

B. Other Bilateral Economic Assistance

(\$ in thousands)	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
Economic Support Fund	4,802,082	3,263,309	2,520,000
Assistance for Eastern Europe and the Baltic States	521,587	442,375	410,000
Assistance for the Independent States of the Former Soviet Union	755,060	583,537	550,000
Total, Other Bilateral Economic Assistance	6,078,729	4,289,221	3,480,000

Economic Support Fund (ESF) (including International Fund for Ireland)

The FY 2005 ESF request of \$2.520 billion supports the economic and political foreign policy interests of the United States.

Africa -- \$101.3 million is requested for programs in sub-Saharan Africa. These funds will assist countries to recover from conflict and bring about enduring peace; support the development of democracies, including support for human rights and free media; promote U.S. investment opportunities in Africa; and combat forces that undermine prosperity and stability in the region.

- Liberia - \$25 million for the continued reintegration of child soldiers and other combatants into society, election preparation, civil society support, judicial and rule of law programs, sustainable rainforest management, the Truth and Reconciliation Commission, and the sustained customs, auditing and budgetary reforms.
- Sudan - \$20 million to provide administrative and technical support to implement the peace agreement and ensure full transition to a just peace; and to support development of political pluralism and democracy, agriculture, health, and education.
- A total of \$18.3 million for countries where we continue to work to resolve long-running conflicts or instability as well as provide support to achieve successful post-conflict transitions. Included are Angola, Burundi, the Democratic Republic of Congo (DRC), Sierra Leone, and Zimbabwe. Funding will support rebuilding basic infrastructure; the resettlement and reintegration of combatants, displaced persons and returnees; conflict mitigation projects; and programs to promote democracy and good governance.
- A total of \$21 million for the region's strategic countries (Ethiopia, Kenya, Nigeria, South Africa and Djibouti) to support economic growth, democratization, anti-crime, and anti-corruption activities and to counter terrorism. ESF will be used to help countries play an effective role in combating terrorism through cooperation in key areas like justice system modernization, and anti-terrorism training related to border control and the freezing of terrorist assets. Specialized training and equipment will be provided to those engaged in anti-corruption monitoring and advocacy. Other programs will strengthen the role of civil society, help professionalize electoral structures and foster true multi-party democracy, enhance trade and private sector development, and promote human rights.
- A total of \$17 million is requested for three regional programs: the Africa Regional Fund, Safe Skies for Africa (SSFA), and Regional Organizations. Programs implemented under the Africa Regional Fund will strengthen the rule of law, promote trade and investment, aid judicial reform and the development of civil society, improve administration of borders, combat money laundering, and support African efforts to manage its environment and natural resources. Through the SSFA program, we will continue to enhance airport security in order to promote U.S.

investment opportunities and combat international crime and terrorism. Assistance will be provided to strengthen the capabilities of regional organizations in Africa, including the African Union, the Southern Africa Development Community, (SADC) and the Economic Community of West African States (ECOWAS). ESF will finance initiatives and programs that contribute to regional and global economic integration, especially programs to open markets and harmonize tariff structure.

East Asia and the Pacific -- \$174.3 million is requested to address democratic weaknesses in a region where separatists movements are of growing concern; to launch new education initiatives where the system is in crisis; to support private sector led economic growth; to fund significant civil society and governance programs; to strengthen local security; and to promote women's empowerment.

- Indonesia - \$70 million will support economic growth (including programs that address financial crimes), democracy (including tolerance, democracy advocacy, and public diplomacy programs), conflict mitigation and response, and a major new education initiative -- a key element of our counter-terrorism efforts.
- Philippines - Approximately half of the \$35 million will be used to continue existing programs devoted to economic reform, good governance, and poverty alleviation, particularly for former Moro National Liberation Front (MNLF) combatants and their families in Mindanao. The other half would be used to extend those programs to an additional 12,000 combatants of the Moro Islamic Liberation Front (MILF) and their families.
- The United States will provide \$18 million to the Pacific Island states under an international agreement associated with the 1987 South Pacific Multilateral Fisheries Treaty.
- Cambodia - \$17 million to support efforts focused on political party development in the context of a multiparty democracy and on human rights monitoring. Other program objectives include anti-trafficking efforts and programs that enhance transparency and good governance while combating corruption.
- East Timor, Mongolia, and Burma - A total of \$30.5 million is requested to support the private sector led growth of East Timor's economy through the promotion of trade and the provision of micro-credit; for the expansion of Mongolia's peri-urban (nomadic communities) program, which assists semi-nomadic herders with small business skills, and the rural Gobi Initiative to assist Mongolian herders transitioning between nomadic and urban economies; and, in planning for a future, more democratic Burma, to fund the democracy and capacity-building activities of NGOs primarily working with refugee and exile communities outside the country.
- EAP Regional Programs - \$3.8 million will be used for regional projects that support U.S. objectives in the region. This includes several initial projects under the "ASEAN Cooperation Plan" across a range of needs in information and communications technologies, health, disaster response and economic policy; support for activities and development of multilateral groups in the Asia-Pacific region; and expansion of existing projects that promote women's empowerment.

Europe and Eurasia -- \$75.5 million is requested for programs that promote peace and reconciliation, and contribute to the stability of the region.

- Cyprus - \$13.5 million will support the peace process by increasing contacts between Greek and Turkish Cypriots and reducing tensions on the island.
- Ireland - \$8.5 million is for the International Fund for Ireland, which encourages contact, dialogue, and reconciliation between nationalists and unionists through economic development and cross-community projects. In addition, \$3.5 million underwrites the continuation of the Walsh Visa

Program to bring unemployed young men and women from Northern Ireland and the six border counties to the U.S. for employment and job training.

- Turkey - \$50 million is for balance of payments support to Turkey, a NATO ally of the United States and a country that is of major importance to the stability of its region.

Near East -- \$1.449 billion is requested to continue restructuring assistance levels in the Middle East in support of regional stability, development and a comprehensive peace between Israel and its neighbors; to promote political, economic, and educational reform throughout the region; and to combat the roots of terrorism by targeting the economic despair and lack of opportunity that are exploited by extremists.

- Egypt and Israel - \$895 million in accordance with the ESF phase-down plans.
- The Middle East Partnership Initiative (MEPI) - \$150 million to support reform efforts in the Middle East and champion opportunity for all people of the region. Funds will be used to support on-going flagship programs, such as the Middle East Free Trade Area and the Middle East Finance Corporation, and grow programs, such as political party and legislative strengthening, and “Partnership Schools”, as well as the Middle East Foundation, which is expected to begin operations in FY 2004.
- Jordan - \$250 million to help achieve sustainable economic growth that should result in a permanent increase in living standards, in line with the King's progressive socioeconomic plan. The ESF will strengthen water resource management, provide budget support to the government, promote economic growth, and support healthcare, education, and governance reforms.
- Lebanon - \$32 million to promote economic growth and trade reform; continue good governance programs; protect the environment; and support the four American Educational Institutions in Lebanon.
- Morocco - \$20 million to provide micro-credit facilities and employment opportunities for the urban poor; loan programs for housing and home improvements; basic health and education; and rural-based programs that will help arrest migration into already overcrowded urban areas.
- The West Bank and Gaza - \$75 million to address immediate humanitarian needs and longer-term economic development, including development of water resources and support for the growth of democratic institutions among the Palestinian people.
- Yemen - \$20 million to fund development projects focused on health, education and economic opportunities in five remote, tribal governorates of Yemen that have served as a refuge for al-Qaeda elements and a source of tribal instability.
- \$7 million to foster mutually beneficial technical cooperation between experts from Israel and its Arab neighbors under two complementary regional programs: the Middle East Multilaterals and the Middle East Regional Cooperation (MERC) program.

South Asia -- \$564 million is requested to help stabilize this critical region by funding economic reconstruction and development, demobilization, democracy building, education, training, and public diplomacy programs.

- Afghanistan - \$225 million to bolster progress toward stability, prosperity and democracy. The funds will be used to assist legislative elections and strengthen nascent democratic institutions; complete the Kandahar-Herat road, other secondary roads, and basic infrastructure; provide the central government essential tools to deliver basic services, pay salaries and extend its authority to the provinces; continue funding for provincial reconstruction team (PRT) projects to extend reconstruction into difficult areas; create incentives for demobilization and reintegration of militiamen; and assist Afghan women and girls.
- Pakistan - \$300 million for debt relief/budget support (\$200 million) and targeted social sector programs (\$100 million), including education reform, expansion of basic health services for

women and children, accountable and participatory democratic governance, and expansion of economic opportunities.

- Bangladesh - \$5 million to strengthen anti-corruption efforts, support political party reform, and help diversify the economy and accelerate economic growth.
- India - \$15 million to finance an education initiative in disadvantaged communities, implement water and power infrastructure reform activities, help reduce the fiscal deficits in Indian states, and develop a more effective disaster response system.
- Nepal - \$5 million to fund rural infrastructure projects, credit programs, literacy and numeracy training, anticorruption activities, and justice sector reform programs.
- Sri Lanka - \$12 million to bolster the peace process in Sri Lanka through democracy and governance programs; support a small-grants fund that fosters peace building and reconciliation efforts among diverse groups; and promote jobs and provide job training for unemployed youth, including ex-combatants.
- The South Asia Muslim Outreach Program - \$2 million to address the root causes of extremism through cross-border and innovative pilot programs for education, democracy, economic cooperation and development, and conflict mitigation projects.

Western Hemisphere - \$92 million to promote the Administration's priorities in the Hemisphere - stable and prosperous democracies, thriving economies, and secure borders and cooperative neighbors - through programs that focus on democracy and anti-corruption, trade-led economic growth, and counternarcotics.

- South America (Bolivia, Ecuador, Paraguay, Peru, Venezuela) - \$32.5 million to help address the economic, social and institutional problems in the Andean countries and to consolidate democracy in Paraguay. Funds will be used to pursue justice sector reform, strengthen democratic institutions, and promote the rule of law; to facilitate implementation of free trade agreements; to improve local governance and promote decentralization; to fight corruption; and to promote respect for human rights.
- Central America (Guatemala, Nicaragua, Panama) and Mexico - \$21 million toward a more stable and prosperous Central America and Mexico, sharing the benefits of trade-led growth broadly among their citizens. Funds will be used to expand local conflict resolution and prevention programs; to help build transparency and accountability systems in key offices; to support the U.S. interagency anticorruption pilot program in Nicaragua; to support ongoing justice sector reform activities; to provide technical assistance and training to state and local government institutions; and to enhance the capacity of Mexico's higher education institutions to give students skills to grasp NAFTA-created opportunities.
- Cuba - \$9 million to help achieve our objective of a rapid, peaceful transition to a democracy characterized by open markets and strong support for human rights. Funds will be used to disseminate information, train Cuban journalists and labor leaders, and provide humanitarian aid to victims of political repression and their families.
- Dominican Republic - \$3 million to support justice sector reform and anti-corruption efforts, and to help implement the National Anticorruption Strategy and Plan.
- Peru-Ecuador Peace - \$4 million for the continuation of cross-border programs on democratic governance, child survival, biodiversity, and economic growth.
- Third Border Initiative - \$9 million will fund comprehensive immigration and border security programs; continue development and installation of computerized immigration systems in the Eastern Caribbean states; fund disaster preparedness and coordination exercises; and continue certain ongoing rule of law activities.
- WHA Regional Programs - A total of \$13.5 million is requested for three regional programs: the Regional Anticorruption Initiative, Summit of the Americas Support, and Trade Capacity Building. The ESF will be used to fund a range of new, regional activities to help combat corruption and

promote transparency in the hemisphere; to help implement specific activities related to the Presidential mandates adopted at the Summit of the Americas, including support for newly elected legislators, regional workshops, and the regional Justice Studies Center; and to provide technical assistance and training to improve the capacity of Latin American and Caribbean countries to implement the obligations of and benefit from free trade agreements with the United States.

Global – A total of \$64 million is requested to promote democracy and universal human rights; to promote environmental stewardship and advance U.S. interests in this area; to address unacceptable working conditions around the world; to prevent the trafficking in persons and protect the victims of trafficking; and more fully engage non-Arab Islamic countries.

- Human Rights and Democracy Fund - \$27 million for the promotion of fundamental political freedoms and universal human rights in countries of strategic importance to the United States, particularly in countries with significant Muslim populations and in China.
- Oceans, Environmental and Science Initiative (OESI) - \$3 million for programs that advance U.S. negotiating positions, promote regional cooperation and stability, encourage sustainable development, and demonstrate U.S. leadership in responding to emerging issues in international oceans, environment, science, and health.
- Partnership to Eliminate Sweatshops - \$2 million to make grants available to promote core labor standards, corporate codes of conduct, monitoring, training, research, and other associated activities.
- Muslim Outreach Beyond the Arab World - \$20 million to address the challenge of engaging non-Arab Islamic countries through cross-regional projects, where possible, that promote democracy, religious understanding and tolerance, and conflict resolution, as well as advance human rights.
- Trafficking in Persons - \$12 million to bolster anti-trafficking efforts and create new initiatives and model approaches to assist countries with emerging problems in this area. Programs will include prevention and protection measures, victim assistance, and efforts to improve legal advocacy.

Assistance for Eastern Europe and the Baltic States (SEED)

The FY 2005 request for assistance funds under the Support for East European Democracy (SEED) Act of 1989 totals \$410 million and targets Southeast Europe. U.S. support has contributed to a region now dominated by governments committed to Euro-Atlantic integration and transitioning to market-based democracy. Continued progress in reform will hasten the day when the international military presence in the Balkans can be further reduced and ultimately withdrawn, and will strengthen valued U.S. partners in the war on terror.

Highest priority programs promote stability, rule of law and efforts against corruption and trans-border crime, effective governance, and crucial growth in the private sector to spread the benefits of difficult reform. All non-peacekeeping related costs for OSCE Balkans missions and the Office of the High Representative (OHR) in Bosnia and Herzegovina will be funded from the SEED account in FY 2005 rather than as previously supported by the Peacekeeping Operations (PKO) account.

Serbia and Montenegro (SaM) is a linchpin in the Balkans. For Serbia, the FY 2005 request of \$87 million will help keep fragile political and economic reform on track. Reform faces dangerous entrenched opposition, as shown by the Prime Minister's assassination in March 2003. Major work remains on domestic war crimes trial capacity, rule of law, privatization, job creation and economic growth, and building local democracy, all key to making Serbia a positive regional player. In Montenegro, \$15 million funds similar efforts.

For Kosovo, \$72 million will assist Kosovo in meeting internationally agreed standards in eight areas crucial to its stability and the region's. The international community has said it will address Kosovo's final status only after these standards are achieved. Assistance will focus on building a market economy, strengthening democratic institutions, promoting refugee returns, and fostering rule of law. Nearly half of U.S. assistance supports our contingent in the UN Police Mission, training a Kosovo Police Service, and other law enforcement efforts.

An FY 2005 program of \$41 million will assist Bosnia and Herzegovina to continue its difficult post-conflict transition. Accelerating progress in building the capacity of nascent state-level institutions to combat terrorism, organized crime, and corruption is essential to further reductions in the U.S. and NATO military presence and to eventually phase out the Office of the High Representative. SEED efforts also target trafficking in persons, commercial and criminal justice system reforms, small business development and job creation, economic projects for returnee communities, and local governance.

In Macedonia, the U.S. provides key support for implementation of the 2001 Ohrid "Framework Agreement" (FWA), the foundation for peace and stability in the country. SEED funding of \$34 million will advance key elements of the FWA and assist the government in combating trafficking and corruption, stimulating free markets, and promoting rule of law and strong multi-ethnic democratic institutions. Revitalizing the economy and strengthening vital components of democracy – political parties, civil society, legal institutions, media – are critical to the country's transition.

Albania's SEED programs focus on shoring up recent rule of law gains and promoting further reforms to advance its Euro-Atlantic integration. In FY 2005, \$28 million will maintain momentum in promoting private sector-led development and competitive markets, strengthening democracy and good governance, nurturing civil society, and encouraging social sector rehabilitation. Assistance will also target pervasive corruption and organized crime, including trafficking in persons.

SEED assistance is a powerful lever for reform in Romania, which is now making steady progress after a slow start. A program of \$27 million in FY 2005 will help Romania prepare for European Union (EU) entry as early as 2007 and for phase-out from SEED. Top assistance priorities are law enforcement, rule of law, anti-corruption, economic reform, and privatization, with a lesser emphasis on the health sector.

For Bulgaria in FY 2005, continued strong SEED funding of \$28 million will help lock in reform as Bulgaria moves toward anticipated EU entry in 2007. While making remarkable progress, Bulgaria is threatened by pervasive corruption and crime. While addressing these priorities, SEED assistance will also focus on rule of law, economic development, and local government reform. FY 2006 is the planned final year for SEED funding for Bulgaria.

The Croatia SEED program is \$20 million in FY 2005. With Croatia's tenuous reform record, continued U.S. support will help consolidate post-conflict reform and further Croatia's quest for early EU entry. U.S. assistance strengthens the private sector, promotes participatory democracy, encourages refugee returns, and reduces destabilizing gaps between war-affected communities and more developed areas. FY 2006 is the planned final year for new SEED funding for Croatia.

In FY 2005, of the \$59 million Regional SEED account, a large share - \$25.5 million - will for the first time fund the bulk of assessed costs for OSCE missions in the Balkans, U.S. contributions to the OHR in Bosnia, and security costs for senior Americans leading such missions. These missions undertake high priority responsibilities in promoting peace and stability. Also for the first time, regional SEED rather than PKO funds will be used to pay the salaries of American citizens seconded to the OSCE Secretariat and field missions, plus travel costs of Americans serving as election monitors for the OSCE Office of Democratic

Institutions and Human Rights. The service of these Americans is both a crucial U.S. contribution to the effective work of the OSCE and key to maintaining U.S. influence over its activities.

Regional SEED funds (\$2 million) also continue for extra-budgetary contributions to the OSCE for high priority projects promoting human rights, democratization, economic development and environmental protection.

The remainder of the Regional budget covers significant USAID regional programs supporting HIV/AIDS, other health earmarks, energy efficiency, infrastructure development and trade, as well as congressional directives. Regional funds build war crimes trial capacity, fight corruption, and foster regional law enforcement, including anti-trafficking, through the Bucharest anti-crime Center. They support the Stability Pact, regional trade, improved investment conditions, and business development. A small contingency fund allows rapid reaction to unexpected requirements.

Assistance for the Independent States of the Former Soviet Union (FREEDOM Support Act, or FSA)

The FY 2005 request for the Freedom Support Act (FSA) is \$550 million. Funding underscores continuing U.S. national security interest in seeing former Soviet states transition into stable, democratic and market-oriented countries, integrated into the Euro-Atlantic community. Funding also reflects the critical role a number of these countries play as partners in the global war on terrorism, as well as the struggle against other transnational threats, such as weapons of mass destruction, illicit narcotics, HIV/AIDS, and trafficking in persons.

FY 2006 is slated to be the last year of new funding for FSA market reform programs in Russia. Phase out plans for other countries or specific sectors in those countries will be developed during the coming year, taking into account an assessment of progress against a broad range of economic and democratic reform indicators collected by the European Bank for Reconstruction and Development, Freedom House, and other organizations. These assessments will also help focus remaining USG assistance in areas of greatest need.

This request includes funding to support efforts of the new government of Georgia to undertake economic and political reforms necessary to ensure that the promise of the November 2003 "Revolution of Roses" is not squandered.

The request funds ongoing efforts, begun in the wake of the 9/11 attacks, to enhance stability in Central Asia. These include an intensive counternarcotics program aimed at stemming the flow of heroin from Afghanistan through Central Asia, and from there into Russia and Western Europe; job creation and economic development programs; and support for civil society, independent media, the rule of law, and civic education.

Several Central Asian countries have elections scheduled during 2005. The U.S. government will be seeking, where appropriate, to support free and fair electoral processes. Funds will be available under this request for non-partisan training to political parties, support for unbiased media coverage of elections, support for domestic and international election monitoring, and technical assistance to reform electoral laws in conformity with OSCE standards.

FSA-supported health care reform will seek to rationalize inefficient health care systems, improve maternal and infant health, and enhance the Eurasian countries' ability to fight infectious diseases, particularly HIV/AIDS and tuberculosis in Russia, Ukraine, and Central Asia. U.S. government funds will be directed toward prevention and education, pilot treatment efforts, and technical assistance to help these countries

leverage assistance from the Global Fund, World Bank, and other sources to address fully the threat of HIV/AIDS and TB.

The quality and independence of the media remain under serious threat across the region. FSA funds will continue to support the independence and viability of the media to advocate for greater transparency and accountability.

To help increase economic opportunity and job creation across Eurasia, FSA funds will continue to support small and medium-sized private businesses through training, exchanges, and greater access to credit.

FSA funds will continue to advance important non-proliferation goals, including programs to improve the functioning of the Georgian Border Guards and Customs Service and the Civilian Research and Development Foundation's program to fund peaceful research projects of former weapons scientists.

As in FY 2004, FSA will fund grants provided to the Organization for Security and Cooperation in Europe (OSCE) for projects to promote human rights, democratization, economic development and environmental protection in Eurasia. For the first time in FY 2005, the U.S. contribution toward the cost of operating non-peacekeeping related OSCE missions in Eurasian countries will also be funded under FSA. These missions, previously funded by Peacekeeping Operations (PKO) resources, are engaged in conflict prevention, conflict resolution, post-conflict reconstruction, democratization and human rights promotion in Central Asia, the Caucasus, Moldova, Ukraine, and Belarus.

Support will again be provided in FY 2005 to facilitate more trade and to enhance law enforcement cooperation among the states of the GUUAM organization (Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova).

C. Independent Agencies

(\$ in thousands)	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
Peace Corps	295,070	308,171	401,000
Inter-American Foundation	16,095	16,238	15,185
African Development Foundation	18,568	18,579	17,000
Millennium Challenge Corporation	-	994,100	2,500,000
Total, Independent Agencies	329,733	1,337,088	2,933,185

Peace Corps

The FY 2005 budget request provides \$401 million for the Peace Corps, an increase of \$93 million over the anticipated FY 2004 level of \$308 million. This level of funding will allow the Peace Corps to pursue the President's goal of 14,000 Americans serving in the Peace Corps by 2007.

By the end of FY 2005, there will be approximately 8,600 Americans assisting host countries and local communities to address HIV/AIDS prevention and care, expand access to basic health care for families, improve education of students, encourage economic development, protect and restore the environment, and increase the agricultural capabilities of farming communities and, in the process, contribute to poverty reduction.

Other Peace Corps increases will allow for the required capacity building to support 14,000 volunteers in the field. Resources will be devoted to the necessary improvements to the volunteer delivery system, human resources management, overseas communications, secure connectivity, and ensuring the safety and security of every volunteer and staff member serving abroad.

Inter-American Foundation

The FY 2005 request of \$15.2 million will fund the IAF's mandate to support programs that promote entrepreneurship, self-reliance, and democratic principles as well as economic progress for the poor. A focus on innovation in community development assistance drives IAF's work in Latin America and the Caribbean. For example, IAF was a pioneer in efforts to channel the vast amounts of remittances that immigrants send home each year into development activities and will continue this initiative in FY 2005.

In FY 2005, the IAF will continue to expand its groundbreaking program involving a large network of Latin American corporate foundations convened by the IAF in FY 2002. Participating foundations will match IAF contributions and develop shared criteria for funding and a common results measurement system, including a database for comparative analysis of results. Accountability and funding will also be standardized to facilitate contributions from other donors.

In FY 2005, the IAF will provide additional resources to a fund established in FY 2004 that provides credit to small enterprises that are integrated into broader local development plans in communities throughout Central America. This will (a) bolster democracy by supporting plans developed by local populations, (b) provide much needed capital to rural communities where agricultural credit is especially scarce, (c) leverage

capital at an average rate of six dollars to each US dollar, and (d) reach borrowers that, while relatively low-risk in terms of repayment, do not currently have access to other programs.

African Development Foundation

The FY 2005 request for \$17.0 million for ADF will enable the foundation to provide African-driven programs for HIV/AIDS prevention and mitigation. The funding will also promote new export trade and investment opportunities in at least nine countries that will integrate grassroots producers and small-scale manufacturers into the global economy.

ADF will seek to leverage \$4.2 million in contributed matching funds from African governments, other donors, and the private sector.

ADF plays a special role among U.S. Government agencies in developing micro and small enterprises, fostering grassroots trade and investment, improving community-based resource management, and strengthening civil society in Africa.

Millennium Challenge Corporation

The Millennium Challenge Account (MCA) is a Presidential initiative to generate economic growth in poor countries. The FY 2005 request of \$2.5 billion makes a significant second year increase in the MCA and paves the way to reaching the President's commitment of \$5 billion per year for the MCA beginning in FY 2006. In FY 2005, all countries with a per capita income less than the International Development Association (IDA) cutoff for assistance (currently \$1,415) will be candidates for participation. By 2006, the third year of the MCA, the cutoff level is slated to increase to just under \$3,000, IDA's lower middle-income threshold.

The initiative breaks new ground by providing assistance only to countries that have already created the environment for growth by ruling justly, investing in their people, and encouraging economic freedom. The Millennium Challenge Corporation (MCC), which administers the MCA, will use objective indicators of these criteria to determine country eligibility. Other key features of the account include a focus on a country's anti-corruption standards and the ability to suspend or terminate assistance in the event of poor recipient performance.

Once selected for possible MCA participation, each country will develop a plan for using MCA resources with input from the public and private sector. All Millennium Challenge Compacts between recipient countries and the United States will include clear measurable objectives, sound multi-year financial plans, and benchmarks for assessing progress. MCA will also be an incentive for countries not meeting the standards for initial involvement to take steps toward reform with an eye toward qualifying for MCA participation in future years.