
LEGISLATION AND POLICY

The FY 1996 Security Assistance Budget Request

By

U.S. Department of State

[The following material is extracted from the Department of State's *Congressional Presentation for Foreign Operations, Fiscal Year 1997 (FY 1997 CPD)*. This annual document supports funding requests for U.S. Budget Function 150 which includes all of the foreign operations program appropriations accounts (including security assistance) administered by the Department of State or for which the State Department provides policy guidance. The *FY 1997 CPD* presents a general introduction to these foreign operations programs, together with separate budget requests and supporting information for each of the programs. Individual summaries of all country and regional programs are also included. The excerpted material below contains the Introduction to the *FY 1997 CPD* and the requested funding and program descriptions for the four U.S. funded security assistance programs, i.e., Foreign Military Financing (FMF), International Military Education and Training (IMET), Economic Support Fund (ESF), and Voluntary Peacekeeping Operations (PKO).]

INTRODUCTION

As the dawn of a new century approaches, the United States finds itself at a crossroads—in a situation similar to, but in many ways more complex than the one it faced at the end of World War II. One path leads to continued American leadership in international affairs and enhanced U.S. national security. Another leads to retreat and increasing vulnerability to international events over which we have declining control and influence. Following World War II, America chose a path of engagement, which made possible the construction of a more secure, democratic, and prosperous world. Standing on its principles and learning from past mistakes, America prevailed in the face of the formidable communist threat. To meet the challenges of the next century and to build an even safer world for our children, we must plot a similar course marked by vision and steadfastness of purpose.

Just as American leadership was critical to global peace, stability, and economic progress in the twentieth century, it will remain so in the twenty-first. Our leadership is likely to be even more relevant in the new information age as our world becomes even smaller and more interdependent. In this era of new challenges and opportunities, our security and economic well-being will depend on global events and trends which we can choose to lead or to follow. If we fail to exercise our leadership now, we will pay an enormous price later.

Recently, American leadership has spurred major successes in places such as the New Independent States, the Middle East, Bosnia, Haiti, and South Africa. It has strengthened democracy, reduced the risk of nuclear proliferation, expanded world prosperity, and countered the threats of environmental degradation, unbridled population growth, drug trafficking, and terrorism. Modest investments in diplomacy have reaped enormous benefits, forestalling the need to spend much greater sums or to put our armed forces at risk to respond to international crises.

As in the past, our ability to lead will depend heavily on our ability to devote the resources necessary to pursue and protect American interests abroad. This task will not be easy, in light of budget constraints and our commitment to balance the federal budget. We will continue to do our part in streamlining foreign affairs operations and in organizing ourselves to do our job most efficiently. But we must not sacrifice national security in the process.

With the end of the Cold War, we have an unprecedented opportunity to build and strengthen a world of free societies and open markets—an environment in which American ideals, values, and economic prosperity can thrive. Yet we also face serious threats that can cross any border: proliferation of weapons of mass destruction, environmental degradation, large-scale migrations, terrorism, drug trafficking, and crime. To counter these challenges, we must stay engaged, keep our promises, pay our bills, and meet our commitments—particularly to institutions that we, ourselves, helped create. If we do not, our friends and allies, as well as our adversaries, will no longer take us seriously. Our national security will be endangered. Retreating from our international responsibilities will also exact a terrible toll by reducing our economic competitiveness, costing us export markets and American jobs.

Despite the multiple challenges our nation faces, the Administration's FY 1997 budget request for International Affairs is the lowest in many years. The Administration seeks \$19.2 billion, 10 percent below last year's request. The foreign operations component of this request totals \$12.8 billion, a reduction of \$1.9 billion from last year's request level and less than 0.8 percent of the total federal budget. This austere request for the foreign affairs agencies and their programs represents the minimum necessary to protect U.S. interests and maintain American leadership.

Further reductions to this already dangerously low base, barely half the foreign affairs budget of 1984, will inevitably compromise U.S. national security. Such reductions will cripple, perhaps irreparably, our prestige, credibility, and influence, jeopardizing important political, security, and economic interests. Conversely, Congressional support for this foreign operations budget will enhance U.S. national security and economic prosperity. We should not delude ourselves that America and the world community will not continue to face crises and challenges; it would be a tragic mistake to enter the millennium unprepared and unwilling to protect our nation's vital interests.

This Congressional Presentation sets forth the Administration's request for FY 1997 foreign operations programs which are administered by the Department of State or for which the State Department provides policy guidance. For those programs which are implemented by the U.S. Agency for International Development (USAID), additional programmatic detail can be found in the USAID Congressional Presentation. Program descriptions and supporting information for the following programs are included in this volume:

- International Organizations and Programs
- Economic Support Funds
- Assistance for Central Europe
- Assistance for the New Independent States
- International Narcotics Control
- Migration and Refugee Assistance
- Emergency Refugee and Migration Assistance
- Antiterrorism Assistance
- Nonproliferation and Disarmament Fund
- International Military Education and Training
- Foreign Military Financing
- Voluntary Peacekeeping

FY 1997 FOREIGN OPERATIONS BUDGET
(Dollars in thousands)

ACCOUNT	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
International Organizations and Programs	359,000	285,000	325,000
Assistance for the New Independent States	621,595	641,000	640,000
Assistance for Eastern Europe & the Baltics	349,442	321,000	475,000
SEED, FY 1996 Supplemental	0	200,000	
Peacekeeping Operations (PKO)	74,150	70,000	70,000
Economic Support Fund (ESF)	2,333,637	2,359,600	2,408,000
Nonproliferation and Disarmament Fund	10,000	20,000	20,000
International Military Education & Training	26,350	39,000	45,000
Foreign Military Financing (FMF) - Grant	3,154,561	3,208,390	3,228,250
FMF, FY 1996 Supplemental	0	140,000	0
Foreign Military Financing (FMF) - Loan	42,774	64,400	40,000
Migration and Refugee Assistance (MRA)	671,000	671,000	650,000
Emergency Refugee and Migration Assistance (ERMA)	50,000	50,000	50,000
Anti-Terrorism Assistance	15,241	16,000	17,000
International Narcotics Control	109,964	115,000	213,000

FOREIGN MILITARY FINANCING

PROGRAM SUMMARY
(Dollars in millions)

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
FMF Grant	3,154.561	3,208.390	3,228.250
FMF Grant, FY 1996 Supplemental Request		140.000	
FMF Loans Subsidy (BA)	42.774	64.400	40.000
FMF Loan Amount	557.685	554.000	370.028

OBJECTIVES:

Hegemonist aspirations of aggressive communism often inspired regional conflicts during the Cold War. In the post-Cold War era, regional and internal conflicts, fueled by more discrete problems such as ethnic discord, competing territorial claims, and other sources of tension, persist and are among the greatest threats and barriers to the achievement of international peace, stability, and a lawful world order. Prudent investment of U.S. resources is essential to assist, through bilateral and collective efforts, in preventing or containing armed conflict, and in restoring peace and stability throughout the world. American leadership requires a readiness to back its diplomacy with credible threats of force. To this end, the United States can achieve better results at lower costs to human life and national treasure by leveraging its power and resources through alliances and multilateral institutions. Thus, the United States has a strong stake in helping its allies and coalition partners to strengthen their defense so they can share the common defense burden.

Foreign Military Financing (FMF) enables key friends and allies to improve their defense capabilities by financing the acquisition of U.S. Military articles, services, and training. As FMF helps countries provide for legitimate defense needs, it promotes U.S. national security interests by strengthening coalitions with friends and allies, cementing cooperative bilateral foreign military relationships, and enhancing interoperability with U.S. forces. FMF supports regional security cooperation with key allies. It helps meet post-Cold War challenges, such as multilateral peacekeeping efforts in the Caribbean and demining assistance programs, by financing equipment and services in support of these efforts. It will also help the new democratic nations of Central Europe and the New Independent States of the former Soviet Union to obtain the training and equipment needed to participate in regional initiatives such as the Partnership for Peace. Finally, FMF will contribute to regional stability by supporting the ongoing military reform efforts of the democratic Central Europe and Baltic governments.

Both a grant and loan program, FMF is distinguished from Foreign Military Sales (FMS), the system through which government-to-government military sales are made. In general, FMF provides financing for FMS. By enabling selected friends and allies to purchase needed U.S. defense goods and services, FMF has the beneficial byproduct of encouraging demand for U.S. systems, which also contributes to a strong U.S. defense industrial base—a critical element of the national defense strategy. FMF financing for equipment sales can lengthen production runs, which can result in lower unit costs for DoD purchases and create jobs for Americans. Key objectives of FMF are:

- To assist allies and friends in financing procurement of United States defense articles, and services to help strengthen their self-defense capabilities and meet their legitimate security needs;
- To meet urgent humanitarian needs by improving the capability of the armed forces of foreign countries to respond to natural and manmade disasters, such as indiscriminate use of anti-personnel landmines;
- To promote self-defense and defense cooperation by assisting friendly countries to acquire U.S. defense articles and services;
- To promote the effectiveness and professionalism of military forces of friendly foreign countries; and
- To promote rationalization, standardization, and interoperability of the military forces of friendly foreign countries with U. S. Armed Forces.

PERFORMANCE:

The vast majority of FMF goes to the Middle East to promote regional peace and security in helping to meet the legitimate security needs of parties engaged in the peace process. This assistance supports the long-standing U. S. policy goal of seeking a just, lasting, and comprehensive peace between Israel and her Arab neighbors, including the Palestinians. Additionally, FMF grants and loans have and will support the following programs:

- Implementation of the President's Warsaw Initiative, a program that supports the Partnership for Peace (PFP), which strengthens practical cooperation between NATO and PFP partners in Central Europe and the New Independent States (NIS). PFP's principal objective has been to establish strong security ties between NATO and PFP Partners, and to prepare Partners interested in joining NATO for the obligations of membership. FMF

funds will also facilitate Partner participation in PFP joint peacekeeping exercises, which have already helped prepare some Partners for participation in future NATO-led peacekeeping operations.

- Establishment of a joint Baltic Peacekeeping Battalion (BALTBAT) consisting of 700-800 soldiers from the three Baltic States. In coordination with Denmark, Finland, Norway, Sweden, France, the United Kingdom and Germany, the United States has provided critically needed assistance to the BALTBAT. U.S.-provided equipment has made possible the deployment of the BALTBAT to regional, as well as global, peacekeeping operations. Although BALTBAT is in its infancy, two Lithuanian and one Estonian platoons were successfully deployed to Croatia as part of a Danish peacekeeping battalion.
- Implementing indigenous, sustainable mine awareness and mine clearance training programs in countries that are experiencing adverse humanitarian effects from landmines. This program has been very successful at developing an indigenous landmine clearance training program capable of training selected host country personnel to conduct, supervise and teach landmine clearance operations in Afghanistan, Angola, Cambodia, Eritrea, Ethiopia, Honduras, Mozambique, Namibia, Nicaragua, and Rwanda. The relatively modest FMF assistance has enabled host country personnel to clear thousands of square meters of suspected minefields.
- Advancing ongoing U.S. security interests in Southern Europe and meeting NATO requirements on the Alliance's southern flank through sustainment/modernization of Turkey's and Greece's defense capabilities.
- Sustainment of Caribbean defense and maritime forces allowing these island nations to maintain small professional forces essential to regional peace and security. Because of the modest FMF assistance to the region, much of the success for recruiting and building a multilateral force that allowed the Aristide government to return to office and facilitating a successful transition to a United Nations peacekeeping operation in Haiti (UNMIH) can be attributed to the participation and professionalism of Caribbean defense forces.
- Development of the Royal Cambodian's Armed Forces (RCAF) engineers' capability to build and improve civil infrastructure through training in road construction and repair.

JUSTIFICATION:

The FY 1997 FMF request will: (1) assist those states which take risks for peace in the Middle East; (2) support democratic European states to advance the goals of the Partnership for Peace (PFP) by facilitating, through training and equipment transfers, their participation in cooperative military activities with NATO; (3) through FMF loans, assist Turkey and Greece in their sustainment programs for U.S.-supplied military equipment; (4) through FMF loans, support democratic Central European and Baltic states to focus on enhancing defensive capabilities by providing assistance that re-orient their militaries to defensive postures, helps rationalize their defense planning, and allows them to deter potential aggressors; (5) assist landmine-infested countries to establish indigenous, sustainable mine awareness and mine clearing training programs; (6) develop military engineering capability to build civil infrastructure in Cambodia; (7) bolster the defensive capabilities of the "front line" African states (Eritrea, Ethiopia and Uganda) bordering Sudan from Sudan-sponsored terrorism and the disruption of humanitarian assistance; and (8) assist Caribbean countries to sustain their maritime and land forces, thereby allowing for continued involvement in regional military operations supported by the United States.

The following table depicts the FMF request for FY 1997. Detailed justifications for the proposed programs are found in the Country and Program Papers section.

FOREIGN MILITARY FINANCING

(Dollars in millions)

PROGRAM NAME	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
Africa			
East Africa Regional			6.000
AF Totals			6.000
East Asia/Pacific			
Cambodia		1.000	1.000
EAP Totals:		1.000	1.000
Europe and the NIS			
Baltic Battalion	2.118	0.750	
Estonia	(0.706)		
Latvia	(0.706)		
Lithuania	(0.706)		
CE Defense Loans (loan)			[72.528]
CE Defense Loan (subsidy BA)			7.840
Greece (loan)	[229.635]	[224.000]	[122.500]
Greece (loan subsidy BA)	17.613	26.518 ¹	13.242
Partnership for Peace		44.390 ¹	60.000
Poland	1.000		
Turkey (loan)	[328.050]	[320.000]	[175.000]
Turkey (loan subsidy BA)	25.161	37.882	18.918
EUR Totals:	45.892	125.150	100.000
Latin America			
Bolivia	3.229		
Caribbean Regional	0.769	2.000	2.000
Colombia	10.000		
Haiti	3.000		
ARA Totals:	16.998	2.000	2.000
Near East			
Egypt	1300.000	1300.000	1300.000
Israel	1800.000	1800.000	1800.000
Jordan	7.300	30.000	30.000
Jordan, FY 1996 Supplemental		140.000	
NEA Totals:	3107.300	3270.000	3130.000
Non-Regional:			
Demining	5.000	7.000	6.000
Defense Administrative Costs	22.145	23.250	23.250
Non-Regional Totals:	27.145	30.250	29.250
Total, FW Grant	3154.561	3208.390	3228.250
Total, FW Grant supplemental		140.000	
Total, FW Loan Subsidy BA	42.774	64.400	40.000
GRAND TOTALS:	3197.355	3412.790	3268.250

¹ Represents preliminary funding level. Anticipated transfers will bring FY 1996 total to \$60 million.

DEMINING

PROGRAM SUMMARY (Dollars in Millions)

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
FMF	5.000	7.000	6.000

OBJECTIVES:

The United States has a compelling interest in promoting national and regional security, political stability, and economic development by reducing civilian landmine casualties and their tragic human, social, and economic costs in war-torn countries. Worldwide, an estimated 500 persons per week are injured by anti-personnel landmines, most of whom are innocent civilians, particularly farmers and children. While mine awareness education campaigns help, tremendous population pressures and limited arable land in many of these countries force countless civilians to live and farm in areas that are known to contain landmines. If demining operations are not accomplished by indigenous deminers trained and equipped through a demining program, many of these antipersonnel mines will only be cleared one arm and one leg at a time.

Demining assistance provides funds for programs to help restore national infrastructure which has been rendered unusable by landmines, and return mined areas, including farmland, to productive use. Specifically, FMF for demining purposes:

- Develops an indigenous mine awareness training program capable of training selected host nation personnel to provide mine awareness education to local populations at risk of encountering landmines;
- Develops an indigenous landmine clearance training program capable of training selected host nation personnel to conduct, supervise, and teach landmine clearance operations;
- Develops the institutional capacity necessary to manage and administer the program locally, including the identification and training of host nation personnel for program leadership; and
- Encourages cooperation between governments, international organizations, and other agencies involved in addressing local landmine problems.

PERFORMANCE:

FMF has played a critical role in the implementation of U.S. demining assistance programs by providing equipment to complement comprehensive demining training programs financed by DoD Operations and Maintenance (O&M) funds. The Interagency Working Group on Demining closely coordinates these two programs.

Recently, FMF for demining assistance has been allocated to Angola, Cambodia, Eritrea, Ethiopia, Mozambique, Namibia, and Rwanda, as well as to the UN Office for the Coordination of Humanitarian Assistance to Afghanistan (UNOCHA), to assist with their mine clearance and mine awareness programs. Funds have also been provided for the Organization

of American States to assist with the Inter-American Defense Board's demining efforts in Central America. The Administration plans to soon begin a demining assistance program in Laos based on the 1995 assessment.

With some 100 million uncleared landmines world-wide, including as many as 10 million each in Afghanistan, Cambodia, and Angola, landmines are a large-scale problem which requires long-term solutions. Local populations will benefit directly from cleared fields for crops, cleared roads for travel, and cleared infrastructure for critical restorations. They will also gain confidence in their governments, which are actively working to solve the landmine problem. This increases local stability and complements U.S. foreign policy initiatives. Country programs will be considered successful upon the:

- Development of indigenous mine awareness and clearance capability through the graduation of local instructors;
- Effective use of equipment transferred for local mine awareness and clearance programs; and,
- Hand-off of the program to the host government (or other local entity such as a United Nations peacekeeping force) for program management and administration.

JUSTIFICATION:

In FY 1997, \$6 million in FMF is requested for the Demining Program to help landmine-infested countries address their mine problem by establishing indigenous, sustainable mine awareness and mine clearance training programs in countries that are experiencing adverse humanitarian effects from landmines. The program assists the host country to develop all aspects of mine awareness and mine clearance training programs, with the stipulation that no U.S. personnel will physically clear landmines or enter active minefields.

DEFENSE ADMINISTRATIVE COSTS

PROGRAM SUMMARY

(Dollars in millions)

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
FMF Grant	22.145	23.250	23.250

OBJECTIVES:

The requested funding provides for the cost of administrative activities related to non-Foreign Military Sales (FMS) security assistance programs implemented by the Unified Commands, the Military Departments, and DSAA. The FMF grant:

- Supports worldwide administration of International Military Education and Training (IMET);
- Finances administrative costs for all security assistance activities incurred by the Unified Commands;

- Finances administrative costs incurred by the Military Departments and DSAA headquarters for all security assistance activities not related to Foreign Military Sales; and,
- Funds operating costs of non-FMS activities of overseas Security Assistance Organizations (SAOs).

JUSTIFICATION:

The proposed program level represents the projected costs required to prudently, but effectively, accomplish the managerial and administrative actions necessary to manage and implement the non-FMS segments of security assistance programs, as authorized under the AECA and the FAA. These functions include staffing headquarters, personnel management, budgeting and accounting, office services and facilities, and support for non-FMS functions of the SAOs. The Defense Administrative Costs account implements such non-FMS activities as: administration of the IMET program; management of drawdowns of military equipment and services; grant transfers of excess defense articles; as well as fulfilling responsibility for monitoring military items previously transferred under the former Military Assistance Program (MAP).

The initiation and expansion of security assistance relationships with many new democracies around the world, but principally in Central Europe, the New Independent States, and South Africa, require the establishment of SAOs in an increasing number of locations over the next few years. The FY 1997 request for Defense Administrative costs will fund the establishment and/or the continuing operating costs of these new SAOs and is essential to the effective management of security assistance programs with these new defense partners. The expansion of IMET from \$26 million in FY 1995 to \$39 million in FY 1996, and the requested \$45 million in FY 1997, will also increase administrative workload and funding requirements.

DEFENSE ADMINISTRATIVE COSTS
(Dollars in Millions)

	Actual FY 1995	Estimated FY 1996	Proposed FY 1997
Departmental and Headquarters Administrative Expenses ²	6.574	6.250	6.250
SAO Administrative Expenses ³	15.488	17.000	17.000
Total Budget Authority	22.062	23.250	23.250

² Excludes those Defense Security Assistance Agency (DSAA) and overseas security assistance organization (SAO) costs related to FMS which are financed from sales under Sections 21, 22, and 29 of the Arms Export Control Act. See Overseas Military Program Management table for further details on SAO costs.

³ Excludes those Defense Security Assistance Agency (DSAA) and overseas security assistance organization (SAO) costs related to FMS which are financed from sales under Sections 21, 22, and 29 of the Arms Export Control Act. See Overseas Military Program Management table for further details on SAO costs.

FOREIGN MILITARY SALES ADMINISTRATIVE COSTS

The Foreign Military Sales (FMS) program is implemented, for the most part, by the same Department of Defense personnel who work in the military departments and defense agency procurement, logistics support, and administrative organizations established to carry out DoD's requirements for procurement and support of weapons, equipment, supplies, and services needed by our Army, Navy, Air Force, and Marines. A small number of fully dedicated security assistance organizations and personnel are also employed by the military departments and defense agencies in accomplishing the FMS mission. This integration of FMS provides organizational efficiencies and procurement cost economies for both the U.S. and FMS customer countries.

The Arms Export Control Act (AECA) requires that the costs of implementing FMS be paid by FMS customer countries. To satisfy this requirement, an "administrative surcharge" of three percent is applied to most FMS cases. A five percent rate is applied to non-standard articles and services and supply support arrangements. In addition, a "logistics support charge" of 3.1 percent is also applied on certain deliveries of spare parts, equipment modifications, secondary support equipment, and supplies. These administrative funds, collected from the FMS customer, are made available to the military departments and defense agencies to pay for their FMS administrative costs related to such functions as FMS case preparation (including preparation of price and availability estimates/information), sales negotiations, case implementation, procurement, program control, ADP operations, accounting, budgeting, and other financial and program management. A majority of the operating costs of overseas Security Assistance Organizations (SAOs) are also financed from FMS administrative funds. DSAA administers an annual budget process to develop estimated funding requirements and establish approved administrative funding levels.

The Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1996, P. L. 104-107, included, for FY 1996 only, a ceiling of \$355 million on obligations of FMS administrative funds. All FMS administrative budget obligations and expenditures are from FMS customer funds which have been collected into the U.S. Treasury in the Foreign Military Sales Trust Fund account. There is no net outlay impact on the U.S. budget from the operations of the FMS administrative budget.

In FY 1997, \$355 million is required. Fewer work years will be financed in FY 1997 versus FY 1996, lowering payroll costs for FMS management consistent with declining workload. However, this reduction will be offset by the non-recurring initial cost required to design and develop a single FMS management information system throughout DoD. This Defense Security Assistance Management System (DSAMS) will replace more than thirteen major systems operated in the Military Department and Defense Agencies, provide a much needed new technology infrastructure, and reduce overall operation and maintenance costs in the years following DSAMS development and full implementation.

The table which follows shows FMS administrative budget amounts for FY's 1995 - 1997.

FMS ADMINISTRATIVE COSTS/WORKYEARS
(Dollars in Millions)

	Actual FY 1995⁴		Estimated FY 1996		Proposed FY 1997	
	Dollars	Workyears	Dollars	Workyears	Dollars	Workyears
Military Departments	256.900	4,504	253.300	4,340	245.400	4,261
Other Defense Activities	70.500	901	79.700	900	87.600	873
SAOs (Net)	23.600	477	22.000	417	22.000	399
Total	351.000	5,882	355.000	5,657	355.000	5,533

CENTRAL EUROPEAN DEFENSE LOANS

PROGRAM SUMMARY

(Dollars in millions)

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
FMF Loan Amount	0.000	0.000	[72.528]
FMF Loans Subsidy (BA)	0.000	0.000	7.840

OVERALL OBJECTIVES:

In the interest of contributing to the stability of the European continent, the United States has a clear and compelling rationale for nurturing expanded defense cooperation with the friendly, democratic states of Central Europe (CE) and the Baltics. Through the Central European Defense Loans (CEDL) program, the United States can contribute to regional stability by providing concrete support for ongoing military reform efforts of the democratic CE and Baltic governments. Specifically, the United States supports, through equipment transfers, training, and exchange programs, the reorientation of CE and Baltic militaries to defensive postures, regional cooperation based on uniform standards of NATO-compatible equipment, and expanded military cooperation with NATO forces both bilaterally and through the PFP. The CEDL program will assist in the gradual enlargement of NATO by providing FMF loans to Central Europe and the Baltics for acquisition of NATO-compatible equipment.

The CEDL program is separate and distinct from proposed assistance to PFP partners under the \$100 million "Warsaw Initiative" program. The latter encompasses all PFP partners, including the NIS states. Furthermore, assistance provided under the Warsaw Initiative is for immediate facilitation of Partner participation in PFP activities (e.g., C⁴I, Communications

⁴ Includes an additional \$16.0 million above the FY 1995 FMS Administrative Obligation Ceiling established by P.L. 103-306. Congressional notification was provided on February 24, 1995.

COUNTRY	FY 1995 Actual	FY 1996 Enacted	FY 1997 Request
Malaysia	0.504	0.600	0.600
Mongolia	0.098	0.100	0.150
Papua New Guinea	0.125	0.170	0.200
Philippines	1.193	1.200	1.400
Singapore	0.020	0.020	0.025
Solomon Islands	0.101	0.100	0.150
South Korea	0.010	0.010	0.025
Thailand	0.999	1.400	1.600
Tonga	0.050	0.100	0.100
Vanuatu	0.050	0.100	0.100
Western Samoa	0.048	0.100	0.100
EAP Totals:	3.471	4.850	5.750
Europe and the NIS			
Albania	0.226	0.400	0.600
Austria	0.015	0.015	0.025
Belarus	0.094	0.275	0.300
Bosnia & Herzegovina	0.000	0.200	0.500
Bulgaria	0.400	0.700	0.800
Croatia	0.105	0.200	0.350
Czech Republic	0.500	0.750	0.800
Estonia	0.180	0.410	0.500
Finland	0.015	0.015	0.025
FYRO Macedonia	0.125	0.250	0.300
Georgia	0.082	0.250	0.275
Greece	0.048	0.050	0.025
Hungary	0.796	1.000	1.000
Kazakhstan	0.097	0.375	0.400
Kyrgyzstan	0.060	0.225	0.250
Latvia	0.197	0.410	0.500
Lithuania	0.196	0.410	0.500
Malta	0.058	0.075	0.100
Moldova	0.106	0.225	0.250
Poland	0.747	1.000	1.000
Portugal	0.500	0.800	0.800
Romania	0.460	0.700	0.800
Russia	0.413	0.750	0.800
Slovakia	0.253	0.530	0.600
Slovenia	0.150	0.300	0.400
Spain	0.052	0.050	0.050
Turkey (grants)	1.102	1.100	1.500
Turkmenistan	0.118	0.225	0.250
Ukraine	0.707	0.950	1.000
Uzbekistan	0.095	0.225	0.250
EUR Totals:	7.897	12.865	14.950
Latin America & Carib.			
Argentina	0.109	0.500	0.600
Bahamas	0.013	0.100	0.100
Belize	0.054	0.250	0.250
Bolivia	0.368	0.500	0.500

COUNTRY	FY 1995 Actual	FY 1996 Enacted	FY 1997 Request
Brazil	0.100	0.200	0.225
Chile	0.120	0.300	0.400
Colombia	0.588	0.900	0.900
Costa Rica	0.068	0.150	0.150
Dominican Republic	0.213	0.500	0.500
Eastern Caribbean	0.217	0.400	0.400
Ecuador	0.293	0.400	0.425
El Salvador	0.404	0.450	0.450
Guatemala	0.000	0.000	0.225
Guyana	0.097	0.150	0.175
Haiti	0.035	0.250	0.300
Honduras	0.325	0.400	0.425
Jamaica	0.174	0.450	0.500
Mexico	0.400	1.000	1.000
Nicaragua	0.000	0.200	0.200
PACAMS	0.425	0.500	0.500
Paraguay	0.134	0.150	0.200
Peru	0.325	0.400	0.450
Suriname	0.028	0.075	0.100
Trinidad & Tobago	0.000	0.050	0.100
Uruguay	0.143	0.250	0.275
Venezuela	0.250	0.300	0.350
ARA Totals:	4.883	8.825	9.700
Near East			
Algeria	0.074	0.075	0.075
Bahrain	0.075	0.100	0.150
Egypt	1.000	1.000	1.000
Jordan	1.003	1.200	1.600
Lebanon	0.394	0.475	0.575
Morocco	0.724	0.800	0.800
Oman	0.131	0.125	0.150
Tunisia	0.800	0.725	0.775
Yemen	0.000	0.000	0.050
NEA Totals:	4.201	4.500	5.175
South Asia			
Bangladesh	0.209	0.250	0.300
India	0.208	0.350	0.400
Maldives	0.050	0.080	0.100
Nepal	0.096	0.125	0.200
Pakistan	0.000	0.150	0.300
Sri Lanka	0.096	0.175	0.200
SA Totals	0.659	1.130	1.500
Non-Regional			
General Costs	0.284	0.330	0.300
Non-Regional Totals	0.284	0.330	0.300
GRAND TOTALS:	26.350	39.000	45.000

ECONOMIC SUPPORT FUNDS

PROGRAM SUMMARY

(Dollars in millions)

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
ESF	2,333.637	2,359.600	2,408.000

OBJECTIVES:

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

Economic dislocation and political strife continue to place great strains on many countries. Depending on the recipient country's economic situation, balance of payments or budgetary support may create leverage to bring about the adoption of more rational economic and fiscal policies required to sustain economic growth. In the short term, however, 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 and independence of key allies and friends. The largest share of the ESF request—\$2.117 billion—remains focused on supporting Middle East peace by providing assistance to foster economic stability and development in Israel, Egypt, and other Arab countries pledged to support the peace process.

The United States has a strong stake in strengthening democratic development globally. The intensity of U.S. engagement will vary. In countries such as Haiti and Cambodia, where the United States has invested significant resources and taken international leadership to stop collapse and crisis inimical to U.S. interests, ESF will support programs to sustain democratic transitions, with a high level of engagement. In these and other countries in transition, ESF is used to address a full range of problems through an integrated strategy, including balance of payments and other economic support measures designed to create employment and conditions conducive to international investment and trade, and through support for programs that nurture the formal institutions of democracy and the organizations of a vital civil society. ESF also finances programs to enhance the administration of justice as well as police training through the ICITAP administered by the Department of Justice.

Key objectives of ESF are:

- To increase the role of the private sector in the economy, reduce government controls over markets, enhance job creation, and improve economic growth;
- To assist in the development of effective and 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;

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- To develop and strengthen institutions necessary for sustainable democracy through support for the transformation of the public sector to better support democratic development, including assistance and training to improve public administration, promote decentralization, strengthen local governments, parliaments, independent media, and nongovernmental organizations;
 - To transition to transparent and accountable governance and the empowerment of citizens, working through their civic and economic organizations and democratic political processes that ensure broad-based participation in political and economic life, and respect for human rights and fundamental freedoms; and
 - To strengthen 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.

PERFORMANCE:

Integrated ESF-supported programs have effectively performed in countries in transition to democracy. Success is closely related to the degree that programs give people the hope that a radical break with a repressive or conflict-ridden past can be sustained. For example, ESF has:

- continued U.S. support of programs for the “fledgling democracies” of Cambodia and Mongolia, thus strengthening democratic institutions, improving access to health care and education, and maintaining or creating critical infrastructure required to provide the stability needed to lay the foundation for thriving private sectors in new democracies;
- provided assistance in Sub-Saharan Africa for elections, political party-building, and legislative training for countries in transition, such as Congo and Sierra Leone. The Africa Regional Democracy fund uses U.S. NGOs to provide training for legislatures, which enhances institutional independence, legislative oversight, and constituent representation in Togo and the Central African Republic. ESF also supports U.S. NGOs to provide assistance in training local human rights and civil society networks in Cameroon, Rwanda, and the Seychelles.

JUSTIFICATION:

Through regional accounts, ESF supports carefully-targeted programs to assist democratic forces in new or threatened democracies, and, in some cases, programs designed to strengthen pro-democratic forces in pre-democratic countries. Typical problem areas include technical assistance to administer and monitor elections, capacity-building for non-governmental organizations, judicial training, and women’s participation in politics. For FY 1997, the \$182 million ESF request in support of building democracy is for a range of programs to help strengthen and consolidate democratic processes and institutions in countries that have recently embarked on a democratic course, or where democracy is critically threatened.

The following table shows the ESF proposal for FY 1997. Detailed justification for the proposed programs are found in the Country and Program Papers section.

FY 1997 ECONOMIC SUPPORT FUNDS

PROGRAM SUMMARY (Dollars in Millions)

PROGRAM	FY 1995 Actual	FY 1996 Enacted	FY 1997 Request
Sub-Saharan Africa			
Africa Regional Fund	7.400	8.000	10.000
Angola		5.000	10.000
Subtotal, AF:	7.400	13.000	20.000
East Asia & Pacific			
Asia Regional Fund		10.000	12.000
Cambodia	19.500	25.000	35.000
South Pacific Fisheries	14.000	14.000	14.000
Subtotal, EAP:	33.500	49.000	61.000
Europe and the NIS			
Cyprus	15.000	15.000	15.000
Ireland Fund	19.600	19.600	19.600
Turkey	45.750	33.500	60.000
Sub-Total, EUR	80.350	68.100	94.600
Latin Am. & Caribbean			
Haiti	86.700	75.300	80.000
LAC Regional Fund	20.960	13.000	25.000
Subtotal, ARA:	107.660	88.300	105.000
Near East			
Egypt	815.000	815.000	815.000
Israel	1200.000	1200.000	1200.000
Jordan	7.200	7.200	10.000
Lebanon	2.000	2.000	4.000
Me Multilaterals	5.000	3.000	5.000
ME Regional (MERC)	7.000	7.000	7.000
Democracy			1.400
West Back-Gaza	75.000	75.000	75.000
Subtotal, NEA	2111.200	2109.200	2117.400
Global			
AOJ/ICITAP	6.500	7.000	10.000
Narcotics/Crime	24.790	25.000	
Subtotal, Global:	31.290	32.000	10.000
Total Country Programs:	2371.400	2359.600	2408.000
Reappropriation	1.310		
Rescissions/Transfers Out	-39.073		
Total Budget Authority	2,333.637	2,359.600	2,408.000

PEACEKEEPING OPERATIONS

PROGRAM SUMMARY (Dollars in Millions)

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
PKO	74.150 ⁶	70.000	70.000

OBJECTIVES:

The number of contingencies requiring peacekeeping operations has risen dramatically since the end of the Cold War. This trend is expected to continue, especially in politically charged regions in Central and East Asia, Europe, Africa and Latin America. The Foreign Assistance Act of 1961, Part II, Chapter 6, as amended, authorizes U.S. assistance to friendly countries and international organizations for peacekeeping operations and other conflict resolution efforts which further U.S. national security interests. Such support is a useful and cost effective option for dealing with certain conflicts and humanitarian crises. Although peacekeeping is not a substitute for a strong national defense and vigorous alliances, it has demonstrated its capacity, under appropriate circumstances, to separate adversaries, maintain cease-fires, facilitate delivery of humanitarian relief, allow repatriation of refugees and displaced persons, demobilize combatants, and create conditions under which political reconciliation may occur and democratic elections may be held. Thus, peacekeeping operations can reduce the likelihood of interventions by regional powers, prevent the proliferation of small conflicts, facilitate the birth and growth of new market economies, contain the cost of humanitarian emergencies, and limit refugee flows. Key objectives of peacekeeping funds are to:

- Promote peace and security by supporting multilateral peacekeeping initiatives;
- Encourage fair-share contributions to peacekeeping efforts from those countries with greater potential to pay, while facilitating increasing participation of poorer countries when resource constraints would otherwise prevent their taking part; and,
- Encourage greater participation of foreign forces in international peacekeeping activities.

PERFORMANCE:

Unlike U.S. contributions to the United Nations to support multilateral peacekeeping operations, this account supports, on a voluntary basis and where it is in the U.S. interest to do so, activities that are not UN mandated and/or not funded through UN assessments. For example, such support has included:

- Recruitment and building of a multinational force comprised of both military and international police monitors that allowed the Aristide government to return to office and facilitated a successful transition to a United Nations peacekeeping operation in Haiti (UNMIH).

⁶ \$850,000 transferred from PKO to IMET pursuant to Title III of the FY 1995 Foreign Operations Appropriation Act (P.L. 103-306).

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- Establishment of a joint Baltic Peacekeeping Battalion (BALTBAT) consisting of 700-800 soldiers from the three Baltic States [Estonia, Latvia, and Lithuania]. In coordination with Denmark, Finland, Norway, Sweden, France, the United Kingdom, and Germany, the United States has provided critically needed assistance to support deployment of the BALTBAT to regional as well as global peacekeeping operations. Although the BALTBAT is in its infancy, two Lithuanian and one Estonian platoon were successfully deployed to Croatia as part of a Danish battalion.
 - As part of an overall UN sanctions enforcement effort, implemented a multilateral effort to assist the states neighboring Serbia and Montenegro in tightening sanctions enforcement to encourage a settlement in the former Yugoslavia.
 - As part of a multilateral effort, assisted the Economic Community of West African States' peacekeeping force (ECOMOG) in Liberia in implementing the Abuja Peace Accord. Transportation and communication assistance from the United States has facilitated ECOMOG's quick deployment to begin disarmament and demobilization of the warring factions.
 - In a multilateral role, provides assistance that permits Israel and Egypt to work toward progress in the peace process, secure in the knowledge that their common border is monitored by the Multinational Force and Observers (MFO) in the Sinai.

JUSTIFICATION:

While the bulk of funding for multilateral peacekeeping operations goes to the United Nations, it is sometimes in the U.S. interest to support, on a voluntary basis, peacekeeping activities that are not UN mandated and/or are not funded by UN assessments. In the appropriate circumstances, the Peacekeeping Operations (PKO) account provides the flexibility to pro-actively support conflict resolution, multilateral peace operations, sanctions enforcement, and similar efforts outside the context of assessed UN peacekeeping operations. The PKO account promotes increased involvement of regional organizations in conflict resolution, which may result in more politically-or cost-effective operations. The account is also used to encourage fair-share contributions to joint efforts where no formal cost sharing mechanism is available. As a result, the United States is often better able to assist countries in creating an environment of security and stability essential to their more rapid social, economic, and political progress.

As described in the following table, a funding level of \$70 million for voluntary peacekeeping activities is proposed for FY 1997. In addition to supporting long-term, non-assessed commitments, such as the Multinational Force of Observers (MFO) in the Sinai and the Organization for Security and Cooperation in Europe (OSCE), this funding will be used to promote regional involvement in the resolution of neighboring conflicts. The request also addresses potential operations in Europe, Latin America, and the Caribbean, and Africa. Finally, PKO funds will be used to support monitoring and enforcement of possible sanction activities around the world. Program papers providing descriptions and detailed justifications are included under Regional and Country Programs.

PEACEKEEPING OPERATIONS

Program Summary (Dollars in Millions)

PROGRAM	FY 1995 Actual ⁷	FY 1996 Estimate	FY 1997 Request
Africa Regional	2.700	9.000	10.000
ARA Regional			4.000
CEE Joint PKO (BALTBAT)	8.660		
ECOMOG (Liberia) ⁸	3.000		
Europe Regional		9.000	10.000
Bosnia Police Monitors		6.000	
OSCE	0.750	8.000	17.000
Haiti (Multinational Force)	25.300		
Haiti (Post-UNMIH)		5.000	4.000
MFO - Sinai	16.090	17.000	17.000
Organization of African Unity	0.650	3.000	3.000
Sanctions Assistance	17.000	10.000	5.000
Demining		3.000	
PKO Total	74.150	70.000	70.000

SANCTIONS ASSISTANCE MONITORING

PROGRAM SUMMARY (Dollars in millions)

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
PKO	21.500	10.000	5.000

OBJECTIVES:

The primary objective of the sanctions assistance monitoring program is to assist front line states in the implementation, enforcement, and monitoring of multilateral economic sanctions. Multilateral economic sanctions are increasingly a tool of choice in foreign policy. During 1995, the Department of State managed U.S. sanctions policies against Serbia and Montenegro, the Pale Serbs, Iraq, Iran, Cuba, UNITA (Angola), North Korea, and Libya. Funds from this account are used to establish, train, and equip Sanctions Assistance Monitors to help host governments improve their sanction enforcement capability.

⁷ \$850,000 transferred from PKO to IMET pursuant to Title III of the FY 1995 Foreign Operations Appropriation Act (P.L. 103-306).

⁸ \$3,000,000 transferred in FY 1995 from Africa Regional ESF to PKO for Tanzania and Uganda pursuant to section 610 of the Foreign Assistance Act of 1961, as amended.

PERFORMANCE:

Program effectiveness can be measured by improved sanctions enforcement by frontline states and fewer violations on the sanctioned state's borders, as well as the damage inflicted on the economy of the sanctioned state. In 1995, the United States sponsored two sanctions assistance efforts in the Balkans. The first of these was the sanctions assistance efforts in the frontline states of Croatia, Ukraine, Bulgaria, FYROM, Macedonia, Albania, and Hungary. The SAMs operated under EU/OSCE auspices, and operations were coordinated with the UN. The U.S. Customs service provided U.S. personnel. The SAMs enforced general economic sanctions on the FRY (Serbia and Montenegro). The second U.S.-sponsored sanctions assistance effort in the Balkans was the International Conference on the Former Yugoslavia (ICFY) Border Observer Mission. The Border Observer Mission operated under the auspices of the ICFY and reported monthly to the UN. The Mission monitored FRY President Slobodan Milosevic's commitment to close his border with Bosnia to all but humanitarian shipments. These two programs assisted local authorities in the effective enforcement of sanctions against, respectively, the FRY and the Pale Serbs. Both U.S. policymakers and President Milosevic agree that sanctions were vital in bringing about the Dayton meeting, which produced the General Framework Agreement for Peace in Bosnia and Herzegovina, initialed November 21, 1995.

JUSTIFICATION:

The United Nations suspended general economic sanctions against the FRY after the signing of the Peace Agreement, but retained the option of re-imposition under certain circumstances. General economic sanctions against Pale were suspended 27 February 1996, but can be reimposed if Pale's actions are not in accord with the Dayton agreement. The Serbia sanctions monitoring infrastructure will thus remain in place during the suspension period to ensure a credible re-imposition mechanism should such a need arise.

The advocacy and enforcement of economic sanctions will continue to be an important component of U.S. foreign policy. Annual funding ensures that the U.S. can effectively meet the challenges of enforcing existing and future multilateral sanctions.