

OTHER BILATERAL ECONOMIC ASSISTANCE

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

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Economic Support Fund

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	2,480,992	2,621,025	3,214,470
ESF-SUP	1,433,600	-	-

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

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

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

For FY 2007, a total of \$3.214 billion is requested to support the economic and foreign policy interests of the United States as follows:

- Africa -- \$164.3 million is requested for programs in sub-Saharan Africa. These funds will assist countries to recover from conflict and bring about enduring peace; advance the development of democracy, including support for human rights and rule of law; promote economic stability, sustainable development, and U.S. investment opportunities in Africa; and combat terrorism and other forces that undermine prosperity and stability in the region.
- East Asia and the Pacific -- \$167.3 million is requested to continue key bilateral and regional programs that support democracy and good governance, improve and expand education access, stimulate economic growth and development, strengthen civil society and women's empowerment, and bolster local security and counter-terrorism initiatives. Regional programs will foster cooperative solutions to transnational problems, enhance U.S. influence in regional institutions, and underscore broad U.S. engagement in the region.
- Europe and Eurasia -- \$19.5 million is requested for programs that promote peace and reconciliation and contribute to the stability of the region.
- Near East -- \$1.64 billion is requested to support regional stability in the Middle East, encourage development, and encourage 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.
- South Asia: \$982.5 million is requested to help stabilize this critical region through economic reconstruction and development, earthquake reconstruction, demobilization, democracy building, education, training, and public diplomacy programs.
- Western Hemisphere -- \$152.1 million to promote the Administration's objectives in the Western Hemisphere to bolster security, strengthen democratic institutions, promote prosperity, and invest in people. This request is based on a larger hemispheric commitment, defined through the Summit of the Americas process. Our Summit commitment is to democracy, free markets, economic integration, and a common policy agenda with the aim of providing the benefits of democracy to the peoples of the hemisphere. The programmatic focus will continue to be democracy (including anti-corruption), trade-led economic growth, and the fight against organized crime and terrorism.
- Global -- A total of \$88.5 million is requested to promote democracy and universal human rights; to promote environmental stewardship and advance U.S. interests in this area; to bring together individuals of different ethnic, religious, and political backgrounds from areas of civil conflict and war; and to prevent the trafficking in persons and protect the victims of trafficking.

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

Program Assessment Rating Tool (PART)/Performance Evaluation

For preparation of the FY 2007 budget, the Administration evaluated the Department's Economic Support Funds in the Africa Region using the Program Assessment Rating Tool (PART). The program was rated as Adequate. ESF funds in Africa are used primarily to promote democracy and encourage economic growth, but are flexible enough to be used to respond to emergent crises and shifting priorities in the region.

The PART has been of assistance with program budgeting, which is now better informed by performance measurement tools. It has also resulted in a stronger focus on setting ambitious, yet useful, performance targets that help better define results.

Key long-term indicators: (1) Efficiency Measure: the ratio of administrative costs to program funding. (2) Freedom House country ratings, an annual assessment that rates countries on freedom as related to political rights and civil liberties. (3) World Economic Forum Growth Competitiveness Index (GCI). Measures changes in the capacity of national economies to achieve sustained economic growth over the medium term, controlling for current levels of development. (4) Transparency International's Corruptions Perceptions Index. Tracks perceptions of corruption in the region, which can be affected by increasing awareness of the problem vs. an actual increase or decrease in the incidence of corruption. (5) Ranking for Sub-Saharan Africa on the World Bank Institutes's Voice and Accountability Index. Rates countries on the ability of institutions to protect civil liberties, the extent to which citizens are able to participate in the selection of governments, and the independence of the media.

Economic Support Fund
(\$ in thousands)

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
Africa			
Angola	2,726	2,970	2,500
Burundi	3,224	3,811	2,500
Democratic Republic of Congo	4,960	4,950	5,000
Djibouti	1,984	4,950	3,500
Ethiopia	3,960	3,960	4,000
Kenya	7,678	7,920	6,755
Liberia	24,800	42,719	40,000
Nigeria	4,960	4,950	5,000
Sierra Leone	5,952	5,940	2,500
South Africa	992	1,287	1,300
Zimbabwe	1,984	2,970	3,000
Africa Regional	11,520	8,613	8,000
African Union (AU)	-	-	3,000
Kimberley Process	1,736	2,475	-
NED Democracy Programs	3,472	-	-
Regional Organizations	900	990	1,000
Safe Skies	3,472	2,970	3,000
Sudan	19,840	19,800	60,000
Sudan SUP	22,000	-	-
Trans-Sahara Counter-terrorism Initiative (TSCTI)	-	-	6,000
Women's Justice Empowerment Initiative	-	-	7,250
Subtotal - Africa	126,160	121,275	164,305
East Asia and the Pacific			
Burma	7,936	10,890	7,000
Cambodia	16,864	14,850	13,500
East Timor	21,824	18,810	13,500
Indonesia	68,480	69,300	80,000
Laos	-	-	500
Mongolia	9,920	7,425	7,500
Philippines	30,720	19,800	20,000
Thailand	992	990	-
Vietnam	-	1,980	1,000
ASEAN	744	3,366	3,400
Developing Asian Institutions Fund	-	1,485	2,000
Environmental Programs	1,736	990	-
NED Democracy Programs	3,968	-	-
Pacific Islands	-	99	100
Regional Security Fund	248	-	-
Regional Women's Issues	992	990	800
South Pacific Fisheries	17,856	17,820	18,000

Economic Support Fund

(\$ in thousands)

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
Tibet	4,216	3,960	-
Subtotal - East Asia and the Pacific	186,496	172,755	167,300
Europe and Eurasia			
Cyprus	13,392	15,840	15,000
International Fund for Ireland	18,352	13,365	-
Irish Visa Program	3,472	3,465	3,500
OSCE Regional	-	-	1,000
Subtotal - Europe and Eurasia	35,216	32,670	19,500
International Organizations			
UN Democracy Fund (UNDEF)	3,797	-	-
Subtotal - International Organizations	3,797	-	-
Near East			
Egypt	530,720	490,050	455,000
Iraq	-	60,390	478,770
Israel	357,120	237,600	120,000
Israel SUP	50,000	-	-
Jordan	248,000	247,500	245,000
Jordan SUP	100,000	-	-
Lebanon	34,720	39,600	35,500
Lebanon SUP	5,000	-	-
Libya	300	-	-
Morocco	19,540	10,890	18,000
Yemen	14,880	7,920	12,000
Middle East Multilaterals	1,984	990	1,000
Middle East Partnership Initiative	74,400	99,000	120,000
Middle East Regional Cooperation	4,960	3,960	5,000
NED Muslim Democracy Programs	3,968	-	-
West Bank/Gaza	74,400	148,500	150,000
West Bank/Gaza SUP	150,000	-	-
Subtotal - Near East	1,669,992	1,346,400	1,640,270
South and Central Asia			
Afghanistan	223,200	425,700	610,000
Afghanistan SUP	1,086,600	-	-
Bangladesh	4,960	4,950	5,000
India	14,880	4,950	6,500
Nepal	4,960	4,950	5,000
Pakistan	297,600	337,095	350,000
Sri Lanka	9,920	3,960	4,000

Economic Support Fund
(\$ in thousands)

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
South Asia Regional Fund	992	990	2,000
Subtotal - South and Central Asia	1,643,112	782,595	982,500
Western Hemisphere			
Bolivia	7,936	5,940	6,000
Cuba	8,928	8,910	9,000
Dominican Republic	2,976	1,980	12,000
Ecuador	11,901	2,970	6,000
El Salvador	-	-	10,000
Guatemala	5,952	4,455	13,000
Haiti	39,680	49,500	50,000
Haiti SUP	20,000	-	-
Mexico	13,392	9,009	9,000
Nicaragua	4,467	3,366	3,000
Panama	2,976	990	-
Paraguay	2,179	1,980	2,000
Peru	4,000	2,970	4,000
Venezuela	2,432	-	1,500
Peru-Ecuador Peace	2,976	1,980	-
Regional Anticorruption Initiatives	2,976	990	1,595
Summit of the Americas Support	1,488	2,970	2,000
Third Border Initiative	8,928	2,970	3,000
Trade Capacity Building	19,840	19,800	20,000
Subtotal - Western Hemisphere	163,027	120,780	152,095
Global			
Asia-Pacific Partnership	-	-	26,000
Disability Programs	2,480	3,960	-
Extractive Industries Transparency	-	990	-
House Democracy Assistance Program	-	990	-
Human Rights and Democracy Fund	35,704	-	35,000
Oceans, Environmental and Science Initiative	2,480	7,920	8,000
Partnership to Eliminate Sweatshops	1,984	-	-
Reconciliation Programs	11,904	10,890	11,000
Security and Sustainability Programs	2,976	1,485	-
Trafficking in Persons	24,304	11,880	8,500
UNHCHR Nepal	-	1,485	-
Wheelchairs	4,960	4,950	-
Subtotal - Global	86,792	44,550	88,500
Total	3,914,592	2,621,025	3,214,470

Note: In light of the recent legislative elections, the Administration is reviewing the West Bak/Gaza program details.

Asia-Pacific Partnership

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	-	-	26,000

The United States, China, India, Korea, Australia, and Japan launched the Asia-Pacific Partnership in 2006 to promote clean development, enhance energy security, and address climate change. This initiative will advance U.S. leadership on the interrelated issues of energy and climate through public-private collaboration. Partners will work to deploy cleaner energy technologies and practices in developing countries that are among the largest global emitters of greenhouse gases.

The Asia-Pacific Partnership establishes a new model for international cooperation. The Partnership departs from previous efforts to address climate change in several key respects. First, it will integrate climate goals into a broader framework of sustainable economic development that includes industrial efficiency, expansion and diversification of energy sources, and improved public health. Second, it uses a “bottom-up” approach that builds on national efforts and fosters collaborative projects. Third, the Partnership will engage private sector as partners rather than adversaries.

With its integrated approach, the Partnership will help the United States achieve a range of goals. These include strengthening world economic growth, expanding opportunities for U.S. businesses, ensuring economic security, reducing greenhouse gas emissions, and improving health and environmental conditions for people. The six countries of the Asia-Pacific Partnership on Clean Development and Climate represent about half of the world's economy, population and energy use.

The Partnership's work program will encompass key sectors such as power generation, mining, steel, cement, housing and appliance standards, aluminum, and/or clean fossil and renewable energy technologies. Partners will identify priority opportunities for national action and cooperation. Partnership task forces will include private sector representatives.

Examples of potential areas for collaborative projects under the Asia-Pacific Partnership include:

- operational improvements and technology retrofits of thermal power plant to make them cleaner and more cost-efficient;
- deployment of hydro and other renewable energy power;
- rural village deployment of modern and cleaner energy technologies;
- development and deployment of clean coal technology and efficiency improvements;
- improvement of industrial process efficiency and emission reduction;
- deployment of energy efficiency technology and management practices for buildings; and
- civil aviation and urban public transportation efficiency and pollution reduction projects.

Human Rights and Democracy Fund

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
DF	-	62,568	-
ESF	35,704	-	35,000

The Human Rights and Democracy Fund (HRDF) is one of the foreign assistance mechanisms employed by the Department of State to encourage democratic development and uphold international standards of human rights, two critical U.S. foreign policy objectives. The FY 2007 request of \$35 million in Economic Support Funds (ESF) will continue to support HRDF projects designed to open political space in struggling or nascent democracies and authoritarian regimes where the U.S. government can affect positive change.

In FY 2007, HRDF will support critical projects that strengthen democracy, promote the rule of law, advance human rights, build civil society and support independent media. HRDF funding will be used to train political parties, provide critical democracy resources to civil society and democracy activists, train human rights lawyers and provide pro bono legal aid, document human rights abuses, support independent media and raise awareness of international labor standards. Projects will provide assistance to marginalized groups including women, ethnic minorities and youth. Funds will also support regional initiatives that have the potential to create regional networks to affect transnational change.

HRDF grants are primarily awarded to U.S.-based and international non-governmental organizations (NGOs) with experience and expertise in the promotion of democracy and human rights. The Department of State coordinates HRDF projects with other donors to ensure funds support unique projects, or compliment existing efforts. HRDF grants fund pilot projects, rather than long-term development initiatives. Projects are intended to become sustainable through the transfer of responsibility to in-country stakeholders, or to be transitioned to traditional assistance agencies for ongoing funding.

To date over 180 HRDF grants have been awarded to 70 organizations for projects in 68 countries. Some examples of successful projects include: partnerships between government leaders, academic scholars and civil society to examine and promote connections between Islam and democracy in Algeria, Egypt, Jordan, Morocco and Nigeria; support for the Asia Calling radio station, Indonesia's only independent radio station with democracy and human rights content written and produced by southeast-Asian journalists; and the establishment of 20 Information Centers for Democracy in the Kyrgyz Republic to create a better-informed public and help develop the skills necessary to solve problems and organize people on the local and national level.

OMB examined HRDF in conjunction with the FY 2006 Program Assessment Rating Tool (PART) process. HRDF received a rating of Adequate. HRDF was not reassessed as part of the FY 2007 PART process. In response to OMB's FY 2006 PART recommendations, DRL has established a set of annual and long-term benchmarks which will enable the Department of State to better evaluate the success of HRDF projects to increase respect for democratic principles and human rights.

Oceans, Environmental and Science Initiative

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	2,480	7,920	8,000

In today's global economy, science, technology, and environmental issues are key to promoting development and maintaining U.S. competitiveness. Informed and modern management of our natural resources are essential both to economic development and to maintaining regional stability in those areas where the resources cross borders. Fostering cooperation on science, environment, and health helps to ensure stable and prosperous societies that are our best hedge against international terrorism. Promoting public participation and rule of law in resource and environmental decision-making promotes grassroots democracy.

The Department of State uses Economic Support Funds (ESF) for Oceans, Environment and Science Initiatives (OESI) to advance U.S. negotiating positions, promote regional cooperation and stability, and demonstrate U.S. leadership in responding to emerging issues in international oceans, environment, science and health. These funds also promote U.S. economic, diplomatic, investment, and commercial interests and enable host governments to develop their own policies with a full appreciation of U.S. perspectives on these issues.

Climate change remains a key issue in the international environmental arena. ESF funding through the OESI program supports priority initiatives, such as the Methane-to-Markets Partnership, to address this matter.

As part of the concerted U.S. efforts to prevent outbreaks of pandemic disease, such as Avian Influenza, and to improve response capabilities for both naturally-occurring and bioterrorism-provoked disease outbreaks, the OESI program is promoting training and other preparedness activities around the world. The training and preparedness activities are already showing results and improving international surveillance efforts.

Ensuring that our non-Central America Free Trade Agreement (CAFTA) trading partners have the ability to uphold a level of environmental standards similar to our own is central to maintaining our economic competitiveness. The OESI program provides support for countries with whom we are engaged in free trade talks to increase their level of environmental protection and enforcement.

In addition, the OESI program supports science and technology cooperation in many countries--in particular those with large Muslim populations--highlighting one of the long-term, positive areas of interaction with these countries.

The Department of State is currently negotiating and implementing agreements and promoting voluntary initiatives that directly affect U.S. interests such as biotechnology, forests, hazardous chemicals, sustainable fisheries, health, water, and sustainable development. ESF funds will be used to further these goals by:

- Promoting the sustainable management of the world's natural resources. OESI projects will include: promoting collective action to combat wildlife trafficking, strengthening sustainable forest management, reducing land based and vessel pollution of our waters, and deterring illegal fishing that threatens U.S. commercial fisheries' interests and promoting the sustainable management of fisheries through enforcement capacity building.

- Advancing the Administration’s vision for a sustainable future through partnerships on water, energy/climate change, wildlife conservation, marine pollution, health, and forests. OESI efforts will include: contributing to the Methane-to-Markets Initiative; supporting household and community-level pilot programs for access to clean water and sanitation services aimed at reducing the incidence of water-borne diseases; promoting clean energy technologies in large developing countries such as India; and implementing the Global Earth Observation System (GEOS).
- Ensuring that free trade and environmental protection are mutually supportive. OESI projects will include: strengthening other countries’ environmental standards, thereby leveling the playing field for U.S. exports; implementing environmental work plans with non-CAFTA Free Trade Agreement (FTA) partners; and increasing the capacity for domestic good governance and transparent environmental law enforcement and compliance in Africa, Latin America and Asia.
- Seeking scientific collaboration that advances U.S. foreign policy objectives. OESI activities will include fostering capacity building and science-based decision making in Central America, Central Asia, and North Africa on coastal, marine and terrestrial habitat conservation, health, and biotechnology, and advancing space applications and technology, and earth observation data.

Reconciliation Programs

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	11,904	10,890	11,000

The FY 2007 request of \$11 million will continue to support reconciliation programs and activities that bring together individuals of different ethnic, religious, and political backgrounds from areas of civil conflict and war. These funds will support cutting-edge programs that uphold democratic principles, support and strengthen democratic institutions, promote human rights, and build civil society in countries and regions of the world that are geo-strategically important to the United States. More specifically, they will be used to support:

- conflict response and mitigation through programs that seek to reduce the threat of violence through the peaceful resolution of differences, mitigate violence when it has broken out, or establish a framework for peace and reconciliation; and
- conflict management through programs that address the causes, and consequences of existing or likely conflict, but are implemented within a more traditional development sector such as democracy and governance or economic growth.

Funded programs in FY 2007 will address mediation of specific disputes, peace advocacy media, negotiation and implementation of peace agreements, community-based reconciliation, and conflict management. Related activities may include support for conflict research/early warning networks, capacity building of local governments to identify and address causes of conflict, strengthening the capacity of the private sector to contribute to peace-building, and building opportunities for young people to engage in constructive political and economic participation.

Trafficking in Persons

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ESF	24,304	11,880	8,500
INCLE	4,960	4,950	7,000

Trafficking in persons may be among the fastest growing human rights violations and transnational crimes internationally. This modern-day form of slavery involves sexual and/or labor exploitation, adopting such forms as indentured servitude, debt bondage, chattel slavery and peonage. Estimates vary, but 600,000 to 800,000, persons, primarily women and children, are annually trafficked across borders worldwide, including 14,500-17,500 victims brought into the United States each year. The number of victims is estimated to rise into the millions when intra-country trafficking is taken into account.

The Trafficking Victims Protection Act of 2000 (TVPA) and its subsequent (TVPRA) reauthorization in 2003 and 2005, provide the U.S. Government with the necessary tools to aggressively combat this heinous crime at the international and national level. The State Department, through the Office to Monitor and Combat Trafficking in Persons, is charged with coordinating the U.S. Government's implementation of the TVPA and TVPRA, compiling the largest government-produced annual *Trafficking in Persons Report* (the TIP Report); and advancing public awareness and advocacy involving practical solutions to combat human trafficking worldwide. The Department works with other governments, USG agencies, non-governmental organizations (NGOs), international organizations, Congress, and the media, toward the goal of eradicating modern-day slavery.

Economic Support Funds (ESF) for anti-trafficking activities totaling \$8.5 million would be targeted primarily to countries which have a growing trafficking-in-persons problem and a demonstrable need for resources to combat trafficking in Tier 3 and Tier 2 Watch List countries, and countries lacking adequate resources to address this situation. These funds will focus on prevention and on the protection and reintegration of victims. Proposed activities will be closely coordinated with other on-going USG programs to ensure maximum outreach and non-duplication.

Africa – Thirty-three (over 80 percent) sub-Saharan African countries were included in the 2005 TIP Report. Most trafficking in Africa occurs within the continent for agricultural work, domestic servitude, begging, prostitution, and child soldiering. Some flows of Africans to Europe and the Middle East are for the commercial sex trade. Human trafficking in Africa is driven by on-going adverse social and economic conditions in the region. Some trafficking, particularly of children for labor, stems from traditional and cultural practices that have been occurring for generations.

Funds will be used to support the programs such as:

- Prevention and public awareness campaigns, in local/tribal languages, which may include supporting radio programs, school/village programs, and outreach to religious and traditional leaders.
- Rehabilitation and reintegration programs for former child soldiers (including girls) in countries that have experienced civil wars in recent years.
- Shelter and rehabilitation programs for victims of trafficking in countries where governments and civil society organizations are either unable to support shelter and rehabilitation programs due to lack of resources and expertise or the existing facilities are inadequate for the number of victims.

East Asia – All forms of trafficking are found in this region. Weak law enforcement structures, corruption, and the conflation of trafficking with illegal immigration and prostitution are major obstacles to effective anti-trafficking strategies in the region. Nineteen East Asian countries were included in the 2005 TIP Report as countries with a significant number of victims of severe forms of trafficking in persons. The trafficking profile of the region is roughly divided between less developed source countries (e.g. Indonesia, Laos, Burma and the Philippines) and more developed destination countries and territories (e.g. Thailand, Malaysia, and Japan).

Funds will be used to support programs such as:

- Public awareness and information campaigns targeting at-risk populations and demand in countries that have a continuous flow of trafficking victims.
- Expansion of shelters, victim assistance (including medical, psychological, and legal), and reintegration programs in countries such as Thailand, Cambodia, Indonesia, Laos, Mongolia, Vietnam and the Philippines.

Near East – Fourteen or (over 80 percent) of all the Near East countries were included in the 2005 TIP Report as countries with a significant number of victims of severe forms of trafficking in persons. This region has the highest percentage of Tier 3 and Tier 2 Watchlist countries in the 2005 TIP Report. Given the conservative Muslim societies in most of the countries, sex trafficking is not a major problem in the region. A deficit of low-skilled domestic laborers in Saudi Arabia, Israel and Gulf States requires these countries to rely on migrant laborers from South or Southeast Asia. Thus, involuntary servitude involving some of these migrant laborers represent a key TIP concern in the region. Trafficking victims in these countries typically are locked in detention facilities, as there are no shelters.

Funds will be used to support programs such as:

- Public awareness (including joint campaigns in source countries) for at-risk populations, society and religious leaders in the destination countries. Joint public awareness campaigns will target people at risk for trafficking in the source countries and workers already in the destination countries.
- Expanding victim assistance including shelters, legal assistance, and reintegration to home countries is important in the region because such services are generally not available in the region. Expanding victim assistance may lead to an increase in victims willing to testify against their traffickers.
- Inter-regional cooperation between source countries in Asia and destination countries in the Persian Gulf. Programs could support increased cooperation between key source and destination countries on trafficking or supporting the development of a regional or a series of bilateral action plans on combating labor and sex trafficking.

South Asia – Six or (75 percent) of South Asian countries were included in the 2005 TIP Report as countries with a significant number of victims of severe forms of trafficking in persons. The region is characterized by massive numbers of TIP victims predominantly in forms of labor trafficking, such as bonded labor in low-skilled industries. Corruption and a lack of political will are key impediments to tackling the trafficking problem. As government and law enforcement efforts expand in these countries, the need for quality shelter facilities is increasing. Civil society groups in some of these countries have the expertise to rehabilitate victims and encourage their participation in prosecutions, but lack the resources to care for an increasing number of victims.

Funds will be used to support programs such as:

- Expanding services to victims including shelter, medical, psychological, legal, vocational assistance, reintegration, and following up with victims.
- Basic anti-trafficking capacity building activities in Afghanistan, a growing source country for trafficking victims. The government has outlawed child trafficking, but the new government agencies, law enforcement officials, judges, social workers and border officials have very limited understanding of trafficking.
- Public awareness campaigns targeting at-risk populations, outreach to religious leaders, high-risk areas, and demand. Utilizing local languages and targeting religious leaders, particularly in Muslim areas, may contribute to a decrease in trafficking and demand as their advice is greatly respected.
- Advocacy efforts to improve anti-trafficking legislation and government response in India. Support to civil society in India can lead to the improvement of anti-trafficking legislation and a more organized government response to trafficking.

Western Hemisphere – This region is among the top three source regions for trafficked victims into the United States, according to U.S. intelligence community estimates. Twenty-three (approximately 80 percent) Western Hemisphere countries were included in the 2005 TIP Report as countries with a significant number of victims of severe forms of trafficking in persons. The region is challenged by a general lack of awareness of trafficking and a concomitant deficit in political will to tackling the problem.

Funds will be used to support programs such as:

- Regional coordination activities through the Organization for American States' anti-trafficking coordinator, a position created as a U.S. initiative to follow up on the Summit of The Americas.
- Regional public awareness which may include information campaigns targeted at child sex tourists as well as pilot activities aimed at reducing local demand for victims of sex trafficking.
- Expansion or establishment of victim services such as shelters, protection, and reintegration in countries where none or very few exist.
- Anti-trafficking related legal reform in countries where anti-trafficking legislation does not exist. Assistance may be targeted to training for non-governmental organizations to be victim/witness advocates through the criminal justice process.

International Narcotics Control and Law Enforcement (INCLE) Funds for anti-trafficking activities totaling \$7 million would be targeted primarily to countries which have a growing trafficking-in-persons problem and a demonstrable need for resources to combat trafficking in Tier 3, Tier 2 Watch List countries, and countries lacking adequate resources to address this situation. Proposed law enforcement activities will be closely coordinated with other on-going USG law enforcement programs to ensure maximum transparency and coordination and to avoid duplication. All funded projects will first be vetted through the Senior Policy Operating Group on Trafficking in Persons (SPOG) to ensure compliance with USG policies.

FY 2007 INCLE funds are requested to strengthen law enforcement capacities in the areas of prosecution, protection, and prevention programs to fight criminals involved in trafficking in persons, including persons trafficked for sexual and/or labor abuse or as child soldiers. Approximately 120,000 children have

participated in armed conflicts throughout Africa, particularly in countries such as Liberia, Democratic Republic of the Congo, and Uganda. These children serve as combatants, porters, domestic workers, and sex slaves and endure severe physical and psychological trauma.

Assistance will be targeted primarily to countries in Tiers 2 and 3 of the Trafficking in Persons Report as well as less developed countries in Tier 1 and countries not listed in the report but which have a growing trafficking problem. Proposed focus countries may include Cameroon, Gabon, Ghana, Madagascar, Senegal, Uganda, Indonesia, Philippines, Laos, Cambodia, Mongolia, Vietnam, Thailand, China, Lebanon, Israel, Egypt, Morocco, Jordan, United Arab Emirates, Kuwait, Haiti, Dominican Republic, Mexico, Nicaragua, Guatemala, Panama, Honduras, Belize, Ecuador, Peru, Paraguay, Argentina, Uruguay, Guyana, Suriname, India, Pakistan, Bangladesh, Sri Lanka, and Afghanistan. Regional projects may include the Mekong sub-region, eastern Caribbean region, tri-border region of South America and Central America.

G/TIP Office programs will provide technical assistance and training to police, prosecutors, judges, and/or immigration officials in such areas as follows: investigating, arresting, and prosecuting traffickers and monitoring international borders; training police officers how to assist and communicate with victims in order to encourage them to cooperate as potential witnesses - a critical component of protection initiatives; promoting bilateral and regional cooperation on these issues; and promoting new or improved trafficking legislation.

The transnational nature of trafficking overwhelms many countries' law enforcement agencies, which are not equipped to adequately monitor borders or stop organized trafficking networks. Approximately \$4.5 million in INCLE funds will be allocated towards law enforcement training in investigative and prosecutorial capacity-building initiatives which may include: providing technical training for police, prosecutors, judges, immigration officials and medical personnel; facilitating law enforcement interagency cooperation on trafficking in persons matters; legal drafting, and legislative assistance; specialized prosecutorial training in TIP cases; and equipment and modest supplies for anti-trafficking police units or taskforces. A provision of equipment may include computers, radios or other communications technologies, audio/visual equipment, motorcycles to support specialized TIP police units.

The G/TIP Office proposes to use approximately \$2 million in INCLE funds to support protection programs, a critical component in aiding the police, prosecutors and others to handle appropriately trafficking in persons victims, particularly in the development of key victim witnesses and arrest leads. Other areas may include assistance to forensic laboratories, including specialized forensics training related to TIP cases and the procurement of forensic evidence collection rape kits, the development of formal protection protocols for victims; support for court-appointed victim advocates; creation of child-friendly forensic interview rooms, and video testimony capability in courtrooms.

Approximately \$500,000 will be allocated to support prevention programs. Programs will focus on law enforcement and NGO support to raise public awareness and outreach to communities at risk to be trafficked for sex trafficking, labor trafficking, domestic servitude, sex tourism, child bonded labor, and training for peacekeepers. Priority areas include countries in Tier 3, Tier 2 Watchlist, Tier 2, and countries with a growing problem committed to combating TIP.

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Assistance for Eastern Europe and the Baltic States

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
SEED	393,427	357,390	273,900

Support for East European Democracy (SEED) Act funding has promoted important U.S. national interests and strategic goals in the former communist countries of North Central and South Central Europe since 1989. Ten SEED recipient countries in the Northern Tier have already achieved the goal of integration into Euro-Atlantic institutions through their membership in NATO; eight of them are also members of the European Union. Assistance to these eight countries has already phased out. Bulgaria, Croatia and Romania have also been evaluated as being on an irreversible path to economic and democratic reform and EU membership. FY 2006 is the last year of new SEED funding for Bulgaria, Croatia, and Romania. The SEED account also funds the U.S. contribution to the Organization for Security and Cooperation in Europe (OSCE) in support of OSCE Field Missions in Southeast Europe and related costs.

In FY 2007 and beyond, the focus of SEED funding will be primarily on the Western Balkans. Southeastern Europe still has the potential to destabilize Europe and to threaten the vital interests of the United States and its Allies. Negotiations on the status of Kosovo will begin in earnest in early 2006; FY 2007 SEED funds will be needed to help ease the transition in Kosovo, Serbia and neighboring countries, whatever the outcome of the status talks. SEED programs support innovative models, technical assistance, and training to facilitate reform and transition.

SEED funding promotes broad-based economic growth and the strengthening of institutions within and outside of government to increase adherence to democratic practices and respect for human rights. The countries of Southeast Europe have made important progress toward achieving the goals of the SEED program: building a market economy with a strong private sector, consolidating democracy, and improving the quality of life for their citizens. All of the recipient countries are now democracies, and all states in the region experienced economic growth in the last year (United Nations-administered Kosovo was an exception). Extensive SEED investments during recent years have succeeded in helping the region overcome crises and as a consequence, the Administration has been able to reduce the overall SEED request while maintaining the momentum of the reforms currently under way.

SEED programs help to reduce local and regional instability that could threaten the security and well-being of the United States and its allies. A peaceful, democratic, and economically strong Southeast Europe gives the United States and the Euro-Atlantic community substantially greater assurance of security at lower cost. SEED programs also address the human costs of conflict, contribute to the protection of human health, help to achieve a sustainable global environment, and promote U.S. exports. Southeast Europe is a growing market for U.S. goods and services, as well as a gateway to the vast potential markets in Russia and Ukraine. SEED bilateral and regional programs also help to reduce the threat of transnational organized crime and HIV/AIDS and promote regional cooperation.

While the SEED program has built a solid record of accomplishment, much remains to be done. The countries in Southeast Europe continue to require U.S. assistance to address different needs. SEED assistance will focus on consolidating gains and preventing backsliding. Bosnia and Herzegovina (BiH), Kosovo, the Republic of Macedonia, and Serbia and Montenegro (SaM), whose economic and political transitions were delayed by hostilities and ethnic violence, continue to require intensive U.S. assistance and leadership to maintain security, promote inter-ethnic dialogue, strengthen democratic institutions, and develop market economies. The United States continues to exercise leadership

through both its SEED-funded assistance and military presence to ensure that the Dayton Peace Accords are implemented. Neighboring Albania also requires continued SEED assistance. SEED funding will focus on building democratic institutions, promoting private sector-led growth and fighting trafficking, organized crime, and corruption.

Objectives of the SEED program for FY 2007 include the following:

- To continue support to SaM as it accelerates progress toward Euro-Atlantic integration. Efforts in Serbia will focus on supporting economic and democratic reform to solidify democratic gains, improving the effectiveness and accountability of local government, strengthening the rule of law, building increased capacity to prosecute those charged with war crimes and offenses involving organized crime, fostering respect for minority rights, and helping the government develop and implement a comprehensive program for economic, political, and administrative reform, including focusing assistance on pro-reform elements that help promote full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) in The Hague. In Montenegro, continued assistance will advance the process of democratization through support for economic reform and development of the private sector.
- To support Macedonia's ongoing efforts to implement the 2001 Ohrid Framework Agreement. Robust implementation will help restore political stability by bringing the benefits of economic and political reforms to all Macedonia's citizens and maintaining the country on the path to Euro-Atlantic integration. Work to promote economic development and social cohesion will go on at the local level, to sustain Macedonia's successful efforts at Framework-mandated decentralization and diffusion of ethnic tensions.
- To assist in Kosovo's transition now that status talks are under way. Whatever the outcome, it will be necessary to help build Kosovo's capacity to adjust to the significant challenge of self-government as the international community continues to hand over nearly all aspects of governance to Kosovar institutions. Essential assistance programs will concentrate on strengthening institutions; developing the judiciary, law enforcement and civilian police; supporting local government; and, maintaining respect for minority rights and driving economic growth through policy reform and support for key industries.
- To support BiH in its efforts to gain greater autonomy from the international community. SEED assistance will help local authorities to take on greater responsibility for economic, democratic, social and judicial reforms. SEED assistance will also continue to help develop key state- and municipal-level government institutions as well as key non-governmental institutions, such as civil society organizations and the independent media.
- To stabilize, transform, and integrate the countries of Southeast Europe into trans-Atlantic institutions through the development of greater intra-regional ties under the aegis of programs such as the Stability Pact for Southeast Europe.

SEED assistance also supports U.S. security, democracy, commercial, and human rights interests in Southeast Europe. FY 2007 SEED assistance will help:

- Enhance security on the ground for U.S. troops in Kosovo and BiH.
- Speed up the stabilization process in the countries of the former Yugoslavia, allowing continued reduction of U.S. forces.
- Help prevent further outbreaks of armed conflict.

- Support the capacity of domestic courts in BiH, SaM and Croatia to try war crimes cases, both in the interest of justice and public accountability, as well as to permit the ICTY to finish its work more expeditiously.
- Improve internal security and rule of law, reducing the influence of organized crime and corruption.
- Improve the investment climate and help open new markets for American business.
- Improve the lives of citizens in the region through more effective government, improved social services, and a cleaner environment.

Please see the individual country and regional program papers in the Europe and Eurasia section for detailed program justifications.

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

	FY 2005	FY 2006	FY 2007
	Actual	Estimate	Request
Europe and Eurasia			
Albania	28,266	24,750	20,000
Bosnia and Herzegovina	41,000	39,600	31,000
Bulgaria	27,250	19,800	-
Croatia	22,000	14,850	-
Kosovo	83,000	74,250	79,000
Macedonia	37,000	34,650	27,000
Romania	28,500	19,800	-
Serbia and Montenegro	93,600	84,150	70,500
OSCE Regional	5,379	24,453	28,500
Regional SEED	27,432	21,087	17,900
Subtotal - Europe and Eurasia	393,427	357,390	273,900
Total	393,427	357,390	273,900

Assistance for the Independent States of the Former Soviet Union

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
FSA	555,520	508,860	441,000
FSA/NIS-SUP	70,000	-	-

The United States has a vital national interest in helping the independent states of the former Soviet Union advance along the path toward becoming stable, pluralistic, and prosperous countries. The substantial role played by FREEDOM Support Act (FSA) assistance in supporting democracy was dramatically illustrated by the democratic breakthroughs of 2004 and 2005. The advance of democracy in Georgia, Ukraine, and the Kyrgyz Republic, and the building of civil society and enhancement of media freedoms in several other countries, point to the efficacy of FSA assistance. Yet challenges remain in these countries as governments and people grapple with how to leverage their revolutions into lasting democratic change. In other countries such as Belarus, Uzbekistan, and Russia, the lack of progress in reforms, and in some cases backsliding, demonstrate the continuing need for FSA-funded programs, which play a role in supporting transformational diplomacy.

The United States also has strong national security interests in helping the Eurasian states combat transnational threats, including terrorism, the proliferation of weapons of mass destruction (WMD) and the expertise to produce or deliver them; trafficking in persons and narcotics; and the spread of HIV/AIDS, tuberculosis, and other infectious diseases. Most of the Eurasian states have provided critical assistance in the Global War on Terrorism, including basing and overflight rights that have been key to our ability to carry out military action in Afghanistan. Several are also providing troops or other assistance in Iraq and Afghanistan.

U.S. interests in the region will be protected most effectively when the Eurasian states complete their transition to democratic governance and market-based economies. However, progress along that path has been uneven. U.S. assistance therefore remains an invaluable tool for achieving U.S. foreign policy goals. FSA-funded programs support emerging democratic organizations and market-based reforms creating broad economic opportunities. FSA assistance has helped develop civil society in Eurasia through support for non-governmental organizations, political parties, and the independent media. FSA-funded economic reform and business development programs have supported the growth of micro, small, and medium-sized private enterprises throughout the region, and helped governments improve their investment regimes. FSA funds have also been used to capitalize enterprise funds, innovative assistance mechanisms that operate much like venture capital funds. FSA programs increase the scope of economic opportunity and promote social stability through support for basic and higher education, improved health care, narcotics demand reduction programs, and exchange programs that enable students and professionals to learn how a market-based democracy works in the United States. Complemented by assistance from other donors, FSA programs are helping countries and societies to build effective strategies to address the threat of HIV/AIDS and other infectious diseases.

FSA-funded assistance also combats transnational threats such as the proliferation of WMD and related technology, drug trafficking, organized crime, and trafficking in persons. FSA-funded border security programs strengthen borders across Central Asia and the Caucasus, including along the Tajik-Afghan border. FSA-funded assistance also facilitates the destruction and removal of Russian weapons and ammunition from Georgia and the Transnistria region of Moldova. In addition, FSA-funded joint research collaborations have achieved promising results in the areas of public health and agricultural research, while successfully redirecting the biological weapons expertise of former Soviet weapons scientists to peaceful, productive pursuits. FSA-funded efforts complement the WMD scientist redirection programs funded

through the Nonproliferation of WMD Expertise subaccount within the Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR) account.

The Office of the Coordinator of U.S. Assistance to Europe and Eurasia continues to monitor the interagency-agreed process to define progress towards reaching reform benchmarks in democratic, economic, and social reform, with the purpose of phasing out FSA assistance in particular sectors by agreed-upon target dates. FSA regional funds support region-wide assessments, and analytical studies by Freedom House, that inform our phase-out benchmarks. In addition, the Coordinator's Office monitors reform indicators collected by the European Bank for Reconstruction and Development (EBRD), the United Nations Development Program (UNDP), and Transparency International, among others. Beginning in FY 2005, FSA regional funds have covered the U.S. contribution to the Organization for Security and Cooperation in Europe (OSCE) in support of OSCE Field Missions in Eurasia and related costs.

FSA resources are allocated based on two principles: first, balance between programs that address immediate threats and programs that promote lasting, generational change; and second, selective engagement based on willingness to reform and on performance in actual implementation.

FY 2007 FREEDOM Support Act assistance has the following objectives:

- To strengthen democracy by supporting open and transparent political processes, rule of law, and checks on executive authority, including independent and capable legislative and judicial branches, robust and effective civil society organizations, and sustainable independent media;
- To make economies more competitive and open them up to trade and investment by supporting responsible macroeconomic policies, good financial sector regulation, and a consistent, non-politicized approach to commercial disputes, and broad distribution of economic growth;
- To broaden economic opportunity by bolstering private enterprise, especially small business, through training and increased availability of credit;
- To enhance capabilities to fight illicit trafficking in persons, narcotics and WMD;
- To mitigate the risk of failed states by attacking the underlying economic and political causes of instability, and by supporting efforts to resolve regional conflicts;
- To improve the health of Eurasian populations, with a particular focus on primary care and infectious diseases, such as tuberculosis and HIV/AIDS; and
- To provide former Soviet weapons scientists with alternative, peaceful civilian research opportunities.

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

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
Europe and Eurasia			
Armenia	74,400	74,250	50,000
Azerbaijan	37,755	34,650	28,000
Belarus	6,896	11,880	10,000
Belarus SUP	5,000	-	-
Georgia	86,000	66,330	58,000
Moldova	17,350	17,820	16,000
Russia	85,000	79,200	58,000
Ukraine	78,600	83,160	85,000
Ukraine SUP	60,000	-	-
OSCE Regional	12,901	11,880	12,000
Regional FSA	30,289	31,957	29,430
Subtotal - Europe and Eurasia	494,191	411,127	346,430
South and Central Asia			
Kazakhstan	26,690	24,750	19,000
Kyrgyz Republic	35,126	24,750	32,000
Tajikistan	24,513	23,760	22,000
Turkmenistan	6,505	4,950	5,000
Uzbekistan	31,495	17,820	15,000
Central Asia Regional	2,000	1,703	1,570
Subtotal - South and Central Asia	126,329	97,733	94,570
Global			
Northern Caucasus SUP	5,000	-	-
Subtotal - Global	5,000	-	-
Total	625,520	508,860	441,000

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INDEPENDENT AGENCIES

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

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Peace Corps

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
Peace Corps	317,440	319,880	336,700

The Peace Corps provides practical assistance to developing countries by sharing America's most precious resource--its people. The close interaction between Peace Corps Volunteers and local communities has allowed the Peace Corps to establish an admirable record of service that is recognized around the world. As the agency approaches its 45th anniversary, Peace Corps Volunteers are recognized as instruments of progress helping people who want to build a better life for themselves, their children, and their communities. Today, in more than 70 countries, Peace Corps Volunteers continue to bring a spirit of hope and optimism to the struggle for progress and human dignity. Since 1961, more than 182,000 Americans have served as Peace Corps Volunteers in 138 countries.

While times have changed since the Peace Corps' founding in 1961, the agency's mission -- to promote world peace and friendship -- has not. The three core goals of the Peace Corps are as relevant today as they were 45 years ago:

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

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

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

Volunteer safety remains the top priority of the Peace Corps. Because health and safety risks are inevitably an inherent part of Volunteer service, the Peace Corps staff and Volunteers work together to create a framework that safeguards their well-being to the greatest extent possible, enabling them to carry out the Peace Corps' mission. The Peace Corps takes responsibility for ensuring that safety and security issues are fully integrated in all aspects of Volunteer recruitment, training, and service and that the Peace Corps' safety and security policies and training curricula are adjusted as situations change. Volunteers do their important part by taking personal responsibility for their behavior at all times and assimilating successfully into their host communities. Volunteers can also reduce risks by following recommendations for locally appropriate behavior, exercising sound judgment, and abiding by the Peace Corps' policies and procedures.

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

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

Responding to Humanitarian Crises and Natural Disasters – Through the President’s Emergency Plan for AIDS Relief, Peace Corps Volunteers continue to meet the challenges of this global pandemic working both formally and informally, in 9 of the 15 focus countries. They are enhancing programming and in-country HIV/AIDS training, supplying Crisis Corps Volunteers (former Volunteers who return to the field on a short-term basis), and making small grants available for community initiated projects. Additionally, Crisis Corps Volunteers are assisting with disaster recovery in Sri Lanka and Thailand, following the devastating tsunami, and for the first time ever Crisis Corps Volunteers were deployed domestically to address critical needs in the Gulf Coast states in the wake of Hurricanes Katrina and Rita. More and more, Peace Corps Volunteers are finding ways to meet humanitarian challenges and, thereby, spreading American compassion abroad.

Preparing America’s Work Force with Overseas Experience - Peace Corps training and service provide skills that are increasingly important to America’s participation in the international economy. Volunteers worldwide learn more than 250 languages and dialects, and they receive extensive cross-cultural training that enables them to function effectively at a professional level in different cultural settings. Returned Volunteers often use these skills and experiences to enhance careers and make contributions to our society in virtually every sector -- Congress, the Executive branch, the Foreign Service, education, business, finance, industry, trade, health care, and social services.

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

Contributing to America’s Legacy of Service - Encouraging service and volunteerism among the American people is part of a long tradition in the United States and of this Administration. Over 100,000 people contact the Peace Corps each year seeking information about serving as a Volunteer. When Volunteers complete their overseas service, many continue their commitment to volunteerism by offering their time and skills to community volunteer programs across the country.

Inter-American Foundation

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
IAF	17,856	19,305	19,268

The Inter-American Foundation (IAF) undertakes development initiatives in Latin America and the Caribbean that have a direct impact on the lives of people at the lowest economic levels and that support the President's priorities in the region. The IAF supports programs that promote entrepreneurship, self-reliance, and democratic self-governance as a way to foster economic progress for the poor. By working with people at the community level, the IAF helps such communities develop democratic practices, including strengthening citizen participation and oversight of local governments.

In FY 2007, the IAF will continue to focus its resources on building partnerships among grassroots organizations, NGOs, local governments and private enterprises to foster development and democracy at the local level. This strategy also promotes social investment in Latin America and the Caribbean by the U.S. and local private business sectors to improve the quality of life of the poor in the region.

The IAF will create Opportunity Zones, one of President Bush's key proposals at the recent Summit of the Americas in Argentina. The Opportunity Zones program is based on the successful U.S. domestic initiative encouraging a combination of business ownership, local investment and civic partnerships to bring people out of poverty in targeted areas. Several foreign governments have expressed interest in collaborating with the IAF on this initiative.

The IAF will continue to perform a leading role in efforts to channel some of the vast amounts of remittances that immigrants send home each year into development activities and will seek the partnership of other major donors in a coordinated venture, an area in which it was a pioneer. In particular, the IAF will work with migrant organizations in the U.S. and Canada to target their remittances toward development projects in their countries of origin.

In FY 2007, the IAF will continue to expand its innovative program involving a partnership with an expanding network of 54 Latin American corporations and corporate foundations. Participating corporate partners share criteria for funding and a results measurement system based on IAF's experience with grassroots development, and exceed IAF contributions by a ratio of 2:1 to support local development initiatives.

The IAF will continue to support the economic development initiatives of indigenous peoples, as well as African-descendant communities, which comprise half the population living below the poverty line in Latin America and the Caribbean. As an active member of the Inter-Agency Consultation on Race in Latin America, the IAF, in conjunction with the government of the United Kingdom, the Inter-American Development Bank, and the World Bank, will promote the inclusion of indigenous and African descendants in poverty reduction strategies by countries and donor agencies.

The IAF will support the expansion of community foundation activities in Mexico, particularly on the U.S.-Mexico border, through both monetary and non-monetary transfers (such as technical assistance) to promote endowment challenge grants and other forms of cross border philanthropy. The IAF will foster the networking of these foundations to promote shared commitments to grassroots development and shared practices and evaluation criteria.

African Development Foundation

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
ADF	18,848	22,770	22,726

The African Development Foundation (ADF) plays a unique role within the U.S. Government's foreign assistance programs. ADF is the only USG agency that awards development assistance directly to African small enterprises and non-governmental organizations (NGOs).

ADF's efforts complement other forms of United States assistance to Africa by providing small enterprises in Africa's poorest communities with the resources they need to generate new jobs and deliver significant increases in income to employees and to low-income families. The Foundation's programs support U.S. national interests in Africa by promoting economic growth, advancing opportunities for new international trade and investment, and strengthening the relationship between the United States and the people of Africa.

ADF's FY 2007 request focuses on:

- Promoting small enterprise development in Africa's poorest communities, and
- Helping small businesses and farming groups increase their exports to regional and global markets.
- Leveraging matching contributions from African governments and private corporations, which will double the impact of appropriated funds.

The Foundation has extensive experience in helping African small businesses improve their productivity and profitability. ADF's FY 2007 funding will allow the Foundation to provide African small businesses with essential capital, technology, and technical assistance to improve their productivity and to enhance their access to regional and international market opportunities.

Millennium Challenge Corporation

(\$ in thousands)

Account	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
MCA	1,488,000	1,752,300	3,000,000

The Millennium Challenge Corporation (MCC), now beginning its third year, has set the stage for significant progress this year toward the goal of increasing economic growth and reducing poverty in developing countries that govern justly, invest in their people and encourage economic freedom. There is strong and increasing demand for MCC funding, as countries respond to the incentives created by the MCC process by implementing reforms and setting development priorities. MCC has hired and trained staff to increase the speed of negotiations with partner-nations, monitor program results, and ensure fiscal accountability. MCC funds are beginning to flow to the first compact countries. Fully funding the President's FY 2007 budget request will be critical to continuing this progress in 2006 and beyond.

The MCC takes an investment-oriented approach to development, an approach that is already demonstrating results in the actions of partner countries:

- In the first tranche of MCC compact countries, the MCC process itself is proving to be very important, in addition to results of the product. For example, by involving local and grassroots leaders early on in the application process, national leaders have set the stage for success by ensuring broad partnerships in implementation.
- Political will is important for long-term sustainable poverty-reduction, and MCC funding creates incentives for countries to make policy reforms. MCC partner countries are working to meet rigorous guidelines to ensure that aid will not be misapplied or fall victim to corruption *before* dollars are allocated from MCC accounts.
- MCC compacts and follow-on agreements quantify results wherever feasible, so that U.S. taxpayers and the partner countries both know exactly what our investment is attempting to achieve.

Millennium Challenge Compacts Signed to Date		
Country	Value	Brief Description of Compact
Cape Verde	\$110 million	Increases incomes by improving the investment climate, reforming the financial sector, and increasing agricultural productivity.
Georgia	\$295 million	Assists the poor by reducing transportation costs, facilitating access to capital, and improving access to heat and electricity.
Honduras	\$215 million	Reduces poverty by increasing agricultural productivity and lowering transportation costs between national, regional and global markets.
Madagascar	\$110 million	Raises agricultural incomes by protecting property rights, expanding credit, and employing advanced farming techniques.
Nicaragua	\$175 million	Spurs economic growth by strengthening property rights, reducing transportation costs, and increasing farm wages.

The year just concluded has been marked by significant achievements. MCC completed and signed compacts with five partner-nations: Madagascar, Honduras, Cape Verde, Nicaragua, and Georgia. MCC has committed nearly \$1 billion to these nations to help them reduce poverty through economic growth.

MCC is engaged in various stages of the compact development process with twelve additional nations, and six new countries were selected to be eligible for compact status in November of 2006.

In the current fiscal year MCC is on track to finalize at least six more compacts which, when completed, will represent MCC funding commitments of up to \$1.7 billion, almost twice the level committed in FY 2005. In FY 2007, MCC expects to sign up to 10 new compacts, comprising commitments of more than \$3 billion. As a result, MCC will have total commitments approaching \$6 billion with up to 21 countries by the end of FY 2007. Disbursements will also increase significantly in FY 2006 and FY 2007 as the first tranche of signed compacts move beyond the initial stages of implementation.

MCC has built its organizational capacity in staff, policies, procedures, and lessons learned, to help eligible nations move more quickly through the compact development process. MCC conducted a major reorganization in the first quarter of FY 2006, and is moving to fully staff the agency by the end of the current fiscal year, increasing to the planned capacity of almost 300 from the current staffing level of approximately 160.

Millennium Challenge Account Eligible Countries

Total (23)

Low Income	
<i>Africa</i>	<i>Eurasia</i>
Benin	Armenia
Burkina Faso ²	East Timor ²
The Gambia ¹	Georgia
Ghana	Mongolia
Lesotho	Sri Lanka
Madagascar	Vanuatu
Mali	
Morocco	<i>Latin America</i>
Mozambique	Bolivia
Senegal	Honduras
Tanzania ^{1 2}	Nicaragua
Lower-Middle Income	
<i>Africa</i>	<i>Latin America</i>
Cape Verde	El Salvador
Namibia	

Threshold Program Eligible Countries

Total (15)

Low Income		
<i>Africa</i>	<i>Eurasia</i>	<i>Latin America</i>
Kenya	Albania ³	Guyana
Malawi	Indonesia ¹	Paraguay
Sao Tome and Principe	Kyrgyz Republic ¹	
Uganda	Moldova ¹	
Zambia	Philippines	
	Ukraine ¹	
	Yemen ³	
Lower-Middle Income - Jordan ¹		

¹Newly selected for FY 2006

²Moved from Threshold Program to Eligible in FY 2006

³Not selected for FY 2006

Because of the robust demand of the 23 currently eligible countries, the FY 2007 request for MCC is critical to its success. The FY 2007 request of \$3 billion reflects how much MCC needs to support its future anticipated compacts, the threshold program, and administrative expenses. At funding levels lower than \$3 billion, MCC will likely need to delay negotiating compacts with some eligible countries to ensure that compacts are large enough to have a transformational impact. For example, MCC appropriations through FY 2006 totaled \$4.2 billion, but MCC has already approved eight compacts worth \$1.5 billion, is considering 10 additional compacts worth over \$3 billion, and is awaiting six countries to submit proposals.

There is still a lot of work to be done, and the MCC is applying the lessons learned from the past two years to its ongoing work:

- MCC is investing more time and money up front to help eligible countries develop successful compact proposals and needed management and financial accountability capacity.

- Through its Threshold program and other outreach efforts, MCC is helping countries meet the governance, economic, and social investment criteria for compact eligibility.
- Building on the clean audit it received for FY 2005, MCC is continuing to develop and refine its internal management procedures to increase efficiency and ensure accountability for taxpayer funds.

More than half of the world's population is struggling to survive on less than \$2 a day. As developing nations take steps to qualify for MCC compact status, it is vital that the Congress show its commitment to their efforts by providing the necessary funds to invest in multiyear projects in areas such as agriculture, private sector development, and infrastructure. This support will allow MCC to help these nations lift themselves from the cycle of poverty, famine, corruption, and emergency aid requests – a cycle that has proven all-too-familiar for decades.

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