



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 5, 2004

H.R. 2760
Resolution of the Ethiopia–Eritrea Border Dispute Act of 2004

As passed by the House of Representatives on October 8, 2004

H.R. 2760 would urge the governments of Ethiopia and Eritrea to implement the peace agreements signed by the two countries in 2000 and to accept the border between the two countries delimited by the independent Boundary Commission established by the comprehensive peace agreement signed on December 12, 2000. The act would limit U.S. bilateral economic and military assistance to either country should the President determine that a country is not complying with, or not taking significant steps to comply with, the terms and conditions of the peace agreements. Similarly, should Ethiopia and Eritrea agree to and finalize the border demarcation, the act would direct the President to provide additional economic assistance to the population of both countries within the border region.

Because the costs of implementing this act are contingent upon what actions the governments of Ethiopia and Eritrea may take, CBO cannot estimate the effect on discretionary spending at this time. The act would not affect direct spending or receipts.

The United States provided nearly \$90 million of food-aid and about \$70 million in economic and military assistance to Ethiopia and Eritrea in 2004. The President has requested similar amounts for economic and military assistance for 2005 as well. Some of that assistance, such as humanitarian assistance and spending to prevent and treat HIV/AIDS, would be exempt from the limitations contained in H.R. 2760. The President may waive the limitation on the remaining funds should he determine that it is in the national interest.

If the two countries do not take steps to comply with the peace agreements and the President chooses not to waive the limitations specified in the act, then CBO estimates that tens of millions in educational and agricultural assistance could be withheld from the two countries under the act. In that case, CBO expects that any funds withheld from Ethiopia or Eritrea would be reprogrammed to use for assistance to other countries and thus would have an insignificant net effect on federal spending.

Alternatively, if the two countries should implement the peace agreements, CBO estimates that implementing the act would cost a few million dollars, assuming the appropriation of the necessary funds, because under 100,000 persons remain internally displaced from the area affected by the border conflict.

H.R. 2760 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact is Joseph C. Whitehill. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.