



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 8, 2006
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 5522 – Foreign Operations, Export Financing, and Related Programs

Appropriations Bill, FY 2007

(Sponsors: Lewis (R), California; Obey (D), Wisconsin)

The Administration commends the Committee for reporting this bill in a timely manner. However, the Administration is very concerned that the bill reduces the President's request by \$2.4 billion to increase funding for unrequested programs in other appropriations bills. A reduction of this magnitude would curtail progress on the Administration's National Security Strategy to protect the American people, enhance global security, and expand global liberty and prosperity.

The President's FY 2007 Budget holds discretionary spending at \$872.8 billion and cuts non-security discretionary spending below last year's level. The Budget funds priorities and meets these limits by proposing to reform, reduce, or terminate 141 lower-priority programs. The Administration urges Congress to fund priority needs while holding spending to these limits. The Administration looks forward to working with Congress to adopt the President's proposals to cut wasteful spending in order to maintain fiscal discipline to protect the American taxpayer and sustain a strong economy.

While the Administration is pleased that the Committee bill supports many of its priorities, there is serious concern that the funding levels provided are insufficient to address other key foreign policy and humanitarian priorities. Specific concerns regarding the Committee's version of the bill follow.

Millennium Challenge Account (MCA)

The Administration appreciates the Committee's support for MCA, but is concerned that the bill reduces funding by \$1.0 billion from the President's request. With this reduced funding, the Millennium Challenge Corporation will be significantly constrained in its ability to negotiate transformational compacts with the current eligible countries and any newly selected countries.

Global HIV/AIDS -- Emergency Plan for AIDS Relief

While the Administration appreciates the Committee's support for the President's Emergency Plan for AIDS Relief, the Administration is very concerned that the bill reduces funding for bilateral focus country programs by over \$260 million. Much of this reduction is used to increase the President's request for a contribution to the Global Fund to Fight AIDS, Tuberculosis, and Malaria (Global Fund). While the Global Fund is an important partner of the President's Emergency Plan, funding for the 15 bilateral focus countries would have a greater

immediate effect in stemming the disease. The House's reduction to focus country programs will result in the U.S. Government being unable to support treatment for almost 104,000 people in FY 2007, seriously jeopardizing the Emergency Plan goal of supporting treatment for 2 million people by FY 2009. This reduction of focus country funding would also make it very difficult to meet the President's goals of preventing the spread of the disease and caring for those who suffer its effects.

Assistance to Iraq and Afghanistan

The Administration opposes cuts to the President's request for assistance to Iraq and Afghanistan. The request is targeted to support critical programs, including democracy, governance and institutional capacity-building in Iraq, and counternarcotics, rule of law, infrastructure and economic development in Afghanistan. U.S. assistance continues to be critical for both countries to become self-reliant, stable societies that support the Global War on Terror. In addition to limiting the Administration's ability to help the elected governments in Iraq and Afghanistan build stable democracies, the Committee bill would constrain the Administration's efforts to build sustainable funding into the base budget for foreign operations.

Assistance to Pakistan

While the extension of important foreign assistance authorities for Pakistan is appreciated, the Administration strongly urges the House to fund the request for economic and military assistance. The \$100 million reduction to Foreign Military Financing and the \$50 million reduction to the Economic Support Fund would prevent the Administration from fulfilling the President's five-year commitment to Pakistan and from meeting the Administration's pledge for reconstruction assistance in the wake of the October 2005 earthquake.

Conflict Response Fund

The Administration urges the House to fund the President's request for a \$75 million Conflict Response Fund for reconstruction and stabilization response and for building a civilian reserve corps. The National Security Strategy clearly identifies the importance of addressing state failure and conflict and of building a civilian capacity to respond quickly. A civilian reserve would provide additional non-U.S. Government experts to augment current staff, and the Fund would also ensure that the Secretary of State, in consultation with Congress, could direct assistance quickly in a crisis. Building civilian capacity will reduce strain on military forces. The request complements and does not duplicate current or proposed related activities requested elsewhere in the Budget.

Asia Pacific Partnership

Congress is urged to fund the \$46 million request for the Asia-Pacific Partnership for Clean Development and Climate proposed in the Economic Support Fund. This initiative -- as called for by Title XVI of the Energy Policy Act of 2005 and announced by the President on July 28, 2005 -- would accelerate private sector investments in cleaner, more efficient technologies and practices, and would improve the energy security, air quality, and greenhouse gas profile of

some of the world's most significant economies. The Administration looks forward to working with the Committee on this very important initiative.

Economic Support Fund (ESF)

The Administration opposes the \$553 million reduction to the request for ESF. In addition to the cuts noted for Afghanistan, Iraq, Pakistan and the Asia-Pacific Partnership, the Committee bill eliminates ESF funding for the West Bank/Gaza and reduces funding for the Middle East Partnership Program. The Administration is concerned that these reductions would hamper foreign policy priorities in the Middle East that are vital to achieving peace and stability in the region. Funding for the Palestinian people is needed to strengthen democracy-building programs and provide humanitarian assistance to the non-refugee population currently experiencing undue hardship due to the refusal of Hamas to govern responsibly. Further, the bill directs that \$135 million in ESF be provided to Colombia, which will further reduce available funding for on-going, important programs.

Debt Restructuring

The Administration opposes the Committee's reduction of over 85 percent in the International Debt Restructuring account. This cut eliminates all funding for bilateral debt reduction under the Heavily Indebted Poor Countries (HIPC) Initiative, and would prevent the Administration from meeting its commitment to complete bilateral debt reduction for the Democratic Republic of Congo. In total, the Democratic Republic of Congo could be denied crucial debt relief that is part of a broader strategy for stability and development. Debt relief is part of an Administration initiative to promote sustainable economies for the poorest countries in the world.

Malaria and Avian Influenza

The Administration urges the House to fund the request for Malaria assistance. Malaria is the number one killer of children in Africa and this funding is a key part of the effort to reduce overall child mortality. The Committee's \$47 million reduction to the request would undercut the U.S. commitment to maintain base malaria programs and fund the second year of the President's Malaria Initiative (PMI) in seven malaria endemic countries in Africa. The bill would end robust bilateral programs in several malaria prone countries where the U.S. Government can deliver considerable results against this preventable disease.

The Administration is concerned that the Committee did not provide \$55 million requested under the Child Survival and Health Program Fund for Avian Influenza. Without these funds, the U.S. Agency for International Development (USAID) would not have the necessary means to continue supporting worldwide improvements in surveillance and response capacity in preparation for the event of a pandemic influenza.

Multilateral Development Banks (MDBs)

The Administration objects to the rescission of \$188 million in International Development Association funding. This action would create additional arrears and prevent the United States from meeting its current commitment to the G-8 Multilateral Debt Relief Initiative. The Administration also urges Congress to fund the FY 2007 scheduled payments for the MDBs.

Peacekeeping Operations

The Administration urges the House to restore funding for the Global Peace Operations Initiative. The Committee bill would reduce funds necessary to improve the effectiveness and professionalism of peacekeeping troops by about 20 percent. In addition, the bill decreases funding requested for regional peacekeeping programs in Africa that support vital security sector reform efforts in Sudan and Liberia, as well as the Trans-Sahara Counter-terrorism Initiative.

Migration and Refugee Assistance

The Administration objects to the reduction in Migration and Refugee Assistance. This reduction would impede the ability of the United States to increase refugee admissions.

Trade Capacity Enhancement Fund

The Committee's commitment and vision in the area of trade capacity building is appreciated. The Administration, however, is concerned that adding a new office and coordinator would create another administrative layer at a time when the Director of Foreign Assistance Office is working to rationalize and streamline the strategic budgeting and coordination processes at the State Department and USAID, and integrate key priorities, such as trade capacity building, into more comprehensive country strategies and operational plans.

USAID Capital Investment Fund

The Administration urges the House to restore the funds requested for USAID's Capital Investment Fund. The increase in the Capital Security Cost Sharing contribution would fund the planned phase-in of this program plus the addition of per capita charges for positions in Iraq, Afghanistan, and Sudan. To date, all agencies with overseas presence have paid their full cost share with appropriated dollars in the fiscal year due. New construction projects would not include space for USAID employees if USAID's contribution to this program is not funded, and the request level is also necessary to prevent disruption of ongoing State and USAID information technology projects.

Language Issues

The House is urged to include the Administration's request to incorporate a Presidential national interest waiver into the section 507 prohibition on direct assistance to certain countries, which would enable the flexibility to reward progress in Libya and other countries. In addition, the bill should include waiver authority in the ESF provision directing the Secretary of State to

certify full cooperation of the national and local Afghanistan government in poppy eradication and interdiction efforts, which gives the Administration flexibility to respond in a region of great importance to U.S. national security. The House further should include the requested special "notwithstanding" authority for Sudan, which is needed in light of recent peace initiatives in Darfur. Section 515 adds a new restriction that denies the use of funds appropriated in prior years when assistance for a country is denied in the current bill. This restriction could significantly impact spending in areas such as the West Bank/Gaza, where prior-year funds are supporting critical humanitarian assistance efforts.

Constitutional Concerns

Provisions of the bill that purport to direct or burden the conduct of foreign relations, including negotiations and communications with foreign countries or international organizations, should be amended to delete such direction or burden, or be made precatory, to make the provisions consistent with the constitutional authority of the President to conduct the Nation's foreign relations, and to supervise the unitary Executive Branch. Such provisions include sections 514, 561, 562, 582, and 506, and language under the heading, "Economic Support Fund."
