

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

**I. Export and Investment Assistance**

(\$ in thousands)	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
<b>Export-Import Bank of the United States</b>			
Loan Subsidy	-	59,322	186,500
Administrative Expenses	72,467	72,614	73,200
Inspector General	-	-	1,000
Direct Loans, Negative Subsidies	(42,000)	(55,000)	(50,000)
<b>Total, Export-Import Bank of the United States</b>	<b>30,467</b>	<b>76,936</b>	<b>210,700</b>
<b>Overseas Private Investment Corporation</b>			
Administrative Expenses	41,141	42,542	42,274
Net Offsetting Collections	(288,999)	(279,350)	(223,000)
Credit Funding	23,858	23,808	20,276
<b>Net Negative Budget Authority, OPIC</b>	<b>(224,000)</b>	<b>(213,000)</b>	<b>(160,450)</b>
<b>Trade and Development Agency</b>	<b>49,705</b>	<b>51,088</b>	<b>48,900</b>
<b>Total, Export and Investment Assistance</b>	<b>(143,828)</b>	<b>(84,976)</b>	<b>99,150</b>

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

The FY 2006 request seeks \$186.5 million for loan programs and \$73.2 million for administrative expenses. Such funding, in combination with program budget authority carried over from prior years, will support \$13.8 billion in lending activity.

Ex-Im Bank is the official export credit agency of the United States. The purpose of Ex-Im Bank is to facilitate U.S. exports by providing competitive export financing in situations where U.S. exporters: (1) are facing foreign or competition backed by officially supported financing, (2) the private market is unwilling or unable to offer this financing. In either case, Ex-Im Bank financing is predicated on a determination that reasonable assurance of repayment exists. Ex-Im Bank enables U.S. companies — large and small — to turn export opportunities into sales that help to maintain and create U.S. jobs and contribute to a stronger national economy. Ex-Im Bank provides its export credit support through direct loan, loan guarantee, and insurance programs. The Bank actively assists small and medium-sized businesses.

**Overseas Private Investment Corporation (OPIC)**

In FY 2006 the Overseas Private Investment Corporation (OPIC) will continue to focus its efforts on projects that are highly developmental, based on both sector and location. Based on U.S. development and foreign policy priorities, in FY 2006 OPIC will place special emphasis on the areas of small business,

investments in emerging markets such as Russia, Mexico, Central Asia (including Iraq, Afghanistan and Pakistan) and Sub-Saharan Africa, continuing to increase its private sector cooperation and increasing the availability of housing for the developing world.

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

From its estimated net offsetting collections of \$223 million in FY 2006, OPIC is requesting \$42.3 million for administrative expenses and \$20.3 million for credit funding. This amount will support over \$1.6 billion in new direct loans and loan guaranties at an average credit funding rate of about 1.9 percent.

OPIC is a self-sustaining agency that provides political risk insurance, project finance, and investment funds products to American businesses. Its accomplishments have allowed American businesses to expand into as many as 153 developing nations and emerging markets around the world.

### **Trade and Development Agency (TDA)**

The Administration is requesting \$48.9 million for TDA in FY 2006. This request maintains the Agency's ability to spur economic development and advance U.S. commercial interests in developing and middle-income countries.

TDA provides a bridge to U.S. technical know-how and experience for developing and middle-income countries. The focus of the Agency is unique in that it creates public-private partnerships in response to project sponsor needs and priorities. TDA funds help identify and prepare projects for implementation that will establish the infrastructure necessary for economies to expand. At the same time, the Agency's activities develop trade partnerships by enhancing the ability of U.S. firms to conduct business overseas.

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

The Agency's FY 2006 budget request is designed to target TDA's assistance programs in support of key Administration foreign assistance priorities, including: 1) delivering trade capacity building assistance to build local economies and to open markets for U.S. goods and services, 2) ensuring that developing and middle income countries have safe and secure ports to help lessen the likelihood of future terrorist attacks and the disruption of trade, 3) reconstruction in Afghanistan and Iraq and economic development in other Middle Eastern countries, and 4) support of White House environmental initiatives under the Interagency Working Group on Environmental Cooperation Associated with Free Trade Agreements.

## II. Bilateral Economic Assistance

### A. United States Agency for International Development

(\$ in thousands)	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Child Survival and Health Programs Fund	1,824,174	1,537,600	1,251,500
Development Assistance	1,364,329	1,448,320	1,103,233
International Disaster and Famine Assistance	543,993	484,896	655,500
Transition Initiatives	54,676	48,608	325,000
Development Credit Authority - Admin. Exp.	7,953	7,936	8,000
USAID Operating Expenses	651,136	613,056	680,735
USAID Capital Investment Fund	98,315	58,528	77,700
USAID Inspector General Operating Expenses	36,694	34,720	36,000
<b>Total, United States Agency for International Development</b>	<b>4,581,270</b>	<b>4,233,664</b>	<b>4,137,668</b>

Note: For FY 2006, the request for Int'l Disaster & Famine Assistance includes \$300 million for emergency food aid; the request for Transition Initiatives includes funding for Afghanistan, Ethiopia, Haiti, and Sudan that was formerly in Development Assistance.

#### Overview

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

The FY 2006 budget request reflects the President's recognition that development makes a vital contribution to enhancing U.S. national security. It acknowledges that foreign assistance supports several goals, including: promoting transformational development, stabilizing fragile states, supporting strategic states, responding to humanitarian needs, and addressing global issues and special concerns. The budget introduces a new allocation of Development Assistance funds to improve the effectiveness of foreign assistance by rewarding good performing needy countries. A second innovation to improve effectiveness is the expansion of the Transition Initiatives account to encourage stability, reform and capacity development in key strategic fragile states.

Key elements of the budget include:

- Strategic management of human capital – improving staff training and rightsizing the workforce.
- Rewarding good performers such as Bangladesh, Uganda and Guyana - helping them to move toward eligibility for the Millennium Challenge Account by pursuing transformational development.
- Significantly restructuring USAID's approach to fragile states, especially those emerging from crisis, with a fully integrated yet flexible response. Essential to this approach is the flexibility to develop or adjust programs in response to rapidly-changing circumstance.

- Maintaining our strong support for countries on the front lines in the War on Terrorism, especially Afghanistan, Pakistan, and Sudan, as well as other front-line states in Asia, the Near East, and Africa..
- Working to reduce or eliminate health problems, especially HIV/AIDS, tuberculosis, malaria and other infectious diseases. USAID will work closely with the Global AIDS Coordinator in implementing the President's Emergency Plan for AIDS Relief.
- Focusing on trade and agriculture as important contributors to economic growth, especially in Africa and Latin America.

### **Child Survival and Health Programs Fund (CSH)**

The FY 2006 request of \$1.251 billion for the Child Survival and Health Programs Fund (CSH) addresses critical health and family planning needs worldwide. Investing in the health of the world's population, addressing global issues and other special concerns, stabilizing fragile states, and promoting transformational development are all goals supported by funds from this account as follows:

- The President's Emergency Plan for AIDS Relief (the Emergency Plan) focuses on fifteen African, Caribbean and Asian countries. USAID will play a significant role in implementing the Emergency Plan, which is managed by the Department of State's Global AIDS Coordinator. Funding for the 15 focus countries is being requested within the State Department's Global HIV/AIDS Initiative appropriation. USAID's HIV/AIDS programs (\$330 million) from the CSH account will focus on prevention, care, and treatment efforts, and the support of children affected by AIDS in non-focus countries around the world.
- Family Planning and Reproductive Health (\$425 million from all funding sources, including \$346 million from this account).
- Child Survival and Maternal Health (\$326 million) to address the primary causes of maternal and child mortality, and to improve health care systems, primarily in sub-Saharan Africa and South Asia.
- Other Infectious Diseases (\$139 million), particularly the prevention and control of tuberculosis and malaria, and programs to combat anti-microbial resistance and disease surveillance – focusing on sub-Saharan Africa, the Caribbean Basin, India, Indonesia and Cambodia.
- Vulnerable Children (\$10 million) to support the Displaced Children and Orphans Fund worldwide.
- Funding is provided for a \$100 million contribution to the Global Fund.

### **Development Assistance (DA)**

The FY 2006 request of \$1.103 billion for Development Assistance will fund programs to promote transformational development in stable developing countries which are needy and are committed to promoting economic freedom, ruling justly and investing in people. The DA also funds programs that support global issues such as environmental protection and biodiversity.

Development Assistance will promote transformational development through:

- Agriculture programs and natural resources management, including the President's End Hunger in Africa Initiative, to rebuild agricultural capability in developing countries, reduce hunger, and foster trade and growth.
- Economic growth programs to foster trade-led growth and development, including the Central America Free Trade Agreement (CAFTA), and the Trade for African Development (TRADE) Initiative. Funds will also support financial sector development, including microenterprise and small business development worldwide.
- Support for countries' efforts to rule justly, including elections, political party assistance, rule of law, security, anti-corruption, human rights and conflict prevention, and also assistance to end trafficking in persons.
- Support for a major component of "investing in people" -- education and training. DA programs include basic education programs such as the African Education Initiative, higher education and training programs.
- The Global Development Alliance, USAID's tool to mobilize private resources for development by creating alliances between the public and private sectors in support of the Agency's transformational development goals.

Development Assistance will also fund programs that address global issues such as global climate change, for example through continued support for the Congo Basin Forest Partnership.

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

The FY 2006 request of \$655.5 million will provide funds for the management of humanitarian relief, rehabilitation, and reconstruction assistance to countries struck by natural and man-made disasters, and support for disaster mitigation, prevention, and preparedness.

This includes \$335 million to provide relief services and commodities including temporary shelter, blankets, supplementary food, potable water, medical supplies, and agricultural rehabilitation aid, including seeds and hand tools. Of this amount, \$100 million will be used for additional humanitarian needs in Sudan.

In addition, \$20 million will be used for famine prevention and relief, which is intended to support early intervention to either pre-empt famine or mitigate the impact.

Finally, \$300 million is requested in the IDFA account in 2006 for emergency food assistance. This funding will permit USAID to provide food assistance in the most timely and efficient manner to the most critical emergency food crises. It will be used in those instances where the rapid use of cash assistance is critical to saving lives.

### **Transition Initiatives (TI)**

The FY 2006 request of \$325 million will support critical interventions in priority fragile states that further efforts at stabilization, reform and post-conflict reconstruction. Fragile states require early action and a fully integrated yet flexible response when countries are coping with periods of crisis. The fundamental problem in fragile states is weak governance that undermines the state's ability to manage internal conflicts, deliver basic services to its citizens, or prevent famine. Therefore the primary objective is to establish the basis for

meaningful development by increasing stability and restoring minimal democratic governance and economic functions.

In priority crisis countries the Office of Transition Initiatives (OTI) will support, strengthen, or preserve democratic institutions or processes, revitalize basic infrastructure and foster the peaceful resolution of conflict. The request for OTI is \$50 million.

Another \$275 million of the request is for Afghanistan, Ethiopia, Haiti, and Sudan. Funding for these four fragile states was formerly included in Development Assistance (a total of \$243.5 million in the FY 2005 request for DA). The distinguishing feature of programs supported by this account is the focus on integrated, near-term programs to support stabilization. The account would seek short-term impact and visible results while also laying the foundation for longer-term structural reform and development. Essential to this approach is the flexibility to develop and/or adjust programs in response to rapidly changing circumstances.

### **Development Credit Authority (DCA)**

Credit promotes broad-based economic growth in developing and transitional economies. The Development Credit Authority (DCA) allows USAID to use credit as a flexible development tool for a wide range of development purposes. DCA augments grant assistance by mobilizing private capital in developing countries for sustainable development projects, thereby supporting the capacity of host countries to finance their own development.

The FY 2006 request includes \$21 million in transfer authority to provide loan guarantees in every region and in every sector targeted by USAID.

The request also includes \$8 million for credit administrative costs. In accordance with the Federal Credit Reform Act of 1990, this funds the total cost of development, implementation, and financial management of the DCA program, as well as the continued administration of the Agency's legacy credit portfolios which amount to more than \$22 billion.

### **USAID Operating Expenses (OE)**

The FY 2006 request (\$680.735 million) covers administrative costs of managing \$9 billion in program funds. The funding will support management priorities to strengthen and right-size the workforce, improve program oversight and accountability, modernize business systems, and increase security. \$36.3 million of the FY 2006 request is for USAID operations in Iraq and Afghanistan, which have been funded in prior years through supplemental appropriations.

The Agency's Development Readiness Initiative will strengthen the workforce and rebuild the Agency's diplomacy and development capacity by hiring an additional 70 staff over and above anticipated attrition to address critical workforce requirements.

The Agency also will continue to modernize its business systems and support State-USAID joint integration of procurement and financial systems to improve program accountability in a cost effective way.

In addition, the Agency will increase physical, personnel, and information security measures to protect USAID employees and facilities against global terrorism and national security information against espionage.

## **USAID Capital Investment Fund**

The FY 2006 Capital Investment Fund request (\$77.7 million) uses no-year authority to provide the Agency with greater flexibility to manage investments in technology and facility construction.

The request provides \$55.8 million to fund the second year of the Capital Security Cost Sharing Program to support the construction of USAID facilities on new Embassy compounds. These funds will support USAID's ability to locate staff in secure work environments.

The remaining \$21.9 million will fund investments in Information Technology infrastructure for the continued implementation of worldwide accounting and procurement systems, full participation in E-Government initiatives, and infrastructure modernization necessary to achieve the State-USAID joint goals for information technology management and systems security.

## **USAID Inspector General Operating Expenses**

The FY 2006 request (\$36 million) for the USAID Office of Inspector General covers salaries, operating expenses, and benefits for staff, and supports critical audit and investigative coverage for the agency.

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

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## B. Other Bilateral Economic Assistance

(\$ in thousands)	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Economic Support Fund	3,288,162	2,480,992	3,036,375
Assistance for Eastern Europe and the Baltic States	442,375	393,427	382,000
Assistance for the Independent States of the Former Soviet Union	584,537	555,520	482,000
<b>Total, Other Bilateral Economic Assistance</b>	<b>4,315,074</b>	<b>3,429,939</b>	<b>3,900,375</b>

### Economic Support Fund (ESF) (including International Fund for Ireland)

*Africa* -- \$151.9 million is requested for programs in sub-Saharan Africa. These funds will assist countries to recover from conflict and bring about enduring peace; support the development of democracies, including support for human rights and rule of law; promote economic stability, sustainable development, and U.S. investment opportunities in Africa; and combat terrorism and other forces that undermine prosperity and stability in the region.

- Sudan - \$20 million to provide administrative, technical, legal, operational and other support to implement the peace agreement and ensure full transition to a just peace; and to support development of political pluralism and democracy.
- Liberia - \$75 million for the continued reintegration of child soldiers and other former combatants into society, election preparations, judicial and rule of law programs, education and literacy, customs and tax reform, aviation safety, privatization of Liberia's parastatals and utilities, development of a private sector through micro-credit grants and loan programs, a World Trade Organization (WTO)-compatible trade and investment framework, transparent financial management, and sustainable management of forests, diamonds, fisheries and other natural resources according to international norms.
- A total of \$18.9 million for countries where we continue to work to resolve long-running conflicts or instability as well as provide support to achieve successful post-conflict domestic transitions. Included are Angola, Burundi, the Democratic Republic of Congo (DRC), Sierra Leone, and Zimbabwe. Funding will support rebuilding basic infrastructure; the resettlement and reintegration of former combatants, displaced persons and returnees; conflict mitigation projects; economic reform; and programs to promote democracy and good governance.
- A total of \$24.3 million for other key regional countries (Djibouti, Ethiopia, Kenya, Nigeria, and South Africa) to support economic growth, democratization, anti-crime, and anti-corruption activities. ESF also will be used to help countries play an effective role in combating terrorism through cooperation in key areas like judicial system reform, and anti-terrorism training related to border control and the freezing of terrorist assets. Other programs will strengthen the role of civil society, help professionalize electoral structures and foster true multi-party democracy, enhance trade and private sector development, and promote human rights.
- A total of \$13.7 million is requested for three regional programs: the Africa Regional Fund, Safe Skies for Africa (SSFA), and Regional Organizations. Programs implemented under the Africa Regional Fund will support democratic development, strengthen the rule of law, advance economic reforms, promote trade and investment, aid judicial reform and the development of civil society, improve administration of borders, assist in drafting counter-terrorism legislation, combat money laundering, and support African efforts to manage its environment and natural resources. Through the SSFA program, we will continue to enhance airport security in order to promote U.S. investment opportunities and combat international crime and terrorism. Assistance will be provided to strengthen

the capabilities of regional organizations in Africa, including but not limited to the African Union (AU), the Economic Community of West African States (ECOWAS), the Southern African Development Community (SADC), and the Intergovernmental Authority on Development (IGAD). Recognizing that the AU is playing an increasingly significant leadership role in addressing the debilitating and harmful effects of conflict in Africa, as well as demonstrating leadership in developing mechanisms to encourage good governance and economic growth, ESF will be used to provide communications and conference capacity for the AU to more effectively use its limited staff time and resources.

*East Asia and the Pacific* -- \$155.4 million is requested to continue key programs supporting democracy and good governance, support education initiatives where the system is in crisis, stimulate economic growth and development; fund significant civil society and women's empowerment programs, and strengthen local security and counter-terrorism initiatives. Funds also will support several important EAP regional accounts that foster regional solutions to transnational problems, enhance U.S. influence in regional institutions, and underscore broad U.S. engagement in the region.

- Indonesia - \$70 million to strengthen counter-terrorist initiatives (financial crimes, money laundering); improve the quality of basic education for Indonesia's children in support of the President's education initiative – a key element of our counter-terrorism efforts; promote good governance, democracy and human rights; promote economic growth and prosperity; continue conflict mitigation and resolution; and support enhanced public diplomacy programs.
- Philippines - \$20 million to continue ongoing programs devoted to economic growth and reforms, good governance, and poverty alleviation as well as attacking pervasive corruption. Approximately sixty percent of the total will support programs in Mindanao, including education, aimed at reducing the area's potential attractiveness to terrorist organizations.
- Cambodia - \$15 million to support political party development to promote multiparty democracy and human rights monitoring. Other program objectives include democracy, human rights, good governance and anti-corruption.
- East Timor, Mongolia and Burma - A total of \$28 million is requested to support the private sector led growth of East Timor's economy through the promotion of trade and the provision of micro-credit; to expand on past gains in democracy and private sector-led economic growth in Mongolia; and to fund the democracy and capacity-building activities of NGOs working primarily with refugee and exile communities outside Burma with a view towards a future, more democratic country.
- The United States will provide \$18 million to the Pacific Island states under an international agreement associated with the 1987 South Pacific Multilateral Fisheries Treaty.
- EAP Regional Programs - \$4.4 million to help sustain regional projects that support over-arching U.S. objectives in the region. The ASEAN fund will support effective U.S. engagement with ASEAN under the ASEAN Cooperation Plan through ongoing and new programs in areas such as trade facilitation, intellectual property right protection, and capacity building on transnational issues. The Developing Asian Institutions Fund will promote U.S. strategic interests, advance regional cooperation and strengthen regional organizations in which the U.S. participates such as APEC and ARF. EAP Environmental Programs will address environmental issues in the Pacific Islands and Southeast Asia. Regional Women's Issues will help empower women financially and politically, with a special focus on those countries/women vulnerable to exploitation. Finally, the Pacific Islands fund will support small, high impact grant programs in twelve Pacific Island states.

*Europe and Eurasia* -- \$42 million is requested for programs that promote peace and reconciliation, and contribute to the stability of the region.

- Cyprus - \$ 20 million will support the peace process and eventual reunification of the island by increasing bicomunal efforts to build support for solution after the failure of the United Nations settlement plan in referenda in April 2004. The funding will also continue to support activities to strengthen the Turkish Cypriot economy and economic integration of the island.
- Ireland - \$8.5 million is for the International Fund for Ireland, which encourages contact, dialogue, and reconciliation between nationalists and unionists through economic development and cross-community projects. In addition, \$3.5 million underwrites the continuation of the Walsh Visa Program to bring unemployed young men and women from Northern Ireland and the six border counties to the U.S. for employment and job training.
- Turkey - \$10 million to support programs to improve human rights and economic stability in Turkey, a NATO ally and a country that is of major importance to the stability of its region.

*Near East* -- \$1.722 billion is requested to support regional stability in the Middle East, encourage development, and encourage a comprehensive peace between Israel and its neighbors; to promote political, economic, and educational reform throughout the region; and to combat the roots of terrorism by targeting the economic despair and lack of opportunity that are exploited by extremists.

- Egypt and Israel - \$735 million in accordance with the ESF phase-down plans.
- Iraq - \$360 million for local and national political and economic governance, private sector and agricultural development programs.
- The Middle East Partnership Initiative (MEPI) - \$120 million to support reform efforts in the Middle East and champion opportunity for all people of the region. Funds will be used to support on-going flagship programs, such as the Middle East Free Trade Area, and growth programs, such as political party and legislative strengthening, and “Partnership Schools”, as well as the Middle East Foundation, which is expected to be established in 2005 with FY 2004 and FY 2005 funds.
- Jordan - \$250 million to help achieve sustainable economic growth that should result in a permanent increase in living standards, in line with the King's progressive socioeconomic plan. The ESF will strengthen water resource management, provide budget support to the government, promote economic growth, and support healthcare, education, and governance reforms.
- Lebanon - \$35 million to promote economic growth and trade reform; continue good governance programs; protect the environment; and support the four American Educational Institutions in Lebanon.
- Morocco - \$35 million to provide micro-credit facilities and employment opportunities for the urban poor; loan programs for housing and home improvements; basic health and education; and rural-based programs that will help arrest migration into already overcrowded urban areas.
- The West Bank and Gaza - \$150 million will address immediate humanitarian needs and longer-term economic development, especially reconstruction of Gaza and revitalization of the Palestinian economy in the wake of Israel's withdrawal; necessary foundations for emerging democracy such as institution-building and civil society strengthening; and infrastructure development, especially water.
- Yemen - \$30 million to fund development projects focused on health, education agriculture, and economic opportunities in five remote, tribal governorates of Yemen that have served as a refuge for al-Qaeda elements and a source of tribal instability.
- \$7 million to foster mutually beneficial technical cooperation between experts from Israel and its Arab neighbors under two complementary regional programs: the Middle East Multilaterals and the Middle East Regional Cooperation (MERC) program.

*South Asia* -- \$765.5 million is requested to help stabilize this critical region by funding economic reconstruction and development, demobilization, democracy building, education, training, and public diplomacy programs.

- Afghanistan - \$430 million to bolster progress toward stability, prosperity and democracy. The funds will be used to strengthen nascent democratic and legal institutions; develop alternative livelihoods for poppy-growing farmers; continue funding for health, education and clean water infrastructure and delivery; assist the central government to build its administrative and service delivery capacity; continue funding for provincial reconstruction team (PRT) projects to extend reconstruction into remote areas; continue support for demobilization and reintegration of militiamen; and help create new education and employment opportunities for all Afghan citizens, with special attention to the needs of girls and women.
- Pakistan - \$300 million for budget support (\$200 million) and targeted social sector programs (\$100 million), including education reform, expansion of basic health services for women and children, accountable and participatory democratic governance, and expansion of economic opportunities.
- Bangladesh - \$5 million to strengthen anti-corruption efforts, support political party reform, and help diversify the economy and accelerate economic growth.
- India - \$14 million to develop a more effective disaster response system, finance an education initiative in disadvantaged communities, implement water and power infrastructure reform activities, and help reduce the fiscal deficits in Indian states.
- Nepal - \$5 million to fund rural infrastructure projects, credit programs, literacy and numeracy training, anticorruption activities, and justice sector reform programs in areas vulnerable to Maoist control.
- Sri Lanka - \$9 million to bolster the peace process in Sri Lanka through democracy and governance programs; support a small-grants fund that fosters peace building and reconciliation efforts among diverse groups; and promote jobs and provide job training for unemployed youth, including ex-combatants.
- The South Asia Regional Program - \$2.5 million to address the root causes of extremism through cross-border and innovative pilot programs for education, democracy, economic cooperation and development, and conflict mitigation projects.

*Western Hemisphere* -- \$143.7 million to promote the Administration's objectives in the Western Hemisphere – bolstering our collective security, strengthening democratic institutions and practices, ensuring economic opportunity for all, and investing in people's well-being. The programmatic focus will continue to be on democracy and anti-corruption, trade-led economic growth, and the fight against organized crime and terrorism.

- South America (Bolivia, Brazil, Ecuador, Paraguay, Peru, Venezuela) - \$26.8 million directed towards consolidation of democratic gains and to address deep-seated economic and social problems in the Andean region and in Paraguay. In Brazil, assistance will provide technical support for a system to implement the Brazilian government's Zero Hunger development plan. In Venezuela, U.S. funds will continue to support political party building efforts and democracy-building programs by non-governmental organizations. Overall, programs will be developed to pursue justice sector reforms, enhance democratic institutions, and promote the rule of law; to facilitate free trade agreements; to fight corruption; and to promote respect for human rights.
- Central America (Guatemala, Nicaragua, Panama), Dominican Republic, and Mexico - \$22.4 million to further on-going programs to create a more secure and prosperous region with expanded economic opportunities to all citizens. Funds will assist in preparing for transition to free trade regimes in Central America and the Dominican Republic; assist in the creation of transparent government agencies and officials; support USG anti-corruption programs, including in Nicaragua; facilitate justice sector reforms; address critical needs in combating crime; and, in Mexico, continue advancements in higher education and educational scholarship and exchanges, especially for the disadvantaged and indigenous.
- Cuba - \$15 million to further the implementation of program recommendations made by the Commission for Assistance to a Free Cuba to assist civil society towards a rapid and peaceful transition to democracy in Cuba and to maintain strong USG support for human rights objectives on this island.

- Haiti - \$50 million for continued economic support to the interim government and to the new administration and parliament, which should be voted into office early in FY 2006. Programs will include working with the Haitian authorities to develop locally generated revenues and to finance urban job creation.
- Peru-Ecuador Peace - \$4 million to finalize our five-year commitment of \$40 million for cross-border programs on democratic governance, child survival, biodiversity, and economic growth.
- Third Border Initiative - \$6 million to maintain on-going assistance and training programs designed to enhance stability and security in the Caribbean. Funds will allow for a variety of programs to strengthen immigration and border security in the region; to modernize Caribbean ports and airports; and to enhance rule of law activities.
- WHA Regional Programs - \$19.5 million is requested for four hemispheric programs: Regional Anticorruption Initiatives, Regional Security Fund, Hemispheric Cooperation Program, and Summit of the Americas Support. The ESF will fund a range of new or on-going regional activities to combat corruption, including the identification and return of ill-gotten assets; to advance disarmament initiatives already underway in Central America; to provide technical assistance and training to countries to implement the obligations of and benefit from free trade agreements; and to promote and implement specific activities related to the Presidential mandates adopted at the Quebec City Summit of the Americas and the Monterrey Special Summit and resulting from the November 2005 Summit of the Americas to be hosted by the Argentine Government.

*Global* – A total of \$56 million is requested to promote democracy and universal human rights; to promote environmental stewardship and advance U.S. interests in this area; to bring together individuals of different ethnic, religious, and political backgrounds from areas of civil conflict and war; and to prevent the trafficking in persons and protect the victims of trafficking.

- Human Rights and Democracy Fund (HRDF) - \$27 million for the promotion of democracy, human rights, and civil society in countries and regions of strategic importance to the United States. As efforts to fight the war on terrorism continue, the Department of State will maintain pressure for universal human rights, democratic processes, and civil liberties in all countries. These challenges will be addressed by funding programs that promote democratic reform and result in greater political pluralism and respect for fundamental freedoms in countries with significant Muslim populations; and that promote the protection and enforcement of legal rights and an independent judiciary, increase popular participation in government, and develop civil society in China. These funds also will be used to support programs around the world that include political party building, promoting independent media and labor and worker rights, and supporting civil society and democratic institutions.
- Oceans, Environmental and Science Initiative (OESI) - \$9 million to promote cooperation and build global capacity in issues as diverse as oceans and fisheries, environment, science, technology, and health. OES's efforts are not only important to improving global environmental conditions, they are key to supporting a full range of USG foreign policy objectives, contributing to economic prosperity and regional stability, and providing a vital diplomatic tool for projecting American values. ESF funding in 2006 is focused in two key areas. First, bilateral and regional Science and Technology (S&T) cooperation, including climate change and energy activities, of which up to \$6 million will go toward activities included in the Methane-to-Markets Partnership. The second area of focus is OESI's traditional thematic and regional program activities, including water, oceans, and fisheries activities, natural resource conservation, capacity-building for sustainable development and good environmental governance, activities in high priority countries, and regional cooperation.
- Reconciliation Programs - \$8 million to (1) support conflict response and mitigation through programs that seek to reduce the threat of violence through the peaceful resolution of differences, mitigate violence when it has broken out, or establish a framework for peace and reconciliation; and (2) support conflict management through programs that address the causes, and consequences of existing or likely

conflict, but are implemented within a more traditional development sector such as democracy and governance or economic growth.

- **Trafficking in Persons** - \$12 million to support efforts to combat trafficking in persons that focus on prevention and the protection of victims. These efforts will include victim assistance and rehabilitation, as well as public awareness campaigns and educational programs targeted at potential victims and especially at potential sexual exploiters who create the demand for trafficked victims. Funds will also support regional and sub-regional coordination on anti-trafficking efforts, and coordination between source and destination countries.

## **Assistance for Eastern Europe and the Baltic States (SEED)**

U.S. assistance will continue to focus on integrating Southeast Europe into the Euro-Atlantic community with its values of democracy, rule of law and individual freedom. While the governments of the region are committed to European integration, some are further along in that process than others. These fragile democracies and struggling market economies are still in need of support. Promoting economic development, stability, and rule of law will bring them squarely on the path toward NATO membership and EU accession. The \$382 million request will help accelerate the integration process, with a sharper focus on creating jobs, fighting crime, trafficking and corruption and on consolidating democratic and economic reform. Funds are also being requested to cover the added costs (beginning in FY 2005) of funding OSCE missions in Eastern Europe.

Specific country requests are explained below:

- *Albania (\$28,000,000)* - Albania faces daunting challenges in economic development and pervasive crime and corruption. Nevertheless, it has become a staunch U.S. ally, contributing to Operation Enduring Freedom and Operation Iraqi Freedom. The FY 2006 request will focus on building democratic institutions, and promoting private-sector-led growth in an economy that desperately needs legitimate business activity. Assistance will also target building Albania's capacity in health sector reform and fighting trafficking and organized crime and corruption, including programs to support the President's anti-corruption initiative.
- *Bosnia and Herzegovina (\$40,000,000)* - Despite progress, Bosnia and Herzegovina (BiH) is still struggling to recover from the war and complete the transition to a stable market economy. Robust SEED assistance will help BiH to build rule-of-law institutions and capabilities at the state level. As the international civilian and military presence in BiH declines, domestic institutions will be increasingly called upon to handle the most complex issues of governing, such as combating organized crime, trafficking and terrorism and prosecuting war criminals.
- *Bulgaria (\$28,000,000)* – Bulgaria is strategically positioned to be a vital U.S. partner in the Balkans. Its full transition to a market-oriented economy and a democratic political system, especially its fight against corruption and organized crime, will be supported in this final year of SEED assistance in 2006. Bulgaria has also taken a greater role in building stability in the region through participation in international and regional security organizations, and continues to modernize and professionalize its armed forces for NATO inter-operational activities as a new NATO member. It is one of only three European countries with troops in Iraq, both Afghan missions, KFOR and SFOR. Economic reform programs have produced forward movement in the banking sector, while democratization programs have strengthened local self-government.

- *Croatia (\$15,000,000)* - Reflecting the final year of SEED assistance, FY 2006 programs will be directed towards two goals: building a dynamic private sector and promoting participatory democratic governance. Private-sector assistance focuses on stimulating growth in key sectors such as agri-business, in order to create employment and reduce income disparities between urban centers and less developed and/or war-affected areas. Democratic governance assistance concentrates on increasing citizen participation by strengthening local governments, fostering decentralization and providing training in transparent financial management, priority revenue disbursement and asset management.
- *Kosovo (\$72,000,000)* - FY 2006 will be a critical period in Kosovo. The international community will decide in mid-2005 whether to begin a process to determine Kosovo's final status or continue to press for greater implementation of fundamental standards for self-governance. Whichever decision is made, the U.S. will need to continue its key assistance programs, which help create a multi-ethnic society, build the rule of law and democratic institutions, and establish a functioning market economy.
- *Macedonia (\$39,000,000)* -- Stability and security in Macedonia have improved dramatically under the new multi-ethnic coalition government. Legislative implementation of the Framework Agreement that ended the 2001 conflict is almost complete. Emphasis will shift to ensuring the Agreement's practical implementation, especially strengthening the efficiency and accountability of local government through decentralization. With improvements in stability, the emphasis of the USG and international community can shift to enhancing the government's ability to combat the threat of cross-border crime, strengthen rule of law and advance macroeconomic reforms to secure Macedonia's future on the path of Euro-Atlantic integration.
- *Romania (\$20,000,000)* - Romania has been a key ally in promoting U.S. foreign policy interests in the region and an invaluable partner in international efforts such as Iraq and Afghanistan. SEED funds are a significant factor in fostering this partnership. SEED assistance is helping Romania consolidate and implement the economic and democratic reforms needed to insure stability and promote continued progress toward probable EU accession in January 2007.
- *Serbia and Montenegro (\$75,000,000)* - Serbia and Montenegro (SaM) is the linchpin of the Balkans; maintaining a robust assistance program there is fundamental to the success of U.S. policy, which is aimed at stabilizing SaM and accelerating its progress toward Euro-Atlantic integration. SEED funding is used to help SaM's fragile reformist leadership keep political and economic reform on track. Major work remains in the areas of domestic war crimes trial capacity, rule of law, privatization, economic growth, and building democracy at the municipal level – all are crucial to stabilizing SaM and making it a positive player in the region.
- *Regional SEED (\$65,000,000)* - Regional SEED funds cover Congressional directives in the fields of health and HIV/AIDS, assistance to regional NGO's through the National Endowment for Democracy, for study at Georgetown University, and for professional development of U.S. academics studying Southeast Europe under the Title VIII program. The greatest single item funded through regional SEED funds are staffing costs and U.S. assessments for OSCE Field Missions in Southeast Europe. Remaining regional SEED funds target trans-border issues such as terrorism, organized crime, corruption, and trafficking in persons. SEED funding for Stability Pact-related programs includes inter-ethnic reconciliation, regional energy markets, infrastructure development, reducing trade barriers, and improving the business climate in Southeastern Europe.

## **Assistance for the Independent States of the Former Soviet Union (FREEDOM Support Act, or FSA)**

The past year brought strongly reformist democratic forces to power, first in Georgia's Rose Revolution, and then in the recent Orange Revolution in Ukraine. The economies of Russia, Ukraine, and Kazakhstan performed well, with many of the institutions of a market economy now in place and functioning. While much work remains to ensure that recent high growth rates in these three countries are sustained and benefit a larger share of the population, the need for further U.S. Government economic reform assistance is limited. If current assumptions regarding performance hold, FY 2006 will be the last year of funding for economic reform in Russia, and economic reform in Ukraine and Kazakhstan will phase out in FY 2009. While we continue to support Georgia's progress following the Rose Revolution, we are just beginning to engage Ukraine's new government to support its reform efforts.

Yet throughout Eurasia, serious challenges remain. Weak democratic institutions and a lack of economic opportunity in Central Asia are creating conditions where Islamic extremism can thrive. A flood of cheap heroin from Afghanistan transits Central Asia, the Caucasus, and Russia, leaving behind a destructive legacy of police corruption, drug addiction, and the spread of HIV/AIDS. In far too many Eurasian states, an all-powerful executive restricts civil and political rights, and rule of law is either weak or nonexistent. This year has seen backsliding in progress toward democracy and human rights in Russia and Central Asia. Health and education-related indicators (life expectancy, child mortality, secondary school enrollment, etc.) have deteriorated badly throughout the region, calling into question these countries' ability to sustain economic growth.

Specific country requests are explained below:

- *Armenia (\$55,000,000)* - One of the leading performers in Eurasia in economic and political reform, Armenia was one of two countries in the region deemed eligible to receive grants from the Millennium Challenge Account (MCA). Despite the gains produced by economic reforms, poverty remains widespread. The key now is effective implementation of reform measures, particularly in fighting corruption.
- *Azerbaijan (\$35,000,000)* - Azerbaijan is strategically significant as a moderate Muslim country providing key assistance in the Global War on Terrorism and Operation Iraqi Freedom. Given the importance of oil revenues for Azerbaijan's stability and development, we will also continue providing technical assistance to the government in the management and utilization of the State Oil Fund, focusing on its transparency and on government accountability.
- *Belarus (\$7,000,000)* - Belarus is out of step with the rest of Eurasia. As long as President Lukashenko remains in power, there is little hope for genuine political or economic reform. The main focus of our programs will continue to be on sustaining the elements of a civil society – NGOs, independent political parties, and independent media – all of which are struggling to survive under an authoritarian regime. We will also provide assistance to support small and medium enterprises and to fight HIV/AIDS and trafficking in persons.
- *Georgia (\$67,000,000)* - The dramatic Rose Revolution, which brought to power a reformist, Western-oriented leadership in late November 2003, heightened the prospects for advances in political and economic reform. These changes and the short-term reforms initiated by the new government led the Millennium Challenge Corporation to select Georgia as an MCA-eligible country.

- *Kazakhstan (\$26,000,000)* -Kazakhstan's economy continues to grow, but has not yet been able to diversify that growth geographically, or industrially. Economic assistance will focus on increasing the middle class. Democracy remains a key area of assistance, in addition to addressing narcotics trafficking, border security, and health.
- *Kyrgyz Republic (\$30,000,000)* - Parliamentary elections in February 2005 and Presidential elections in October 2005 will set the democratic and economic course for the Kyrgyz Republic. Controlling the flow of narcotics, weapons, and persons of concern continues to be a priority.
- *Moldova (\$17,000,000)* - Assistance will focus on accelerating Moldova's integration into EU-oriented regional structures of Southeastern Europe – a goal that even the Communist government has strongly endorsed – as a means of anchoring Moldova's reforms.
- *Russia (\$48,000,000)* – Recent negative trends in the state of democracy and human rights in Russia will require greater attention in FY 2006. Support for democratic development – NGOs, judicial reform and independent media – will continue. Funding for HIV/AIDS, tuberculosis and other health programs, and programs that fight trafficking in persons are vital. As FY 2006 is the final year for economic reform programs, there will be a reduction in funding in that area, with a focus on sustainability of past investments.
- *Tajikistan (\$25,000,000)* – Tajikistan is striving to consolidate stability and economic growth following its civil war. It is the poorest country in all of Europe and Eurasia, and is demonstrating commitment to economic reform and advancement. The 2005 pullout of the Russian border guard forces requires a new level of commitment to help Tajikistan fight the trafficking of narcotics, weapons, and persons of concern across its border.
- *Turkmenistan (\$5,500,000)* - Given Turkmenistan's strategic location bordering Afghanistan and Iran, and its substantial natural gas reserves, the main U.S. interest is to ensure that it does not become a failed state. As long as the current regime remains in power, any progress on political or economic reform is not anticipated.
- *Ukraine (\$88,000,000)* – The election of Viktor Yushchenko following the dramatic “Orange Revolution” opens vast possibilities for economic and democratic reform in a strategically important country. The U.S. will seek to help the new government advance its reform program, which is likely to emphasize anti-corruption, development of the rule of law and furthering Ukraine's integration into the global economy. Increased funding needs for the U.S. contribution to the G-7 funded Shelter Implementation Plan (SIP) for the Chornobyl nuclear plant represent a significant portion of the budget.
- *Uzbekistan (\$30,000,000)* - Uzbekistan, a Muslim majority country, remains a key partner in Operation Enduring Freedom and the Global War on Terror, with U.S. troops stationed there. The failure to make progress on economic and democratic reforms is a cause for concern in this strategically important country. U.S. assistance promotes both entrepreneurship and civil society development.
- *Eurasia-Regional (\$48,500,000)* - The regional account continues to cover the costs of OSCE Missions in the Eurasian countries since these costs were in large part shifted from the PKO account in FY 2005. Funds also support humanitarian assistance in Nagorno-Karabakh, cross-border efforts, such as water resource management projects, law enforcement and border security, and economic and trade development .

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## C. Independent Agencies

(\$ in thousands)	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Peace Corps	308,171	317,440	345,000
Inter-American Foundation (IAF)	16,238	17,856	17,826
African Development Foundation (ADF)	18,579	18,848	18,850
Millennium Challenge Corporation (MCC)	994,100	1,488,000	3,000,000
<b>Total, Independent Agencies</b>	<b>1,337,088</b>	<b>1,842,144</b>	<b>3,381,676</b>

### Peace Corps

The FY 2006 budget request provides \$345 million for the Peace Corps. By the end of FY 2006, there will be approximately 7,800 American Peace Corps Volunteers assisting host countries and local communities to address HIV/AIDS prevention and care, expand access to basic health care for families, improve education of students, encourage economic development, protect and restore the environment, and increase the agricultural capabilities of farming communities.

The FY 2006 request will allow for the placement of Volunteers in at least two new countries and maintain the existing number of volunteers. It will expand Volunteer programming and the development of innovative responses to natural disasters and humanitarian crisis.

### Inter-American Foundation (IAF)

The FY 2006 request of \$17.826 million will fund the Inter-American Foundation's (IAF) mandate to support programs that promote entrepreneurship, self-reliance, and democratic self-governance as a way to foster economic progress for the poor. A focus on innovation drives the IAF's work in Latin America and the Caribbean, such as its pioneering efforts to work with migrant organizations to help channel some of the vast amounts of remittances that immigrants send home each year into development activities for their home communities.

In FY 2006, the IAF will continue to expand its innovative program involving a partnership with an expanding network of 52 Latin American corporations and corporate foundations. Participating corporate partners share criteria for funding and a results measurement system based on IAF's experience with grassroots development, and match or exceed IAF contributions to support local development initiatives.

In FY 2006, the IAF will again support the President's priorities in Latin America and the Caribbean to reduce poverty, strengthen local democratic practice, and stem the flow of illegal immigration. The IAF will continue to refine its system of measuring the results of its grants, and identify and disseminate good practices and lessons learned, which will also be incorporated into the IAF's strategic planning and grant decision-making processes.

### African Development Foundation (ADF)

ADF's FY 2006 request for \$18.850 million will allow the Foundation to provide African small enterprises with the essential capital, technology, technical assistance, and training they need to grow, generate new jobs in Africa's poorest communities, and deliver significant increases in income to their employees.

The funding will also help farming groups and small businesses access the global economy by providing them with resources to diversify their production, create value-added products, and market those products to regional and overseas consumers.

ADF will seek to leverage at least \$4.2 million in matching donations from African governments, other donor organizations, and the private sector.

ADF plays a unique role among U.S. government agencies by making direct investments that help African small enterprises and African communities invest in themselves. ADF is the only U.S. government agency with a presence in five of the 15 countries where it currently operates.

### **Millennium Challenge Corporation (MCC)**

The FY 2006 request of \$3 billion will advance the progress made by the MCC since it began its work in early 2004. The mission of MCC is to provide assistance in reducing poverty through economic growth in poor countries. Countries eligible to apply for the assistance are selected using objective indicators that gauge the governments' performance in ruling justly, investing in their citizens and encouraging economic freedom. Funding for the MCC complements other U.S. foreign assistance programs operating in low-income countries.

Being selected as eligible for MCA assistance is a reward for good governance and sound policies. The assistance also acts as an incentive for countries to continue their reforms and to strengthen those efforts. Working with USAID, the MCC also has created a Threshold Program for countries that did not qualify for MCA assistance but were close and are committed to reform in the areas that MCC evaluates. Central to MCC's approach is the element of country ownership of the program at almost all stages--from the country's program design through implementation. Eligible countries will be responsible for a high level of leadership and commitment in identifying development obstacles and priorities, ensuring civil society participation in their program design and implementation, and developing the strategy for implementation of the MCC program.

Each successful MCC partner country will enter into a public Compact with the MCC that includes a multi-year (3-5 year) plan for achieving development objectives. Further, the Compact will identify the responsibilities of each partner in achieving those objectives. Compacts will include plans for monitoring and evaluating performance, fair and transparent procurement procedures, fiscal accountability, and donor coordination. This country-driven process allows countries to think strategically about how to tackle obstacles to growth over a number of years. Critical to that approach is an upfront commitment for full funding of proposals with disbursements based on progress throughout the program term. Accordingly, multi-year funds are requested; and the request is for funds to remain available until expended by MCC.

## D. Department of State

(\$ in thousands)	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
International Narcotics Control and Law Enforcement	460,274	326,189	523,874
Andean Counterdrug Initiative - ACI	737,587	725,152	734,500
Migration and Refugee Assistance	780,712	763,840	892,770
U.S. Emergency Refugee and Migration Assistance Fund	29,823	29,760	40,000
Nonproliferation, Anti-terrorism, Demining, and Related Programs	396,415	398,784	440,100
Global HIV/AIDS Initiative	488,103	1,373,920	1,970,000
Conflict Response Fund	-	-	100,000
<b>Total, Department of State</b>	<b>2,892,914</b>	<b>3,617,645</b>	<b>4,701,244</b>

### International Narcotics Control and Law Enforcement (INCLE)

The FY 2006 request includes \$523.9 million for country and global programs for International Narcotics and Law Enforcement Affairs activities.

Key initiatives under this account include:

*Afghanistan (\$260 million)* – The request supports the continuation of three main programs: law enforcement, counternarcotics and justice sector reform.

**Law Enforcement:** Funds will support maintenance and operations costs for the Regional Training Centers and cover salaries and life support costs for police trainers who will continue to provide basic training for low-level officers. Funds will also be used to complete Ministry of Interior reform efforts.

**Counternarcotics:** Building on the expansion of eradication efforts to begin in FY 2005, funds will support the reduction of opium poppy cultivation by providing crop control and enhanced eradication capabilities. Funds will also support public awareness campaigns and demand reduction programs.

**Justice Sector Reform:** Funds will support four strategic objectives: development of institutional capacity of the permanent justice institutions; development of the operational capacity of criminal justice sector actors; development of the correctional system; and professionalization of justice sector personnel. Specific activities will include court construction, advisory support, specialized training, and continued support for the bar association and legal aid centers. Funds will also be used to construct detention facilities, train correctional personnel, and develop a prisoner tracking system and database. The reintegration of women into the legal sector will remain a focus through FY 2006.

*Pakistan (\$40 million)* - The request will build on project activities in border security, law enforcement development, and counternarcotics. Funds requested will be used to sustain the aviation units providing surveillance and intercepting drug-traffickers, terrorists and other criminals operating in remote areas by providing fuel, communications, facilities operations, advisors, and contractor support. These funds will also be used to construct border security roads in the Federally Administered Tribal Areas (FATA), and to provide vehicles, communications equipment, and surveillance equipment to support civilian border

agencies. The request also includes funds to provide training, technical assistance, and equipment to expand investigative skills and forensics capacities, build accountability and internal control structures, enhance police training institutions, develop community policing programs, and improve managerial and leadership expertise. The requested funds will allow expanded implementation of the Automated Fingerprint Identification System (AFIS) and criminal information databases that link federal and provincial law enforcement agencies and improve investigative skills and cooperation. These resources will also be used to support crop control operations (including roads, water projects, and agriculture programs), particularly in areas of new or expanded poppy cultivation, provide demand reduction public awareness programs, and provide operational support to law enforcement agencies, especially the Anti-Narcotics Force.

*Iraq (\$26.474 million)* - FY 2006 funding will support a continuation of the justice sector technical assistance programs previously funded by the Iraq Relief and Reconstruction Fund (IRRF). Specifically, the Department of State and its Justice Department counterparts will provide bilateral assistance and support to the Iraqi Ministries of Justice and the Interior and to the Iraq Corrections Service. Plans include the assignment of senior advisors, one to each component of the Iraqi criminal justice system -- police, border enforcement, courts and prisons -- for the purpose of continuing to assist ongoing Iraqi reform and development of these institutions. In addition to mentoring senior Iraqi leadership, the program supports a series of advanced and specialized training programs to enhance overall organizational management skills of all ICJS components. The request also seeks to further build the technical, investigative capacity of the police and investigative magistrates; the ability of border security to maintain the integrity of the borders; the advocacy skills of Iraqi prosecutors; the capability of the newly independent judiciary to properly adjudicate cases; and the systematic capacity of the Iraq Corrections Service to effectively and securely operate prisons in a manner consistent with internationally recognized principles of human rights principles. Police, legal, judicial and correctional advisors and trainers will be deployed to provide assistance and instruction. A small support capability will be maintained in country to provide logistics, transportation and security support for advisors and trainers deployed to Iraq.

*Africa (\$4.2 million)* - In Africa, funds will be used to reestablish a national police force in Liberia, focusing on developing a modern training capacity at the police academy, providing technical assistance on organizational structure, as well as equipment and training for personnel, communications and management systems. Funding will also be used to provide equipment and training for judges, prosecutors, and court administrators to help establish a functioning judicial system. Requested funds will also support programs in Nigeria, South Africa and throughout the region, providing training, equipment and technical assistance for police, judicial reform and modernization, law enforcement enhancement, investigative and prosecutorial capabilities on financial crimes, assistance in border security development and enhancement of correction systems to expand and/or further develop rehabilitation capacities.

*East Asia and Pacific (\$9 million)* – A new program for the INCLE account in FY 2006 supports the ongoing police assistance program, formerly funded by ESF, to advance the transformation of the Indonesian National Police from a military to civilian police agency. INCLE funding will support the development of an efficient and effective marine police organization to protect and defend the Indonesian borders and waterways. Funds also will provide instruction and equipment for the police training academies and forensic labs, as well as investigative skills training, including training on how to investigate environmental crimes, and criminal justice system reform. In Laos, the request will support crop control programs, including road construction to provide access to markets and government services. Assistance will also be provided for drug law enforcement training and demand reduction programs. In the Philippines, the request will support police reform programs, providing technical assistance and modest equipment donations (e.g., criminal investigation kits) geared towards law enforcement investigations and criminal justice reform, judicial reform and forensic documentation procedures. Lastly, in Thailand, funds will be provided for law enforcement and anticorruption training, including support for a new American Bar Association project to enhance judicial ethics. The request will augment institutional capabilities for more

effective investigations of major drug trafficking and other criminal organizations; support criminal code reform; and continue opium poppy crop control programs.

*Mexico (\$30 million)* – This request will enhance Mexico’s ability to control its ports of exit to the U.S. by installing 3 additional non-intrusive inspection units and 2 SENTRI lanes at land border crossings to the U.S., completing a three-year program to establish mobile interdiction teams, completing development of a National Criminal Data Base, and purchasing advanced investigative and enforcement equipment for law enforcement agencies charged with border security. The funds requested will also be used to complete a five-year initiative to reform and professionalize the investigative, prosecutorial, and intelligence unit of the Attorney General's office (PGR), including provision of restructured organizations, modern facilities, advanced training, and up-to-date equipment and technology. Parallel to and coordinated with institutional reform, USG training assistance will focus on revitalizing, broadening, and deepening the federal, state, and local training infrastructure to provide a modern curriculum for both basic and advanced law enforcement skills and leadership development. The U.S. will continue supporting Mexican efforts with direct field mission support, training, equipment, technical aid, and trans-border cooperation to interdict drug trafficking and eradicate drug cultivations to disrupt the flow of drugs to the U.S. and attack international criminal organizations. Vital to all aspects of law enforcement, this will complete a four-year project to recapitalize the aging PGR helicopter fleet by refurbishing Huey UH-1H helicopters and procuring small Schweizer reconnaissance helicopters. In addition, FY 2006 programs will promote and expand the “culture of lawfulness” program in Mexican secondary schools, provide continuing support (equipment and training) to GOM offices dealing with anti-money laundering, and continue demand reduction and drug awareness programs and epidemiological research.

*Other Western Hemisphere (\$21 million)* – Funding will be directed toward our continued efforts in improving the interdiction capabilities of key drug transit countries in Central America and the Caribbean, as well as South American countries (non-Andes), by modernizing and reforming enforcement and the criminal justice system, a key to stability and economic development. This includes enhancing police programs; strengthening investigative, judicial and prosecutorial capabilities to battle corruption, money laundering and drug trafficking; upgrading intelligence gathering and sharing to improve the flow of tactical and operational intelligence; and modernizing the legal framework by providing training, technical assistance, equipment and operational support. Additional emphasis will be placed on demand reduction public awareness programs by way of seminars, conferences, administrative equipment (computers, software, etc.) and educational materials.

- *Haiti (\$15 million)* - Reforming the criminal justice system is key to stability and economic development in Haiti. Funds will be directed to enhancing the accountability, functioning, and training capacity of the Haitian National Police (HNP), in coordination with the United Nations and donors. Funds will be used to: assist in the training of new HNP recruits; vet and train existing officers; provide equipment and repair infrastructure; facilitate mobility and communications; continue the development of a forensics and investigative capacity; support the development of an Inspector General function; and establish a personnel system that ties performance to pay. INCLE funds will also be used to continue the U.S. Government's contribution of U.S. police officers to the civilian police component of the UN Mission in Haiti (MINUSTAH) to assist training, vetting, monitoring, and advising the new Haitian National Police. To stem the drug flow through Haiti, funds will support DEA’s Special Investigative Unit and the development of the Haitian Coast Guard’s interdiction capability, as well as the efforts of the Government’s Financial Investigative Unit to combat money laundering and corruption.

*Global Programs (\$131.2 million)* – These programs are intended to counter transnational crime, key post 9/11 law enforcement challenges, and broader counternarcotics challenges. Specific components include:

- *Anticorruption Compacts (\$3 million)* – This activity builds on the initiatives launched at the 2004 G-8 summit where the U.S. Government committed to a multilateral effort to develop anti-corruption compacts in Nicaragua, Peru, Nigeria, and Georgia. The required recipient countries will commit in writing to reform in areas of fiscal transparency, public procurement, enforcement and civil society participation. Funds will be used for training, equipment, and technology to help the designated countries establish fiscal transparency and accountability systems, rules-based public procurement systems, effective enforcement and oversight institutions, and free and active civil society anti-corruption efforts.
- *Anti-Crime Programs (\$10 million)* – Requested funds will support USG efforts in international and regional organizations by providing voluntary contributions and supporting the new APEC and Middle East and North Africa anticorruption initiatives. In addition, efforts will continue to stem financial crimes and money laundering by providing: contributions to the 33-member Financial Action Task Force (FATF) and FATF-style regional bodies; technical advisors and training in Central America and the Pacific Islands; and assistance to so-called non-cooperating countries and territories (NCCT) so they can bring their laws and regulations up to international standards. This request will also fund the Department’s share of the administrative and other costs of the interagency Human Smuggling and Trafficking Center (HSTC). The Center will help vulnerable countries upgrade their border control systems, including providing technical assistance to help them improve travel document issuance systems and customs controls. Lastly, this request includes funds to help stem the theft of intellectual property and promote cyber security by providing training, technical assistance and resident legal advisors to assist with capacity-building, including modernizing laws and institutions.
- *Civilian Police Program (CIVPOL) (\$2.7 million)* – These funds will be used to continue to develop the capacity of the U.S. to increase the cadre of experienced law enforcement personnel available for immediate overseas assignment in post-conflict locations for short notice deployments. Funds will provide for the contractors responsible for maintaining the existing U.S. police cadre, equipment, training and logistics of the cadre, as well as program support to oversee the efforts of the contractors.
- *Demand Reduction (\$3 million)* – The request provides funding for international demand reduction programs that address Presidential priorities to augment prevention, intervention and recovery maintenance services. Funds will support the formation and enhancement of effective drug-free community coalition programs in key drug producing countries that assist civil society/grassroots organizations to fight illegal drugs; continue the creation of anti-drug outreach and aftercare centers in volatile Muslim regions where the U.S. needs to increase access to civil society in the Middle East and South and Southeast Asia; continue development/evaluation of research-based prevention and treatment programs; continue international outreach to educate international communities and increase support for U.S. policies, programs, UN conventions, etc.; and continue support for sub-regional demand reduction training centers to disseminate the use of “best practices” and science-based prevention and treatment methods to reduce drug consumption. In the Americas, we propose to work through the Inter-American Drug Abuse Control Commission (CICAD) to promote a sound hemispheric approach to drug abuse prevention and treatment, treatment training for health professionals, epidemiological surveillance, national drug observatories and data banks. The request will also support CICAD’s on-line M.A. program in prevention.
- *International Law Enforcement Academies (ILEA) (\$13.5 million)* – The request will fund academies in Hungary, Thailand, Botswana, Roswell, NM, and Latin America and provide administrative support and life cycle equipment replacement for all academies.

- *International Organizations (\$10 million)* – Funds will support contributions to the UN Office on Drugs and Crime (UNODC) projects and the Inter-American Drug Abuse Control Commission (OAS/CICAD) legal, supply-side and demand-side programs, including efforts to obtain ratification and implementation of the UN Drug, Crime and Corruption Conventions and related OAS Conventions. It is anticipated that these funds will focus on: programs against money laundering; precursor chemical control; drug eradication and alternative development; law enforcement institutional support; and judicial training and port security training. This request will also provide training, assistance and legal advisors to ensure parties to the international conventions have adequate laws and capacity to implement their provisions. The program will continue to support implementation by CICAD of the Multilateral Evaluation Mechanism (MEM), a peer review system aimed at strengthening the antidrug performance of OAS Member States.
- *Interregional Aviation Support (\$70 million)* – Funds will provide core services including logistics, contractor support, spare parts, and Air Wing costs associated with operations, centered at Patrick Air Force Base, necessary to operate a fleet of 187 fixed-and rotary-wing aircraft supporting counternarcotics aviation programs in Colombia, Bolivia, and Peru, border security operations in Pakistan, and, as required, programs at other temporary deployment locations.
- *Program Development and Support (\$14 million)* – These funds will provide for the administrative expenses to carryout the International Narcotics and Law Enforcement programs.
- *Trafficking in Persons (\$5 million)* – Funds will primarily target countries in Tiers 2 (especially the Watch list countries) and 3 of the 2005 Trafficking in Persons Report, and will focus primarily on programs that support building investigative and prosecutorial capacity of committed governments through the provision of technical training and equipment.

### **Andean Counterdrug Initiative (ACI)**

FY 2006 funding totaling \$734.5 million will be used to continue the counterdrug program that aims to reduce the flow of drugs to the United States and prevent instability in the Andean region.

*Bolivia (\$80 million)* - FY 2006 funds will be used to further reduce coca cultivation; control the diversion of (licit) Yungas coca to cocaine production; interdict Bolivian and transshipped Peruvian cocaine; expand demand reduction programs in schools; maintain appropriate ready-rates for land, riverine and air assets that support eradication and interdiction operations; provide training to police and prosecutors; improve efforts against money laundering; and extend alternative development to tens of thousands of families in the Chapare and Yungas. These funds will enable the GOB to interdict at least 14 percent of Bolivia's potential cocaine production; continue forced eradication in the Chapare and maintain voluntary eradication in the Yungas; maintain control over the marketing mechanisms for legal coca; form a national drug prevention network and extend the DARE program to middle-school students; maintain 95% operational readiness for maintenance and support provided by the Blue Devils Task Force (BDTF) for riverine operations and the Green Devils Task Force (GDTF) for ground operations; maintain 80% availability rate for four UH-1Hs and four UH-1Is; maintain an operational readiness rate of 95% for three C-130B aircraft; pass transnational crime legislation; provide advanced training to police officers and prosecutors; increase detection, arrests and prosecution of major criminal organizations; improve performance of anti-money laundering investigative units; effect changes in money-laundering legislation; train a specialized group of money-laundering prosecutors; pass complementary legal reforms and regulations enabling effective implementation of the Code of Criminal Procedure (CCP); establish sustainable integrated justice centers in conflictive regions of the country; extend alternative development

to 33,500 and 35,000 farm families, respectively, in the Chapare and Yungas; and increase the wholesale value of licit products leaving the Chapare to \$45 million.

*Colombia (\$463 million)* – The Colombia funds will continue to support the Government of Colombia's unified campaign against drug trafficking and narco-terrorists, especially important as the Colombians move beyond Plan Colombia in 2006. Funds will maintain support to the Colombian Army's aviation program and drug units with training, logistics support, operating expenses, equipment, and upgrades to forward operating locations. These funds will similarly maintain support for the Colombian National Police in the areas of aviation, eradication and interdiction by providing equipment, logistical support, training, new base construction, upgrades of security equipment, interoperable communications and information links, and basic administrative support. Alternative Development programs will increase legal economic opportunities by promoting social and economic development with the introduction of new licit crops, supporting agribusiness and forestry activities, and developing local and international markets for these new products. Funds will also support vulnerable groups, democracy, the rule of law, judicial reform, drug awareness and demand reduction, and a culture of lawfulness by providing training, equipment, education, technical assistance and advisors in these areas. Lastly, funds will help the Bureau of Alcohol, Tobacco and Firearms provide equipment, training and database support to additional bomb squads to help stem further terrorist bombings in Colombia.

*Peru (\$97 million)* – The FY 2006 funds will support continued eradication of illicit coca and opium poppy and law enforcement interdiction efforts (training and equipment) against trafficking organizations with airlift operations, using the current USG-owned assets. Funds will maintain the aviation program by providing continued operations and maintenance support such as fuel, spares, etc. Other programs where funds will be focused include research on current legal coca cultivation (to better determine illegal cultivation), demand reduction and public relations, and money laundering programs by providing training and technical assistance. Alternative development and institution building programs will continue by helping to rehabilitate roads, bridges, general social infrastructure, such as schools and health care systems, land reform, agri-business and such, all to help local governments build and sustain infrastructure against the spread of economic activities linked to narcotics trafficking.

*Brazil, Ecuador, Venezuela and Panama (\$33.5 million)* – The request for interdiction and eradication efforts in the key transshipment countries of Brazil, Ecuador, Venezuela and Panama will continue to focus on improving police and military operations, including air, ground and water capabilities, by providing training and equipment and upgrading critical facilities. Funds will be used to train law enforcement units to improve drug detection, seizure and mobile inspection capabilities, and enhance money laundering and chemical investigation efforts. In addition, training and equipment will be provided to enhance judicial and prosecutorial effectiveness and port and border point of entry security programs.

*Airbridge Denial Program (\$21 million)* – Funds in this program will provide continued contractor logistical support, maintenance support and continuous training for the Colombian Airbridge program. Funds will also provide infrastructure support, communications equipment and aircraft upgrades, including support at forward operating bases, upgrades to fixed-winged aircraft to include enhanced sensor capabilities, and communications links with satellite and forward locations. Funds will provide maintenance and technical support for all five (5) Cessna Citation aircraft and two (2) C-26 tracker aircraft.

*Critical Flight Safety Program (\$40 million)* – FY 2006 funding represents the first installment of a multi-year Critical Flight Safety Program, which will be used to stop degradation and extend the life of Vietnam-era aircraft fleet in order to maintain its viability for counter-narcotics missions. These aging aircraft will be upgraded and refurbished to restore structural integrity, sustain airworthiness, and make the aircraft commercially supportable. With these investments, INL will realize aviation life cycle cost savings in the eradication and interdiction programs.

## **Migration and Refugee Assistance (MRA)**

The FY 2006 request of \$892.77 million provides the resources necessary to respond to the projected humanitarian needs of refugees and conflict victims worldwide. Funding will be provided to international organizations such as the UN High Commissioner for Refugees (UNHCR), the International Organization for Migration (IOM), the International Committee of the Red Cross (ICRC), and the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), as well as to non-governmental organizations filling critical gaps in the international community's multilateral response to humanitarian needs overseas and resettling refugees in the United States. These funds support programs to protect refugees and conflict victims; meet basic needs to sustain life and health; resolve refugee problems through voluntary repatriation, local integration, or permanent resettlement in a third country, including the United States; and foster the humane and effective management of international migration flows.

- Administrative expenses (\$22 million). The FY 2006 request provides the resources for the Bureau of Population, Refugees, and Migration to manage effectively and responsibly critical humanitarian programs funded through the MRA and ERMA appropriations. These funds support Bureau staff in Washington and at overseas posts and related costs. Costs related to Bureau staff dedicated to international population activities are included in the Department of State's Diplomatic and Consular Programs account.
- Overseas Assistance (\$607.72 million). This request will support international efforts to protect refugees and conflict victims worldwide -- including programs that guard against the exploitation of beneficiaries of humanitarian assistance, the provision of the basic needs to sustain their life and health, and the resolution of refugee situations through durable solutions. The request includes funding to respond to emergency requirements of Sudanese refugees, both those displaced by the current conflict in Darfur as well as those that may be able to return due to the recent North-South peace agreement, and some internally displaced persons (IDPs). It also includes funding to support the return and repatriation of refugees and certain IDPs in Afghanistan, Angola, Liberia, Iraq, and Burundi.
- Humanitarian Migrants to Israel (\$40 million). The request reflects a continuing decline in the number of Jewish migrants to Israel and maintains support for the humanitarian migrant programs of the United Israel Appeal (UIA) at a lower emigration level.
- Refugee Admissions (\$223.05 million). The FY 2006 request reflects the Administration's continued commitment to this program and the increased costs of admitting refugees to the United States given the additional logistical and security requirements under which the program now operates. The FY 2006 global and regional admissions ceilings will be set by a Presidential Determination after the Congressional consultations process later this fiscal year.

## **U.S. Emergency Refugee and Migration Assistance Fund (ERMA)**

A request for \$40 million in FY 2006 will ensure readiness to respond to future urgent and unexpected refugee and migration needs.

## **Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)**

The Nonproliferation, Anti-terrorism, Demining, and Related Programs account provides resources to support critical security and humanitarian-related foreign policy objectives. The FY 2006 request for this account totals \$440.1 million:

### **Non-Proliferation Programs**

- \$37.5 million for the Nonproliferation and Disarmament Fund (NDF) to support core NDF activities as well as the Dangerous Materials Initiative (DMI), an effort to inventory, secure, and remove dangerous materials from insecure locations worldwide. NDF will continue countrywide disarmament programs; missile destruction; weapons destruction (conventional and WMD); reactor shutdown; conversion of reactors from HEU to LEU fuel; plutonium disposition from dismantled warheads; and emergency interdiction support.
- \$44.4 million for global Export Control and Related Border Security Assistance (EXBS) program, which is designed to help prevent the proliferation of weapons of mass destruction, their missile delivery systems, and advanced conventional weapons. Funds provide training, equipment, and services to establish or enhance export control systems and border control capabilities to mitigate the illegal transit of prohibited material, as well as to prevent transfers of strategic trade items to end-users and end-users of proliferation concern, including rogue states and terrorist networks. The FY 2006 program targets potential proliferation source and transit states in Eurasia, while stepping up efforts in potential source countries in South Asia and key transit and transshipment states in Southeastern Europe, as well as countries with major transshipment ports in the Mediterranean, Middle East and Southeast Asia. It will continue programs in Afghanistan, Africa and Latin America begun in FY 2004 and FY 2005 and will allow us to continue assistance to Libya to develop and implement an effective export control system there. In addition, the EXBS program will take on full management and funding of the TRACKER system, integrating its application into training programs planned or already underway for countries where it is not yet implemented.
- \$52.6 million for Nonproliferation of WMD Expertise, a global effort, which currently funds three programs: Science Centers, Bio-Chem Redirection and the BioIndustry Initiative.
  - Funding for the Science Centers finances civilian research by former Soviet weapons experts towards economic self-reliance and permanent transition to stable civilian employment as an alternative to providing their weapons of mass destruction expertise to terrorist networks or proliferant states. The FY 2006 program will accelerate facility upgrades, patent filing and aid in licensing intellectual property, business training, and matchmaking with U.S. commercial partners.
  - Funding for the Bio-Chem Redirect program supports a targeted initiative to engage former Soviet chemical and biological weapons (CBW) scientists in sustainable civilian research in public health, agriculture, and environment. Bio-Chem Redirect is the only program by the United States or any other donor that targets former Soviet CB scientists. The funds also support U.S. efforts to counter chemical and biological terrorism. Funds support project oversight and management activities carried out by DHHS, EPA, and USDA, which are coordinated by an interagency working group to ensure that appropriate monitoring and oversight provisions are in place for funded projects.
  - The BioIndustry Initiative (BII), which began in FY 2002, is the only U.S. program to reconfigure large-scale former Soviet biological weapons production facilities for civilian biotechnology purposes. Via BII, the U.S. in 2003 gained first-ever access to ten previously closed Soviet BW

production facilities and is engaging them in projects. Also, as mandated by Congress, BII focuses on accelerated drug and vaccine development to combat highly infectious diseases, which makes the program an important element of U.S.-Russian efforts to combat bioterrorism.

- \$50 million for voluntary contributions to the International Atomic Energy Agency (IAEA) to support programs in nuclear safeguards and security. Safeguards funding will support strengthened nuclear verification measures to detect covert nuclear activities and help replace outdated equipment. Nuclear security funds will help counter threats of nuclear terrorism through training and other assistance to states on physical protection, countering nuclear smuggling and improving controls on radioactive materials that could be used for dirty bombs.
- \$14.35 million for the Comprehensive Nuclear Test Ban Treaty (CTBT) Preparatory Commission to pay the U.S. share for the ongoing development and implementation of the international monitoring system (IMS), which supplements U.S. capabilities to detect nuclear explosions. Since the United States does not seek ratification and entry-into-force of the CTBT, none of the funds will support Preparatory Commission activities that are not related to the IMS.

### **Anti-Terrorism Programs**

- \$133.5 million for the Anti-Terrorism Assistance (ATA) program to support the global campaign against terrorism by providing strategic, operational, and technical training and enabling equipment to coalition partners to assist them in detecting and eliminating terrorists threats and in protecting facilities, individuals and infrastructure. Funds will support expanding the scope and volume of existing U.S.-based training capabilities and also provides for development of new courses to respond to shifting requirements emanating from the evolving terrorist threat. In addition, the FY 2006 request supports new in-country programs in participating countries critical to the U.S. counterterrorism effort, increasing training for the Middle East, Central and East Asia, and follow on funding for special programs in Iraq, Afghanistan, Pakistan, Indonesia, Kenya and Colombia. The request funds the Mobile Anti-terrorism Training Team component to facilitate implementation of in-country ATA training for priority, short-notice requirements. Lastly, the request continues to fund activities at the regional training center established by the Government of Malaysia.
- \$7.5 million for Counterterrorism Financing Programs to assist foreign countries' efforts to detect, investigate and root out terrorist networks proactively by "following the money," as well as to freeze assets, and to prevent the abuse of financial institutions, businesses, and charitable organizations as conduits for money to terrorist organizations.
- \$7.5 million for the Terrorist Interdiction Program to support a multi-pronged border security program designed to assist selected vulnerable countries in stopping terrorists from crossing their borders or using their territory as transit points or staging areas for attacks. Funds will support installing or expanding operations of the capability in up to seven countries including Pakistan, Mexico, Thailand and Iraq. Funds will also enable us to sustain operations in the 25 countries expected to be participating in the program by the end of FY 2005, with the intent to implement a program in each of the 60 countries currently assessed as being at risk of terrorists transit and in need of U.S. assistance to counter the threat.
- \$2 million for Counterterrorism Engagement with Allies supports funding for bilateral and multilateral CT engagement activities that bring together senior officials from key partners to promote cooperation on CT issues and to fund select projects aimed at reducing terrorist threats.

## **Regional Stability and Humanitarian Assistance**

- \$72 million for the Humanitarian Demining program, which supports a range of humanitarian mine action (HMA) initiatives. The program emphasizes landmine and unexploded ordnance (UXO) clearance, landmine surveys, and mine-risk education. In addition, some funds are provided for management training and special projects that enhance global mine action response mechanisms. The FY 2006 increase supports the Administration's commitment to increase funding by 50% above the FY 2004 level in order to initiate, sustain, or expand U.S. HMA efforts in some 15 countries across the globe. These efforts protect the victims of war, alleviate adverse humanitarian and economic impacts, and serve as an engagement tool to further efforts to promote regional stability.
- \$10 million to support the International Trust Fund (ITF) for Demining and Mine Victims' Assistance. As with previous funding, this \$10 million will be used to match dollar-for-dollar contributions from other international donors to conduct a broad range of mine action initiatives.
- \$8.75 million to support the Small Arms/Light Weapons Destruction initiative, designed to eliminate stockpiles of excess small arms and light weapons left over from Cold War and post-Cold War conflicts worldwide. Destruction of these weapons contributes to U.S. force protection and regional security efforts by helping prevent the spread of illicit weapons to insurgent groups and terrorist organizations. Destruction of shoulder-launched man-portable air defense systems, or MANPADS, a weapon sought after and used by terrorist groups, will continue to be a program priority in FY 2006.

## **Global HIV/AIDS Initiative (GHAI)**

The Global HIV/AIDS Initiative account is the principle source of new funding for the President's Emergency Plan for AIDS Relief (the Emergency Plan). The Emergency Plan's vision is to help turn the tide of this global pandemic. The FY 2006 request for the GHAI account is \$1.97 billion, a significant increase that will continue the ramp-up of activities in 15 focus countries and other bilateral programs. This includes country activities, centrally-funded programs, international partners, technical oversight and management, and strategic information and evaluation.

*Country Activities* – \$1.302 billion to expand integrated prevention, care and treatment programs in 15 focus countries: Botswana, Cote d'Ivoire, Ethiopia, Guyana, Haiti, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, and Vietnam. An additional \$50 million will be used to increase funding for HIV/AIDS activities in other countries, complementing funds provided from the Child Survival and Health Programs Fund (CSH), the Economic Support Fund (ESF), Assistance for Eastern Europe and the Baltic States (SEED), Assistance for the Independent States of the Former Soviet Union (FSA), and from accounts of the Department of Health and Human Services (HHS).

*Central Programs* – \$393 million for central programs that are used for technical leadership and for technical assistance and the rapid expansion of activities in the focus countries such as: anti-retroviral therapy, including quality assurance; safe medical injections; safe blood supply; orphans and vulnerable children; abstinence and faithfulness; human capacity development; twinning of U.S. and overseas institutions; and supply chain management.

*International Partners* - \$127 million will supplement funding from the CSH and HHS accounts for international partners, including the Global Fund to Fight AIDS, Tuberculosis and Malaria. The \$100

million that will go to the Global Fund from this account is in addition to \$200 million proposed under the CSH and HHS accounts.

*Technical Oversight and Management* - \$63 million is for technical oversight and management costs. This includes the salaries and travel costs of the people that monitor and backstop the program from the headquarters of the various agencies that implement the Emergency Plan, as well as the administrative expenses of the Office of the U.S. Global AIDS Coordinator.

*Strategic Information* - \$35 million is for the Strategic Information system that is used to monitor program performance, including tracking progress toward goals and evaluating interventions for efficacy; and to provide descriptive information about Emergency Plan activities.

### **Conflict Response Fund (CRF)**

For FY 2006, \$100 million is requested to allow the Secretary to respond quickly and effectively to or prevent conflict in foreign countries and regions by providing resources that can be drawn upon to stabilize and begin reconstruction efforts in foreign countries or regions affected by conflict or civil strife. Similar to FY 2004 emergency supplemental funding provided for Liberia and Sudan, these funds will be used to finance a range of foreign assistance activities, including support for peace, transitional security, governance and humanitarian operations to prevent or respond to foreign territorial disputes, armed ethnic and civil conflicts that pose threats to regional and international peace, and acts of ethnic cleansing, mass killing or genocide. By identifying these funds in advance in their own account, the U.S. will accelerate delivery of critical expertise and resources that could influence the dynamics of a post-conflict environment and potentially shorten the overall period for deploying international peacekeepers or police. These funds would also allow for the design, preparation and deployment of assistance programs, enabling the U.S. to establish a visible and effective civilian ground presence and to facilitate transition from military to civilian leadership on stabilization and reconstruction, and could include administrative costs of USG agencies associated with these activities.

These funds will not be used to provide assistance in response to natural disasters because existing contingency funding is available for that purpose.

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## E. Department of the Treasury

(\$ in thousands)	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Treasury Technical Assistance	18,888	18,848	20,000
Debt Restructuring	94,440	99,200	99,750
<b>Total, Department of the Treasury</b>	<b>113,328</b>	<b>118,048</b>	<b>119,750</b>

### Treasury Technical Assistance

The FY 2006 request for Treasury International Affairs Technical Assistance is \$20.0 million. The program provides financial advisors to countries seeking assistance in implementing significant economic reforms, especially during critical periods of transition to market-based economies. The program supports economic policy and financial management reforms, focusing on the functional areas of budget, taxation, government debt, financial institutions, and financial crimes law enforcement.

In FY 2006, it is estimated that \$8.5 million of the request will be used by Treasury Technical Assistance to fund resident and short-term advisor projects to countries combating terrorist finance activity. A large portion of the request will be used for assistance programs in Sub-Saharan Africa, supporting economic and financial reforms in countries receiving HIPC debt relief, and other areas of emphasis.

### Debt Restructuring

The FY 2006 request is \$99.75 million for bilateral Heavily Indebted Poor Countries (HIPC) and poorest country debt reduction, contribution to the HIPC Trust Fund, and Tropical Forest Conservation Act debt reduction programs.

For the poorest countries, debt reduction provides an incentive to implement macro-economic and structural reforms necessary for economic growth and also frees up resources for poverty reduction efforts. The request would provide funding for the cost of bilateral HIPC and poorest country debt reduction and for additional contributions to the HIPC Trust Fund, which is administered by the World Bank and helps regional development banks and other multilateral institutions to meet their costs of debt relief.

The Tropical Forest Conservation Act (TFCA) received strong bipartisan support and was signed into law in 1998. The program allows for reduction of U.S. concessional debt and redirection of payments in local currency in eligible countries to support programs to conserve tropical forests.

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### III. Military Assistance

(\$ in thousands)	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
International Military Education and Training	91,159	89,012	86,744
Foreign Military Financing	4,621,810	4,745,232	4,588,600
Peacekeeping Operations	124,458	177,568	195,800
<b>Total, Military Assistance</b>	<b>4,837,427</b>	<b>5,011,812</b>	<b>4,871,144</b>

#### International Military Education and Training (IMET)

IMET's traditional purpose of promoting more professional militaries around the world through training and education has taken on greater importance as an effective means to strengthen military alliances and the international coalition against terrorism. IMET has made these militaries more efficient, effective and reflective of U.S. values and has improved interoperability with U.S., NATO and regional coalitions.

Recipients of IMET training include foreign military personnel and civilian government and NGO personnel whose participation contributes to improved civil-military relations, civilian control of the military and human rights.

The FY 2006 request for IMET is \$86.74 million. The U.S. policy interest in building military alliances and capabilities in the international coalition against terrorism continues to be the focus of the FY2006 request.

*Africa* – \$11.035 million, including \$3.125 million for Nigeria, Senegal, Ghana and Kenya – major contributors to peacekeeping operations on the continent and beyond, and including funding for the Africa Union (\$.20 million) to help shape African support in response to crises, engage in peacekeeping operations and perform civic actions within the region.

*East Asia and the Pacific* –\$9.310 million, including \$7.0 million for key programs in the Philippines, Malaysia, Thailand and Indonesia.

*Europe and Eurasia* – \$30.025 million for new NATO members, key coalition partners, as well as other nations in the region to promote regional security and integration among U.S., NATO, European and Eurasian armed forces.

*Near East* – \$12.975 million, including \$10.15 million to sustain major programs in Jordan, Morocco, Tunisia, Egypt, Oman and Yemen. FY 2006 includes a new program for Iraq (\$.7 million) to establish English language skills to serve as the foundation from which to draw students to receive professional and technical military education.

*South Asia* – \$6.219 million, including \$3.244 million for programs in Pakistan and India and \$.8 million to maintain Afghan National Army (ANA) IMET training.

*Western Hemisphere* – \$13.68 million, including \$1.7 million for Colombia and \$6.0 million for key programs in El Salvador, Mexico, Argentina, Dominican Republic and Honduras.

## **Foreign Military Financing (FMF)**

The FY 2006 request for FMF is \$4.589 billion. The total reflects increases in funding for major programs in Pakistan while sustaining other key programs. FY 2006 FMF will also support coalition partners and front-line states critical to the Global War on Terrorism (GWOT), and other key countries committed to counter-terrorism activities such as Colombia.

The FMF program is a key element of coalition building, critical to enhancing the capabilities of friends and allies on whom we depend in multilateral coalitions and operations.

*Africa* – \$24 million for key African countries to bolster counterterrorism capabilities, improve peacekeeping capacity, enhance border and maritime control and strengthen regional stability. Major items include \$7 million to help Kenya build on its counterterrorism capabilities to thwart the terrorist threat from Somalia and bolster its substantial commitment to regional security and international peacekeeping through provision of equipment and support for air base operations; \$4 million to fund the African Coastal and Border Security program, which seeks to provide new and follow-on assistance to several key African partners to develop means to control Africa’s territorial waters and borders; and \$4 million for Djibouti to provide equipment and training to help protect its borders and waters from terrorist activity.

*East Asia and the Pacific* – \$27.75 million, including \$20 million for the Philippines to continue the long-term, multi-year plan for modernizing and reforming the Philippine Armed Forces, to reinforce the armed forces’ counter-terrorism training instituted after 9/11, and to continue a five-year maintenance and mobility plan; \$2.5 million for Mongolia to support interoperability with NATO and UN forces as a key component of the coalition apparatus and continue its border communications project; \$1.5 million for East Timor to ensure the establishment of an appropriately-equipped defense force through training and equipping the new force, providing logistical assistance and providing policy and strategic direction; and, \$1.5 million to support Thailand’s special operations units, which are the Thai military’s primary counter-terrorism assets.

*Europe and Eurasia* – \$203.4 million to fund ongoing efforts to incorporate the most recent NATO members into the Alliance, support prospective NATO members and coalition partners. Funds will also support Partnership for Peace countries in Central Europe, the Caucasus and Central Asia to pursue defense reform and the continued implementation of Membership, Partnership and Individual Country Action Plan goals. Major items include \$25 million to promote Turkish Armed Forces modernization and strengthen its participation in the global war on terrorism and its support for reconstruction efforts in Iraq and Afghanistan; and \$30 million to help reform Poland’s military forces while advancing professionalization, modernization and interoperability to support its coalition efforts.

*Near East* – \$3.863 billion, including \$2.28 billion for Israel, an increase of \$60 million consistent with the agreement to increase FMF and decrease Economic Support Funds (ESF) for Israel; \$1.3 billion for Egypt to fund programs which promote a modern, well-trained Egyptian military; \$206 million to support Jordan’s force modernization, border surveillance and counter-terrorism efforts; \$20 million to enhance Oman’s capability to monitor land, sea and air borders and improve interoperability with U.S. forces; \$19 million to upgrade Bahrain’s military capabilities pivotal to U.S. operations; \$18 million to enhance Morocco’s capacity to patrol its northern coast and the Strait of Gibraltar; \$10 million to improve Yemen’s ability to uproot the al-Qaeda presence in Yemen and safeguard its borders and territorial waters; and \$10 million to support Tunisia’s efforts to secure its porous borders from terrorist threats.

*South Asia* – \$305 million, including \$300 million for Pakistan, critical to ongoing Operation Enduring Freedom efforts, to provide equipment to help Pakistan’s Armed Forces interdict and apprehend terrorists and prevent illegal cross-border movements; \$4 million to support Nepalese armed forces’ efforts to combat a Maoist insurgency; and \$1 million to enhance the Sri Lankan armed forces’ capability to counter regional, international and internal security terrorist threats and to bolster interoperability with U.S. forces.

*Western Hemisphere* – \$122.95 million to ensure that regional militaries are equipped and professionally trained to support counter-terrorism activities relating to border control, participate in coalition and peacekeeping operations, and exert effective authority over their national territory. The major area of funding consists of \$90 million for Colombia, located at the center of the hemisphere’s narcotics and terrorism threat, to provide operational support and specialized equipment to the Colombian armed forces, focusing on specialized and mobile units of the Colombian Army as well as units assigned to protect the Cano Limon oil pipeline, a key portion of Colombia’s economic infrastructure. Other programs include \$13 million to support El Salvador’s modernization and interoperability efforts as a key coalition partner and enhance its disaster preparedness capabilities; \$2.5 million to support Mexico’s border security and counter-terrorism capabilities as a means to improve its coordination to thwart terrorism threats at our borders; and \$5 million for Operation Enduring Friendship that will enhance homeland security in the Caribbean and improve regional capabilities to fight transnational criminal trafficking in aliens, narcotics, arms and other contraband.

*Global* – \$42.5 million for FMF administrative costs.

## **Peacekeeping Operations (PKO)**

The Administration is requesting \$195.8 million for PKO in FY 2006.

PKO funds are designed to advance international support for voluntary multinational efforts in conflict resolution, including support for international missions in response to emerging crises. These funds promote involvement of regional organizations and help leverage support for multinational efforts where no formal cost-sharing mechanisms exist.

The PKO request continues to provide \$18 million for *Afghanistan* as the U.S. contribution to a global effort to develop institutional support and nascent organizations for the Afghan National Army (ANA). PKO funds support salaries for ANA soldiers and some members of the Ministry of Defense.

The request includes \$41.4 million for *Africa Regional Peacekeeping Operations*. PKO funding is critical to our efforts to help end destructive conflicts and ensure viable peace in Liberia, Sudan, Burundi, the Democratic Republic of Congo (DRC), Uganda and Rwanda. Funds will also support programs to enhance African capabilities to respond to regional crises, especially in conjunction with the Economic Community of West African States (ECOWAS).

FY 2006 PKO request includes \$114.4 million to continue the Presidential *Global Peace Operation Initiative (GPOI)*, which is a five-year program that began in FY 2005. GPOI is intended to enable countries to deploy to global peace support operations (PSOs) by addressing key gaps in their PSO capabilities. The program focuses on training and equipping 75,000 troops, with an emphasis in the Africa region; increasing the number of gendarme units deployable to PSOs; and, facilitating deployments by providing support such as transportation and field sustainment. The program incorporates the previously funded *African Contingency Operations Training and Assistance (ACOTA)* program, and the *Enhanced*

*International Peacekeeping Capabilities (EIPC)*, previously funding under the Foreign Military Financing account.

The request includes \$19 million to continue the U.S. contribution to the *Multinational Force and Observers (MFO)* in the Sinai.

\$2.0 million will support voluntary contributions to high priority peacekeeping-related activities of the *Organization for Security and Cooperation in Europe (OSCE)*. Additional funding for OSCE activities for FY 2006 has been requested under the SEED and FSA accounts to better align current OSCE activities with the appropriate source of funds.

\$1 million will support activities aimed at maintaining the momentum of the peace initiative in *Sri Lanka*.

## IV. Multilateral Economic Assistance

(\$ in thousands)	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
<b>International Financial Institutions</b>			
Global Environment Facility	138,418	106,640	107,500
International Development Association	907,812	843,200	950,000
Multilateral Investment Guarantee Agency	1,117	-	1,742
Asian Development Fund	143,569	99,200	115,250
African Development Fund	112,060	105,152	135,700
African Development Bank	5,075	4,067	5,638
European Bank for Reconstruction and Development	35,222	35,148	1,016
Inter-American Development Bank - Multilateral Investment Fund	24,853	10,912	1,742
Inter-American Investment Corporation	-	-	1,742
International Fund for Agricultural Development	14,916	14,880	15,000
Arrears	[97,457]	[10,912]	[6,570]
<b>Total, International Financial Institutions</b>	<b>1,383,042</b>	<b>1,219,199</b>	<b>1,335,330</b>
International Organizations and Programs	294,899	325,767	281,908
<b>Total, Multilateral Economic Assistance</b>	<b>1,677,941</b>	<b>1,544,966</b>	<b>1,617,238</b>

### International Financial Institutions (IFIs)

International Financial Institutions (IFIs) provide loans, grants and investments in developing and transition economies and private sector enterprises in countries where risks are too high for private financing alone and where leverage is needed to encourage private financing. Bank policies and assistance programs reflect U.S. priorities in promoting growth, increasing productivity, and reducing poverty in developing countries.

- FY 2006 request includes \$1.329 billion for scheduled annual U.S. commitments to the IFIs and \$6.57 million to clear a portion of outstanding U.S. arrears, which currently total \$687.04 million.
- The FY 2006 request includes the initial scheduled commitment to three new replenishments – the fourteenth replenishment of the International Development Association (IDA-14), the tenth replenishment of the African Development Fund (AfDF-10), and the eighth replenishment of the Asian Development Fund (AsDF-9).
- U.S. leadership in the IDA-14 replenishment negotiations achieved a number of key reforms, most notably a significant increase in grant financing. The share of new funding disbursed to the poorest countries through grants, rather than loans, will increase from about 25 percent to approximately 45 percent. Agreement was also reached on an expanded results measurement system and progress toward greater transparency.
- In the AfDF-10 replenishment negotiations, the U.S. was also successful in attaining a substantial increase in grant financing to the poorest countries, from a level of about 20 percent to approximately

45 percent. The replenishment also achieved greater selectivity and effectiveness of operations, enhanced transparency and anti-corruption measures, and greater support to post-conflict countries.

- The AsDF-9 replenishment negotiations established, for the first time in the AsDF, a grant window where approximately 30 percent of assistance to the poorest countries will be in the form of grants. Agreement was also reached to increase the weight given to good governance and strong policy performance in the system used to allocate AsDF resources to countries, to provide a significant increase in resources for anti-corruption activities, and to establish a results management unit to oversee the implementation of a new results measurement strategy throughout the institution.

## **International Organizations and Programs (IO&P)**

The FY 2006 request of \$281.9 million for International Organizations and Programs (IO&P) will be used to advance U.S. strategic goals by addressing challenges that require international consultation and coordination. This approach is required in some areas, such as protecting the ozone layer or safeguarding international air traffic, where solutions cannot be effective unless problems are addressed globally. In other areas, such as in development programs, the United States can multiply the influence and effectiveness of its contributions through support for international programs.

The request includes \$114 million for the UN Children's Fund (UNICEF) to help provide goods and services directly to the world's neediest children, and contribute to the development of local capacity to meet their basic needs. UNICEF's development work is closely coordinated with U.S. and international development agencies.

The request also includes \$95 million for the United Nations Development Program (UNDP), the primary development agency in the UN system. These funds will support UNDP's efforts in the areas of poverty alleviation, democracy, environment and sustainable development, crisis prevention, and HIV/AIDS.

Over \$42 million of the FY 2006 request will support environmental programs, including \$21.5 million for the Montreal Protocol Multilateral Fund, which aims to combat ozone depletion.

The FY 2006 request also includes \$10 million for the Democracy Fund as proposed by the President in his UNGA speech on September 21, 2004. The proposed purpose of the Fund is to provide support for programs that advance democracy on a wide range of fronts. This includes rule of law, independent courts, free press, political parties, civil society development, and trade unions. The establishment of this Fund underscores the growing trend of support for democracy and democratic values in all regions of the world.