

# RANSAC Policy Update

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## **Preliminary Analysis of the U.S. State Department's Fiscal Year 2006 Budget Request for Global WMD Threat Reduction Programs**

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For fiscal year (FY) 2006, RANSAC estimates that approximately \$153.3 million is requested for weapons of mass destruction (WMD) threat reduction efforts funded by the State Department, which is roughly \$13 million (or 9.5%) more than the current estimated budget. Within this total, approximately \$71 million, the same amount as proposed last year, would be dedicated in FY 2006 to nonproliferation projects in Russia and the former Soviet states under the G-8 Global Partnership Against the Spread of Weapons and Materials of Mass Destruction.

### **Budget Highlights:**

- A small increase for the main State Department funded effort to redirect former WMD scientists primarily in Russia and the former Soviet Union (FSU), and potentially in Iraq and Libya (to \$52.6 million from \$50.1 million). However, this budget under-funds several key priorities:
  - “Minimal support” in the Bio-Chem Redirection program for activities at two of the top Russian bio institutes, and only enough funding to support “limited engagement” with leading biological institutes in Georgia and Kazakhstan.
  - Insufficient funds to fully pursue the Bio Industry Initiative during the “critical year” of fiscal 2006, as the program moves from the assessment phase toward reconfiguration of former Soviet bio institutes.
  - A need for “significant additional funding” in fiscal 2006 to continue and expand WMD scientists redirection efforts in Iraq.
- A modest budget increase (to \$37.5 million from the current \$31.7 million) for the Nonproliferation and Disarmament Fund, which provides funding for a variety of nonproliferation contingencies and supports other ongoing nonproliferation initiatives, including the scientific redirection efforts in Iraq and Libya.
- An 18% increase for the Export Control and Border Security Assistance program (to \$44.4 million to \$37.7 million), though, as in other recent year budgets, the increase is tilted largely toward nations outside of Russia and the FSU.

## Budget Table

The total estimated State Department budget in fiscal year 2006 for global threat reduction programs is \$153.3 million. Funding for the relevant programs comes from two parts of the State Department's foreign operations budget: the "Nonproliferation, Anti-terrorism, Demining, and Related Programs" (NADR) account, and from the "Assistance for the Independent States of the Former Soviet Union" account (also referred to as the "FREEDOM Support Act", or FSA, account).

While individual programs are, for the most part, disaggregated under the NADR account in the budget request, the Freedom Support Act funding is generally not broken down into component parts. The State Department's public budget requests do not detail intended allocations within the FSA request for the coming fiscal year, and the foreign operations appropriations legislation also does not allocate the entire FSA appropriation to individual projects. Instead, specific funding levels for FSA-supported activities are determined by the State Department subsequent to the appropriation. Because of the limited publicly available information, the figures for the nonproliferation efforts funded through the FSA account listed in the following table are estimates based on RANSAC's analysis.

*State Department global threat reduction programs (All amounts in \$ millions)*

Program	FY 2005 Appropriation (Adjusted estimates)	FY 2006 Request
Nonproliferation of WMD Expertise (NADR)	\$50.1	\$52.6
Export Control and Border Security (NADR)	\$37.7	\$44.4
Nonproliferation and Disarmament Fund (NADR)	\$31.7	\$37.5
Border guards/border security development (FSA)	~\$12.5	~\$10.8
U.S. Civilian Research and Development Foundation (FSA)	~\$8.0	~\$8.0
<b>TOTAL</b>	<b>~\$140.0</b>	<b>~\$153.3</b>

## Major Developments:

- **Insufficient Funding for WMD Expertise Redirection Efforts**

The State Department requests a relatively small increase in its FY 2006 budget for its "Nonproliferation of WMD Expertise" program (to \$52.6 million from \$50.1 million). While the budget rises slightly, background in the budget justification documents signal that the program is broadening its scope to new nations and new activities. The State Department notes that the program has engaged "tens of thousands" of former WMD experts mostly in the former Soviet Union. It also states that "scientists in Iraq and Libya are accessible for the first time," and that the program will "look toward applying and adapting best practices and lessons learned to South Asia, the Middle East, and North Korea when those opportunities arise." This statement makes it unclear if the budget request includes funding specifically for Iraqi and Libyan scientist redirection, beyond

what has been provided by the Nonproliferation and Disarmament Fund. However, the Senate Foreign Relations Committee in its recent fiscal year 2006 and 2007 foreign relations authorization legislation stated that the “Nonproliferation of WMD Expertise program has not been given the funds needed to execute its program in Iraq under the Iraqi International Center for Science and Industry.” The Committee also noted that there was not sufficient funding “to pursue fully the Bio-Industry Initiative.”

The Nonproliferation of WMD Expertise program consists of five related efforts focused on transitioning former weapons scientists into sustainable peaceful career paths:

- ❖ The Science Centers Program, which supports centers in Moscow and Kiev to provide short-term civilian research grants to former Soviet WMD scientists and institutes and to promote commercial collaborations. State funding for the Science Centers in recent years has hovered around \$30 million per year. In FY 2006, funding will allow the Science Centers to continue their work with nuclear, missile, chemical, and biological institutes in Russia, Ukraine, and several other countries in the region, while also “weighing and responding to” new potential proliferation risks in Azerbaijan, Tajikistan, and Moldova.
- ❖ The Bio-Chem Redirection (BCR) program, which seeks to redirect former BW and CW scientists to peaceful work relating to agriculture, public health, and the environment. This program enables engagement between former Soviet institutes and specialized expertise at the U.S. Department of Health and Human Services (HHS), Department of Agriculture (USDA), and the Environmental Protection Agency (EPA). In fiscal year 2005, approximately \$17 million was provided to this program. For fiscal year 2006, BCR funds will:
  - “Provide minimal support” to the HHS Biotechnology Engagement Program which facilitates civilian biological research projects at two leading Russian bio institutes: Vector and Obolensk. The proposed budget would also allow for “only limited bio-engagement efforts with top priority institutes in Kazakhstan and Georgia.”
  - Sustain the USDA Agricultural Research Service Collaborative Research in Biotechnology Program to redirect scientists toward civilian agricultural disease detection, monitoring, and prevention. This project area may also begin cooperating with “former BW institutes in Ukraine that have not yet been engaged by any U.S. nonproliferation program.”
  - Maintain EPA projects with former Soviet chemical weapons scientists in the areas of environmental contamination, remediation, and development of hazardous chemical exposure guidelines. One of the top priorities is sustaining a newly established environmental monitoring laboratory in Kirov, Russia,

which is “the only vehicle currently available for engaging former BW scientists in the closed Kirov-200 military facility.”

- ❖ The Bio Industry Initiative (BII), which supports security upgrades and reconfiguration of former BW production facilities in Russia, and encourages U.S. industrial collaboration with Russian bio institutes to accelerate development of needed drugs and vaccines. Following its initial appropriation, BII in recent years has received an average of approximately \$3 million per year. This budget request notes that “FY 2006 is a critical year for BII, as several expert assessments begun in past years are now complete and larger reconfiguration projects are ready for funding.” The request also states that BII will look to expand its efforts beyond Russia and consider reconfiguring biological production facilities in Georgia and Kazakhstan, as well as applying its experience to scientist redirection efforts in Iraq and Libya, and in other nations “as opportunities arise.”
- ❖ Iraq program. This program is still in the start-up phase involving establishment of a program office in Iraq, preliminary WMD scientist redirection activities, such as seminars and workshops, and finalizing the Iraqi International Center for Science and Industry (IICSI) under which future long-term redirection efforts will be led. These short term activities are currently being financed by two \$2 million contributions from the NDF (in FY 2004 and 2005). The State Department indicates that “significant additional funding will be needed in FY 2006” to continue operations in Iraq beyond fiscal 2005 and initiate large-scale projects. However, the request does not specify funding needs for these purposes.
- ❖ Libya program. Currently, the United States and the United Kingdom are completing a joint redirection study for an estimated 250 core personnel and 1,500 support personnel previously affiliated with Libya’s former WMD programs. A total of \$3.0 million in NDF funding has been provided through FY 2005 for preliminary activities, with unspecified additional funding to be made available in FY 2006. A U.S.-U.K.-Libyan steering committee is evaluating longer term cooperative engagement activities.

- **Additional Resources for Rapid Nonproliferation Response**

The Nonproliferation and Disarmament Fund (NDF) provides funding for a range of nonproliferation contingencies and other unanticipated opportunities requiring a rapid response. The State Department is proposing a modest growth in the NDF budget for FY 2006 of approximately \$5.8 million (to \$37.5 million from the current \$31.7 million). NDF funding has been used to support initial scientific engagement and redirection efforts in Iraq and Libya. Funding has been used to dismantle and remove WMD-related equipment in Libya, secure chemical weapons in Albania, and help countries around the

world develop effective systems to control the export and import of materials and equipment that could be used for WMD. In the recent past, as a general rule of thumb it was estimated that roughly one-half of the annual NDF budget was used to support nonproliferation projects in Russia the republics of the former Soviet Union. As in other areas of the State Department WMD threat reduction budget, the Russia/FSU share of the NDF budget may decline as additional global opportunities materialize – such as those in Iraq and Libya, or WMD material equipment cleanout operations in new countries.

In fiscal year 2006, NDF is expecting to fund several nonproliferation priorities, including, “several classified efforts” to secure or remove dangerous materials in “sensitive locations,” destruction of weapons delivery systems, support for emergency interdiction efforts, and launching new undefined nonproliferation initiatives.

- **Export Controls: FSU Support Declines, Global Funding Increases**

The budget for the Export Control and Border Security (EXBS) Assistance line of the NADR budget in fiscal 2006 would grow by approximately \$6.7 million (to \$44.4 million from \$37.7 million), or roughly an 18% increase from the current year estimates.

As illustrated in the following table, the funding increase is targeted primarily for countries beyond Russia and the former Soviet Union. The budget represents a continuation of the trend in recent years of directing greater export control and border security development attention to new countries while scaling-back efforts in the FSU. In fiscal year 2006, some countries in the region would receive expanded funding, such as Azerbaijan, Tajikistan, Turkmenistan, and Ukraine. Even Belarus, where there has been virtually no activity in recent years, is estimated to receive \$250,000 in EXBS assistance. Yet these increases are offset by expected declines in export control and border security work in Russia (from \$2.8 million to \$1.0 million), Uzbekistan (from \$1.2 million to \$0.5 million), and Kazakhstan (from \$2.0 million to \$1.4 million).

In the other regions of the world, EXBS increases are anticipated principally for countries in East Asia and the Pacific (including Malaysia, Indonesia, Singapore, Thailand, and Vietnam), Africa (especially Kenya and Tanzania), and the Near East (most notably Iraq and Libya).

*Export Control and Border Security Assistance (EXBS) (All amounts in \$ millions)*

<b>Export Control and Border Security Assistance (NADR)</b>	<b>FY 2005 request</b>	<b>FY 2005 adjusted (current) estimate</b>	<b>FY 2006 request</b>	<b>Increase/decrease</b>
EXBS assistance to Russia and the FSU	\$10.6	\$10.3	\$8.5	-17%
EXBS assistance, non-Russia, non-FSU	\$27.4	\$27.4	\$35.9	+31%
Total EXBS budget, all countries	\$38.0	\$37.7	\$44.4	+18%

- Unclear Funding Picture for FSA-Funded Border Security Development Efforts**

According to the State Department, Freedom Support Act assistance for the former Soviet nations “helps prevent the proliferation of WMD and related technology” by strengthening border security forces on the Georgia-Russian border, in Central Asia, and the Caucasus. However, the Freedom Support Act top-line of the State Department budget has dropped dramatically over the past few years (see table below), and it is unclear whether these border security programs are being adequately funded in the face of other competing priorities within this diminished pot of FSA money.

Precise funding levels for current FSA-funded programs are unknown, including funds for border security work. The most recent information provided by the State Department, in the report on “U.S. Government Assistance to and Cooperative Activities with Eurasia” for fiscal year 2003, indicates that \$17.0 million was budgeted that year for border security activities using Freedom Support Act funds. The total budget for Freedom Support Act in fiscal year 2003 was approximately \$755 million.

Since fiscal year 2003, the total annual Freedom Support Act funding requests and appropriations have declined; compared to the fiscal year 2003 allocation, the fiscal year 2006 request for the FSA top-line budget is roughly a 36% reduction. As illustrated in the following table, in the absence of more definitive data from the State Department, RANSAC’s analysis assumes a proportional reduction in the border security budget relative to the percentage decrease in the top-line FSA budget.

	<b>Fiscal Year 2003 (baseline)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Top-line FSA funding level	\$755.0 million	\$584.0 million	\$555.0 million	\$482.0 million
% reduction in FSA total funding from FY 2003	---	-22.6%	-26.5%	-36.2%
FSA-funded border security component (actual)	\$17.0 million	----	----	----
<i>Estimated</i> FSA-funded border security assistance	----	\$13.2 million (22.6% reduction from FY 2003)	\$12.5 million (26.5% reduction from FY 2003)	\$10.8 million (36.2% reduction from FY 2003)

- Falling Support for Other Scientific Redirection Efforts**

The other major nonproliferation program supported through Freedom Support Act funds is the U.S. Civilian Research and Development Foundation (CRDF). As part of its mission, the CRDF implements a range of nonproliferation programs to engage WMD researchers and scientists in the former Soviet states in civilian-oriented research. These activities include cooperative grants and joint research funding involving former Soviet scientists, providing project management and support for other U.S. nonproliferation

programs, including the Science Centers and biological proliferation prevention projects of the Cooperative Threat Reduction program, and conducting other specialized activities to engage former weapons scientists in peaceful research.

The annual State Department contributions to CRDF have been in the \$13-15 million range. However, based on recent information it is apparent that CRDF support has diminished in recent years, in step with the broader reduction in the FSA budget. Since fiscal year 2002, when State provided approximately \$14 million to CRDF, the level of support has fallen by approximately 40%, to an estimated \$8 million in fiscal year 2005. For fiscal year 2006, the State support for CRDF may decline further given the decrease in the overall Freedom Support Act budget.