

NEAR EAST

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Algeria
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
IMET	121	200	550
P.L. 480 - Title II	0	776	0

Algeria is a strong supporter of, and an important partner in, the war on terrorism. It has fought its own decade-long war against extremist groups, some of whom have threatened the United States and our allies. Algeria pursues active diplomatic engagement throughout Africa and the Middle East and has been a key player in the resolution of African conflicts. It is a major supplier of oil and gas to Europe and the United States and hosts the second highest level of U.S. investment in the Arab world after Saudi Arabia. The United States has an interest in addressing the roots of instability in Algeria by providing support for economic and democratic reform, as well as professional military education and training. Improving Algeria's stability and security helps build a more solid foundation for regional stability, in turn advancing U.S. interests in the war against terrorism.

The terrorist violence that wracked Algeria from 1992 to 1998 has diminished in recent years, although military operations against pockets of radical armed groups in rural areas are expected to continue for the foreseeable future. Major towns and cities and much of the south are free of violence. However, there have been domestic disturbances in various parts of the country related to the Berber community's effort to obtain greater recognition of their identity, rights, and economic needs. The government is stressing reconciliation, openly addressing human rights concerns, and accepting democracy training. Cabinet ministers with strong economic reform credentials have made some progress in guiding Algeria's transition to a market economy, but serious institutional and social barriers remain. Such developments present the United States with significant challenges, but also with major economic opportunities.

Through the U.S.-North Africa Economic Partnership (USNAEP), the United States engages the Maghreb governments (Morocco, Tunisia, and Algeria) in senior policy dialogue and provides technical assistance to encourage private sector-led growth. The program is designed to help moderate Arab partners in North Africa with their commitments toward modernization, freer markets, and more open trade. USNAEP in Algeria supports its WTO accession process and development of modern commercial laws. Programs offer Humphrey Fellowships aimed at training Algerians in the areas of privatization, contracting, public-private partnerships, and competition. USNAEP supports advisors and training relating to general commercial law, intellectual property rights, agricultural trade policy, trade remedies, and bank modernization. Inter-university links between the United States and Algeria are used to develop and strengthen partnerships between institutions of higher education in both countries.

Beginning in 1998, the Middle East Democracy Fund has financed a parliamentary training program in Algeria that has played an instrumental role in the ongoing evolution of the Algerian parliament into a force for democratic change and stability. This program has established solid relations with Algerian parliamentarians, conducted several in-country training workshops, and exposed political leaders to the experiences of other countries that have successful democratic models. With the next National Assembly elections this year, the program will be expanded to include activities that promote a more open and transparent electoral process; e.g., nonpartisan training on party organizing and communications, training civic and media organizations in election monitoring techniques, and voter education.

In FY 2000, ESF funds supported justice sector reform and human rights protection. By providing training workshops, as well as opportunities for travel to the United States for discussions with American journalists and NGO leaders, the program has laid the groundwork for the active participation of civil society and the

media in promoting human rights and rule of law. The FY 2003 program will continue efforts to strengthen the professional development, advocacy and public information skills, and strategies of legal professionals, human rights organizations, and the independent media. It also will increase cooperation among civil society sectors on judicial reform issues and increase their substantive knowledge and organizational capacity.

The International Military Education and Training (IMET) program promotes understanding of U.S. values and norms among Algerian military leaders, in turn increasing their support for U.S. policies and objectives. The program increases awareness of international norms of human rights and fosters greater respect for the principle of civilian control of the military. In FY 2003, IMET funds will be used for professional officer training at each of the war colleges, and at the command and general staff colleges. Providing such training ultimately encourages continued reform within the Algerian military establishment, which is gradually moving along a path toward greater pluralism and respect for civilian authority. In such a setting, these officers can establish essential contacts with U.S. counterparts that pay invaluable rewards later in the form of interoperability, coordination, and mutual understanding. Increased IMET-funded English language training will also improve the Algerian military's interoperability with U.S. forces, facilitate interaction in potential contingency operations such as peacekeeping missions, and prepare personnel for increased training opportunities.

Bahrain
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
IMET	249	400	450

The United States has an enduring interest in maintaining access to Bahraini military facilities, particularly after the events of September 11, as a means of ensuring its influence in the Persian Gulf region and fighting the war against terrorism. The government of Bahrain has been extremely helpful and supportive in the area of military cooperation in the context of Operation Enduring Freedom. In October 2001, President Bush designated Bahrain a Major Non-NATO Ally (MNNA) because of the fifty-year-long history of close cooperation with the U.S. Navy and, in the past decade, its hosting of the headquarters of the Fifth Fleet (NAVCENT). In late 2001, Bahrain donated its sole frigate to support Operation Enduring Freedom. Additionally, Bahrain has been a member of the coalition against Iraq since 1990 and has remained a steadfast supporter of U.S. policies toward Iraq and Iran. During its two-year tenure on the UN Security Council (January 2000-02), Bahrain supported U.S. objectives throughout the region.

Strong political and military support for the government of Bahrain under the progressive leadership of King Hamad bin Isa Al Khalifa is a high priority, especially in view of the progress of political and economic reform fostered by the King and Crown Prince. In early May of 2002, municipal elections will be held with males and females voting, as well as Arabic-speaking non-citizen property owners. In October 2002, a lower legislative house will be elected by Bahraini citizens, both male and female. Women will be able to run for and hold office. The legislative elections will be a first for the six-member Gulf Cooperation Council (GCC).

Bahrain's continued support for U.S. worldwide policies on Operation Enduring Freedom and regional policies on Iraq and the Middle East Peace Process will be instrumental in advancing our broad foreign policy objectives in the Middle East and beyond. In FY 2003 the U.S. Government will expand Bahrain's International Military Education and Training (IMET) program, promoting interoperability with existing U.S. and GCC forces in the region. Additionally, Bahrain will be eligible in FY 2003 for grant transfer of Excess Defense Article (EDA) under Section 516 of the Foreign Assistance Act. Grant EDA will be used for defense maintenance, spare parts, support equipment, and other defense needs. The approval of selected commercial arms sales will enable the Bahrain Defense Forces to assume greater responsibility for regional defense.

Such an expansion is in order, given Bahrain's new MNNA status, and will demonstrate tangible U.S. support for that status. Continued military-to-military contacts – particularly in view of the importance of close cooperation during Operation Enduring Freedom, joint military exercises, and the continuation of the U.S.-Bahrain Military Consultative Commission (due to meet next in Manama in early March 2002) – will recognize Bahrain's invaluable support for U.S. force deployments. They will also encourage the development of a professional military command committed to the principle of civilian control. Provision of grant EDA and IMET reflects the crucial support Bahrain provides to the U.S. Fifth Fleet and CENTCOM air assets in the region.

Egypt
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	693,471	655,000	615,000
FMF	1,297,140	1,300,000	1,300,000
IMET	1,119	1,200	1,200
NADR-EXBS	0	50	135
P.L. 480 - Title II	323	0	0

As the leading country of the Arab world and a key supporter of Middle East peace efforts, Egypt is an indispensable partner in the region. Egypt has fully supported U.S. efforts to fight international terrorism by providing public support, logistical support, financial cooperation, and diplomatic influence. U.S. national security interests are served by supporting stability and prosperity in Egypt.

Egypt plays pivotal roles in the Arab world, the Muslim world, Africa, and the Mediterranean basin. The FY 2003 request for Egypt in Foreign Military Financing (FMF) will continue to: support a modern, well-trained Egyptian military that will help ensure stability in the region; enable Egypt to participate as a coalition partner in operations that further U.S. interests; provide force protection to the U.S. military in the region; and help maintain U.S. access to the Suez Canal and vital overflight routes used to support our forces in the Gulf. Under the cash-flow financing arrangements with Egypt, FMF will be used for: ongoing costs of programs being implemented (20 percent); maintenance of and ammunition for U.S. equipment in current inventory (30 percent); supplements to or upgrades of equipment in service (15 percent); and new programs, including an upgrade for six Chinook helicopters from Block C to Block D, two Gulfstream aircraft, two VIP Blackhawk helicopters, and some patrol boats (35 percent).

Training of Egyptian military personnel under the FY 2003 International Military Education and Training (IMET) program will continue to play a critical role in ensuring that Egyptian defense forces are proficient in the use of newly-acquired U.S. military hardware and capable of supporting U.S. operations. Egypt will continue to be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Egypt will benefit from the transfer of numerous EDA articles ranging from spare parts to outdated U.S. M-60 tanks that will be specially outfitted for use in Egypt's ongoing humanitarian demining efforts.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States is providing NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Egypt. U.S. funding in FY 2003 is focused primarily on an initial assessment of Egypt's capabilities and needs and establishing effective enforcement procedures and capabilities, including through the provision of equipment.

It is critical that Egypt continues its economic reform program in order to sustain its role as a reliable partner in the region. Economic Support Fund (ESF) assistance helps Egypt continue the process of transforming its economy into a globally competitive one that can provide employment opportunities for its people and attract U.S. business interest. The United States accelerated disbursement of ESF in early 2002 based on Egyptian Government policy reforms in health, agricultural, and environmental programs. An additional disbursement was conditioned on passage of money laundering and labor laws, and agreement to tariff reductions in accordance with the World Trade Organization's Basic Telecoms (BTA) and Information Technology (ITA) Agreements. U.S. assistance also helps to alleviate poverty, supports the

development of democratic institutions, expands U.S. exports, bolsters public health services and family planning, and helps Egypt protect its environment.

Of the ESF requested for FY 2003, 79 percent will be used for programs designed to accelerate economic growth, including technical assistance aimed at improving the business and investment climates, increasing agricultural productivity, increasing exports in targeted sectors, strengthening financial markets, and expanding access to power and telecommunications services. Roughly seven percent of the ESF request will support programs related to the environment. The remainder will fund programs meant to reduce the fertility rate, improve health care, support democratic institutions, and increase access to education for girls.

Israel
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	838,152	720,000	600,000
FMF	1,975,644	2,040,000	2,100,000
ERF-NADR-CTI	0	28,000	0

The United States has a significant interest in a stable, democratic, and economically and militarily strong Israel at peace with its neighbors. Maintaining the qualitative edge of the Israeli Defense Forces (IDF) in the regional balance of power enhances Israel's security, helps prevent regional conflict, and builds confidence necessary for Israel to take calculated risks for peace. Achieving progress toward comprehensive peace and an end to the Arab-Israeli conflict strengthens Israel's security by lowering regional tensions, encouraging the process of "normalization," and strengthening moderates in the region.

Reducing Israel's isolation in the region and in world fora and enhancing Israel's economic relationships (both regionally and in the world economy) serve the U.S. national interest. Such steps reduce Israel's political and economic dependence on the United States and foster stability in a historically volatile region whose importance is vital to U.S. economic and security interests. Promoting market-oriented economic reform in Israel contributes to its economic growth, permits a gradual phasing-out of U.S. economic assistance, enhances Israel's ability to repay its debt to the United States, and opens new opportunities for both U.S. investment and export sales.

The FY 2003 Economic Support Fund (ESF) request will continue to support Israel's economic and political stability. U.S. economic assistance is designed to help relieve the impact of economic burdens Israel has incurred due to its isolation in the region and the unstable situation in the Middle East. ESF may be used to purchase goods and services from the United States; service debt owed to, or guaranteed by, the U.S. Government; pay to the USG any subsidies or other costs associated with loans guaranteed by the USG; service Foreign Military Sales debt; and fund other activities to support Israel's economic needs. The United States continues to work with the government of Israel on phasing out U.S. economic assistance, while encouraging Israel's continued efforts to increase the role of the private sector, promote productive investment, reform taxes, and promote more efficient use of its resources.

The United States maintains a steadfast commitment to Israel's security, to the maintenance of its qualitative military edge, and to strengthening Israel's ability to deter and defend itself. The annual Foreign Military Financing (FMF) that Israel receives constitutes an important part of U.S. support for these objectives. FMF represents about 24 percent of the Israeli defense budget and is crucial to Israel's multi-year defense modernization plan. The FY 2003 FMF request will enable the Israeli government to meet cash flow requirements associated with the procurement of U.S.-origin systems, such as F-16I fighter aircraft, the Apache Longbow attack helicopter, field vehicles, and advanced armaments. Israel's annual FMF level is expected to increase incrementally (by \$60 million each year) to a level \$2.4 billion in FY 2008, as ESF is phased out by \$120 million a year. Israel also will be eligible in FY 2003 to receive Excess Defense Articles under section 516 of the Foreign Assistance Act for defense maintenance, spare parts, support equipment, and other needs.

Jordan
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	149,670	150,000	250,000
FMF	74,835	75,000	198,000
IMET	1,700	2,000	2,400
NADR-EXBS	0	750	250
NADR-HD	947	850	750
Peace Corps	1,521	1,738	1,573

Jordan shares borders with Israel, the West Bank, Syria, Iraq, and Saudi Arabia. Its critical location and cooperative government have made it a linchpin of regional stability and security. Jordan remains a pivotal country that has signed a peace treaty with Israel and continues to advocate strongly for comprehensive Middle East peace. Jordan was the first Arab and Muslim country to offer support to Operation Enduring Freedom and has played an important role in U.S. counterterrorism efforts. Currently, the Jordanians have deployed a field hospital and a demining unit to Afghanistan in coordination with CENTCOM. U.S. economic and military assistance contributes to a more stable and prosperous Jordan by seeking to improve water resource management, ease the birth rate and improve health care, increase economic opportunities, build a stronger defense capability, and enhance border security capabilities. Promoting economic growth in Jordan enhances its political stability, opens new opportunities for U.S. investment and export sales, and will eventually permit a gradual decrease in U.S. assistance.

The FY 2003 Economic Support Fund (ESF) request will expand efforts to address Jordan's most pressing development challenges: too little water, rapid population growth, and too few jobs. Increased ESF assistance will address some of the social costs of continued economic reforms and complement King Abdullah's proposed investment and growth initiative with its emphasis on further economic reforms. Additional ESF will also support existing programs, which focus on improving water resource management; improving access to, and the quality of, reproductive and primary health care; and increasing economic opportunities for Jordanian citizens.

U.S. funded water sector programs aim to strengthen key water sector institutions, increase water-use efficiency, and improve wastewater quality for agricultural and industrial reuse. FY 2003 funds will support construction efforts for both the Ma'an and Aqaba Water Supply projects and the design and construction of two small-scale wastewater treatments in South Jordan. Funding will also support the rehabilitation of the Irbid and Jerash water networks and the proposed construction of the Mafraq wastewater treatment plant in the North Jordan Valley.

Population and health strategies are designed to improve maternal and child health by ensuring the availability of quality reproductive and maternal health care services and promoting rationalized health care financing. Programs will include expansion of family planning services, renovations of community clinics, nurse training, and support of government health care reform initiatives.

U.S. assistance to expand economic opportunities for Jordanians is designed to capitalize on the United States-Jordan FTA signed in 2001 by promoting trade and investment, supporting the small and micro-enterprise sector, and advancing Jordan's market-based economic restructuring program. Programs include engaging the formal banking sector in lending credit to small entrepreneurs and providing financial services to start-up businesses, support for activities associated with Qualified Industrial Zones, business development services for small and medium-size firms, entrepreneurial and job training programs for

Jordanian youth, support for the Aqaba Special Economic Zone, and technical assistance and cash transfers to the government to support economic reform. In FY 2003, U.S. assistance will also be used to fund scholarship programs and a rural development initiative.

Jordan is critical to U.S. security interests in the region. U.S. security assistance programs – Foreign Military Financing (FMF) and International Military and Education Training (IMET) – buttress Jordan's ability to maintain secure, peaceful borders with Israel, Iraq, and Syria. FMF also helps the Jordanian Armed Forces modernize and address readiness and sustainment requirements. For FY 2003, Jordan proposes to use FMF funds to upgrade its air defense systems, enhance transportation, and augment command, control, and communication capabilities. FMF also will modernize aging defense systems, including anti-tank missiles. Finally, the FY 2003 increase will support the first year of a three-year program to enhance Jordan's border security capabilities, including acquisition of Black Hawk helicopters.

IMET training reinforces democratic principles of civilian control of the military, enhances interoperability with U.S. forces, promotes military professionalism, and reinforces among core supporters of the regime the importance of a strong, cooperative political/military relationship with the United States. Jordan sends students to Professional Military Education (PME) courses including U.S. service war colleges, command and staff colleges, and other key PME courses. Jordanian attendance at such PME courses helps foster one-to-one relationships that pay invaluable rewards later in the form of interoperability, access, coordination, and mutual understanding. IMET-funded maintenance, logistics, and specialist training provide military leaders with the skills to maintain its stocks of U.S. equipment and enhance Jordan's value as a training and coalition partner. In addition, Jordan is eligible to receive U.S. Excess Defense Articles (EDA) under section 516 for the Foreign Assistance Act to help the government make maximum use of scarce funds for critically needed equipment and spare parts.

FY 2003 NADR funds for humanitarian demining will be used to continue an on-going program to prevent civilian casualties by removing landmines in the Jordan River Valley, along the Jordan-Syria border, and in the Rift Valley. The demining program maintains a force of 380 combat engineers and is internationally recognized as one of the best such programs in the world. As part of our efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies and other weapons, FY 2003 NADR funds for export control and related border security will be used for a cooperative program to help establish fully effective export controls in Jordan. This funding will focus primarily on strengthening Jordan's enforcement procedures and capabilities, including through provision of training and equipment.

Lebanon
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
DA	600	600	500
ESF	34,923	35,000	32,000
IMET	546	600	700
NADR-HD	1,000	1,200	900

The United States has a strong interest in promoting a stable, independent, democratic, and economically strong Lebanon as a factor for peace and stability in the region. Lebanon is still recovering from its sixteen-year civil war and making slow progress toward rebuilding its civil institutions, reestablishing the rule of law, and implementing economic reform. In the wake of the withdrawal of Israeli forces from south Lebanon in spring 2000, development needs have increased as the south rebuilds and the government tentatively begins to reestablish its presence there. A prosperous, independent, and secure Lebanon will open new opportunities for U.S. investment and export sales, help weaken support for extremist/terrorist groups such as Hizballah, and contribute to the fight against illegal drugs and counterfeiting.

The FY 2003 Economic Support Fund (ESF) request for Lebanon will be used to promote economic growth, build democracy, and protect the environment. In the area of reconstruction and economic growth, the flagship of USAID's program will continue to be the Rural Community Development Clusters, which will include 600 communities and 80 percent of Lebanon's rural poor in activities in basic infrastructure, income production, environment, and civil society. The clusters program has already been expanded to areas formerly under Israeli occupation and will continue to increase there. USAID plans to continue the Dairy Improvement Program, which imports U.S. dairy cows and provides quarantine, inoculation, and nutritional and veterinary care. The Microcredit Program will continue to provide village banking loans – targeted primarily at women – through commercial agreements and NGO grants. ESF will also support activities to prepare Lebanon for accession to the WTO.

The democracy program will provide assistance and technical support to critical central and local institutions of the government of Lebanon that are directly linked to its ability to enact public policy and provide social services. USAID will continue to provide technical assistance that reinforces the concepts of transparency, accountability, and effectiveness of government. In addition, U.S. support for the American educational institutions in Lebanon will encourage the development of civil society. ESF will help provide these institutions with both programmatic support and grants for scholarships and their core activities.

The environment program aims to help the Lebanese people better understand their environmental problems, point the way to policy reforms, and improve awareness of landmine fields and mine-clearance operations. The program promotes the development of wastewater and solid waste treatment activities in rural community development clusters, including treatment of potable water, soil conservation, and environmental awareness campaigns.

International Military and Education Training (IMET) funding for FY 2003 will reinforce the democratic principle of civilian control of the military as well as reduce sectarianism in one of the country's major institutions. This will buttress progress made in recent years by the Lebanese leadership to develop the Lebanese Armed Forces as a unifying national institution. Lebanese attendance in U.S. Professional Military Education (PME) courses helps foster one-to-one relationships with U.S. counterparts that pay invaluable rewards later in the form of interoperability, access, coordination, and mutual understanding. Furthermore, IMET-funded maintenance and logistics training will help increase readiness. Lebanon will

be eligible to receive grant Excess Defense Articles (EDA) in FY 2003. Grant EDA supplies much needed spare parts and equipment to maintain military readiness and support military operations.

FY 2003 humanitarian demining assistance under the Non-Proliferation, Anti-terrorism, Demining, and Related Programs (NADR) account will finance an on-going program to remove land mines throughout Lebanon. Also, Development Assistance is used through the Leahy War Victims Fund to fund demining activities.

Morocco
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
CSD	4,902	4,600	0
DA	5,685	5,713	6,713
FMF	2,495	3,500	5,000
IMET	999	1,000	1,500
Peace Corps	2,252	2,977	2,594
P.L. 480 Title II	591	0	0

The United States has an interest in supporting the economic and democratic development of Morocco, a moderate, stable, Arab, and Islamic country. Morocco, the first country in the world to recognize the independence of the United States, was among the first Islamic countries to publicly condemn the attacks of September 11. It has continued to support the United States in the war against terrorism and has long been a reliable ally, providing troops in Desert Storm, Somalia, Bosnia, Rwanda, and Kosovo and providing important low-key mediations in efforts to find peace in the Middle East. Finally, its location on the Straits of Gibraltar makes Morocco a strategic anchor for U.S. interests in Africa, Europe, and the Arab world.

Morocco has embarked on a program of political, social, and economic reform perhaps unique to the Middle East and North African region. With former King Hassan II's appointment of a former opposition exile as Prime Minister in 1998, followed by the ascension to the throne of King Mohamed VI in 1999, Morocco's leaders have clearly signaled their commitment to transparency and democracy, as well as social and economic development. The government has pursued policy choices for more economic liberalization and openness. Decentralization has given new authorities to local officials, and civil society has blossomed. And, the King and the Government have pledged open and fair parliamentary elections in September 2002.

At the same time, the country faces formidable development challenges. Poverty is increasing because of the lack of economic opportunities and productive resources: more than 5.3 million Moroccans (19 percent of the total population) live on less than one dollar per day (below the poverty line), and another 30 percent are at risk. Repetitive droughts further jeopardize Morocco's economic base and drive impoverished farmers and families to urban slums where they swell the ranks of the unemployed. Urban unemployment passed 20 percent in 2000. The September 11 events added to Morocco's woes, as tourism dropped 40 percent. Even so, Moroccans place high hopes on tourism for their economic future. Although Morocco's per capita income qualifies it as a middle-income country, its social indicators are closer to those found in a low-income country. For example, fifty-three percent of the population (66 percent female) is illiterate, compared to 11 percent (17 percent female) in Jordan, a country similar in terms of per capita income; maternal mortality reached 230 per 100,000 live births (41 in Jordan). Overall, Morocco ranks 124th in the UN Development Program's Human Development Index, well behind its North African neighbors and Jordan, which ranked 92nd. The reforms are fragile and threaten the status quo. They need to be consolidated.

U.S. assistance programs will help Morocco to serve as a positive political and economic example in the region in the region and strengthen its position as a moderate Arab friend of the United States. The FY 2003 Development Assistance (DA) request will be targeted on supporting broad-based economic, social sector, and democratic growth. FY 2003 Economic Support Fund (ESF) requested under the U.S. North African Economic Partnership will supplement DA-funded activities to improve the environment for trade and investment. FY 2003 ESF from the Middle East Democracy Fund will support efforts to improve the capacity and participation of civil society in support of citizens' rights.

Morocco's DA/Child Survival budget has been relatively modest in recent years. Therefore, the program targets one key economic region of Morocco in order to maximize impact. A two-pronged approach uses demonstration projects to introduce new technologies or approaches, paralleled by policy dialogue at the national and regional level to encourage sustainability and replication elsewhere. Two key strategic objectives for which funding is being requested are linked to and focus on the two fundamental resource issues for Morocco's economy: increasing opportunities for domestic and foreign investment, and improving water resources management. Two special objectives address key long-term issues of health and education: promoting sustainable population, health, and nutrition programs, and increasing basic education attainment for girls in rural areas. Particular attention is given to gender and public-private partnerships to maximize synergies across sectors.

FY 2003 DA will support continuing and new activities to improve water resources management. Funding will support the Moroccan government's national strategy for environmental protection and sustainable development, managing water demand, and preventing further degradation of existing water resources. This USAID-GOM partnership has already shown impressive results, including creation of the Souss-Massa River Basin Agency and large savings in irrigation projects. For example, the annual water savings in the Tadla irrigation program, using laser leveling, is about 200 million cubic meters – enough water to supply the annual needs of the city of Fez. This success is serving as a model for other areas of Morocco.

DA funds will be used to build on past successes with policy reform at the national and provincial levels to build models for girls' education in rural schools. Although much progress has been made, Morocco is still far from achieving expected levels of school attendance, retention, and literacy, especially for females, due in large part to the great economic disparities between urban and rural areas. DA program funds will continue to support rural schools by building stronger school-community relationships through integrated activities to improve the teaching skills of rural teachers, increase community involvement in children's schooling, and improve the management skills of local Ministry staff. These efforts will increase the participation of girls in rural schooling and prepare them to participate more fully in Morocco's political and economic development.

The FY 2003 request for ESF under the Middle East Democracy Fund program will continue to support the three areas of civil society, rule of law and respect for human rights, and governance. The Democracy & Governance program in Morocco is in the process of laying the groundwork for a high performing civil society. Thus, resource decisions have been geared primarily toward strengthening the capacity of civil society groups to manage their organizations democratically, advocate effectively, establish supportive networks, and deliver services efficiently. Gender equity under the law is primary in this movement, hence the launching – and extension – of the women's legal rights program. Work on the upcoming elections process by NDI, IRI, and IFES will support Morocco's September 2002 exercise in the democratic process.

In addition to economic assistance, the United States provides military assistance to Morocco through the International Military Education and Training (IMET) and Foreign Military Financing (FMF) programs. These two programs will play an ever more vital role in securing and making operational U.S.-Moroccan military cooperation as the war on terrorism progresses.

The FY 2003 IMET request will significantly expand the current program of sending approximately 70 military students (90 percent of whom are officers) per year to the United States for professional military training. They attend both war college and other more operational courses. The program has been highly successful in professionalizing the officer corps, and its graduates occupy key military positions. The program has ensured smooth operations between U.S. and Moroccan forces in the many multilateral operations Morocco has participated in, including Desert Storm, Somalia, Bosnia, Rwanda, and Kosovo. It

has also ensured extraordinary U.S. access to the highest levels of the Moroccan armed forces. Finally, the IMET program has helped sensitize Moroccan officers to international standards of human rights.

The FMF requested for FY 2003 is needed to provide increased support for sustainment of Morocco's large stock of aging U.S.-origin equipment. FMF helps transport and refurbish equipment and spare parts obtained from the United States through the Excess Defense Articles (EDA) program. FMF supports interoperability with U.S. and NATO forces, facilitating joint exercises and joint peacekeeping and combat operations.

Morocco will be eligible in FY 2003 to receive EDA under section 516 of the Foreign Assistance Act. The transfer of EDA to Morocco will assist it to meet its own defense requirements and will further interoperability with the United States and NATO.

Oman
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
FMF	0	0	20,000
IMET	250	500	750
NADR-EXBS	0	20	100
NADR-HD	273	307	50

Oman occupies a strategic location on the underbelly of the Arabian Peninsula and on the southern shore of the Straits of Hormuz. As the Straits form a key naval chokepoint for a very large percentage of the world's oil and gas shipments, the Oman-U.S. relationship is critical to U.S. defense interests, not only in the Persian Gulf region, but also globally. Since concluding a bilateral agreement with Oman in 1980, the United States has had access to Omani military bases. This has proven invaluable for U.S. combat support and readiness in the Gulf. Oman has been a stalwart supporter of the U.S.-led Operation Enduring Freedom, providing support in a wide variety of areas. Oman has also been an active, long-time supporter of U.S. political and military initiatives vis-à-vis Iraq.

The United States has a critical interest in ensuring that Oman continues to participate in efforts to promote regional stability, as well as in retaining access to key Omani military facilities. For FY 2003, Oman proposes to use Foreign Military Financing (FMF) funds to begin to upgrade its military base infrastructure, which has been used extensively by U.S. forces since the 1991 Gulf War. As part of U.S. efforts to enhance bilateral military cooperation, the FY 2003 International Military Education and Training (IMET) program will finance U.S. training and education for Omani military personnel as the Omani armed forces continue to modernize their forces and doctrine. Oman will be eligible in FY 2003 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Omani access to EDA will help interoperability and coalition defense efforts. The U.S. humanitarian demining program training that began in March 2001 is progressing satisfactorily. FY 2003 NADR funds will continue demining activities in Oman, moving toward the completion of a successful program.

Finally, as part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States plans to provide NADR Export Control and Related Border Security assistance funds for a cooperative program to help establish fully effective export controls in Oman. FY 2003 NADR funding will focus primarily on an initial assessment of Oman's capabilities and needs and establishing effective enforcement procedures and capabilities, including through the provision of equipment.

Saudi Arabia
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
IMET	0	25	25
NADR-EXBS	10	30	80

Following the September 11 terrorist attacks on the World Trade Center and the Pentagon, Saudi Arabia pledged its cooperation in the subsequent campaign against terrorism. In honoring that pledge, Saudi Arabia provides crucial logistical support for U.S. requests related to Operation Enduring Freedom. Saudi Arabia remains a strong ally of the United States and provides political and logistical support for programs like Operation Southern Watch. Military-to-military relations have been forged over years of U.S. support to Saudi Arabia's military programs through training and joint exercises. Continued military contacts will encourage the development of a professional military command and armed forces, which will allow the Kingdom to assume a greater role in self-defense and assist the United States in achieving its policy goals in the region.

The International Military Education and Training (IMET) requested will permit the Saudi government to purchase military training in the United States at considerably less cost than what the United States charges non-IMET eligible countries. While Saudi Arabia controls the world's largest oil reserves, it faces increasing budget pressure to meet the needs of its rapidly growing, young population of nearly 20 million. Its 2000 estimated per capita income decreased from the previous year. The Saudi military faces diminished funding and, as a result, has sought less expensive – and less effective – training from other countries, leading to diminished experience with U.S. equipment and techniques and the risk of decreased interoperability with U.S. personnel.

Providing military instruction at a reasonable cost reinforces the U.S.-Saudi bilateral training programs managed by the Saudi Arabian National Guard (SANG) and United States Military Training Mission (USMTM) programs and also ensures continued close U.S.-Saudi military interaction. Saudi attendance at Professional Military Education (PME) courses helps foster one-to-one relationships that pay invaluable rewards later in the form of interoperability, coordination, and mutual understanding. Also, maintenance, logistics, and specialist training will enhance the Saudi military's value as a training and coalition partner. In short, including Saudi Arabia in the IMET program helps ensure a continued high level of Saudi attendance at U.S. schools that provide the skills necessary for Saudi officers to maintain a sophisticated level of military expertise geared towards interoperability with U.S. forces, as well as the ability to maintain the extensive inventory of sophisticated systems U.S. corporations sell to the Kingdom. Greater exposure to training in the United States will help Saudi military personnel understand U.S. values, ideas, and policies. The program increases awareness of international norms of human rights and fosters greater respect for the principle of civilian control of the military and the rule of law.

Finally, as part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies and other weapons, the United States plans to provide Non-proliferation, Anti-terrorism, Demining and Related Programs (NADR) funds to support an Export Control and Related Border Security assistance program with Saudi Arabia. Funds will help establish fully effective export controls in Saudi Arabia. FY 2003 NADR funding will focus primarily on an initial assessment of Saudi Arabia's capabilities and needs and establishing effective enforcement procedures and capabilities, including through the provision of equipment.

Tunisia
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
FMF	3,493	3,500	5,000
IMET	968	1,000	1,500

A secular Muslim state whose society is arguably the most progressive and Western-oriented in the Arab world, Tunisia serves as a regional model for social and educational development without instability. Tunisia has long been well disposed to the U.S. presence in the region and looks to U.S. leadership in the political and economic sphere despite its colonial ties to France. It is staunchly anti-terrorist and has been very supportive of U.S. counterterrorism efforts. It offered access to Tunisian bases in support of Operation Enduring Freedom and, in its capacity as the Arab non-permanent representative on the UN Security Council in 2001, supported UNSCR 1368 and 1373. With close links to the PLO, Tunisia exerts significant political influence in the region. It has consistently supported U.S. positions on Middle East issues in the UN and other international fora and has been a voice of moderation in Arab councils and with the PLO. Tunisia's development strategy, emphasizing women's emancipation and education, is one we would like others in the region to emulate. It has a professional and apolitical military that has participated in 12 peacekeeping operations missions since 1992. The U.S. interest is to continue and, in some areas, intensify its efforts to ensure a strong, durable fabric of bilateral relations and to promote regional stability in the southern littoral of the Mediterranean.

The United States seeks to reinforce Tunisia's moderation and continuing support for U.S. Middle East policies. The FY 2003 increase in the Foreign Military Financing (FMF) and International Military Education and Training (IMET) levels sends a clear, reinforcing signal. Funds will address critical Tunisian operational and logistical shortfalls that the Tunisian military must overcome if it is to ensure that Tunisia can adequately defend itself and meet its international peacekeeping commitments. Funds support Tunisia's role as a regional partner and facilitate continued participation in regional security operations. Seventy percent of the Tunisian military's equipment is U.S.-origin, aging, and cannot be maintained within current budgets. FMF will be used primarily for spare parts, maintaining and sustaining Tunisia's fleet of U.S. military equipment, much of which was derived from Excess Defense Articles (EDA) stocks.

Tunisia will be eligible in FY 2003 to receive EDA on a grant basis under section 516 of the Foreign Assistance Act. Provision of grant EDA will serve U.S. interest in assisting Tunisia to enhance military readiness and upgrade/maintain vital military equipment.

The FY 2003 IMET program will fund U.S. training and education for Tunisian military officers. Tunisia's IMET program promotes the U.S. goals of stability and democracy and increases the familiarity of Tunisia's officer corps with U.S. military practices and U.S. foreign policy (current Tunisian President Ben Ali is a graduate of IMET). IMET-funded maintenance, logistics, and specialist training provide military leaders with the skills to maintain its stocks of U.S. equipment and enhance Tunisia's value as a training and potential coalition partner. In fact, Tunisia currently has almost 300 troops deployed in the UN peacekeeping missions in the Democratic Republic of Congo (MUNOC), Eritrea (UNMEE), and Kosovo (UNMIK). IMET-funded English language training has been widely used to enhance Tunisian officers' English language skills. This training, together with FMF-provided material sustainment assistance, helps facilitate combined training and interoperability.

The United States will continue to support Tunisian government efforts to move the economy from one that was state-controlled to one in which economic activity is driven by private industry. Under the U.S.-North Africa Economic Partnership (USNAEP) program, Economic Support Funds (ESF) will continue to operate

the Global Technology Network program, an electronic network that connects local business people with potential American suppliers. This serves to increase U.S. exports while helping Tunisian companies to grow. Funds also will support the Humphrey Fellowship Program, which provides exchanges in industry sectors important to the Tunisian economy. Inter-university link programs are being established to help Tunisian universities develop American-style business education programs.

Middle East Democracy ESF money is currently being used to support small grants for democracy in Tunisia. The Small Grants Program, with its emphasis on building civil society, is an important tool in the effort to prevent the growth of extremism and terror in the region by fostering constructive outlets for civic participation.

United Arab Emirates
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
NADR-EXBS	340	350	350

Through a combination of careful management of oil resources and free trade and open market policies promulgated by its leadership, the United Arab Emirates has become the Gulf's most attractive business destination. U.S. relations with the UAE have developed significantly since the 1991 Gulf War and have become especially close and mutually supportive since the beginning of Operation Enduring Freedom. The UAE is the tourism, financial, transportation, trans-shipment, and trade center of the Gulf region, and 20,000 American citizens live and work there as a result. U.S. Navy ships pay regular liberty calls at Dubai, which boasts the largest port in the region and one of the top ten busiest ports in the world. The UAE is very open to continued strong relations with the United States and considers its fundamental interests and values as compatible with U.S. goals. Given its proximity to Iran and Iraq, and the massive quantities of goods that are transshipped through UAE ports and airports, the United States seeks to engage with the UAE in tracking such shipments in order to intercept possible flows of weapons of mass destruction (WMD) components. Relatively modest U.S. technical assistance to the UAE will be critical in making its federal and emirate authorities better able to focus their tracking of possible shipments through UAE ports and airports of WMD components and related materials.

As part of efforts to prevent the proliferation of WMD, their delivery systems, related technologies, and other weapons, the United States plans to provide NADR Export Control and Related Border Security assistance program funds for a cooperative program in the United Arab Emirates. FY 2003 NADR funding will focus on providing technical assistance to refine the UAE's legal basis for effective enforcement procedures, boost institutional capabilities to deter transshipment of WMD materials, and help develop technical skills to boost capabilities for controlling the transshipment of items that could be used to design or develop WMD. As part of the strategy, the UAE will pay for all acquisitions of materials and equipment.

West Bank/Gaza
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	70,557	72,000	75,000

As an integral part of our engagement with the Israelis and Palestinians to end the violence, restore trust and confidence, and ultimately return to direct negotiations, U.S. assistance to the West Bank and Gaza contributes directly to the core U.S. foreign policy goal in the Middle East. U.S. assistance is targeted on projects that address the goals of increasing stability in the region and demonstrating to the Palestinians the tangible benefits of peace. U.S.-funded projects improve the quality of life for Palestinians living in the West Bank and Gaza, limit the influence of radical elements, and help avoid a humanitarian crisis in the region.

ESF-funded USAID programs focus on basic human needs, including community and village-level services, mother and child health care, and clean drinking water in the West Bank and Gaza. These programs also support moderate, democratic Palestinian civil society groups and private businesses (especially micro-enterprises) and provide skills training in areas such as information technology and health care. USAID programs have directly benefited more than 800,000 mainly rural Palestinians in more than 200 villages throughout the West Bank and Gaza – creating jobs, improving health care, and providing clean water in homes for the first time.

The United States focuses a major portion of its assistance to the Palestinians on expanding scarce water resources. In addition to the health problems caused by water consumption rates well below WHO's minimum standards, the inadequate water supply limits economic development. U.S.-funded projects will include continued improvements in the water supply and management in Gaza, the creation of new sources of fresh water in the West Bank through the digging of wells, the development of wastewater treatment facilities in the West Bank, and the construction of a desalinization plan in Gaza.

Over the last fifteen months, U.S. assistance has focused increasingly on emergency humanitarian assistance, including job creation and additional contributions to the UN Relief and Works Agency (UNRWA) for food distribution and employment-creation projects targeting impoverished refugees. This assistance augments contributions from the State Department's Bureau of Population, Refugees, and Migration. Total USG contributions make up nearly 30 percent of UNRWA's regular budget.

U.S. assistance to the Palestinian people is fully supported by the government of Israel. No funds are provided to the Palestinian Authority or the PLO. All USAID programs are carried out through U.S. contractors, U.S. NGOs, and Palestinian NGOs, and USAID maintains close accounting of all funds. Furthermore, working closely with the country team, USAID carefully carries out background checks on all Palestinian NGOs that are recipients of funds to ensure that there are no links to terrorist organizations or to organizations that advocate or practice violence.

Yemen
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	3,991	5,000	10,000
FMF	0	0	2,000
IMET	198	450	650
NADR-EXBS	140	50	150
NADR-HD	1,023	750	765

Yemen is one of the world's poorest, least developed countries and suffers from high illiteracy rates, explosive population growth, high infant mortality, low worker skill levels, and an undiversified labor force structure. Its infrastructure is primitive and its population is overwhelmingly rural and traditional. Economically, Yemen has only limited petroleum and natural gas reserves, but controls one of the primary international strategic lines of communication and shipping – the Bab el Mandeb. Yemen's current political formation dates back only to 1990 with the unification of North and South Yemen. Despite these problems, Yemen is at the forefront of the Arab world in both democratic and economic reform and has taken significant strides toward opening its multi-party political system to full public participation, including women. It has also embarked on an IMF-sanctioned economic reform program that includes a commitment to increase foreign investment and international trade. However, severe financial constraints limit the government's ability to finance basic education, health services, and vocational training for the growing population.

Yemen is open to continued improved relations with the United States and considers its fundamental interests and values compatible with U.S. goals, including the war against international terrorism. Yemen has publicly sided with the international coalition, is embarking on a long-term domestic counterterrorism program, and is seeking international assistance. U.S. assistance to Yemen will be critical to ensuring that Yemen's counterterrorism initiatives are successful and that its reformist policies remain on track and serve as an example to other countries in the region.

The government of Yemen has consistently emphasized with donors its commitment to making investments in people to strengthen Yemen's human resource base. Therefore, as part of an overall, long-term strategy, Economic Support Funds (ESF) requested for FY 2003 will continue to focus on human resource development. Special emphasis will remain on graduate degree scholarships and short-term, in-service training programs in key sectors, including basic education (particularly for girls and women) and health care delivery (with particular emphasis on maternal and child health and child spacing). This training, conducted both in Yemen and overseas, will be focused on both private and public sector leaders and potential decision makers who will be responsible for policy planning and managing Yemen's economic and social programs.

Consistent with the Yemeni government's expressed priorities, U.S. assistance will be targeted in areas that will maximize returns, be flexible enough to sustain Yemen's modernizing economy, and support democratization efforts. For example, ESF will support girls' education efforts ranging from providing adequate classroom facilities to curriculum development and teacher training. This is also a critical time for providing further assistance to Yemen in the areas of health care and, in particular, family planning to reduce the burgeoning population growth rate. Given the importance of females in the delivery of social services as teachers, health workers, a critical mass/pool of trained females must be established. Accordingly, 50 percent of the training opportunities will be targeted for female candidates.

A U.S.-funded scholarship program begun in the early 1980s has allowed over 900 Yemenis to receive degrees, over 700 of which were earned in the United States. While the total number of Yemeni students who have received U.S.-provided scholarships may be relatively small, the value of the enormous contribution made by this group to the whole of Yemen is incalculable. Most U.S.-educated Yemenis are firmly integrated into modern Yemeni society. They now hold key government positions (including cabinet ministries) or are prominent academics, journalists, policy makers, and businessmen. In order to maximize return on investments, scholarship programs funded with FY 2003 ESF will focus on providing two-year master's degree scholarships.

FY 2003 Foreign Military Financing (FMF) and International Military Education and Training (IMET) funds will enhance bilateral military cooperation and help secure Yemen's active participation in efforts to promote regional stability. For FY 2003, funds will provide essential military training, procuring spares for existing U.S. military end items, and supporting the development of a Yemeni Coast Guard. IMET will fund U.S. training and education for Yemeni military personnel as the military force shifts toward Western practices and doctrine. Yemen initially became eligible to receive Excess Defense Articles (EDA) on a grant basis under section 516 of the Foreign Assistance Act (FAA) in 1999. In FY 2003, Yemen will again be eligible to receive EDA on a grant basis and hopes to use this program to help the development of a basic coast guard capability. This equipment will permit the Yemenis to acquire a rudimentary capability with which to monitor illegal trafficking through its waters, track environmental issues, and enhance the safety of vessels passing through the Bab el Mandeb Straits. Moreover, the NADR demining program in Yemen is progressing at an excellent rate. Current plans for FY 2003 NADR funds are to train further and equip the eight active demining companies in Yemen.

Finally, as part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies and other weapons, the United States plans to provide NADR Export Control and Related Border Security assistance funds to a cooperative program to help establish fully effective export controls in Yemen. FY 2003 NADR funding will focus primarily on an initial assessment of Yemen's capabilities and needs and establishing effective enforcement procedures and capabilities, including through the provision of equipment.

Iraq Opposition
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	24,945	25,000	25,000

Assistance to the Iraq opposition directly supports U.S. efforts to bring about regime change in Iraq, a key U.S. policy priority. The ultimate goal of the United States is a new Iraqi government that represents the Iraqi people, respects human rights and the rule of law, obeys Security Council resolutions, is committed to living peacefully with Iraq's neighbors, and maintains Iraq's territorial integrity.

The FY 2003 Economic Support Fund (ESF) request for the Iraq Opposition Program will support the Iraq opposition, fund efforts to hold Saddam Hussein and his top associates accountable for their crimes against humanity and other offenses, provide humanitarian relief to the people of Iraq, and support initiatives to plan for transition in a post-Saddam Iraq.

In supporting the Iraq opposition, the United States plans to continue to provide funding for the Iraqi National Congress (INC), an umbrella organization of opposition groups, but will also seek out other opposition groups that may be able to use our funding effectively. Funds for the INC will aid the organization to help them organize themselves into a more effective voice of the Iraqi people, assist them in garnering international support, and implement programs that will help bring about new leadership in Iraq. These programs include television and radio broadcasting, planning and training for instituting democracy and rule of law following regime change, support for war crimes charges against top regime leaders, information collection, and activities that will unite the opposition. Funding of other Iraqi opposition groups will support complementary activities.

A portion of the FY 2003 ESF will provide humanitarian relief to the people of Iraq. With the anticipated replacement of the present sanctions system with a goods review list, it will be possible for non-governmental organizations (NGOs) to increase their activities inside Iraq. Through a competitive grants process, we will fund NGOs which have demonstrated the capacity to carry out programs of humanitarian assistance through projects that will reach the most Iraqis effectively.

In FY 2003, funds will continue programs devoted to holding Saddam Hussein and his top associates accountable for crimes against humanity and other crimes. Funds will be used to assist NGOs in the preparation of case files and the gathering of witness testimony and documentary and video evidence. Some funds will also be used toward translation of captured Iraqi documents and other materials and acquisition and analysis of satellite imagery, all of which should contribute to the growing body of evidence of the Iraqi regime's crimes. As part of this effort, ESF will also be used for the surveying and treatment of Iraqi civilian victims of chemical and biological weapons attacks.

As part of the long-term strategy to provide a viable alternative government, ESF will support various programs relating to planning for the transition of Iraq after Saddam Hussein is no longer in power. Such activities include transitional justice, public health, education, building a free press, building a civilian-controlled Iraqi military, and anti-corruption planning.

Finally, a small portion of the funding may be used to provide technical assistance to grant recipients to increase their level of performance and ensure compliance with applicable rules and regulations regarding the use of federal funding.

Middle East Democracy
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	3,991	5,000	5,000

The development of a democratic culture in the Near East – based on representative government, strong civil society institutions, and respect for individual human rights – directly supports U.S. goals of fostering democracy and combating terrorism worldwide. The United States provides assistance to encourage countries in the establishment of democratic institutions, respect for the rule of law, and the embrace of active civil societies. By building foundations on these principles, countries are better able to transfer power peacefully, promote economic investment by improving confidence in the business sector, and address the root causes of extremism. Promoting democratic reform thus serves U.S. interests by helping enhance the peace and stability of the Near East region.

Democratic reforms initiated during the last several years by nations in North Africa and the Middle East continue to move forward. Public participation in political life in many states is increasing through the growth of active non-governmental organizations (NGOs) and the expanded role of elected legislatures/advisory councils. To encourage this democratization movement and provide support for further change and openness, FY 2003 ESF requested for Middle East Democracy will help to provide technical assistance, practical training, and other support in four key areas: strengthening of civil society and an independent press; promotion of rule of law and human rights, including reform of the judiciary; development of more representative and accountable governments through free and fair elections and other means; and greater social and political rights for women.

Because a vibrant civil society encourages greater citizen participation in government decision-making and increases government accountability and responsiveness to citizen concerns, democracy funds will continue to aid local NGOs throughout the region. U.S. assistance will increase NGO effectiveness through training programs designed to improve NGO organizational and networking skills. At the same time, a small grants program that now supports projects in Morocco, Algeria, Tunisia, Yemen, and Oman will continue to supply civil society groups with needed funds to carry out democracy-related projects.

Respect for the rule of law and human rights are cornerstones of a democratic society. Accordingly, democracy funds will expand funding for judicial reform programs that seek to modernize legal codes and provide training for judges, court officials, and journalists on the administration of justice, combating corruption, and the protection of human and private property rights.

Legislatures and elected advisory councils are increasingly active and prominent in several countries. Democracy funds are currently building upon efforts to improve the capacity and effectiveness of these bodies through in-country training and visits to the United States for a first-hand look at how U.S. legislators represent their constituents. Assistance will also be provided to help prepare for and conduct free and fair elections, including parliamentary elections in Morocco and Algeria.

A continuing theme in democracy programs will be the active inclusion of women in both civil society and government. Democracy funds are providing support for women’s advocacy groups in Morocco, the Small Grants Program includes projects that promote women’s legal literacy, and the Persian Gulf Regional Democratization Project will concentrate portions of its training opportunities in select Gulf states on issues affecting women in the Near East region.

Middle East Multilaterals
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	2,994	3,000	3,000

The Multilaterals program of the Middle East Peace Process (MEPP) grew out of the 1991 Madrid Peace Conference in recognition that U.S. national security would benefit by Arab-Israeli reconciliation and cooperation on a broad array of issues. Working groups were established in the areas of Arms Control and Regional Security, Environment, Regional Economic Development, Refugees, and Water Resources. These groups were set up to offer formal venues promoting discussion of regional issues among senior-level Arab and Israeli government officials from the Middle East-North Africa region; to garner the expertise and resources of the international community in supporting concrete projects; and to complement bilateral negotiations by providing another forum promoting cooperation and dialogue among regional parties (e.g., Israel, Palestinian Authority, Jordan, Egypt, Morocco, Tunisia, Lebanon).

The Middle East Regional Cooperation (MERC) program supports complementary activities advancing regional cooperation to promote peace and stability. However, the MERC program largely targets academia and non-governmental groups, whereas the multilateral projects of the MEPP primarily partner with governments in the region.

During particularly difficult times in the bilateral process, the multilateral track and its projects often have been the only active component of the peace process. Although formal meetings of the working groups have not taken place for a number of years due to the political climate in the region, multilateral projects advancing working group goals and MEPP objectives continue to be undertaken with regional and international participants collaborating. As the United States works with the parties in the region and others to encourage them to take steps to end the violence, restore confidence and prosperity, and resume negotiations, it is imperative that the United States maintains its leadership role in funding multilateral MEPP-related activities.

Key concerns confronting the region involve water and environment issues. Multilateral projects in these fields will continue to focus on cooperative activities supporting and complementing bilateral contacts, particularly among the “core parties” (Israel, the Palestinian Authority, Jordan). FY 2003 Economic Support Funds (ESF) will be directed to new and ongoing initiatives in such areas as water data banks, dryland management, wastewater treatment, rainfall intensity, pesticide use, water conservation, water information networks, desalination, watershed monitoring, coastal zone management, desertification prevention, and environmental training.

Exemplifying regional collaboration supported by international funding and expertise is one of the major, ongoing water resource projects – the Water Data Banks project. It is an umbrella project, including rainfall intensity studies, groundwater modeling training, sharing of meteorological data, and identifying and publishing data and maps of regional trends in water quality characteristics. The United States, France, the Netherlands, Norway, the European Commission, and Canada contribute personnel and financial resources to the endeavor. Regional participants are officials and experts from Jordan, Israel, and the Palestinian Authority. Despite the current unsettled situation in the region, participating regional officials have expressed a desire to continue this – and other – water projects, to the maximum extent possible. In the last year, the United States has hosted several meetings of the regional expert participants to ensure continued progress on the activities.

The FY 2003 ESF request will be used to implement not only water and environment programs such as those described above but also projects assisting Palestinian refugees. ESF assistance to Palestinian refugees has and will continue to focus on job training, job creation, human resource development, curriculum development, peer mediation training, and tolerance education (such as revising Palestinian textbooks to remove anti-semitic language). In FY 2001 and FY 2002, the United States has helped fund university scholarships for Palestinian refugee women in Lebanon. The multilateral, multi-year effort is sponsored by the UN Relief and Works Agency (UNRWA).

In FY 2003, the United States will also support programs implementing conflict resolution measures and strengthening Arab-Israeli ties. Reducing tensions in the region by bringing together Arab and Israeli security experts to discuss issues of mutual concern has been a vital interest of the Arms Control and Regional Security Working Group. With FY 2003 ESF, continued U.S. funding of Track II meetings and seminars is crucial to advancing regional security dialogue. In FY 2003, the United States will further promote Arab-Israeli ties through the Middle East Cancer Consortium (cancer research studies) and through economic partnerships advancing economic growth and regional stability.

Middle East Regional Cooperation
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	4,989	5,000	5,000

An important element of promoting peace and regional stability in the Middle East is bringing Israelis and Arabs together at every level (policy makers, technical experts, etc.) to work cooperatively on a wide range of issues. The Middle East Regional Cooperation (MERC) program, which Congress initiated after the Camp David Accords, fosters mutually beneficial technical cooperation between experts from Israel and its Arab neighbors. In recent years, Arab participants have included experts from Jordan, Egypt, the West Bank/Gaza, Tunisia, and Morocco. MERC-supported projects promote and strengthen Israeli-Arab ties by demonstrating that peaceful cooperation can yield tangible benefits for all involved. Continued strong U.S. support for MERC is needed to ensure that Israeli-Arab cooperation is as broadly based as possible.

The MERC program complements the work being done in the Middle East Multilaterals program by broadening the base of cooperation among Israelis and Arabs to include academic and non-governmental organization (NGO) experts. Unlike the Multilaterals program, which is directed toward participating governments as part of official multinational peace efforts, the MERC program encompasses a wider variety of groups and organizations outside of the formal multilateral setting. The MERC is a highly competitive program that provides grants based on unsolicited project proposals from diverse groups, including universities, NGO's, and government laboratories. While the ongoing Intifada in the region and the associated violence on the ground has made it more difficult to carry out regional projects, current MERC project participants continue to express strong support for the program and a commitment to continue their projects. In spite of the situation on the ground, the MERC program office received 24 pre-proposals from Arab-Israeli teams for the December 2001 deadline.

The FY 2003 ESF request will be used to implement programs designed to provide practical benefits to both Israelis and Arabs. MERC projects have included and will continue to include a wide range of important fields with the goal of increasing economic development, protecting the environment, and improving health conditions. Agriculture projects will remain focused on increasing productivity of livestock and crops; recent projects include ones dealing with reducing post harvest losses in produce, enhancing goat production, improving olive production, and mitigating poultry diseases. Health programs will address issues such as cancer and a range of infectious diseases; health program funds have previously supported projects dealing with childhood lead poisoning, adolescent health and risk behaviors, blood screening, and providing support for the Middle East Cancer Consortium. As lack of fresh water is one of the most critical economic and environmental problems in the Middle East region, MERC projects will continue to address key water issues such as effective water management, wastewater treatment, and desertification prevention. For example, MERC projects have promoted improved water quality along the Jordan River, appropriate wastewater treatment technologies, aquifer monitoring, air pollution, and earthquake hazards assessment.

Multinational Force and Observers
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
PKO	16,000	16,400	16,400

Attaining a comprehensive peace between Israel and all of its neighbors is essential to protecting U.S. security interests in the Middle East. The Egyptian-Israeli Peace Treaty and its security arrangements, monitored by the Multinational Force and Observers (MFO), are the cornerstone of U.S. efforts to attain such a peace.

The MFO is a critical component of the Egyptian-Israeli Peace Treaty. It serves as a model confidence building measure and security arrangement in the context of the ongoing peace negotiations between Israel and its neighbors.

The MFO monitors treaty compliance and provides an effective liaison system between the Israeli and Egyptian defense forces. The United States has a firm political commitment to finance one-third of the annual MFO operating budget, with the other two-thirds provided by Israel and Egypt. Subject to Congressional authorization and appropriations, the United States is committed to support the MFO's mission until the parties to the agreement that created the MFO mutually agree that the MFO is no longer necessary. The MFO's long-standing effectiveness is apparent in the continued compliance with the treaty and the excellent cooperation between Egyptian and Israeli officials in the treaty's liaison system.

U.S. North Africa Economic Partnership
(\$ in thousands)

Account	FY 2001 Actual	FY 2002 Estimate	FY 2003 Request
ESF	3,991	4,000	4,000

Through the U.S.-North Africa Economic Partnership (USNAEP), the United States engages the Maghreb governments of Morocco, Tunisia, and Algeria in senior policy dialogues and provides technical assistance to encourage private sector-led growth. The program is designed to help moderate Arab partners in North Africa with their commitments toward modernization, freer markets, and more open trade. By promoting economic growth that will reach average citizens, U.S. assistance aims to help eradicate the economic disparity that often underlies social tension and leads to radical, violent reactions against government institutions. Properly structured economic growth can lead to greater political stability and promotion of democratic ideals while strengthening the U.S. commercial presence and bilateral trade relations in these countries. Stability in North Africa also supports U.S. interests in preventing terrorism, advancing Middle East peace negotiations, and ensuring security in the Mediterranean basin.

Under the USNAEP, the United States provides Economic Support Funds (ESF) divided equally among the three Maghreb countries. ESF has directly supported U.S. commercial interests and our broader stake in prosperity, stability, and democracy along Europe’s southern flank. Through this funding, the United States has been able to provide a wide range of technical assistance to the region, including: helping to set up local bond markets; directing Trade and Development Agency (TDA) assistance in pairing U.S. businesses with opportunities in the region; refocusing Overseas Private Investment Corporation (OPIC) activities on the Maghreb; negotiating new Trade and Investment Framework Agreements (TIFA) to support economic development and trade liberalization efforts; and developing “Investor Roadmap” studies that identified regulatory barriers to foreign investment. These initiatives have enabled the U.S. Government to pursue an enhanced economic policy dialogue with the Maghreb states. While some of these activities will continue, such as work with TDA and OPIC, others have evolved into next steps. For example, with TIFAs in place, the United States can now offer assistance to help implement laws and regulations that will improve the business and investment climates. Improved climates will, in turn, support private sector growth and create employment opportunities. In FY 2003, continued assistance will support U.S. efforts to accelerate market reforms and foster more economic integration within the region and between the Maghreb and the United States.

In Tunisia, the United States will continue to support Tunisian government efforts to move the economy from one which was state-controlled to one in which economic activity is driven by private industry. Funds will continue to support operation of the Global Technology Network program, an electronic network that connects local business people with potential American suppliers. This serves to increase U.S. exports while helping Tunisian companies to grow. The United States also supports the Humphrey Fellowship Program, which provides for exchanges in industry sectors important to the Tunisian economy. Inter-university link programs are being established to help Tunisian universities develop American-style business education programs.

In Morocco, the United States provides technical assistance to support implementation of market-oriented reforms in order to increase job creation. One activity, with the Provincial Investment Commissions, is aimed at strengthening their role as one-stop windows for foreign investors at the local level. The United States also provides technical assistance to the Department of Tourism to support its effort to revamp its internal structure and its relationship with the private sector to develop the tourism industry.

The United States continues to support Algeria's WTO accession process and development of modern commercial laws. Under the USNAEP program, Humphrey Fellowships are aimed at training Algerians in the areas of privatization, contracting, public-private partnerships, and competition. Inter-university links between the United States and Algeria are used to develop and strengthen partnerships between institutions of higher education in both countries. The United States provides advisors and training related to general commercial law, intellectual property rights, agricultural trade policy, trade remedies, and bank modernization.

All of the programs funded through ESF support regional economic integration of the Maghreb countries. Modern commercial legal, policy, and regulatory environments will result in increased trade and investment within the region and with the United States.

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