



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

June 15, 2004
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 4818 – Foreign Operations, Export Financing, and Related Programs Appropriations Bill, FY 2005

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

The Administration supports House passage of the FY 2005 Foreign Operations, Export Financing, and Related Agencies Appropriations Bill, as reported by the House Committee.

The President supports a discretionary spending total of not more than \$819 billion, in addition to \$2.5 billion in advance appropriations for Project BioShield, consistent with his FY 2005 Budget. The President's Budget responsibly holds the growth in total discretionary spending to less than four percent and the growth in non-security spending to less than one percent, while providing the critical resources needed for our Nation's highest priorities: fighting the war on terror, strengthening our homeland defenses, and sustaining the momentum of our economic recovery. Consistent with the need for responsible spending restraint, the Administration urges the Congress to fully fund unavoidable obligations and not to include any emergency funding, including contingent emergencies, unless mutually agreed upon in advance by both the Congress and the Administration.

The Administration has several concerns with the Committee bill and looks forward to working with the Congress as the process moves forward.

Emergency Plan for AIDS Relief

The Administration commends the Committee for fully funding the \$2.2 billion request for the President's Emergency Plan for AIDS Relief. The Administration is concerned, however, about the consequences of the \$190 million reduction in funding for the Office of the Global AIDS Coordinator, and a transfer of responsibility of the U.S. Agency for International Development's (USAID) focus country programs to the Coordinator without a commensurate transfer in funds. These actions could reduce the number of patients and orphans receiving life-extending medical treatment, palliative care, and prevention by as many as 2.9 million for FY 2005. The Administration strongly urges the House to fully fund the President's request for the Office of the Coordinator.

Millennium Challenge Account (MCA)

The Administration appreciates the Committee's support of MCA, a key Presidential initiative, but is disappointed that the Committee-reported bill funds only half of the President's \$2.5 billion request. At this level of funding, MCA may not be able to commit to multi-year support to the 16 countries that have already qualified to compete for MCA assistance or those that may qualify in FY 2005. The Administration strongly urges the House to restore the President's request for this important initiative.

Peace Corps

The Administration strongly urges the House to restore the \$71 million it reduced from the President's Budget request for the Peace Corps. Without this additional funding, the Peace Corps will be unable to grow the program to respond to the many requests for Peace Corps members in emerging countries while assuring a quality volunteer experience by its members.

Foreign Military Financing

The Administration strongly urges the House to restore the \$180 million reduction to the President's request for the Foreign Military Financing Program. While full funding of the request for assistance to Afghanistan will greatly benefit the efforts to establish the Afghan National Army and help improve security in that country, the \$150 million reduction to the request for Pakistan will limit progress in the war on terror.

U.S. Emergency Fund for Complex Foreign Crises

The Administration is disappointed that the Committee did not support the request for an emergency fund to deal with complex foreign crises, such as stabilization and reconstruction of a country or region that is in transition from conflict or civil strife. The Administration will work with the Congress to support this necessary Fund, which will enable identification of resources for immediate response to emerging crises.

International Development Association (IDA)

The Administration appreciates the Committee's funding of the \$850 million basic annual contribution for IDA, but strongly urges the House to fully fund the \$200 million incentive contribution included in the President's request. This incentive is important to improving the accountability of IDA's program and ensuring that IDA meets concrete and measurable goals. As verified by an independent examination urged by the Congress, IDA met the required performance targets specified in the IDA-13 Agreement in education, health, and private-sector development. Funding of this incentive contribution is essential both to the effectiveness of IDA and to the continuation of U.S.-led reform efforts in such key areas as results measurement, grants, and private-sector development.

Additional Funding Issues

The Administration is concerned about reductions by the Committee to other key programs by the Committee. The Administration urges the House to: (1) provide the full \$50 million requested for famine relief included in the International Disaster and Famine Assistance account, which prevents or mitigates famine and addresses critical food aid needs; and (2) fully fund the Administration's request for debt reduction for the Democratic Republic of the Congo under the Heavily Indebted Poor Country (HIPC) program.

Language Issues

The Administration urges the House to provide the authority requested to allow greater flexibility in the use of Iraq Relief and Reconstruction Fund (IRRF) assistance resources, so that the Secretary of State can adjust the reconstruction program to meet evolving needs on the ground. The Administration opposes language placing current Coalition Provisional Authority (CPA) Inspector General responsibilities under the direction of the Secretary of State. An agreement has been reached among the Department of State, Department of Defense, USAID,

and CPA IG that assures robust oversight, audits, and prevention of fraud, waste, and abuse of funds available under the IRRF. Finally, the Administration encourages restoration of language, which was proposed in sections 544 and 545 of the President's Budget that would allow USAID to implement administrative cost rate pilots which would allow USAID to charge overhead rates for programs implemented at overseas missions and convert up to 50 program-funded personal service contractors to permanent positions to fill urgent skill-gaps.

Potential Amendments

The President's senior advisors would recommend that the President veto any legislation that would infringe upon his ability to enforce current Administration policy regarding international family planning assistance. The Administration would also strongly oppose any amendments that would modify the United States' financial commitment to Egypt.

The Administration understands that an amendment may be offered that would add the Kingdom of Saudi Arabia to Section 507, the list of countries prohibited from receiving direct assistance from the United States, or limit funds that would be available to Saudi Arabia through this bill. The Administration would strongly oppose any such amendment that would severely undermine our counter-terrorism cooperation with Saudi Arabia, as well as our pursuit of a Palestinian-Israeli peace.

Constitutional Concerns

The Administration objects to several provisions of the bill that raise concerns regarding the President's constitutional authority to conduct the foreign relations of the United States. Under the heading, "Other Bilateral Economic Assistance, Economic Support Fund," a provision appears to require the President to negotiate a particular agreement with another nation and to ensure that that nation enter into the agreement. Further, several provisions require that the Secretary of the Treasury instruct U.S. executive directors at various financial institutions use their voice and vote to oppose particular loans or assistance grants at those institutions. See sections 514, 561(a)(1), and 562. Finally, section 547 could be construed to direct the President to take a particular position on the question of Israel's capital and the status of Jerusalem. In each of these instances, the provision would intrude on the President's constitutional authority to formulate the position of the United States and speak for the Nation in international affairs. Such provisions should be revised in a manner to make each precatory.

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