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Algeria
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	722	850	750
P.L. 480 Title II	931	-	-

Engagement with a stable, secure, and democratizing Algeria is important to U.S. national interests. Algeria shares an 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 Algerian 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. 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 goal of securing stability in the Mediterranean, interest in cooperation with the United States and Europe is on the rise. Training in FY 2006 will include 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.

Finally, Algeria is eligible in FY 2006 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of EDA will assist Algeria in modernizing its armed forces.

Bahrain
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	24,682	18,848	19,000
IMET	568	650	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 more than 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, support operations in Iraq, and 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. Bahrain continues to provide important political and military support for U.S. operations in Iraq and Afghanistan.

The Government of Bahrain (GOB) 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 the war on terrorism. Bahrain deployed naval assets in support of OEF and also deployed ground, air, and naval assets to Kuwait in support of OIF. Bahrain 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 all financial institutions, including Islamic banks to prevent illicit terror financing. In November 2004, Bahrain hosted the founding meeting of the Middle East/North Africa Financial Action Task Force, which will promote regional adoption of international banking standards to curtail money laundering and terrorist financing. U.S. political and military support and cooperation also help encourage the significant ongoing political and economic reforms fostered by the Government of Bahrain. 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 were not only eligible to vote but also ran as candidates for national office in those elections -- a first for any Gulf Cooperation Council member state. In September 2004, the U.S. and Bahrain signed a Free Trade Agreement, an achievement reflecting Bahrain's significant strides on economic reform. The State Department is working with Bahrain to improve counter-terrorism cooperation and to ensure that the GOB continues its progress forward on political reform.

Bahrain's Foreign Military Financing (FMF) and International Military Education and Training (IMET) security assistance programs support the U.S. national interest in maintaining stability in the Gulf. Prior year FMF was used to upgrade weapons systems, further develop a truly integrated air defense network, and enable an expansion of littoral waters maritime interdiction operations. In FY 2006, FMF will continue to support the development of an integrated air defense network, the acquisition of radars, sustainment of U.S.-origin equipment, and support for Bahrain's F-16 fleet. FY 2006 IMET 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, U.S.-based courses will provide instruction in the democratic principles of civilian control of the military and help to encourage the political reforms 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 prerequisite 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 2006 to receive U.S. Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act. The transfer of EDA will assist in maintaining military mobility and readiness.

Egypt
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	571,608	530,720	495,000
FMF	1,292,330	1,289,600	1,300,000
IMET	1,369	1,200	1,200
P.L. 480 Title II	2,345	-	-

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's already-crucial role in Middle East peace efforts will be enhanced by its role in Israeli disengagement from Gaza. Egypt's extensive logistics support during the war in Iraq was critical to U.S. success and its post-war efforts to reintegrate Iraq into the Arab and world community are equally important. 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 2006 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 \$1.2 million requested in FY 2006 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 2006, Egypt is eligible to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act, which enables Egypt to procure critically needed U.S. equipment and spare parts for its existing U.S.-origin inventory.

FY 2006 Economic Support Funds (ESF) will be targeted to ensure further political, economic, and educational reform in Egypt, in line with the conclusions in the State/USAID review of the USAID Egypt program and the goals and objectives of the Middle East Partnership Initiative (MEPI). Significant resources will be devoted to democracy and governance projects that open the public space for debate, support civil society institutions, and promote respect for the rule of law, particularly through direct grants to non-governmental organizations (NGOs) for such activities. In education, programs will promote decentralization of Egypt's education system and integration of 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.

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 2006 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 will focus primarily on financial sector reform, including bank privatization, as proposed in the State/USAID program review and agreed upon with the Government of Egypt. As much as \$200 million in FY 2006 ESF will be used for the Commodity Import Program that provides hard currency for the Egyptian private sector to import U.S. goods. ESF funds also will be used for technical assistance to improve the business and investment climates, increase agricultural productivity, and improve health care.

Iraq
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	-	-	360,000
IMET	-	-	700
INCLE	-	-	26,474
IRRF-SUP	18,439,000	-	-
NADR-ATA	-	-	10,000
NADR-EXBS	-	-	1,000
NADR-HD	-	-	16,000
NADR-TIP	500	-	-

Ensuring that Iraq becomes a stable, united, prosperous, and democratic state will remain a national security priority in FY 2006, critical to regional stability and the spread of democracy. U.S. assistance, in coordination with the Iraqi Government and Coalition partners, will continue to focus on three interlocking objectives: (1) improved security, with the increasing ability of the Iraqis to assume responsibility for its internal and external security; (2) development of democratic governance; and (3) reconstruction, including economic development. The FY 2006 budget will sustain the successes in these areas that were supported with previous supplemental funding.

While security will continue to be at the forefront of USG efforts, support for Iraq's democratic and economic institutions is also critical. FY 2006 ESF is requested to continue capacity-building efforts for these institutions at the local, provincial, regional, and national levels. Programs in national governance will strengthen the management, transparency and accountability of national government institutions. In addition, support will be provided both to strengthen the first post-transitional national governance institutions and to increase Iraqi appreciation for democratic principles, values, and processes. Civil society programs will maintain the development of community associations and local engagement in the democratic decision making process as a bulwark against government re-centralization, particularly in the areas of human rights, women's political participation, anti-corruption, and continued development of free, professional, and independent media. Finally, programs will continue that institutionalize democratic political activities. Also ongoing will be activities that fill critical gaps in overall U. S. Government assistance to Iraq and support USG and Iraqi Government needs, including support of activities to reduce tension in areas prone to or experiencing conflict.

Sustained economic growth, development and job creation depend upon improvement in Iraq's economic policy, legal/regulatory and institutional framework, and development of the private sector. FY 2006 ESF will be used to continue and elaborate economic governance and private sector development programs. USAID will develop new lines of training and enhance existing employment centers as well as considering new target groups for interventions in both areas. The range and scope of activities under the existing economic governance and private sector development will increase, and work will continue in the areas legal, fiscal, institutional and regulatory framework and functions to develop the private sector. Funds will also continue USAID's agricultural development and water resources management program.

The FY 2006 budget also supports the State Department's efforts to facilitate the return and reintegration of Iraqi refugees and internally displaced persons (IDPs). In FY 2006, approximately 200,000 Iraqis are estimated to return to Iraq. Migration and Refugee Assistance (MRA) will assist returning Iraqis as well as strengthen the Iraqi Ministry of Displacement and Migration to ensure the Iraq government has the capacity to respond to refugee and IDP needs.

The establishment of a professional, capable police force of 135,000 is an integral component of the national security strategy in Iraq. FY 2005 supplemental funding is being requested to train, equip, and mentor this police force. The FY 2006 International Narcotics Control and Law Enforcement funding request will continue to be focused on key police, justice, and prisons programs through the provision of bilateral technical assistance and support to the Ministries of Interior and Justice. Up to five senior advisors, one to each of the Iraq Criminal Justice System's (ICJS) components -- police, border enforcement, prosecutors, courts and prisons -- will be assigned to assist ongoing Iraqi reform and development of these institutions. In addition to mentoring senior Iraqi leadership, advanced and specialized training programs will enhance the overall organizational management skills of all ICJS components. Police, legal, judicial and correctional advisors and trainers will be deployed to provide assistance and instruction. A small support capability will be maintained in country to provide logistics, transportation and security support for advisors and trainers deployed to Iraq.

The establishment of Iraqi armed forces capable of providing internal and external security is critical to stabilizing Iraq and is a prerequisite for U.S. troop withdrawal. FY 2005 supplemental funding will support training, equipment and infrastructure requirements for Iraqi Security Forces (ISF) through FY 2006. FY 2006 International Military Education and Training (IMET) program will increase awareness of international human rights norms, foster respect for the principle of civilian control of the military and the rule of law, and provide Iraqi military officers with necessary technical skills. A large portion of Iraq's IMET funds will be used to provide English-language training, in order to increase the English speaking pool of students who may then be eligible in the future to receive professional and technical military education within the United States. Iraq will also be eligible in FY 2006 to receive U.S. Excess Defense Articles (EDA) under section 516 of the Foreign Assistance Act, which supports sustainment of critically needed equipment, provides spare parts, and promotes interoperability with U.S. and Coalition Forces.

U.S. Commanders in Iraq are responsible for efforts to train and equip Iraq Security Forces, including both military and police units, so that these forces can operate more independently and with less reliance on coalition forces. The majority of funds necessary to accomplish this task thus are being requested through the Department of Defense portion of the FY 2005 Supplemental to provide the necessary flexibility to U.S. Commanders who are in charge of this effort and to enable a flexible response to changing conditions. Funding will be used to train and equip all security forces (both police and military), provide increased counterinsurgency capability for these forces, and assist Iraq in the building of infrastructure so that the Iraq government can begin to train and equip its own security forces.

FY 2006 Non-proliferation, Anti-terrorism, Demining, and Related Programs/Anti-Terrorism Assistance (NADR/ATA) is requested to continue the development of effective civilian antiterrorism organizations in Iraq by supporting the training and equipping of a counterterrorism emergency response unit as well as a comprehensive country assistance plan for the new government.

FY 2006 NADR/Export Control and Related Border Security Assistance (NADR/EXBS) is requested to fund a cooperative program in Iraq focused on improving legal and regulatory, enforcement, and licensing procedures and capabilities. This is part of our efforts to prevent the proliferation of weapons of mass destruction, their delivery systems, and related technologies, and other weapons.

FY 2006 NADR/Humanitarian Demining (NADR/HD) is requested to support national level program management, regional coordination in the center and south, operational support for Iraqi deminers, and support for international NGOs' mine action efforts. Iraq is one of the most mine and unexploded ordnance (UXO) contaminated countries in the world.

Israel
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	477,168	357,120	240,000
FMF	2,147,256	2,202,240	2,280,000

The United States has a strategic foreign policy 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. In FY 1999, Congress began a reduction of the economic assistance earmark in recognition of the progress Israel has made to date. The United States will continue to reduce ESF to Israel by \$120 million per year, eliminating it completely by FY 2008. Over the same period, Foreign Military Financing for Israel will be increased by \$60 million per year to a final annual level of \$2.4 billion.

Reducing Israel's isolation and enhancing its economic relationships in the region and the world 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 2006 Economic Support Funds (ESF) requested will further U.S. goals of supporting Israel's economic and political stability. 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 2006 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 of \$2.4 billion in FY 2008, as ESF is phased out. Israel also will be eligible in FY 2006 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 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	248,525	248,000	250,000
ESF-SUP	100,000	-	-
FMF	204,785	204,352	206,000
IMET	3,225	3,000	3,000
NADR-EXBS	730	860	1,000
NADR-HD	950	-	-
NADR-TIP	350	-	-
Peace Corps	1,268	1,464	1,616

Jordan shares borders with Israel, the West Bank, Syria, Iraq and Saudi Arabia. Jordan is a key strategic partner in facing four interconnected policy challenges in the Middle East - helping to build a unified, stable, prosperous Iraq; realizing a two-state solution to the Israeli-Palestinian conflict; defeating terrorists and their state sponsors; and supporting regional leaders calling for political, economic, judicial, and educational reform. Jordan's own leaders identify their strategic interests with success in these four areas and have provided bold leadership and tangible support. Jordan has actively supported Iraq's emerging democracy, to include facilitating the training of Iraqi security officials, as well as providing much-needed equipment to the Iraqi army and air force. Jordan has provided critical political support for Iraq in regional and international forums and has worked closely with the Interim Iraqi Government.

Jordan and Israel in October 2004 marked the 10-year anniversary of their peace treaty. Jordan is on the forefront of the war on terror, providing intelligence, diplomatic, military, and security cooperation with the United States and our allies in the region. Jordanian authorities in 2004 thwarted several Zarqawi-sponsored terrorist attacks on Jordanian territory, including a major plot in April which targeted the U.S. embassy and Jordanian facilities. Jordan continues to lead the way as a regional model for democracy, good governance, economic reform, and tolerance. In November 2004, Jordan unveiled the "Amman Message," a declaration which rejects religious extremism and terrorism and seeks to promote moderate Islam and dialogue. The Government of Jordan 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 Support Funds (ESF) for Jordan are used for USAID programs that focus 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 level of employment and 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. Foreign Military Financing (FMF) programs buttress Jordan's ability to maintain secure, peaceful borders with its neighbors and help Jordan's armed forces modernize and improve readiness and interoperability with the U.S. Jordan will use its \$206 million in FY 2006 FMF funds to shift its focus from force modernization to counter-terrorism and border security efforts. Programs such as the UH 60 BLACKHAWK and the C4ISR program will enhance Jordan's ability to monitor its borders and respond rapidly to any incident at anytime.

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. senior service schools, 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 2006 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 2006 NADR/EXBS funding will provide equipment to assist enforcement officials in their implementation of export control law and regulations.

Lebanon
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
DA	400	500	-
ESF	34,794	34,720	35,000
IMET	700	700	700
NADR-HD	900	2,300	1,000

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 forces and continued Syrian interference in Lebanese politics, and over \$35 billion in public debt.

The FY 2006 Economic Support Fund (ESF) request of \$35 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 on rebuilding the lives of rural Lebanese by targeting three key productive growth-oriented sectors that comprise 35% of Lebanon's GDP, namely Agro-Industry, Information and Computer Technology (ICT) and Tourism. The goal is to create jobs and increase full-time employment, increase agricultural exports and increase the number of tourists and Internet users. This will include helping Lebanon join the World Trade Organization (WTO) in order to encourage trade and investment, globalization, and broad-based reform.

Funding will also aim to change the behavior and thinking of the Lebanese towards the environment by advocating policy reform and demonstrating environmentally-sound and appropriate solutions to environmental problems at the national and local levels, including developing better waste management strategies and promoting water sector restructuring and efficient water management. Activities will capitalize on the initial success of and heightened demand for environmental conservation and health programs and will build on the achievements of the water policy program in water pricing policies and tariff strategies.

ESF funds also will 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.

International Military and Education Training (IMET) funding for FY 2006 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 2006 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.

Non-Proliferation, Anti-Terrorism, Demining and Related Programs (NADR) funds requested for FY 2006 humanitarian mine action (HMA) will fund completion of a Technical Survey of Lebanon's landmine threat, continue the implementation of the National Strategic Plan for HMA and move the country further along to achievement of a mine-safe status.

Libya
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
NADR-EXBS	-	-	1,000

U.S.-Libyan relations have experienced dramatic change since the Government of Libya (GOL) announced in December 2003 that it would give up its weapons of mass destruction (WMD) programs, cooperate with the U.S. and UK to dismantle those programs, and allow IAEA inspections of its nuclear facilities facilities and OPCW inspections of its CW facilities. Since that time, the U.S. response has been measured to correspond to steps taken by the GOL. As part of its engagement, the U.S. is providing limited nonproliferation assistance under the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) account to facilitate Libya's transition away from WMD programs and its role as a purveyor of illicit material.

In conjunction with its decision to dismantle its WMD programs, the Government of Libya explicitly and emphatically requested Western assistance in re-orienting its involved scientists to alternative employment activities that will use their expertise in civilian applications. A joint U.S.-UK redirection scoping study, funded by the United Kingdom, is underway in FY 2005. Preliminary estimates suggest there are likely 250 key personnel and 1,500 support personnel who will need some degree of help. The Nonproliferation and Disarmament Fund (NDF) approved \$500,000 for FY 2004 start up activities and \$2.5 million for FY 2005. Additional funding under the Nonproliferation of WMD Expertise program (NADR/NWMDE) for follow-up activities in FY 2006 is critical to accomplishing this important nonproliferation mission; funding is requested as part of the larger Nonproliferation of WMD Expertise Program request.

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 NADR Export Control and Related Border Security Assistance (EXBS) funds for a cooperative program in Libya. FY 2006 NADR/EXBS funding will position us to bring assistance to Libya to develop and implement an effective export control system if Libya is removed from the list of state sponsors of terrorism. FY 2006 NADR/EXBS funds will focus on improving Libya's legal/regulatory, licensing and enforcement procedures and capabilities.

Morocco
(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
DA	5,400	6,000	6,000
ESF	-	19,840	35,000
FMF	9,940	15,128	18,000
IMET	1,997	1,875	1,875
INCLE	-	2,992	2,000
NADR-TIP	350	-	-
Peace Corps	3,110	3,382	3,559

Morocco continues to be on the front lines in the global war against terrorism and a staunch regional ally. The May 16, 2003, terrorist attacks in Casablanca continue to resonate in the country and the Moroccan government is cognizant of the need to focus resources on addressing poverty as a contributing factor to discontent, and even terrorism. Morocco remains fully committed to its political and economic reform agenda and co-hosted with the United States in December 2004 the first meeting of the Forum for the Future aimed at creating an open, flexible dialogue between the countries of the Broader Middle East and North Africa (BMENA) and the G-8 on the subject of reform in the region. It is in the United States' interest that Morocco -- a moderate Arab state, whose leadership is committed to a democratic transformation -- succeed.

In 2004, the USAID Mission in Morocco developed a new multi-year strategic plan to address recent challenges including the war on terrorism and the imminent implementation of the Free Trade Agreement (FTA) that is fully consistent with the goals set out by the Middle East Partnership Initiative (MEPI). The State Department and USAID worked closely together to ensure that the \$6 million in Development Assistance (DA) and the \$35 million in Economic Support Funds (ESF) requested for Morocco in FY 2006 are aligned and targeted to support common policy and programmatic goals and build on successful efforts begun in FY 2005. These goals include education reform, economic growth, private sector development, and increased transparency and access to the political system. The increase in FY 2006 ESF reflects a renewed U.S. commitment to support and assist Morocco in its efforts to expand reforms and integrate more fully into the global economy.

Education programs, 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. In FY 2006, increased ESF will be used to build on groundwork laid in FY 2005 in order to develop training materials and train faculty, as well as improve schools, women's literacy programs and train middle school directors and school committees.

Economic programs will aim to improve life and generate economic opportunities in urban slums, enhance Morocco's capacity to provide basic needs and services, and ensure that the U.S.-Morocco Free Trade Agreement (FTA) does not create a new 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. In FY 2006, ESF-funded activities will shift focus from market research to an increased provision of technical assistance and training to selected outward-oriented industries to take advantage of previously identified market opportunities. Agricultural policy and economic policy and governance reform activities will expand in FY 2006 from their initial focus on FTA related issues to other areas such as land tenure and access to finance for small farmers and agribusinesses.

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 will supplement bilateral ESF in working on such projects as political party development, parliamentary strengthening, and media training. FY 2006 ESF will continue programs that aim to help the Moroccan Parliament shape policies and put into motion laws, norms, and standards that will set the environment for the national policy arena in the legislative branch of government. Funds will also support activities that seek to strengthen the capacity of public sector management and auditing in the executive branch, while also working to help ensure governance capacities based on democratic practices at the regional and local government levels.

FY 2006 International Narcotics and Law Enforcement (INCLE) funds will continue ongoing programs, which 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. INCLE-funded activities include training and technical assistance by U.S. Customs officials, assessing Morocco's automated fingerprint identification system, and providing law enforcement equipment and training. 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 foster positive police relations.

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). As equipment ages, the costs to ensure operational readiness continue to grow. FY 2006 FMF funds will support Moroccan efforts to sustain and maintain this U.S.-origin equipment, help Morocco meet growing security challenges posed by terrorism by enhancing its capacity to monitor and secure strategic chokepoints. The Straits of Gibraltar have 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 subsequent Casablanca and Madrid bombings--highlight the changing nature of the threat in the immediate area. The May 16, 2003 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 zone. Morocco is eligible in FY 2006 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 2006 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 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	24,850	19,840	20,000
IMET	825	1,100	1,100
NADR-EXBS	400	400	500

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 was 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.

FY 2006 Foreign Military Financing (FMF) funds will continue to 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 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 2006 FMF funding will provide for coast surveillance equipment, communications equipment, night vision devices, logistics management, and munitions.

International Military Education and Training (IMET) program also serves to enhance the U.S. military relationship with Oman. IMET-funded training provided to Oman covers a broad range of areas to include Professional Military Education (PME), English language, technical and logistics training, medical corps development, demining 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 2006 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Oman will use the EDA to improve its ability to monitor its borders, particularly near the vital Strait of Hormuz, and to improve interoperability with U.S. forces

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 2006 NADR EXBS funding is focused on improving legal/regulatory, enforcement and licensing procedures and capabilities.

Saudi Arabia

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IMET	24	25	25

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 its 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 2006 (\$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 2004 Actual	FY 2005 Estimate	FY 2006 Request
FMF	9,827	9,920	10,000
IMET	1,899	1,875	1,875

Tunisia is a strong U.S. ally in the Arab world. It is a leader in women's rights, economy, and education. Tunisia has consistently supported the United States on a wide variety of issues, and is a valuable partner in the global war on terrorism.

The FY 2006 request for Foreign Military Financing (FMF) and International Military Education and Training (IMET) will encourage continued Tunisian 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. Tunisia is threatened by terrorism and its ability to monitor its borders effectively has grown in importance. FMF funding will help give Tunisia the capacity to apprehend and defeat indigenous and transnational terrorist elements, increase border monitoring using a combination of air support assets and tactical ground surveillance and response capabilities, furthering Tunisia's value as an ally in the global war on terrorism. FMF funding will help Tunisia to address its military transformation program in addition to 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.

Seventy percent of the Tunisian military's equipment is U.S.-origin, aging, and cannot be maintained within Tunisia's current defense budgets. The Tunisian government wishes to transform its military to one that responds rapidly to terrorism as well as to one that is able to project peacekeepers when the UN or African Union requires. Tunisia currently maintains a significant portion of its peacekeepers in the Congo and in the past has sent peacekeepers to Haiti, Cambodia, Somalia, Kosovo, and Bosnia. FMF will assist in this ongoing effort by supporting the sustainment and maintenance requirements of critical aviation and maritime assets, tactical vehicles, border surveillance and communications equipment, as well as counterterrorism training and interdiction capabilities. In addition, Tunisia is eligible in FY 2006 to receive Excess Defense Articles (EDA) on a grant basis under section 516 of the Foreign Assistance Act (FAA). Transfer of EDA will assist Tunisia in modernizing its armed forces.

The FY 2006 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 and increase their familiarity with U.S. military practices, including legal and international/maritime law training. This training promotes the U.S. goals of regional stability and democracy by reinforcing the democratic principle of civilian control of the military and by increasing exposure of Tunisian military officers to U.S. standards and values. 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 continue through the Middle East Partnership Initiative (MEPI), while shifting the focus toward programs supporting political reform and promoting civil society. The Department of State has opened a MEPI program office in Tunisia, one of two in the region.

United Arab Emirates

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
NADR-EXBS	250	250	350

The United Arab Emirates (UAE) is the tourism, financial, transportation, trans-shipment, and trade center of the Gulf region, and is home to 20,000 American citizens. Thanks to careful management of its oil wealth and the free trade and open market policies promulgated by its leadership, the 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 2006 NADR/EXBS funding is focused on improving enforcement, and licensing procedures and capabilities.

The Department of State opened a Middle East Partnership Initiative (MEPI) office in Abu Dhabi in August 2004 to manage MEPI activities throughout the region. MEPI funds in UAE may be made available to provide technical assistance to support international Labor, Intellectual Property Rights, Agriculture, and Customs standards in adherence with MEPI's goal of encouraging free trade in the region.

West Bank/Gaza

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	74,558	74,400	150,000
P.L. 480 Title II	4,955	-	-

An increase in U.S. assistance to the West Bank and Gaza will contribute directly to a core U.S. foreign policy goal: advancing the Roadmap for Peace in the Middle East and the President's vision of two states living side-by-side in peace and security. Following the Palestinian Authority (PA) Presidential elections and in anticipation of continued progress on reforms, the United States seeks to foster institutions that will provide the foundation for a democratic government committed to peace. By supporting good governance and institution building, responding to humanitarian needs, helping the private sector, and developing infrastructure, U.S. engagement promotes stability and encourages Palestinian leadership committed to reform.

Economic Support Funds (ESF) significant programs in six areas: private sector development, water resources, democracy and governance, health, community services, and higher education. The requested increase for FY 2006 will focus on immediate humanitarian needs and longer term economic development, with specific attention to reconstruction of Gaza and revitalization of the Palestinian economy in the wake of Israel's withdrawal; necessary foundations for emerging democracy such as institution-building and civil society strengthening; and infrastructure development, especially water. In addition, \$41 million of the increase will replenish funding reprogrammed from the Gaza desalinization plant to provide immediate assistance to the Palestinian people in the post-election period.

U.S. assistance to the Palestinian people is fully supported by the Government of Israel, and is coordinated closely with other donors to ensure maximum impact and minimum overlap. The bulk of U.S. programs are carried out through contractors and NGOs. USAID maintains close accounting of all funds, and is confident in the fiscal accountability and transparency established by the Finance Ministry under Minister Fayyad. 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.

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 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	11,432	14,880	30,000
FMF	14,910	9,920	10,000
IMET	886	1,100	1,100
NADR-EXBS	470	525	500
NADR-HD	773	700	1,000
NADR-SALW	-	-	800
PKO-SUP	5,000	-	-

Yemen continues to be an essential U.S. partner in the global war on terrorism. While the U.S. and Yemen have made great progress in uprooting the al-Qaeda presence in the country, Yemen requires continued U.S. material support to be successful in its ongoing counterterrorism efforts. The Republic of Yemen Government (ROYG) has undertaken significant strides toward opening its multi-party political system to full public participation, including by women. Yemen is evolving into a multi-party democracy and is slowly taking necessary steps to move its economy away from oil dependence. U.S. assistance to Yemen is critical to ensure that these policies continue on track and serve as an example to other countries in the region.

The request to increase ESF funding in FY 2006 is critical to demonstrating U.S. Government (USG) commitment to assist the ROYG in poverty alleviation and economic transformation. Yemen is one of the world's poorest countries, and its pressing economic and development needs are a complicating factor in its struggle to root out terrorist elements. These needs are particularly compelling in Yemen's remote tribal areas, where the central government does not exert full day-to-day authority. USG development assistance will reinforce diplomatic, military, law enforcement, counter terrorism and intelligence cooperation by focusing on practical, visible, high and fast impact services in health, basic education, agriculture and democratic reform. In accordance with the ROYG's expressed priorities, assistance will focus on five remote, tribal and very poor governorates where the USG and the ROYG are seeking the support of the Yemeni tribes in the war on terrorism.

The Development Team at the U.S. Embassy in Sanaa, led by USAID/Yemen, will work closely with the ROYG to help develop a healthy and educated population with access to diverse economic opportunities. Assistance will focus on increasing income opportunities and food security in Yemen by assisting small farmers, especially women involved in agriculture, in remote rural areas to improve their ability to grow crops and raise animals, and to gain access to markets for their agricultural products. Support for activities in microfinance, small and medium business, cultural tourism, and custom and trade will also be undertaken, along with the necessary support to accede to the World Trade Organization.

In order to improve child and maternal health in Yemen, funds will support a number of activities, including training 700 health workers, renovating 81 health facilities, and providing three mobile health units to select governorates. In education, U.S. assistance will fund the renovation of 120 school in 2005 and 100 in 2006, as well as providing teacher training for 1,000 teachers in 2005 and 1,500 in 2006. Furthermore, USG assistance will promote democratic development in Yemen by supporting activities to strengthen Parliament, train party officials and local councils, improve electoral participation and processes, support conflict resolution, and strengthen the capacity of NGOs and community based organizations in Yemen. The USG will also continue to support the ROYG's fiscal decentralization efforts.

The ROYG has been invited by the Millennium Challenge Corporation (MCC) to submit a Concept Paper for the Millennium Challenge Account Threshold Program (MCA-TP). If Yemen is accepted as an MCA-TP country, the U.S. Mission (particularly USAID/Yemen) will play a key role in supporting the implementation of the MCA-TP activities. Any funding received will be used to target corruption and rule of law issues in Yemen and will not duplicate the efforts of ongoing assistance programs. The ultimate goal is for Yemen to qualify for an MCA compact in 2007.

The Foreign Military Financing (FMF) and International Military Education and Training (IMET) funds requested in for FY 2006 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 training 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 Global War on Terror.

FY 2006 FMF will support essential military training, sustainment, and maintenance of existing U.S. furnished military equipment and support for the Yemeni Coast Guard. This will assist the ROYG to control its long, rugged borders and littoral waters in an effort to stem the flow of terrorists and weapons into and through its nation. Funds will be used to provide patrol boats, communications equipment, training, maintenance of port facilities and vehicle fleets, repair parts for vehicles and aircraft, and support for Yemen's National Counter Terrorist Coordination Center.

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. practices, 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.

Yemen is eligible in FY 2006 to receive Excess Defense Articles (EDA) on a grant basis under Section 516 of the Foreign Assistance Act. Transfer of grant EDA to Yemen will be used 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, programs in Yemen funded by the Non-Proliferation, Anti-Terrorism, Demining and Related Programs (NADR) account are progressing at an excellent rate. In addition to supporting an on-going demining effort, NADR funding supports export control and related border security assistance efforts and small arms and light weapons programs.

Requested support for humanitarian demining will help Yemen achieve a mine safe status in two ways. First, the National Mine Action Center will be able to implement the Humanitarian Mine Action Strategic Plan it developed with previous U.S. assistance. Second, Yemeni deminers, trained by U.S. Special Forces, will be able to complete clearing the remainder of the mine affected areas that adversely affect the country's economy.

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 2006 NADR funding will focus on improving enforcement and licensing procedures and capabilities.

The Yemeni government's efforts to curb the cross-border trade in small arms and light weapons (SALW) are bolstered by the 2002 resolution of the border dispute with Saudi Arabia. Cooperation is improving between the two governments on counterterrorism operations and on interdicting border smuggling. The NADR-SALW funding request for FY 2006 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 training and equipping Yemeni forces to deter cross-border and internal arms smuggling.

Middle East Multilaterals

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	-	1,984	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 2006, 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 2006 funding also 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 2006 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 2006 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 2006 funds may also be used, as resources allow, to 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 four 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 a competitive grants program for Israeli-Arab cooperation, is complementary to the Multilaterals program.

Middle East Partnership Initiative

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	89,469	74,400	120,000

Reform and progress towards democracy in the Middle East are of strategic, long-term importance to the national security interests of the United States. As the President emphasized at the Sea Island Summit on June 10, 2004, “across the Middle East consensus is emerging on the need for change [and] we have an obligation to support [the region] in their search for a freer, more prosperous future.” By promoting democratic change and freedom throughout the region, the Middle East Partnership Initiative (MEPI) will be a critical element in efforts to combat extremism and to address the root causes of terrorism. MEPI also 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.

In FY 2006, MEPI will continue to implement the President’s “forward strategy for freedom” in the Middle East by ensuring U.S. diplomatic and reform efforts in the region align. MEPI is the Administration’s principal inter-agency vehicle for supporting economic, political, and educational reform efforts in the Middle East and championing opportunity for all people of the region, especially women and youth. This budget request supports this Presidential Initiative at a funding level sufficient to ensure meaningful U.S. support and commitment for the continuing regional transformation process.

The \$120 million request for MEPI in FY 2006 will reflect the ongoing joint State/USAID review of assistance programs in the region. In FY 2006, MEPI will be at an advanced stage of implementing projects to support grassroots networks and organizations in almost every country in the region. MEPI is rapidly building the technical capacity of networks and allowing them to take effective ownership in advocacy and sustainability of reform.

Many of MEPI’s programs will take advantage of opportunities in new countries and the political space that MEPI has created to expand programs to new areas of reform, including youth. For example, MEPI’s Partnership School Program plans to work with additional countries to assist with indigenous education reform, including curriculum modernization, training of educators and the use of technology in the classroom. MEPI also will work directly with local organizations, institutions and coalitions to lead regional reform efforts related to rule of law, electoral reform, anti-corruption and transparency, strengthening independent judiciaries and the role of civil society. Programs will include a focus on enhancing the role of youth in the reform process, specifically among young boys. The Middle East Foundation should be established and ready for a substantial funding increase. MEPI funding has been critical to the success of Free Trade Agreement (FTA) negotiations under the Middle East Free Trade Area (MEFTA) and as the Administration identifies the next series of FTA candidates, MEPI economic pillar funding will help meet the President’s goal of completing MEFTA by 2013.

MEPI funds will support some of the specific program initiatives announced as part the G-8 “Broader Middle East and North Africa “ (BMENA) Initiative, which represents a new chapter of the Administration’s efforts to support those indigenous voices calling for reform. BMENA initiatives, such as regional entrepreneurial training centers, civil society and democracy initiatives, and a regional education portal may be supported in a manner consistent with MEPI’s mission through this request.

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.

- *Economic Reform (\$30 million)* - These funds will focus on region-wide economic and employment growth driven by private sector expansion and entrepreneurship. Within the economic pillar, MEPI is concentrating in three key goal areas: trade, investment, and business development. Programs will include technical support for the MEFTA, the Partnership for Financial Excellence, and Executive and Managerial Business Training Seminars. MEFTA technical assistance funding has been critical to the successful completion of FTAs with Bahrain and Morocco. MEPI will continue to support the MEFTA through trade capacity building, business development, and the facilitation of compliance and enforcement. This will help the region develop business opportunities that create jobs.
- *Political Reform (\$45 million)* - MEPI funding will expand the public space where democratic voices can be heard in the political process, the people have a choice in governance, and there is respect for the rule of law. Within the political pillar, MEPI focuses on four principal areas: democracy and civil society, judicial reform, good governance, and media. Programs will include Technical Election Assistance and Monitoring, Political Party Development, Civil Society Support, Judicial Reform and Media Independence and Training. MEPI plans to establish a *Middle East Foundation (MEF)* under its political pillar in FY 2005 that will serve and support MEPI programs and goals across all four pillars, especially at the local/ community levels. MEPI's FY2006 budget request includes \$25 million for fully funding the MEF and its activities. The Foundation will function as a vehicle for issuing grants from both private and public institutions, managing programs, establishing networks among reformers and coordinating and complementing ongoing and planned MEPI activities. In particular, the foundation's grants will encourage community development initiatives and support, local institutions, local governance, and growth of small grassroots organizations.
- *Education Reform (\$30 million)* - Assistance will help create education systems that enable all people, especially women and girls, to acquire the knowledge and skills necessary to compete in today's global economy and to improve the quality of their lives and that of their families. Within the education pillar, MEPI is concentrating in three goal areas: access to education, quality of education, and skills development. MEPI's programs are focused largely, but not exclusively, on primary and secondary education, and are responsive to priorities identified by regional governments. Through the Partnership Schools Program, MEPI will partner with regional governments to transform education by improving the quality of teacher training and performance; building the capacity of administrators (management and training); effectively using technology in education; increasing community participation and private sector support; and improving standards and assessment. MEPI is also supporting the development and distribution of classroom libraries -- Arabic texts of American titles -- for primary school children, exposing them to critical thinking and independent reading. MEPI's work with the Jordan Education Initiative, developing English-as-a-Foreign Language and Civic Education curricula has the promise of application elsewhere in the region, including in conjunction with MEPI's Partnership Schools Program. MEPI's University Partnerships will continue to provide capacity building for regional institutions; its Student Leaders program will develop future leaders inclined toward civic engagement, democracy, and the entrepreneurial spirit.
- *Women's & Girls' Empowerment (\$15 million)* - While all MEPI programs strongly emphasize the role of women and girls, MEPI will dedicate funding for projects specifically to empower women and girls, cutting across the other three reform areas. The MEPI women's empowerment pillar strives to reduce barriers - cultural, legal, regulatory, economic, and political - to women's full participation in society. Within the women's pillar, MEPI is concentrating in three goal areas: business development, political participation, and mutual understanding and outreach. Programs will include the Women's Business Internship Program, a Women and the Law program to support women in the legal profession and improve awareness of women's legal rights; a range of capacity building and networking projects for

women's NGOs across the region; Women's Micro-Finance, Arab Women Judicial Workshop, and Women's Outreach and Documentaries.

Middle East Regional Cooperation

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	5,467	4,960	5,000

Congress initiated the Middle East Regional Cooperation (MERC) Program in 1979 after the 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, NGOs, 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, 35 MERC projects are concurrently active, a number that is more than triple the figures from the late 1990s and higher than at any time in the program's history. FY 2004 was the first year in which a majority of MERC-funded projects did not depend upon the inclusion of a U.S. scientist to facilitate Israeli-Arab cooperation. Interest in the program is also growing, with the number of applications increasing from 24 to 38 to 93 during the last three annual cycles. MERC projects are producing technical accomplishments in a wide variety of fields. For example, a joint Egypt-Israel project successfully induced spawning in grey mullet, a major scientific accomplishment that should ultimately lead to the elimination of the current practice of capturing the larvae in the wild. A Palestinian-Israeli partnership has developed a low-cost, efficient method of screening blood donations for Hepatitis-C, an accomplishment that should ultimately result in reduced transmission of infected blood samples to healthy patients. This project also led to routine screening of blood samples being introduced at the largest hospital in Gaza. In a MERC project on wastewater treatment technologies, a resource center was constructed in the West Bank with laboratories for graduate research and training technicians to monitor treatment plant operation. It also includes facilities for educational tours and school workshops, similar to the activities taking place around the project's original pilot site at an Arab town in northern Israel. As a result of multi-virus testing protocols for plant material developed in a MERC project involving seven Mideast countries, a Palestinian scientist set up a small test lab at his university to which the Palestinian Authority's Ministry of Agriculture is referring growers for certifying seeds on a fee-for-service basis, and there are plans to start a non-profit company to continue performing these tests.

The FY 2006 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 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 2004 Actual	FY 2005 Estimate	FY 2006 Request
PKO	16,213	16,456	19,000

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. The FY 2006 request will be used to fulfill that U.S. pledge by financing MFO operating expenses, which are anticipated to increase for the first time in more than a decade. Increases are due to the need to refurbish deteriorating MFO facilities (noted in a recent GAO report), increased operating expenses stemming in part from sharp increases in the price of oil, and a declining buying power of the U.S. dollar. The request also supports operating costs associated with new functions the MFO may assume in connection with an Israeli withdrawal from Gaza.

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.