

NEAR EAST

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Algeria
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
IMET	612	550	850

Engagement with a stable, secure, and democratizing Algeria is important to U.S. national interests. Algeria shares our interest in fighting terrorism, plays an important leadership role in the Arab world, Africa, and the Mediterranean basin, possesses enormous gas and oil resources, and has assumed a seat on the United Nations Security Council. Algeria is emerging from a decade of terrorist violence and state repression that cost upwards of 100,000 lives, and is moving slowly forward on a process of political and economic reform. Recent positive steps towards economic liberalization and democratization have come through progress on WTO accession and ongoing efforts to amend electoral rules to allow the military to vote outside their barracks. U.S. projects through the Middle East Partnership Initiative (MEPI) will reinforce these trends.

U.S. assistance to Algeria has helped to foster institutional ties with the Algerian military. The Algerian government has demonstrated it is an important partner in the global war against terrorism; it remains in the U.S. interest to help the Algerian military increase its professionalism, effectiveness and improve its interoperability with the U.S. and other allied forces. The threat of terrorism from internal Algerian extremist groups and those with ties to international terrorist organizations continues to plague Algeria and threaten U.S. interests in the region. While most large towns and cities are now free of violence, military action in remote rural areas against the remaining armed insurgents is expected to continue for the foreseeable future. A new cause for concern for the Algerian military has been the targeting of foreign travelers in the South, creating the need for additional counterterrorism efforts that focus on collaboration with regional partners to secure Algeria's long and porous borders.

The International Military Education and Training (IMET) program helps military leaders develop contacts with U.S. counterparts, better understand U.S. policies, increase awareness of international norms and foster greater respect for the principle of civilian control of the military. In FY 2005 we are requesting a significant increase in IMET funding to \$850,000. In Algeria IMET develops relationships with members of a key military power with whom the United States has traditionally had very limited ties. Algeria's primary military supplier had been the former Soviet Union and China, however, in recent years, it has diversified its sources of military material. Indeed, as Algeria pursues its common goal of securing stability in the Mediterranean, interest in cooperation with the United States and Europe is on the rise. Training in FY 2005 includes a continued focus on English language training and placement of officers in key Professional Military Education (PME) courses as well as selected technical training courses and staff colleges.

Bahrain
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	-	24,850	20,000
FMF-SUP	90,000	-	-
IMET	448	600	650

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

The Government of Bahrain has been a steadfast supporter of U.S. foreign policy objectives. In addition to supporting U.S. objectives in Iraq since 1990, Bahrain has been a key supporter of our war on terrorism since the 2001 attacks on the Pentagon and World Trade Center. Bahrain responded positively to all U.S. requests connected to Operation Enduring Freedom (OEF), and was the only nation in the Gulf to deploy its own forces to provide humanitarian support for Afghan relief. A major regional banking center, Bahrain has also pioneered the introduction of financial controls on Islamic banks to prevent illicit terror financing. U.S. political and military support and cooperation also helps encourage the significant ongoing political and economic reforms fostered by the King and the Crown Prince. In 2002, Bahrainis went to the polls for the first time in over 30 years to elect the lower house of the National Assembly. Women candidates were not only eligible to vote but also ran for national office in those elections -- a first for any Gulf Cooperation Council member state.

Bahrain's Foreign Military Financing (FMF) and International Military Education and Training (IMET) security assistance programs support the United States' national interest in maintaining stability in the Gulf. FY 2003 and FY 2004 FMF is being used to upgrade weapons systems and further develop a truly integrated air defense network. FY 2005 FMF will provide continued funding for Bahrain's air defense system as well as critical funding for Bahrain's F-16 program, and will enable an expansion of littoral waters maritime interdiction operations. The FY 2005 IMET increase from \$600 to \$650 thousand will serve to enhance interoperability with U.S. forces, promote military professionalism, and reinforce the importance of a strong, cooperative political/military relationship with the United States among the Bahraini officer and non-commissioned officer corps. In addition through attendance at US-based courses of instruction, IMET will allow the opportunity to demonstrate the democratic principles of civilian control of the military and helps to encourage the political reform already underway in Bahrain. Bahraini attendance at key Professional Military Education (PME) courses will foster key one-to-one relationships that will pay invaluable rewards in the form of interoperability, access, coordination and mutual understanding especially in terms of the on-going war on terrorism. IMET-funded maintenance, logistics and specialist training provide military personnel with the requisite skills required to maintain the stocks of U.S. furnished equipment, and enhance Bahrain's value as a training and coalition partner. Bahrain is eligible in FY 2005 to receive U.S. Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act.

Egypt
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	611,002	571,608	535,000
ESF-SUP	300,000	-	-
FMF	1,291,550	1,292,330	1,300,000
IMET	1,232	1,200	1,200
P.L. 480 Title II	2,347	-	-

Egypt is the largest and most populous country in the Arab world; it is an important ally of the United States. Egypt's support for U.S. initiatives – whether multilateral or bilateral and whether political, strategic, military, or economic – is critical. In the global war on terrorism, Egypt actively aids the United States with public support, logistical and intelligence assistance, financial cooperation, and diplomatic coordination. Egypt more than any other Arab state plays a role in advancing Middle East peace efforts. Its extensive logistics support during the war in Iraq was critical to U.S. success. As a moderating influence, Egypt is pivotal to U.S. interests in the Arab, Muslim, and developing worlds, as well as geographically in the Middle East, Africa, and the Mediterranean basin. An Egypt that is socially and economically stable and that views the United States as a friendly ally will continue to be vital to U.S. national security interests for the foreseeable future.

The FY 2005 request of \$1.3 billion for Egypt in Foreign Military Financing (FMF) will support a modern, well-trained Egyptian military that will continue to help ensure stability in the region, facilitate Egypt's participation as a coalition partner in future area operations, provide force protection to the U.S. military in the region, and help guarantee U.S. access to the Suez Canal and over-flight routes used to support our forces fighting the war on terror. Because Egypt's five-year plan currently calls for no new large acquisitions, most funding will go to follow-on support requirements and existing cash flow obligations.

The \$1.3 million requested in FY 2005 International Military Education and Training (IMET) funds will continue to play a critical role in the professional and technical development and training of the Egyptian military forces. These funds allow Egypt to send students to both Technical and Professional Military Education (PME) courses. These courses include, but are not limited to, including U.S. service war colleges, command and staff colleges, and officer and non-commissioned officer entry-level courses. Egyptian attendance helps foster one-to-one relationships that improve U.S.-Egyptian military interoperability and coordination and serve U.S. regional interests. IMET-funded maintenance, logistics and specialist training provides Egyptian military personnel with the skills needed to maintain Egypt's stocks of U.S. furnished equipment, and enhances their value as a training and coalition partner. In FY 2005, Egypt is eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act.

In 2003, the Department of State and USAID concluded 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 (MEPI). In addition to focusing ESF on these priorities, the review concluded that we needed to reach more Egyptians at the grassroots level and measure the results of our assistance activities in Egypt more effectively to better ensure their success. The review also concluded that our assistance should promote key economic, trade, and political reforms to ensure Egypt's long-term stability. State and USAID are working to implement these conclusions.

FY 2005 Economic Support Funds (ESF) will be targeted to ensure expanded political, economic, and educational reform in Egypt. We are devoting significant resources for democracy and governance projects that open the public space for debate, support civil society institutions, and promote respect for the rule of law. In education, we are promoting decentralization of Egypt's education system and integrating proven models of teacher teaching, local school management, and community and private sector involvement. Girls' education, particularly in rural areas, and English language training programs are key elements of our activities.

Egypt needs to reinvigorate its economy if it is to develop into a globally competitive country that can generate jobs and opportunities for its growing population. Of the FY 2005 ESF requested, some \$200 million will be provided as a cash transfer for the Development Support Program (DSP), which is designed to foster economic reform. This program targets reforms in the financial sector, including bank privatization, rather than a set of several unrelated economic reforms. As much as \$200 million in FY 2005 ESF will be used for the Commodity Import Program that provides hard currency for the Egyptian private sector to import U.S. goods. The remaining ESF funds will be used for technical assistance to improve the business and investment climates, increase agricultural productivity, and improve health care.

Israel
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	596,100	477,168	360,000
FMF	2,086,350	2,147,255	2,220,000
FMF-SUP	1,000,000	-	-

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 2005 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 the phase-out of U.S. economic assistance, while encouraging Israel's efforts to increase the role of the private sector, promote productive investment, reform taxes, and use its resources more efficiently.

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 2005 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 2005 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 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	248,000	248,525	250,000
ESF-SUP	700,000	100,000	-
FMF	198,000	204,785	206,000
FMF-SUP	406,000	-	-
IMET	2,400	2,900	3,000
NADR-EXBS	555	750	860
NADR-HD	893	950	-
Peace Corps	642	1,323	1,640

Jordan shares borders with Israel, the West Bank, Syria, Iraq and Saudi Arabia. Its critical location and highly cooperative government make it a linchpin of regional stability and security. Jordan's record of cooperation on Iraq stability and reconstruction has been stellar and Amman has become the venue of choice for many Iraq-focused initiatives. Jordan is facilitating the training of 30,000 Iraqi police cadets, providing training for 1,800 New Iraqi Army officers, hosting the first U.S.-organized trade fair focused on rebuilding Iraq, sponsoring a training conference for Iraqi trade officials, and assisting in the establishment of Iraq's healthcare and education systems. Jordan is a vital ally in the Global War on Terrorism, providing intelligence, diplomatic, military and security cooperation with the United States and our allies in the region. Jordan continues to honor its peace treaty with Israel, and to cooperate actively with Israel in a number of critical areas. Jordan is leading the way as a regional model for democracy, good governance, economic reform and tolerance. The GOJ has openly declared its commitment to increasing political participation, particularly among women, and promoting enhanced transparency. U.S. economic and military assistance to Jordan signals our strong support of and appreciation for an important ally in the Middle East region.

Economic assistance for Jordan is used for USAID programs focused on three objectives: (1) increasing economic opportunities, (2) strengthening water resources management; and (3) improving social sector development (including education and healthcare) and governance.

U.S. assistance to expand economic opportunities for Jordanians is designed to build on the economic reforms achieved to date by striving for a more transparent, efficient, and responsive public sector, more effective legal and regulatory reforms, and greater private sector growth, especially in terms of capitalizing on the U.S.-Jordan Free Trade Agreement (FTA). Promoting economic growth in Jordan enhances its 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 and policies, optimize the availability, allocation, and use of limited water resources and waste-water treatment capacity, and improve environmental protection. U.S. assistance will also fund continued primary healthcare and family planning initiatives; improve and expand early childhood and secondary education, including vocational and life skills training; and promote good governance, particularly in the legislature, and civic participation and transparency initiatives.

The Department of State and USAID have finished the joint review of the overall strategic direction of the USAID/Jordan portfolio and will continue a dialogue with the Jordanians to ensure the program is complementary of the goals and objectives of the Middle East Partnership Initiative.

Jordan is critical to U.S. security interests in the region. 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, Syria and Saudi Arabia. Secure borders result in improved security for Israel and for U.S. forces in Iraq and the Arabian Gulf region. The FY 2005 FMF request totals \$206 million and will improve Jordan’s readiness in border surveillance and security operations, enhance their ability to combat terrorism, and support much needed modernization of Jordan’s U.S. furnished military equipment.

Jordan’s IMET program is one of the largest and most productive programs in the world. IMET training reinforces democratic principles of civilian control of the military, enhances interoperability with U.S. forces, promotes military professionalism, and reinforces the importance of a strong, cooperative political/military relationship with the United States among the Jordanian officer corps. Jordan sends students to Professional Military Education (PME) courses including U.S. Service War Colleges, Command and Staff Colleges, and other key PME courses. Jordanian attendance at key PME courses has helped foster one-to-one relationships that are paying invaluable rewards in the form of interoperability, access, coordination and mutual understanding especially in terms of the on-going war on terrorism. IMET-funded maintenance, logistics and specialist training 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 in FY 2005 to receive U.S. Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act; this enables the government to make maximum use of scarce funds for critically needed equipment and spare parts.

Finally, as part of efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States plans to provide Non-Proliferation Anti-Terrorism Demining and Related Programs (NADR) Export Control and Related Border Security Assistance (EXBS) funds for a cooperative program in Jordan. FY 2005 NADR/EXBS funding will provide training to identify strategic items and equipment to assist enforcement officials in their implementation of export control law and regulations. In addition, FY 2005 NADR/EXBS funds will assist in the expansion of the radiation detection system.

Lebanon
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
DA	-	400	-
ESF	34,772	34,794	32,000
IMET	700	700	700
NADR-HD	1,475	1,250	2,300

The United States has a strong interest in promoting a stable, independent, democratic, and economically strong Lebanon at peace with Israel and neighboring states. These characteristics will open new opportunities in Lebanon for U.S. investment and exports, help combat terrorism, and contribute to the fight against illegal drugs, violations of intellectual property rights, and trafficking in persons. However, progress toward political, institutional, and economic reform is slow, hampered in part by the legacy of the sixteen-year civil war, the presence of Syrian troops, and over \$32 billion in public debt.

The FY 2005 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. The main emphasis of this funding will be the rural-urban integration of the Rural Community Development “Clusters” program, which has revitalized 430 villages and includes over 1,000 activities in basic infrastructure, income production, environment, and civil society. The rural-urban integration project will establish links between the clusters and industry to promote development in three sectors: tourism, agro-industry, and information and communication technology. The environmental program will continue to promote the development of wastewater and solid waste treatment activities in the rural communities, including strengthening municipal capabilities to manage waste facilities and promoting sound environmental practices and awareness. The clusters program will expand further into areas formerly under Israeli occupation, helping offset the influence of extremists. WTO accession technical assistance program will continue to encourage trade and investment, globalization and broad-based policy and legislative reforms that are WTO-consistent and necessary for Lebanon’s WTO accession bid.

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 Department of State and USAID are conducting a joint review of the overall strategic direction of the USAID/Lebanon portfolio and its specific programs in order to ensure the programs are complementary of the goals and objectives of the Middle East Partnership Initiative (MEPI). This review may entail changes in the level of funding of the programs, projects, and activities described in this Budget Justification.

The \$700,000 in requested International Military and Education Training (IMET) funding for FY 2005 will reinforce the democratic principle of civilian control of the military as well as reduce sectarianism in one of the country’s major institutions, buttressing progress made in recent years by the Lebanese leadership to develop the Lebanese Armed Forces as a unifying national institution. IMET training 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 2005 under section 516 of the Foreign Assistance Act. Much needed spare parts and equipment to maintain military mobility and readiness are supplied via EDA grants.

The \$2.3 million in Non-Proliferation, Anti-Terrorism, Demining and Related Programs (NADR) funds requested for FY 2005 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 2005, ESF funds will again support a mine action program focused on landmine awareness campaigns and landmine survivors assistance programs targeted at creating more income-generating opportunities.

Morocco
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
DA	6,644	5,400	6,000
ESF	-	-	20,000
FMF	4,900	9,940	20,000
IMET	1,575	1,750	1,875
INCLE	-	-	6,000
Peace Corps	2,549	2,732	3,488

As the May 16, 2003 terrorist attacks in Casablanca demonstrated, Morocco is on the front lines in the global war against terrorism. That all the attackers came from the same Casablanca slum demonstrates the need to focus resources on addressing poverty as a contributing cause of terrorism. In the wake of the attacks, Morocco remains committed to its political and economic reform agenda. It is in the United States' interest that Morocco -- a moderate Arab state, whose leadership is committed to a democratic transformation -- succeed.

The USAID Mission in Morocco has developed a new strategic plan that addresses recent challenges including the war on terrorism and the current Free Trade Agreement (FTA) negotiations, and is fully consistent with the goals set out by the Middle East Partnership Initiative (MEPI). Over the past months, State and USAID have worked closely together to ensure that the \$6 million in Development Assistance (DA) and the \$20 million in Economic Support Funds (ESF) requested for Morocco in FY 2005 will be aligned and targeted to support common policy and programmatic goals. These goals include education reform, economic growth, private sector development, and increased transparency and access to the political system.

Education funds, both DA and ESF, will focus on increasing opportunities for skills development and employment training in part by improving the capacity of schools to deliver accessible, quality, and relevant education. Particular projects may include need-based scholarships directed towards girls and at-risk boys.

Second, economic funds will aim toward improving life and generating economic opportunities in urban slums, enhancing Morocco's capacity to provide basic needs and services, and ensuring that the U.S.-Morocco Free Trade Agreement (FTA) not create a wave of rural migrants to already overcrowded urban areas. Technical assistance and business development, funded by ESF and DA, will seek to enhance the positive impact and ensure the success of the FTA.

Third, democracy and governance assistance will focus on improved government responsiveness to citizens, including improving the performance of local governments, encouraging transparency in governance, and parliamentary training. MEPI ESF funds will supplement bilateral ESF in working on such projects as political party development, parliamentary strengthening, and media training.

The \$6 million in International Narcotics and Law Enforcement (INCLE) funds will help address the challenges of Morocco's large and porous borders and weak border controls. Illegal migration, smuggling of goods and people, narcotics production and trafficking and transiting of terrorists have served to undermine the rule of law in Morocco, foster public corruption, and weaken the Moroccan institutions that assist the U.S. in the war against terrorism. Project goals include the reduction of trans-border criminal activity, increased customs revenue collections, improved processing of travelers and goods at ports of

entry, the creation of democratic and effective law enforcement institutions that foster trust on the part of citizens, as well as other activities designed to maximize positive police-community exposure.

In addition to economic assistance, the United States provides military assistance to Morocco through the International Military Education and Training (IMET) and Foreign Military Financing (FMF) programs. For the past decade, Morocco has utilized FMF allocations to maintain U.S. -origin equipment, usually acquired from the U.S. as Excess Defense Articles (EDA). While we will continue to support Moroccan efforts to sustain this equipment, this year we propose an increase in FMF to \$20 million to help meet growing security challenges posed by terrorist groups and enhance our partner's capacity to monitor and secure strategic chokepoints. The Strait of Gibraltar has always been plagued by illegal immigration and drug smuggling, but recent events--the 2002 Al Qaeda plot to attack ships in the Strait and the Casablanca bombings--highlight the changing nature of the threat in the immediate area. The May 16 bombings also make clear that Morocco must do more to deal with terrorist threats. The increase in FMF will fund a new maritime initiative that will greatly enhance Morocco's capacity to patrol its northern littoral. Morocco is eligible in FY 2005 to receive EDA under section 516 of the Foreign Assistance Act. These transfers help to sustain and promote interoperability with the U.S. and NATO forces.

The FY 2005 IMET request will support ongoing programs that send over 70 students each year to Professional Military Education (PME) courses at U.S. service schools. Through training and relationships developed with U.S. counterparts, the IMET program increases awareness of human rights norms, fosters respect for the principle of civilian control of the military and the rule of law, provides military leaders with skills to maintain U.S. equipment and helps foster one-to-one professional relationships that improve interoperability, mutual understanding, as well as provide U.S. access to the highest levels of the Moroccan armed forces.

Oman
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	19,500	24,850	25,000
FMF-SUP	61,500	-	-
IMET	567	1,000	1,100
NADR-EXBS	85	400	400

Oman occupies a strategic location on the Arabian Peninsula and on the southern shore of the Strait of Hormuz. As the Strait forms a key naval chokepoint for a very large percentage of the world's oil and gas shipments, the Oman-U.S. relationship is critical to U.S. defense interests, not only in the Persian Gulf region, but also globally. Since concluding a bilateral agreement with Oman in 1980, the United States has had access to Omani military bases. This has proven invaluable for U.S. combat support and readiness in the Gulf. Oman 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.

FY 2005 Foreign Military Financing (FMF) grants will enhance Oman's capability to monitor its land, sea, and air borders, including the vital Strait of Hormuz, and improve their interoperability with U.S. forces. This capability directly supports the war on terrorism, complements expanding Coalition maritime interdiction operations, and helps ensure that the deployment route to the Gulf remains unobstructed. These funds also tangibly demonstrate U.S. support for a moderate Gulf ally that will remain indispensable with regard to future contingencies in the region. FY 2005 FMF includes funding for the sustainment of the U.S. furnished Mark V Fast Patrol Boats, enhancements to the Sultanate's maritime surveillance capabilities land border security, and procurement of mine countermeasure equipment and F-16 munitions and ground support equipment.

International Military Education and Training (IMET) also serves to enhance our military relationship with Oman. IMET training provided to Oman covers a broad range of areas to including Professional Military Education (PME), English language, technical and logistics training, medical corps development, de-mining efforts and maritime operations. IMET training reinforces democratic principles of civilian control of the military, enhances interoperability with U.S. forces, promotes professionalism and reinforces among core supporters of the regime the importance of a strong, cooperative political/military relationship with the United States. Omani officer and non-commissioned officer attendance at technical training and PME courses, help foster one-to-one relationships that pay invaluable rewards in the form of access, operational coordination and mutual, professional understanding. Maintenance, logistics and specialist training will also serve to enhance the Sultanate of Oman's military's value as a training and coalition partner. Oman is eligible in FY 2005 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act.

As part of its efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies and other weapons, the United States plans to provide Non-Proliferation, Anti-Terrorism, Demining and Related Programs (NADR) Export Control and Related Border Security assistance (EXBS) funds to a cooperative program to help establish an effective export controls in Oman.

FY 2005 NADR EXBS funding will provide training to determine if an item or technology is controlled and equipment to assist enforcement officials implement export control law and regulations.

Saudi Arabia

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
IMET	22	25	25
NADR-EXBS	80	-	-

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

The relatively modest amount of International Military Education and Training (IMET) funds requested in FY 2005 (\$25,000) will permit the Saudi government to purchase military training in the United States at considerably lower cost than is charged countries that are not eligible for IMET. 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 and a subsequent loss of influence and defense sales to U.S. contractors.

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 United States 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.

Tunisia

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
FMF	4,900	9,940	10,000
IMET	1,500	1,750	1,875

Tunisia is a strong U.S. ally in the Arab world. A leader in women's rights, economy, and education, it serves as an example to the region of ongoing, positive reform. Tunisia has consistently supported the United States on a wide variety of issues, and is a valuable partner in the global war on terrorism. As it assumes the presidency of the Arab League in 2004, Tunisia will continue to play a vital role in the region.

The FY 2005 budget requests \$10 million in Foreign Military Financing (FMF) and \$1.875 million in International Military Education and Training (IMET). These funds will allow the United States to reinforce Tunisia's efforts to reach a level of regional moderation and encourage continuing support for U.S. Middle East policies. The Tunisian Armed Forces have worked very closely with U.S. forces to achieve a level of skill and operational readiness, enhancing Tunisia's effectiveness as a counterterrorism partner. FMF funding will help Tunisia to address its 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. Tunisia is threatened by terrorism and Tunisia's ability to monitor its borders effectively has grown in importance. FMF funding will help suppress indigenous and transnational terrorist elements, increase border monitoring capabilities, and further Tunisia's value as an ally in the Global War on terror.

Seventy percent of the Tunisian military's equipment is U.S. origin, aging, and cannot be maintained within Tunisia's current defense budgets. Thus, FMF will continue to support the sustainment and maintenance requirements of critical aviation and maritime assets, tactical vehicles, border surveillance and communications equipment, as well as counterterrorism training. In addition, Tunisia is eligible in FY 2005 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 2005 IMET program will continue to fund U.S. military technical training and professional military education for Tunisian non-commissioned and commissioned officers. IMET funds have been used to enhance Tunisian officers' English language skills. In addition, students trained under Tunisia's IMET program increase their familiarity with U.S. military practices and U.S. foreign policy, which in turn serves to promote the U.S. goals of regional stability and democracy. IMET-funded maintenance, logistics and specialist training provide soldiers, sailors, and airmen with the skills needed to maintain Tunisia's stocks of U.S. equipment, and enhance Tunisia's value as a regional ally.

Through the former US-North African Economic Partnership, the United States has supported Tunisian efforts to open up the economy to privatization. These efforts will continue through the Middle East Partnership Initiative (MEPI), while shifting the focus towards programs supporting political reform and promoting civil society. The Department of State plans to open a MEPI program office in Tunisia, one of two in the region. We will continue look to Tunisia to be an example to the Arab world and share its expertise in the fields of education, women's rights, and economic reforms.

United Arab Emirates

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
NADR-EXBS	200	250	250

The UAE is the tourism, financial, transportation, trans-shipment, and trade center of the Gulf region, and 20,000 American citizens live and work there as a result. Thanks to careful management of its oil wealth and the free trade and open market policies promulgated by its leadership, the United Arab Emirates (UAE) is an important regional actor in the Persian Gulf. U.S. relations with the UAE have developed significantly since the 1991 Gulf War, and have only become stronger and more broad-based in the aftermath of 9/11 and the advent of the Global War on Terror. The UAE is open to continued strong relations with the United States and considers its fundamental interests and values compatible with U.S. goals. Relatively modest U.S. technical assistance to the UAE will be critical in helping its federal and emirate authorities to focus their tracking of possible shipments of components of weapons of mass destruction and related materials through UAE ports and airports.

As part of efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, related technologies, and other weapons, the United States plans to provide Non-Proliferation, Anti-Terrorism, Demining and Related Programs (NADR) Export Control and Related Border Security Assistance (EXBS) program funds for a cooperative program in the United Arab Emirates. FY 2005 NADR funding will provide training in identifying strategic items.

The Department of State plans to open a regional Middle East Partnership Initiative (MEPI) office in the UAE. This will be one of two such offices.

West Bank/Gaza

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	74,500	74,558	75,000
ESF-SUP	50,000	-	-
P.L. 480 Title II	9,984	-	-

U.S. assistance to the West Bank and Gaza contributes directly to the core U.S. foreign policy goal of peace in the Middle East. By supporting good governance, responding to humanitarian needs, helping the private sector, and developing needed infrastructure we promote stability in the West Bank and Gaza and encourage moderate Palestinian voices, in contrast to organizations that would exploit the conflict to advance radical views and violence. These efforts support directly the President's call in his June 24, 2002 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.

The immediate needs of the population are vast, with emergency assistance critical to averting a humanitarian catastrophe in the wake of the economic crisis resulting from ongoing Israeli-Palestinian violence. Yet it is also important to support Palestinian Authority (PA) political and economic reform that will contribute to the formation of a democratic, market-oriented, independent Palestinian state in the near future, consistent with the President's vision. To meet these priorities, during the past three years USAID has maintained longer-term programs that focus on institution building, infrastructure and human capital, while reallocating more than \$200 million to emergency response programs.

FY 2005 resources will fund projects within four thematic areas, responding both to emergency and longer-term development needs. Assistance will continue to address the basic needs of the Palestinian population through activities that improve and sustain performance in the health care system, create jobs, and provide assistance to rebuild damaged small-scale infrastructure and roads. Second, these funds will support political and economic policy reforms--including the strengthening of key PA ministries and regulatory agencies, the legislature and the judiciary--and Palestinian NGOs that promote democratic values and moderation. The third thematic area is directed at revitalizing the private sector, which includes the repair of damaged small and medium businesses, work with small and medium enterprises on improved management processes, financial restructuring, and the development of appropriate private sector and investment laws and regulations. The fourth area is building essential water infrastructure, including the much-needed Gaza water carrier and desalination plant, and improving human capital through scholarships for study in the United States and the region, and short term training.

The Department of State and USAID are in the midst of finalizing 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.

U.S. assistance to the Palestinian people is fully supported by the government of Israel. With the exception of \$20 million provided to the Palestinian Authority Finance Ministry in July 2003 – in support of Roadmap implementation and in recognition of improvements in fiscal transparency – no funds are provided to the Palestinian Authority or the PLO. All projects are carried out through U.S. contractors, U.S. NGOs, and Palestinian NGOs. USAID maintains close accounting of all funds. Working with the country team, USAID 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. USAID

conducts such investigations worldwide, however, some Palestinian NGOs have complained about the process.

As directed by Congress, the Inspector General is now supervising audits of all on-going projects. USAID engineering staff based in the West Bank and Gaza regularly visit project sites to review progress and identify problems. Finally, regular project evaluations and funds research analysis are conducted by USAID to ensure that effective programming tools are utilized and that critical development needs are addressed.

Yemen
(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
DA	2,000	-	-
ESF	9,898	11,432	20,000
FMF	1,900	14,910	15,000
IMET	638	1,000	1,100
NADR-EXBS	-	450	525
NADR-HD	750	773	-
NADR-SALW	-	-	1,500
P.L. 480 Title II	1,893	-	-

Yemen is an essential U.S. partner in the global war on terrorism. Yemen and the United States have made great progress in uprooting the al-Qaeda presence in the country, but Yemen requires continued U.S. material support to be successful in its ongoing counterterrorism efforts. Yemen has undertaken significant strides toward opening its multi-party political system to full public participation, including women. Yemen is evolving into a multi-party democracy and 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 is 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 engaged in 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. Expanding ESF funding is key to demonstrating our commitment to assist the Republic of Yemen Government (ROYG) in poverty alleviation and economic transformation, not just in the major cities but also in the more remote rural areas where the ROYG is most in need of ways to demonstrate to the populace the benefits of our bilateral counterterrorism agenda.

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. Funds will be devoted to highly-visible, high-impact development projects in five remote, tribal governorates of Yemen that have served as a refuge for al-Qaeda elements and a source of political instability. Programs will focus on improved health, education and economic opportunities, particularly those related to agriculture. Agricultural projects (animal husbandry and field improvement) already established in two of five governorates will be expanded to the other three. Microfinance, small and medium business support and cultural tourism projects will also be undertaken. Funding will train more than 250 health care workers for staffing primary care facilities, and provide for in-service training for hundreds of teachers and school administrators. Selected primary schools will receive direct support in the form of equipment, furniture and teaching materials.

Funds will also support Yemen's democratic development, supporting training for party officials and local councils and improving the voter registration processes. The Fulbright scholarship program, which has produced many of our closest Yemeni partners in government and business, will also be supported by ESF funds. While the total number of Yemeni students who have received U.S.-provided scholarships may be relatively small, the value of the contribution made by this group to Yemen is enormous. Most U.S.-educated Yemenis are well integrated into modern Yemeni society and many now hold key government positions (including cabinet ministers), or are prominent academics, journalists, policymakers or businesspeople.

The Foreign Military Financing (FMF) and International Military Education and Training (IMET) funds requested in the FY 2005 budget will continue to directly support U.S. counterterrorism goals through the ongoing improvement of Yemen's ability to act against terrorist elements both unilaterally and in cooperation with the U.S. Building on the foundation of previously furnished U.S. equipment and U.S. training provided in FY 2003 and bolstered by the recent counterterrorism operational successes, the ROYG conventional military and special forces are steadily moving towards becoming an important ally in the War on Terror.

Yemen plans to use the \$15 million FMF requested in FY 2005 to provide essential military training; sustain and maintain existing U.S. furnished military equipment and support the development of a Yemeni Coast Guard. This will assist the ROYG to control their long, rugged borders and littoral waters in an effort to stem the flow of terrorists into their nation. The \$1.1 million in IMET, will continue to fund U.S. military training and the professional and technical education of Yemeni military personnel as the military force strives to adapt Western practices and doctrine, thereby increasing their versatility and utility as a coalition member. The IMET program will help military leaders in Yemen understand U.S. 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.

In FY 2005, Yemen will be eligible to receive Excess Defense Articles (EDA) on a grant basis and hopes to use this program to continue development of a basic coast guard. This equipment is imperative to Yemeni efforts to improve monitoring of illegal trafficking through its waters and enhancing the safety of vessels passing through the Bab el Mendeb Straits.

Additionally, Non-Proliferation, Anti-Terrorism, Demining and Related Programs (NADR) 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 increase NADR Export Control and Related Border Security assistance (EXBS) funds to a cooperative program to help establish fully effective export controls in Yemen. FY 2005 NADR funding will provide training to determine if an item or technology is controlled, and equipment to assist enforcement officials implement export control law and regulations.

The Yemeni government's efforts to curb the cross-border trade in small arms and light weapons (SALW) are bolstered by the recent resolution of the border dispute with Saudi Arabia. Both governments have been improving their cooperation with one another on counterterrorism operations that include border smuggling interdiction. The NADR-SALW funding request for FY 2005 will allow the United States to assist in these cooperative efforts at a key juncture both in the Global War On Terror and in Saudi-Yemeni border security. Funds will be directed primarily toward the provision of training and equipment to Yemeni forces in the deterrence of cross-border and internal arms smuggling.

Middle East Partnership Initiative

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	-	89,469	150,000
ESF-SUP	90,000	-	-

As President Bush outlined in his November 6, 2003 speech at the National Endowment for Democracy, the United States has adopted a new policy in the Middle East, a “forward strategy for freedom.” The Middle East Partnership Initiative (MEPI) is the Administration’s primary diplomatic policy and development mechanism to implement this strategy. MEPI builds on four pillars of reform: economic, political, and educational, as well as increased opportunity for all people of the region, especially women and youth. As the primary means to align U.S. diplomatic and reform efforts in the region, MEPI funding supports the growing regional transformation process and sends a clear message of sustained U.S. commitment to reform in the region.

Reform in the Middle East is important to the national security interests of the United States. In FY 2005, MEPI’s work to promote reform, and thereby combat extremism and terror, will be a critical element of the overall U.S. policy agenda in the region. MEPI will help provide the foundation upon which progress in all areas, in particular the reconstruction of Iraq and progress toward Arab-Israeli Peace, can be sustained.

The Department requests \$150 million for the MEPI in FY 2005 and will allocate funds in ways that reflect the joint State/USAID review of assistance programs in the region. Approximately \$130 million in FY 2005 funds will be used to support ongoing MEPI flagship projects, such as the Middle East Free Trade Area (MEFTA) and the Middle East Finance Corporation (MEFC). This funding also will be used to expand projects, such as political party and legislative strengthening, Partnership Schools, and the Middle East Foundation. The remaining \$20 million will be used to implement new projects that respond to urgent needs and reform opportunities in the region. Each MEPI project will continue to have a public diplomacy component to ensure regional recognition of U.S. efforts.

- The economic reform pillar will receive \$49 million. These funds will advance financial sector reforms and efforts to move toward market economies. They also will provide trade-related technical assistance and support for private entrepreneurs across the region. Flagship programs in economic reform include trade technical assistance in support of the President’s U.S. Middle East Free Trade Area (MEFTA); the Partnership for Financial Excellence (PFE), the Commercial Law Initiative, the Middle East Finance Corporation (MEFC), and the Middle East Entrepreneur Training (MEET U.S.).
- To support political reform, MEPI will dedicate \$45 million to building up political participation, promoting democracy and the rule of law in partner countries, and endowing a Middle East Foundation. MEPI will continue to support flagship programs in election and political processes, including regional campaign schools, legislative strengthening, media reform, and legal and judicial reform. MEPI anticipates creating the Middle East Foundation (MEF) in FY 2004 and in FY 2005 plans increasingly to use the MEF to serve and support MEPI programs and goals across all four pillars. The Foundation will focus on locally sustainable projects that can bring about positive change at the grassroots level.
- MEPI also will devote \$45 million to education reform, emphasizing access, quality, and skills development. The bulk of the funds will support Partnership Schools, which started as an FY 2003 MEPI pilot project. These schools take a holistic approach to education and so offer an alternative to existing schools' curriculum and mind-set. MEPI anticipates that the success of these schools will

spark increased demand for quality, relevant education within reform-minded communities and countries. MEPI also will continue growing other promising education initiatives.

- The remaining \$11 million will fund projects to empower women and girls, cutting across the other three reform areas. MEPI funds will continue to go to projects that break down barriers to women's full participation in society.

Accountability and flexibility will remain defining features of MEPI. MEPI undertakes projects that move toward region-wide reform goals but that can be tailored to the needs of numerous countries. This allows for the adjustment of funding to ensure that Arab reform partners in the private sector, civil society, or government are able to achieve desired reforms. MEPI also is structured to screen, design, and manage programs directly to maximize their impact. In some cases, MEPI projects start as pilots where multi-year funding may become available once frequent performance monitoring demonstrates result. Project performance will be evaluated on a regular basis using a variety of qualitative and quantitative indicators.

Middle East Multilaterals

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	2,900	-	2,000

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

In FY 2005, funds will be used to continue support for multilateral projects already underway and initiate new projects as agreed to by the regional parties. In the areas of water and the environment, two critical fields in which regional parties must work together, U.S. sponsored projects will continue to focus on cooperative activities that support and complement the parties' bilateral contacts. These projects are focused largely on Israel, Jordan, and the Palestinians, with additional participation in a few projects by Egypt, Tunisia, Morocco, and Oman. FY 2005 will be directed to new and ongoing initiatives in areas such as water data banks, public awareness and water conservation, water information networks, desalination, watershed monitoring, irrigation management systems, and dryland management. 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. FY 2005 funds will be used for continued support of a scholarship fund for Palestinian Refugee Women. The Arms Control and Regional Security (ACRS) 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. FY 2005 funds will be used to support ACRS Track II 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. FY 2005 funds also will support other programs not directly linked to the multilateral working groups that promote Arab-Israeli ties, such as: the Middle East Cancer Consortium; a regional seismology working group; non-governmental organizations espousing tolerance and coexistence; and groups promoting economic partnerships.

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

Middle East Regional Cooperation

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
ESF	4,900	5,467	5,000

Congress initiated the Middle East Regional Cooperation (MERC) Program after the 1979 Israel-Egypt Camp David Accords. The program fosters mutually beneficial technical cooperation between experts from Israel and its Arab neighbors. While initially limited to Israeli-Egyptian cooperation, since 1992, the program has expanded to include participation by experts from Morocco, Jordan, Tunisia, Lebanon, and the Palestinians. MERC-supported projects promote and strengthen Israeli-Arab ties by demonstrating that peaceful cooperation can yield tangible benefits for all involved. The MERC Program complements the work being done in the Middle East Multilaterals Program by broadening the base of cooperation among Israelis and Arabs to include more academic and non-governmental organization (NGO) experts. Unlike the Multilaterals Program, which is directed primarily toward participating governments as part of the multilateral peace process, MERC encompasses a wider variety of groups and organizations outside of the formal multilateral setting. MERC is a highly competitive program that provides grants based on unsolicited research project proposals from diverse groups, including universities, NGO's, and government laboratories. Continued strong U.S. support for MERC is important to help ensure that Israeli-Arab cooperation is as broadly based as possible.

Despite the conflict in the region, the number of joint Arab-Israeli projects funded by MERC has continued to increase. At present, over thirty MERC- projects are active, a number that is triple the total of just five years ago and higher than at any time in the program's history. Interest among applicants remains strong, with a doubling in the number of applications in the current competition cycle versus the previous year. MERC- projects are producing technical accomplishments in a wide variety of fields. In FY 2003, a joint Israeli-Moroccan project overcame a major obstacle in the almond industry by being the first to obtain efficient rooting of in vitro propagated almond tissue. Several Arab-Israeli human health projects are in various stages of establishing and implementing joint monitoring networks in the Middle East to track a wide variety of health threats such as cancer, hepatitis, and substance abuse. A joint Israeli-Jordanian-Palestinian study on water quality along the Jordan River changed the understanding of the source of the salts in the river, and a second phase of the project is currently underway to quantify the contribution of the groundwater to the total salt load in the river. MERC- projects are also demonstrating sustainable collaboration and development impacts lasting beyond the funding from the program. The Jordanian and Israeli governments have agreed to manage joint environmental monitoring of the northern Gulf of Aqaba established under a recently completed MERC project. After artificial-wetland wastewater treatment technology developed by a Palestinian-Israeli-Egyptian partnership was successfully demonstrated in a West Bank village, the Palestinian partners report that there is interest from neighboring communities in adopting the technology, as well as the potential for contributions from other donors to build facilities.

The FY 2005 ESF request will be used to fund projects designed to provide practical benefits to both Israelis and Arabs. MERC projects have included and will continue to include a wide range of important fields with the goal of increasing economic development, protecting the environment, and improving health conditions. Agriculture projects will continue to focus on increasing productivity of livestock and crops, while health projects will address issues such as emerging infectious diseases and other health threats on the increase in the Middle East. Given the importance of water in the Middle East, with its scarcity in particular having serious economic and environmental impacts in the region, MERC projects will continue to support projects addressing key water issues such as effective water management, wastewater treatment, and desertification prevention.

Multinational Force and Observers

(\$ in thousands)

Account	FY 2003 Actual	FY 2004 Estimate	FY 2005 Request
PKO	16,212	16,303	16,500

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

The United States has a firm political commitment to provide one-third of the annual MFO operating budget, with the other two-thirds provided by Israel and Egypt. These funds will be used to fulfill that U.S. pledge by financing MFO operating expenses. Subject to Congressional authorization and appropriations, the United States is committed to support the MFO's mission until the parties to the agreement that created the MFO mutually agree that the MFO is no longer necessary. The MFO's long-standing effectiveness is demonstrated by the continued compliance with the treaty and the excellent cooperation between Egyptian and Israeli officials in the treaty's liaison system.

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