



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503**

June 28, 2005
(House)

STATEMENT OF ADMINISTRATION POLICY
H.R. 3057 – Foreign Operations, Export Financing, and Related Programs Appropriations
Bill, FY 2006

(Sponsors: Lewis (R), California; Obey (D), Wisconsin)

The Administration supports House passage of the FY 2006 Foreign Operations, Export Financing, and Related Programs Appropriations Bill, as reported by the House Appropriations Committee.

The Administration applauds the Committee for reporting this bill in a timely manner and looks forward to working with the Congress to ensure that the FY 2006 appropriations bills do not exceed the \$843 billion discretionary funding level proposed in the President's FY 2006 Budget and contained in the FY 2006 Congressional Budget Resolution. Sustaining the economy's expansion requires strong Federal spending discipline. The President's Budget includes over 150 savings and reforms and was the first to propose reducing non-security discretionary spending since the Reagan Administration.

The Administration is pleased that the Committee reported a bill that supports many of the Administration's priorities. The Administration opposes the Committee's elimination of funds for reconstruction and other activities in Iraq, as well as operating expenses in Iraq and Afghanistan. The Administration is attempting to fund as much as possible the known foreign assistance needs in these countries through the regular budget process. These cuts would either undermine the Administration's efforts in these critical regions or require the Administration and Congress to fund these known needs through future supplemental appropriations. The Administration urges Congress to shift funding from lower-priority programs and, as assumed in the Budget Resolution, to hold spending in the non-security discretionary category below last year's level.

The Administration would like to take this opportunity to share additional views regarding the Committee's version of the bill.

Millennium Challenge Account (MCA)

The Administration appreciates the Committee's increase in MCA funding above the FY 2005 enacted level, but is concerned that the funding level is still \$1.25 billion less than the President's request. Funding MCA will enable support of more results-oriented assistance programs to countries that have taken responsibility for their own development through the adoption of sound policies. The Administration would strongly oppose any amendments which would impose further reductions. The Administration looks forward to working with Congress for additional resources to support an invigorated MCA.

Global HIV/AIDS - Emergency Plan for AIDS Relief

The Administration would like to thank the Committee for continuing to provide strong support for the President's Emergency Plan for AIDS Relief. The Administration is concerned, however, about the net \$150 million reduction in funding for the bilateral focus country programs within the Global HIV/AIDS Initiative account. Funding the President's Emergency Plan at the requested level will ensure sustained progress toward the U.S. Government's goals of supporting treatment for 2 million HIV infected persons, preventing 7 million new infections, and supporting care for 10 million persons infected or affected by the disease, including orphans and vulnerable children. In addition, the request supports international partners in the fight against the AIDS pandemic. The Administration will work with Congress to achieve the necessary funding to meet these goals.

Assistance to Iraq

The Administration opposes cuts to assistance for Iraq. Additional assistance to Iraq, together with diplomacy and defense, is essential to Iraq's democratic transition. The \$459 million included in the President's request will continue work already begun under programs funded by the Iraq Relief and Reconstruction Fund. The request will assist the new Iraqi government in delivering basic services to its people, developing a free market system, and helping Iraqi refugees return to their homes and reintegrate into Iraqi society. These funds will also continue programs in support of the new Iraqi government as it undertakes its responsibilities and the difficult transition to democracy.

Food Aid

The Administration is very concerned that the Committee provided none of the \$300 million requested under International Disaster and Famine Assistance for cash food aid. Without these funds, the United States Agency for International Development (USAID) will not have the necessary means to provide emergency food in those instances where the rapid use of cash assistance is critical to saving lives. Food grown by American farmers will continue to be the cornerstone and the bulk of U.S. food assistance, but having funds to procure food locally would provide increased flexibility in those situations that require quick action to save lives. Further, FY 2006 appropriations for P.L. 480 Title II are lower than in the past; therefore, the requested cash food aid is necessary not just to improve the effectiveness of emergency food aid, but to maintain overall food aid program levels.

Conflict Response Fund

While the Administration appreciates authority provided in the bill to transfer funding to meet conflict response requirements, this authority would not provide a flexible funding source to meet the most immediate needs of reconstruction and stabilization operations. The Administration urges the Congress to restore requested funding of \$100 million for the Conflict Response Fund as well as requested special authorities for the Fund.

Afghanistan Counternarcotics

The Administration objects to the Committee's \$49 million reduction to the International Narcotics Control and Law Enforcement request for counternarcotics programs in Afghanistan. The growing drug trade risks undermining overall security, democracy, and economic prosperity in Afghanistan. The Administration is carefully reviewing lessons learned from this year's

eradication effort to strengthen the program in FY 2006. Full funding is needed to follow through on a credible eradication program to deter poppy cultivation.

Economic Support Fund (ESF)

In addition to the lack of requested funding for Iraq, the Administration is concerned that restricting reconstruction assistance to Afghanistan will impede reconstruction necessary to support the country's transition to democracy, and will have a negative impact on our efforts. The Administration is also concerned that the Committee's \$35 million reduction in ESF for the Middle East Partnership Initiative (MEPI) will constrain our ability to deliver important support to reformers in the region. The Administration reiterates its desire for endowment and interest retention authorities for MEPI funds.

USAID Operating Expenses

The Administration urges the House to restore the reduction to the President's request for USAID Operating Expenses. Of the increase requested, \$36 million is for Iraq and Afghanistan operations, which were previously funded through supplemental funding requests. The President's request also will allow USAID to successfully implement new programs, close critical staffing gaps, and continue progress on key management reforms. Covering the costs of Iraq, Afghanistan, and these other priorities within the proposed level of funding would negatively impact USAID program effectiveness by requiring reductions in overseas presence, security enhancements, and training.

Multilateral Development Banks (MDB)

The Administration thanks the Committee for fully funding most of the President's request for the MDBs. The Administration is concerned, however, about the lack of any funding for the Global Environment Facility (GEF). The Administration agrees that it is imperative for the GEF to establish a performance-based allocation system, which was the centerpiece reform of the GEF-3 replenishment agreement. Nevertheless, the Administration will continue to insist on an acceptable final agreement that includes an acceptable performance-based allocation system before the GEF-4 replenishment negotiations are concluded, and seeks restoration of requested funding for the GEF.

UN International Democracy Fund (UNIDF)

The Administration is concerned that no funding was provided for the UNIDF to establish an International Democracy Fund to reside in the United Nations, as proposed by the President at the United Nations General Assembly in September, 2004. The UNIDF would chiefly support democratic transitions and consolidation through training and advisory services, but also house experts in democracy promotion.

Other Funding Issues

The Administration objects to the Committee's decision to reduce requested funding for Migration and Refugee Assistance. These reductions would impede Administration efforts to increase refugee admissions to the United States and inhibit other protection and assistance

programs to vulnerable refugee populations overseas.

The Administration urges the House to restore the full funding requested for Foreign Military Financing, including the \$80 million reduction to the President's \$300 million request for military assistance to Pakistan, a key ally in the Global War on Terror. The Administration appreciates funding provided by the Committee for the President's Global Peace Operations Initiative, but urges the House to provide the \$114 million requested to build capacity for peace support operations worldwide. In addition, the Administration objects to the elimination of the President's request for small arms and light weapons destruction program, which is an essential part of the Administration's strategy to reduce the threat of Man Portable Air Defense Systems.

The Administration urges the House to restore funding to the Export-Import Bank Program Account to ensure that U.S. exporters have the resources necessary to compete with officially supported foreign competition in overseas markets. The \$61.5 million reduction in Export-Import Bank's subsidy would reduce the amount of export finance that the Bank could support by an estimated \$1.7 billion, or 13 percent, below the FY 2004 level.

The Administration also asks that the funding request of \$99.8 million for debt restructuring programs be restored and that the \$20 million earmark for Tropical Forest Conservation Act be removed to provide needed flexibility to respond to program priorities as they occur.

The Administration urges the House to restore the \$20 million reduction from the President's request for the Peace Corps. Without this additional funding, the Peace Corps will be unable to reach the President's goals for expansion, will fail to respond to the over 20 countries that would like to establish or re-establish a Peace Corps presence, and may have to close some Peace Corps' country programs.

Language Issues

Notwithstanding Authority: At this critical stage in our efforts in the Global War On Terror, the Administration is concerned about the limitation on the special authorities throughout the bill that allow the President to provide assistance notwithstanding any other provision of law. This limitation would hinder the President's ability to use resources flexibly in support of his efforts to combat terrorism as well as to respond to emergencies, emerging opportunities, and conflict situations. The Administration urges the full restoration of these longstanding authorities.

Assistance to Pakistan: The Administration notes with concern that requested authority contained in section 534(j) of the Subcommittee bill to waive certain restrictions on assistance to Pakistan was removed in full Committee action. The Administration urges the House to restore this authority that could affect critical assistance programs to a key ally in the War on Terror.

Anti-Corruption Provisions: The Administration agrees with the essential policy intent of section 582, and is actively engaged in efforts to ensure that the World Bank's procurement practices remain open, competitive and transparent. However, withholding funds from the International Development Association could be counterproductive to achieving these objectives. The Administration requests that this provision be withdrawn from the legislation.

Basic Education: While the Administration supports basic education as a priority development sector, we are concerned about another increase over the President's request. With one quarter of the Development Assistance budget set aside for basic education, the USAID program will not be able to achieve balance among the various sectors essential to achieving long-term sustainable development. We are especially concerned that USAID's Democracy/Governance programs will be reduced.

Constitutional Concerns

Provisions of the bill, including section 506(a), 514, 551, 561(a), 562, and 573, that purport to direct or burden the conduct of negotiations and communications with foreign countries or international organizations, should be amended to delete such direction or burden, to make the provisions consistent with the constitutional authority of the President to conduct the Nation's foreign relations and to supervise the unitary executive branch.

Provisions of the bill, including sections 506(e), 512, and 561(d), that purport to condition execution of a law upon prior consultation with committees of Congress or private organizations should be amended to delete the consultation requirement, to make the provisions more consistent with the Constitution's vesting in the President of the executive power and the authority to conduct the Nation's foreign relations.

Potential Amendments

The Administration would strongly oppose any amendments that would modify the United States' financial commitment to Egypt or limit the Administration's flexibility to ensure that our assistance program to Egypt serves the United States' national interests.

The Administration understands that an amendment may be offered that would reduce funding for the Andean Counterdrug Initiative. The Administration opposes any amendment that would weaken the United States' commitment for the Andean Counterdrug Initiative to target the production of cocaine and heroin, support regional and global efforts to disrupt world trafficking of illegal drugs and attack these criminal organizations, and promote legal alternatives for those involved in this illegal industry.

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