

NEAR EAST

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Algeria
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|-----------|----------------|------------------|-----------------|
| IMET | 920 | 743 | 840 |
| NADR-ATA | 482 | - | 575 |
| NADR-EXBS | - | 65 | 300 |
| NADR-TIP | - | - | 200 |

Engagement with a stable, secure, and democratizing Algeria is important to U.S. national interests. Algeria shares our interest in fighting terrorism, plays an important leadership role in the Arab world, Africa, and the Mediterranean basin, and is a significant, stable supplier of gas, oil and LNG. Algeria is emerging from a decade of terrorist violence and state repression that cost upwards of 100,000 lives, and is moving slowly forward on a process of democratic and economic reform. Recent positive steps towards economic liberalization and democratization have come through progress on WTO accession and the government's plan to privatize much of Algeria's huge state sector, and reform of the judicial sector. U.S. projects through the Middle East Partnership Initiative (MEPI) will reinforce these initiatives.

U.S. assistance to Algeria has helped to foster institutional ties with the Algerian military. The Algerian government has demonstrated it is an outstanding partner in the global war against terrorism; it remains in the U.S. interest to help the Algerian military increase its readiness, professionalism, effectiveness, and to improve its interoperability with the U.S. and other allied forces. The threat of terrorism from internal Algerian extremist groups and those with ties to international terrorist organizations continues to plague Algeria and threatens U.S. interests in the region. While most large towns and cities are now free of violence, military action in remote rural areas against the remaining armed insurgents is expected to continue for the foreseeable future. New causes for concern for the Algerian military have been the terrorist targeting of foreign travelers in the South and an attack on a Mauritanian military outpost by the Algerian terror group the Salafist Group for Preaching and Combat (GSPC). These events create the need for new counter terrorism efforts, enabling collaboration with regional partners to secure Algeria's long and porous borders. Algeria inaugurated the African Union Counterterrorism Research Center in Algiers in October 2004 whose purpose is to pool CT resources across Africa.

The International Military Education and Training (IMET) program helps military leaders develop contacts with U.S. counterparts, better understand U.S. policies, increase awareness of international norms and foster greater respect for the principle of civilian control of the military. In Algeria, IMET develops relationships with members of a key military power with whom the United States has traditionally had very limited ties, but with whom we hope for deeper engagement. In May 2005, the U.S. and Algeria launched an ongoing Joint Military Dialogue to foster expanding contact through exchanges, training, and joint exercises. Algeria's primary military suppliers had been the former Soviet Union and China; however, in recent years, it has diversified its sources of military materiel. Indeed, as Algeria pursues its goal of securing stability in the Mediterranean, a goal we share, interest in cooperation with the United States and Europe is on the rise. Algeria is an active member of NATO's Mediterranean Dialogue and participates in joint exercises with the U.S. and regional partners. Training in FY 2007 will include a continued focus on English language training and placement of officers in key Professional Military Education (PME) courses as well as selected technical training courses and staff colleges. The Algerian military has made proficiency in English a prerequisite for advancement in its officer corps, suggesting an institutional willingness to engage with us further. In this respect, IMET is well placed to provide significant added value to our growing relationship. Algeria is eligible in FY 2007 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist Algeria in modernizing its armed forces.

Nonproliferation, Anti-terrorism, Demining, and Related (NADR) programs in Algeria continue to make great strides. In FY 2007, NADR/Anti-terrorism Assistance (ATA) is requested for newly developed advanced courses and continued training designed to sustain Algeria's counterterrorism training capabilities. In addition, ATA will continue to promote multilateral cooperation by conducting regional training courses.

In FY 2007, NADR/Terrorism Interdiction Program (TIP) assistance is requested to implement new program operations and equipment that Algeria will use in support of the ongoing Global War on Terrorism. NADR/Export Control and Related Border Security (EXBS) assistance in FY 2007 will support multilateral regional training opportunities to strengthen institutions and policies relevant to strategic trade control laws, and enhance enforcement capabilities, including by equipping relevant enforcement agencies.

Bahrain
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|----------|----------------|------------------|-----------------|
| FMF | 18,847 | 15,593 | 15,750 |
| IMET | 649 | 644 | 640 |
| NADR-ATA | 1,489 | 3,098 | 955 |

In 2001, President Bush designated Bahrain a Major Non-NATO Ally (MNNA) in recognition of the close cooperation and facilities support that Bahrain has provided the U.S. Navy for more than 50 years. Bahrain currently hosts the U.S. Navy Fifth Fleet Headquarters and important air assets. The United States has an enduring national security interest in retaining access to these military facilities in order to maintain stability in the Gulf, support operations in Iraq, and facilitate the on-going war on terrorism. The relatively open access to facilities, land and airspace that Bahrain provides is critical to U.S. Operations in Iraq, Afghanistan, and the Horn of Africa, as well as nascent regional interception activities that prevent illicit smuggling of narcotics and other goods, and any contingency operations and/or force projection in the Gulf and Southwest Asian areas. Bahrain continues to provide important political and military support for our operations in Iraq and Afghanistan.

The Government of Bahrain (GOB) has been a steadfast supporter of U.S. foreign policy objectives. In addition to supporting U.S. objectives in Iraq since 1990, Bahrain has been a key supporter of the war on terrorism. Bahrain deployed naval assets in support of Operation Enduring Freedom (OEF). Bahrain also deployed ground, air and naval assets to Kuwait in support of Operation Iraqi Freedom (OIF). Bahrain was also the only nation in the Gulf to deploy its own forces to provide humanitarian support for Afghan relief. A major regional banking center, Bahrain has also pioneered the introduction of financial controls on all financial institutions, including Islamic banks, to prevent illicit terror financing. In November 2004 Bahrain hosted the founding meeting of the Middle East/North Africa Financial Action Task Force, which will promote regional adoption of international banking standards to curtail money laundering and terrorist financing. U.S. political and military support and cooperation also helps encourage the significant ongoing political and economic reforms fostered by the Government of Bahrain. In 2002, Bahrainis went to the polls for the first time in over 30 years to elect the lower house of the National Assembly. Women were not only eligible to vote but also ran as candidates for national office in those elections -- a first for any Gulf Cooperation Council member state. Parliamentary elections will take place in October 2006. On January 11, 2006, President Bush signed the U.S.-Bahrain Free Trade Agreement into law, an achievement reflecting Bahrain's significant strides on economic reform. The State Department is working with Bahrain to improve our counter-terrorism cooperation and to ensure that the GOB continues its progress forward on political reform.

Bahrain's Foreign Military Financing (FMF) and International Military Education and Training (IMET) security assistance programs support the United States' national interest in maintaining stability in the Gulf. FMF was used to upgrade weapons systems to further develop a truly integrated air defense network, and enable an expansion of littoral waters maritime interdiction operations. In FY 2007, FMF will continue to support the development of an integrated air defense network, the acquisition of radar, sustainment of U.S.-origin equipment, and support for Bahrain's F-16 fleet. FY 2007 IMET will serve to enhance interoperability with U.S. forces, promote military professionalism, and reinforce the importance of a strong, cooperative political/military relationship with the United States among the Bahraini officer and non-commissioned officer corps. In addition, U.S.-based courses will provide instruction in the democratic principles of civilian control of the military and help to encourage the political reforms already underway in Bahrain. Bahraini attendance at key Professional Military Education (PME) courses will foster key one-to-one relationships that will pay invaluable rewards in the form of interoperability, access, coordination and

mutual understanding especially in terms of the on-going war on terrorism. IMET-funded maintenance, logistics and specialist training provide military personnel with the prerequisite skills required to maintain the stocks of U.S. furnished equipment, and enhance Bahrain's value as a training and coalition partner. Bahrain is eligible in FY 2007 to receive U.S. Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The transfer of EDA will assist in maintaining military mobility and readiness.

In FY 2007, Nonproliferation, Anti-terrorism, Demining and Related Programs--Anti-terrorism Assistance (NADR-ATA) programs will continue to support training focused on newly developed advanced courses, designed to sustain Bahrain's counterterrorism training capabilities. In addition, ATA will continue to promote multilateral cooperation by conducting regional training courses.

Egypt
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|-----------|----------------|------------------|-----------------|
| ESF | 530,720 | 490,050 | 455,000 |
| FMF | 1,289,600 | 1,287,000 | 1,300,000 |
| IMET | 1,264 | 1,188 | 1,235 |
| NADR-ATA | 76 | 1,425 | 1,510 |
| NADR-CTF | 385 | 200 | 100 |
| NADR-EXBS | - | 310 | 250 |

Egypt is the largest and most populous country in the Arab world and it is one of the most important allies of the United States. Egypt's support for U.S. initiatives – whether multilateral or bilateral and whether political, strategic, military, or economic – is critical. In the global war on terrorism, Egypt actively aids the United States with public support, logistical and intelligence assistance, financial cooperation, and diplomatic coordination. Egypt's already crucial role in Middle East peace efforts has been enhanced by its role in Israeli disengagement from Gaza. Egypt's extensive logistics support during the war in Iraq was critical to U.S. success, and its post-war efforts to reintegrate Iraq into the Arab and world community are equally important. As a moderating influence, Egypt is pivotal to U.S. interests in the Arab, Muslim, and developing worlds, as well as geographically key in the Middle East, Africa, and the Mediterranean basin. An Egypt that is stable and that views the United States as a friendly ally will continue to be vital to U.S. national security interests for the foreseeable future. It is the U.S. view, however, that Egyptian stability would be well served by a political reform process that leads to greater democracy and transparent governance. What appeared in early 2005 to be positive steps towards political liberalization in Egypt were undermined by less than free and fair elections in the latter part of the year. U.S. assistance to Egypt will continue against this backdrop, with political reform being a priority objective of U.S. policy and development aid.

In FY 2007, \$455 million ESF is requested for the Egypt program. Of that amount, \$255 million will fund various reform projects pertaining to democracy and governance, health, education, environment and infrastructure. These priority objectives were identified by the USAID Program Review and also mirror the objectives of the Middle East Partnership Initiative.

The remaining \$200 million, of which \$183.5 million will be disbursed through the Development Support Program cash-transfer mechanism, will be used to promote economic reform. Financial sector reform is a primary focus of these funds, as reforms will help Egypt to improve its domestic economic conditions. Such reforms will also serve to increase U.S. exports and open new opportunities for U.S. trade and investment.

The FY 2007 request of \$1.3 billion for Egypt in Foreign Military Financing (FMF) will continue to support a modern, well-trained Egyptian military helping to ensure stability in the Middle East and North Africa and striving to achieve increased interoperability with U.S. forces. FMF support for Egypt will continue to advance U.S. foreign policy goals in the region and further enable Egyptian Armed Forces to participate as coalition partners in military operations around the world. Military aid to Egypt facilitates U.S. access to the Suez Canal and vital overflight routes used to support U.S. forces in Southwest Asia. Egyptian support for international peacekeeping operations and the Global War on Terrorism have proven time and again the validity of our FMF arrangement. Because Egypt's five-year plan currently calls for no new large acquisitions, most funding will go to follow-on support requirements and existing cash flow obligations.

The \$1.2 million requested in FY 2007 International Military Education and Training (IMET) funds will continue to play a critical role in the professional and technical development and training of the Egyptian military forces. These funds allow Egypt to send students to both Technical and Professional Military Education (PME) courses. These courses include, but are not limited to, U.S. service war colleges, command and staff colleges, and officer and non-commissioned officer entry-level courses. Egyptian attendance helps foster one-to-one relationships that improve U.S.-Egyptian military interoperability and coordination and serve U.S. regional interests. IMET-funded maintenance, logistics and specialist training provides Egyptian military personnel with the skills needed to maintain Egypt's stocks of U.S. furnished equipment, and enhances their value as a training and coalition partner. In FY 2007, Egypt will be eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act, which enables Egypt to procure critically needed U.S. equipment and spare parts for its existing U.S.-origin inventory.

Nonproliferation, Anti-terrorism, Demining, and Related (NADR) Programs in Egypt continue to make great strides. In FY 2007, NADR/Anti-terrorism Assistance (ATA) is requested for newly developed-advanced courses and continued training designed to sustain Egypt's counterterrorism training capabilities. In addition, ATA will continue to promote multilateral cooperation by conducting regional training courses.

In FY 2007, NADR/Counterterrorism Financing (CTF) assistance is requested to implement anti-money laundering and counterterrorism financing training courses for Egyptian prosecutors. NADR/Export Control and Related Border Security (EXBS) assistance in FY 2007 will support multilateral regional training opportunities to strengthen institutions and policies relevant to strategic trade control laws, and enhance enforcement capabilities, including by equipping relevant enforcement agencies.

Iraq
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|-------------------|----------------|------------------|-----------------|
| ESF | - | 60,390 | 478,770 |
| IMET | - | 693 | 1,185 |
| INCLE | - | - | 254,600 |
| NADR-ATA | - | - | 5,000 |
| NADR-CTF | - | - | 1,980 |
| NADR-EXBS | - | - | 1,150 |
| NADR-HD | 2,840 | - | 5,000 |
| NADR-TIP | 750 | - | 1,000 |
| P.L. 480 Title II | 2,963 | - | - |

Note: The FY 2007 levels above exclude funding for refugee assistance (\$20 million) and the WMD scientist redirection program (\$2.5 million) in Iraq that are requested as part of larger programs within the MRA and NADR accounts, respectively.

The FY 2007 budget request will enable Iraqis to become more self-reliant, build national and economic capacity, and facilitate Iraq becoming a stable, united, prosperous, and democratic country that will be a key ally in the war on terrorism. As the President's National Strategy for Victory in Iraq makes clear, our success in Iraq cannot be achieved without the economic and political tracks. The FY 2007 funding request builds on the previous accomplishments achieved with the Iraq Relief and Reconstruction Fund (IRRF) to help Iraqi political institutions and the economy continue to grow. These programs will better enable Iraqis to sustain the existing infrastructure, promote economic growth and development, build national capacity, facilitate the return and integration of refugees, and support a variety of WMD-related programs, such as ensuring that Iraqis with WMD expertise remain gainfully employed and not seek jobs in other countries.

\$154 million in FY 2007 ESF funds will allow the USG to sustain existing US investments in the Iraqi economic infrastructure particularly in the critical electricity and water sectors. One component will include technical training of Iraqi officials to sustain these investments. This training will assist the Government of Iraq in establishing appropriate systems at the ministerial and plant level to adequately operate and maintain significant infrastructure.

\$25 million in FY 2007 ESF funding is requested to continue capacity-building efforts at the Iraqi government ministries and national institutions. This capacity building will, for example, help develop and train Iraqis on budgeting, planning, and overall fiscal management. A distinct aspect of FY 2007 funding will be the continuation of work to ensure Iraq has a sound monetary policy through training and technical assistance to Iraq's Central Bank and Ministry of Finance in order to implement key reforms.

\$90 million in FY 2007 ESF funds will be used to sustain economic growth and job creation through improvements in Iraq's economic policy, subsidy, legal, regulatory, transparency, and institutional framework. These funds will help the Government of Iraq make the politically difficult economic reforms needed to build a solid base for supporting and sustaining basic essential services to the Iraqi people. To complement such efforts, \$19 million in FY 2007 ESF funds will be used to continue supporting the private sector through financial services training and technical assistance, as well as small, medium and micro-enterprise loans to Iraqi lending institutions.

\$104 million in ESF funding will promote agriculture and non-agriculture private sector development. This program will use an enterprise-driven approach to create value chains from the farm (both crops and livestock) to the market, particularly for higher value cash crops. The intent is to develop small- and medium-scale private agro-food enterprises (SMEs) to produce, process, package, market, and distribute agro-food goods and services. As part of the program, it will establish rural financial services, improving their ability to survive as enterprises.

\$63 million in FY 2007 ESF funding will support critical democracy programs as Iraqis transition to its first, permanent, democratically-elected government in history. ESF funding will strengthen Iraqi appreciation for democratic principles, values, and processes, complementing efforts to spur economic development and build ministerial-level capacity. Democracy and civil society programs will expand non-sectarian political participation, provide assistance to the Iraqi Parliament, further advance human rights as a fundamental foundation for governance, ensure participation of women in Iraq's new democratic society, and institutionalize peace-building and reconciliation capacity, with the ultimate aim being an Iraq at peace with itself and at peace with its neighbors. In addition, \$24 million in FY 2007 ESF funds will be used to support the Department of Justice-led Iraq Regime Crimes Liaison Office (RCLO) operating in Iraq to assist and advise the Iraqi High Tribunal (IST), the Iraqi court charged with investigating and trying members of the former regime for war crimes, crimes against humanity, and genocide.

Democracy and civil society programs complement overall rule of law programs in Iraq. In fact, approximately one-third of FY 2007 Iraq funding will focus on rule of law. The FY 2007 INCLE programs will collectively develop and harmonize an effective means for sustaining an integrated process of justice within Iraqi law. There are nine programs that will be supported with INCLE funding: strengthen human rights enforcement in the Iraqi criminal justice system, promote the integration of police, courts and prisons; continue development of public integrity codes of conduct and anti-corruption laws; develop legal assistance centers and increase public understanding of the justice system; initiate a public prosecutor development program; provide courthouse infrastructure and security enhancements; provide corrections advisors to the Iraqi criminal justice system; fund INL administration and oversight costs for Iraq; and support a US Marshals Service program to provide secure housing and transportation for Iraqi judges.

The FY 2007 IMET program will be primarily used to help provide English-language training to Iraqi soldiers receiving other types of assistance from DOD programs. Enhancing the ability of Iraqi soldiers to speak English will help in training these forces and increase the English speaking pool of students who may then be eligible in the future to receive quality professional and technical military education within the United States. FY 2007 IMET funds will also support the attendance of Iraqi military officers at professional military education schools. Iraq will be eligible in FY 2006 to receive U.S. Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act, which supports the provision and sustainment of critically needed equipment, provides spare parts, and promotes interoperability with U.S. and coalition forces.

\$20 million in FY 2007 Migration and Refugee Assistance (MRA) is requested to support the following targets: voluntary return and reintegration assistance for an estimated 150,000 new returns in the critical sectors of health, water/sanitation, shelter, and primary education; meeting the short-term needs of communities impacted by large numbers of returning refugees; providing life-sustaining assistance and protection for vulnerable Iraqis in neighboring countries; and supporting durable solutions for foreign refugee populations inside Iraq.

FY 2007 Non-proliferation, Anti-terrorism, Demining, and Related Programs/Anti-Terrorism Assistance (NADR/ATA) is requested to continue the development of effective civilian law enforcement antiterrorism organizations in Iraq. The program will begin to implement comprehensive counterterrorism country assistance, once responsibility is transferred from the Department of Defense, by first conducting a full

needs assessment and capability review. Targeted courses, consultations, executive seminars, and equipment will follow and address specific strengths and weaknesses as noted in the needs assessment.

\$2.5 million in FY 2007 NADR/Nonproliferation of WMD Expertise funding is requested for the WMD scientist redirection program in Iraq. Since its inception in spring 2004, this program has engaged approximately 200 key scientists, engineers and skilled technicians previously employed in WMD programs. As the security situation continues to improve, the program will offer financial and organizational support for specific science-based projects proposed by program participants, especially those focusing on areas of importance to the reconstruction of Iraq. The program also coordinates with Iraqi government ministries to match scientists' expertise with the needs of the new Iraqi government. This funding will also support the activities of USG advisors to the Iraqi International Center for Science and Industry (IICSI) once it achieves NGO status.

As part of efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, and related technologies, and other weapons, the United States plans to provide NADR Export Control and Related Border Security Assistance (EXBS) funds. FY 2007 funds will focus support on establishing and improving detection, enforcement, and interdiction capabilities of officials in multiple Government of Iraq ministries.

FY 2007 NADR/Humanitarian Demining (NADR/HD) is requested to continue development of national capacity within the National Mine Action Authority of the Ministry of Planning particularly in the areas of resource mobilization, financial management and planning; technical and operational support for the Iraqi Mine Clearance Organization specifically to address high-threat concentrations of unexploded or cached ordnance as well as rehabilitation of key infrastructure blocked by landmines and/or ordnance; facilities support for the training of Iraqi defense personnel in mine and unexploded ordnance clearance operations. This program, with more than 1,000 Iraqis trained in explosive detection and removal, is actively clearing mines and removing ordnance, improving public safety and simultaneously working to reduce insurgent access to deadly munitions.

FY 2007 NADR/Terrorist Interdiction Program funding is requested to support efforts to disrupt the travel of terrorists into Iraq by increasing the number of Iraqi ports of entry equipped with and capable of effectively operating the program's PISCES watchlisting system.

FY 2007 NADR/Counterterrorism Finance Program funds are requested to expand counterterrorism finance programs to address the threat of non-bank conduits (e.g., NGOs and cash couriers) to fund terrorism. Resident advisors, who will provide direct legal and law enforcement assistance to our foreign counterparts on terrorist finance and money laundering cases, will be deployed to Iraq.

Israel
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|----------|----------------|------------------|-----------------|
| ESF | 357,120 | 237,600 | 120,000 |
| ESF-SUP | 50,000 | - | - |
| FMF | 2,202,240 | 2,257,200 | 2,340,000 |
| NADR-ATA | 210 | 526 | 320 |

The United States has a strategic foreign policy interest in a stable, democratic, and economically and militarily strong Israel at peace with its neighbors. U.S. economic and military assistance to Israel helps foster that stability in a historically volatile region whose importance is vital to U.S. economic and security interests. FY 2007 Economic Support Fund (ESF) and Foreign Military Financing (FMF) support will increase Israel's security and advance U.S. objectives by furthering progress toward the President's two-state vision, reducing regional tensions, encouraging the process of "normalization," and strengthening moderates in the Middle East.

Annual FMF support to Israel is an important component of our steadfast commitment to Israel's security. FY 2007 FMF assistance will serve the following U.S. goals: maintaining the Israeli Defense Forces' (IDF) qualitative edge in the regional balance of power; strengthening Israel's ability to deter threats and defend itself; preventing regional conflict; assisting Israel in achieving our shared goals of countering terrorism and weapons of mass destruction proliferation; and building the confidence necessary for Israel to take calculated risks for peace, as evidenced by Israel's disengagement from Gaza and parts of the northern West Bank in 2005.

FMF represents about 21 percent of Israel's defense budget and is crucial to Israel's multi-year defense modernization plan. The FY 2007 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 also will be eligible in FY 2007 to receive Excess Defense Articles under section 516 of the Foreign Assistance Act for defense maintenance, spare parts, support equipment and other needs.

FY 2007 ESF will continue to support Israel's economic and political stability, thereby enhancing regional stability, furthering U.S. regional reform efforts, and fostering linkages that reduce Israel's isolation and encourage Arab-Israeli peace. Enhancing Israel's economic relationships serves the U.S. national interest by decreasing Israel's political and economic dependence on the United States. Promoting market-oriented reform contributes to Israel's continued economic growth. It permits a gradual phase-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. In recent years, Israel has implemented sound capital market and structural reforms and substantially increased trade linkages with its neighbors.

Jordan
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|-------------|----------------|------------------|-----------------|
| ESF | 248,000 | 247,500 | 245,000 |
| ESF-SUP | 100,000 | - | - |
| FMF | 204,352 | 207,900 | 206,000 |
| FMF-SUP | 100,000 | - | - |
| IMET | 3,039 | 2,970 | 3,060 |
| NADR-ATA | 849 | 880 | 935 |
| NADR-CTF | 350 | 100 | 200 |
| NADR-EXBS | 860 | 1,000 | 506 |
| Peace Corps | 1,294 | 1,599 | 1,614 |

Jordan shares borders with Israel, the West Bank, Syria, Iraq and Saudi Arabia. Jordan is a key strategic partner for the United States as we face four interconnected policy challenges in the Middle East - helping to build a unified, stable, prosperous Iraq; realizing a two-state solution to the Israeli-Palestinian conflict; defeating terrorists and their state sponsors; and supporting regional leaders calling for political, economic, judicial, and educational reform. Jordan's own leaders identify their strategic interests with success in these four areas and have provided bold leadership and tangible support. Jordan has actively supported our efforts in Iraq, to include facilitating the training of Iraqi security officials (the Jordan International Police Training Center has trained over 27,000 Iraqi police cadets), as well as providing much-needed equipment to the Iraqi army and air force. Jordan has provided critical political support for Iraq in regional and international forums and has worked closely with the new Iraqi Government. Jordan and Israel in October 2005 marked the 11-year anniversary of their peace treaty; Jordan pledged its support to the Palestinian Authority following the January 2005 elections. Jordan is on the forefront of the war against terrorism, providing intelligence, diplomatic, military, and security cooperation to the United States and our allies in the region. In August, 2005, terrorists from Iraq attempted to strike U.S. naval vessels in Aqaba port with rockets, killing a Jordanian soldier. In November 2005, Abu Musab al-Zarqawi's Al Qaeda in Iraq terrorist group bombed three hotels in Amman, killing 60 people and injuring more than 100 others. Jordanian authorities in 2004 thwarted several Zarqawi-sponsored terrorist attacks on Jordanian territory, including a major plot that targeted the U.S. embassy and Jordanian facilities. Jordan continues to lead the way as a regional model for democracy, good governance, economic reform, and tolerance. In November 2004 Jordan unveiled the "Amman Message," a declaration that rejects religious extremism and terrorism and seeks to promote moderate Islam and dialogue. The GOJ's campaign on behalf of moderate Islam continued with a conference of leading Muslim scholars in Amman in July, 2005, leading up to a December meeting in Mecca of the Organization of the Islamic Conference endorsing the Amman message. The GOJ has openly declared its commitment to increasing political participation, particularly among women, and promoting enhanced transparency. U.S. economic and military assistance to Jordan signals our strong support of and appreciation for an important ally in the Middle East region.

Economic Support Funds (ESF) for Jordan are used for USAID programs that focus on three objectives: (1) increasing economic opportunities, (2) strengthening water resources management; and (3) improving social sector development (including education and healthcare) and governance.

U.S. assistance to expand economic opportunities for Jordanians is designed to build on the economic reforms achieved to date by striving for a more transparent, efficient, and responsive public sector, more effective legal and regulatory reforms, and greater private sector growth, especially in terms of capitalizing

on the U.S.-Jordan Free Trade Agreement (FTA). Promoting economic growth in Jordan enhances its level of employment and political stability and will also permit a gradual decrease in U.S. assistance and open new opportunities for U.S. investment and export sales. U.S. assistance will promote good governance and support the efficient and transparent administration of Parliamentary elections scheduled for 2007. Technical assistance will be given to ensure open and transparent election systems and will be targeted at political parties as well as targeted to increase the number of women participating in elected political life. . U.S.-funded water sector programs will aim to strengthen key institutions and policies, optimize the availability, allocation, and use of limited water resources and waste-water treatment capacity, and improve environmental protection. U.S. assistance will also fund continued primary healthcare and family planning initiatives; and improve and expand early childhood and secondary education, including vocational and life skills training.

The Department of State and USAID continue to engage the Jordanian Government in reviewing the overall strategic direction of the USAID/Jordan portfolio, and will continue an internal dialogue to ensure the program is complementary of the goals and objectives of the Middle East Partnership Initiative.

Jordan is critical to U.S. security interests in the region. Foreign Military Financing (FMF) programs buttress Jordan's ability to maintain secure, peaceful borders with its neighbors and help Jordan's armed forces modernize and improve readiness and interoperability with the U.S. Jordan will use FY 2007 FMF funds to support modest force modernization, while increasingly focusing on counter-terrorism and border security efforts. FMF funds will also support sustainment of existing U.S.-origin inventory. Programs such as the UH 60 BLACKHAWK and the C4ISR program will continue to enhance Jordan's ability to monitor its borders and respond rapidly to any incident at anytime.

Jordan's IMET program is one of the largest and most productive programs in the world. IMET training reinforces democratic principles of civilian control of the military, enhances interoperability with U.S. forces, promotes military professionalism, and reinforces the importance of a strong, cooperative political/military relationship with the United States among the Jordanian officer corps. Jordan sends students to Professional Military Education (PME) courses including U.S. senior service schools, Command and Staff Colleges, and other key PME courses. Jordanian attendance at key PME courses has helped foster one-to-one relationships that are paying invaluable rewards in the form of interoperability, access, coordination and mutual understanding especially in terms of the on-going war on terrorism. IMET-funded maintenance, logistics and specialist training provides military leaders with the skills to maintain stocks of U.S. equipment, and enhances Jordan's value as a training and coalition partner. In addition, Jordan is eligible in FY 2007 to receive U.S. Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act; this enables the government to make maximum use of scarce funds for critically needed equipment and spare parts.

Finally, as part of 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) Export Control and Related Border Security (EXBS) funds for a cooperative program in Jordan. FY 2007 NADR/EXBS funds will support multilateral regional training opportunities to strengthen institutions and policies relevant to strategic trade control laws, and enhance enforcement capabilities by equipping relevant enforcement agencies. In FY 2007, NADR/Anti-terrorism Assistance (ATA) is requested for newly developed advanced courses and continued training designed to sustain Jordan's counterterrorism training capabilities. In addition, ATA will continue to promote multilateral cooperation by conducting regional training courses. NADR/Counterterrorism Financing (CTF) is requested to implement anti-money laundering and counterterrorism financing training courses to host Jordanian prosecutors and is also requested to train Jordanian customs agents on how to interdict bulk cash smugglers.

Kuwait
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|----------|----------------|------------------|-----------------|
| IMET | - | - | 20 |
| NADR-ATA | 814 | 840 | 1,070 |
| NADR-CTF | - | 300 | - |

The U.S.-Kuwaiti military relationship is governed by terms of a Defense Cooperation Agreement signed in 1991 following the liberation of Kuwait. This agreement was the foundation of cooperation that deterred further Iraqi aggression against Kuwait and ultimately underpinned Kuwaiti support for Operation Iraqi Freedom. Even as a peaceful Iraq emerges to play a positive role in regional security structures, cooperation with Kuwait will remain vital to our regional strategic objectives. Diplomatic efforts and fostering an ongoing strategic dialogue with senior political and military leaders will play a central role in ensuring that political-military arrangements with Kuwait are aligned with our strategy and sustainable in the face of new threats that are likely to emerge in the volatile Persian Gulf region. We will be working closely with CENTCOM and the Government of Kuwait on a multi-year strategy that serves the mutual interests of the United States and Kuwait.

Kuwait provides indispensable support in terms of access to its facilities, resources, and land to support military operations in Iraq. We anticipate that for the duration of coalition military presence in Iraq, the U.S. Mission in Kuwait will be intensively engaged in managing and facilitating day-to-day aspects of support for those activities with host government agencies. Because of its history with the Saddam regime in Iraq and the special relationship that evolved with the United States from the 1991 liberation, Kuwait continues to provide unique and unstinting support to the coalition for Operation Iraqi Freedom (OIF) operations. Maintaining that level of support and encouraging Kuwait to continue to act as an ally in building new regional security structures and deterring future threats to our mutual interests in this strategic region will be a top priority over the coming years. Our chances of success in achieving this goal would be greatly helped through the IMET funds sought for FY 2007. Kuwait has provided extraordinary levels of assistance to support our military operations and reconstruction programs in Iraq for over 20 months. To underscore its commitment to our security relationship, the Government of Kuwait (GOK) in 2004 rushed to construct a new permanent U.S. military base to the south of Kuwait City (Camp Arifjan), turning it over to us three years ahead of schedule. Kuwait turned over significant portions of its territory to Coalition forces in 2003 for OIF, declaring these areas a closed military zone.

A minimal IMET program for Kuwait to support both English language and U.S. military training will significantly reduce Kuwait's overall language course costs and build a foundation for major increases in future U.S. training for the Kuwait Ministry of Defense. The difficulties that Arabic speaking military officers face learning English means that Kuwait currently must invest substantial sums to train officers in English before sending them to U.S. language, technical, and professional military schools. Due to Kuwait's limited training budget, current prohibitive course costs have prevented the GOK from sending officers to U.S. military schools, and are undermining the long-term benefits of educating Kuwaiti military leaders in the U.S. Each year the Kuwait military sends more of its officers and enlisted personnel to countries other than the U.S. for more cost-effective professional training. The relatively modest amount of IMET funds requested for FY 2007 will permit the Kuwaiti government to purchase military training in the United States at considerably lower cost than is charged countries that are not eligible for IMET. This military training will provide Kuwaiti officers with a sophisticated level of military expertise to facilitate increased interoperability with U.S. forces, and will provide officers with the skills necessary to maintain the military systems U.S. companies sell to Kuwait. The requested funds are an important tool in building long-term cooperative links with a vital regional ally.

Lebanon
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|---------|----------------|------------------|-----------------|
| DA | 500 | - | - |
| ESF | 34,720 | 39,600 | 35,500 |
| ESF-SUP | 5,000 | - | - |
| FMF | - | 990 | 4,800 |
| IMET | 809 | 693 | 935 |
| NADR-HD | 2,300 | 1,000 | 2,000 |

The United States has a strong interest in promoting a stable, independent, democratic, and economically viable Lebanon at peace with Israel and neighboring states. These characteristics will open new opportunities in Lebanon for U.S. investment and exports, help combat terrorism, and contribute to the fight against illegal drugs, violations of intellectual property rights, and trafficking in persons. Political changes in 2005, including the assassination of former PM Rafiq Hariri, the Syrian military withdrawal, and legislative elections that resulted in the first “made-in-Lebanon” cabinet since the civil war, have created new opportunities for political, institutional, and economic reform. The current climate in the wake of the Syrian withdrawal provides a unique opportunity to garner greater support for U.S. policies in the region. However, progress is hampered by continued Syrian interference in Lebanese politics, the tenuous security situation, and nearly \$36 billion (178% of GDP) in public debt.

The FY 2007 Economic Support Fund (ESF) request of \$35.5 million for Lebanon will be used to promote economic growth, democracy and good governance and the environment. The main emphasis of this request aims to assist the Lebanese people to develop economically by fostering economic and social development at the municipal level, working upwards to national government institutions. These funds will promote transparency in the public and private sector and help to offset the influence of extremist groups such as Hizballah. In broad terms, the funds will be used to improve the living standards of the Lebanese through economic revitalization and expanded economic opportunities especially for small businesses, the disadvantaged, and trade and investment growth through WTO accession. Funding will also promote programs that strengthen the foundations for good governance by promoting the rule of law and empowering the Lebanese local government (municipalities), the parliament, the oversight agencies, and civil society. Funds will also be used to finance water and wastewater management projects in rural areas including southern Lebanon. Implementation of the water policy program aims to improve water use efficiency and promote private sector participation in the water sector. Also, working with the Litani River Authority to improve management in the Litani River Basin with a focus on water quality – aiming to reduce, prevent and mitigate pollution – will provide solutions to wastewater and solid waste in rural areas through the construction of appropriate and cost effective facilities. ESF funds will also be used to strengthen American Educational Institutions by providing scholarship support and improve the quality of the Lebanese workforce through training and technical education.

The Department of State and USAID are conducting a joint review of the overall strategic direction of the USAID/Lebanon portfolio and its specific programs in order to ensure the programs are complementary of the goals and objectives of the Middle East Partnership Initiative (MEPI).

FY 2007 International Military and Education Training (IMET) funding will reinforce the democratic principle of civilian control of the military as well as reduce sectarianism in one of the country’s major institutions, buttressing progress made in recent years by the Lebanese leadership to develop the Lebanese Armed Forces as a unifying national institution. IMET training will also promote greater military-to-

military engagement with Lebanon in the post-Syrian occupation period. 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, cultural sensitivity, and mutual understanding. IMET-funded maritime training helps Lebanon in the areas of environmental security, port security and search and rescue operations. IMET-funded maintenance and logistics training will help increase readiness. Lebanon will be eligible to receive grant Excess Defense Articles (EDA) in FY 2007 under section 516 of the Foreign Assistance Act. Much needed spare parts and equipment to maintain military mobility and readiness are supplied via EDA grants.

FY 2007 Foreign Military Funding (FMF) will begin the process of rebuilding and restoring the operational readiness of the Lebanese Armed Forces (LAF) to accomplish U.S. goals as outlined in UNSCRs 1559 and 1614, including the disarmament of all militias in Lebanon and the extension of Lebanese sovereignty throughout the country. The funds will go towards follow-on support and ammunition to sustain U.S.-origin inventory weapons, vehicles, and equipment.

Non-Proliferation, Anti-Terrorism, Demining and Related Programs (NADR) funds requested for the Humanitarian Demining (HD) Program will continue financing the surveying and marking of the remaining known and suspected mine-affected areas in the country and fund mine clearing operations of LAF engineers. In FY 2007, ESF funds will again support a mine action program focused on landmine awareness campaigns and landmine survivor assistance programs targeted at creating more income-generating opportunities.

Libya
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|---------|----------------|------------------|-----------------|
| ESF | 300 | - | - |

* For FY 2007, funding (up to \$1 million) will be included as part of the request for the Nonproliferation and Disarmament Fund (NDF) under the Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) account.

In conjunction with its decision to dismantle its WMD programs, the Government of Libya explicitly requested Western assistance in engaging its previously involved scientists. There are likely 250 key personnel and 1,500 support personnel who will need some degree of help. NDF funding was approved for activities in FY 2004 (\$500,000) and FY 2005/2006 (\$2,000,000), as Libya remains designated as a State Sponsor of Terrorism.

The Department of State is working with the UK, DOE/NNSA, and the Civilian Research and Development Foundation to reorient Libya's nuclear, chemical, and missile experts toward civilian careers that can enhance Libya's economic development. A key strategy is our focus on four Libyan-identified priorities: nuclear medicine, water management, oil/gas technologies and services, and environmental monitoring. We are also pushing rapid integration of the former weapons scientists into existing research and development organizations, and project sustainability through partnership with nonprofit organizations and private sector companies.

In FY 2005, State sponsored workshops in each of the four priority areas; developed a discreet number of collaborative research proposals; and initiated project implementation. In FY 2006 and FY 2007 we will continue to:

- Offer technical and financial support for collaborative research and development that advances Libya's economic objectives, such as helping them establish a Nuclear Medicine Center of Excellence, Desalination Demonstration Center, Oil-Field Produced Water Pilot Treatment Facility, Manufacturing Center of Excellence, and National Environmental Monitoring System;
- Facilitate Libyan scientist participation in select international science and technology conferences, workshops, and symposia;
- Provide training to develop international management and business skills; and
- Upgrade information technology systems to improve communication between Libyan and US/UK scientists.

Morocco
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|-------------|----------------|------------------|-----------------|
| DA | 6,000 | 8,217 | 5,400 |
| ESF | 19,540 | 10,890 | 18,000 |
| FMF | 15,128 | 12,375 | 12,500 |
| IMET | 1,920 | 1,856 | 1,975 |
| INCLE | 2,992 | 990 | 1,000 |
| NADR-ATA | 1,874 | 509 | 895 |
| NADR-CTF | 200 | 200 | 100 |
| NADR-EXBS | - | 65 | 300 |
| NADR-TIP | - | - | 175 |
| Peace Corps | 3,401 | 3,554 | 3,508 |

Morocco continues in its position on the front lines in the global war against terrorism and as one of our most reliable and closest allies in the region. The May 16, 2003 terrorist attacks in Casablanca had a galvanizing effect on Morocco, highlighting that poverty and economic development remain a critical challenge and foster discontent, unrest, and terrorism. The U.S. long term assistance strategy was put in place after the 2003 bombings and is designed to help Morocco succeed in its goals of poverty eradication and human development. Funding is critical and will support public promises by high-level U.S. visitors of increasing engagement with Morocco and help to maintain U.S. credibility, critical at a time when King Mohammed VI is providing significant support for the President's reform agenda. The country is a liberalizing, democratizing, and moderate Middle East nation undertaking broad political, social, and economic reforms.

Morocco's multi-year strategic plan recognizes Morocco as critical in advancing the war on terror, influencing regional stability, and advancing the Freedom Agenda. The \$18 million in economic support funds requested for Morocco in FY 2007 is needed to support common policy and programmatic goals and build upon successful efforts begun in FY 2005. Major goals include improving governmental capacity and transparency, fostering economic growth and private sector development, and undertaking educational reforms.

Educational funds focus on increasing opportunities for skills development and employment training in part by improving the capacity of schools to deliver accessible, quality, and relevant education. Activities also assist Morocco in fighting the high rate of illiteracy among women and increase awareness of women's rights under the revised family code. Particular projects recognize that civil society, women's rights, and youth are cross-cutting and crucial aspects of U.S. and Moroccan efforts to undercut extremism.

The U.S.-Morocco bilateral relationship was enhanced with the 2006 implementation of a Free Trade Agreement (FTA) between the United States and Morocco. Economic funds and the FTA aim to improve quality of life and generate opportunities as well as enhance Morocco's capacity to provide basic needs and services. Technical assistance and business development funding seeks to enhance the positive impact and ensure the success of the FTA by supporting legal and regulatory reform, increased access to finance, and implementation of a more rational tax structure. Assistance also focuses on increasing the productivity of the agriculture sector by addressing critical aspects of selected product value chains.

Democracy and governance assistance will focus on improved government responsiveness to its citizenry, including improving the performance of local governments, encouraging transparency, and strengthening parliamentary capacity, especially in its efforts to oversee the national budget. Morocco has remained a key partner in the Forum for the Future meetings, Fund for the Future, and Foundation for the Future, promoting greater freedom, democracy and economic growth in the Middle East region.

International Narcotics and Law Enforcement (INCLE) funds continue to help address the challenges of Morocco's long and porous borders and weak border controls. Illegal migration, smuggling of goods and people, narcotics production and trafficking, and transiting of terrorists have served to undermine the rule of law in Morocco, foster public corruption, and weaken the Moroccan institutions that assist the U.S. in the war against terrorism. Activities include training and technical assistance by U.S. Customs officials, assessing and improving Morocco's automated fingerprint identification system, and providing law enforcement equipment and training. Project goals include the reduction of trans-border criminal activity, increased customs revenue collections, strengthened port security practices, including improved processing of travelers and goods at ports of entry, and the creation of democratic and effective law enforcement institutions that foster trust on the part of citizens.

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. For the past decade, Morocco has utilized FMF allocations to maintain U.S.-origin equipment, usually acquired from the U.S. as Excess Defense Articles (EDA). As equipment ages, the costs to ensure operational readiness continue to grow. FY 2007 FMF funds will support Moroccan efforts to sustain and maintain this U.S.-origin equipment, and help Morocco meet growing security challenges posed by terrorism by enhancing its capacity to monitor and secure strategic chokepoints. This is increasingly important given Morocco's proximity to mainland Europe. The Straits of Gibraltar have always been plagued by illegal immigration and drug smuggling, but recent events--the 2002 al-Qaeda plot to attack ships in the Strait and the subsequent Casablanca and Madrid bombings--highlight the changing nature of the threat in the immediate area. The May 16, 2003 bombings also make clear the fact that Morocco must do more to deal with terrorist threat. Morocco is eligible in FY 2007 to receive EDA under section 516 of the Foreign Assistance Act. These transfers help to sustain and promote interoperability with U.S. and NATO forces.

The FY 2007 IMET request will support ongoing programs that send over 70 students each year to Professional Military Education (PME) courses at U.S. service schools. Through training and relationships developed with U.S. counterparts, the IMET program increases awareness of human rights norms, fosters respect for the principle of civilian control of the military and the rule of law, provides military leaders with skills to maintain U.S. equipment, and helps foster one-to-one professional relationships that improve interoperability and mutual understanding, as well as provide U.S. access to the highest levels of the Moroccan armed forces.

In FY 2007, Development Assistance (DA) will support an increase in agricultural sector productivity. Policy reform activities will continue to focus on domestic market issues, border protection, and subsidies. However, increased emphasis will be placed on the cereals market reform as a complement to the policy work related to the development of alternative products, such as olive oil, medicinal and aromatic plants, sheep and goats. Pilot activities (technical assistance, training, demonstrations) in support of these products will continue in each of the three target regions. DA funds will also go towards improving the access to quality basic education. This program will be well engaged in the implementation of school projects and the use of training materials to improve the relevance of middle school education and to equip students with adaptable and portable skills. Computer labs are expected to be fully integrated in middle school operations. Principals will have received training to improve the performance of their schools and management councils and to be better aware of community expectations. Materials for the women's

literacy program will have been validated for potential use at the national level. In FY 2007, DA funds will also be used to support vocational and technical training aimed at improving the quality of the Moroccan workforce. Programs will target training strategies for agriculture, tourism and IT sectors. The program will also have the first graduates, who will be tracked for employability, including self-employment as a result of entrepreneurship training. We expect to have alliances in place with the economic sector in support of vocational training.

Nonproliferation, Anti-terrorism, Demining and Related (NADR) programs in Morocco continue to make great strides. In FY 2007, NADR/Anti-terrorism Assistance (ATA) is requested for newly developed advanced courses and continued training designed to sustain Morocco's counterterrorism training capabilities. In addition, ATA will continue to promote multilateral cooperation by conducting regional training courses. NADR/Counterterrorism Financing (CTF) will be used to implement anti-money laundering and counterterrorism financing training courses for Moroccan prosecutors.

In FY 2007, NADR/Terrorism Interdiction Program (TIP) assistance is requested to implement new program operations and equipment that Morocco will use in support of the ongoing Global War on Terrorism. NADR/Export Control and Related Border Security (EXBS) assistance in FY 2007 will support multilateral regional training opportunities to strengthen institutions and policies relevant to strategic trade control laws, and enhance enforcement capabilities, including by equipping relevant enforcement agencies.

Oman
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|-----------|----------------|------------------|-----------------|
| FMF | 19,840 | 13,860 | 14,000 |
| IMET | 1,141 | 1,089 | 1,135 |
| NADR-ATA | 254 | 1,300 | 1,045 |
| NADR-EXBS | 400 | 300 | 325 |

Oman occupies a strategic location on the Arabian Peninsula and on the southern shore of the Strait of Hormuz. As the Strait forms 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 was a stalwart supporter of the U.S.-led Operation Enduring Freedom (OEF), providing critical 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. Continued access and assistance will be vital to the success of any future operations in Southwest Asia.

FY 2007 Foreign Military Financing (FMF) funds will continue to enhance Oman's capability to monitor its land, sea, and air borders, including the vital Strait of Hormuz, and improve their interoperability with U.S. forces. This capability directly supports the war on terrorism, complements expanding maritime interdiction operations, and helps ensure that the deployment route to the Gulf remains unobstructed. These funds also tangibly demonstrate U.S. support for a moderate Gulf ally that will remain indispensable with regard to future contingencies in the region. FY 2007 FMF funding will support aircraft munitions; C4I equipment and acquisition upgrades; fast coastal patrol boats; upgrades to Royal Navy of Oman (RNO) coastal surveillance system; individual soldier equipment, such as rifles and night vision goggles; communications equipment; and demining equipment, engineering equipment, field medical equipment.

The International Military Education and Training (IMET) program also serves to enhance our military relationship with Oman. FY 2007 IMET funds will support training covering a broad range of areas to include Professional Military Education (PME), English language, technical and logistics training, medical corps development, demining efforts and maritime operations. IMET-funded training reinforces democratic principles of civilian control of the military, enhances interoperability with U.S. forces, promotes professionalism and reinforces among core supporters of the regime the importance of a strong, cooperative political/military relationship with the United States. Omani officer and non-commissioned officer attendance at technical training and PME courses help foster one-to-one relationships that pay invaluable rewards in the form of access, operational coordination and mutual, professional understanding. Maintenance, logistics and specialist training will also serve to enhance the Sultanate of Oman's military's value as a training and coalition partner. Oman is eligible in FY 2007 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Oman will use the EDA to improve its ability to monitor its borders, particularly near the vital Strait of Hormuz, and to improve interoperability with U.S. forces.

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) Export Control and Related Border Security (EXBS) assistance to a cooperative program to help establish an effective export controls in Oman. FY 2007 NADR/EXBS funding is focused on improving legal/regulatory, enforcement and licensing procedures and capabilities. NADR/Anti-terrorism Assistance (ATA) is requested in FY 2007 to support continued training focused on newly developed, advanced courses, designed to sustain Oman's counterterrorism training capabilities. In addition, ATA funding will continue to promote multilateral cooperation by conducting regional training courses.

Qatar
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|----------|----------------|------------------|-----------------|
| NADR-ATA | 1,379 | 1,274 | 1,493 |
| NADR-CTF | - | 300 | - |

Qatar has been an important economic and military ally to the U.S. and remains critical to the success of U.S. objectives in the region. Qatari support for both Operation Iraqi Freedom and Operation Enduring Freedom in Afghanistan has been vital.

Nonproliferation, Anti-terrorism, Deming and Related Programs – Anti-terrorism Assistance (NADR-ATA) for Qatar will support the development of new training courses as well as build upon current projects. Over 500 participants have received NADR-ATA training since the Qatar program began in FY 1987 at a total cost of over \$3.3 million through FY 2006. The Qatar police force is extremely proficient; their SWAT team is probably the best in the Gulf and in FY 2007 training will be offered at the advanced level. Currently Port and Harbor protection is the most critical area in need of assistance. A complete country Program Review is planned in FY 2006 to identify other areas in need of assistance.

NADR-ATA funds in FY 2007 will support training programs on countering Cyber-terrorism; hostage negotiation; integration of counterterrorism strategies between the national and local level; K-9 counterterrorism use; maritime interdiction methods; and mass casualty planning strategies.

Saudi Arabia

(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|----------|----------------|------------------|-----------------|
| IMET | - | 24 | 20 |
| NADR-ATA | 760 | - | 400 |
| NADR-CTF | 200 | 100 | - |

Saudi Arabia has been an important ally in providing political and financial support for Operation Iraqi Freedom and the broader reconstruction efforts taking place in Iraq. Over the past decade, Saudi Arabia has also provided operational support for Operation Southern Watch and related programs and since 9/11 has been instrumental in providing regional political and logistical support for the Global War on Terror. Continued military-to-military contacts will encourage the development of a professional military command and armed forces. This will permit a greater level of transparency and cooperation, and allow the Kingdom to assume a greater role in its own self-defense, thereby assisting the United States in achieving its policy goals in the region.

The relatively modest amount of International Military Education and Training (IMET) funds requested in FY 2007 will permit the Saudi government to purchase military training in the United States at considerably lower cost than is charged countries that are not eligible for IMET. The Saudi military has sought less expensive -- and less effective -- training from other countries. These steps have led to diminished experience with U.S. personnel, equipment, training and doctrine, which in turn results in decreased interoperability between U.S. and Saudi armed forces, as well as, reduced influence and defense cooperation. Providing IMET to Saudi Arabia ensures a continued high level of Saudi attendance at U.S. military training institutions. Such attendance provides the skills necessary for Saudi officers to maintain a sophisticated level of military expertise geared towards interoperability with U.S. forces; it also permits continued maintenance of the extensive inventory of sophisticated U.S. origin military systems. Greater exposure to training in the United States will help Saudi military personnel better understand U.S. values, ideas, and policies. The program also 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.

Tunisia
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|-----------|----------------|------------------|-----------------|
| FMF | 10,407 | 8,415 | 8,500 |
| IMET | 1,860 | 1,856 | 1,975 |
| NADR-ATA | - | 1,183 | 525 |
| NADR-EXBS | - | 60 | 80 |
| NADR-TIP | - | - | 150 |

Tunisia is a strong U.S. ally in the Arab world. It is a leader in women's rights, the economy, and education. Tunisia has consistently supported the United States on a wide variety of issues, and is a valuable partner in the global war on terrorism.

FY 2007 Foreign Military Financing (FMF) and International Military Education and Training (IMET) funds will encourage continued Tunisian support for U.S. Middle East policies. The Tunisian Armed Forces have worked very closely with U.S. forces to achieve a level of skill and operational readiness, enhancing Tunisia's effectiveness as a counterterrorism partner. FMF funding will help Tunisia to enhance and modernize its military counterterrorism program by providing individual monitoring equipment (night vision capabilities) and modern communication and surveillance systems, in addition to assisting with mobility and systemic maintenance and logistical shortfalls. These shortfalls are readily apparent, especially in the aviation field, which are affecting the military's operational capability to monitor and secure Tunisia's porous land and maritime borders. Tunisia is threatened by terrorism and Tunisia's ability to monitor its borders effectively has grown in importance. FMF funding will help the Tunisian military enhance its capabilities to apprehend and defeat indigenous and transnational terrorist elements and combat trafficking by increasing border monitoring using a combination of air support assets, maritime patrol and tactical ground surveillance and response capabilities, furthering Tunisia's value as an ally in the global war on terrorism.

Seventy percent of the Tunisian military's equipment is U.S. origin, but it is aging and cannot be maintained within Tunisia's current defense budgets. In particular, helicopter, transport and light ground tactical vehicle assets must be replaced as they can no longer be supported by U.S. government supply stocks and are becoming obsolete. The Tunisian government wishes to transform its military to one that responds rapidly to terrorism as well as to one that is able to project peacekeepers when the UN or African Union requires. Tunisia currently maintains a significant portion of its peacekeepers in the Congo and in the past has sent peacekeepers to Haiti, Cambodia, Somalia, Kosovo, and Bosnia. Thus, FY 2007 FMF will assist in this ongoing effort by supporting the sustainment and maintenance requirements of critical aviation and maritime assets, tactical support, surveillance and communications equipment, as well as counterterrorism training and interdiction capabilities. Tunisia will continue to be eligible in FY 2007 to receive Excess Defense Articles (EDA) on a grant basis under section 516 of the Foreign Assistance Act (FAA). Transfer of EDA will assist Tunisia in modernizing its armed forces.

The FY 2007 IMET program will continue to fund U.S. military technical training and professional military education for Tunisian non-commissioned and commissioned officers. IMET funds have been used to enhance Tunisian officers' English language skills and increase their familiarity with U.S. military practices and U.S. foreign policy, including legal and international/maritime law training. This training promotes the U.S. goals of regional stability and democracy by reinforcing the democratic principle of civilian control of the military and by increasing exposure of Tunisian military officers to U.S. standards and values. IMET-

funded maintenance, logistics and specialist training provide soldiers, sailors, and airmen with the skills needed to maintain Tunisia's stocks of U.S. equipment, and enhance Tunisia's value as a regional ally.

Through the former U.S.-North African Economic Partnership, the United States supported Tunisian efforts to open up the economy to privatization. These efforts continue through the Middle East Partnership Initiative (MEPI), while shifting the focus toward programs supporting political reform and promoting civil society. The Department of State has opened a MEPI program office in Tunisia, one of two in the region.

Nonproliferation, Anti-terrorism, Demining, and Related (NADR) Programs in Tunisia continue to make great strides. In FY 2007, NADR/Anti-terrorism Assistance (ATA) is requested for newly developed, advanced courses and continued training designed to sustain Tunisia's counterterrorism training capabilities. In addition, ATA will continue to promote multilateral cooperation by conducting regional training courses. NADR/Terrorist Interdiction Program (TIP) funds are requested to launch program operations and provide necessary equipment. NADR/Export Control and Related Border Security (EXBS) assistance is aimed at establishing an export control system that meets international standards. FY 2007 funding will be focused on legal and regulatory training to control the movement of strategic items.

United Arab Emirates

(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|-----------|----------------|------------------|-----------------|
| NADR-ATA | 284 | 810 | 1,105 |
| NADR-CTF | - | 300 | - |
| NADR-EXBS | 250 | - | 230 |

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. Thanks to careful management of its oil wealth and the free trade and open market policies promulgated by its leadership, the United Arab Emirates (UAE) is an important regional actor in the Persian Gulf. U.S. relations with the UAE have developed significantly since the 1991 Gulf War, and have only become stronger and more broad-based in the aftermath of 9/11 and the advent of the Global War on Terror. The UAE is open to continued strong relations with the United States and considers its fundamental interests and values compatible with U.S. goals. Relatively modest U.S. technical assistance to the UAE will be critical in helping its federal and emirate authorities to focus their tracking of possible shipments of components of weapons of mass destruction and related materials through UAE ports and airports.

As part of 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) Export Control and Related Border Security Assistance (EXBS) program funds for a cooperative program in the United Arab Emirates. FY 2007 NADR/EXBS funding is focused on improving enforcement, and licensing procedures and capabilities. In FY 2007, NADR/Anti-terrorism Assistance (ATA) is requested for newly developed, advanced courses and continued training designed to sustain the UAE's counterterrorism training capabilities. In addition, ATA will continue to promote multilateral cooperation by conducting regional training courses.

The Department of State opened a regional Middle East Partnership Initiative (MEPI) office in Abu Dhabi in August 2004. MEPI funds may be made available to provide technical assistance to support international labor, intellectual property rights, agriculture, and customs standards in adherence with MEPI's goal of encouraging free trade in the region.

West Bank/Gaza

(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|-------------------|----------------|------------------|-----------------|
| ESF | 74,400 | 148,500 | 150,000 |
| ESF-SUP | 150,000 | - | - |
| P.L. 480 Title II | 5,991 | - | - |

Note: The FY 2005 supplemental level excludes \$50M for Israel to ease the movement of Palestinian people and goods into Israel.

The past few months have seen significant events with respect to the West Bank and Gaza and Palestinian-Israeli negotiations. These have included Israel's disengagement from Gaza and four northern West Bank settlements and the recent agreement for the Palestinian Authority (PA) to control the Egypt/Gaza Rafah border crossing. In the post-disengagement political and security environment, USG assistance has allowed the PA to focus on crucial issues of governance, development, institution-building, and reform.

U.S. assistance to the West Bank and Gaza has contributed directly to a core U.S. foreign policy goal: advancing the Roadmap for Peace in the Middle East and the President's vision of two democratic states living side-by-side in peace and security. Following Palestinian Authority (PA) Presidential elections and Israel's disengagement from Gaza and parts of the northern West Bank, USG assistance focused on continuing to build institutions that would provide the foundation for a democratic Palestinian government committed to peace. By supporting good governance and institution building, responding to humanitarian needs, helping the private sector, and developing infrastructure we promote stability and encourage reform-minded Palestinian leadership.

On January 25, 2006, the Palestinian people voted for the Palestinian Legislative Council (PLC) in an electoral process that was free, fair and secure. A new government has yet to be formed. The situation is in flux and at this time we cannot predict the political outlook through to 2007.

The Administration is currently reviewing all assistance programs to the West Bank and Gaza through an interagency process, taking into account our interest in providing for the humanitarian well-being of the Palestinian people. We will ensure that our assistance program continues to reflect U.S. policy objectives, and is fully compliant with U.S. law. Significant redirection is anticipated as a result of this review and the Administration will advise and consult with Congress on the outcome upon completion.

Yemen
(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|-----------|----------------|------------------|-----------------|
| ESF | 14,880 | 7,920 | 12,000 |
| FMF | 9,910 | 8,415 | 8,500 |
| IMET | 1,089 | 1,089 | 1,085 |
| NADR-ATA | 1,823 | 550 | 1,596 |
| NADR-EXBS | 525 | 200 | 255 |
| NADR-HD | 750 | 700 | 500 |
| NADR-SALW | - | 800 | 1,000 |
| NADR-TIP | 100 | - | 400 |

Yemen continues to be an essential U.S. partner in the global war on terrorism. While the U.S. and Yemen have made great progress in uprooting the al-Qaida presence in the country, Yemen requires continued U.S. material support to be successful in its ongoing counterterrorism efforts. The Republic of Yemen Government (ROYG) has undertaken significant strides toward opening its multi-party political system to full public participation, including women. Yemen is evolving into a multi-party democracy and is slowly taking necessary steps to move its economy away from oil dependence. U.S. assistance to Yemen is critical to ensure that these policies continue on track and serve as an example to other countries in the region.

Yemen is one of the world's poorest countries, and its pressing economic and development needs are a complicating factor in its struggle to root out terrorist elements. USG assistance will focus on high and fast impact services in health, basic education, agriculture and democratic reform. Assistance will be targeted to poor and remote governorates where the USG and the ROYG are seeking the support of the Yemeni tribes in the war on terrorism.

ESF will promote democratic development in Yemen by supporting activities to strengthen Parliament, train party officials and local councils, improve electoral participation and processes, support conflict resolution, and strengthen the capacity of NGOs and community based organizations in Yemen. Finally, in democracy and governance, USAID works in close cooperation with the U.S. Middle East Partnership Initiative (MEPI) to strengthen the capacity of representative institutions, including Parliament and local councils. USAID will continue support for strengthening Parliament with an emphasis on improving governance through legislative reform. Assistance to combat corruption will focus on strengthening the judiciary's independence and ability to prosecute misuse of public funds. This program will also provide technical assistance for monitoring the upcoming elections and the development of civil society, rule of law, press freedom and conflict mitigation.

In the health sector, USAID will provide technical assistance, immunizations, training, and medical equipment; renovate hospitals and clinics; construct new health centers; and foster community mobilization. In order to improve child and maternal health in Yemen, 700 health workers will be trained, 81 health facilities renovated, and three mobile health units provided. In education, U.S. assistance will fund the renovation of 120 school in 2005 and 100 in 2006, as well as providing teacher training for 1,000 teachers in 2005 and 1,500 in 2006. USAID is committed to supporting the ROYG's efforts to improve basic education, especially for women and girls, by providing enhanced access to quality primary education. The economic growth program focuses on expanding sustainable production of rural economic products for the market and home consumption, expanding markets for agricultural crops and livestock, and improving the framework or economic growth.

The Foreign Military Financing (FMF) and International Military Education and Training (IMET) funds requested in the FY 2007 budget will continue to directly support U.S. counterterrorism goals through the ongoing improvement of Yemen's ability to act against terrorist elements both unilaterally and in cooperation with the U.S. Building on the foundation of previously furnished U.S. equipment and U.S. training and bolstered by recent counterterrorism operational successes, the ROYG conventional military and special forces are steadily moving towards becoming an important ally in the Global War on Terror.

The FY 2007 FMF request supports the on-going three-pronged security assistance program that focuses on developing Yemeni Counter-Terrorism Unit and Special Operations Forces capabilities, building a viable Coast Guard, and improving military capacity to conduct security missions. This approach is designed to improve the capability of Yemen's counterterrorism forces to uproot the al-Qaida presence in Yemen, safeguard its borders and territorial waters, and assist the U.S. in fighting the Global War on Terror. Yemen is eligible in FY 2007 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Yemen will be used to continue development of a coast guard and military forces.

FY 2007 FMF funds will go towards equipping and training the newly established Yemeni Counter-Terrorism Unit that will support the effort to ensure al-Qaida cannot reconstitute itself in Yemen. Funds will also support training and equipment for the Yemeni Special Operations Force, which also handles counter-terrorism and border security. Funds will also support the continued development of the Yemeni Coast Guard through support for commercial patrol boats; communications equipment for the Coast Guard facilities; equipment and refurbishment of the pier and docking facilities; and maritime interdiction training. FY 2007 FMF may be used to provide repair parts for the maintenance Yemeni Air Force, F-5 and C-130 aircraft, and upgraded communications, as well as to support the Yemen Navy for professional training and enhanced. Finally, FY 2007 FMF will support the ongoing design, development, and facilitation of a National Counter Terrorist Coordination Center, whose express mission will be to coordinate all counter terrorist operations and enhance communication between the armed forces.

FY 2007 IMET will continue to fund U.S. military training and the professional and technical education of Yemeni military personnel as the military force strives to adapt Western practices and doctrine, thereby increasing their versatility and utility as a coalition member. The IMET program will help military leaders in Yemen understand U.S. practices, increase awareness of international norms of human rights and foster greater respect for the principle of civilian control of the military.

Non-Proliferation, Anti-Terrorism, Demining and Related Programs (NADR) funded activities in Yemen are progressing at an excellent rate. In addition to supporting an on-going demining effort through NADR/Humanitarian Demining (HD) assistance, NADR funding supports export control and related border security assistance (EXBS) efforts and small arms and light weapons programs (SALW). 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 increase NADR/EXBS funds to a cooperative program to help establish fully effective export controls in Yemen. FY 2007 NADR funding will focus on improving enforcement and licensing procedures and capabilities. NADR/Anti-terrorism Assistance (ATA) is requested for newly developed advanced courses and continued training designed to sustain Yemen's counterterrorism training capabilities. NADR/Terrorism Interdiction Program (TIP) assistance is requested to implement new and increased program operations and provide equipment that Yemen will use in support of the ongoing Global War on Terrorism.

Middle East Multilaterals

(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|---------|----------------|------------------|-----------------|
| ESF | 1,984 | 990 | 1,000 |

After the 1991 Madrid Peace Conference (at which the bilateral track of the peace process was initiated), the U.S. constituted the multilateral track of the peace process with the establishment of five working groups: Arms Control and Regional Security, Environment, Regional Economic Development, Refugees, and Water Resources. The Middle East Multilaterals ESF program was initiated in 1995 to support the work of the multilateral track. The objectives of the program are to promote cooperation among Israelis and Arabs and to bring to bear the expertise and resources of the international community to support concrete cooperative projects. Through these projects, Israeli and Arab participants have developed strong, sustained working relationships, while working on issues of common interest and critical importance to the region. This work has helped to promote Israeli-Arab reconciliation, regional stability, and prosperity in the Middle East. The United States is able to leverage its support for the multilaterals by getting other international donors (EU, Canada, France, Germany, The Netherlands, Japan, South Korea, among others) to also support this work. 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 resume negotiations, continued U.S. support for multilateral activities is essential to help build an atmosphere of trust and cooperation in the region.

In FY 2007, funds will be used to continue support for multilateral projects already underway and initiate new projects as agreed to by the regional parties. In the areas of water and the environment, two critical fields in which regional parties must work together, U.S. sponsored projects will continue to focus on cooperative activities that support and complement the parties' bilateral contacts. These projects are focused largely on Israel, Jordan, and the Palestinians, with additional participation in a few projects by Egypt, Tunisia, Morocco, and Oman. FY 2007 funding also will be directed to new and ongoing initiatives in areas such as water data banks, public awareness and water conservation, water information networks, desalination, watershed monitoring, irrigation management systems, and dryland management. FY 2007 funds may also be used, as resources allow, to support Arms Control and Regional Security (ACRS) Working Group Track II workshops and seminars that focus on issues such as regional security and economic development. Other activities not directly linked to the multilateral working groups that promote Arab-Israeli ties may also be funded, such as: the Middle East Cancer Consortium; a regional seismology working group; non-governmental organizations espousing tolerance and coexistence; and groups promoting economic partnerships.

One clear measure of success of the Multilaterals program is that despite the five plus years of Intifada and the concomitant political stalemate in the region, the regional parties (especially Israel, Jordan, and the Palestinians) have remained strongly committed to the multilateral activities. The Middle East Regional Cooperation (MERC) program (another ESF program), which is a competitive grants program for Israeli-Arab cooperation, is complementary to the Multilaterals program.

Middle East Partnership Initiative

(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|---------|----------------|------------------|-----------------|
| ESF | 74,400 | 99,000 | 120,000 |

A new generation of activists across the Middle East and North Africa is working bravely to bring about democratic transformation in their countries. They have demonstrated their courage in elections in the Palestinian territories, Iraq, Lebanon, and Egypt. Freedom in the Middle East increased more this year than in any of the last thirty years, according to Freedom House’s “Freedom in the World Survey.” The region is responding to the tide of freedom and the United States must continue to support these efforts. Almost two years ago, at the G-8 Summit in Sea Island, the world’s leading industrial nations pledged to support courageous men and women across the Broader Middle East and North Africa (BMENA) who are demanding democratic rights, economic freedom, and educational opportunity. The G-8, under U.S. leadership, developed a partnership with the governments of the BMENA and members of civil society and created the Forum for the Future. Through the Forum, the entire world has witnessed a marked expansion of liberty in the Broader Middle East.

The \$120 million ESF request for the Middle East Partnership Initiative (MEPI) will ensure meaningful U.S. support and commitment for the continuing regional transformation process in four strategic priority areas: 1) aligning programs across all MEPI pillars to support specific democratic priorities in each country; 2) deploying rapid response democracy assistance to respond to changing needs and dynamics within specific countries; 3) launching and establishing critical new empowerment initiatives such as the Foundation for the Future and Fund for the Future; and 4) fulfilling the President’s commitments to the G-8 BMENA Initiatives.

Since MEPI began, the Department of State has worked successfully with USAID to review and realign the U.S. bilateral economic support fund programs with the goals and objectives of the Freedom Agenda, and it has used MEPI programs to ensure seamless program support and the implementation of our democracy policy across the region. The Department continually reexamines reform needs in the region and will use MEPI FY 2007 funding to support innovative reform programs tailored to the unique situations and our democracy priorities in each country. This request will ensure that MEPI can capitalize on new opportunities, consolidate and reinforce gains, develop new openings, and coordinate longer term development activities. MEPI will work with regional partners and indigenous institutions in each area – political, economic, education reform and women’s empowerment – to directly support the growth of free and democratic societies in the Middle East and North Africa.

This past year MEPI funding allowed the U.S. to respond quickly to opportunities to expand democracy in Egypt, Kuwait, Lebanon, and West Bank/Gaza. In FY 2007, we need to continue providing assistance for critical elections. Parliamentary elections are scheduled in Algeria, Jordan, Kuwait, Morocco, Oman, and Qatar and municipal elections are scheduled in Egypt, Jordan and Morocco. Presidential elections will take place in Yemen. MEPI will support and train political parties and candidates; train election monitors; and assist local NGOs with voter and civic education and get-out-the-vote campaigns. MEPI will provide technical assistance to governments committed to free, fair and competitive elections. MEPI also will focus on other critical democratic reform areas across the region, including media, civil society development, rule of law, women’s empowerment, private-sector-led economic growth, and enhancement of education systems.

Democratic Change: MEPI’s political pillar will focus on promoting democratic institutions, civil society development, media reform, the rule of law, and free, fair and competitive elections. MEPI will deploy

“rapid response” teams and programs that respond to country-specific opportunities. MEPI will use legislative authorities to develop robust democracy and rule-of-law programs in Iran and Syria. MEPI will support the launch and establishment of a Foundation for the Future, a multi-lateral, non-government organization focused on providing funding opportunities to indigenous civil society organizations to have a greater voice in the democratic process. Through the political pillar, MEPI also will continue to work with our international partners to support viable, on-going G-8 BMENA democracy initiatives, including the Democracy Assistance and Civil Society Dialogues.

Economic Growth: In FY 2007, MEPI’s economic pillar programming will focus on important connections between economic reforms and democracy promotion. Programs will combine trade initiatives that encourage governments to change their policies, with assistance to civil society and the business communities to meet those policy changes with bottom-up demands for further reforms. MEPI economic programming will be focused on a country-by-country basis and be linked to the democracy priorities the U.S. is attempting to achieve. MEPI programming strives to build and balance the relationship between government, business organizations, civil society, and market institutions and promote the development of the laws and institutions necessary for open market-oriented economies and job growth. Through the economic pillar, MEPI will support the launch and development of the Fund for the Future, an entity that supports the growth of a strong middle class by investing in profit-making small- and medium-sized enterprises (SMEs). The Fund will specifically provide equity and management help to companies of a size smaller than those generally targeted by other funds. MEPI also will continue to support the viable G-8 BMENA economic reform initiatives, including the Entrepreneurship Centers.

Education Enhancement: A quality education is a critical building block to establishing freedom and democracy in the Middle East and North Africa. As a result, MEPI’s education pillar will focus on two key areas. First, MEPI will attempt to influence the quality of education through improved curriculum content and delivery. Second, MEPI will focus on strengthening democratic values in both formal and non-formal education environments by promoting civic engagement and responsibility. Programming will focus on helping to ensure students exhibit respect for diversity and are capable of independent thought and critical thinking when making decisions that will shape their future. Several countries in the region have begun such efforts, though the pace varies greatly. As a result, the MEPI education pillar will create diverse approaches that best fit each context.

Women’s Empowerment: In FY 2007, MEPI will bolster significantly its women’s empowerment programming to build an innovative program across the region aimed at empowering women through societal change and democracy building. As a result, MEPI’s women’s pillar will focus on three key areas: women’s rights and role within the legal system; women’s role within the political process, and women’s economic empowerment. Specifically, MEPI will work with non-governmental organizations and grassroots reform groups to support the elimination of arbitrary legal systems and to provide women with the skills and tools required to ensure women’s full participation in building democratic and pluralistic societies.

Reform and progress towards democracy in the Middle East and North Africa are of strategic, long-term importance to the national security interests of the United States. By promoting democratic change and freedom throughout the region, MEPI is a critical element in efforts to combat extremism and to create new opportunities for the people of the region. MEPI also complements successes in other areas, in particular the reconstruction of Iraq and progress toward Arab–Israeli Peace. MEPI allows the U.S. to implement successfully the Freedom Agenda by providing resources that link bilateral policy and targeted programming to indigenous efforts to expand democracy and freedom.

Middle East Regional Cooperation

(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|---------|----------------|------------------|-----------------|
| ESF | 4,960 | 3,960 | 5,000 |

Congress initiated the Middle East Regional Cooperation (MERC) Program in 1979 after the Israel-Egypt Camp David Accords. The program fosters mutually beneficial technical cooperation between experts from Israel and its Arab neighbors. While initially limited to Israeli-Egyptian cooperation, since the 1991 Madrid Conference, the program has expanded to include participation by experts from Morocco, Jordan, Tunisia, Lebanon, and the Palestinians. MERC-supported projects promote and strengthen Israeli-Arab ties by demonstrating that peaceful cooperation can yield tangible benefits for all involved. 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 more academic and non-governmental organization (NGO) experts. Unlike the Multilaterals Program, which is directed primarily toward participating governments as part of the multilateral peace process, MERC encompasses a wider variety of groups and organizations outside of the formal multilateral setting. MERC is a highly competitive program that provides grants based on unsolicited research project proposals from diverse groups, including universities, NGO's, and government laboratories. Continued strong U.S. support for MERC is important to help ensure that Israeli-Arab cooperation is as broadly based as possible.

Despite the conflict in the region, the number of joint Arab-Israeli projects funded by MERC has continued to increase. In 2005, a record 36 MERC projects were active, a number that is more than triple the figures from the late 1990s. The majority of current MERC projects do not depend upon the inclusion of a U.S. partner. Interest in the program is also growing, and nearly 100 applications have been received so far in the current annual review cycle. MERC projects also reported significant development contributions in 2005 resulting from scientific achievements in a wide variety of fields. For example, a Palestinian-Israeli project studying epidermolysis bullosa (EB), a debilitating inherited skin disease, discovered that EB is genetically different in Mideast populations than in Western ones where all prior research was conducted. This should allow better detection and interventions that can increase life expectancy and quality for EB patients. Another MERC project identified a primary route through which mango malformation disease, which can devastate fruit yields, is spread to new seedlings. The scientists developed cost-effective methods to reduce disease transmission, and they produced and distributed 3,000 pamphlets to Egyptian farmers with simple guidelines to significantly reduce the spread of infection. As a result of two MERC projects evaluating substance abuse in Gaza, Israel, and Egypt, the Addiction Severity Index (ASI) developed by the Israeli scientist has been translated into Arabic and English and is now becoming an established tool in the participating countries, and other countries such as Morocco are starting to use it as well.

The FY 2007 ESF request will be used to fund projects 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 continue to focus on increasing productivity of livestock and crops, while health projects will address issues such as emerging infectious diseases and other health threats on the increase in the Middle East. Given the importance of water in the Middle East, with its scarcity in particular having serious economic and environmental impacts in the region, MERC will continue to support projects addressing key water issues such as effective water management, wastewater treatment, and desertification prevention.

Multinational Force and Observers

(\$ in thousands)

| Account | FY 2005 Actual | FY 2006 Estimate | FY 2007 Request |
|---------|----------------|------------------|-----------------|
| PKO | 19,956 | 19,000 | 21,000 |

The Multinational Force and Observers (MFO), an independent civil/military international organization, is a critical component of the Egyptian-Israeli Peace Treaty, which in turn is a fundamental element of regional stability. The MFO monitors treaty compliance and provides an effective liaison system between the Israeli and Egyptian defense forces. Attaining a comprehensive peace between Israel and all of its neighbors is a fundamental U.S. goal and critical to protecting U.S. security interests in the Middle East. The Egyptian-Israeli Peace Treaty and its security arrangements, monitored by the MFO, are cornerstones of U.S. efforts to attain such a peace.

The United States has a firm political commitment to provide one-third of the annual MFO operating budget, with the other two-thirds provided by Israel and Egypt. FY 2007 PKO funds will be used to fulfill that U.S. pledge by financing MFO operating expenses. 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 demonstrated by the continued compliance with the treaty and the excellent cooperation between Egyptian and Israeli officials in the treaty's liaison system. In FY 2007, PKO funds will provide for enhanced force protection of MFO personnel and allow the MFO to meet possible expanded requirements related to the Gaza disengagement and previously planned aircraft upgrades.