



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

July 22, 2003
(House)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.R. 2800 – Foreign Operations, Export Financing, and Related Programs

Appropriations Bill, FY 2004

(Sponsors: Young (R), Florida; Obey (D), Wisconsin)

The Administration supports House passage of the FY 2004 Foreign Operations, Export Financing, and Related Programs Appropriations Bill, as reported by the 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 2004 appropriations bills ultimately fit within the top line funding level agreed to by both the Administration and the Congress. The President supports a discretionary spending total of \$784.7 billion, along with advance appropriations of \$23.2 billion for FY 2005 – in accordance with his Budget and the FY 2004 Congressional Budget Resolution. Only within such a fiscal environment can we encourage increased economic growth and a return to a balanced budget. The Administration looks forward to working with the Congress to ensure that its priorities are met within that overall total.

Additional Administration views regarding the Committee's version of the bill are:

Millennium Challenge Account (MCA)

The Administration opposes the \$500 million reduction from the President's request of \$1.3 billion for MCA. The request level represents the first step in the ramp-up to the President's commitment of \$5 billion in annual funding by FY 2006. Such a significant reduction would limit the number of countries that could initially participate and the ability of the Millennium Challenge Corporation to begin operations. This initiative represents a significant new departure in the provision of foreign assistance. Reductions would compromise our potential for supporting growth and opportunity in countries committed to investing in their people, ruling justly, and sound economic policies.

Emergency Plan for AIDS Relief

The Administration is pleased with the Committee's strong support of the President's Emergency Plan for AIDS Relief. However, the Administration is concerned that the bill severely limits the authorities of the new Coordinator to assure a coherent government-wide approach by not establishing

a separate role and account at the Department of State, limiting his ability to transfer and allocate funds to the relevant government agencies, and providing limited contracting authority. The Administration strongly supports maintaining the flexibility for the Coordinator that was fundamental to the President's plan, provided in H.R. 1298, and essential to effective coherent management of HIV/AIDS programs across the U.S. Government. In addition, in light of the lack of pledges from other donors at the recent Global Fund meeting, the Administration strongly encourages the release of Global Fund contributions for use by the Coordinator as of January 1, 2004, as a mechanism to leverage funding from other donors.

U.S. Emergency Fund for Complex Foreign Crises

The Administration is concerned that the bill fails to fund the President's request for a new \$100 million U.S. Emergency Fund for Complex Foreign Crises. This initiative is needed to provide the President with additional flexibility to respond swiftly and effectively to emerging crises worldwide.

Peace Corps

The Administration is concerned that the reduction to the Peace Corps will imperil the President's initiative to double the number of Peace Corps volunteers to 14,000 by FY 2007. The bill provides only \$314 million, a reduction of \$45 million below the President's request of \$359 million.

Famine Fund

The Administration urges the House to fund the \$200 million request for a new, flexible contingency fund to meet unexpected famine needs. While we acknowledge that the bill adds \$80 million to the request level for International Disaster Assistance for famine prevention and mitigation, the Administration must have the ability to provide adequate resources to prevent and address famine quickly.

Additional Funding Issues

The Administration also urges the House to fund the President's request for the Economic Support Fund (ESF). Including the International Fund for Ireland, the bill provides \$2.3 billion or \$0.2 billion less than the President's request of \$2.5 billion for ESF. When combined with the Middle East and various other earmarks, especially the \$67 million for U.S. Agency for International Development (USAID) facilities/buildings, this cut would have an adverse impact upon all regional programs, particularly in Africa.

The Administration opposes the \$100 million reduction in the Foreign Military Financing (FMF) account. With over 80 percent of the request committed to Israel, Egypt, and Jordan, this reduction would have a serious impact on our global efforts to combat terrorism. In addition, the Administration strongly encourages the House to include requested language to permit the deobligation and reobligation of prior year FMF funds. This authority is necessary to help meet increasing requirements for funds to

fight the war on terror. Also, the proposed reduction of \$50 million in the Nonproliferation, Antiterrorism, Demining and Related Programs account would slow initiatives in the request to expand anti-terrorism assistance training programs and address the proliferation of weapons of mass destruction.

The Administration is disappointed that the bill fails to provide \$300 million to pay for the cost of Heavily Indebted Poor Countries (HIPC) debt reduction for the Democratic Republic of the Congo (DRC). This action will preclude the U.S.'s ability to participate in debt reduction in the Paris Club of Creditors, may cause other creditors to withhold debt relief for the DRC, and could harm the U.S. commitment to the overall HIPC program. At a time when the Congolese people are forming a new Government of National Unity, debt reduction will support their efforts to rebuild the country.

The Administration urges the Congress to restore the \$97 million reduction from the President's request for the USAID Capital Investment Fund.

The Administration appreciates that the current version of the House bill is consistent with the Administration's family planning policy. The Administration would oppose any legislation that would infringe upon the President's ability to enforce current Administration policy regarding international family planning assistance. If a provision were to be added to the bill on the House Floor that would change this policy, the President would veto the bill.

While the Administration encourages competition in contracting, the general provision on competition in contracting in the bill would limit the flexibility of the Administration to enter into contracts relating to the provision of assistance for Iraq in an unforeseen emergency or circumstance.

Potential Amendment

The Administration appreciates the committee's support to date for one of the Administration's highest priority initiatives – the President's Global AIDS Initiative. Funding provided for Global AIDS will move many nations forward in the global fight against HIV and AIDS. The Administration understands, however, that an amendment may be offered on the Floor that would shift \$500 million from the current level of funding provided in the bill for the President's Millennium Challenge Account Initiative to the President's Global AIDS Initiative. As noted above, the Administration opposes the \$500 million reduction from the President's request of \$1.3 billion for MCA already contained in the bill. If such an additional reduction were included in the final legislation presented to the President, his senior advisors would recommend that he veto the bill.

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