

OTHER BILATERAL ECONOMIC ASSISTANCE

Economic Support Fund
Assistance for East Europe and the Baltic States
Assistance for the Independent States of the Former Soviet Union

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Economic Support Fund

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	2,380,082	2,138,309	2,520,000
ESF-ERF	-	153,000	-
ESF-REIMB	40,000	-	-
ESF-SUP	2,382,000	972,000	-

The Economic Support Fund (ESF) promotes the economic and political foreign policy interests of the United States by providing assistance to allies and countries in transition to democracy, supporting the Middle East peace negotiations, and financing economic stabilization programs, frequently in a multi-donor context. The U.S. Agency for International Development (USAID), with overall foreign policy guidance from the Department of State, implements most ESF-funded programs. ESF furthers U.S. foreign policy interests by:

- Increasing the role of the private sector in the economy, reducing government controls over markets, enhancing job creation, and improving economic growth.
- Assisting in the development of effective, accessible, independent legal systems operating under the rule of law, as measured by an increase in the use of the courts to decide allegations of human rights abuses or abuses of government authority.
- Developing and strengthening institutions necessary for sustainable democracy through support for the transformation of the public sector, including assistance and training to improve public administration, promote decentralization, and strengthen local governments, parliaments, independent media, and non-governmental organizations.
- Assisting in the transition to transparent and accountable governance and the empowerment of citizens, working through civic and economic organizations and democratic political processes that ensure broad-based participation in political and economic life, as well as respect for human rights and fundamental freedoms.
- Strengthening capacity to manage the human dimension of the transition to democracy and a market economy and to help sustain the neediest sectors of the population during the transition period.

ESF addresses a full range of problems through an integrated strategy, including balance of payments and other economic support measures designed to create employment and conditions conducive to international investment and trade, and through support for programs that nurture democratic institutions and a vibrant civil society. In other parts of the world, economic dislocation and political strife continue to place great strains on many countries. Depending on the recipient country's economic situation, balance of payments or budgetary support may create leverage to bring about the adoption of more rational economic and fiscal policies required to sustain economic growth. However, in the short term, measures to create more rational and efficient economic structures and practices often exacerbate social and political tensions unless buffered by external assistance. In these circumstances, ESF can help to prevent or diminish economic and political dislocation that may threaten the security of key friends and allies. By promoting economic growth, good governance, and strong democratic institutions, ESF aims to eradicate the economic and political disparity that often underlies social tension and can lead to radical, violent reactions against government institutions. To this end, economic assistance programs assist in mitigating the root causes of terrorism.

For FY 2005, a total of \$2.520 billion is requested as follows:

- Africa -- \$101.3 million to assist countries to recover from conflict and bring about enduring peace; support the development of democracies, including support for human rights and free media; and promote U.S. investment opportunities in Africa.
- East Asia and the Pacific -- \$174.3 million to address democratic weaknesses in a regional where separatists movements are of growing concern; to launch new education initiatives where the system is in crisis; to support private sector led economic growth; to fund significant civil society and governance programs; to strengthen local security; and to promote women's empowerment.
- Europe and Eurasia -- \$75.5 million to promote peace and reconciliation in Ireland and Cyprus and provide balance of payments support to Turkey.
- Near East -- \$1.449 billion to continue restructuring assistance levels in the Middle East in support of regional stability, development, and comprehensive peace between Israel and its neighbors.
- South Asia -- \$564 million to help stabilize this critical regional by funding economic reconstruction and development, demobilization, democracy building, education, training, and public diplomacy programs.
- Western Hemisphere -- \$92 million to promote the Administration's priorities in the Hemisphere -- stable and prosperous democracies, thriving economies, and secure borders and cooperative neighbors -- through programs that focus on democracy and anti-corruption, trade-led economic growth, and counternarcotics.
- Global -- \$64 million to promote democracy and universal human rights; to promote environmental stewardship and advance U.S. interests in this area; to address unacceptable working conditions around the world; to prevent the trafficking in persons and protect the victims of trafficking; and more fully engage non-Arab Islamic countries.

Further detailed justification for the proposed programs can be found in the respective regional program sections.

Economic Support Fund
(\$ in thousands)

	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
Africa			
Angola	3,825	3,479	3,000
Burundi	1,150	3,479	3,250
Democratic Republic of Congo	2,800	4,971	5,000
Djibouti	-	-	2,000
Djibouti SUP	25,000	-	-
Ethiopia	1,075	4,971	5,000
Kenya	2,950	7,953	8,000
Liberia	4,420	-	25,000
Nigeria	1,900	4,971	5,000
Sierra Leone	11,910	4,971	5,000
South Africa	80	1,988	1,000
Sudan	7,000	9,941	20,000
Zimbabwe	4,050	2,982	2,000
Africa Regional Fund	14,390	11,929	11,000
Africa Regional Fund REIMB	15,740	-	-
Countries in Transition	1,750	-	-
East Africa Counterterrorism REIMB	2,700	-	-
Kimberley Process	-	1,491	-
Kimberley Process REIMB	2,000	-	-
NED Democracy Programs	-	2,982	-
Regional Organizations	1,700	2,982	1,000
Safe Skies	5,000	4,971	5,000
Subtotal - Africa	109,440	74,061	101,250
East Asia and the Pacific			
Burma	6,954	12,923	7,000
Cambodia	15,000	16,900	17,000
East Timor	24,838	22,367	13,500
Indonesia	59,610	49,705	70,000
Mongolia	10,000	9,941	10,000
Philippines	15,000	17,645	35,000
Philippines SUP	30,000	-	-
ASEAN	-	994	2,500
Democracy Programs (China, Hong Kong, Tibet)	5,961	-	-
EAP Regional HIV/AIDS REIMB	1,720	-	-
Environmental Programs	-	1,740	-
NED Democracy Programs	-	2,982	-
Regional Democracy	1,000	-	-
Regional Security Fund	200	-	250
Regional Women's Issues	1,000	1,988	1,000

Economic Support Fund
(\$ in thousands)

	FY 2003	FY 2004	FY 2005
	Actual	Estimate	Request
South Pacific Fisheries	17,829	17,894	18,000
South Pacific Fisheries REIMB	171	-	-
Tibet	-	3,976	-
Subtotal - East Asia and the Pacific	189,283	159,055	174,250
Europe and Eurasia			
Cyprus	14,902	13,420	13,500
Turkey	-	99,410	50,000
Turkey SUP	1,000,000	-	-
International Fund for Ireland	24,838	18,391	8,500
Irish Visa Program	3,460	3,479	3,500
Subtotal - Europe and Eurasia	1,043,200	134,700	75,500
Near East			
Egypt	611,002	571,608	535,000
Egypt SUP	300,000	-	-
Israel	596,100	477,168	360,000
Jordan	248,000	248,525	250,000
Jordan SUP	700,000	100,000	-
Lebanon	34,772	34,794	32,000
Morocco	-	-	20,000
Yemen	9,898	11,432	20,000
Iraq Opposition	10,000	-	-
Iraq Pre-positioning	140,000	-	-
Iraq War Crimes Tribunal SUP	10,000	-	-
Middle East Democracy	4,000	-	-
Middle East Multilaterals	2,900	-	2,000
Middle East Partnership Initiative	-	89,469	150,000
Middle East Partnership Initiative SUP	90,000	-	-
Middle East Regional Cooperation	4,900	5,467	5,000
NED Muslim Democracy Programs	-	3,479	-
U.S. North Africa Economic Partnership	3,000	-	-
West Bank/Gaza	74,500	74,558	75,000
West Bank/Gaza SUP	50,000	-	-
Subtotal - Near East	2,889,072	1,616,500	1,449,000

Economic Support Fund
(\$ in thousands)

	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
South Asia			
Afghanistan	49,500	74,558	225,000
Afghanistan ERF	-	153,000	-
Afghanistan REIMB	175	-	-
Afghanistan SUP	167,000	672,000	-
Bangladesh	4,000	4,971	5,000
India	10,500	14,912	15,000
Nepal	4,000	4,971	5,000
Pakistan	188,000	-	300,000
Pakistan SUP	-	200,000	-
Sri Lanka	3,950	11,929	12,000
South Asia Regional Funds	1,900	1,988	2,000
Subtotal - South Asia	429,025	1,138,329	564,000
Western Hemisphere			
Bolivia	10,000	8,000	8,000
Bolivia REIMB	2,000	-	-
Cuba	6,000	6,959	9,000
Dominican Republic	3,000	2,982	3,000
Ecuador	14,500	12,923	13,000
Guatemala	6,500	4,971	4,000
Mexico	11,650	11,432	11,500
Nicaragua	-	-	2,500
Panama	3,000	2,982	3,000
Paraguay	3,000	2,982	3,000
Peru	8,000	7,953	8,000
Peru REIMB	2,000	-	-
Venezuela	470	497	500
Administration of Justice	5,000	4,924	-
Hemispheric Cooperation	-	9,941	-
Peru-Ecuador Peace	6,000	3,976	4,000
Regional Anticorruption Initiatives	-	-	3,000
Summit of the Americas Support	-	-	2,000
Third Border Initiative	2,500	3,976	9,000
Third Border Initiative REIMB	500	-	-
Trade Capacity Building	-	-	8,500
Subtotal - Western Hemisphere	84,120	84,498	92,000
Global			
Conflict Resolution Programs REIMB	1,494	-	-
Human Rights and Democracy Funds	31,448	34,296	27,000

Economic Support Fund
(\$ in thousands)

	FY 2003	FY 2004	FY 2005
	Actual	Estimate	Request
Lockerbie (Pan Am 103) REIMB	8,000	-	-
Muslim Outreach	-	-	20,000
Muslim Outreach SUP	10,000	-	-
Muslim Secondary Exchange Program REIMB	3,000	-	-
Oceans, Environmental and Science Initiative	1,500	3,976	3,000
Oceans, Environmental and Science Initiative REIMB	500	-	-
Partnership to Eliminate Sweatshops	2,000	1,988	2,000
Reconciliation Programs	-	7,953	-
Security and Sustainability Programs	-	2,982	-
Trafficking in Persons	-	-	12,000
Wheelchairs	-	4,971	-
Subtotal - Global	57,942	56,166	64,000
Total	4,802,082	3,263,309	2,520,000

Human Rights and Democracy Funds

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	31,448	34,296	27,000

The promotion of democracy and universal human rights continues to be at the center of our National Security Strategy and at the top of our foreign policy agenda, having assumed an even greater importance since the tragic events of September 11, 2001. The Human Rights and Democracy Fund (HRDF) is set up to act rapidly on political openings and niches where we believe progress can be made, strengthening democracy, advancing human rights, and building civil society in countries and regions of strategic importance to the United States. Support for such projects underscores the USG's continued commitment to human rights and democracy in its fight against terrorism.

In FY 2005, HRDF will support innovative, cutting-edge projects that provide assistance to struggling or nascent democracies or that help improve the human rights situation in key countries. HRDF programs will not duplicate other efforts. The Department of State will identify and act upon political openings where we believe progress can be made, even if only incrementally and over time. Funds will also support regional initiatives that have transnational implications. Those HRDF projects that prove viable will be proposed for ongoing funding by traditional assistance agencies.

As efforts to fight the war on terrorism continue, the Department will maintain pressure for human rights, democratic processes, and civil liberties in all countries. These challenges will be addressed by funding programs in the Middle East that promote democratic reform and result in greater political pluralism, respect for fundamental freedoms, and prosperity in close coordination with the Middle East Partnership Initiative; that support the development of political parties and civil society as well as increase respect for human rights in Central Asia; 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 worldwide programs that include political party building, promoting independent media, and supporting civil society and democratic institutions in African, Asian, and Latin American countries.

Muslim Outreach

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	-	-	20,000
ESF-SUP	10,000	-	-

These funds will be used to address the challenge of engaging non-Arab Islamic countries and will be used primarily to implement cross regional projects, where appropriate (versus individual country programs), involving participants from four different regions (South Asia, East Asia and the Pacific, Africa, and Europe) to foster sharing of experiences.

In FY 2005, the funds will be used to promote democracy, including through education programs; work to change attitudes and curriculum in Muslim boarding schools; promote religious understanding and tolerance; increase women's political participation; promote judicial reform; address tolerance and promote a moderate view of Sharia law that protects human rights; advance human rights through training on universal standards; strengthen the capacity of local organizations; promote conflict resolution; strengthen political parties and processes; and improve electoral frameworks.

Oceans, Environmental and Science Initiative

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	1,500	3,976	3,000
ESF-REIMB	500	-	-

Oceans, environment, science, technology and health issues directly affect U.S. economic prosperity and national security. American leadership and engagement best serve U.S. national interests with the international community in these areas.

The Economic Support Funds (ESF) for Oceans, Environment and Science Initiatives (OESI) advance U.S. negotiating positions, promote regional cooperation and stability, and demonstrate U.S. leadership in responding to emerging issues in international oceans, environment, science, and health. These funds also promote U.S. development, trade, economic, diplomatic, investment and commercial interests and enable host governments to develop their own policies with the full appreciation of U.S. perspectives on these issues.

The Department of State is currently negotiating and implementing agreements and promoting voluntary initiatives that directly affect U.S. interests such as biotechnology, forests, hazardous chemicals, sustainable fisheries, health, water, and sustainable development. OESI program funds will be used to further these goals by:

- Advancing the Administration's vision for a sustainable future through partnerships on water, energy/climate change, health and forests. OESI efforts include: household and community level pilot programs for access to clean water and sanitation services aimed at reducing the incidence of water-borne diseases; promoting clean energy technologies in large developing countries such as India; implementation of the Global Observation System; strengthening efforts to combat illegal logging worldwide; and implementing reform of the UN's Commission on Sustainable Development through focusing on concrete outcomes.
- Expanding trade by ensuring that free trade neither increases environmental degradation nor creates trade barriers. OESI projects will include: strengthening other countries' Export Credit Agencies' international environmental standards, thereby leveling the playing field for U.S. exports; implementing environmental work plans with Morocco and Central American nations; and increasing the capacity for domestic good governance and transparent and accountable environmental law enforcement and compliance in Africa, Latin America and Asia.
- Promoting the sustainable management of the world's fisheries and reducing land-based and vessel source pollution. OESI programs will include developing international safety standards to reduce land-based and vessel pollution, regional partnerships that address marine pollution issues (e.g., White Water to Blue Water Partnership) and deterring illegal fishing that threatens U.S. commercial fisheries' interests and the sustainable management of fisheries through enforcement capacity-building.
- Seeking scientific collaboration that advances U.S. foreign policy objectives. OESI activities will include fostering capacity building and science-based decision making in Central America, Central Asia and North Africa on coastal, marine and terrestrial habitat conservation, health, and biotechnology, and advancing space applications and technology such as the Global Information System Development, GPS and earth observation data.

- Fostering sound stewardship of the environment and natural resources. OESI efforts will include developing regional action plans to combat invasive species, strengthening chemicals management to include mercury (with a view to mitigating its adverse health impact), and moving forward on market-friendly access and benefit sharing of genetic resources policies in multilateral fora.
- Raising awareness of the unprecedented threats posed by the spread of emerging and re-emerging infectious diseases, combating bioterrorism, and improving health security. OESI efforts will include support for developing: regional centers to track and monitor emerging and re-emerging infectious diseases, bilateral and multilateral bioterrorism tabletop simulation exercises, and legislative strategies to improve control over biological pathogens in laboratory facilities in critical countries.

Half of the FY 2004 OESI program funds support a bilateral science and technology agreement with Pakistan.

Partnership to Eliminate Sweatshops

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	2,000	1,988	2,000

Through the Partnership to Eliminate Sweatshops, the United States facilitates cooperation among corporations, consumers, non-governmental organizations, universities, organized labor, and others to address unacceptable working conditions around the world. The program complements other efforts being made to bring countries and companies into full compliance with the International Labor Organization's Declaration of the Fundamental Principles and Rights at Work and to help developing countries meet worker rights criteria in U.S. trade legislation.

Under the Partnership in FY 2005, we will continue to make grants available to both domestic and international applicants working overseas to promote core labor standards, corporate codes of conduct, monitoring, training, research, and other associated activities. Funds will be used to eliminate sweatshop conditions in overseas factories that produce goods for U.S. markets and thus promote corporate responsibility and economic stability.

Trafficking in Persons

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	-	-	12,000

Eradicating modern day slavery through foreign assistance has been a policy of increasing priority since the creation of the Trafficking Victims Protection Act of 2000. In 2003, the Act was reauthorized, giving the Department of State new tools to evaluate foreign governments and assist them in fighting this egregious human rights abuse. The President made clear his commitment when he said, “the trade in human beings for any purpose must not be allowed to thrive in our time” during his plea last September to the United Nations General Assembly to protect women and children.

Through diplomatic efforts and the provision of financial support to programs and projects designed to combat trafficking, we have helped to free thousands from slave-like conditions and pushed most countries to make significant improvements in fighting trafficking. Trafficking networks, however, are deeply entrenched and organized crime groups will continue to adapt their methods as long as it is profitable. Unfortunately, human trafficking is a multi-billion dollar industry. This crime relies on the exploitation of vulnerable populations, so fighting it only through law enforcement is not enough. Victims are often brutalized and traumatized and can end up re-trafficked without proper care and rehabilitation. Without protection, victims rarely feel safe enough to testify against their traffickers.

These funds will be used to build the capacity of governments and non-governmental organizations to protect and assist victims and help institute creative ways to prevent trafficking. By assisting governments, we are also helping them improve their ranking on the annual Trafficking in Persons Report.

In addition, these funds will be used to create and support multinational efforts between source, transit, and destination countries. In East Asia, Africa, Latin America, and South Asia, funds will be used to bolster efforts of regional organizations to develop protocols for identifying, assisting, and repatriating victims. In Latin America, efforts will include public awareness and the creation of shelters including in the border areas. Funds will be used to help children out of forced work in cocoa plantations and as domestic servants in Africa. In Asia, we will increase the number of victim assistance centers and improve education and economic opportunities for young women and children at risk of being trafficked.

The use of these funds will be coordinated with other anti-trafficking resources, particularly those requested under International Narcotics Control and Law Enforcement.

Assistance for Eastern Europe and the Baltic States

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
SEED	521,587	442,375	410,000

The Support for East European Democracy (SEED) Act has promoted important U.S. national interests and strategic goals in North Central and South Central Europe since 1989. Programs in eight countries in the northern tier have already succeeded in achieving their goals of assisting the transition to free markets and robust democracy and have been phased out. During the remaining years of SEED funding, the focus will be on Southeast Europe, primarily the Western Balkans. This region retains the ability to pull our allies, and ultimately the United States itself, into upholding our vital interests, as the conflicts in both Bosnia and Herzegovina and Kosovo and the more recent insurgencies in southern Serbia and Macedonia have demonstrated.

SEED assistance provides a proactive defense by funding important peace implementation programs that have laid the foundation for longer-term development solutions through the rise of democratic institutions and market economies. SEED funding achieves these objectives by supporting innovative models, technical assistance, and training to facilitate reform and transition. SEED funding promotes broad-based economic growth in the transitional countries of Central Europe and increases adherence to democratic practices and respect for human rights. Many of these countries have made important progress toward achieving the goals of the SEED program: building a market economy with a strong private sector, consolidating democracy, and improving the quality of life for citizens. All SEED recipient countries are now democracies, and almost all experienced economic growth in 2003. Extensive SEED investments during recent years have succeeded in helping the region overcome crises, so that in FY 2005 the overall request will be reduced further while maintaining the momentum of the reforms underway. In FY 2005, the U.S. contribution towards non-peacekeeping related Organization for Security and Cooperation in Europe (OSCE) activities will be funded by SEED, including maintaining OSCE field missions in the SEED region, as well as the Office of the High Representative in Bosnia.

SEED-funded programs help to ensure that local and regional instability – particularly in South Central Europe – does not threaten the security and well being of the United States and its allies. A peaceful, democratic, and economically strong Central Europe gives the United States and the Atlantic Alliance substantially greater assurance of security at a lower cost. SEED programs also aim at minimizing the human costs of conflict aftermath, contribute to the protection of human health, help to achieve a sustainable global environment, and promote U.S. exports. Central Europe is a growing market for U.S. goods and services, as well as a gateway to the vast potential markets in Russia and Ukraine. SEED-funded bilateral and regional programs will also help to reduce the threat of transnational organized crime and HIV/AIDS.

While the SEED program has built a solid record of accomplishment, much remains to be done by the United States and its allies. Two groups of countries in South Central Europe continue to need substantial, albeit decreased, U.S. assistance. The first group is comprised of countries and regions whose economic and political transition has been delayed by hostilities. This group includes Bosnia and Herzegovina, Croatia, Kosovo, and, more recently, Macedonia, and Serbia and Montenegro. The aftermath of the 1999 conflicts in Kosovo, southern Serbia, and northern Macedonia continues to demand intensive U.S. assistance and leadership to establish and maintain security, promote inter-ethnic dialogue, address humanitarian needs, and strengthen democratic forces. Continued assistance in Croatia and Serbia and Montenegro will help democratically-elected governments to consolidate their successes. Bosnia and Herzegovina remains a difficult challenge, given the severe infrastructure and human damage caused by the

war and the extremism it generated. Nevertheless, we have seen progress in strengthening central institutions, minority returns, the rise of moderate parties, and the arrival of foreign banks. The United States continues to exercise leadership through both its SEED-funded assistance and military presence to ensure that the Dayton Peace Accords are implemented.

The group of neighboring countries – Albania, Bulgaria and Romania – also requires continued SEED assistance. All three suffered debilitating economic and/or political crises as a result of the 1999 Kosovo conflict that have challenged political, economic and social stability. SEED funding is helping these countries deal with their crises and move forward in their transitions.

Objectives of the SEED program for FY 2005 include the following:

- Continued support for Serbia and Montenegro as it overcomes a decade of political oppression and economic mismanagement. Efforts in Serbia will focus on economic and democratic reforms to solidify democratic gains, improvements in the effectiveness and accountability of local government, strengthening of rule of law and respect for minority rights, and helping the government to develop and implement a comprehensive program for economic, political, and administrative reform. In Montenegro, continued assistance will advance the process of democratization through support for economic reform and development of the private sector.
- Support of Macedonia's ongoing efforts to implement the Framework Agreement to restore political stability by bringing the benefits of economic and political reforms to all its citizens. Efforts will be focused at the grassroots level, including local government and police officials.
- Sustained efforts to stabilize and transform Kosovo into an economically viable, democratic self-governing entity in the period leading up to a 2005 decision point on initiating a process to determine Kosovo's status, the consolidation of legitimate institutions of local self-government, the training and equipping of the Kosovo police, and the development of an effective justice system and respect for minority rights.
- Implementation of the Dayton Peace Agreement in Bosnia and Herzegovina, support for minority refugee returns, enhancing the voices of the moderate political leaders, and support for economic reform with greater privatization and legal and regulatory reform.
- Robust programs working with reform-minded, democratic governments in Bulgaria and Croatia as they work to lock-in economic reforms and consolidate democracy in their efforts to join the European Union quickly. FY 2006 will be the final year of SEED funding for Bulgaria and Croatia.
- Stabilization, transformation and Euro-Atlantic integration of the countries of Southeast Europe through the development of greater intra-regional ties under the aegis of programs such as the Stability Pact for Southeast Europe.

SEED-funded assistance also supports U.S. security, democracy, commercial, and human rights interests in North Central and South Central Europe. FY 2005 SEED-funded assistance will seek to achieve the following objectives:

- Enhance security on the ground for U.S. peacekeeping troops in Kosovo and Bosnia and Herzegovina;
- Speed the stabilization process in the countries of the former Yugoslavia, allowing faster withdrawal of U.S. forces;

- Help prevent further outbreaks of armed conflict;
- Promote the establishment of domestic courts in Bosnia and Herzegovina, Serbia and Montenegro, and Croatia to try war crimes cases, both in the interest of justice and public accountability as well as to permit the International Criminal Tribunal for the Former Yugoslavia (ICTY) to finish its work more expeditiously;
- Improve internal security and rule of law, reducing the influence of organized crime and corruption;
- Improve the investment climate and help open new markets for U.S. businesses; and
- Improve the lives of citizens in the region through more effective government, improved social services, and a cleaner environment.

Program Assessment Rating Tool (PART) Performance Evaluation

In 2003, the Administration conducted an initial Program Assessment Rating Tool (PART) review of the Support for East European Democracy (SEED) and Assistance for the Independent States of the Former Soviet Union (FSA) programs. Both programs have unique authorizing language that lays out the purpose for which the funds are to be used. This contributed to their high ratings on program purpose and design. However, the assessment noted that there is a lack of formal strategic planning, leading to low initial results. This resulted in an overall rating of Results Not Demonstrated, or no demonstrated progress keyed directly to established long-term or annual performance goals. In order to address this, a performance measurement plan is being developed to make informed policy and resource allocation decisions, including when we consider phase out of sectors, program, or countries. This plan involves on-going evaluation of effectiveness of individual programs and implementers using measures that link to the Mission Performance Plans. This attention to the PART evaluation was taken into account in the overall decision-making process for resources allocations.

Corresponding performance information (key goals and targets) for SEED and FSA can be found in the Performance Summary volume of the integrated performance budget presentation on pages 21, 157, and 286.

Key Indicators: Freedom House *Nations in Transit* index; World Bank, World Development Indicators; EBRD *Transition Report* indices; World Bank *Small and Medium Enterprise Across the Globe: A New Database*; UNDP Human Development Index; European Centre for the Epidemiological Monitoring of AIDS, et al.

Assistance for Eastern Europe and the Baltic States
(\$ in thousands)

	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
Europe and Eurasia			
Albania	28,500	27,835	28,000
Bosnia and Herzegovina	50,150	44,735	41,000
Bulgaria	28,000	27,835	27,000
Croatia	30,000	24,853	20,000
Kosovo	85,000	78,534	72,000
Macedonia	50,000	38,770	34,000
Romania	30,500	27,835	27,000
Serbia and Montenegro	150,000	134,203	102,000
Regional SEED	69,437	37,775	59,000
Subtotal - Europe and Eurasia	521,587	442,375	410,000
Total	521,587	442,375	410,000

Assistance for the Independent States of the Former Soviet Union
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FSA	755,060	583,537	550,000

Given Eurasia's size, large deposits of energy resources, and borders with key countries in Europe, South Asia, and the Middle East, the United States has a vital national interest in helping it become a region characterized by stable, democratic and prosperous countries. The United States also has strong national security interests in helping the Eurasian states combat transnational threats, including the proliferation of weapons of mass destruction (WMD); trafficking in persons and narcotics; and the spread of HIV/AIDS. Most of the Eurasian states have provided critical assistance in the Global War on Terrorism, including basing and overflight rights that have been key to our ability to carry out military action in Afghanistan. A growing number are also providing troops or other assistance in Iraq and Afghanistan.

Stability across the region will be achieved only if the Eurasian states successfully complete the transition they began in 1991 from totalitarianism and centrally planned economies to democratic governance and market-based economies. Assistance programs funded under the FREEDOM Support Act (FSA) account seek to facilitate this transition by supporting emerging democratic organizations and market-based institutions. FSA funding has helped develop civil society in Eurasia through support for non-governmental organizations (NGOs) and the independent media. FSA-funded business advisory and credit programs have supported the growth of small and medium private enterprises throughout the region, and FSA-funded programs have supported major progress on land privatization in countries such as Ukraine, Moldova, Georgia, and the Kyrgyz Republic. FSA-funded assistance has helped reform antiquated health care systems, improve maternal and child health, and successfully treat tuberculosis.

FSA-funded assistance also helps prevent the proliferation of WMD and related technology and expertise, and combats transnational threats such as drug trafficking, organized crime, and trafficking in persons. The successful interdiction of illicit transfers of nuclear materials and weapons crossing borders in Central Asia was facilitated by assistance provided under the Export Control and Related Border Security (EXBS) Program. FSA-funded assistance has helped Georgia build an effective Border Guard presence on the Georgian-Russian border. FSA-funded assistance programs have also facilitated the destruction and removal of Russian weapons and ammunition from Georgia and the Transnistria region of Moldova. In addition, FSA-funded joint research collaborations have achieved promising results in the areas of public health and agricultural research, while successfully redirecting the biological weapons expertise of former Soviet weapons scientists to peaceful, productive pursuits.

The FY 2005 FSA request is \$33.5 million less than the FY 2004 level, reflecting significant reductions for Russia, Ukraine and Kazakhstan. Funding for economic reform programs in these countries will be phased down over the next several years due to their improved situation with respect to balance of payments, government budgets, and improved competitiveness. An interagency-agreed strategy is now in place to phase out FSA-funded assistance to Russia after FY 2008. Phase-out plans for Ukraine, Kazakhstan, and the other nine Eurasian countries will be developed during the coming year. These plans will take into account an assessment of progress against a broad range of economic and democratic reform indicators collected by the European Bank for Reconstruction and Development (EBRD), Freedom House, the United Nations Development Program (UNDP), and Transparency International, among others. The plans will, where appropriate, establish target phase-out dates for each country, and for particular sectors of U.S. assistance within that country.

The transition from Soviet republics into democratic states with competitive, market-based economies is a long-term, uneven process. Accordingly, our assistance programs are based on two principles: first, balance between programs that address immediate threats and programs that promote lasting, generational change; and second, selective engagement based on willingness to reform and on performance in actual implementation.

FREEDOM Support Act assistance in Eurasia in FY 2005 has the following objectives:

- To promote stability by attacking the underlying economic and political causes of instability, and by supporting efforts to resolve regional conflicts;
- To strengthen democracy by supporting open and transparent political processes, a solid legal framework, and checks on executive authority, including independent and capable legislative and judicial branches, robust and effective civil society organizations, and sustainable independent media.
- To make economies more competitive and open to trade and investment by supporting responsible macroeconomic policies, good financial sector regulation, and a consistent, non-politicized approach to commercial disputes.
- To broaden economic opportunity by bolstering private enterprise, especially small business, through training and increased availability of credit.
- To enhance capabilities to stop illicit trafficking in persons, narcotics and WMD.
- To improve the health of Eurasian populations, with a particular focus on infectious diseases, such as tuberculosis and HIV/AIDs.
- To provide former Soviet weapons scientists with alternative, peaceful civilian research opportunities.

Program Assessment Rating Tool (PART) Performance Evaluation

In 2003, the Administration conducted a Program Assessment Rating Tool (PART) review of the Support for East European Democracy (SEED) and Assistance for the Independent States of the Former Soviet Union (FSA) programs. Both programs have unique authorizing language that lays out the purpose for which the funds are to be used. This contributed to their high ratings on program purpose and design. However, the assessment noted that there is a lack of strategic planning, leading to low initial results. This resulted in an overall rating of Results Not Demonstrated, or no demonstrated progress keyed directly to established long-term or annual performance goals. In order to address this, a performance measurement plan is being developed to make informed policy and resource allocation decisions, including when we phase out of countries. This plan involves on-going evaluation of effectiveness of individual programs and implementers using measures that link to the Mission Performance Plans. This attention to the PART evaluation was taken into account in the overall decision-making process for resources allocation.

Corresponding performance information (key goals and targets) for SEED and FSA can be found in the Performance Summary volume of the integrated performance budget presentation on pages 21, 157, and 286.

Key Indicators: Freedom House *Nations in Transit* Index; World Bank, World Development Indicators; ERBD *Transition Report* indices; World Bank *Small and Medium Enterprise Across the Globe: A New*

Database; UNDP Human Development Index; European Centre for the Epidemiological Monitoring of AIDS; et al.

Assistance for the Independent States of the Former Soviet Union
(\$ in thousands)

	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
Europe and Eurasia			
Armenia	89,415	74,558	62,000
Azerbaijan	45,938	38,782	38,000
Belarus	9,045	6,850	6,500
Georgia	84,056	71,376	90,000
Kazakhstan	43,416	33,342	28,000
Kyrgyz Republic	37,878	35,938	33,000
Moldova	30,242	21,898	17,500
Russia	143,307	93,445	79,500
Tajikistan	25,853	24,411	25,000
Turkmenistan	7,805	5,700	6,000
Ukraine	138,700	92,589	79,500
Uzbekistan	39,435	35,688	36,000
Regional FSA	59,970	48,960	49,000
Subtotal - Europe and Eurasia	755,060	583,537	550,000
Total	755,060	583,537	550,000

INDEPENDENT AGENCIES

Peace Corps
Inter-American Foundation
African Development Foundation
Millennium Challenge Corporation

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Peace Corps
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
Peace Corps	295,070	308,171	401,000

Requested funding will permit the Peace Corps to reach its goal of 8,600 American serving in the agency by the end of FY 2005. Funding also will allow for the opening of two new country programs, ensure the safety of every Volunteer and staff member, and provide resources for improvements in human resources management and overseas communications. The Peace Corps is reaching a 28-year high of Volunteers in the field in FY 2004 and remains committed to the pursuit of the President's goals for growth.

The three core goals of the Peace Corps are as relevant today as they were forty-three years ago:

- To help the people of interested countries in meeting their need for trained men and women.
- To help promote a better understanding of Americans on the part of the peoples served.
- To help promote a better understanding of other peoples on the part of Americans.

Through the work and contributions of its Volunteers, the Peace Corps has emerged as a model of success for encouraging sustainable development at the grass-roots level. Volunteers work to improve the quality of education for children, to protect the local environment, and to create economic opportunities. Volunteers also implement projects to prevent the spread of HIV/AIDS, help provide food security and access to potable water. Moreover, they train students to use computers and help communities establish resource centers with Internet access.

The Peace Corps, however, is much more than a development agency. Its larger purpose is to empower people in developing countries to take charge of their own futures and strengthen the bonds of friendship and understanding between Americans and the people of other cultures. The on-the-ground, people-to-people relationships that Peace Corps Volunteers forge with their host country colleagues and communities serve as a crucial foundation for international peace and understanding.

Through their service, Volunteers make lasting contributions to the United States in the following ways:

- *Representing American Values and Diversity:* The women and men who serve as Peace Corps Volunteers reflect the rich diversity of our country and represent some of the finest characteristics of the American people: a strong work ethic, a generosity of spirit, a commitment to service, and an approach to problems that is both optimistic and pragmatic. They are afforded no special privileges and often live in remote, isolated communities. They speak local languages and adapt to the cultures and customs of the people they serve. In this process, Volunteers share and represent the culture and values of the American people, and in doing so earn respect and admiration for our country—among people who often have never met an American.
- *Preparing America's Work Force with Overseas Experience:* Peace Corps training and service provide skills that are increasingly important to America's participation in the international economy. Volunteers worldwide learn more than 180 languages and dialects, and they receive extensive cross-cultural training that enables them to function effectively at a professional level in different cultural settings. Returned Volunteers often use these skills and experiences to enhance careers and make contributions to our society in virtually every sector—Congress, the Executive branch, the Foreign Service, education, business, finance, industry, trade, health care, and social services.

- *Educating Young Americans:* Through the Coverdell World Wise Schools Program, thousands of current and returned Peace Corps Volunteers share their experiences in developing countries with students in America's classrooms. This successful program allows young Americans to learn about the peoples and cultures of other countries and to interact with positive role models who have engaged in public service as Peace Corps Volunteers. These exchanges have allowed American students—especially those who have not had the opportunity to travel or to experience another culture—to gain a global perspective and to realize that they can make a difference in their communities and in the world.
- *Contributing to America's Legacy of Service:* Encouraging service and volunteerism among the American people is part of a long tradition in the United States. Over one hundred thousand people contact the Peace Corps each year seeking information about serving as a Volunteer. When Volunteers complete their overseas service, many continue their commitment to volunteerism by offering their time and skills to community volunteer programs across the country.

Inter-American Foundation

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
IAF	16,095	16,238	15,185

The Inter-American Foundation (IAF) supports grassroots development initiatives in Latin America and the Caribbean with a direct impact on the lives of people at the lowest economic levels. IAF programs promote entrepreneurship, self-reliance and democratic principles that translate as economic progress for the poor in Latin America and the Caribbean. The IAF's responsiveness to the ideas of people at the community level helps such communities develop democratic practices, including strengthening citizen participation and oversight of local governments.

In 2005, the IAF will continue to focus its resources on building partnerships among grassroots organizations, nongovernmental organizations, local governments and private enterprises to foster development and democracy at the local level. This strategy also promotes social investment in Latin America and the Caribbean by the U.S. and local private business sectors to improve the quality of life of the poor in the region.

The IAF was a pioneer and will continue to perform a leading role in efforts to channel some of the vast amounts of remittances that immigrants send home each year into development activities and will seek the partnership of other major donors in a coordinated venture.

In FY 2005, the IAF will continue to expand its groundbreaking new program involving a large network of Latin American corporate foundations convened by the IAF in FY 2002 and focus also on the CEOs of the parent corporations. Participating foundations match IAF contributions, develop a common results measurement system and pool their learning resources. Accountability and funding will be standardized among members to facilitate contributions from other donors.

The IAF will continue to support the economic development initiatives of African-descendant communities—which comprise half the population living below the poverty line in Latin America and the Caribbean—and of indigenous peoples. As an active member of the Inter-Agency Consultation on Race in Latin America, the IAF, in conjunction with the government of the United Kingdom, the Inter-American Development Bank, and the World Bank, will promote the inclusion of indigenous and African descendants in poverty reduction strategies.

The IAF will support the expansion of community foundation activities in Mexico, particularly on the U.S.-Mexico border, through both monetary and non-monetary transfers (such as technical assistance) to promote endowment challenge grants and other forms of crossborder philanthropy.

The IAF will continue to refine its system of measuring the results of its grants and identify and disseminate good practice and lessons to new private sector contributors and development practitioners. The IAF will seek to integrate the non-tangible impact of its funding with an expanded evaluation methodology for specially selected projects. Using results and evaluation information, the IAF will incorporate lessons learned into the IAF's strategic planning and grant decision-making processes. The IAF will build its integrated program management information system to provide greater internal and external access to program data.

African Development Foundation

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ADF	18,568	18,579	17,000

The African Development Foundation (ADF) plays a unique role within the U.S. Government's foreign assistance programs. ADF is the only Federal agency that provides development assistance directly to grassroots communities and groups in Africa. ADF works in partnership with African non-governmental organizations (NGOs) in each of the countries where it operates.

ADF's efforts complement larger United States assistance programs by helping poor communities increase their participation in the economic development of their countries. In this regard, ADF-assisted programs pioneered and continue to develop innovative models of participatory development. The Foundation's programs support U.S. national interests in Africa in other ways, including promoting trade and investment opportunities, and encouraging bonds of friendship with African people from a diversity of religious, ethnic, and socio-economic backgrounds.

ADF's FY 2005 request focuses on:

- Promoting micro- and small-enterprise (MSE) development,
- Expanding participation of small enterprise and producer groups in trade and investment relationships with the United States and within Africa,
- Targeting women and rural communities,
- Promoting community-based HIV/AIDS prevention training, and
- Fostering the development of African institutions.

The Foundation has extensive experience in improving the productivity of small-scale farmers and building robust small enterprises. This enables ADF to play a highly effective role in increasing the participation of African grassroots enterprises and producer groups in international trade. ADF has developed innovative and replicable models for promoting non-traditional exports by poor farmers and small manufacturers.

ADF works directly at the community level and with African NGOs and enterprises to help build the capacity of non-governmental partner organizations. The focus here is to support the development of sustainable institutions that can promote community development.

The Foundation is continuing its program in HIV/AIDS focusing on prevention and income generation. The Foundation's objective is to promote innovative initiatives that improve the economic security of families affected by the disease.

Millennium Challenge Corporation

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
MCA	-	994,100	2,500,000

The Millennium Challenge Account (MCA) is a Presidential initiative to generate economic growth in poor countries. At the Inter-American Development Bank in March of 2002, President Bush called for “A new compact for global development, defined by new accountability for rich and poor nations alike.” The President pledged that the United States would increase its core development assistance by 50 percent over the following three years.

Fiscal Year 2005 will mark the second year of operation for the MCA. The FY 2005 Budget request of \$2.5 billion makes a significant second year increase in the MCA and paves the way to reaching the President’s commitment of \$5 billion per year for the MCA beginning in FY 2006.

Three key principles define this new compact for global development. First, countries that pursue sound political, economic and social policies are more likely to use additional assistance effectively. Second, development plans supported by a broad range of stakeholders, and for which recipient countries take primary responsibility, are more likely to succeed. Finally, integrating monitoring and evaluation into development plans from the beginning boosts aid effectiveness.

The MCA initiative breaks new ground in a number of ways. Foremost, it will provide assistance only to countries that have already created the environment for growth by ruling justly, investing in their people, and encouraging economic freedom. The Millennium Challenge Corporation (MCC), which administers the MCA, will use objective indicators of these criteria to determine country eligibility. A country’s anti-corruption standards will play an important role in the selection decision. The MCC will form a partnership with selected countries, and the responsibilities of each partner will be detailed in an MCA Compact agreement. Finally, to ensure accountability for results, continued funding will be tied to measured performance. All Millennium Challenge Compacts between recipient countries and the United States will include clear measurable objectives, sound multi-year financial plans, and benchmarks for assessing progress.

Now that Congress has finalized the authorization and first year funding level of \$1 billion for in FY 2004, much work lies ahead in achieving the partnership that the MCA envisions. Over the course of the coming year, the Administration will quickly stand up the MCC, select participant countries, evaluate proposals, begin to disburse funds, and provide program oversight. MCA recipient countries themselves will be responsible for identifying development priorities, drafting funding proposals with input from their public and private sectors, developing strategies for monitoring results, implementing programs and, where needed, working to improve their capacity to manage funds and ensure accountability.

National governments themselves will not be the only recipients of funds. Within the framework established by a Compact, implementation may be undertaken by a variety of parties including nongovernmental organizations, local governments, and the private sector.

In FY 2004, candidates for possible participation in MCA have a per capita income of \$1,415 or less and International Development Association (IDA) eligibility. The list of candidate countries will grow in FY 2005, when the requirement for IDA eligibility will be relaxed. By FY 2006, the third year of the MCA, the income cutoff level is slated to increase to just under \$3,000, IDA’s lower middle-income threshold, further expanding the number of possible participants.

MCA not only aims to promote economic growth and poverty reduction in MCA countries but also to provide an incentive for countries not meeting the eligibility standards to take steps toward reform with an eye toward qualifying for MCA participation in future years.