

OTHER BILATERAL ECONOMIC ASSISTANCE

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

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Economic Support Fund
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	2,224,000	2,490,000	2,535,000
ESF-ERF	600,000	0	0
ESF-SUP	465,000	0	0

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

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

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

The largest share of the FY 2004 ESF request remains focused on supporting Middle East peace negotiations through programs that foster economic stability and development in Israel, Egypt, and other Arab countries pledged to support the peace process. ESF is also requested to support: the Middle East Partnership Initiative (MEPI); continued assistance in rebuilding Afghanistan; balance of payments support to Turkey; peace and reconciliation in Ireland and Cyprus; democratic institution building and economic growth in the Western Hemisphere and Caribbean; rebuilding democratic institutions and programs that support African integration into the global economy and conflict management on the African continent; democratic and economic strengthening in Indonesia and East Timor; sector reforms in Pakistan; programs that promote rule of law and address the growing problems of trafficking and forced labor of women and children in South Asia; and programs that can respond quickly to prevent or forestall human rights abuses and exploit unanticipated opportunities to promote democracy.

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

Economic Support Fund
(\$ in thousands)

	FY 2002 Actual	FY 2003 Request	FY 2004 Request
Africa			
Angola	-	-	3,500
Burundi	-	-	3,500
Democratic Republic of Congo	-	-	4,250
Ethiopia	-	-	5,000
Kenya	-	-	8,000
Nigeria	-	-	5,000
Sierra Leone	9,000	-	5,000
South Africa	-	-	2,000
Sudan	-	-	15,000
Zimbabwe	-	-	4,000
Africa Regional Fund	29,000	32,000	14,000
Africa Regional SUP	20,000	-	-
Countries in Transition	40,000	31,000	-
Education for Development and Democracy	15,000	-	-
Regional Organizations	4,000	6,000	3,000
Safe Skies	3,000	8,000	5,000
Subtotal - Africa	120,000	77,000	77,250
East Asia and the Pacific			
Burma	6,500	6,500	6,500
Cambodia	20,000	17,000	15,000
China Rule of Law	5,000	5,000	-
East Timor	25,000	19,000	13,500
Indonesia	50,000	60,000	60,000
Mongolia	12,000	12,000	10,000
Philippines	21,000	20,000	20,000
Philippines SUP	12,000	-	-
ASEAN Regional	-	-	2,500
East Asia and Pacific Environmental Initiative	3,500	-	-
Regional Democracy	5,000	5,000	4,000
Regional Security Fund	250	250	250
Regional Women's Issues	4,000	4,000	3,000
South Pacific Fisheries	14,000	18,000	18,000
Subtotal - East Asia and the Pacific	178,250	166,750	152,750

Economic Support Fund
(\$ in thousands)

	FY 2002 Actual	FY 2003 Request	FY 2004 Request
Europe and Eurasia			
Cyprus	15,000	15,000	7,500
Turkey	-	-	200,000
Turkey SUP	200,000	-	-
International Fund for Ireland	25,000	25,000	8,500
Irish Visa Program	5,000	4,000	4,000
Subtotal - Europe and Eurasia	245,000	44,000	220,000
Near East			
Egypt	655,000	615,000	575,000
Israel	720,000	800,000	480,000
Jordan	150,000	250,000	250,000
Jordan SUP	100,000	-	-
Lebanon	35,000	32,000	32,000
Yemen	5,000	10,000	15,000
Yemen SUP	3,000	-	-
Iraq Opposition	25,000	25,000	-
Middle East Democracy	5,000	5,000	-
Middle East Multilaterals	3,000	3,000	3,000
Middle East Partnership Initiative	-	-	145,000
Middle East Partnership Initiative SUP	20,000	-	-
Middle East Regional Cooperation	5,000	5,000	5,000
U.S. North Africa Economic Partnership	4,000	4,000	-
West Bank/Gaza	72,000	75,000	75,000
Subtotal - Near East	1,802,000	1,824,000	1,580,000
South Asia			
Afghanistan	17,250	-	150,000
Afghanistan SUP	88,000	-	-
Bangladesh	3,000	7,000	6,000
India	7,000	25,000	20,000
Nepal	3,000	6,000	6,000
Pakistan	9,500	200,000	200,000
Pakistan ERF	600,000	-	-
Pakistan SUP	15,000	-	-
Sri Lanka	3,000	4,000	14,000
South Asia Regional Funds	3,500	2,000	2,000
Subtotal - South Asia	749,250	244,000	398,000

Economic Support Fund
(\$ in thousands)

	FY 2002 Actual	FY 2003 Request	FY 2004 Request
Western Hemisphere			
Bolivia	10,000	10,000	8,000
Cuba	5,000	6,000	7,000
Dominican Republic	2,300	3,500	3,000
Ecuador	15,000	20,000	14,000
El Salvador	25,200	-	-
Guatemala	10,000	7,500	5,000
Haiti	30,000	-	-
Honduras	1,000	-	-
Jamaica	1,532	-	-
Mexico	10,000	12,000	12,000
Nicaragua	2,800	-	-
Panama	4,205	3,500	3,500
Paraguay	3,500	3,500	3,500
Peru	14,500	10,000	9,000
Venezuela	500	500	500
Administration of Justice	8,663	11,000	7,000
Centers for Educational Excellence	7,000	-	-
Eastern Caribbean	10,800	-	-
FTAA Technical Assistance	-	1,000	-
Peru-Ecuador Peace	4,500	4,500	4,500
Third Border Initiative	-	3,000	9,000
Subtotal - Western Hemisphere	166,500	96,000	86,000
Global			
Muslim Secondary Exchange Program SUP	7,000	-	-
Partnership to Eliminate Sweatshops	4,000	4,000	2,000
Policy Initiatives	-	20,250	-
Human Rights and Democracy Funds	13,000	12,000	17,000
Oceans, Environmental and Science Initiative	4,000	2,000	2,000
Subtotal - Global	28,000	38,250	21,000
Total	3,289,000	2,490,000	2,535,000

Human Rights and Democracy Funds
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	13,000	12,000	17,000

The September 2002 National Security Strategy puts the promotion of democracy and human rights at the top of our foreign policy agenda, stressing that, “We will champion the cause of human dignity and oppose those who resist it.” In promoting democracy and human rights, the United States is simultaneously communicating America’s values and protecting its interests. This effort has become increasingly significant since the events of September 11, 2001. The war against terrorism will be successful in the long term only in so far as it addresses the root causes of extremism by promoting stable, just and open societies where basic human freedoms are respected and protected. Our security as a nation depends upon the expansion of democracy worldwide. History amply demonstrates that democracies are more prosperous, peaceful, and cooperative than authoritarian regimes.

Human Rights and Democracy Funds (HRDF) support unique projects that promote democracy and human rights in countries of strategic significance to the United States. Support for such projects underscores the USG’s continued commitment to human rights and democracy in its fight against terrorism.

In FY 2004, HRDF will support innovative, cutting-edge projects that provide assistance to struggling or nascent democracies or that help improve the human rights situation in key countries. HRDF programs will not duplicate other efforts. The Department of State will identify and act upon political openings where we believe progress can be made, even if only incrementally and over time. Funds will also support regional initiatives that have transnational implications.

As efforts to fight the war on terrorism continue, the Department of State will maintain pressure for human rights, democratic processes, and civil liberties in all countries. These challenges will be addressed by funding programs in the Middle East that promote democratic reform and result in greater political pluralism, respect for fundamental freedoms, and prosperity; that support the development of political parties and civil society as well as increase respect for human rights in Central Asia; that promote the protection and enforcement of legal rights and an independent judiciary, increase popular participation in government, and develop civil society in China; and that advance human rights as well as promote political participation and civil society in African, Asian, and Latin American countries.

Oceans, Environmental and Science Initiative
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	4,000	2,000	2,000

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

The Economic Support Funds (ESF) for Oceans, Environmental and Science Initiative (OESI) advance U.S. negotiating positions, promote regional cooperation, and demonstrate U.S. leadership in responding to emerging issues. Pursuing these activities furthers U.S. objectives by: explaining and building support for U.S. approaches to international oceans, environment, and science issues; promoting U.S. trade, economic, diplomatic, investment, and commercial interests; and enabling host governments to elaborate their own policies in an informed manner.

The Department of State is currently negotiating agreements and establishing voluntary initiatives in areas that directly affect U.S. interests such as biotechnology, forests, hazardous chemicals, sustainable fisheries, health, water and sustainable development. We are also developing and implementing partnerships in key areas (domestic good governance, energy, water, and natural resources management), including those announced at the World Summit on Sustainable Development. OESI program funds will be used to further these U.S. interests by supporting such efforts as:

- Developing institutional and legal frameworks for regional management of potentially divisive transboundary fresh water issues.
- Improving sustainable management of fresh water resources including access to clean water and sanitation services, improved watershed management and increased the efficiency of water use in industrial and agricultural sectors.
- Facilitating access to clean sources of energy for the two billion people worldwide who currently lack modern energy services needed to meet economic and social development goals, while minimizing energy's impact on the environment.
- Raising awareness of the unprecedented threat to economic development and social progress posed by the spread of HIV/AIDS, and other infectious diseases, improving health security.
- Promoting sustainable forest management (e.g., Congo Basin Forest Partnership) and advancing U.S. efforts to deter illegal logging, in support of the President's Initiative Against Illegal Logging.
- Advancing domestic good governance (rule of law) to address environmental crimes such as hazardous waste dumping, smuggling proscribed hazardous chemicals, and exploiting and trafficking in protected natural resources in key developing countries;
- Deterring illegal fishing that threatens U.S. commercial fisheries' interests and the sustainable management of fisheries.
- Promoting export of U.S. technologies that advance U.S. foreign policy objectives.

Partnership to Eliminate Sweatshops
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	4,000	4,000	2,000

International competition has caused concern among the American public that the global economy has prompted a “race-to-the-bottom” that contributes to the abusive treatment of workers and the creation of unsafe working conditions. There is broad public concern in the United States that goods sold in the U.S. market are produced in sweatshop conditions overseas.

Through the Partnership to Eliminate Sweatshops, the U.S. has funded proposals by concerned private sector and civil society actors to address this problem. Program proposals include the establishment of workplace monitoring systems, including the training of workers in these systems, the development of framework agreements, research and education initiatives, the establishment of voluntary codes of conduct, among others. These efforts serve our national interest by promoting democracy and economic development abroad, reinforcing the domestic consensus in support of international economic engagement, and the protection and promotion of fundamental worker rights.

The Partnership to Eliminate Sweatshops facilitates partnerships among non-governmental organizations (NGOs), universities, organized labor, corporate alliances and others that are developing a variety of approaches to address unacceptable working conditions around the world. Efforts to eliminate sweatshops are at an early stage. Corporate codes are many and varied, and independent monitoring of enforcement of codes has begun on a small scale.

Funds from this program will continue to be used to develop more efficient monitoring efforts, to train and accredit monitoring agencies, to train managers and workers, to target countries and industries where the greatest problems exist, and to evaluate efforts to date. This effort complements other efforts being made to bring countries and companies into full compliance with the 1998 ILO Declaration of the Fundamental Principles and Rights at Work and to help developing countries meet worker rights criteria in U.S. trade legislation.

The overall objectives are to eliminate forced labor, child labor, violations of freedom of association and the right to organize and bargain collectively, minimum wage violations, harassment, discrimination, substandard health and safety conditions, and abusive work schedules in production facilities overseas that produce for the American market.

The FY 2004 request of \$2 million will be used to make grants available to both domestic and international applicants to eliminate sweatshops through the promotion of core labor standards, corporate codes of conduct, monitoring, training, research and other means. Funds may also be used to support mechanisms that allow for communication and exchange of information among the grant recipients, in order to share lessons learned and discussion of best practices.

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

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
SEED	621,000	495,000	435,000

Since 1989, the Support for East European Democracy (SEED) Act has promoted important U.S. national interests and strategic goals in North Central and South Central Europe. With the graduation of the northern tier countries, the program has shifted its focus southward. This region could still pull in our allies and ultimately the United States to uphold vital interests, as the past conflicts in Bosnia-Herzegovina (Bosnia) and Kosovo and more recent insurgencies in southern Serbia and Macedonia demonstrated. SEED assistance provides a proactive defense. It funds important peace implementation programs that have laid the foundation for longer-term development through the rise of democratic institutions and market economies. It also supports the region in its drive for integration in Euro-Atlantic institutions. Witness the historic November 2002 invitation to seven more SEED-recipient countries to join NATO, and the December 2002 invitation to eight to join the European Union.

To facilitate continued reform and transition in Southeastern Europe, SEED assistance supports innovative models, technical assistance, and training. SEED funding fosters civil security and rule of law in these transitional societies, increases adherence to democratic practices and respect for human rights, and promotes broad-based economic growth. Many in the region have made important progress toward achieving the objectives of the SEED program: development of democratic institutions and political pluralism and of free market economic systems. All the recipients are now democracies, and all are experiencing economic growth. Extensive SEED investments during recent years have successfully helped the region overcome crises, so that in FY 2004 we can continue to reduce the overall request while maintaining the momentum of the reforms underway. Educational and cultural exchanges, previously funded under SEED, will be consolidated into and administered by the Bureau of Educational and Cultural Exchange Programs.

SEED programs help ensure that local and regional instability does not threaten the security and well-being of the United States and its allies. A peaceful, democratic, and economically strong Central Europe gives the United States and the Atlantic Alliance substantially greater assurance of security at a lower cost. SEED programs contribute to the global fight against organized crime, corruption, trafficking in persons, and terrorism. They minimize the human price of conflict, contribute to the protection of human health, and help secure a sustainable global environment, and promote U.S. exports. Central Europe is a growing market for U.S. goods and services, as well as a gateway to the vast potential markets in Russia and Ukraine.

While the SEED program has built a solid record of accomplishment, much remains to be done. Two groups of countries in South Central Europe continue to need substantial U.S. assistance. The first group is comprised of countries and regions whose economic and political transition has been delayed by hostilities: Bosnia, Croatia, Kosovo, and, more recently, the Former Yugoslav Republic of Macedonia (Macedonia), and the Federal Republic of Yugoslavia (FRY). The aftermath of the conflicts in Kosovo, southern Serbia, and northern Macedonia calls for intensive U.S. assistance and leadership to establish and maintain security, promote inter-ethnic dialogue, address humanitarian needs, and strengthen democratic forces. We need to insure our investment in Croatia and the FRY by helping democratically elected, reform-oriented governments cement their success. Bosnia remains a difficult challenge, given the severe physical and human damage caused by the war and the extreme hatred and distrust it generated. Nevertheless, we have seen progress in minority returns, building central institutions, and the arrival of foreign banks. The United States continues to exercise leadership through both its SEED Act assistance and military presence to

ensure the Dayton Peace Accords are implemented. A key strategic goal in this area is to create stability so the international military presence can be reduced and ultimately withdrawn.

The second group contains the neighboring countries of Albania, Bulgaria, and Romania. Their transitions have been prolonged and difficult due to the challenges of political instability and the lack of strong institutions. SEED is helping these countries move forward as their commitment to reform deepens. In Bulgaria, a three-year U.S. pledge for \$28 million annually will fund a transition plan to secure strong governance and broader economic opportunity. With such a plan in place, Bulgaria will be ready to graduate from SEED assistance in FY 2007, with the last year of new funding in FY 2006.

Objectives of the SEED program for FY 2004 include:

- To support the FRY and its constituent republics, Serbia and Montenegro, as they overcome a decade of political oppression and economic mismanagement. U.S. assistance will play a key role in consolidating the democratic transition, supporting economic reforms, and fostering the integration of a prosperous FRY into Euro-Atlantic institutions. Efforts will focus on strengthening democracy and civil society, including local government and community development, media, non-governmental organizations, political parties, and rule of law, including judicial reform. SEED funds will also help enhance FRY capability to handle war crimes and other sensitive cases, and will target corruption and trafficking in persons. We will continue to advance the democratization process in Montenegro through support for economic reform and development of the private sector.
- To support Macedonia in continued steps to implement the Framework Agreement to restore political stability by bringing the benefits of economic and political reform to all its citizens. Our focus is on efforts to solidify political and security gains, improve the environment for economic growth, and strengthen multi-ethnic institutions and cooperation.
- To stabilize and transform Kosovo into an economically viable, democratically self-governing territory by supporting UNMIK; boosting the competency of the Provisional Institutions for Self-government and of municipal governments; training and equipping the Kosovo police, including in fighting organized crime; and developing an effective justice system and respect for minority rights. U.S. assistance also gives priority support to the return and reintegration process.
- To implement the Dayton Peace Agreement in Bosnia, continue to strengthen indigenous institutions and the central State, including an effective State Border Service, move Bosnia further along the path to European integration, and help Bosnians take ownership of their institutions and country. Our assistance is geared to support humanitarian, economic reform, democratization, law enforcement and rule of law, and building war crimes trial capacity.
- To work with the reform-minded, democratic government of Croatia as it undertakes economic reform, consolidates democracy, and works to resolve post-conflict issues of returns and ICTY cooperation. U.S. assistance will focus on more effective citizen participation, improved law enforcement and governance, and development of a vibrant NGO community.
- To support Albania, Bulgaria and Romania in market reform, promoting democracy and rule of law, strengthening civil society, and helping to relieve human suffering. SEED programs place particular emphasis on efforts against corruption and international organized crime, including trafficking.

- To stabilize, transform, and integrate the countries of Southeast Europe into the trans-Atlantic institutions by developing closer intra-regional ties under the aegis of programs such as the Stability Pact for Southeastern Europe. SEED will also support the OSCE's "Human Dimension and Economic Dimension" programs, shoring up regional governments to minimize the need for traditional peacekeepers. Regional law enforcement programs address organized crime, terrorism, trafficking, and border/customs control.

SEED assistance supports U.S. security, democracy, commercial, and human rights interests in Southeastern Europe. FY 2004 SEED assistance will:

- Enhance security on the ground for U.S. peacekeeping troops in Kosovo and Bosnia.
- Speed up the stabilization process in the countries of the former Yugoslavia, so the U.S. military presence can be reduced and ultimately withdrawn.
- Help prevent possible further outbreaks of armed conflict.
- Improve internal security and rule of law, reducing the influence of organized crime and corruption and fighting trafficking in persons.
- Improve the investment climate and help open new markets for American business.
- Improve the lives of citizens in the region through more effective government and improved social services.

Please see individual country and regional program papers in this document for detailed program justifications.

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

	FY 2002 Actual	FY 2003 Request	FY 2004 Request
Europe and Eurasia			
Albania	35,250	28,000	28,000
Bosnia and Herzegovina	65,005	50,000	44,000
Bulgaria	34,100	28,000	28,000
Croatia	44,000	30,000	25,000
Federal Republic of Yugoslavia	165,000	135,000	113,000
Kosovo	118,000	85,000	79,000
Macedonia	49,506	50,000	39,000
Romania	36,000	29,000	28,000
Regional SEED	74,139	60,000	51,000
Subtotal - Europe and Eurasia	621,000	495,000	435,000
Total	621,000	495,000	435,000

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

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
FSA	784,000	755,000	576,000
FSA/NIS-ERF	64,000	0	0
FSA/NIS-SUP	110,000	0	0

Promoting stability in Eurasia bolsters U.S. national security. Most of the states of Eurasia have provided critical support in the war against terrorism. Several provide basing and overflight rights that are key to our ability to carry out military action in Afghanistan. Given the region's size, capacity to produce critical energy supplies, and borders with key countries in Europe, the Middle East, South Asia and East Asia, the U.S. has vital national interests in helping the Eurasian states become stable, democratic and prosperous. The United States also has a strong national security interest in preventing proliferation of weapons of mass destruction, delivery systems, weapons technology, expertise, and other weapons from the former Soviet arsenal.

Stability and prosperity in the region will only be possible if the Eurasian states successfully complete the transition they began in 1991 from totalitarianism and centrally planned economies to democratic governance and market-based economies. Programs funded under the FREEDOM Support Act (FSA) seek to facilitate this transition by supporting emerging democratic organizations and market institutions and by helping the Eurasian states develop the necessary legal and political foundations to support such institutions. FSA funding has brought one hundred thousand Eurasian citizens to the United States to meet with their U.S. counterparts and examine the American way of life. A large number of alumni of these exchange programs have gone on to assume important positions in their home countries; all return home with a better understanding of the American people and our values. FSA funding has helped develop civil society in Eurasia through support for non-governmental organizations (NGOs) and the independent media. FSA-funded business advisory and credit programs have supported the growth of small and medium private business throughout the region, while FSA-funded programs have produced major progress on land privatization in countries such as Ukraine, Moldova, Georgia and the Kyrgyz Republic.

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

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

The broad objectives of FREEDOM Support Act assistance in Eurasia in FY 2004 are as follows:

- To enhance security by attacking the root causes of instability and supporting efforts to resolve regional conflicts.
- To help establish open and competitive market economies that create employment and, in the process, expand opportunities for U.S. trade and investment.
- To promote development of democratic institutions, good governance, the rule of law, and civil society.
- To promote cooperative nonproliferation, threat reduction and regional stability; and
- To ease the human costs of transition through humanitarian aid and a focus on the social sector.

More specific objectives in FY 2004 will include the following:

- Dealing with potential causes of instability in Central Asia, including poverty, lack of jobs, poor communal services, isolation, and political repression.
- Advancing the peaceful resolution of violent conflicts by support for peace efforts, regional integration and reconstruction projects.
- Fostering the development of civil society, strengthening the rule of law, and promoting transparency at all levels of government by supporting NGOs, the independent media and the rule of law.
- Supporting regions within individual states in their efforts to institute local reform policies that can serve as models of successful reform and influence other regions and, ultimately, national policies.
- Bolstering private enterprise, especially small business, through training and increased availability of credit.
- Helping national governments that show a commitment to reform to build the legal and institutional infrastructure of a free-market democracy.
- Changing mindsets among citizens, especially the next generation, through exchanges and partnerships that expose them to Western societies and practices.
- Opening these societies to multiple sources of information through support for independent media and Internet access.
- Fighting the spread of infectious diseases such as tuberculosis and HIV/AIDS, and trying to improve child and maternal health.
- Providing former Soviet weapons scientists with alternative, peaceful civilian research opportunities.
- Enhancing the capability of regional states to combat crime, control their borders, fight trafficking in persons, and detect and interdict illicit transfers of weapons and drugs.

The FY 2004 request contains a significant reduction in FSA funding for Russia. In view of progress attained by Russia in its transition process, we will develop a strategy to graduate or phase out FSA

assistance over the next several years while leaving behind a legacy of sustainable institutions that will continue to promote civil society development and economic growth. The request also contains a significant reduction for Ukraine. We are developing a multi-year strategy for Ukrainian graduation from FSA that seeks to leave a similar legacy.

In FY 2004, exchanges, training, and partnership programs of the Bureau of Education and Cultural Affairs, perviously funded through FSA, will receive funding through the Educational and Cultural Exchanges (ECE) account.

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

	FY 2002 Actual	FY 2003 Request	FY 2004 Request
Europe and Eurasia			
Armenia	90,200	70,000	49,500
Azerbaijan	43,510	46,000	41,500
Belarus	10,572	9,500	8,000
Georgia	89,807	87,000	75,000
Kazakhstan	45,815	43,000	32,000
Kazakhstan SUP	1,500	-	-
Kyrgyz Republic	35,489	36,000	40,000
Kyrgyz Republic ERF	3,500	-	-
Kyrgyz Republic SUP	33,000	-	-
Moldova	35,946	32,500	23,000
Russia	159,083	148,000	73,000
Tajikistan	19,372	22,500	35,000
Tajikistan SUP	37,000	-	-
Turkmenistan	7,398	7,000	8,000
Turkmenistan SUP	4,000	-	-
Ukraine	154,937	155,000	94,000
Uzbekistan	29,190	31,500	42,000
Uzbekistan ERF	54,500	-	-
Uzbekistan SUP	34,500	-	-
Regional FSA	62,681	67,000	55,000
Regional FSA ERF	6,000	-	-
Subtotal - Europe and Eurasia	958,000	755,000	576,000
Total	958,000	755,000	576,000

INDEPENDENT AGENCY

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

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Peace Corps
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
Peace Corps	275,000	317,000	359,000
Peace Corps-ERF	3,900	0	0

The Peace Corps provides practical assistance to developing countries by sharing America's most precious resource -- its people. The close interaction between Peace Corps Volunteers and local communities has allowed the Peace Corps to establish an admirable record of service that is recognized around the world. For 42 years, Peace Corps Volunteers have helped build the path to progress with people who want to build a better life for themselves, their children, and their communities. Around the world, Peace Corps Volunteers continue to bring a spirit of hope and optimism to the struggle for progress and human dignity. More than 168,000 Americans have served in 136 countries.

While times have changed since the Peace Corps' founding in 1961, the agency's mission has not. The three core goals of the Peace Corps are as relevant today as they were forty-two years ago:

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

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

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

Through their service, Volunteers make lasting contributions to our country and society in the following ways:

Representing American Values and Diversity— The women and men who serve as Peace Corps Volunteers reflect the rich diversity of our country and represent some of the finest characteristics of the American people: a strong work ethic, a generosity of spirit, a commitment to service, and an approach to problems that is both optimistic and pragmatic. They are afforded no special privileges and often live in remote, isolated communities. They speak local languages and adapt to the cultures and customs of the people they serve. In this process, Volunteers share and represent the culture and values of the American people, and in doing so earn respect and admiration for our country—among people who often have never met an American.

Preparing America's Work Force with Overseas Experience — Peace Corps training and service provide skills that are increasingly important to America's participation in the international economy.

Volunteers worldwide learn more than 180 languages and dialects, and they receive extensive cross-cultural training that enables them to function effectively at a professional level in different cultural settings. Returned Volunteers often use these skills and experiences to enhance careers and make contributions to our society in virtually every sector — Congress, the Executive branch, the Foreign Service, education, business, finance, industry, trade, health care, and social services.

Peace Corps Volunteers Educating Young Americans — Through the Coverdell World Wise Schools Program, thousands of current and returned Peace Corps Volunteers share their experiences in developing countries with students in America's classrooms. This successful program allows young Americans to learn about the peoples and cultures of other countries and to interact with positive role models who have engaged in public service as Peace Corps Volunteers. These exchanges have allowed American students—especially those who have not had the opportunity to travel or to experience another culture—to gain a global perspective and to realize that they can make a difference in their communities and in the world.

Contributing to America's Legacy of Service — Encouraging service and volunteerism among the American people is part of a long tradition in the United States. Over one hundred thousand people contact the Peace Corps each year seeking information about serving as a Volunteer. When Volunteers complete their overseas service, many continue their commitment to volunteerism by offering their time and skills to community volunteer programs across the country.

Priorities for the Peace Corps in FY 2004 are:

Safety and Security

The Peace Corps devotes significant resources to maximize the safety of Volunteers and to ensure that they are given the training, support, and information they need for a safe experience. In addition, the agency strives to integrate safety and security training with effective language, technical, and cross-cultural preparedness, recognizing that Volunteers' daily safety is, for the most part, best assured when they are integrated into local communities, valued and protected as extended family members, and viewed as contributors to local development. The Peace Corps does everything possible to ensure that Volunteers are assigned to areas in the host country where their safety needs can be met. In addition to dedicated safety personnel at each post, the agency also fields regional safety and security officers to assess safety and security procedures in all three administrative regions and to provide additional training and resources to staff and Volunteers. In FY 2004, the agency will hire three more regional safety and security officers for a total of 12 officers posted worldwide.

Volunteer Growth

By the end of FY 2004, there will be approximately 10,000 Americans serving in the Peace Corps increasing American's contribution to the people of other nations. Given the changing realities of political, economic, and social development within the countries served, the Peace Corps will continue to monitor and assess its global presence and ensure that Volunteers are able to respond effectively to the development needs of host countries. The Peace Corps will broaden and strengthen the activities and strategies initiated in 2003 to recruit the trainees needed over the next several years in order to reach the President's goal of 14,000 Volunteers by FY 2007

Inter-American Foundation
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
IAF	13,107	14,000	15,185

Established under the 1969 Foreign Assistance Act, the Inter-American Foundation (IAF) supports grassroots development initiatives in Latin America and the Caribbean with a direct impact on the lives of people at the lowest economic levels. IAF programs promote entrepreneurship, self-reliance and democratic principles as well as economic progress for the poor in Latin America and the Caribbean. Responsiveness to the ideas of organized people at the community level drives the IAF's work; it helps such communities develop democratic practices, including strengthening citizen participation and oversight of local governments.

In 2004, the IAF will continue to focus its resources on building partnerships among grassroots organizations, nongovernmental organizations, local governments and private enterprises to foster development and democratic practices at the local level. This strategy promotes social investment in Latin America and the Caribbean by the U.S. and local private business sector to improve the quality of life of the poor in the region.

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

In FY 2004, the IAF will expand its groundbreaking new program involving a large network of Latin American corporate foundations convened by the IAF in FY 2002. Participating foundations will match IAF contributions, develop a common results measurement system and pool their learning resources. Accountability and funding will be standardized to facilitate contributions from other donors.

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

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

The IAF will refine its system of measuring the results of its grants and identify and disseminate good practice and lessons to new private sector contributors and development practitioners. Using results and evaluation information, the IAF will incorporate lessons learned into the IAF's strategic planning and grant decision-making processes. The IAF will build its integrated program management information system to provide greater internal and external access to program data.

African Development Foundation
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ADF	16,542	16,542	17,689

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

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

ADF FY 2004 request focuses on the following strategic objectives:

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

The primary focus of ADF's assistance is small enterprises (MSEs) as a means to creation of job opportunities and income generation through the promotion of MSEs. . Women and rural communities are major beneficiaries of ADF assistance.

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

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

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

Millennium Challenge Account
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
MCA	0	0	1,300,000

The Millennium Challenge Account (MCA) embodies “a new compact for global development” based on the premise that greater contributions from developed nations must be linked to greater responsibility from developing nations. Because sound policies are an essential condition for development, MCA funding will go only to nations that govern justly, invest in their people and encourage economic freedom.

The MCA will aim to spur lasting poverty reduction by helping to substantially increase economic growth. It will emphasize investments that raise the productive potential of MCA country citizens and firms and help integrate MCA economies into global product and capital markets. Key areas of focus for assistance include agricultural development, education, enterprise and private sector development, governance, health and trade and investment capacity building.

In FY 2004, only countries eligible to borrow from the International Development Association with per capita incomes below \$1,435 will be considered for MCA assistance. Selection of specific countries to receive MCA assistance will be based on country performance on 16 indicators which assess policies critical for economic growth, including fighting corruption, adherence to the rule of law, investing in health care and education, opening markets, creating a predictable regulatory environment and adopting sound macroeconomic policies.

Implementation will be based on a genuine partnership between the United States and the recipient country. Each MCA country would assess its major development constraints and, in consultation with its private sector and civil society, identify the most promising activities to accomplish MCA goals. The MCA country would enter into a contract with the MCA, which would focus on a limited number of clear measurable goals and include activities to accomplish the goals and benchmarks to assess progress toward the goals. Monitoring and evaluation to ensure accountability for results will be an integral part of every activity for which MCA funds are used.

A new government corporation, the Millennium Challenge Corporation (MCC), led by a Chief Executive Officer nominated by the President and confirmed by the Senate, will administer the MCA. A Cabinet level Board of Directors chaired by the Secretary of State will supervise the MCC.

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