broad, integrated approach is used to reduce the human costs of population displacement and that long-term development is not reversed.

- Conflict Mitigation and Management examines the growing problem of conflict, discusses USAID's role, and provides a policy framework and guiding principles for mitigating violent conflict.

- Mitigating the Development Impacts of HIV/AIDS calls for the strategic plans of missions in heavily affected countries to analyze the impacts of HIV/AIDS on the country's development, describe how the mission plans to address and mitigate these impacts, and choose appropriate indicators for assessing and reporting results.

- Guidance on the Definition and Use of the Child Survival and Health Programs Fund and the Global HIV/AIDS Initiative Account: FY 2004 Update gives USAID staff

and partners comprehensive guidance on using Agency funds designated for child survival and HIV/AIDS programs. It also explains special considerations and procedures for programming and reporting on these funds.

- Guidelines on Construction Accessibility Standards for the Disabled provides standards for any USAID-funded construction project to ensure that new or renovated structures allow access by people with disabilities. Circumstances permitting a waiver are also discussed.

A policy framework for U.S. bilateral foreign assistance based on the 2004 White Paper is forthcoming. (Bilateral assistance is aid given by a donor government directly to a recipient, as opposed to being channeled via an international organization active in development.)

CORE STRATEGIES

Core strategies discuss development challenges in greater detail and identify aims, approaches, and priorities that generally guide USAID's programs. Unlike policies, strategies are not binding. Strategies pertain to key development sectors, issues that cross sectors, or broad goals for foreign aid. Recent strategies address several urgent topics:

- USAID's agriculture strategy emphasizes expanding the capacity of farmers and rural industries for trade; improving social, economic, and environmental sustainability; enhancing science, technology, and

innovation resources; and strengthening training, outreach, and adaptive research.

- Building Trade Capacity in the Developing World stresses support for participation in trade negotiations, implementation of trade agreements, and building economic responsiveness to opportunities for trade.

- The trafficking in persons strategy focuses on prevention of trafficking, protection of victims, and reform and implementation of antitrafficking

Analytical discussion documents and background or issue papers synthesize the most relevant information and current thinking on important foreign aid issues.

laws. It also emphasizes a platform of development efforts (e.g., girls' education, administration of justice, and refugee assistance) that support and reinforce direct antitrafficking activities.

- The fragile states strategy identifies strategic priorities for addressing fragility: Increasing stability, improving security, encouraging reform, and developing institutional capacity.

- The anticorruption strategy focuses on confronting both high-level (grand) and mid- to low-level (administrative) corruption; deploying Agency resources strategically; incorporating

anticorruption goals and activities across Agency programs; and building USAID's anticorruption knowledge.

- The education strategy affirms USAID's commitment to promoting equitable access to quality basic education, with particular stress on girls' education. It also emphasizes focused efforts in workforce development and higher education.

In addition, *At Freedom's Frontiers: A Democracy and Governance Strategic Framework*, has just been issued.

RESEARCH AND ANALYSIS

Analytical discussion documents and background or issue papers synthesize the most relevant information and current thinking on important foreign aid issues. They promote exchange of ideas among experts and provide a basis for formulating policies and strategies.

Recent major analyses have focused on the relief and development challenges of the twenty-first century and on making foreign aid more responsive to those challenges:

- In Foreign Aid in the National Interest: Promoting Freedom, Security, and Opportunity (FANI), leading development scholars and academics outside USAID look back at five decades of experience in foreign aid and describe some of the major development challenges for the next 10-20 years.

- Building on FANI, U.S. Foreign Aid: Meeting the Challenges of the Twenty-First Century (White

Paper) suggests five core goals for bilateral foreign aid. It also proposes reforms and guiding principles for making aid more effective, goal by goal.

USAID has also completed three analyses of development issues in predominantly Islamic countries:

- Economic Growth in the Muslim World: How Can USAID Help?
- Governance in the Muslim World
- The Idea and Practice of Philanthropy in the Muslim World

Each study underscores the striking diversity of the Muslim world in terms of geography, ethnicity, level of development, regime type, and the practice of Islam. This heterogeneity implies that Islam does not inherently lead to either extremism or development weakness.

Other working papers and studies are often developed to provide useful guidance in strategic planning and project design and to summarize lessons learned from USAID activities.

Recent examples include:

- Strengthening Education in the Muslim World
- USAID's Assistance to the Media Sector in Afghanistan
- USAID's Media Assistance: Strengthening Independent Radio in Indonesia
- Engaging Muslim Civil Society for Promoting Democracy and Pluralism: An Assessment of the Islam and Civil Society Program in Indonesia

Work in progress includes a policy framework for bilateral foreign aid, based on the White Paper; a strategy for economic growth; and a review of USAID's development performance and prospects.

Each study underscores the striking diversity of the Muslim world in terms of geography, ethnicity, level of development, regime type, and the practice of Islam.

DID YOU KNOW?

USAID policies and guidelines can be found at www.usaid.gov/policy and at http://dec.usaid.gov.

SMALL BUSINESS PROGRAMS

A small business is an entity that is independently owned and operated, not dominant in the field of operation in which it is bidding on government contracts, organized for profit and qualified under specific criteria and size standards.

A woman sells fish at her stand in the local market in Sudan.

A small business is an entity that is independently owned and operated, not dominant in the field of operation in which it is bidding on government contracts, organized for profit and qualified under the criteria and size standards, including its affiliates, as set forth in the 13 Code of Federal Regulations (CFR) and Federal Acquisition Regulation (FAR) Part 19.

8 (A) PROGRAM

Section 8(a) of the Small Business Act permits a small business which is unconditionally owned and controlled by one or more socially and economically disadvantaged individuals who are of good character, citizens of the United States, and which demonstrates potential for success to obtain government contracts without competition or through competition limited only to 8(a) firms. Some important points to note are:

1. The small business must register with and be certified by the Small Business Administration (SBA) to be considered an 8(a) firm.
2. 8(a) firms market their capabilities directly to USAID's OSDBU and Program Offices or are identified by USAID's OSDBU or Office of Acquisition and Assistance (OAA) for new requirements. The USAID's OAA will formally indicate intentions to award an 8(a) contract by submitting a written offering letter to SBA.
3. Contracts under $3 million are set-aside for a single 8(a) firm. However, USAID may request SBA approval to compete the contract among a limited number of 8(a) firms selected by USAID.
4. Contracts over $3 million must be awarded on the basis of competition between eligible 8(a) firms.
5. An 8(a) contract is one between USAID and SBA, wherein the 8(a) firm is a subcontractor to SBA.
6. Currently, the SBA and the USAID have Partnership Agreement (PA) which establishes basic procedures for expediting the award of requirements pursuant to section 8(a) of the Small Business Act.
7. The PA reduces the interval between the time USAID sends an offering letter to the SBA and SBA's acceptance of the offering to maximum of five working days.
8. The PA eliminates SBA review of contracts and purchase orders executed under the authority of the PA.
9. 8(a) firms also qualify as disadvantaged enterprises, but the reverse is not necessarily true.

SMALL BUSINESS SET-ASIDE CONTRACTS

In addition to the 8 (a) program described above, the U.S. Government has a program for small business set-asides.

- Unlike the 8 (a) program, a small business set-aside is an openly competitive process among all qualified small business firms.
- Unlike the 8 (a) program, contracts awarded under small business set-asides are direct contracts with firms and not contracts with SBA.
- USAID/Washington contracts that are equal to or less than the simplified acquisition threshold of $100,000, are automatically set-aside for small business, unless the Contracting Officer determines there is not a reasonable chance of obtaining competitive offers from two or more responsible small business concerns [See FAR 19.502-2(a)].

SMALL DISADVANTAGED BUSINESS PROGRAM

A small and disadvantaged business (SDB) is a small business entity owned and controlled by a socially and economically disadvantaged individual and is at least 51 percent owned by one or more socially and economically disadvantaged individuals. In the case of any publicly owned business, at least 51 percent of the stock must be owned by one or more socially and economically disadvantaged individuals; and its management and daily business operations must be controlled by one or more socially and economically disadvantaged individuals. SDBs must be certified by the Small Business Administration to claim SDB status.

From CFR 123.103: Socially disadvantaged individuals are those who have been subjected to racial and ethnic prejudice or cultural bias within American society because of their identities as members of groups and without regard to their individual qualities. The social disadvantage must stem from circumstances beyond their control.

From CFR 124.104: Economically disadvantaged individuals are socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same or similar line of business who are not socially disadvantaged.

Firms participating as SBA subcontractors in Federal minority procurement programs are required to be SBA-certified and on the SBA-approved list in order for their prime contractors to receive SDB subcontracting credit for these contracts. Certified SDBs are also eligible for the following Program benefits in approved industries.

Qualified prime contractors can receive a credit when using SDBs as subcontractors. The incentive applies only to competitive negotiated acquisitions over $500,000, or $1 million in construction. The evaluation factor does not apply to small business set-asides, 8(a) acquisitions, or contracts performed entirely outside the United States. The evaluation factor for SDB participation allows credit for subcontractors only in the NAICS codes authorized by the U.S. Department of Commerce benchmarks and requires that all SDBs be certified

by the SBA. Once certified, firms remain on the SBA's list of SDB-certified firms for a period of three years.

Contracting officers may include a monetary incentive in their contracts so that a contractor exceeding the total monetary target for SDB subcontracting will be eligible for a bonus of between 1% and 10% of the SDB subcontract dollars above the target. These benefits are available only to businesses that are certified as SDBs by SBA.

The Federal Acquisition Regulation also has a requirement to evaluate the past performance of offerors in complying with targets for SDB participation and subcontracting plan goals for SDBs whenever past performance is to be evaluated. USAID reinforces this requirement in AAPD-02-06 and can be found at: www.usaid.gov/procurement_bus_opp /procurement/cib/pdf/aapd02_06.pdf. For more information on the SDB program, contact SBA's SDB Office at (202) 401-1850 or visit SBA's website at: www.sba.gov.

MINORITY SERVING INSTITUTIONS (MSI) PROGRAM

Minority Serving Institutions (MSIs) are institutions of higher education in the United States that either historically or currently have ethnic minority student enrollments of more than 25 percent. Individual Executive Orders have been issued requiring federal agencies to increase access and opportunities for Historically Black Colleges and Universities (HBCUs), Hispanic Serving Institutions (HSIs), and Tribal Colleges and Universities (TCUs).

The Office of Small and Disadvantaged Business Utilization (OSDBU) coordinates the MSI and Small Business Programs. OSDBU staff is the initial point of contact for MSIs. USAID established a MSI Committee to develop strategies for creating new partnerships and ensure compliance with the Executive Orders. The Committee, which consists of representatives from each bureau and independent office within USAID, is responsible for recommending policies, initiatives, and activities to increase MSI participation in USAID programs and activities. Committee members also assist in data collection for annual reports to the White House on USAID's plans and performance in utilizing MSIs. USAID, in its desire to carry out the spirit and intent of the Executive Orders, obtained approval from the Department of Justice to award grants and cooperative agreements to MSIs through competition among these institutions. MSIs also can receive awards via open competition as well as through unsolicited proposals.

WOMEN-OWNED SMALL BUSINESSES

The Federal Acquisition Streamlining Act (FASA) of 1994 established an U.S. Government-wide goal of 5% of all Federal procurement for women-owned small businesses. USAID and other federal agencies contribute to this annual U.S. Government-wide 5% goal through both prime contract awards and subcontracting to women-owned small businesses.

For additional information concerning the Women-Owned Small Business Program, contact the Office of Women's business Ownership at (202) 205-6673 or the U.S. Small Business Administration at 1-800-8-ASK-SBA or visit the website at the following internet address: http://www.sba.gov/womeninbusiness.

VETERAN-OWNED AND SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESSES

Veteran business owners were specifically recognized in the Veterans Entrepreneurship and Small Business Development Act of 1999, P.L. 106-50

> *For information concerning the Women-Owned Small Business Program, contact the Office of Women's business Ownership at (202) 205-6673 or the U.S. Small Business Administration at 1-800-8-ASK SBA.*

(August 17, 1999). This law called for developing information about businesses owned by either veterans or service disabled veterans, and their contribution to the country's economy. It also mandated a three percent goal for using service disabled veteran owned small businesses in government contracting. In later legislation, the Veterans Benefit Act of December 16, 2003 (P.L. 108-183) provided for set-aside and sole source authority in some instances for service disabled veteran owned small businesses. These provisions have been incorporated into the Federal Acquisition Regulations. More recently, the President issued an Executive Order (No. 13360) with specific actions for agencies to take to assist in meeting the three percent goal for contracting with service disabled veteran owned small businesses. For more information on the service-disabled veteran or veteran-owned small business programs, contact the SBA's Office of Government Contracting at (202) 205-6460, visit SBA's web site at http://www.sba.gov/gc, the Department of Veteran Affairs web site at http://www.va.gov, or the Center for Veterans Enterprise website at http://www.vetbiz.gov.

HUBZONE SMALL BUSINESSES

The SBA's new Historically Underutilized Business Zone (HUBZone) small business contracting program is intended to encourage the award of contracts to small businesses located in designated economically distressed urban and rural areas. In order to qualify as a HUBZone business, the business must be small; owned by a US citizen; the principal office must be located in a HUBZone; and at least 35 percent of its workforce must reside within a HUBZone. HUBZone businesses can receive sole-source or set-aside federal contracts or receive a price reference up to 10% when competing for full and open competition procurements, for additional information on the HUBZone Program, or to find out if your business is located in a HUBZone, visit the SBA web site at the following internet address: http://www.sba.gov/hubzone.

PRIVATE VOLUNTARY ORGANIZATIONS CONTROLLED BY SOCIALLY AND ECONOMICALLY DISADVANTAGED INDIVIDUALS

A minority-controlled private and voluntary organization (PVO) is one in which more than 50% of its Board of Directors is comprised either of Black Americans, Hispanic Americans, Native Americans, or of "socially and economically disadvantaged" individuals as defined on page 37 of this document. USAID continues to encourage the utilization of minority-controlled PVOs in USAID-financed development assistance activities in keeping with Congressional intent to involve these enterprises more in USAID programs. USAID's Office of Private and Voluntary Cooperation in the Bureau for Humanitarian Response registers U.S. PVOs that wish to partner with USAID in promoting development assistance throughout the world. PVOs registered with USAID are eligible to compete for grants through its programs for matching grants, child survival grants, cooperative development and farmer-to-farmer program grants, development education, and the ocean freight reimbursement program.

PROCUREMENT PREFERENCE PROGRAM

The Federal Government encourages full participation in its contracting activities through small business programs for groups that otherwise might not be able to compete on equal terms with large businesses. Section 221 of Public Law 95-507 and Public Law 100-656, Section 502 and 503 require that the head of each federal Agency, after consultation with the Small Business Administration, establish realistic goals for the award of contracts to small business concerns and to small businesses owned and controlled by socially and economically disadvantaged individuals The following is a summary of FY 2005 USAID goals. Prime contract goals are expressed as a percentage of USAID's total prime contract dollars. Subcontract goals are expressed as a percentage of total dollars subcontracted by prime contractors.

The Federal Government encourages full participation in its contracting activities through small business programs for groups that otherwise might not be able to compete on equal terms with large businesses.

SUBCONTRACTING

Publishing both intended procurements and awards of procurements is required by the FAR, and it allows U.S. small businesses to identify business opportunities and potential joint ventures and subcontracting partners.

First layer of asphalt laid by asphalt laying machine, fed by dumpster, Kabul-Kandahar Road. Afghanistan, July 1, 2003.

USAID publishes both intended procurements and awards of procurements on the FedBizOpps website (http://www.fedbizops.gov). Publishing this information is required by the FAR, and it allows U.S. small businesses to identify business opportunities and potential joint ventures and subcontracting partners.

The FAR requires that prime contracts exceeding $500,000 (or $1 million for construction) have a Small Business Subcontracting plan, if the Contracting Officer has determined the procurement has components that can be subcontracted, and if the awardee is other than a small business. For contracts performed entirely overseas, there is an exemption to the sub-contracting requirement (see FAR 19.702 (b)(3)), but many overseas contracts nevertheless have sub-contract plans.

FAR 19.704 and FAR 52.219-9 requires the Small Business Subcontracting Plans to express subcontracting goals in terms of both percentages and dollars for small businesses, for small disadvantaged businesses, for women-owned small businesses, for veteran-owned small businesses, and for HUBZone small businesses. The Plan is also required to identify the contractor's employee who will administer the Subcontracting Plan with detail of his/her duties; the procedures the contractor will employ to afford a fair and equitable opportunity for subcontracting with small businesses, small disadvantaged businesses, women-owned small businesses, veteran-owned small businesses, and HUBZone small businesses; the assurance that records will be maintained for review by the contracting Agency and the SBA; and the assurance that FAR-required subcontracting reports will be submitted to the contracting Agency.

The subcontracting reports are used by both the contracting Agency and the Federal Procurement Data Center to measure the contractor's achievement of the subcontracting goals expressed in the Small Business Subcontracting Plan.

A prime contractor's performance in implementing a Small Business Subcontracting Plan and in achieving goals expressed in the Plan are part of "past performance" evaluations that are considered for future awards.

HOST COUNTRY CONTRACTS

USAID finances contracts between less developed countries and contractors.

USAID finances contracts between less developed countries and contractors. These "Host Country Contracts" (HCCs) are *not* subject to the Federal Acquisition Regulations (FAR) or to USAID's Acquisition Regulations (AIDAR) but are subject to the requirements of USAID Country Contracting Guidebook and ADS 305.

Before Host Country Contract procedures can be used to undertake a procurement exceeding $250,000 in value, the Mission Director must make a determination in writing that the host country contracting agency has or will obtain the capability to undertake the procurement. Host Country Contracts must contain a limited number of clauses required by U.S. Government statute or regulation.

Host Country Contracts include payment provisions, but because USAID is not a party, the contract alone cannot commit USAID to pay the contractor. The payment obligation is established by USAID when the Mission Controller issues a **Letter of Commitment**.

Host country contractors are unable to file protest of awards under provisions of the FAR or other regulations. The competition procedure normally provides for competition on technical merits *only*. The "short listing" of the top ranked firms is based on the results of a technical evaluation. Negotiation of cost is then conducted with the top ranked firm only. If agreement cannot be reached, negotiations with that firm are discontinued and negotiations begin with the next highest ranked firm.

DID YOU KNOW?

Host country contractors are unable to file protest of awards under provisions of the FAR or other regulations.

UNSOLICITED PROPOSALS

USAID encourages the submission of unsolicited proposals which contribute new ideas consistent with and contributing to the accomplishment of the Agency's objectives.

USAID encourages the submission of unsolicited proposals which contribute new ideas consistent with and contributing to the accomplishment of the Agency's objectives. However, the requirements for contractor resources are normally quite program specific and must be responsive to host country needs. Further, USAID's specific objectives are usually designed in collaboration with the cooperating country. These factors can limit both the need for and USAID's ability to use unsolicited proposals. Therefore, prospective offerors are encouraged to contact USAID to determine the Agency's technical and geographical requirements as related to the offeror's interests before preparing and submitting a formal unsolicited proposal.

USAID's basic policies and procedures regarding unsolicited proposals for contracts are those established in FAR 15.5 and AIDAR 715.5. USAID's policies regarding unsolicited proposals for grants and cooperative agreements are set forth in ADS 303.5. Contract Information Bulletin (CIB) 99-18 dated 9/28/99 sets forth USAID's guidelines on submission of unsolicited proposals and procedures for responding to them that may result in the award of a contract, grant, or cooperative agreement.

FOREIGN ASSISTANCE LEGISLATION AND USAID

Annual appropriations acts authorize legislation and provide funding for FAA and other aid programs.

A Palestinian woman casts her vote at a Gaza polling station on January 9, 2005.

The Foreign Assistance Act of 1961, as amended, is the major law authorizing foreign economic assistance programs. The FAA provides the policy framework within which all economic aid is furnished, along with the legal powers (authorities) to implement FAA assistance programs. Other legislation—such as the FREEDOM Support Act for the states of the former Soviet Union, Public Law (PL) 480 Title II for food aid, and the 2003 U.S. Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act—authorize additional foreign aid programs. Some of these acts amend the FAA or rely on its authorities. Others are stand-alone legislation authorizing additional foreign assistance programs.

In addition to this authorizing legislation, annual appropriations acts provide funding for FAA and other aid programs.

Both authorizing and appropriations legislation provide various authorities that permit considerable flexibility in managing assistance programs. However, they also place limits on how and where particular programs may be administered. In addition to the enacted law itself, reports accompanying the various pieces of legislation provide guidance to the executive branch on the congressional intent behind provisions in the law or how Congress wishes it to be implemented.

AUTHORITIES

The FAA gives USAID the basic authority to provide development assistance. Until 1992, Congress appropriated funds separately for each sector (e.g., agriculture or education). To increase flexibility, in 1992, sector-specific appropriations were combined into fewer accounts. By 2004, there were two: Development Assistance (DA), and Child Survival and Health Programs (CSH). A separate Global HIV/AIDS Initiative account is managed directly by the HIV/AIDS Coordinator in the Department of State. The FAA also contains authorizations for other programs, such as small-enterprise credit and international disaster assistance.

PROVISIONS LIMITING PROGRAM ADMINISTRATION

Most limitations affecting foreign assistance programs are set out in appropriations legislation and in reports issued by Congress's appropriations committees:

- Before USAID can fund specified activities or activities for specific countries, it must notify Congress in advance via USAID's Annual

Report. Separate notification is required for certain programs and for any funding increase of 10 percent or more over the level previously notified. Congressional notifications are sent to the two authorizing and appropriations committees 15 days before program funds are obligated. (An obligation is a binding agreement that budgeted funds may be spent.) During this waiting period, congressional committees may place "holds" on the proposed obligation of funds, thus triggering consultation between USAID and Congress.

- There are prohibitions on assistance to certain countries, such as those that support international terrorism or engage in gross violations of internationally recognized human rights; those that are in arrears on their loan repayments to the United States; or those whose elected head of government has been overthrown by a military coup.

- There are provisions that limit or prohibit USAID assistance for certain activities or programs, such as those that pay for abortion as a family planning method.

- Earmarks force USAID to spend minimum amounts from certain accounts—for specific purposes, or in specific countries—reducing the amount that can be spent on other programs or in other countries. For USAID, the more significant earmarking is in committee reports. In 2001 there were approximately 250 statutory and report-language earmarks and directives affecting development assistance.

- USAID's operating expenses (administrative costs) are segregated from funds for program activities in each year's appropriations act (i.e., they are listed as separate line items). As the number of programs has grown, Congress has authorized USAID to use some program funds for operating expenses rather than appropriating extra money for these costs.

> *USAID's operating expenses (administrative costs) are segregated from funds for program activities in each year's appropriations act.*

PROVISIONS ALLOWING FLEXIBILITY IN ADMINISTRATION
Congress has enacted several types of provisions that allow flexibility in administration of foreign aid programs:

- Notwithstanding authorities allow several programs to be implemented "notwithstanding any provision of law" (i.e., without regard to certain legal restrictions). Such an authority may exempt USAID from some restrictions on the types of programs it may fund or, under certain circumstances, may allow USAID to assist a country that is normally ineligible for aid. Programs with total or partial notwithstanding authority include disaster assistance, democratization, Child Survival and Health, transition assistance, emergency food aid, and all aid to Afghanistan and the former Soviet Union.

- Transfer authorities allow the shifting of funds, within certain percentage limitations, between functional development assistance accounts (e.g., from DA to CSH) and, as noted above, from development assistance to USAID's operating expenses. The FAA contains other transfer authorities affecting non-development assistance accounts.

- Extraordinary waiver authorities allow the president to use up to $250 million in economic assistance funds (not more than $50 million in any one country) without regard to certain legal restrictions—if he determines that it is important to the security interests of the United States. A similar authority allows the president to use $25 million in any fiscal year to meet unanticipated contingencies.

PROGRAM BUDGET PROCESS AND BUDGET ACCOUNTS

USAID manages a range of budget accounts that are organized largely along functional and regional lines.

Men learn to breed fish in Thailand.

USAID's annual budgets evolve in a precise cyclical sequence, spanning many years before budget levels are finalized for an actual fiscal year's operations. USAID and the State Department hold close consultations throughout the process. Note that each fiscal year (FY) begins on October 1 of the preceding calendar year; for example, FY 2007 runs from October 1, 2006, to September 30, 2007.

KEY STEPS IN THE BUDGET CYCLE

- **Annual Report**: Each winter, each USAID field mission submits a document that reports on results achieved for the fiscal year just ended. At the same time, the mission requests a certain level of funding for the fiscal year beginning 20 months hence. (For example, the Annual Report prepared December 2004 includes a funding request for FY 2007, along with a planning level, or estimated funding request, for FY 2008.) The Annual Report includes an Operational Plan, which specifies the tactical procedures for implementing the mission's strategy, provides a rationale for allocating resources, describes a three-year timeframe for the strategy, defines or revises strategic objectives and program components, and discusses special management concerns.

- **Bureau Program and Budget Submission (BPBS)**: USAID's Washington-based bureaus prepare BPBSs on the basis of the missions' funding requests, their performance results, prevailing political factors, unspent funding, and other variables.

- **Internal budget review**: During the summer, USAID meets with bureaus and missions on their funding needs and prepares a consolidated request known as the Agency Budget Submission (ABS), which ensures that policy, program, management, budget, and strategic priorities have been addressed.

- **ABS submission to State Department and Office of Management and Budget (OMB)**: Another series of consultations takes place, this time between USAID and the State Department, to review the ABS. By early September, a consolidated State-USAID foreign affairs request is transmitted to OMB.

- **OMB passback**: By late November, OMB returns the ABS, now with OMB-approved budget levels, to USAID. After a round of meetings with OMB, a final budget level is decided and included in the President's Budget, which is transmitted to Congress in early February.

- **Congressional Budget Justification (CBJ)**: Using the President's Budget, USAID prepares the CBJ, which includes detailed descriptions of the programs the Agency plans to fund during the next fiscal year.

- **Operating Year Budget (OYB)**: After the appropriations bill has been passed and becomes law, USAID decides how to use the appropriated funds to conduct congressionally mandated activities and fund presidential initiatives (e.g., the Initiative to End Hunger in Africa) and other ongoing programs.

- **653(a) Report**: USAID must submit a statement known as a 653(a) Report to Congress that shows how USAID plans to allocate its budget to each USAID mission.

OVERVIEW OF BUDGET ACCOUNTS

USAID manages a range of budget accounts that are organized largely along functional and regional lines. Besides those it manages directly, the Agency co-manages several accounts with the State Department. It also administers a growing amount of funding transferred from other agencies' accounts, such as the Millennium Challenge Account and the Global HIV/AIDS Initiative. All of these accounts, except PL 480 Title II, are appropriated in Congress's yearly Foreign Operations bill. The following accounts are directly managed by USAID:

- **Child Survival and Health programs (CSH)**: CSH programs expand basic health services and strengthen national health systems to significantly improve people's health, especially that of women, children, and other vulnerable populations. FY 2004 appropriation: $1.8 billion.

- **Development Assistance (DA)**: DA provides sustained support to help countries acquire the knowledge and resources that enable development and nurture indispensable economic, political, and social institutions. FY 2004 appropriation: $1.4 billion.

- **Transition Initiatives (TI)**: TI programs help countries in crisis transition to democracy and encourage long-term development by promoting democratic institutions and processes, revitalizing basic infrastructure, and fostering peaceful conflict resolution. FY 2004 appropriation: $55 million.

- **International Disaster and Famine Assistance (IDFA)**: IDFA funds humanitarian relief, rehabilitation, and reconstruction assistance in response to natural and manmade disasters. IDFA also supports famine prevention and relief activities. FY 2004 appropriation: $544 million.

> *CSH programs expand basic health services and strengthen national health systems.*

- **PL 480 Title II (food aid)**: PL 480 Title II funds are appropriated to the Department of Agriculture and administered by USAID. The program uses abundant U.S. farm resources and food processing capabilities to enhance food security in the developing world by providing nutritious agricultural commodities. FY 2004 appropriation: $1.2 billion.

These accounts are jointly managed by USAID and the State Department:

- **Economic Support Fund (ESF)**: ESF promotes U.S. economic and political foreign policy interests by financing economic stabilization programs, supporting peace negotiations, and assisting allies and countries that are in transition to democracy. USAID implements most ESF-funded programs, with overall foreign policy guidance from the State Department. FY 2004 appropriation: $3.3 billion.

- **Andean Counterdrug Initiative (ACI)**: ACI supports a comprehensive strategy to reduce the flow of drugs to the United States and prevent instability in the Andean region. The account is appropriated to the State Department, which transfers part of the funding to USAID to manage development programs in Bolivia, Colombia, Ecuador, and Peru that offer alternatives to the drug trade. FY 2004 appropriation: $229 million (USAID portion).

- **FREEDOM Support Act (FSA)**: FSA facilitates the democratic and economic transition of the independent states of the former Soviet Union and supports emerging democratic organizations and market-based institutions in the region. FY 2004 appropriation: $585 million.

- **Assistance for Eastern Europe and the Baltic States (AEEB)**: AEEB promotes local and regional stability and supports the region's transition into the European and transatlantic mainstream. AEEB also supports post-conflict, health, and environment programs, as well as activities to reduce the threat of organized crime and HIV/AIDS. This account is also known as Support for East European Democracy (SEED). FY 2004 appropriation: $442 million.

STANDARDIZED PROGRAM COMPONENTS AND COMMON INDICATORS

USAID has formulated 39 standardized program components to link impacts to the strategic and performance goals of the joint U.S. Department of State and USAID Strategic Plan.

A Haitian woman has progressed from selling rice by the roadside to running her own restaurant.

USAID sets targets and measures results at various levels—the overall Agency, bureau, and field mission—and in various country environments that range from fragile states to those with more advanced economies. The joint U.S. Department of State and USAID Strategic Plan, Fiscal Years 2004–2009 outlines the strategic planning framework for both agencies and describes key activities USAID will undertake to further the joint mission of creating "a more secure, democratic, and prosperous world."

USAID's ability to objectively report its contributions to achieving U.S. foreign policy goals is critical. To link USAID program impacts to the strategic and performance goals of the joint Strategic Plan, the Agency has formulated 39 standardized program components, which are roughly grouped into nine sectors:

- Economic prosperity and security
- Environment
- Education
- Family and workforce health
- Democracy, governance, and human rights
- International trafficking in drugs and persons
- Conflict management
- Humanitarian response
- Operations and management

The use of standardized program components as the building blocks of Agency programs allows greater uniformity and coherence in program reporting—while still allowing enough flexibility for USAID to address diverse country situations. Standardization also enables the Agency to report on its contributions to U.S. foreign policy goals in a more consistent, logical, and straightforward way.

Strategic planning requires each field mission to develop a three-year strategy describing issues or problems in the sectors where it will work and the goals it wants to accomplish. Goals are established for each of the chosen sectoral areas. An annual operational plan then specifies the particular program components that will be involved in meeting each goal. This process varies from one field mission to another, but in most cases a field mission relies on more than one program component to accomplish a particular goal.

Progress toward achievement of each program component is measured using a small number of common indicators. A common indicator measures changes related to a program component regardless of context or setting. For example, to measure their anticipat-

ed results under the program component "Achieve Equitable Access to Quality Basic Education," all operating units select from the same set of indicators, such as rates of school enrollment and completion, learning achievement, teacher training, or education policy reform. The indicators are part of the Annual Report database, a reporting mechanism used to gauge the progress of an operating unit toward its goals and to plan the level of funding needed to support its projects. The standard components and common indicators are reviewed yearly and revised as necessary to ensure that performance is accurately assessed.

Program components are organized into three categories:

- Core components are groups of USAID activities aimed directly at achieving development goals.
- Management components are activities that enable USAID to operate effectively.
- Program delivery components support the achievement of core and management components.

STANDARDIZED COMPONENTS WITH DEFINITIONS

ECONOMIC PROSPERITY AND SECURITY

- **Increase Trade and Investment.** Trade and investment spur economic growth, development, and poverty reduction.

- **Improve Economic Policy and the Business Environment.** Private sector–led growth and productivity require free market policies and regulations.

- **Improve Private Sector Competitiveness.** Productive agricultural activities and enterprise creation drive the economic engine of a country.

- **Strengthen the Financial Services Sector and Increase Access to Capital.** Expanding access to credit and investment instruments improves the allocation of savings to their most productive use.

- **Expand and Improve Access to Economic and Social Infrastructure.** Equitable and open access in sectors such as energy, information technology, transportation, and health increases economic and social wellbeing.

- **Increase Agricultural Sector Productivity.** Productivity is boosted through research, technology transfer, training, and sound management of natural resources.

- **Protect and Increase the Assets and Livelihoods of the Poor.** Helping the poor diversify their income and assets can enable them to take advantage of opportunities, minimize their vulnerability, and protect their livelihoods.

ENVIRONMENT

- **Improve Sustainable Management of Natural Resources and Biodiversity Conservation.** Adopt policies and practices that improve management of land, water, and soil resources; conserve biological diversity.

- **Reduce, Prevent, and Mitigate Pollution.** Adopt policies and practices that emphasize clean industrial, energy, and urban development; mitigate greenhouse gas emissions.

- **Improve Access to Clean Water and Sanitation.** Increase access to clean water and sanitation to improve human health.

EDUCATION

- Achieve Equitable Access to Quality Basic Education. Help countries build educational systems that offer basic learning opportunities for all.

- **Increase the Capacity of Higher Education to Contribute to Development.** Help universities and colleges contribute more to development through more relevant education, training, and analysis.

- **Improve Quality of Workforce through Vocational and Technical Education.** Help youths and adults gain job skills needed to be employable and productive in a growing and changing economy.

FAMILY AND WORKFORCE HEALTH

- **Reduce Transmission and Impact of HIV/AIDS.** Mitigate social and economic impacts of the pandemic by providing treatment, preventing new infections, and caring for people living with and affected by HIV/AIDS.

- **Prevent and Control Infectious Diseases of Major Importance.** Improve response capability,

prevention, and treatment for tuberculosis, malaria, and other emerging infectious diseases to control contagions and promote physical wellbeing.

- **Address Other Health Vulnerabilities.** Produce a healthier workforce by reducing the incidence of chronic diseases such as heart attacks, cancer, diabetes, and mental illness through prevention activities and health systems reform; meet the health needs of vulnerable children and orphans.

- **Improve Child Survival, Health, and Nutrition.** Promote breastfeeding, immunization, and other health interventions to reduce illness, mortality, and malnutrition for children under age five.

- **Improve Maternal Health and Nutrition.** Improve policy, community participation, and maternity services to improve maternal health and survival.

- **Support Family Planning.** Promote effective voluntary family planning programs.

DEMOCRACY, GOVERNANCE, AND HUMAN RIGHTS

- **Strengthen the Justice Sector.** Promote the rule of law by improving the independence and effectiveness of justice sector institutions and increasing citizens' access to justice.

- **Strengthen the Legislative Function/ Legal Framework.** Promote democratic practices by improving the framework of laws

to increase the effectiveness and accountability of legislatures to the people.

- **Strengthen Public Sector Executive Function.** Promote democratic practices by improving the effectiveness and accountability of executive offices to the people.

- **Support Democratic Local Government and Decentralization.** Promote the devolution of political authority and effective, democratic local governance by strengthening local government functions and citizen participation.

> *USAID improves due process, nondiscrimination, and representation of all groups of society to guarantee citizens' rights.*

- **Promote and Support Credible Elections Processes.** Establish an impartial framework of electoral laws and regulations to support the credible administration of elections and foster voter participation to help support electoral outcomes that reflect the will of the people.

- **Strengthen Democratic Political Parties.** Promote democracy by supporting the development of competitive, representative, and transparent political parties.

- **Strengthen Civil Society.** Nurture a democratic citizenry by

promoting pluralism and public dialogue and investing in civic education.

- **Establish and Ensure Media Freedom and Freedom of Information.** Independent media disseminating uncensored information promote the development of a well-informed populace.

- **Promote and Support Anticorruption Reforms.** Fight corruption by making government institutions and processes more transparent and accountable.

- **Protect Human Rights.** Improve due process, nondiscrimination, and representation of all groups of society to guarantee citizens' rights.

- **Promote Effective and Democratic Governance of the Security Sector.** Increase civilian oversight to enhance transparency and accountability and improve public order and security.

INTERNATIONAL TRAFfiCKING IN DRUGS AND PERSONS

- **Develop and Expand Alternative Development.** Deter the illegal narcotics trade through integrated development interventions that bring more families into a growing licit economy.

- **Reduce Trafficking in Persons.** Reduce trafficking in persons by increasing knowledge of the dangers of trafficking, building local capacity, promoting legal reform, strengthening effective prosecution, and protecting vulnerable persons and victims.

CONflICT MITIGATION

- **Mitigate Conflict and Support Peace.** Support early warning and response programs that identify potential areas of conflict and establish activities that contribute to a durable and locally owned peace process.

- **Support Populations at Risk.** Facilitate the safe return, care, and reintegration of refugees, internally displaced persons, and ex-combatants; improve the capacity of communities to respond to the needs of the returnees.

HUMANITARIAN RESPONSE

- **Improve Emergency Preparedness and Disaster Mitigation.** Improve the capability of governments and humanitarian providers to engage in disaster reduction and response activities.

- **Provide Emergency Assistance.** Respond to emergencies by offering personnel, commodities, or funding to save lives and alleviate crises.

- **Protect and Increase Food Security of Vulnerable Populations.** Improve availability, access, and utilization of food to reduce risk of future food insecurity in complex humanitarian and transition situations.

OPERATIONS AND MANAGEMENT

- **Management of Government Resources.** Provide the appropriate administrative, financial, human resource, supply chain, and information and technology management needed to improve:
  - Management and maintenance of Agency assets and infrastructure
  - Use of financial information to measure project and process performance
  - Recruitment and management of staff qualified to meet program and support requirements
  - Procurement, management, and delivery of goods and services
  - Delivery and security of information and technology resources and systems

- **Program Support.** Provide the appropriate programmatic, policy, and administrative environment to improve:

> *USAID serves to improve availability, access, and utilization of food to reduce risk of future food insecurity in complex humanitarian and transition situations.*

  - Compliance with laws and regulations and avoidance of waste, fraud, and abuse
  - Risk management and mitigation
  - Allocation of limited resources
  - Timely collection of U.S. government income
  - Development of regulations, policies, and guidance to implement applicable laws
  - Exchange of information between the U.S. government, citizens, and stakeholders and maintenance of effective public relations with the legislative branch of the U.S. government media.

DID YOU KNOW?

More information about the DOS and USAID joint Strategic Plan can be found at http://www.state.gov/s/d/rm/rls/dosstrat/2004/.

PROGRAMMING MECHANISMS

USAID's Automated Directives System (ADS) offers USAID staff an easy-to-navigate reference pulling together all the relevant federal statutes and regulations.

A man received power tools to restart his carpentry business in northeastern Pakistan.

The regulatory and statutory framework within which the Agency operates helps to guide and standardize its stewardship of public funds. Much of this framework is required by federal law, OMB regulations, or the Federal Acquisition Regulation (FAR), which codifies uniform policies for federal agencies' acquisition of supplies and services.

USAID's Automated Directives System (ADS) offers USAID staff an easy-to-navigate reference pulling together all the relevant federal statutes and regulations. USAID employees use the ADS to draft, clear, and issue binding policy directives and procedures as well as helpful optional material. Using the ADS helps USAID ensure compliance with the letter of the law in its day-to-day work.

Accountability for results is one important area regulated by federal law. The term "managing for results," used by USAID since 1996, is one of three guiding principles announced in the President's Management Agenda in 2001. The Government Performance and Results Act of 1993 (known as GPRA or "the Results Act") establishes performance planning and monitoring as the "way government business should get done."

Accordingly, USAID defines and organizes its work around the outcomes it seeks to achieve. This means making intended results explicit; ensuring agreement among partners, customers, and stakeholders that proposed results are worthwhile; and organizing USAID's daily work and interactions to achieve results as effectively as possible, both in Washington and in the field.

This approach requires that results be measured accurately. Doing so, however, entails accountability and transparency of both the host-country government and project implementers. Hence USAID employees, particularly field staff, work continuously with their host-country counterparts to promote needed policy or legal reforms, collaborate with other donor organizations to carry out surveys and assessments, and actively monitor the work of project implementers to ensure that progress is being made and planned outcomes achieved.

Besides developing results-oriented programs, USAID must, by statute, undertake analytic studies, including an environmental review, to verify the soundness of each new activity. The Agency must also prepare a congressional notification and confirm funds are available before awarding a contract.

Another major focus of federal regulation is contracting. USAID is the preeminent U.S. civilian agency contracting in international development, with 76 direct-hire contract specialists supporting USAID programs around the world. In FY 2004, USAID made awards of over $8 billion. USAID awards are governed by federal statutes such as the Federal Grant and Cooperative Agreement Act of 1977, the Competition in Contracting Act of 1984, and the FAR.

Regulations issued as OMB circulars guide USAID contracting officers in awarding contracts, grants, and cooperative agreements. OMB oversees and coordinates federal regulatory, procurement, financial management, and information policies—including those of USAID—and ensures Agency reports and rules are consistent with the President's Budget and administration policies. Within USAID, Acquisition and Assistance Policy Directives notify contracting staff about regulation changes, offer reminders, explain procedures, and give general information.

USAID uses a variety of financial mechanisms to implement its assistance programs:

- Contracts purchase services, equipment, or commodities according to a specified scope of work (SOW). The SOW is a statement that spells out the exact nature of the purchase, when and where it is to be delivered, and other particulars as needed (e.g., cost, special supplier qualifications).

- Cooperative agreements are usually awarded to nonprofit organizations or educational institutions to accomplish a public purpose. Typically USAID is substantially involved in carrying out the program, at a level specified by the agreement.

- Grants are much the same as cooperative agreements, but allow the recipient more freedom to pursue its stated program without substantial involvement from USAID.

- Strategic objective agreements (SOAgs) are formal agreements between USAID and a host government that set forth specific development activities to be undertaken, along with mutually agreed-upon timeframes, expected results, means of measuring the results, resources, responsibilities, and estimated contributions of the parties involved.

- Collaborative agreements were pioneered in FY 2005 as a flexible, streamlined alternative to traditional grants and contracts for work with nontraditional partners in the private sector.

For large efforts, USAID may employ flexible variations of the above tools. For example, an indefinite quantity contract (IQC) may be used where the purpose is to provide an unfixed amount of supplies and services within stated limits over a set period; as needs become defined, the contractor meets them using task orders (TOs). Another example is the leader with associate (LWA) mechanism, which allows a USAID mission to propose and manage a subsidiary (associate) agreement that piggybacks onto a larger (leader) contract or collaborative agreement.

While it is a USAID contracting officer or agreement officer who awards contracts, grants, and cooperative or collaborative agreements, the "eyes and ears" for managing programs is the cognizant technical officer (CTO). The CTO, who is usually the activity manager, monitors technical performance and reporting for any potential or actual problem and ensures compliance with the terms of the award. Together with the contracting or agreement officer, the CTO is responsible for managing U.S. taxpayer funds.

USAID may also use other types of formal arrangements to accomplish its goals, including:

- Transfers to other federal agencies
- Contributions to international organizations such as the UN
- Implementation letters with host-country governments
- University partnerships
- Public-private alliances, a new business model for partnerships with the private sector to achieve high-impact sustainable development

DID YOU KNOW?

USAID's Automated Directives System can be found at http://www.usaid.gov/policy/ads/.

PARTNERSHIPS AND USAID'S ENGAGEMENT

USAID staff manage implementing partners—agencies receiving USAID funds—primarily through contracts and grants.

A laboratory technician is taught microbiology testing techniques at the Laboratory of Integral Quality in San Salvador.

USAID almost always implements its programs through partner organizations. Thus, field staff oversee and fund work with agencies and firms that, for example, develop new seed varieties, train healthcare professionals, rebuild roads, or run elections. In a limited number of countries where accountability for aid funds and competent program implementation are assured, USAID also disburses aid directly to governments.

In countries where USAID has a field office, staff are heavily engaged in policy dialogue, writing analytical documents, and monitoring project implementation—whether USAID's partners are from the private sector or affiliated with foreign governments. USAID also coordinates programs with other donors such as the UN, the World Bank, and the foreign aid agencies of other countries.

PARTNERS

A wide variety of partners implement USAID programs, including:

- **Private voluntary organizations (PVOs):** Nonprofit groups operated primarily for charitable, scientific, educational, or service purposes. Some PVOs working with USAID are international, but the majority are U.S.-based (to be eligible for USAID grants, the latter must obtain at least 20 percent of their funding from non-U.S. government sources). Examples include CARE, WildAid, Save the Children, Catholic Relief Services, and World Vision.

- **Local and regional nongovernmental organizations (NGOs):** Voluntary nonprofit organizations based in developing countries or regions in which USAID operates. Examples include Bosnia's Center for Civic Cooperation, Guatemala's Genesis Empresarial, Sri Lanka's Multi Diverse Community, and the Forum for African Women Educationalists.

- **Public international organizations (PIOs):** Organizations whose members are chiefly governments (including the United States). Examples include UN agencies, the Committee of the International Red Cross, the World Bank, and regional development banks.

- **Contractors:** Private companies with legally binding agreements to supply property or services to the U.S. government under a documented scope of work.

NEW PARTNERSHIPS: THE GLOBAL DEVELOPMENT ALLIANCE (GDA)

USAID established the GDA in 2001 to promote public-private alliances that address international development challenges. Launched by Secretary of State Colin L. Powell, the GDA strengthens the impact of U.S. development efforts by coordinating government initiatives, activities, and resources with those of the private sector. Many partnerships also involve civil society organizations, such as civic, educational, trade, labor, and advocacy groups. GDA activities are designed to stimulate economic growth, address health and environmental issues, and expand access to education and technology in the developing world.

USAID'S ROLE

Its reliance on partners does not mean that USAID is merely a "pass-through" or contracting agency. For all programs, staff are significantly involved in:

- Influencing host-country policies through negotiations
- Evaluating needs for aid through field visits, surveys, and interviews
- Deciding what types of programs to prioritize by assessing U.S. legislative and policy requirements, host-country needs, and funding availability
- Monitoring program progress by visiting sites, reviewing implementers' reports, and meeting frequently with counterparts in the host-country government, donor community, and private sector
- Reporting to Washington, including to Congress

By federal statute, grants are given to implementing agencies or grantees with few strings attached, so USAID oversight is limited. However, besides carrying out the responsibilities listed above, USAID still must evaluate grant proposals before awards are made, and grantees must report to USAID regularly on the status of their activities. Furthermore, funding beyond a defined time period is not guaranteed.

> *Field staff are essential for understanding a country's situation and choosing appropriate objectives and strategies.*

In managing contracts, USAID:

- Defines the exact type, scope, and location of the program by setting out the requirements in a request for proposals (RFP)
- Evaluates competing proposals using specified criteria
- Provides funding, normally in installments (tranches)
- Identifies and approves individual tasks if the contract is a broad one, with flexibility built into it

For contracts, the USAID cognizant technical officer (CTO) administers the agreement and monitors the contractor's performance. It is generally unwise to have more than one official directing the contractor; this opens the door to confusion, inefficiency, inappropriate areas of focus, and delays. A single manager can effectively coordinate with all parts of the U.S. government, the host-nation government, and others to ensure the contractor carries out priority tasks.

A common theme in all these tasks is the key role of USAID's strong field presence. Field staff are essential for understanding a country's situation, choosing appropriate objectives and strategies, and effectively managing the resulting programs.

MANAGING PROGRAMS

The U.S. citizens (expatriates) on the staff of USAID missions are only the tip of the iceberg of the Agency's field presence. Expatriate employees in the field manage a larger staff of locally recruited specialists. Non-U.S. staff range from technical experts (e.g., agronomists advising on farming programs) to support staff (e.g., accountants and administrative workers). USAID staff manage implementing partners (agencies receiving USAID funds) primarily through contracts and grants. These partners, in turn, employ expatriate and national staff.

USAID's work in Afghanistan illustrates the use of all of these mechanisms to achieve an integrated country presence.

RESPONDING TO CRISES

USAID is at the forefront of agencies around the world in its ability to respond to natural and manmade disasters.

Indonesian school girls are taught how to steer clear of trafficking.

USAID is at the forefront of agencies around the world in its ability to respond to natural and manmade disasters. Natural disasters result from such events as locust swarms, earthquakes, volcanoes, or hurricanes; manmade disasters may result from conflict, civil war, and (in some cases) improper natural resource use. In addition, both human and natural factors may combine to cause such disasters as famines and mudslides. USAID's broad experience in disaster aid permits effective, well-targeted responses to needs for immediate assessment and relief as well as for long-term reconstruction and strengthening of local capacity to deal with disaster.

To complement its strength in disaster assistance, USAID promotes efforts to foresee and prevent disasters from all sources. For example, by facilitating citizen participation and trust in government, USAID democracy efforts can help stop the violent internal conflicts that lead to destabilizing and costly displacement of people, anarchy, and the spread of disease.

RESPONDING TO DISASTERS

As the U.S. government agency charged with providing humanitarian relief on behalf of the American people, USAID provides both short- and long-term humanitarian assistance. In 2005, aid provided for humanitarian crises worldwide is estimated at $1.884 billion.

USAID's key approaches include:

- Having experts on the ground immediately after a disaster hits to assess damage and needs
- Providing immediate relief to disaster victims
- Providing cash for work in mass employment programs after disasters to get local markets functioning and improve livelihoods of families affected by disasters
- Helping devastated communities rebuild by supporting projects in community infrastructure and services, as well as economic and agricultural reactivation (including employment/life skills training)
- Responding to the needs of specially disadvantaged groups—such as children and orphans, women, displaced persons, the disabled, and exploited youth—by providing basic and vocational education, psychological counseling, and physical rehabilitation (including prosthetics)
- Developing local capacities in disaster planning and preparedness (including development of early warning systems)
- Improving the lives of poor and hungry people by supporting integrated food security programs that address the underlying causes of poverty and malnutrition
- Providing multipronged assistance in response to complex emergencies (humanitarian crises triggered by internal or external conflicts associated with breakdowns in governance)
- Integrating development and relief so that better development can aid in reducing the frequency and impact of crises and better relief can reinforce development

With the end of the Cold War and the beginning of the War on Terrorism, countries across the globe have

entered a period of dramatic change and expanding transition needs. Whether in central Europe, Africa, Asia, or Latin America, authoritarian regimes have yielded to forces of democracy, ethnic and religious groups have vied for control over states, and other longstanding rivals have moved from the battlefield to the negotiating table. USAID must be able to move quickly and effectively both to deal with the rising number of crises worldwide and to meet transition opportunities and challenges.

TRANSITIONING FROM RELIEF TO RECOVERY AND GROWTH

USAID's approach to transitioning has several areas of focus:

- Developing response programming for transition—short-term, high-impact projects that increase momentum for peace, reconciliation, and reconstruction
- Getting USAID staff on the ground swiftly to identify and act on what may be fleeting opportunities for systemic change
- Promoting citizen security by helping to reintegrate ex-combatants and assisting internally displaced persons to move beyond subsistence and survival needs
- Building foundations for democratic political processes by promoting the development of civil society, better civilian-military relationships, the participation of marginalized populations in political decision-making, alternative voices in the media, local reconciliation efforts, and education of citizens about their human rights.

PL 480 TITLE II FOOD COMMODITIES

USAID provides PL 480 Title II food commodities to people who are food-insecure and nutritionally vulnerable because of conflict or natural disasters. In addition to using food aid in emergencies, USAID also provides food in longer-term development programs in countries subject to recurring natural disasters or civil and economic crises. While these multiyear programs help to maintain food security and avert future emergencies, they also provide a ready-made basis for rapid emergency responses if needed.

EXAMPLE: RESPONDING TO THE SUDAN CRISIS

Since 1983, an estimated two million Sudanese have died as a result of Sudan's protracted conflict, droughts, and famine. In the past year, however, several positive developments are providing new opportunities to finally resolve Africa's longest war and move the country to a lasting peace. A partial list of USAID's response includes the following:

- **Provide emergency relief:** A USAID Disaster Assistance Response Team (DART) conducted on-the-ground assessments leading to the provision of humanitarian aid valued at $200.7 million in 2004, including health assistance, water and sanitation programs, emergency relief supplies, and over 185,000 metric tons of food.

- **Establish independent south-ern Sudan media:** The people of southern Sudan have limited access

to balanced information; as a result, they are prey to biased reporting. Access to impartial, reliable, easily accessible information is critical to expanding citizens' participation in local governance and building their support for any peace agreement. USAID fielded an assessment team to design initial media programming.

- **Foster demand for good governance:** Initial attempts to improve governance and strengthen the balance between leaders and citizens will have two components: strengthening the rule of law by increasing the independence and effectiveness of the judiciary, and increasing public demand for government accountability and transparency through support to local NGOs and other civil society organizations.

- **Provide rapid, flexible conflict resolution mechanisms and tangible peace dividends:** USAID support for peace processes is crucial to the continued development of southern Sudan and will help prepare the way for longer-term development programming. Interventions include priority projects to secure local-level peace agreements among citizens and timely transport of respected local and international conflict resolution experts to vulnerable areas.

PUBLIC AFFAIRS

USAID's public affairs strategy uses a wide variety of mechanisms to promote understanding of and support for Agency missions and programs.

Women sort out coffee beans in Tanzania's Nyoni village.

USAID's public affairs function promotes understanding of and support for Agency missions and programs among the media, the development community, other U.S. government agencies, the U.S. Congress, the American public, and the world at large, especially in developing countries. To achieve this goal, USAID's public affairs strategy uses a wide variety of mechanisms.

USAID supports State Department and White House daily press briefings and provides extensive presentations and briefings on specific issues, such as U.S. assistance to Sudan or reconstruction in Iraq. Press releases, fact sheets, and press guidance are issued daily via e-mail to targeted groups that include the press corps, influential officials, think-tank representatives, academic communities, NGOs, PVOs, international organizations, and bilateral partners. The Agency's website, www.usaid.gov, provides press information, speeches, testimony, and other information in one easily accessible place for both media and the general public. The website also has a "Telling Our Story" section—a searchable database of vetted USAID success stories from throughout the developing world.

As events evolve around the world, the Agency reports on major mission-critical programs through publications such as *Afghanistan Reborn*, *A Year in Iraq and Tsunami Relief*. Strategy reports, policy papers and guidelines, and analytical discussion papers outline USAID's broad priorities and objectives, explain the approaches the Agency uses in attaining its goals, and synthesize current thinking on important foreign aid issues. USAID's monthly employee-oriented newsletter, FrontLines, provides updates and information about USAID's global programs for a wide readership.

USAID hosts various public events such as conferences, seminars, or exhibits—sometimes jointly with think tanks, Congress, or the private sector—to roll out new publications, discuss major issues, or highlight USAID's accomplishments. The Agency also manages public liaison activities aimed at educating Americans about its role, mission, and programs, and it provides detailed strategic communications advice and consultation to USAID/Washington and overseas missions.

In 2004, USAID launched a major new Development Outreach and Communications (DOC) global training initiative to broaden understanding of U.S. development aid worldwide. Under DOC, USAID seeks to integrate a cadre of trained professionals into its missions to support strategic and tactical communications efforts. Targeted regional training workshops and consultations are held annually to sharpen the ability of new and existing DOC specialists to tell USAID's story.

USAID's publications and identity program help to tell its story around the world.

DID YOU KNOW?

Visit USAID's website for media information at www.usaid.gov.

ORGANIZATIONAL STRUCTURE

USAID's mission is carried out through four regional bureaus supported by three pillar bureaus.

Small-scale producers in Thailand are tapping alternative energy sources, including water, to reduce air pollution and decrease the country's reliance on energy imports.

IN WASHINGTON, D.C.

At its Washington, D.C., headquarters, USAID's mission is carried out through four regional bureaus: Africa (AFR), Asia and the Near East (ANE), Latin America and the Caribbean (LAC), and Europe and Eurasia (E&E). These are supported by three technical (or pillar) bureaus that provide expertise in democracy promotion, accountable governance, disaster relief, conflict prevention, economic growth, agricultural productivity, environmental protection, education reform, and global health challenges such as maternal/child health and AIDS.

The work of these bureaus is supported by several other Agency units. The Bureau for Policy and Program Coordination provides overall policy guidance and program oversight. The Bureau for Management administers a centralized support services program for the Agency's worldwide operations. The Bureau for Legislative and Public Affairs conducts outreach programs to promote understanding of USAID's missions and programs. The Office of Global Development Alliances operates across the four regional bureaus to support the development of public-private alliances. Other USAID offices support the Agency's security, business, compliance, and diversity efforts, as well as its faith-based and community initiatives.

IN THE FIELD

USAID operating units located overseas are known as field missions. Full field missions usually consist of 9-15 U.S. direct-hire (USDH) employees, along with a varying number of other personnel. They conduct USAID's major programs worldwide, managing a program of four or more strategic objectives (SOs). Medium-sized missions (5-8 USDH) manage a program targeting two to three SOs, and small missions (3-4 USDH) manage one or two SOs. These missions assist their host countries based on an integrated strategy that includes clearly defined program goals and performance targets.

Regional support missions (typically 12-16 USDH), also known as regional hubs, provide a variety of services. The hubs house a team of legal advisors, contracting and project design officers, and financial services managers to support small and medium-sized missions. In countries without integrated strategies, but where aid is necessary, regional missions work with NGOs to implement programs that help to facilitate the emergence of civil society, alleviate repression, head off conflict, combat epidemics, or improve food security. Regional missions can also have their own program of strategic objectives to manage.

WORKFORCE STRUCTURE

Direct-hire and contract employees based in the United States and at field missions overseas make up USAID's workfirce.

An Egyptian farmer uses a new technique for air drying aromatic and medical plants that increases production, quality and income.

USAID's workforce is made up of direct-hire and contract employees based in the United States and at field missions overseas. The main personnel categories are described below. Figures cited are from the monthly workforce report of September 30, 2004:

- **USAID direct-hire (USDH) employees:** There are 2,227 USDH employees. Of these, 1,132 are U.S. Civil Service (USCS) employees, based in Washington and listed on the U.S. government's General Schedule (GS). The remaining 1,095 are foreign service officers (FSOs), who spend most of their careers overseas, serving two to four years at field missions and periodically returning to Washington.

- **Foreign service national (FSN) employees:** FSNs, recruited in their host countries by USAID, are the core of the Agency's workforce. Many FSNs, recognized leaders and experts in their fields, devote their careers to USAID. FSNs are the bridge to effective contacts with key host-country decisionmakers, and they maintain the institutional memory and continuity of USAID's country programs. USAID employs 4,966 FSNs.

- **Personal services contractors (USPSCs):** Although they have some characteristics of a USAID employee, USPSCs are hired to fulfill specific tasks or responsibilities for a time period stated in the contract. They are always U.S. citizens. USAID has 624 USPSCs, with 495 (80 percent) based overseas.

- **Participating Agency Service Agreement (PASA) employees:** USAID obtains 164 employees from other federal agencies using the PASA mechanism. Of these, 85 percent are based in Washington.

- **Other categories of personnel:** USAID employs a number of other mechanisms with universities, commercial firms, and nonprofit institutions to provide expertise or program support. These mechanisms provide 136 staff, of whom 74 percent are based in Washington.

PERSONNEL BACKSTOPS AND CAREER TRACKS

USAID's 2,227 civil service and foreign service employees, working in Washington and overseas, provided support to 100 countries in 2004. Of the 1,095 FSOs, 672 (67 percent) are assigned to bilateral (single-country) or regional missions overseas. The numbers

and categories of FSOs assigned to each mission reflects the mission's strategic priorities and funding levels.

FSOs are recruited for and assigned to occupational slots, or backstops, that reflect their training and technical expertise. Each of these backstops falls into one of three categories— management, program operations and support, or technical:

- Management backstops include mission director, deputy director, and program officer. These backstops lead strategic planning and program development across all sectors in which the mission works. They are responsible for developing and managing the country strategic plan and budget, coordinating program reporting, program-wide evaluation, donor coordination, and public outreach.

- Program operations and support backstops include executive officer, controller, legal advisor, contracting officer, and secretary. Support personnel provide Agency-specific guidance on financial, legal, contracting, and administrative management issues, and they support the day-to-day operations of missions and development assistance programs.

- The 12 technical backstops for which USAID recruits include areas such as democracy and governance, disaster response, health, private enterprise, agriculture, environment, and education. Technical officers develop, oversee, manage, and evaluate programs and activities within a sector or sectors. They

advise the mission director and staff on all matters involving sector policy and program operations; work with host-country officials to identify aid priorities; collaborate on sector analyses and project designs; and direct or advise on the preparation of project documents.

USAID targets its hiring using an Agency-wide system that pinpoints current skill gaps and forecasts future needs. Most FSOs join the Agency through the entry-level International Development Intern training program or the mid-level New Entry Professional training program. In

USAID staff are encouraged to take advantage of opportunities for technical, leadership, and language training throughout their careers.

addition, each year several Presidential Management Fellows (PMFs) come to USAID for two-year appointments that can convert to career positions.

Participants in these programs combine extensive classroom training with practical experience in different USAID areas; PMFs may complete assignments with other agencies as well. Even after their initial preparation is complete, USAID staff are encouraged to take advantage of opportunities for technical, leadership, and language training throughout their careers.

DID YOU KNOW?

More information about careers at USAID can be found at http://www.usaid.gov/careers.

PROFILES OF USAID

USAID's programs and committments are active throughout the globe.

Students form words out of block letters in Montego Bay, Jamaica.

PROTECTING EGYPT'S RED SEA

In late 2000, FSO Holly Ferrette, a natural resources officer assigned to USAID's field mission in Cairo, Egypt, took charge of the environmental challenge of protecting the Red Sea, a component of USAID/Egypt's five-year, $170 million Egyptian Environmental Policy Program. With no sound environmental policies in place, the high volume of tourists visiting the coastal areas along the Red Sea was causing serious damage to the coral reefs and other marine and wildlife populations.

By 2004, Ferrette and her team had persuaded the ministries of Environment and Tourism and the Red Sea Governorate to adopt sustainable environment policies and to declare a large portion of the southern Red Sea coast a national park and ecotourism development zone. The declaration recognized that economic development and protection of natural resources can coexist. Ferrette also secured the approval of the prime minister to impose fees for use of Red Sea marine resources. The revenue generated is used to supplement coastal conservation management.

On the ground, projects carried out by Ms. Ferrette and her team included:

- Assisting in developing management plans for vulnerable wildlife in the newly established Wadi el-Gemal National Park
- Equipping park rangers to safely and effectively carry out their duties in this remote part of Egypt
- Encouraging tourist facilities to adopt environmental management systems that both save money and protect the environment
- Supporting campaigns to promote the protection and sustainable use of the coastal area

ASSISTING WITH EARTHQUAKE RECOVERY IN EL SALVADOR

After two devastating earthquakes in January and February 2001, FSN Rosa Maura Mayorga spent the next three and a half years managing USAID's $135 million reconstruction program, which helped rebuild rural housing, health clinics, schools, public markets, and other municipal buildings. Mayorga was the team leader for the Earthquake Recovery Program, working out of USAID's field mission in San Salvador, El Salvador.

Before reconstruction could commence, Mayorga and her team needed to consult closely with the Salvadorian government to legalize and secure land titles for thousands of displaced families. In El Salvador, as in many developing countries, rural communities use a variety of informal and unregistered titles, and many landowners lack adequate legal documentation.

The program, which ended in January 2005, has built nearly 27,000 new homes for people left homeless by the earthquakes. Mark Carrato, the desk officer who backstops USAID/El Salvador in Washington, credits Mayorga with providing many creative solutions to the array of challenges.

Mayorga has worked on disaster and emergency programs for USAID/El Salvador for 16 years, including a national reconstruction program following the country's civil war and the cleanup and rebuilding after 1998's Hurricane Mitch.

PRESIDENTIAL INITIATIVES

USAID implements, in whole or in part, 20 presidential international development initiatives.

Master builders in the Chatterplain region of Mansera District in Pakistan train local villagers how to construct earthquake resistant transition shelters.

Since taking office, President Bush has announced 20 international development initiatives that are implemented, in whole or in part, by USAID.

The Afghanistan Road Initiative is reconstructing Afghanistan's major highways and improving economic growth, security, and political integration along the corridor linking three of Afghanistan's largest cities—Kabul, Kandahar, and Herat.

The Africa Education Initiative increases access to quality basic educational opportunities in Africa through teacher training, textbooks, community support, and scholarships to girls.

The African Global Competitiveness Initiative, successor to the Trade for African Development and Enterprise (TRADE) initiative, strengthens the ability of African companies and businesses to expand regional and international trade, improves the legal, regulatory, and policy environment for business and trade, and helps countries mainstream trade into their development agendas.

The Centers for Excellence in Teacher Training work in Latin America and the Caribbean to improve reading instruction in grades 1–3. The initiative targets poorer countries and disadvantaged communities.

Under the Central American Free Trade Agreement Initiative, USAID partners with the Office of the U.S. Trade Representative to provide technical assistance and training to build the capacity of Central America's public and private sectors to encourage and expand trade.

The Clean Energy Initiative works to increase access to efficient and affordable energy services in underserved areas and to promote cleaner practices and fuels for transportation, cooking, and heating.

The Climate Change Program promotes climate-friendly economic development and improves the resilience of vulnerable populations and ecosystems.

The Congo Basin Forest Partnership combats deforestation and biodiversity loss in key areas of the Congo River Basin.

The Digital Freedom Initiative promotes economic growth by opening up the benefits of information and communication technology to entrepreneurs and small businesses.

The Faith-Based and Community Initiatives reach out to faith- and community-based organizations to

increase their knowledge of and access to U.S. government funding sources.

The Global Fund to Fight AIDS, Tuberculosis, and Malaria is an international public-private partnership created to increase the resources available to fight three of the world's most devastating diseases. The United States is the Global Fund's largest single-country donor.

In keeping with the first Millennium Development Goal of the United Nations, the Initiative to End Hunger in Africa seeks to halve hunger in sub-Saharan Africa by 2015.

The Middle East Partnership Initiative (MEPI) works cooperatively with governments and people in the Middle East and North Africa to promote key economic, political, and educational reform issues and to reduce barriers to women's full participation in society.

The Millennium Challenge Account (MCA) provides development assistance to countries that rule justly, invest in their people, and encourage economic freedom. A special MCA threshold program assists a limited number of countries that have not met MCA eligibility criteria but are committed to reform and improving performance for future eligibility. MCA is administered by the Millennium Challenge Corporation, a new government organization that works to support innovative strategies and to ensure accountability for measurable results.

The President's Emergency Plan for AIDS Relief (PEPFAR), a five-year, $15 billion, multifaceted approach to combating HIV/AIDS, is the largest commitment ever by a single nation to an international health initiative. The U.S. government is working with international, national, and local leaders worldwide to promote integrated prevention, treatment, and care programs, with an urgent focus on 15 countries that are among those most afflicted by the disease.

The President's Initiative Against Illegal Logging, coordinated by the Department of State, assists developing countries in their efforts to combat

Volunteers for Prosperity helps nonprofit organizations and business firms deploy highly skilled volunteers in official U.S. foreign assistance programs that advance health and prosperity.

illegal logging—including the sale and export of illegally harvested timber—and corruption in the forest sector.

Announced on June 30, 2005, at the G-8 meetings in Scotland, the President's Malaria Initiative (PMI) seeks to reduce malaria deaths by 60 percent in targeted African countries by supporting proven malaria prevention and treatment interventions.

The Trafficking in Persons Initiative combats trafficking through prevention, protection, and prosecution. It also seeks to rehabilitate women and children who have been exploited.

Volunteers for Prosperity helps non-profit organizations and business firms deploy highly skilled volunteers in official U.S. foreign assistance programs that advance health and prosperity. It also promotes expansion of volunteer efforts in related nongovernmental programs. USAID is the interagency coordinator for the initiative.

The Water for the Poor Initiative accelerates and expands international efforts to halve by 2015 the proportion of people around the world who lack access to affordable safe drinking water and basic sanitation.

BUDGET

A joint USAID-State Department effort ensures that there is a focus on achieving common goals, finding economies of scale, and promoting new synergies.

A promotional event introduces the concept of "edutainment" tourism where visitors learn about rice planting practices among hill tribes near Chiang Mai, Thailand.

OVERVIEW

USAID, in collaboration with the State Department, produces several key materials to map development policy and track its progress. Although USAID and the State Department are separate organizations, both report to the Secretary of State. Therefore, a joint effort ensures that the two organizations focus on achieving common goals, finding economies of scale, and promoting new synergies. Once policy direction is established, funding resources are aligned to meet these objectives. Annual planning at the Mission and Bureau levels follow from this stage, as do budget submissions to Congress. The execution of the strategic plan is reported in Department and Agency performance plans and reports.

BUDGET JUSTIFICATION TO THE CONGRESS

Each fiscal year the Agency submits its budget justification to the Congress for appropriation. The Congressional Budget Justification (CBJ) reflects the Administration's program and budget request for bilateral foreign economic assistance appropriations. The Agency's Annual Performance Overview is an important companion document by providing the broader policy context for specific Agency goals, indicators and funding levels.

STATEMENT OF THE ADMINISTRATOR

Development plays a critical role in implementing transformational diplomacy. Transformational diplomacy seeks "to work with our many partners around the world, to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system." As the Secretary of State said in a January 2006 visit to USAID, "I consider development to be one of America's most important priorities because our goal ought to be to use our assistance to help people better their lives, but also to help their governments to be better able to deliver for them." This budget proposes funds and programs that will help peoples and their governments to make progress toward this vision.

The FY 2007 program budget supports key Administration priorities:

• It continues efforts to build democracy and good governance in Iraq and Afghanistan, and requests funds in support of other frontline states in the Global War on Terror.
• It supports the President's Freedom Agenda through activities to

strengthen effective democracies in programs that promote transformational development or address state fragility.

- To foster transformational development through economic growth, USAID proposes to sustain programs devoted to building trade capacity.
- It seeks authority in certain critical emergency situations to use P.L. 480 Title II funds for the local or regional purchase and distribution of food to assist people threatened by a food security crisis.
- It includes funds to robustly address the global issues of HIV/AIDS, malaria and the threat of avian influenza.

In the FY 2007 budget, USAID proposes to advance transformational diplomacy through five core strategic goals. These goals respond to the Joint State-USAID Strategic Plan's objectives to Preserve the Peace and Extend the Peace, and to the Administration's principles for restructuring foreign assistance, such as improved accountability, country-based strategies, effective use of U.S. resources, distinguishing among key challenges and encouraging eventual graduation from economic and governance aid.

The five core strategic goals that USAID has established are:

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

- Strengthen fragile states to enhance stability, improve security, advance reform and develop the capacity of essential institutions and infrastructure
- Provide humanitarian relief to meet immediate human needs in countries afflicted by violent conflict, crisis, natural disaster, or persistent dire poverty
- Support strategic states to achieve specific U.S. foreign policy goals in selected countries of high priority from a strategic standpoint, using the tools of development and reconstruction
- Address global issues and special concerns including HIV/AIDS, global climate change, other infectious diseases, direct support for international trade agreements, and counter narcotics

These goals support the overall reforms introduced by Secretary Rice to make foreign aid more effective.

To make progress on these goals, USAID is requesting $3.1 billion for its FY 2007 programs. We anticipate working with the Departments of State and Agriculture on joint programs that total $5.4 billion in Economic Support Funds, Assistance for the Independent States of the Former Soviet Union, Assistance for Eastern Europe and the Baltic States, Andean Counter-narcotics Initiative and P.L. 480. We will also manage a portion of the $2.9 billion requested for the Global HIV/AIDS Initiative by the Department of State's Global AIDS Coordinator and a portion of the $3 billion for the Millennium Challenge Corporation. USAID is requesting $857 million in Operating Expenses (OE), the Capital Investment Fund,

the Development Credit administrative funds and the Office of the Inspector General to fund the administrative costs of managing slightly under $8.5 billion in program funds.

Many U.S. strategic partners are countries facing recovery or development challenges. The FY 2007 budget request continues support to Afghanistan and Iraq to build safe, stable societies that meet the needs of their peoples and eliminate environments that breed and harbor terrorism. The request includes assistance to other key frontline states in the Global War on Terror on the principle that democratic, well-governed states that provide opportunity and freedom to their citizens are inhospitable environments for terrorism to take root.

The FY 2007 request continues and expands the process begun in FY 2006 of tying Development Assistance to countries' own development efforts. Consistent with the country focus of foreign aid reform, we have allocated the greater share of resources designated for transformational development to needy countries that are not yet eligible for the Millennium Challenge Account (MCA), but that are demonstrating through sustained good performance that they are striving for the conditions that will lead to progress in democracy and governance, economic freedom and investing in people. This enables USAID to work in synergy with the Millennium Challenge Corporation (MCC). In this budget we have used a performance-based approach, comparing need and performance across regions, to allocate part of the Development Assistance account.

At the same time that we reward good performers in transformational development, we cannot ignore countries that are vulnerable to or recovering from crisis; many are managing fragile political and economic transitions. USAID has embarked on a new strategic approach towards these countries. This approach emphasizes better monitoring and analysis, country-based strategies and programs that address sources of fragility, and greater flexibility to respond to changing conditions.

We have also requested resources for humanitarian relief. No matter where or what the cause, USAID stands ready and able to come to the assistance of countries where lives are threatened due to natural or man-made disasters. For example, in FY 2005, USAID led the U.S. government's relief efforts after the Asian tsunami. We conducted assessments and oversaw the provisioning of India, Indonesia, the Maldives, Sri Lanka and Thailand with relief commodities, then funded programs to restore the livelihoods of affected populations and developed capacities critical to disaster early warning, mitigation and recovery.

Global ills and opportunities know no borders. USAID will continue to combat HIV/AIDS and ramp up malaria programs in targeted African countries as part of the President's Malaria Initiative. USAID will also help countries detect the incidence and control outbreaks of avian influenza. USAID will work with developing countries to take advantage of the globalizing economy and to play their roles in managing global climate change, including initiatives in using clean energy and preserving biodiversity, which may also offer sources of income.

USAID's development work puts us on the front lines of transformational diplomacy in some of the most challenging operating conditions around the world. Given constrained Operating Expense resources in FY 2006, the Agency has accelerated its efforts to restructure its business model to achieve more efficient, economical operations. In FY 2007, USAID will continue its restructuring efforts through rightsizing its overseas and Washington presence, regionalizing business functions, and consolidating administrative services with the Department of State.

PROGRAM PRIORITIES

With this budget request, USAID responds to the principles of the Administration's restructuring of foreign assistance toward transformational diplomacy. These are:

- Set and measure clear outcomes and impacts for every dollar of foreign assistance
- Develop and manage coherent, country-based strategies that integrate U.S. assistance programs with diplomatic initiatives
- Make the most effective use of U.S. resources to achieve foreign policy, national security, and development objectives
- Distinguish among the key challenges to and constraints on nations at different stages of stability and development, and select the most appropriate policy and assistance tools accordingly
- Encourage eventual "graduation" from foreign economic and governance aid

USAID's Policy Framework for Bilateral Foreign Aid sets forth the five core strategic goals and establishes guiding principles that respond to the foreign assistance restructuring precepts. The FY 2007 budget proposes that programs be managed and resources allocated as much as possible strategically for distinctive results aligned with each of the five goals for maximum impact. This will implement transformational diplomacy in the following ways:

GOAL: SUPPORT STRATEGIC STATES

USAID's budget proposal emphasizes strengthening democratic governance and continued economic recovery in Iraq and Afghanistan and building national capacity in Iraq, so that Iraqis can transition to self-reliance. Using a combination of DA, CSH, ESF, FSA, and other accounts, USAID supports frontline states in the Global War on Terror, including Pakistan and Djibouti, using our development tools and knowledge.

Iraq: Ten Top Achievements in 2005

1. For the first democratic elections in over 50 years, USAID trained election monitors, provided logistical assistance to the Independent Election Commission of Iraq, and trained political parties.

2. Assisted Iraq in meeting IMF requirements for a Stand-by Arrangement that leads to the Paris Club moving to the second stage of a deal to forgive 80 percent of Iraq's

$40 billion debt to Paris Club members and $685 million in new credit from the IMF.

3. Assistance to the Constitutional Drafting Process: USAID assisted the Constitutional Drafting Committee regarding systems of representation, constitutional referenda and electoral law. USAID is also conducting public awareness and participation campaigns to encourage civic engagement in the constitutional process.

4. Provided 30- 50 thousand short-term jobs weekly and created tens of thousands of long-term jobs: The Community Action Program (CAP) and Office of Transition Initiatives have employed 30-50 thousand Iraqis in reconstruction efforts every month and these programs along with USAID's Economic Growth initiatives have created tens of thousands of new long term jobs.

5. Started the process for Iraq's accession into the World Trade Organization: Assisted the Government of Iraq in submitting its formal request to enter into the WTO and provided policy support for Iraq to meet WTO requirements. Trade liberalization fosters economic growth while WTO ascension will open up new markets for Iraq.

6. Investing in Iraqi schools: Since starting work in Iraq, USAID has provided 8.7 million math and science text books, rehabilitated 2,529 schools, and trained over 36,000 teachers. These programs are ongoing. UNESCO subsequently provided over 20 million textbooks.

7. Rebuilding Iraq's electrical sector: As of September 1, 2005, USAID added 855 megawatts (MW) of new capacity to the electrical grid. By the end of 2005, the total capacity contributed to the grid through USAID projects is expected to be over 1,600 MW.

8. Supporting women's engagement in political and economic life of Iraq: USAID is working with female politicians in the Iraqi National Assembly (INA), female journalists, and NGOs and community organizations that advocate for women's interests and

More than 1,966 community development projects worth $92 million have been completed or are in development.

providing them with training in constitutional drafting skills, advocacy efforts, and developing legislative platforms. Also, nearly 60 percent of the small business development grants administered by USAID have been awarded to women.

9. Community Development: Facilitated the creation of more than 670 Community Action Groups in 17 governorates. More than 1,966 projects worth $92 million have been completed or are in development. The Iraqi communities have committed approximately $23 million in resources for projects in their communities.

10. Developing the private sector: Brought over 28,000 businesses into the formal sector. Trained lending officers in microfinance best practice.

Afghanistan: Ten Top Achievements in 2005

1. Two peaceful, democratic elections held. In October 2004, 7.3 million Afghans (40 percent female) voted in Presidential elections and more recently, 6.8 million voters (43 percent female) elected Parliament and Provincial Councils.

2. Roads link the country. The highway from Kandahar to Herat nears completion, and construction is underway or complete on over 1,200 km of secondary roads.

3. Critical infrastructure developed. 17 women's centers have been developed, 29 courts have been rehabilitated or constructed, and three industrial parks are under construction.

4. Agricultural output rises. Cereal output increased 24 percent and livestock & poultry production increased by $200 million.

5. Responding to the Poppy Problem. Poppy production declined significantly (96 percent) in 2004-2005 in Nangarhar Province, where one of USAID's largest alternative livelihood programs was coupled with the commitment of the national and provincial government to promote the anti-poppy message and interdict drug labs in the province. Initial 2006 estimates show that cultivation in Nangarhar will still be down from 2004, despite projected growth in production.

6. Combatants choose peace. Over 60,000 former combatants have given up their weapons and are reintegrating into the civilian labor force.

7. Domestic revenue increases. $260 million in Total Domestic Revenue was collected in this past Afghan fiscal year, an increase of 20 percent from the previous year.

8. Media outlets grow. Created 32 community-based, independent FM radio stations across the country.

9. Access to healthcare expanded. 7.1 million Afghans in 14 provinces now have better access to quality health services, approximately 70 percent of patients served are women and children.

10. Practical reading skills for women and girls. 8,400 female learners from over 360 villages enrolled in health-oriented literacy programs of which 288 qualified for further training as community health workers or midwives.

GOAL: STRENGTHEN FRAGILE STATES

There are many sources of fragility in developing states. Recent conflict is one. Lack of preparation to govern in fledgling democracies is another. Corruption, spillover effects from instability in a neighboring country or financial crises are still others. The FY 2007 budget proposal will address the multiple and varied sources of fragility in sub-Saharan Africa, Asia and the Near East and Latin America. Programs to help a country stabilize, strengthen human security, begin a reform process and progress toward

a government that helps its people better their own lives will be funded in countries such as Nepal and Sudan.

Sudan: Ten Top Achievements in 2005

1. Repairs and improvements to over 2500 km of roads, creating employment for over 1,300 people, reducing the commercial transport rate by 25 percent, and lowering the cost of public transportation by over 50 percent.

2. USAID-supported microfinance institutions in four major districts have disbursed $1,312,269 in loans to 2,723 clients, who have a repayment rate of 97.8 percent.

> *In Sudan, USAID has provided 2,679 scholarships for girls and women showing a 14 percent increase in girl's enrollment.*

3. USAID has rehabilitated 55 primary schools and one secondary school and trained 7,757 administrators and parent-teacher association members associated with the schools.

4. USAID has provided 2,679 scholarships for girls and women. A sampling of participating institutions shows a 14 percent increase in girl's enrollment.

5. Non-formal education activities reach 13,317 learners, half of whom are women.

6. Fifty thousand radios are being

distributed throughout Southern Sudan to give citizens access to informational and educational programming.

7. The government of Southern Sudan prepared and finalized its first budget with support from USAID.

8. Fifty-one boreholes and 66 latrines have been built or rehabilitated at health facilities in six counties.

9. USAID has trained 249 maternal health workers, including traditional birth attendants and supported the establishment of 34 health management committees.

10. At eleven USAID-funded sites in Yei and Rumbek, 3,600 people were counseled and tested for HIV/AIDS. Peer educators reached 275,000 people, and 6,648 people were treated for sexually transmitted infections.

GOAL: PROVIDE HUMANITARIAN RELIEF

USAID is the leading U.S. government agency in responding to overseas crises, whether natural or man-made. The FY 2007 budget enables USAID to respond to humanitarian crises around the world. It also allows us to strengthen developing countries' ability to mitigate future disasters through activities such as surveillance and planning, and to restore livelihoods after the immediate crisis period has passed. In addition, the request includes authority to use up to 25 percent of the P.L. 480 Title II funds for the local or regional purchase and distribution of food to assist people threatened by a food security crisis. This will permit USAID to provide food assistance in the most timely and

efficient manner in certain types of emergency food crises. This authority will only be used in those instances where the rapid use of cash assistance is critical to saving lives.

Tsunami Response: Top 10 Achievements in 2005

1. Within hours of the tsunami, U.S. and other aid groups began sending food, water, plastic sheeting and medicine, benefiting over one million people in Indonesia, Sri Lanka, Thailand and India.

2. Aid agencies and militaries worked together to deliver aid and evacuate the injured.

3. Fast aid prevented epidemics by monitoring, preventing, and treating communicable diseases.

4. One million people sheltered in schools, mosques, temples. Built temporary shelters for tens of thousands of people.

5. Stricken nations coordinated foreign aid, local medical teams, Red Cross societies, NGOs, and military forces.

6. Cash-for-Work programs cleaned up wreckage, employed tens of thousands of displaced people, jumpstarted-recovery.

7. Clean water produced on U.S. military ships, delivered by helicopters; purification kits given to thousands.

8. Trained trauma counselors. Psychiatrists trained teachers, community leaders and clerics to help counsel thousands of grieving children.

9. Registered, protected children. U.S. aid assured safety of orphans, reopened schools.

10. Major reconstruction has begun. An 80 km corridor between Banda Aceh and Lamno has been rehabilitated and opened. Travel time for reconstruction workers/supplies cut in half. Fifty Acehnese, including 10 former GAM combatants, employed to maintain this segment of the road.

GOAL: ADDRESS GLOBAL ISSUES AND SPECIAL CONCERNS

Prevention and treatment of disease, particularly those that are or threaten to be pandemics, is an emphasis in the FY 2007 budget:

- Under the leadership of the Department of State's Global AIDS Coordinator, USAID implements prevention, care and treatment programs in over 75 countries worldwide. In FY 2007, Emergency Plan programs will scale up access to treatment by 51 percent over FY 2006, reaching those who have not previously had hope in the fight against AIDS.

- The President's Malaria Initiative, focused on Africa, will be expanded to increase coverage from three countries, to seven. 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 by increasing coverage to 85 percent of the population with proven prevention and treatment interventions.

- Avian influenza programs will work to stem the spread of avian influenza

and improve the ability of nations to respond effectively by promoting awareness of risks and appropriate behaviors to reduce virus transmission; strengthening surveillance and diagnosis systems to detect outbreaks more quickly; increasing rapid response capacity by training and equipping first responders, and supporting the development of effective national preparedness and response plans for both animal and human outbreaks.

GOAL: PROMOTE TRANSFORMATIONAL DEVELOPMENT

The primary focus for USAID's promotion of transformational development are the nearly 50 low- and middle-income countries that are committed to good governance and sound policies and are not yet eligible for MCA funds, or do not have an approved MCC compact. Countries that are MCA-eligible as well as weaker performers may also receive transformational development assistance depending on resource availability and the scope for achieving significant results. To the extent possible, USAID programs in countries receiving MCC resources are designed to synergize, thus increasing the effectiveness of U.S. Government assistance.

The three core components of transformational development are ruling justly, promoting economic freedom and making sound investments in people. USAID pursues democratic governance, economic growth and health and education programs to help developing countries transform.

In support of the President's Freedom Agenda, USAID plans to help states become more democratic and well-governed, so that they can respond to the needs of their people.

Countries with open and streamlined trade and investment regimes tend to grow more rapidly thanks to greater efficiency, incentives, technology transfers, and improved access to growing world markets. Agency programs help reduce trade barriers, increase investment, and enhance trade capacity in partner countries. Trade and growth have direct, positive effects on reducing poverty. Over the last five years, USAID has assisted more than 80 countries to improve their trade capacity.

In FY 2007, USAID will initiate the $30 million Africa Global Competitiveness Initiative to further foster trade-led growth and development. This initiative will improve the policy, regulatory and enforcement environment for private sector trade; improve private sector actors' market knowledge, skills and abilities; increase access to trade-related financial services and leverage infrastructure investments.

The cornerstone of USAID's investment in people in transformational development is its education programs. We propose a $301 million investment in FY 2007 in basic and higher education. A small number of health programs contribute to the transformative policies and systems that countries need to sustain the improvements in health status that we gain with our vertical interventions in combating infectious disease, family planning and protecting vulnerable children. Under

the Development Credit Authority, USAID is requesting $5 million for the Africa Housing and Infrastructure Facility. This innovative use of the credit facility will support the subsidy costs of partial guarantees for private sector financing of water, infrastructure and housing projects in Africa.

Supporting Key Administration Initiatives

The Agency also supports on-going commitments such as education initiatives in Africa and Latin America, the Broader Middle East and North Africa Initiative, Trade Capacity Building, Global Climate Change, the Initiative to End Hunger in Africa, and Water for the Poor. These initiatives achieve a range of results that complement USAID's goals in transformational development, fragile and strategic states, and are implemented in a variety of ways, from contributing to global funds, providing training, technical assistance or policy analysis bilaterally, and directly delivering services.

- Presidential Initiatives
- Administration Initiatives
- African Education Initiative
- Anti-Trafficking in Persons
- Centers for Excellence in Teacher Training
- Digital Freedom Initiative
- Emergency Plan for AIDS Relief
- Global Climate Change Initiatives
- Initiative Against Illegal Logging
- Malaria Initiative
- Volunteers for Prosperity
- Women's Justice and Empowerment In Africa
- African Growth and Competitiveness Initiative
- Broader Middle East and North

Africa Initiative
- Initiative to End Hunger in Africa
- Middle East Partnership Initiative
- Trade Capacity Building
- Water for the Poor Initiative

Management Reforms and Initiatives

The men and women of the U.S. Agency for International Development are on the front lines of America's transformational diplomacy. The people of USAID are bringing essential knowledge and resources and skills to distant corners of the earth. They are on the ground across the world, advancing liberty and democracy, security and prosperity, often in very dangerous places. Some have made the ultimate sacrifice in the service to our country.

Condoleezza Rice
Secretary of State
January 19, 2006

Transformational diplomacy requires people, systems and infrastructure that deliver programs as efficiently, effectively and accountably as possible. The challenges of working in difficult, often insecure environments are significant. During FY 2007, the restructuring of foreign assistance is expected to open new opportunities to improve management within this difficult context.

Staffing

After an interruption due to the FY 2006 enacted Operating Expense levels, USAID continues to rebuild its human capital in the wake of the dramatic downsizing of the direct-hire workforce in the 1990s and in anticipation of the large contingent reaching retirement

age. USAID will use its corporate workforce planning model to rationalize and optimize its organizational structures and staff deployment. Targeted recruitment of technical staff and training will ensure we have sufficient complements of mission-critical skills to conduct development assistance. In addition, an employee performance assessment system will enable accountability.

Business Transformation

The reduced FY 2006 OE levels accelerated USAID's restructuring efforts, which focus on rightsizing overseas and Washington presence, regionalizing business functions, and consolidating administrative services. The FY 2007 request will allow the Agency to continue the long-term plan to restructure its business model to achieve more efficient, lower-cost ways of doing business. This will include restructuring Washington staffing to ensure the most efficient organizations support our missions and manage headquarters operations.

The Agency's workforce planning model is critical to developing our regionalization and rightsizing strategies. We are using the model to assess staffing needs worldwide and determine overseas staffing ceilings for all employment categories for FY 2007 and beyond. The ceilings will result in downsizing staff in several regions while increasing staff where current levels do not meet the model recommendations.

The Agency also will right size its overseas presence with moves to new embassy compounds. We are developing an action plan that merges State and USAID administrative services into a streamlined, unified operation in new embassy compounds that will contain costs while ensuring full programmatic support for all serviced customers.

We also are centralizing and further regionalizing business functions, making greater use of local staff, and outsourcing and eliminating areas of duplication as we work with the Department of State to consolidate administrative services overseas. Consolidation of administrative support and the subsequent merger of staff will result in costs savings through reduced total staff and costs to the USG.

> *The FY 2007 request will support investments in information technology (IT) that are fundamental to greater efficiency and accountability in Agency operations.*

The FY 2007 request will support investments in information technology (IT) that are fundamental to greater efficiency and accountability in Agency operations. We will continue to roll out our worldwide accounting and procurement systems, develop an Executive Information System, and strengthen collaboration and consolidation with the Department of State.

Partnerships

USAID is actively engaged in identifying and forging agreements with non-traditional partners, including faith-based organizations. Significant progress has been made in this area. The Global Development Alliance (GDA) is the centerpiece of our efforts to harness the power of public-private alliances to address challenges in the developing world. GDA represents a strategic approach to alliance building in order to bring significant new resources, ideas, technologies, and partners together to address development problems wherever USAID works. Through FY 2005, USAID has funded approximately 400 public-private alliances with over $1.6 billion in USAID resources and has leveraged over $4.2 billion in alliance partner contributions.

Security

By enhancing worldwide security operations and physical infrastructure, USAID will continue to protect USAID employees and facilities against threats from terrorism and espionage. Investments in FY 2007 include physical security upgrades, participation in the Capital Security Cost Sharing Program and relocation of physical facilities.

Top 10 Achievements in Business Transformation in 2005
1. Conducted 11 Mission Management Assessments in Africa, Asia and the Near East, Europe and Eurasia (E&E), and Latin America and the Caribbean (LAC), developing over 300 findings and recommendations relating to program focus and content, implementation and monitoring, organization and staffing, and communication and outreach.

2. Completed development of workforce planning and workforce

analysis process and began implementation of strategies to eliminate mission-critical skills gaps.

3. Incorporated the principles of the Policy Framework into a method to strategically allocate DA resources to USG priorities for the Operating Year Budget. Began integrating the Workforce Planning Model into the strategic planning and budget processes.

4. Deployed the Phoenix accounting system to LAC and E&E Bureau missions.

5. Continued the transition of Phoenix financial accounting system to servers in the State Department's Financial Service Center in Charleston, South Carolina.

6. Established a back-up operations facility that will provide access to the financial system for continuity of operations in an emergency.

7. Selected a joint assistance management system with State Department and an acquisition management system for USAID.

8. Strengthened Communities of Practice through development of collaboration tools pilots, training through industry experts and development of a community leader's forum, Communities for Communities (C4C).

9. Integrated DA Strategic Budgeting Model with existing strategic budgeting for CSH account and family planning.

10. Closed the remaining two long-standing FMFIA material weaknesses, and received a third consecutive clean audit opinion.

THE BUDGET REQUEST

Development is vital to the achievement of transformational diplomacy. The FY 2007 budget request responds to the President's priorities, including support for the Global War on Terrorism, and helping Iraq, Afghanistan and Sudan toward democracy and recovery. The budget sets priorities that use aid effectively to promote real transformation in developing countries committed to reform, but not yet MCA-eligible. It positions USAID to find synergies with the work of the Millennium Challenge Corporation. It also

USAID continues to improve its operational efficiency, effectiveness and accountability through its management reform initiatives.

proposes that we help more vulnerable or crisis-prone states to advance stability, security and reform as the platform for transformational development. It sustains USAID's premier capacity to offer humanitarian and disaster relief to those in need, and contains the resources necessary to address global issues and special self-standing concerns.

The Agency continues to improve its operational efficiency, effectiveness and accountability through its management reform initiatives. It seeks the operating expense resources necessary to carry out its vital development work in support of transformational diplomacy.

The recipients of USAID's assistance, USAID employees and the U.S. taxpayers all benefit from Agency business transformation initiatives such as the strategic allocation of resources, and enhanced financial management and procurement systems.

This section has provided an overview of USAID's proposed FY 2007 budget.

DID YOU KNOW?

Full details are found in the accompanying tables and in the annexes which may be reviewed at the USAID public website: http://www.usaid.gov

ABBREVIATIONS

Cucumbers on their way to becoming pickles at Vegafruit's flagship production facility in Gracanica, Bosnia.

ABS . . . . Agency Budget Submission

ACI . . . . Andean Counterdrug Initiative

ADS . . . . Automated Directives System

AEEB . . . . Assistance for Eastern Europe and the Baltic States

AIDAR . . . . USAID Acquisition Regulation

BPBS . . . . Bureau Program and Budget Submission

CBJ . . . . Congressional Budget Justification

CFR . . . . Code of Federal Regulations

CO . . . . Contracting Officer

CPA . . . . Coalition Provisional Authority

CSH . . . . Child Survival and Health

CTO . . . . Cognizant Technical Officer

DA . . . . Development Assistance

DART . . . . Disaster Assistance Response Team

E-CAM . . . . Central America and Mexico Regional Program (El Salvador)

ESF . . . . Economic Support Fund

FAA . . . . Foreign Assistance Act

FAR . . . . Federal Acquisition Regulation

FSA . . . . FREEDOM Support Act (Freedom for Russian and the Emerging Eurasian Democracies and Open Markets Support Act)

FSN . . . . Foreign Service National

FSO . . . . Foreign Service Officer

FY . . . . Fiscal Year

GDA . . . . Global Development Alliance

GPRA . . . . Government Performance and Results Act

GS . . . . General Schedule

IDFA . . . . International Disaster and Famine Assistance

IQC . . . . Indefinite Quantity Contract

J-CAR . . . . Caribbean Regional Program (Jamaica)

MCA . . . . Millennium Challenge Account

MEPI . . . . .Middle East Partnership Initiative

NGO . . . . .Nongovernmental Organization

OMB . . . . .Office of Management and Budget

OYB . . . . .Operating Year Budget

PASA . . . . .Participating Agency Service Agreement

PEPFAR . . . . .President's Emergency Plan for AIDS Relief

PIO . . . . .Public International Organization

PL 480 Title II . . . . . . .U.S. International Food Assistance

PMI . . . . .President's Malaria Initiative

P-SAR . . . . .South American Regional Program (Peru)

PVO . . . . .Private Voluntary Organization

RCSA . . . . .Regional Center for Southern Africa (Botswana)

RDMA . . . . .Regional Development Mission for Asia (Thailand)

REDSO . . . . .Regional Economic Development Support Office (Kenya)

RFP . . . . .Request for Proposals

RSC . . . . .Regional Service Center (Hungary)

SEED . . . . .Support for East European Democracy

SO . . . . .Strategic Objective

SOAg . . . . .Strategic Objective Agreement

SOW . . . . .Scope of Work

TI . . . . .Transition Initiatives

USAID . . . . .U.S. Agency for International Development

USDH . . . . .U.S. Direct Hire

USPSC . . . . .U.S. Personal Services Contractor

WARP . . . . .West Africa Regional Program (Ghana)

DID YOU KNOW?

USAID plays a vital role in advancing U.S. national security, foreign policy, and the War on Terrorism.

GLOSSARY

Religious leaders from West and East Africa discuss family planning and reproductive health issues at a USAID-sponsored workshop in Bamako, Mali.

ALTERNATIVE DEVELOPMENT
A type of integrated development used in counternarcotics programs. It encompasses cross-cutting activities (employment, infrastructure, governance, etc.) that benefit families and communities in drug production areas, helping to motivate farmers to stop producing drug crops.

AUTHORITY
In USAID, the legal power to perform particular tasks or, in certain cases, to disregard particular prohibitions in carrying out a foreign assistance program.

AUTOMATED DIRECTIVES SYSTEM (ADS)
A continually updated reference consolidating all federal statutes and regulations relevant to USAID's work.

BACKSTOP
The skill category of a particular position in USAID (e.g., country director, contracts officer); also, the numeric code used to identify a skill category.

BRANDING
Use of a combination of required design elements, in USAID's case including a logo, tagline, seal, specified colors, and photo and layout guidelines, to help make its publications and products easily recognizable to beneficiaries, partners, and the public.

BUDGET SUPPORT
The transfer of resources directly to a recipient country for its general development purposes. The resources, which are not tied to specific donor projects, support achievement of agreed-upon goals and objectives and are intended to activate and nurture host-government allocation, procurement, and accounting systems. General budget support is provided to a country's budget as a whole, while sector budget support is provided to the budget of a specific sector.

CAPACITY BUILDING
A process whereby people, organizations, and society as a whole are enabled to strengthen, create, improve, adapt, or maintain their abilities to manage their affairs, through training, mentoring, networking, and improvements in equipment, infrastructure, programs, and organizational structure.

CIVIL SOCIETY
A collective term for nongovernmental, mostly nonprofit groups (civic, educational, trade, labor, charitable, media, religious, recreational, advocacy, etc.) that help their society at large function while working to advance their own or others' wellbeing.

COGNIZANT TECHNICAL OFFICER (CTO)
The USAID official responsible for administering a contract and seeing that the contractor's performance meets the contract's technical requirements and quality standards.

COMPLEX EMERGENCY
A disaster, usually long-term, combining political, military, and humanitarian problems in a way that hinders relief efforts.

CONTRACT
A legal instrument for the purchase of services, equipment, or commodities according to a specified scope of work.

CONTRACTING OFFiCER (OR AGREEMENT OFFICER)
A USAID officer with delegated authority to enter into, administer, and terminate contracts (or agreements) and make related determinations and findings.

CONTRACTOR
A nongovernment organization or person acting as an agent of USAID and carrying out a scope of work specified by USAID.

COOPERATIVE AGREEMENT
A legal instrument for awarding funds to a recipient—usually a nonprofit organization or an educational institution—to accomplish a specified public purpose in a situation where substantial involvement by USAID is anticipated.

CONGRESSIONAL BUDGET JUSTIFICATION (CBJ)
An annual document giving the context, objectives, approach, and anticipated spending for USAID's activities in the upcoming fiscal year; includes detailed descriptions of the planned programs.

CREDIT GUARANTEE
A financial tool used in developing countries to encourage private investment in projects and businesses that do not have access to credit. USAID covers up to 50 percent of principal on these investments in case of default.

DEVELOPMENT ASSISTANCE

Programs, projects, and activities carried out by USAID that improve the lives of the citizens of developing countries while furthering U.S. foreign policy interests in expanding democracy and promoting free market economic growth.

DIRECT-HIRE EMPLOYEE

A career employee of USAID, as opposed to a contractor.

EARMARK

A provision of law requiring USAID to spend minimum amounts from certain accounts for specific purposes or in specific countries.

ENTERPRISE FUNDS

Independent organizations designed to encourage public–private sector investments and finance in countries transitioning from a centrally planned to a free market economy. Funds are governed by a private-sector board of directors, but with U.S. government oversight of their operations.

FEDERAL ACQUISITION REGULATION (FAR)

A continuously updated document codifying uniform policies for federal agencies acquiring supplies and services. Supplemented for USAID purposes by AIDAR, the USAID Acquisition Regulation.

FIELD MISSION

USAID unit operating outside the United States; may work in a single country (bilateral mission) or in a number of countries in a geographic area (regional mission or regional hub). Regional missions help with USAID programs in countries within their area and may also conduct their own development projects.

FISCAL YEAR (FY)

The 12 months over which a budget is programmed; the U.S. government's begins October 1 of one calendar year and ends on September 30 of the next.

FOREIGN SERVICE NATIONAL (FSN)

A professional recruited to work with a USAID field mission; usually a FSN is from the host country.

FRAGILE STATES

Countries, mostly low-income, where instability and weak governance undermine chances for long-term development. May be categorized as either in crisis or vulnerable.

GOVERNANCE

The process in which a political unit's citizens and decisionmakers interact to administer the unit, e.g., choose governments, express policy preferences, select policy, enact laws, and create governmental and nongovernmental institutions.

GRANT

A legal instrument for awarding funds to a recipient—usually a nonprofit organization or an educational institution—to accomplish a specified public purpose in a situation where substantial involvement by USAID is not anticipated.

INDICATOR (PERFORMANCE INDICATOR)

A particular characteristic or dimension used to track progress toward fulfillment of a strategic objective and to measure actual results compared with expected results.

INFRASTRUCTURE

The public systems, services, and facilities needed for a country's economic activity, such as water supply, roads, communications networks, and schools.

INTEGRATED DEVELOPMENT (INTEGRATED STRATEGY)

A development approach that looks beyond individual projects to cross-cutting, broad, systemic activities that create or exploit synergies to achieve the goals of an operating unit's strategic plan.

LEADER WITH ASSOCIATE

A mechanism that allows a USAID mission to propose and manage a subsidiary (associate) agreement that piggybacks onto a larger (leader) contract or cooperative agreement.

NONGOVERNMENTAL ORGANIZATIONS (NGOS)

Voluntary nonprofit organizations based in developing countries or regions.

NOTWITHSTANDING AUTHORITIES

Provisions allowing specific programs (e.g., disaster assistance, child survival, democratization, food aid) to be implemented without regard to ("notwithstanding") certain legal restrictions.

OBLIGATION

A binding agreement that budgeted funds may be spent.

PRIVATE VOLUNTARY ORGANIZATIONS (PVOS)

Nonprofit groups having chiefly charitable, scientific, educational, or service aims. Most of the PVOs USAID works with are U.S.-based, but some are international.

PROGRAM COMPONENT
A set of related activities conducted to make progress toward a particular USAID strategic objective. USAID employs 40 components in nine sectoral areas.

PUBLIC INTERNATIONAL ORGANIZATIONS
Organizations whose members are chiefly governments (including the United States), such as the UN and the World Bank.

PUBLIC LAW 480 TITLE II (PL 480)
The name of the legal authority for U.S. international food aid, and by extension, the name of USAID's food aid program (for which funds are channeled through the Department of Agriculture).

PUBLIC-PRIVATE ALLIANCE
A partnership in which USAID joins with a private sector firm or firms to pursue a development goal; may also include nonprofits, educational institutions, other government agencies, etc.

SCOPE OF WORK
A statement that spells out the exact nature of a purchase of services or goods, specifies when and where it is to be delivered, and gives other particulars as needed (e.g., cost, special supplier qualifications).

SECTOR
A broad area of social or economic activity, e.g., agriculture, education, health, or governance.

STAKEHOLDERS
Interested parties to a development effort; examples include citizen beneficiaries, government actors, and local advocacy groups.

STRATEGIC OBJECTIVE (SO)
The most significant development result achievable within the time period of a unit's strategic plan. Strategic objectives set out the context of specific USAID activities, as well as the standards for their success.

STRATEGIC OBJECTIVE AGREEMENT (SOAG)
A formal agreement between USAID and a foreign government about undertaking specific development activities, detailing timeframe, results, results measures, resources, responsibilities, and estimated contributions of involved parties.

STRATEGIC PLAN

A document used to describe, give the rationale for, and obtain approval of one or more strategic objectives to be implemented by an operating unit.

TECHNICAL ASSISTANCE

The provision of know-how in the form of personnel, training, and research, along with support for associated costs, to augment the technical knowledge, skills, or productive capacity of the recipient country.

TRANSITION INITIATIVES

A set of programs intended to facilitate stability, strengthen democracy, and revitalize basic infrastructure in nations affected by political, economic, or social upheaval.

TRANSFORMATIONAL DEVELOPMENT

Development based on fundamental changes in institutions of governance, human capacity, and economic structure that enable a country to make and sustain further economic and social progress without depending upon foreign aid.

TRANSNATIONAL

Cross-border, regional, multinational, or global; this term is applied to both problems and programs.

DID YOU KNOW?

The U.S. government's Fiscal Year begins October 1 of one calendar year and ends on September 30 of the next.

OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION (OSDBU) STAFF

These school children attend a USAID-supported "Reading Day" that opens library doors to communities across Kazakhstan and teach children and adults alike to share the joy of reading.

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DID YOU KNOW?

For additional information, visit USAID's website at www.usaid.gov.

*"Your support is essential to our success
and I know that a monologue is not
the most effective form of communication."*

**AMBASSADOR RANDALL L. TOBIAS
USAID ADMINISTRATOR**

A Malian man receives food aid.