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Algeria
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
IMET	67	550	550
P.L. 480 Title II	2,009	0	0

The Algerian government is an important partner in the war against terrorism. Algeria has fought its own decade-long war against extremist groups, some of whom have threatened the United States and our allies. Algeria pursues active diplomatic engagement in the region, and has been a key player in the resolution of African conflicts. It is a major supplier of oil and gas to Europe and the United States, and hosts the third largest level of U.S. investment in the Arab world after Saudi Arabia and Egypt. The U.S. has an interest in helping the Algerian military to increase its effectiveness in fighting terrorism and improving interoperability with U.S. and allied forces. Engagement with the Algerian military also strengthens regional stability by promoting an open democracy, economic reform and security in Algeria.

Terrorist violence affected Algeria annually from 1992 through 1998 but has since diminished. Military operations against pockets of radical armed groups in rural areas are expected to continue for the foreseeable future. Major towns and cities and much of the south are free of violence. However there have been domestic disturbances in parts of the country stemming from the Berber community's effort to obtain greater recognition of its identity and economic needs, and in 2002 Berber activists enforced a boycott of national and local elections in predominantly Berber-areas. The government is stressing reconciliation, openly addressing human rights concerns, and accepting democracy training. Cabinet ministers with strong economic reform credentials have made some progress in guiding Algeria's transition to a market economy, but serious institutional and social barriers remain. Such developments present the U.S. with significant challenges, but also with major economic opportunities.

The International Military Education and Training (IMET) program will help military leaders in Algeria understand the United States, and increase their support for U.S. policy. The program increases awareness of international norms of human rights and fosters greater respect for the principle of civilian control of the military. In FY 2004, \$550,000 in IMET funds will be used to send Algerian officers to key Professional Military Education (PME) courses as well as selected technical training courses. Training in FY 2004 includes Command and General Staff College, logistics and intelligence staff courses, maritime and aviation training and specialized English language training. Placing Algerians in our PME courses, such as staff colleges, gives the U.S. an opportunity to encourage reform within an Algerian military establishment gradually moving along a path toward greater pluralism and respect for civilian authority. In such a setting, these officers can establish one-to-one contacts with U.S. counterparts that pay invaluable rewards later in the form of interoperability, coordination and mutual understanding. Increased IMET-funded English language training will also improve the Algerian military's interoperability with U.S. forces, facilitates interaction in potential future contingency operations such as peacekeeping missions, and prepares them for increased training opportunities.

Bahrain
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
FMF	0	0	25,000
FMF-SUP	28,500	0	0
IMET	395	450	600

In 2001, the President 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 the past 50 years. Bahrain currently hosts NAVCENT, 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 and to 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 Afghanistan, Multinational Interception Force (MIF) activities that prevent illicit smuggling of Iraqi oil and other goods, and any contingency operations and/or force projection in the Gulf and Southwest Asian areas.

The Government of Bahrain has been a steadfast supporter of our foreign policy objectives. A member of the coalition against Iraq since 1990, it has remained a strong supporter of U.S. policies toward Iraq. During its recent tenure on the UN Security Council (2000-02), Bahrain supported U.S. objectives throughout the region. Since the attacks on the Pentagon and World Trade Center, Bahrain has also been a key supporter of our war on terrorism. Bahrain responded positively to all U.S. requests connected to Operation Enduring Freedom (OEF), and donated its sole frigate to provide humanitarian support for Afghan relief. U.S. political and military support and cooperation helps encourage the political and economic reforms fostered by the King and Crown Prince. In October 2002, Bahrainis elected the lower house of the National Assembly by universal suffrage. Women candidates ran for national office in those elections -- a first for any Gulf Cooperation Council member state.

U.S. security assistance programs – Foreign Military Financing (FMF) and International Military and Education Training (IMET) – support the United States’ national interest in maintaining stability in the Gulf, promote interoperability and understanding with U.S. forces, and buttress Bahrain’s defensive capabilities. Bahrain received FMF for the first time in FY 2002 as part of the supplemental appropriations request. While the FY 2002 allocation funded the purchase of a critical air defense radar system, FY 2004 FMF funding of \$25 million will make important related weapons upgrades and the further development of a truly integrated air defense network possible. Increased air defense coverage results in increased security not only for Bahrain but also for U.S. and coalition forces. The FY 2004 IMET increase from \$450 to \$600 thousand will allow more Bahrainis to attend Professional Military Education (PME) courses in the U.S. Bahrainis regularly attend U.S. service war colleges, command and staff colleges, and other key PME courses. Bahraini attendance at key PME courses has fostered important one-to-one relationships that are paying invaluable rewards in the form of interoperability, coordination and mutual understanding. Moreover, the IMET program increases awareness of international norms of human rights and fosters greater respect for the principle of civilian control of the military, the rule of law, and helps encourage the political reform already underway in Bahrain. Bahrain is also eligible to receive U.S. Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act.

Egypt
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
ESF	655,000	615,000	575,000
FMF	1,300,000	1,300,000	1,300,000
IMET	1,217	1,200	1,200
NADR-EXBS	50	135	250
P.L. 480 Title II	3,839	0	0

As the most populous country of the Arab world and an important supporter of Middle East peace efforts, Egypt is a key partner in the region. Egypt has aided U.S. efforts to fight international terrorism with public support, logistical assistance, financial cooperation, and diplomatic cooperation. U.S. national security interests are served by supporting stability and prosperity in Egypt. A critical element of this will be working to ensure expanded political, economic, and educational reform in Egypt.

Egypt plays pivotal roles in the Arab world, the Muslim world, Africa, and the Mediterranean basin. The FY 2004 request of \$1.3 billion for Egypt in Foreign Military Financing (FMF) will continue to support a modern, well-trained Egyptian military that will help ensure stability in the region, enable Egypt to participate as a coalition partner in operations that further U.S. interests, provide force protection to the U.S. military in the region, and help maintain U.S. access to the Suez Canal and overflight routes used to support our forces in the Gulf. Egypt's 5-year plan currently calls for no new large acquisitions. We expect that any new acquisitions will be small and that most funding will go to follow-on support requirements and existing cash flow obligations.

Training of Egyptian military personnel provided by the \$1.2 million in requested FY 2004 International Military Education and Training (IMET) funds will continue to play a critical role in the professional and technical development of the Egyptian defense forces. Egypt sends students to Professional Military Education (PME) courses including U.S. service war colleges, command and staff colleges, and other key PME courses. Egyptian attendance at key PME courses helps foster one-to-one relationships that benefit the U.S. by improving U.S.-Egyptian military interoperability and coordination. IMET-funded maintenance, logistics and specialist training provides military leaders with the skills needed to maintain Egypt's stocks of U.S. equipment, and enhances Egypt's value as a training and coalition partner capable of supporting U.S. operations. Egypt will continue to be eligible to receive Excess Defense Articles (EDA) in FY 2004 on a grant basis under Section 516 of the Foreign Assistance Act.

Egypt needs to reinvigorate its economic development if it is to remain capable of sustaining its role as a reliable partner in the region. It also needs to undertake increased political reform to open the public space for debate, support civil society institutions, and promote respect for the rule of law. Economic Support Fund (ESF) assistance helps Egypt continue the process of transforming its economy into a globally competitive one that can provide jobs and opportunities for its people. At the same time, our assistance program in Egypt helps to alleviate poverty, supports the development of democratic institutions, expands U.S. exports, bolsters public health services and family planning, and helps Egypt protect its environment.

The Department of State and USAID are conducting a joint review of the overall strategic direction of the USAID/Egypt portfolio and its specific programs in order to bring them in line with the goals and objectives of the Middle East Partnership Initiative. This review will ultimately entail significant changes in the level of funding of the programs, projects, and activities described in this Budget Justification. After completion of the joint review USAID will notify the Congress through established procedures prior to obligating funds for any revised efforts.

Of the ESF requested for FY 2004, between \$360 and 400 million will be used for the Commodity Import Program and the Development Support Program, a cash-transfer mechanism designed to foster economic reform. The remaining funds will be used for technical assistance aimed at improving the business and investment climates, increasing agricultural productivity, increasing exports in targeted sectors, strengthening financial markets, and expanding access to power and telecommunications services. The program will support activities related to the environment as well as fund programs meant to reduce the fertility rate, improve health care, support democratic institutions, and increase access to education for girls.

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 \$250,000 in NADR Export Control and Related Border Security Assistance (EXBS) funds for a cooperative program in Egypt. FY 2004 NADR/EXBS funding is provided to strengthen export control laws and regulations as well as improve export control enforcement through training and equipment.

Israel
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	720,000	800,000	480,000
FMF	2,040,000	2,100,000	2,160,000
NADR-CTI-ERF	28,000	0	0

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

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

The FY 2004 Economic Support Funds (ESF) requested will continue to support Israel's economic and political stability. U.S. economic assistance is designed to help relieve the impact of economic burdens Israel has incurred due to its isolation in the region and the unstable situation in the Middle East. ESF may be used to: purchase goods and services from the United States; service debt owed to, or guaranteed by, the U.S. government (USG); pay to the USG any subsidies or other costs associated with loans guaranteed by the USG; service Foreign Military Sales debt; and for other activities to support Israel's economic needs. The United States continues to work with the government of Israel on phasing out U.S. economic assistance, while encouraging Israel's efforts to: increase the role of the private sector, promote productive investment, reform taxes, and promote more efficient use of its resources.

The United States maintains a steadfast commitment to Israel's security, to the maintenance of its qualitative military edge, and to strengthening Israel's ability to deter and defend itself. The annual Foreign Military Financing (FMF) that Israel receives constitutes an important part of U.S. support for these objectives. FMF represents about 20 percent of the Israeli defense budget and is crucial to Israel's multi-year defense modernization plan. The FY 2004 FMF request will enable the Israeli government to meet cash flow requirements associated with the procurement of U.S.- origin systems such as F-16I fighter aircraft, the Apache Longbow attack helicopter, field vehicles, and advanced armaments. Israel's annual FMF level is expected to increase incrementally (by \$60 million each year) to a level \$2.4 billion in FY 2008, as ESF is phased out by \$120 million per year. Israel also will be eligible in FY 2004 to receive Excess Defense Articles under section 516 of the Foreign Assistance Act for defense maintenance, spare parts, support equipment and other needs.

Jordan
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
ESF	150,000	250,000	250,000
ESF-SUP	100,000	0	0
FMF	75,000	198,000	206,000
FMF-SUP	25,000	0	0
IMET	2,012	2,400	2,900
NADR-EXBS	745	250	750
NADR-HD	850	750	500
Peace Corps	1,597	1,035	2,326

Jordan shares borders with Israel, the West Bank, Syria, Iraq and Saudi Arabia. Its critical location and cooperative government have made it a linchpin of regional stability and security. Jordan's record of cooperation on intelligence, terrorism, diplomatic, military, and security issues has been exemplary. The GOJ has worked assiduously to implement measures to thwart terrorist activities in Jordan and throughout the region. Jordan's commitment to participating in U.S.-led efforts in Afghanistan, the only Arab country to do so, has been consistent and strong. It also continues to honor its peace treaty with Israel, and to cooperate actively with Israel in a number of critical areas. Increased levels of U.S. economic and military assistance to Jordan signal our strong support of and appreciation for an important ally in the Middle East region.

The Department of State and USAID are conducting a joint review of the overall strategic direction of the USAID/Jordan portfolio and its specific programs in order to bring them in line with the goals and objectives of the Middle East Partnership Initiative. This review will ultimately entail significant changes in the level of funding of the programs, projects, and activities described in this Budget Justification. After completion of the joint review USAID will notify the Congress through established procedures prior to obligating funds for any revised efforts.

Economic assistance for Jordan is used for USAID programs focused on three objectives: (1) increasing economic opportunities, (2) improving water resources management; and (3) improving the quality of life of Jordanian families and communities.

U.S. assistance to expand economic opportunities for Jordanians is designed to capitalize on the U.S.-Jordan Free Trade Agreement (FTA) signed in 2001 by promoting trade and investment, supporting the small and micro-enterprise sector, and advancing Jordan's market-based economic restructuring program. Promoting economic growth in Jordan enhances its 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.-funded water sector programs will aim to strengthen key institutions, increase water-use efficiency, and improve wastewater quality for agricultural and industrial reuse.

Projects focusing on the Middle East Partnership Initiative goals and objectives, including education, civil society, and the rule of law, will improve the quality of life of Jordanian families and communities. Education projects will focus on improving the lives of girls and women through e-learning, educational partnerships and scholarships. In FY 2004, U.S. assistance will also be used to fund scholarship programs and a rural development initiative. The civil society program will assist and strengthen local NGOs,

elections, media training and exchanges. The rule of law component will focus on legal and regulatory reform. USAID's primary healthcare and reproductive healthcare initiatives will continue.

Jordan is critical to U.S. security interests in the region. U.S. security assistance programs – Foreign Military Financing (FMF) and International Military and Education Training (IMET) – buttress Jordan's ability to maintain secure, peaceful borders with Israel, Iraq, and Syria. Secure borders result in improved security for Israel and for U.S. forces in the Gulf, as well as an increased ability to hold maintain sanctions on Iraq. The FY 2004 FMF requests totals \$206 million. \$75 million will be consumed in sustaining and modernizing Jordan's U.S.-origin equipment in accordance with the Jordanian military's five-year plan. \$50 million will fund the purchase of a Blackhawk helicopter. \$30 million will fund a mid-life upgrade of Jordan's F-16's, and the remainder will help Jordan address its outstanding border security requirements.

Jordan's \$2.9 million 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. Service War Colleges, Command and Staff Colleges, and other key PME courses. Jordanian attendance at key PME courses has helped foster key 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 provide military leaders with the skills to maintain stocks of U.S. equipment, and enhance Jordan's value as a training and coalition partner. In addition, Jordan is eligible to receive U.S. Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act; this enables the government to make maximum use of scarce funds for critically needed equipment and spare parts.

The request for \$500,000 in FY 2004 Nonproliferation Anti-Terrorism Demining (NADR) funds for humanitarian demining will be used to continue an on-going program to prevent civilian casualties by removing landmines in the Jordan River Valley, along the Jordan-Syria border, and in the Rift Valley. The demining program maintains a force of 380 combat engineers and is internationally recognized as one of the best such programs in the world.

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 \$750,000 in NADR Export Control and Related Border Security Assistance (EXBS) funds for a cooperative program in Jordan. FY 2004 NADR/EXBS funding is provided to strengthen export control laws and regulations as well as improve export control enforcement through training and equipment.

Lebanon
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
DA	600	500	500
ESF	35,000	32,000	32,000
IMET	568	700	700
NADR-HD	1,200	900	900

The United States has a strong interest in promoting a stable, independent, democratic, and economically strong Lebanon at peace with Israel and neighboring states. Lebanon is still recovering from its sixteen-year civil war, and is making slow progress toward rebuilding its civil institutions, reestablishing the rule of law, and implementing economic reform. A prosperous, independent and secure Lebanon will open new opportunities for U.S. investment and export sales, help combat terrorism, and contribute to the fight against illegal drugs, trafficking in person, and counterfeiting.

The FY 2004 Economic Support Fund (ESF) request of \$32 million for Lebanon will be used to promote economic growth, build democracy and good governance, and protect the environment. In the area of reconstruction and economic growth, the flagship of USAID's program will continue to be the Rural Community Development and Industry Clusters, which will work with communities on agricultural production and processing and eco-tourism. The Microcredit Program will continue to provide small loans – targeted primarily at women – through commercial agreements and grants to non-governmental organizations. USAID's WTO accession technical assistance program will continue to encourage trade and investment, globalization and broad-based policy and legislative reforms that are WTO-consistent.

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 bring them in line with the goals and objectives of the Middle East Partnership Initiative (MEPI). Those regional priorities include: economic reform and private sector development, increasing educational opportunity, strengthening civil society and the rule of law, and increasing the participation of women in economic and political life. This review will ultimately entail significant changes in the level of funding of the programs, projects, and activities described in this Budget Justification. After completion of the joint review, USAID will notify the Congress through established procedures prior to obligating funds for any revised efforts.

ESF funds will also be used to strengthen the foundation for good governance by improving municipal governance, expanding advocacy, and increasing Parliament's responsiveness. Small grants will continue to be awarded to finance activities resulting in transparency and accountability. U.S. support for the American educational institutions in Lebanon encourages the development of civil society. ESF will provide these institutions with both programmatic support and grants for scholarships and core programs.

The ESF-funded environment program will continue to help the Lebanese better understand their environmental problems and point the way to policy reforms. The program promotes the development of wastewater and solid waste treatment activities in rural community development clusters, including treatment of potable water, soil conservation and environmental awareness campaigns.

The \$700,000 in requested International Military and Education Training (IMET) funding for FY 2004 will reinforce the democratic principle of civilian control of the military as well as reducing 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 also provides an

important alternative to military training activities conducted together with Syria and other countries. Lebanese attendance in U.S. Professional Military Education (PME) courses helps foster one-to-one relationships with U.S. counterparts that pay invaluable rewards later in the form of interoperability, access, coordination and mutual understanding. 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 is also eligible to receive grant Excess Defense Articles (EDA) in FY 2004. Much needed spare parts and equipment to maintain military mobility and readiness are supplied via EDA grants.

The \$900,000 in Non-Proliferation Anti-Terrorism Demining (NADR) funds requested for FY 2004 humanitarian demining projects will finance an on-going program to remove land mines throughout Lebanon, especially in southern Lebanon where we continue to encourage increased deployment of the armed forces in order to stabilize the border areas. In FY 2004, ESF funds (combined with development assistance) will again support a mine action program focused on landmine awareness campaigns and landmine survivors assistance programs targeted at creating more income-generating opportunities.

\$500,000 in Direct Assistance for Lebanon will continue to fund the land mine survivors program which focuses on income generating activities for land mine survivors and their families.

Morocco
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
CSH	4,600	0	0
DA	5,766	6,713	5,400
FMF	3,500	5,000	10,000
IMET	1,041	1,500	1,750
Peace Corps	2,718	3,333	3,714

It is in the United States' interest to support the economic and democratic development of this moderate, stable, Arab country. Morocco was among the first Islamic countries to publicly condemn the attacks of September 11, and supports the United States in the war against terrorism. Morocco provided troops in Desert Storm, Bosnia and Kosovo.

King Mohamed VI has embarked on a program of political, social, and economic reform. Morocco held its first free and open parliamentary elections in September 2002. However, the kingdom faces formidable development challenges. American assistance plays supports reforms in this time of rapid political and economic change. U.S. assistance will bolster Morocco's political and economic reforms and its role as a moderate Arab friend of the U.S.

The Department of State and USAID are conducting a joint review of the strategic direction of the USAID/Morocco portfolio and its programs in order to bring them in line with the goals and objectives of the administration's recently announced Middle East Partnership Initiative (MEPI). Those regional priorities include: economic reform and private sector development, increasing educational opportunity, strengthening civil society and the rule of law, and increasing the participation of women in economic and political life. This review will ultimately entail significant changes in the level of funding of the programs, projects, and activities described here. After completion of the joint review USAID will notify the Congress through established procedures prior to obligating funds for any revised efforts.

The \$5.4 million in Development Assistance (DA) requested for Morocco in FY 2004 will be targeted at increasing economic opportunities for all Moroccans through the engine of free trade and investment, relevant workforce preparation for the new economy, and responsiveness of government. USAID/Morocco is designing a new strategic plan, which should start in FY 2004. This strategic plan will address new challenges related to the war on terrorism and to a bilateral Free Trade Agreement (FTA), and will be fully consistent with the goals of the MEPI.

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. The FY 2004 IMET request of \$1.75 million for Morocco will significantly expand the current program, which sends approximately 70 military students per year to the United States for training. Moroccan attendance at Professional Military Education (PME) courses at U.S. service schools helps foster personal links that pay off later in the form of interoperability, coordination and mutual understanding. IMET-funded maintenance, logistics and specialist training provides military leaders with the skills to maintain stocks of U.S. equipment, and enhance Morocco's value as a training and potential coalition partner. The program contributed to the successful cooperation between U.S. and Moroccan forces in multinational operations in Desert Storm, Somalia, Bosnia, and Kazoo. One-to-one relationships first established at IMET courses have also ensured U.S. access to the highest levels of the Moroccan armed forces. Finally, the IMET program increases awareness of human rights norms and fosters respect for the principle of civilian control of the military and the rule of law.

FMF has sustained Morocco's large stock of aging U.S.-origin equipment, and a portion of the \$10 million in FY 2004 FMF requested will continue to be used for this purpose. Transfers of EDA equipment will also further improve interoperability with the U.S. and NATO forces. The increase in FMF from \$5 million to \$10 million requested will primarily be used to improve Morocco's coastal surveillance and security in the Strait of Gibraltar -- a vital maritime choke point which has been targeted by terrorist groups -- and to support an initiative to assist Morocco in monitoring and securing its northern littoral. Morocco remains eligible in FY 2004 to receive EDA under section 516 of the Foreign Assistance Act.

Oman
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
FMF	0	20,000	25,000
FMF-SUP	25,000	0	0
IMET	481	750	1,000
NADR-EXBS	20	100	100
NADR-HD	495	50	0

Oman occupies a strategic location on the underbelly of 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 has been 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.

Continuing FMF support in the amount of \$25 million is requested in FY 2004. These funds will help Oman address its critical defense needs and focus on helping Oman increase its ability to secure and monitor its considerable land and maritime borders, including the vital Strait of Hormuz. Oman's ability to monitor its maritime borders, especially the Straits, directly supports the war on terrorism, complements expanding Coalition maritime interdiction operations, and helps ensure that the deployment route to the Gulf remains unobstructed. FY 2004 FMF will help fund the acquisition of a coastal surveillance system, mine countermeasure equipment and coastal patrol boats. Our improved defense sales relationship with Oman will also be well served by this modest FMF program.

Increased IMET funding of \$1 million requested in FY 2004 will also help buttress our bilateral military relationship with Oman. Omani attendance at Professional Military Education (PME) courses helps foster one-to-one relationships that pay invaluable rewards later in the form of interoperability, access, coordination and mutual understanding. Maintenance, logistics and specialist training will enhance the Omani military's value as a training and coalition partner. In addition, Oman is eligible in FY 2004 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Omani access to EDA will complement U.S. assistance under the FMF and IMET programs.

Finally, as part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies and other weapons, the United States plans to provide NADR Export Control and Related Border Security assistance funds to a cooperative program to help establish fully effective export controls in Oman. FY 2004 NADR funding is focused primarily on establishing effective enforcement procedures and capabilities, including through the provision of equipment.

Saudi Arabia
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
IMET	24	25	25
NADR-EXBS	30	80	80

Saudi Arabia remains a strong ally of the United States. The kingdom has lived up to its pledge to provide the U.S. with whatever cooperation or support is needed in the global war against terrorism; it has also provided crucial logistical support for U.S. requests related to Operation Enduring Freedom (OEF). Saudi Arabia has long provided political and logistical support for Operation Southern Watch and related programs. Continued military to military contacts will encourage the development of a professional military command and armed forces, which will allow the Kingdom to assume a greater role in self-defense and will assist the U.S. in achieving its policy goals in the region.

The relatively modest amount of International Military Education and Training (IMET) fund requested in FY 2004 (\$25,000) will permit the Saudi government to purchase military training in the U.S. at considerably lower cost than is charged countries that are not eligible for IMET. While Saudi Arabia controls the world's largest oil reserves, it faces increasing budget pressure. The Saudi military consequently enjoys diminished funding, and, as a result, has sought less expensive -- and less effective -- training from other countries. These steps have led to diminished experience with U.S. equipment and techniques, which in turn risks a decrease in the interoperability of Saudi armed forces with those of the United States.

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 continuing maintenance of the extensive inventory of sophisticated military systems that U.S. corporations sell to the Kingdom. Greater exposure to training in the U.S. will help Saudi military personnel 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.

Finally, as part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies and other weapons, the United States plans to provide NADR Export Control and Related Border Security Assistance (EXBS) funds for a cooperative program to help establish fully effective export controls in Saudi Arabia. FY04 NADR funding is focused on strengthening export laws and regulations as well as establishing effective enforcement procedures and capabilities.

Tunisia
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
FMF	3,500	5,000	10,000
IMET	1,013	1,500	1,750

A moderate Muslim state whose society is arguably the most secular in the Arab world, Tunisia has been very supportive of the United States' counter-terrorism efforts, offering access to Tunisian bases in support of Operation Enduring Freedom. It has consistently supported U.S. positions on Middle East issues in the UN and other international fora, and has been a voice of moderation in Arab councils and with the PLO.

The FY2004 budget requests an important increase from \$5 million to \$10 million in FMF and from \$1.5 million to \$1.75 million in IMET. The United States aims to reinforce Tunisia's moderation and continuing support for U.S. Middle East policies by increasing such funding in FY 2004. Increased FMF funding will help Tunisia address mobility and systemic maintenance and logistical shortfalls, especially in the aviation field, that are affecting the military's operational capability to monitor and secure Tunisia's porous land and maritime borders. By extension increased FMF funding will help suppress indigenous and transnational terrorist elements.

The first major-post-Afghanistan al-Qa'ida attack, killing several European tourists, occurred against a synagogue on the Tunisian island of Djerba IN April 2002. Tunisia is threatened by terrorism and Tunisia's ability to monitor its borders effectively has taken on a new importance. In that same month, the Chief of Tunisia's Land Forces and 12 other officers were killed when their American-made HH3 helicopter crashed due to a main rotor blade failure. This incident is indicative of a service-wide dilemma and underscores the need for increased FMF. Seventy percent of the Tunisian military's equipment is U.S. origin, aging, and cannot be maintained within current budgets.

Increased FMF will support: sustainment requirements of critical aviation and maritime assets; tactical vehicle maintenance, the purchase of border surveillance and communications equipment; and counter-terrorism training. In addition, Tunisia will be eligible in FY 2004 to receive Excess Defense Articles (EDA) on a grant basis under section 516 of the Foreign Assistance Act (FAA). Provision of grant EDA will advance the U.S. interest in assisting Tunisia to enhance military readiness and upgrade and/or maintain vital military equipment.

The FY 2004 IMET program will fund U.S. training and education for Tunisian military officers. Tunisia's IMET program promotes the U.S. goals of stability and democracy, and increases the familiarity of Tunisia's officer corps with U.S. military practices and U.S. foreign policy. IMET-funded maintenance, logistics and specialist training provide military leaders with the skills needed to maintain Tunisia's stocks of U.S. equipment, and enhance Tunisia's value as a training and potential coalition partner. IMET-funded English language training has been widely used to enhance Tunisian officers' English language skills. Combined with FMF-funded assistance in sustaining Tunisian materiel, IMET helps facilitate combined training and interoperability.

The United States will continue to support Tunisian government efforts to move the economy from one which was state-controlled to one in which economic activity is driven by private industry. We will also encourage expanded political reform, support civil society institutions, and promote respect for the rule of law through program initiatives such as the Middle East Partnering Initiative. We continue to operate the Global Technology Network program, an electronic network that connects local business people with potential American suppliers. This serves to increase U.S. exports while helping Tunisian companies to

grow. The United States also supports the Humphrey Fellowship Program, which provides for exchanges in industry sectors important to the Tunisian economy. Inter-university link programs are being established to help Tunisian universities develop American-style business education programs.

United Arab Emirates
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
NADR-EXBS	350	350	250

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 become especially close and mutually supportive since the beginning of Operation Enduring Freedom (OEF). 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. The UAE is open to continued strong relations with the United States and considers its fundamental interests and values as 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 NADR Export Control and Related Border Security Assistance (EXBS) program funds for a cooperative program in the United Arab Emirates. FY 2004 NADR funding is provided to strengthen export control laws and regulations as well as improve export control enforcement through training and equipment.

West Bank/Gaza
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
ESF	72,000	75,000	75,000
IDA	0	50,000	0

U.S. assistance to the West Bank and Gaza contributes directly to a core U.S. foreign policy goal in the Middle East: finding an end to the Israeli-Palestinian violence, restoring trust and confidence, and ultimately returning to direct negotiations. These efforts support directly the President's call in his June 24 speech for the transformation of the Palestinian leadership and the development of reformed Palestinian institutions, which can form the basis of an independent Palestinian state living in peace and security alongside Israel.

U.S.-funded programs focus on basic human needs, including community and village-level services, mother and child health care, and clean drinking water in the West Bank and Gaza. USAID programs have directly benefited more than 800,000 mainly rural Palestinians in more than 200 villages throughout the West Bank and Gaza – creating jobs, improving health care, and providing clean water in homes for the first time.

Support of efforts to reform Palestinian public institutions, and develop moderate, democratic civil society organizations is also a major focus. The United States is likewise committed to providing assistance to support eventual Palestinian elections. The U.S. supports the development of private enterprise and provides skills training in areas such as information technology and health care and dedicates a major portion of its assistance to the Palestinians on expanding scarce water resources. U.S.-funded projects include continued improvements in water supply and management in Gaza, the creation of new sources of fresh water in the West Bank through the digging of wells, the development of wastewater treatment facilities in the West Bank, and the construction of a desalinization plant in Gaza. Despite the challenges posed by the on-going security situation, these projects are moving ahead, albeit at a slower pace.

While not losing focus on medium- to long-term development goals, U.S. assistance efforts have over the past year sought to meet the immediate and on-going emergency humanitarian needs of the Palestinian people. Some 73 percent of U.S. spending during the last two years went for activities that address urgent and critical needs. Given the continued political stalemate, and the growing humanitarian crisis in the West Bank and Gaza, USAID anticipates providing vital emergency and humanitarian assistance for at least another 12 months. At the same time, USAID is pursuing a robust medium to longer term development program focused on private sector revitalization, political and economic reform in support of the Administration's call for new Palestinian leadership and institutions, and water infrastructure to meet this basic human need.

The Department of State and USAID plan to conduct a joint review of the overall strategic direction of the USAID West Bank/Gaza portfolio and its specific programs in order to ensure that USG funds are most effectively used to encourage Palestinian reform. This review may ultimately entail significant changes in the level of funding of the programs, projects, and activities described in this Budget Justification. After completion of the joint review USAID will notify the Congress through established procedures prior to obligating funds for any revised efforts.

U.S. assistance to the Palestinian people is fully supported by the government of Israel. No funds are provided to the Palestinian Authority or the PLO. All USAID programs are carried out through U.S. contractors, U.S. NGOs, and Palestinian NGOs, and USAID maintains close accounting of all funds.

Furthermore, working closely with the country team, USAID carefully carries out background checks on all Palestinian NGOs that are recipients of funds to ensure that there are no links to terrorist organizations or to organizations that advocate or practice violence.

Yemen
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
ESF	5,000	10,000	15,000
ESF-SUP	3,000	0	0
FMF	0	2,000	15,000
FMF-SUP	20,000	0	0
IMET	488	650	1,000
NADR-EXBS	50	150	100
NADR-HD	750	765	750
P.L. 480 Title II	395	0	0

Yemen is an essential U.S. partner in the global war on terrorism. Yemen and the U.S. have made great progress in uprooting the al-Qaeda presence in Yemen, but Yemen requires continued U.S. material support to be successful. Yemen has undertaken significant strides toward opening its multiparty political system to full public participation, including women. Yemen is evolving into a multi-party democracy and has also embarked on an IMF-sanctioned economic reform program that includes a commitment to increase foreign investment and international trade. U.S. assistance to Yemen will be critical to ensuring that these policies continue on track and serve as an example to other countries in the region.

The Department of State and USAID are conducting a joint review of the overall strategic direction of the USAID/Yemen portfolio and its specific programs in order to bring them in line with the goals and objectives of the Middle East Partnership Initiative. This review will ultimately entail significant changes in the level of funding of the programs, projects, and activities described in this Budget Justification. After completion of the joint review USAID will notify the Congress through established procedures prior to obligating funds for any revised efforts.

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

As part of an overall, long-term strategy, Economic Support Funds (ESF) requested for FY 2004 will continue to focus on human resource development in the areas of education, health and democratization. This will include graduate degree scholarships and short-term, in-service training programs in key sectors, including basic education (particularly for girls and women) and health care delivery (with particular emphasis on maternal and child health and child spacing). This training, conducted both in Yemen and overseas, will be targeted toward both private and public sector leaders and potential decision makers who will be responsible for policy planning and managing Yemen's economic and social programs.

A U.S.-funded scholarship program begun in the early 1980s has allowed over 900 Yemenis to receive degrees, over 700 of which were earned in the United States. While the total number of Yemeni students who have received U.S.-provided scholarships may be relatively small, the value of the enormous contribution made by this group to of Yemen is enormous. Most U.S.-educated Yemenis are firmly

integrated into modern Yemeni society. They now hold key government positions (including cabinet ministers), or are prominent academics, journalists, policy makers or businessmen. In order to maximize return on investment, scholarship programs funded with FY 2004 ESF will focus on providing two-year master's degree scholarships.

FY 2004 Foreign Military Financing (FMF) and International Military Education and Training (IMET) funds requested will directly support U.S. counter-terrorism goals by improving Yemen's ability to act against terrorist elements both unilaterally and in cooperation with the U.S.

For FY 2004, Yemen proposes to use the \$15 million FMF request for providing essential military training, procuring spares for existing U.S. military end items and supporting the development of a Yemeni Coast Guard. IMET will fund U.S. training and education for Yemeni military personnel as the military force shifts toward Western practices and doctrine. The IMET program will help military leaders in Yemen understand U.S. policies, increase awareness of international norms of human rights and foster greater respect for the principle of civilian control of the military. Sending Yemenis to Professional Military Education (PME) in the U.S. helps establish one-to-one relationships with U.S. counterparts that pay invaluable rewards later in the form of interoperability, coordination and mutual understanding. Increased IMET-funded English language training will also improve the Yemeni military's interoperability with U.S. forces and will prepare Yemeni personnel for additional training opportunities.

Yemen initially became eligible to receive Excess Defense Articles (EDA) on a grant basis under section 516 of the Foreign Assistance Act (FAA) in 1999. In FY 2004, Yemen will again be eligible to receive EDA on a grant basis, and hopes to use this program to help the development of a basic coast guard. This equipment will permit the Yemenis to acquire a rudimentary capability with which to monitor illegal trafficking through its waters, track environmental issues and enhance the safety of vessels passing through the Bab el Mendeb Straits.

Additionally, the NADR program in Yemen is progressing at an excellent rate. In addition to supporting an on-going demining effort, NADR funding supports export control and border security efforts. As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies and other weapons, the United States plans to provide NADR Export Control and Related Border Security assistance funds to a cooperative program to help establish fully effective export controls in Yemen. FY 2004 NADR funding is focused primarily on an initial assessment of Yemen's capabilities and needs and establishing effective enforcement procedures and capabilities, including through the provision of equipment.

Middle East Partnership Initiative
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
ESF	0	0	145,000
ESF-SUP	20,000	0	0

Winning the war on terrorism, disarming Iraq, and bringing the Arab-Israeli conflict to an end are at the forefront of America's Middle East policy. The Middle East Partnership Initiative (MEPI) is a critical element in the war on terror, broadening the USG approach by enhancing economic, educational and political opportunity for women and young people, in particular.

Building on pilot projects initiated with FY 2002 Emergency Supplemental funding, and taking into account a State/USAID joint review of USAID's programs in the region to align bilateral ESF funding with MEPI goals and objectives, the Department has requested \$145M for the MEPI in FY 2004. Democracy and economic assistance programming previously managed under the Middle East Democracy Fund (MEDF) and the U.S. North African Economic Partnership (USNAEP) will now be managed under the MEPI as well. Of the \$145M, the Department will dedicate \$50M to economic reform. These funds will support critical financial sector reforms, support efforts to move towards market economies, support trade-related technical assistance, and provide direct support for private entrepreneurs across the region. MEPI will also dedicate \$45 million to expand access to and raise the quality of basic, secondary and university education, with a particular emphasis on IT-learning and improving girls' literacy. \$40 million will be dedicated to increasing political participation, promoting democracy and the rule of law in partner countries. The remaining \$10 million will be targeted specifically on projects to empower women and girls, cross-cutting all three areas of reform.

Funds designated for economic reform will be allocated in order to support critical financial sector reforms, strengthen commercial legal systems, increase transparency and open markets across the region. We will aid current WTO members in the region to increase their compliance with existing commitments. Funds will help Morocco prepare for its pending Free Trade Agreement (FTA). Egypt and Bahrain will be aided in undertaking reforms consistent with their Trade and Investment Framework Agreement (TIFA) processes. Saudi Arabia, Algeria, Lebanon and Yemen will receive assistance in achieving progress on WTO accession bids. These steps will help to encourage an improved regional investment climate. The funds requested will also be used to promote entrepreneurship, expand the number and reach of micro-enterprises, and help small- and medium-sized enterprises (SMEs) with increased access to capital. One or more Enterprise Funds will be established for countries in the region for this, latter purpose.

Funds designated for education reform will be used to expand access to and the quality of basic education, particularly for girls. MEPI aims to increase literacy in both Arabic and English and promote a reading culture. We will also fund projects increasing the number of schools with access to, and using the Internet, and adopting teaching methods and curricula centered on participatory learning, critical thinking skills and preparation for the global economy. Projects that increase parental, community and local government involvement in guiding how, what, and where their children learn will also be established. MEPI education resources will also be used to expand access to and the quality of higher education. Funds will provide Arab universities with the capacity and an incentive to increase enrollment from low-income and rural communities. Improvements to the quality of curricula and instruction that will smooth the transition from school to work form a second goal. Resources will be applied to expanding linkages between U.S. business and Arab universities. Finally, we will undertake a major project to translate and distribute books across the Arab world.

Funds requested to expand political participation, promote democracy and support the rule of law will be used in pursuit of three objectives. (1) Establishing free and fair electoral processes. Goals include: improving number and skill of candidates; strengthening political parties, advocacy groups and independent trade unions; improving the administration of elections; and increasing parliamentarians' effectiveness in leadership and representation. (2) Promoting the rule of law. Resources will be used to strengthen the rule of law and respect for human rights by aiding organizations that encourage governmental accountability and transparency. Reform of judicial systems and improvements to the administration of justice will be financed. Civic education programs will be implemented. Governments and courts will be encouraged to institute and uphold laws protecting basic human rights and the rights of women and minorities. (3) Encouraging free and independent media and strengthening the role of civil society organizations. Independent media will be empowered through projects that foster accurate electoral campaign coverage, promote media law reform and reduce censorship, enhance protections for investigative journalists, and advance professionalism in the media. We will provide support to local NGOs and other civil society organizations to strengthen their role in supporting pluralistic, free political systems.

MEPI funds will be allocated to projects that provide incentives for girls to pursue formal education, increase the number of successful female business owners and entrepreneurs and increase the number and raise the proficiency of women office holders. Resources will be applied to build the capacity and influence of NGOs that advocate equality of women and to support indigenous efforts to eliminate legal, regulatory and other obstacles to the advancement of women. Initial tangible results of MEPI are already becoming visible. Female Arab leaders who participated in the International Visitor Program on U.S. elections and political campaigns have continued this dialogue on how to promote the Arab woman's voice and vote with other women in their countries. More specifically, one participant conducted a training session for approximately 30 other women to relay her experience with U.S. elections. And most dramatically, as a result of confidence built through hands-on training, another participant has announced her candidacy for her nation's parliament in 2003.

MEPI projects will be evaluated rigorously to measure results. Achievements will be measured on one hand by such things as gains achieved in trade, investment, employment, wealth creation, and diversification of the region's economic base. On the other hand, outcomes will be measured by gains in access to and the quality of basic and higher education and by advances in female graduation and drop out rates. Success will be measurable by advances in participatory governance and the rule of law. Taken together these efforts in cooperation with partner countries are designed to accelerate the growth of professional middle classes with vested interests in perpetuating moderate, pluralist political regimes. These benefits will underpin our success in promoting prosperity, opportunity and security in the Middle East and North Africa, and building a better future for all.

Middle East Multilaterals
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
ESF	3,000	3,000	3,000

The multilateral negotiations in the Middle East peace process grew out of the 1991 Madrid Peace Conference. Formal working groups were established in the areas of Arms Control and Regional Security, Environment, Regional Economic Development, Refugees, and Water Resources to promote discussion of regional issues among Israelis and Arabs and to bring to bear the expertise and resources of the international community to support concrete projects. Such projects directly contribute to long-term peace, regional stability, and prosperity in the Middle East. As co-sponsor of the peace process, it is imperative that the U.S. maintains its leadership role in funding multilateral peace process activities. As the U.S. 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.

Water and environmental issues are key concerns confronting the countries of the Middle East, and the multilateral projects sponsored by the working groups on the water and the environment will continue to focus on the cooperative activities that support and complement the parties' bilateral contacts. Funds will be directed to new and ongoing initiatives in areas such as water data banks, public awareness, water information networks, desalination, watershed monitoring, irrigation management systems, and dryland management.

The Refugee Working Group, working closely with the bilateral donors and the United Nations Relief and Works Agency (UNRWA), exerts a stabilizing influence in the Middle East by helping coordinate humanitarian assistance to more than 3 million Palestinian refugees. The group works to build consensus among donors on projects focused on job training, human resource development, and tolerance education. The Arms Control and Regional Security Working Group plays a vital role in reducing tensions in the region by bringing together Arab and Israeli security experts to discuss issues of mutual concern. U.S. multilateral funding also supports programs to promote Arab-Israeli ties through the Middle East Cancer Consortium and through economic partnerships, thereby contributing to both economic growth and regional stability.

The ACRS Track II conferences engage Israelis and Arabs in a dialogue about their joint future in the region. Given current conditions on the ground, this channel is seen as vital to maintaining face-to-face communication and dialog on relevant issues open and frank. The funds will be used to support a series of workshops and seminars that focus on various issues, such as regional security and economic development, affecting the region. Participants include government officials, business executives, journalists and academics from the Middle East and elsewhere.

Middle East Regional Cooperation
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Request	FY 2004 Request
ESF	5,000	5,000	5,000

An important element of promoting peace and regional stability in the Middle East is bringing Israelis and Arabs together at every level (policy makers, technical experts, etc.) to work cooperatively on a wide range of issues. The Middle East Regional Cooperation (MERC) Program, which Congress initiated after the Camp David Accords, fosters mutually beneficial technical cooperation between experts from Israel and its Arab neighbors. 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. Continued strong U.S. support for MERC is important to help ensure that Israeli-Arab cooperation is as broadly based as possible.

The MERC Program complements the work being done in the Middle East Multilaterals program by broadening the base of cooperation among Israelis and Arabs to include academic and non-governmental organization (NGO) experts. Unlike the Multilaterals program, which is directed toward participating governments as part of official multinational peace efforts, 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. The FY 2004 ESF request will be used to implement programs designed to provide practical benefits to both Israelis and Arabs. MERC projects have included and will continue to include a wide range of important fields with the goal of increasing economic development, protecting the environment, and improving health conditions. Agriculture projects will remain focused on increasing productivity of livestock and crops, while health projects will address issues such as emerging infectious diseases and other health threats on the increase in the Middle East. As lack of fresh water is one of the most critical economic and environmental problems in the Middle East region, MERC projects will continue to address key water issues such as effective water management, wastewater treatment, and desertification prevention.

Multinational Force and Observers
(\$ in thousands)

Account	FY 2002 Actual	FY 2003 Estimate	FY 2004 Request
PKO	16,015	16,400	16,400

The MFO is a critical component of the Egyptian-Israeli Peace Treaty. It serves as a model confidence building measure and security arrangement in the context of the ongoing peace negotiations between Israel and its neighbors. Attaining a comprehensive peace between Israel and all of its neighbors is essential to protecting U.S. security interests in the Middle East. The Egyptian-Israeli Peace Treaty and its security arrangements, monitored by the Multinational Force and Observers (MFO), are the cornerstones of U.S. efforts to attain such a peace.

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

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