

# CRS Report for Congress

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## **Appropriations for FY2003: Foreign Operations, Export Financing, and Related Programs**

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Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bound by the rules of the House and Senate, the Congressional Budget and Impoundment Control Act of 1974 (as amended), the Budget Enforcement Act of 1990, and current program authorizations.

This report is a guide to one of the 13 regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the House and Senate Foreign Operations Appropriations Subcommittees. It summarizes the current legislative status of the bill, its scope, major issues, funding levels, and related legislative activity. The report lists the key CRS staff relevant to the issues covered and related CRS products.

This report is updated as soon as possible after major legislative developments, especially following legislative action in the committees and on the floor of the House and Senate.

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# Appropriations for FY2003: Foreign Operations, Export Financing, and Related Programs

## Summary

The annual Foreign Operations appropriations bill is the primary legislative vehicle through which Congress reviews the U.S. foreign aid budget and influences executive branch foreign policy making generally. It contains the largest share — about two-thirds — of total U.S. international affairs spending.

President Bush requested \$16.45 billion (amended on September 3, 2002) for FY2003 Foreign Operations, an amount 7% higher than regular FY2002 appropriations, but slightly less than enacted FY2002 foreign aid appropriations when amounts (\$1.2 billion) allocated from two supplemental appropriations are included. Combined with funds provided in the regular appropriation (P.L. 107-115), enacted Foreign Operations spending for FY2002 totaled \$16.54 billion.

The FY2003 Foreign Operations proposal increased bilateral U.S. development assistance by \$348 million (+13%), including an additional \$230 million, or nearly one-half more for global HIV/AIDS programs. Other major additions in the FY2003 budget included 15% more for the Peace Corps, 17% more for the Andean Counternarcotics Initiative, 22% more for contributions to multilateral development banks, and 11% more for military assistance, primarily to support countries facing terrorist threats. Overall, the FY2003 request included \$4 billion in aid for “front-line” states in the war on terrorism. In a few areas, the President’s request cut spending: Export-Import Bank appropriations would fall by nearly one-quarter while assistance to Eastern Europe would drop by 20%.

The 107<sup>th</sup> Congress adjourned before completing action on Foreign Operations and 10 other funding measures. On February 13, Congress agreed to a \$16.3 billion Foreign Operations measure (H.J.Res. 2; P.L. 108-7). As enacted, Foreign Operations is about \$150 million less than requested and \$125 million and \$250 million less than bills recommended earlier by the Senate and House, respectively. The conference agreement further provides for an across-the-board rescission of 0.65% of all discretionary budget authority in the bill. This reduces total Foreign Operations funding to roughly \$16.18 billion. (Note: This report does not discuss or include \$7.48 billion in Foreign Operations funding approved in P.L. 108-11, the Iraq War Supplemental.)

Key Foreign Operations issues that attracted considerable debate included: size and composition of aid to help combat terrorism, including an FY2002 supplemental; development aid funding priorities, especially the adequacy of U.S. support for international HIV/AIDS programs and proposed reductions for other global health programs; funding for family planning programs and eligibility of the U.N. Population Fund; and assistance to Colombia, especially proposals to expand aid beyond counter-narcotics to a broader counter-terrorism focus.

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# Appropriations for FY2003: Foreign Operations, Export Financing, and Related Programs

## Most Recent Developments

On February 13, Congress approved H.J.Res. 2, a continuing appropriations measure to which Foreign Operations and 10 other FY2003 appropriations bills had been added. This omnibus spending measure was signed by the President on February 20 (P.L. 108-7). As enacted, Foreign Operations is funded at \$16.3 billion for FY2003, about \$150 million less than requested and \$125 million and \$250 million less than bills recommended earlier by the Senate and House, respectively (H.J.Res. 2, as passed by the Senate on January 23 and H.R. 5410 reported in the House in September 2002). The conference agreement further provides for an across-the-board rescission of 0.65% of all discretionary budget authority in the bill. This reduces total Foreign Operations funding to roughly \$16.18 billion.

As passed by Congress, the \$16.3 billion Foreign Operations modifies several of the Administration's FY2003 funding requests. P.L. 108-7 increases Child Survival programs to \$1.8 billion, about \$242 million higher than the request. The legislation includes \$880 million for international HIV/AIDS programs, \$140 million more than proposed, but \$172 million less than recommended by the Senate.

The measure further provides \$446.5 million for bilateral family planning activities, compared with \$425 million recommended by the House in H.R. 5410 and \$435 million passed by the Senate. The conferees agreed to allocate \$34 million to UNFPA, the same as in FY2002, but made the funds subject to several conditions, including a requirement that the President certifies that the organization is no longer involved in the management of a coercive family planning program. Last year, the Administration declared UNFPA ineligible for U.S. support because of its program in China where the Secretary of State determined UNFPA was involved in a coercive program.

The enacted Foreign Operations appropriation provides \$700 million for the Andean Regional counternarcotics initiative. The Senate had approved \$650 million and the House (H.R. 5410) had proposed \$731 million, as requested. P.L. 108-7 includes \$295 million for Afghanistan, compared with \$296 million (House) and \$220 million (Senate). The Administration estimated that it would allocate \$98 million for Afghan aid out of its Foreign Operations request. The conference agreement includes full funding for regular aid to Israel (\$2.7 billion), but does not include House language that would have earmarked an additional \$200 million requested by the President in a September 2002 budget amendment for Israeli anti-terrorism aid. The Omnibus Appropriation further cuts all funding for North Korean

heavy fuel oil (\$71.5 million) but retains \$5 million for administrative costs of KEDO.

(Note: This report does not discuss or include \$7.48 billion in Foreign Operations funding approved in P.L. 108-11, the Iraq War Supplemental. For complete details on that legislation, see CRS Report RL31829, *Supplemental Appropriations FY2003: Iraq Conflict, Afghanistan, Global War on Terrorism, and Homeland Security*.)

## Introduction

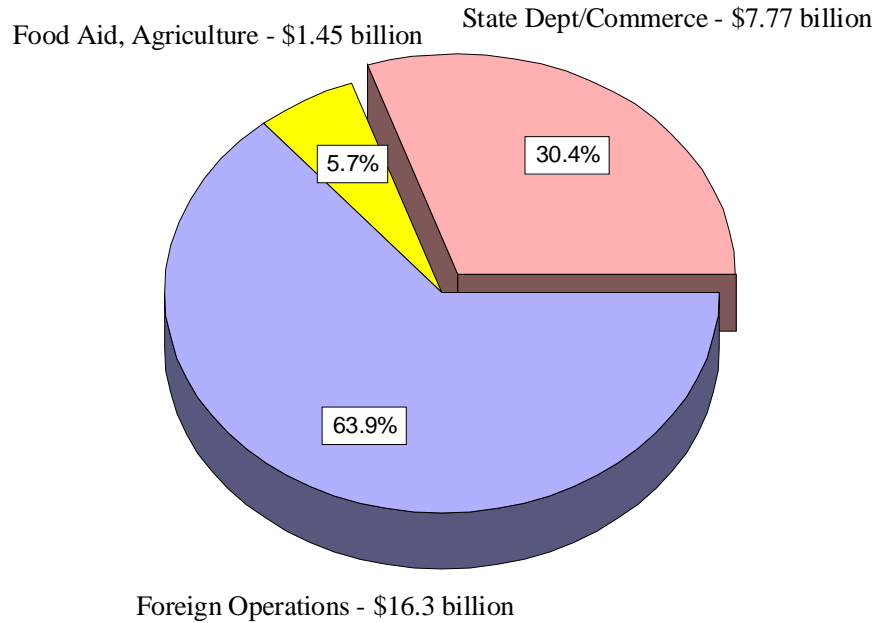
The annual Foreign Operations appropriations bill is the primary legislative vehicle through which Congress reviews and votes on the U.S. foreign assistance budget and influences major aspects of executive branch foreign policy making generally.<sup>1</sup> It contains the largest share — about two-thirds — of total international affairs spending by the United States (see **Figure 1**). The legislation funds all U.S. bilateral development assistance programs, managed mostly by the U.S. Agency for International Development (USAID), together with several smaller independent foreign aid agencies, such as the Peace Corps and the Inter-American and African Development Foundations. Most humanitarian aid activities are funded within Foreign Operations, including USAID's disaster program and the State Department's refugee relief support. Foreign Operations includes separate accounts for aid programs in the former Soviet Union (also referred to as the Independent States account) and Central/Eastern Europe, activities that are jointly managed by USAID and the State Department. Security assistance (economic and military aid) for Israel and Egypt is also part of the Foreign Operations spending measure, as are smaller security aid programs administered largely by the State Department, in conjunction with USAID and the Pentagon. U.S. contributions to the World Bank and other regional multilateral development banks, managed by the Treasury Department, and voluntary payments to international organizations, handled by the State Department, are also funded in the Foreign Operations bill. Finally, the legislation includes appropriations for three export promotion agencies: the Overseas Private Investment Corporation (OPIC), the Export-Import Bank, and the Trade and Development Agency.

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<sup>1</sup> Although the Foreign Operations appropriations bill is often characterized as the “foreign aid” spending measure, it does not include funding for all foreign aid programs. Food aid, an international humanitarian aid program administered under the P.L. 480 program, is appropriated in the Agriculture appropriations bill. Foreign Operations also include funds for the Export-Import Bank, an activity that is not regarded as “foreign aid,” but as a trade promotion program. In recent years, funding for food aid and the Eximbank have been about the same, so that Foreign Operations and the official “foreign aid” budget are nearly identical. Throughout this report, the terms Foreign Operations and foreign aid are used interchangeably.



**Figure 1. Foreign Policy Budget, FY2003  
By Appropriations Bills - \$s billions**



For nearly two decades, the Foreign Operations bill has been the principal legislative vehicle for congressional oversight of foreign affairs and for congressional involvement in foreign policy making. Congress has not enacted a comprehensive foreign aid authorization bill since 1985, leaving most foreign assistance programs without regular authorizations originating from the legislative oversight committees. As a result, Foreign Operations spending measures developed by the appropriations committees increasingly have expanded their scope beyond spending issues and played a major role in shaping, authorizing, and guiding both executive and congressional foreign aid and broader foreign policy initiatives. It has been largely through Foreign Operations appropriations that the United States has modified aid policy and resource allocation priorities since the end of the Cold War. The legislation has also been a key tool used by Congress to apply restrictions and conditions on Administration management of foreign assistance, actions that have frequently resulted in executive-legislative clashes over presidential prerogatives in foreign policy making.

## Status

**Table 1. Status of Foreign Operations Appropriations, FY2003:  
Action in the 107<sup>th</sup> Congress (H.R. 5410 and S. 2770)**

Subcomm. Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conf. Report Approval		Public Law
House	Senate						House	Senate	
9/5/02	7/16/02	9/19/02 H.Rept. 107-663	—	7/24/02 S.Rept. 107-219	—	—	—	—	—

**Table 2. Status of Foreign Operations Appropriations, FY2003:  
Action in the 108<sup>th</sup> Congress (H.J.Res. 2)**

Subcomm. Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conf. Report Approval		Public Law
House	Senate						House	Senate	
—	—	—	—	—	1/23/03	2/12/03 H.Rept. 108-10	2/13/03 338-83	2/13/03 76-20	2/20/03 P.L. 108-7

President Bush submitted his FY2003 federal budget request to Congress on February 4, including funding proposals for Foreign Operations Appropriations programs. Subsequently, on March 21, the White House requested FY2002 emergency supplemental funds for homeland security and combating terrorism overseas, a proposal that includes assistance to “front-line” states. House and Senate Appropriations Committees held a series of hearings on both the FY2003 and FY2002 supplemental requests, and approved the supplemental (P.L. 107-206) on July 24, 2002. The Senate Appropriations Committee reported a bill for FY2003 on July 24 (S. 2779). The House Foreign Operations Subcommittee approved its bill on September 5, a measure that was marked up by the full Committee on September 12 and reported on September 19 (H.R. 5410). Both FY2003 bills expired at the end of the 107<sup>th</sup> Congress.

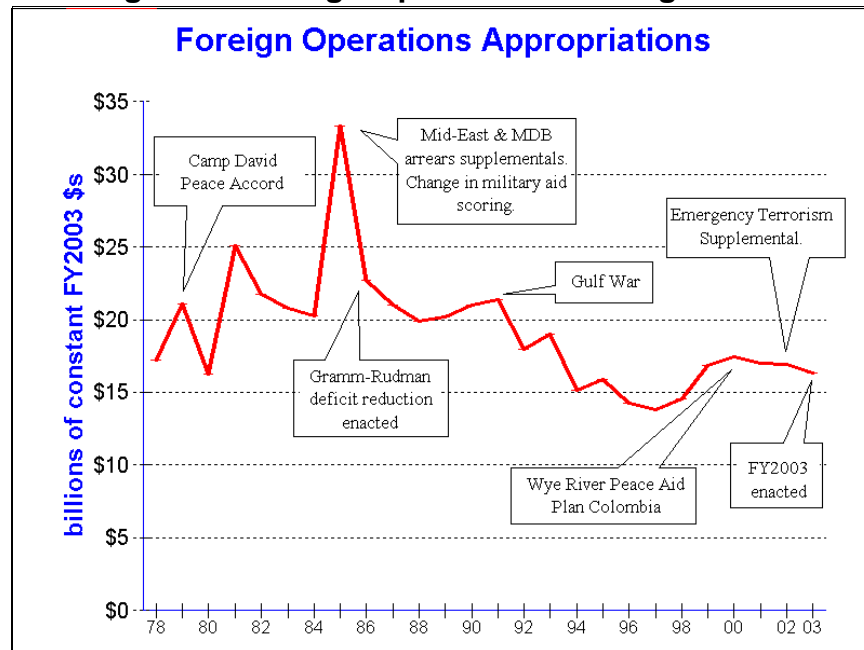
Subsequently, the Senate passed H.J.Res. 2 on January 23, 2003. The legislation contained 11 FY2003 appropriation bills, including Foreign Operations. On February 13, Congress approved the conference report for the Omnibus Appropriation, and the President signed the measure on February 20 (P.L. 108-7).

## Foreign Operations Funding Trends

As shown in Figure 2 below, Foreign Operations funding levels, expressed in real terms taking into account the effects of inflation, have fluctuated widely over the

past 25 years.<sup>2</sup> After peaking at over \$33 billion in FY1985 (constant FY2003 dollars), Foreign Operations appropriations began a period of decline to \$13.8 billion in FY1997, with only a brief period of higher amounts in the early 1990s due to special supplementals for Panama and Nicaragua (1990), countries affected by the Gulf War (1991), and the former Soviet states (1993).

**Figure 2. Foreign Operations Funding Trends**



Arguing that declining international affairs resources seriously undermined U.S. foreign policy interests and limited the ability of American officials to influence overseas events, Clinton Administration officials and other outside groups vigorously campaigned to reverse the decade-long decline in the foreign policy budget. Foreign aid spending increased slightly in FY1998, but beginning the following year and continuing to the present, Foreign Operations appropriations have trended upward due in large part to the approval of resources for special, and in some cases unanticipated foreign policy contingencies and new initiatives. While funding for regular, continuing foreign aid programs also rose modestly during this period,

<sup>2</sup> Some of these swings, however, are not the result of policy decisions, but due to technical budget accounting changes involving how Congress “scores” various programs. For example, the large increase in FY1981 did not represent higher funding levels, but rather the fact that export credit programs began to be counted as appropriations rather than as “off-budget” items. Part of the substantial rise in spending in FY1985 came as a result of the requirement to appropriate the full amount of military aid loans rather than only the partial appropriation required in the past. Beginning in FY1992, Congress changed how all Federal credit programs are “scored” in appropriation bills which further altered the scoring of foreign aid loans funded in Foreign Operations. All of these factors make it very difficult to present a precise and consistent data trend line in Foreign Operations funding levels. Nevertheless, the data shown in Figure 2 can be regarded as illustrative of general trends in Congressional decisions regarding Foreign Operations appropriations over the past 25 years.

supplemental spending for special activities, such as Central American hurricane relief (FY1999), Kosovo emergency assistance (FY1999), Wye River/Middle East peace accord support (FY2000), a counternarcotics initiative in Colombia and the Andean region (FY2000 and FY2002), and aid to the front line states in the war on terrorism was chiefly responsible for the growth in foreign aid appropriations. The average annual funding level during the FY1999-FY2003 period of \$16.8 billion represents a level 23% higher than the low point in Foreign Operations appropriation in FY1997.

**Table 3. Foreign Operations Appropriations, FY1995 to FY2003**  
(discretionary budget authority in billions of current and constant dollars)

	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
nominal \$s	13.61	12.46	12.27	13.15	15.44	16.36	16.31	16.54	16.3
constant FY03 \$s	15.81	14.18	13.68	14.47	16.74	17.31	16.84	16.87	16.3

**Note.** FY1999 excludes \$17.861 billion for the IMF. FY2003 does not include the 0.65% across-the-board rescission. FY2003 also excludes the \$7.48 billion for Foreign Operations included in P.L. 108-11, the Iraq War Supplemental.

Supplemental funds added following the terrorist attacks of September 11, 2001, resulted in large increases for Foreign Operations programs. As part of a \$40 billion emergency supplemental to fight terrorism enacted in September 2001 (P.L. 107-38), President Bush and Congress allocated \$1.4 billion for foreign aid activities.<sup>3</sup> Congress approved an additional \$1.15 billion Foreign Operations supplemental (P.L. 107-206; H.R. 4775), bringing amounts for FY2002 to \$16.54 billion. The amounts for each year since FY2000 — ranging between \$16.3 billion and \$15.54 billion — are the largest in nominal terms since FY1985 and in constant terms, are the highest in 10 years.

Despite the recent trend of increased spending on foreign aid, however, by historical standards the amounts between FY2000 and FY2003, in real terms, are relatively low. Except for the lowest point in foreign aid appropriations that occurred in the mid-1990s, this most recent period is lower, in real terms, than for any year prior to FY1994.

As a share of the entire \$2.15 trillion U.S. budget for FY2003, Foreign Operations represents a 0.76% share. As a portion of discretionary budget authority — that part of the budget provided in annual appropriation acts (other than appropriated entitlements) — Foreign Operations consumes 2.13%. By comparison,

<sup>3</sup> The entire \$40 billion terrorism emergency appropriation was appropriated in FY2001 but was divided into two parts: \$20 billion that was available immediately and \$20 billion that was allocated according to legislation enacted in December 2001 (FY2002). Nearly all Foreign Operations funds fell within the first \$20 billion allotment and are scored as FY2001 budget authority.

at the high point of Foreign Operations spending in FY1985, foreign aid funds represented 2% of the total U.S. budget and 4.6% of discretionary budget authority.

#### **Data Notes**

Unless otherwise indicated, this report expresses dollar amounts in terms of *discretionary budget authority*. The Foreign Operations Appropriations bill includes one *mandatory* program that is not included in figures and tables — USAID’s Foreign Service retirement fund. The retirement fund is scheduled to receive \$45.2 million for FY2003.

In addition, funding levels and trends discussed in this report exclude U.S. contributions to the International Monetary Fund (IMF), proposals that are enacted periodically (about every five years) in Foreign Operations bills. Congress approved \$17.9 billion for the IMF in FY1999, the first appropriation since FY1993. Including these large, infrequent, and uniquely “scored” IMF appropriations tends to distort a general analysis of Foreign Operations funding trends. Although Congress provides new budget authority through appropriations for the full amount of U.S. participation, the transaction is considered an exchange of assets between the United States and the IMF, and results in no outlays from the U.S. treasury. In short, the appropriations are off-set by the creation of a U.S. counterpart claim on the IMF that is liquid and interest bearing. For more, see CRS Report 96-279, *U.S. Budgetary Treatment of the IMF*.

### **Foreign Operations, the FY2003 Budget Resolution, and Sec. 302(b) Allocations**

Usually, Appropriations Committees begin markups of their spending bills only after Congress has adopted a budget resolution and funds have been distributed to the Appropriations panels under what is referred to as the Section 302(a) allocation process, a reference to the pertinent authority in the Congressional Budget Act. Following this, House and Senate Appropriations Committees separately decide how to allot the total amount available among their 13 subcommittees, staying within the functional guidelines set in the budget resolution. This second step is referred to as the Section 302(b) allocation. Foreign Operations funds fall within the International Affairs budget function (Function 150), representing in most years about 65% of the function total. Smaller amounts of Function 150 are included in three other appropriation bills. (See Figure 1, above.)

How much International Affairs money to allocate to each of the four subcommittees, and how to distribute the funds among the numerous programs are decisions exclusively reserved for the Appropriations Committees. Nevertheless, overall ceilings set in the budget resolution can have significant implications for the budget limitations within which the House and Senate Foreign Operations subcommittees will operate when they meet to mark up their annual appropriation bills.

Complicating the Committees' ability to set Section 302(b) allocations and proceed with markups of the FY2003 appropriations was the absence of enactment of a budget resolution. The House approved H.Con.Res. 353 on March 20, 2002, recommending \$759 billion in total discretionary budget authority, including a \$10 billion reserve for defense, the level requested by the President. The House-passed budget resolution further assumed full funding — \$25.3 billion — for the President's proposal for International Affairs. On April 11, the Senate Budget Committee reported its version of an FY2003 budget resolution (S.Con.Res. 100) increasing total discretionary budget authority to \$768 billion, including \$25.8 billion for International Affairs. Under either of the budget blueprints, House and Senate Appropriations Committees would have had sufficient foreign policy funds to allocate the full amount requested to the Foreign Operations Subcommittees, if they so chose. In the case of the Senate measure, the allocation for Foreign Operations could have been higher than levels proposed by the President.

Congress, however, did not conclude debate on a budget resolution and agree on a common framework for FY2003. Some suggested that Congress include in the FY2002 supplemental appropriation (H.R. 4775) a so-called "deeming resolution" that would have effectively enacted one of the two pending budget resolutions and establish a ceiling for FY2003 discretionary budget authority and outlays. Members remained divided during the 107<sup>th</sup> Congress, however, over which budget resolution level to use.

Nevertheless, in the meantime House and Senate Appropriation Committees issued section 302(b) allocations on June 21 and June 27, 2002, respectively, in order to allow the Committees to begin marking up some of the spending bills. Overall, the allocations differed significantly, with the House approving \$759 billion (including the \$10 billion defense reserve) while the Senate distributed a total of \$768 billion. Foreign Operations received a \$16.35 billion allocation from each Committee, about \$230 million higher than the President's request at that time.

Subsequently, President Bush proposed on September 3 an additional \$350 million for Foreign Operations, but without identifying any offsets. The House Foreign Operations Subcommittee, acting two days later on its draft bill, approved a \$16.55 billion measure, exceeding by \$200 million its June allocation. A week later, at the full Committee markup of the Foreign Operations bill, the Committee increased the allocation to \$16.55 billion and reduced the defense allocation by an equal amount. Congress later restored the defense money prior to enacting the FY2003 Defense Appropriations bill.

Like the House and Senate Foreign Operations Appropriations bills reported in 2002, these 302(b) allocations expired with the end of the 107<sup>th</sup> Congress. With only two appropriation bills enacted at the beginning of the 108<sup>th</sup> Congress, House and Senate leaders agreed to use \$750 billion (excluding the \$10 billion defense reserve) as the target for completing the remaining 11 appropriation measures. The Senate Appropriations Committee issued new 302(b) figures, providing Foreign Operations with \$16.25 billion, about \$200 million less than the President's revised request. Although Foreign Operations budget authority in H.J.Res. 2, as reported, remained within this allocation, the Senate approved a floor amendment adding \$180 million in additional international HIV/AIDS spending. Consequently, as passed by the

Senate on January 23, Foreign Operations totaled \$16.43 billion, exceeding the 302(b) allocation. Ultimately, Foreign Operations received \$16.3 billion in the enacted Omnibus appropriation bill (P.L. 108-7).

## Foreign Operations Appropriations Request for FY2003 and Congressional Consideration

### Request Overview

In February 2002, President Bush asked Congress to appropriate \$16.1 billion for FY2003 Foreign Operations, a request that was subsequently raised to \$16.45 billion on September 3. The amended budget proposal was nearly \$1.1 billion, or 7% higher than regular Foreign Operations appropriations for FY2002. When the \$1.2 billion provided for foreign assistance in the FY2002 supplemental appropriation (P.L. 107-216; H.R. 4775) was added to enacted amounts for FY2002, the proposal for FY2003 was \$95 million less than FY2002 total appropriations.

**Fighting the War on Terrorism.** Although the request for FY2003 included a significant emphasis on aid activities associated with fighting the war on terrorism, in several ways some regarded it as an incomplete budget plan for addressing U.S. interests overseas in a post-September 11 environment. Since the terrorist attacks in 2001, American foreign aid programs have shifted focus toward more direct support for key coalition countries and global counter-terrorism efforts. The Administration included \$4 billion in its FY2003 proposal to assist the so-called “front-line” states in the war on terrorism.<sup>4</sup> But FY2003 increases proposed for many of these “front-line” states were uneven. For some — notably Jordan, India, Oman, and Yemen — the FY2003 recommendations included considerably more assistance than allocations for FY2002, while for others — the Philippines, Uzbekistan, Tajikistan, Turkey, and Indonesia, for example — proposed additional assistance was modest compared to FY2002 amounts. The FY2003 budget submitted in February also did not include specific levels for Afghanistan. Executive officials said that the request assumed \$138 million for Afghanistan (of which \$98 million would come from the Foreign Operations bill) in several refugee and humanitarian aid accounts that were not allocated by recipient countries. Other bilateral reconstruction support for Kabul, they said, would be determined later.

The absence of a comprehensive plan for Afghanistan and far less assistance than anticipated for some key nations cooperating in the war on terrorism led several Members of Congress to characterize the FY2003 Foreign Operations plan as a

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<sup>4</sup> “Front-line” states are defined by the State Department as 26 countries not only bordering Afghanistan or located in the region, but nations that have committed to helping the United States in the war on terrorism globally. The largest front-line state aid recipients for FY2003 include Jordan, Pakistan, India, Egypt, Indonesia, Bangladesh, and the Philippines.

“business as usual” budget that did not adequately address the most urgent requirements of the war on terrorism.<sup>5</sup>

To a large extent, the \$1.28 billion FY2002 supplemental Foreign Operations proposal, submitted to Congress on March 21, addressed the concerns of those who doubted that the FY2003 plan was adequate. The supplemental included additional aid to 27 nations around the world, many of which would receive no increase or only a modest rise in U.S. aid under the FY2003 request. The supplemental further sought \$250 million more assistance for Afghanistan. As enacted, the FY2002 supplemental (P.L. 107-206) increased the President’s request to \$1.8 billion in terrorism-related assistance. Nevertheless, President Bush’s decision not to spend any money in the supplemental that had been designated as “contingent emergency” meant that about \$600 million of Foreign Operations funds, including some for Afghanistan and other “front-line” states, would not be available.

**Other Key Elements of the FY2003 Request.** Beyond the issue of aid to combat terrorism, the Foreign Operations proposal for FY2003 would have substantially increased aid activities in several areas while cutting resources for a few programs. Significant appropriation increases included:

- **Development assistance** would have risen by about \$350 million, or over 13%, but increases among the many development programs were mixed. Funding for HIV/AIDS, agriculture, environment, and trade/investment programs would have grown sharply, while resources for several health activities would fall. (See below for more details in section on development aid priorities.)
- **Andean Regional Initiative** would have grown by \$106 million, or 13%, continuing a program of several years to enhance Colombia’s and other regional states’ capabilities to interdict illegal drug production and to support alternative development programs. (See below for more details.)
- **Peace Corps** would have increased by \$42 million, or 15%, in an effort to open eight new country programs and place 8,000 volunteers by the end of FY2003.
- **Contributions to the World Bank** and other international financial institutions would have grown by \$262 million, or 22%, covering all scheduled U.S. payments to the multilateral development banks, plus one-third (\$177 million) of U.S. arrears owed to these institutions.

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<sup>5</sup> See statement of Congressman Kolbe, Chairman of the House Foreign Operations Subcommittee, during a February 13, 2002 hearing. See also a February 26 press release by Senator Leahy, Chairman of the Senate Foreign Operations panel, released prior to a subcommittee hearing on USAID’s FY2003 request.



**Table 4. Summary of Foreign Operations Appropriations**  
(Discretionary funds — in millions of dollars)

<b>Bill Title &amp; Program</b>	<b>FY2001 Enacted*</b>	<b>FY2002 Enacted*</b>	<b>FY2003 Request</b>	<b>FY2003 Senate H.J.Res. 2</b>	<b>FY2003 House 107<sup>th</sup>**</b>	<b>FY2003 Enacted</b>
Title I - Export Assistance	760.1	527.9	399.2	399.3	404.1	373.1
Title II - Bilateral Economic Aid	10,198.3	10,398.6	10,125.6	10,213.4	10,324.1	10,160.5
<i>Development aid</i>	<i>2,325.0</i>	<i>2,611.5</i>	<i>2,959.6</i>	<i>3,335.0</i>	<i>3,108.0</i>	<i>3,227.5</i>
<i>Israel/Egypt economic aid</i>	<i>1,532.6</i>	<i>1,375.0</i>	<i>1,415.0</i>	<i>1,215.0</i>	<i>1,415.0</i>	<i>1,215.0</i>
<i>Anti-terrorism programs</i>	<i>167.8</i>	<i>141.0</i>	<i>69.2</i>	<i>69.2</i>	<i>69.2</i>	<i>69.2</i>
<i>Narcotics control/Andean Init</i>	<i>348.0</i>	<i>956.0</i>	<i>927.7</i>	<i>846.7</i>	<i>928.0</i>	<i>897.0</i>
Title III - Military Assistance	4,018.0	4,232.0	4,295.5	4,272.3	4,285.2	4,267.0
<i>Israel/Egypt</i>	<i>3,273.6</i>	<i>3,340.0</i>	<i>3,400.0</i>	<i>3,400.0</i>	<i>3,400.0</i>	<i>3,400.0</i>
Title IV - Multilateral Aid	1,330.1	1,383.3	1,627.0	1,544.0	1,535.9	1,499.4
<b>Total Foreign Operations</b>	<b>16,306.5</b>	<b>16,541.8</b>	<b>16,447.3</b>	<b>16,429.0</b>	<b>16,549.3</b>	<b>16,300.0</b>
Rescissions***	—	—	—	(471.7)	—	(122.3)
<b>Total Foreign Operations, Net</b>	<b>16,306.5</b>	<b>16,541.8</b>	<b>16,447.3</b>	<b>15,957.3</b>	<b>16,549.3</b>	<b>16,177.7</b>

**Source:** House and Senate Appropriations Committee and CRS calculations.

\* FY2001 levels include the regular FY2001 Foreign Operations Appropriations plus \$1.329 billion emergency terrorism funding allocated from amounts provided in P.L. 107-38, the Emergency Terrorism Supplemental Appropriation enacted in September 2001. FY2002 levels include \$15.346 billion in regular Foreign Operations appropriations enacted in P.L. 107-115 plus \$1.1 billion (net \$50 million in rescissions), provided in P.L. 107-206, the FY2002 emergency supplemental appropriation. See Table 9 at the end of this report for more details regarding regular FY2002 Foreign Operations funding and terrorism-related supplementals.

\*\* House amounts shown in this column are those reported by the House Appropriations Committee in the 107<sup>th</sup> Congress (H.R. 5410). That bill expired at the end of 2002. The figures are included only as reference to what the House Committee recommended last year and had no official status in the 108<sup>th</sup> Congress.

\*\*\* H.J.Res. 2, as passed by the Senate, included a 2.85% across-the-board rescission. As enacted, the rescission totaled 0.65%. The amounts shown here are illustrative of how much might be withheld from Foreign Operations programs if the rescission were applied to each account.

Funding reductions were sought in three primary areas:

- **Export-Import Bank** funds would have dropped by \$182 million, or 23%, although the Administration said that Bank lending would increase by over 10% because of what it calls “more focused” estimates of default risk that will reduce the level of appropriations.
- **East European assistance** would have fallen by \$126 million, or 20% from enacted levels. The executive proposed reductions for nearly every regional country, including Bosnia, Montenegro, and Kosovo.

- **Debt reduction** would receive no funding in FY2003, although this did not represent a policy change. The United States fulfilled current commitments to the Heavily Indebted Poor Country (HIPC) initiative with the FY2002 appropriation of \$229 million.

## Leading Foreign Aid Recipients Proposed for FY2002/FY2003

While Israel and Egypt remain the largest U.S. aid recipients, as they have been for many years, in the aftermath of the September 11 terrorist attacks, foreign aid allocations have changed in several significant ways. The Administration has used economic and military assistance as an additional tool in efforts to maintain a cohesive international coalition to conduct the war on terrorism and to assist nations which have both supported U.S. forces and face serious terrorism threats themselves. Pakistan, for example, a key coalition partner on the border with Afghanistan, had been ineligible for U.S. aid, other than humanitarian assistance, due to sanctions imposed after India and Pakistan conducted nuclear tests in May 1998 and Pakistan experienced a military coup in 1999. Since lifting aid sanctions in October 2001, the United States has transferred over \$1.5 billion to Pakistan. India, the Philippines, Turkey, Jordan, and Indonesia also are among the top aid recipients in FY2002 and FY2003 as part of the network of “front-line” states in the war on terrorism.

Most recently, the enactment of the FY2003 Iraq War Supplemental Appropriation has added significant amounts to many of these same countries in recognition of their support in the conflict. The supplemental also provided nearly \$2.5 billion for relief and reconstruction programs in Iraq.

The other major cluster of top recipients are those in the Andean region where the Administration maintains a large counternarcotics initiative that combines assistance to interdict and disrupt drug production, together with alternative development programs for areas that rely economically on the narcotics trade. Several countries in the Balkans and the former Soviet Union — Federal Republic of Yugoslavia, Russia, Ukraine, and Georgia — continue to be among the top recipients, although at somewhat lower funding levels.

**Table 5. Leading Recipients of U.S. Foreign Aid**  
(Appropriation Allocations; \$s in millions)

	FY2001 Actual	FY2002 Actual <sup>a</sup>	FY2003 Regular <sup>b</sup>	FY2003 Supplemental <sup>c</sup>
Israel	2,814	2,788	2,682	1,000
Iraq <sup>d</sup>	25	25	10	2,475
Egypt	1,992	1,956	1,904	300
Jordan	229	355	449	1,106
Turkey	2	253	20	1,000
Afghanistan	184	527	322 <sup>e</sup>	325

	<b>FY2001 Actual</b>	<b>FY2002 Actual<sup>a</sup></b>	<b>FY2003 Regular<sup>b</sup></b>	<b>FY2003 Supplemental<sup>c</sup></b>
Colombia	49	406	527	68
Pakistan	4	1,045	295	200
Peru	90	197	179	—
FRYugoslavia	186	165	151	—
Russia	169	164	149	—
Philippines	49	131	88	60
Ukraine	183	167	143	2
Bolivia	89	134	138	—
Indonesia	121	137	131	—
West Bank/Gaza	85	72	75	50
India	60	80	93	—
Georgia	100	124	91	—

**Source:** U.S. Department of State.

**Note:** This table lists countries in order of the combined FY2003 regular appropriation, plus the FY2003 Iraq War Supplemental Appropriation.

<sup>a</sup> FY2002 includes funds allocated from the regular Foreign Operations appropriation, plus funds drawn from the Emergency Response Fund appropriated in P.L. 107-38 and allocated from the FY2002 Supplemental Appropriation (P.L. 107-206).

<sup>b</sup> Amounts allocated from the regular Foreign Operations Appropriations, FY2003 (P.L. 108-7).

<sup>c</sup> Amounts allocated from the Iraq War Supplement, FY2003 (P.L. 108-11).

<sup>d</sup> Amounts provided Iraqi opposition support and the Iraq Relief and Reconstruction Fund enacted in P.L. 108-11.

<sup>e</sup> Congress earmarked \$295 million for Afghanistan for economic and humanitarian assistance. This total includes the \$295 million, plus an additional \$27 million allocated from military aid and peacekeeping accounts.

## **Congressional Response to the FY2003 Request**

**Senate Action.** After the Senate Appropriations Committee reported on July 18, 2002, a \$16.35 billion FY2003 Foreign Operations appropriations (S. 2779), the Senate took no further action on the legislation during the 107<sup>th</sup> Congress. As a result, S. 2779 expired at the end of the session.

As one of the first orders of business in the 108<sup>th</sup> Congress, the Senate took up H.J.Res. 2, a continuing resolution that had already passed the House. Senate Appropriation Committee leaders constructed an omnibus amendment incorporating text of the 11 appropriation bills, including Foreign Operations, that had not yet been enacted for FY2003. After voting to attach the omnibus amendment to the joint resolution, the Senate began a week of debate on the measure, passing it on January 23, 2003 (69-29).

As approved by the Senate, H.J.Res. 2 provided \$16.43 billion for Foreign Operations, about \$20 million below the President's request. The joint resolution, however, also included an across-the-board rescission of about 2.85% that if applied to Foreign Operations accounts, would have reduced the total by \$468 million and resulted in a net amount of \$15.96 billion for Foreign Operations programs.<sup>6</sup> Beyond the overall size of the measure, H.J.Res. 2 made a number of key changes to the Administration's proposal and to legislation — S. 2779 — reported by the Committee last year:

- **Child Survival and Health** programs received \$1.97 billion, \$376 million above the request and \$190 million higher than recommended by the Senate Appropriations Committee last year in S. 2779. H.J.Res. 2 went well beyond the President's budget for HIV/AIDS — providing \$971.5 million rather than \$740 million — and also restored funds for other health programs that had been scheduled for reductions under the Administration's proposal. HIV/AIDS resources grew during Senate floor debate when an amendment by Senator Durbin adding \$180 million, including \$100 million additional for the Global Fund, was adopted (see more below).
- **Population assistance** increased to \$435 million, \$10 million above the request. But H.J.Res. 2 dropped a key provision in S. 2779 (Sec. 581) prohibiting the President from denying family planning grants to non-governmental organizations that engage in abortion-related advocacy and lobbying activities with funds other than those provided by the United States. This would have effectively reversed one criteria of the President's so-called "Mexico City policy." NGOs would still have been barred from performing abortions with non-U.S. funds (see more below).
- **UNFPA** contributions were earmarked at \$35 million, a reduction from \$50 million set in S. 2779. The funds would have still been conditioned on a determination by the President that UNFPA no longer supports or participates in the management of coercive family planning programs. The Administration declared in July 2002 UNFPA ineligible for U.S. support due to the organization's programs in China. S. 2779 would have modified the terms under which the President could declare UNFPA ineligible in a way which would have made such a finding more difficult. H.J.Res. 2 did not include this change (see more below).

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<sup>6</sup> H.J.Res. 2, as passed by the Senate, included an across-the-board rescission of 1.6% (§601, Division N). This rescission was augmented by §309 of Division G, which required an increase in the rescission to offset \$5 billion in additional education spending. According to CBO, this amount generated an additional 1.252% reduction. Thus, the total across-the-board reduction was estimated at 2.852% and calculated by CBO as \$11.392 billion.

- **Andean Regional Initiative** funding was cut to \$650 million, \$81 million less than requested but \$13 million higher than in S. 2779. The joint resolution further continued several existing conditions on aid to Colombia.
- **Afghanistan reconstruction** aid was set in H.J.Res. 2 at \$220 million, up from \$157 million in S. 2779. The Administration did not submit a formal request for Afghanistan for FY2003, but said there was about \$98 million in humanitarian aid Foreign Operations accounts that would likely support programs in Afghanistan.
- **Peace Corps** funding was set at \$285 million, \$32 million below the request. The Senate measure supported the current Peace Corps expansion effort but believed a stronger planning effort should occur before more funds are provided.
- **North Korea** aid, which had been proposed at \$75 million in the original request submitted a year ago, was prohibited in H.J.Res. 2. This followed admissions by North Korea that it had resumed its nuclear program. The Administration suspended deliveries of fuel oil and food aid to North Korea. The legislation permitted the President, however, to provide up to \$3.5 million for administrative expenses of the Korean Energy Development Organization (KEDO) that administers the program to build light-water nuclear reactors in North Korea. H.J.Res. 2 further recommended \$10 million to assist North Korean refugees and asylum seekers and \$250,000 for human rights programs in North Korea managed by the National Endowment for Democracy.
- A **Palestinian Statehood** general provision was included (Sec. 548) that would bar U.S. assistance to support a Palestinian state unless certain conditions were met, including those relating to a democratically-elected Palestinian leadership and the end of support for terrorism. This provision was not part of S. 2779.
- H.J.Res. 2 made no mention of the President's September 3 budget amendment adding **\$200 million for Israeli anti-terrorism aid and \$50 million for Palestinian humanitarian relief**. The measure, however, increased the disaster assistance account, out of which the Palestinian aid would come, above S. 2779 by \$35 million, although much of that may have been intended for Afghanistan. The Senate added \$10 million to the ESF account from amounts recommended last year in S. 2779, but that was far short the amount necessary for the additional Israeli aid package.

**House Action.** On September 12, 2002, ten days after receiving a \$350 million budget amendment, the House Appropriations Committee approved a \$16.55 billion Foreign Operations spending measure (H.R. 5410). Congress adjourned, however, without completing action on the bill and H.R. 5410 expired at the end of the 107<sup>th</sup> Congress.

Although the Senate debated and passed a new version of the Foreign Operations spending measure, as part of H.J.Res. 2, the House did take up new legislation in 108<sup>th</sup> Congress. Instead, House appropriators met with their Senate counterparts in conference committee meetings and negotiated a common text of H.J.Res. 2. For Foreign Operations, House conferees used H.R. 5410, as reported by the Committee in 2002, as the basis for conference negotiations. Below are the major highlights of H.R. 5410 reported by the Committee in September 2002.

H.R. 5410 provided \$80 million more than the President's amended request and stood \$120 million more than the Senate measure passed in 2003. The Committee had planned, prior to receiving the September 3, 2002, budget amendment, to approve a \$16.35 billion bill. At the higher level, the Committee accommodated the President's request for an extra \$200 million for anti-terrorism aid to Israel, \$50 million in humanitarian aid to the Palestinians, and \$100 million in international HIV/AIDS spending. While raising the level by \$200 million, the Committee absorbed the other \$150 million in the budget amendment by reducing other accounts. Other key elements included:

- **Child Survival and Health** programs received \$1.71 billion, slightly higher than the request. The bill provided \$786 million for HIV/AIDS, and also restored funds for other health programs.
- **Population assistance** was set at the \$425 million request.
- **UNFPA** contributions were earmarked at \$25 million, even though the President declared UNFPA ineligible in FY2002 for U.S. support due to the organization's programs in China. The House Committee measure further conditioned U.S. assistance on UNFPA not providing any support to China's State Planned-Birth Commission or its regional affiliates. H.R. 5410, however, retained current law regarding the terms under which the President can declare UNFPA ineligible.
- **Andean Regional Initiative** funding was set at the \$731 million request and the bill modified an existing certification requirement regarding the release of these funds.
- **Afghanistan reconstruction** aid was set at \$296 million. The Administration did not transmit a specific request for FY2003, but said there is about \$98 million in humanitarian aid accounts for Afghanistan.
- **Peace Corps** funding was set at \$317 million, the requested amount.
- A **Palestinian Statehood** general provision was included that barred U.S. assistance to help establish a Palestinian state unless certain conditions were met, including those relating to democratic reforms and the end of support for terrorism. An amendment to modify the provision by Representative Obey was defeated during Subcommittee markup.

**Conference Agreement.** Congress approved H.J.Res. 2 on February 13, and the President signed the spending measure on February 20 (P.L. 108-7). The Foreign Operations portion, one of 11 regular appropriation measures included in the omnibus measure, sets funding at \$16.3 billion for FY2003, about \$150 million less than requested and \$125 million and \$250 million less than bills recommended earlier by the Senate and House, respectively (H.J.Res. 2, as passed by the Senate on January 23 and H.R. 5410 reported in the House in September 2002). In order to reduce the total cost of the omnibus bill, conferees further added an across-the-board rescission of 0.65% of all discretionary budget authority in the legislation. This reduces total FY2003 Foreign Operations funding by \$122 million, making the total \$16.18 billion.

As approved, the \$16.3 billion Foreign Operations modifies several of the Administration's FY2003 funding requests. One area of significant change focuses on international health programs for which Congress added substantial funds to the President proposed budget:

- **Child survival and health** programs are set at \$1.84 billion, \$242 million, or 15% higher than the request.
- **HIV/AIDS** programs receive \$880 million, including \$630 million from bilateral activities and \$250 for the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria (Global ATM Fund).<sup>7</sup> The total for HIV/AIDS is 19% higher than the request and 73% above FY2002 levels. The President had requested \$100 million for the Global Fund from the Foreign Operations appropriation.
- **Tuberculosis** activities receive \$80 million (excluding an assumed distribution of \$40 million through the Global ATM Fund). This is 50% more than the amount proposed by the Administration.
- **Malaria** programs receive \$72.5 million (excluding an assumed distribution of \$42.5 million through the Global Fund). This total is nearly twice what the President requested.
- **Reproductive health/family planning** activities are earmarked at \$446.5 million, the same as for FY2002, but higher than the \$425 million request and House-reported level. For **UNFPA**, the

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<sup>7</sup> For purposes of meeting specific funding targets for HIV/AIDS, tuberculosis, malaria, Foreign Operations conferees assumed that the contribution to the Global Fund would be distributed among these three infectious diseases roughly in accordance with previous allocations made by the Global Fund: that is, roughly two-thirds for HIV/AIDS, 17% for tuberculosis, and 16% for malaria. Using this methodology, conferees set HIV/AIDS amounts at \$800 million instead of the \$880 million noted above. Regarding the Global ATM Fund, the omnibus conference agreement for H.J.Res. 2 provides a total of \$350 million, of which \$250 million comes from Foreign Operations. This compares with the President's \$200 million request, split evenly between Foreign Operations and Labor/HHS/Ed spending bills.

conference agreement provides \$34 million; funds, however, that are subject to several conditions, including a requirement that the President certify that the organization is no longer involved in the management of a coercive family planning program.

Conferees further added funds to other accounts and programs throughout the spending bill:

- **Afghanistan** economic aid is set at \$295 million, about the same as recommended by the House, but higher than the \$220 million Senate-passed level. The Administration estimated that it would allocate \$98 million for Afghan aid out of its Foreign Operations request.
- **Refugee** accounts, both regular and emergency, receive \$813 million, similar to levels recommended by the House and Senate, but \$93 million, or 13%, more than proposed for FY2003.
- **Peacekeeping** operations receive a \$7 million, or 6%, increase above the budget submission. The additional funds support expanded U.S. efforts to train and equip African peacekeepers.
- **Basic education** programs receive \$250 million in the enacted bill, about 25% higher than the request.
- **Environment** projects receive special attention in the conference agreement, with \$175 million earmarked for **energy conservation** and efficient energy production and distribution capacity, and \$145 million for **biodiversity**.

In order to accommodate these increased funding levels but remain within the limits established for Foreign Operations, conferees reduced funding in a few areas:

- **Andean Regional counternarcotics initiative** receives \$700 million, \$31 million less than proposed and recommended by the House in H.R. 5410. The Senate had provided \$650 million. Conferees, however, permit a \$31 million transfer from regular counternarcotics programs for the Andean Initiative, an authority that would allow the President to fully fund the ARI.
- **USAID Capital Investment Fund** receives \$43 million, less than half of the \$95 million request. This new account for FY2003, out of which USAID will cover overseas mission construction and security costs, includes \$30 million for a new USAID building in Kenya. It does not have sufficient funding, however, for other construction projects proposed in Guinea, Cambodia, and Georgia.
- **Israel** aid is set at \$2.7 billion for regular economic and military programs (reduced by \$18 million due to the across-the-board rescission), as requested. But conferees did not include an earmark



for an additional \$200 million antiterrorism request. The Administration chose not to allocate this latter \$200 million for Israel.

- **Peace Corps** receives \$297 million, up from \$275 million in FY2002, but below the President's \$317 million request. This will delay full implementation of Administration plan to double the number of volunteers by FY2007.
- **Multilateral Development Bank** contributions, at \$1.3 billion, are about \$140 million less than the request, including \$24 million less for the World Bank's International Development Association (IDA). The Administration could choose to fully fund current commitments but not pay portions of U.S. arrears, as had been planned.
- **Korean Peninsula Energy Development Organization (KEDO)** payment is limited to no more than \$5 million, covering only administrative expenses. The United States had planned to make a \$75 million contribution, mostly in heavy fuel oil for energy production in North Korea. President Bush suspended oil transfers in late 2002 after Pyongyang announced that it was continuing a nuclear weapons program.

## Supplemental FY2002 Foreign Operations Funding

The Administration sought \$1.28 billion in additional FY2002 Foreign Operations funding, primarily to increase economic, military, and counter-terrorism assistance to so-called "front-line" states in the war on terrorism. The United States has placed a growing priority on increasing assistance to 26 nations representing not just those bordering Afghanistan or located in the region, but including countries globally that have committed to helping the United States in the war on terrorism.

As finalized by Congress and signed by the President on August 2 (P.L. 107-206), the Administration received \$1.8 billion in foreign aid funding (less \$269 million rescission), over \$400 million above the request. This came on top of about \$1.5 billion for Foreign Operations programs that were drawn, beginning October 1, 2001, from the \$40 billion emergency terrorism supplemental approved by Congress shortly after September 11 (P.L. 107-38). The supplemental, as submitted, also included several policy changes related to foreign aid activities that raised controversy during congressional debate.

Nevertheless, as a result of a decision made by President Bush on August 13 not to spend any of the \$5.1 billion supplemental designated as "contingent emergency," about one-third of the foreign aid supplemental became unavailable. According to the 1985 Balanced Budget and Emergency Deficit Control Act as amended, both the President and Congress must agree that spending is emergency for those funds to be exempt from budgetary controls over total spending. After the White House strongly objected to House and Senate proposals to exceed the President's \$27.1 billion

supplemental request, lawmakers agreed to provide \$5.1 billion of the \$28.9 billion supplemental total as contingent emergency funding for which the President also would have to designate as emergency resources in order for the money to become available. The \$5.1 billion in contingent emergency funding included new items added by Congress and increases above the Administration's request. The enacted supplemental, however, included a so-called "all or nothing" provision, requiring the President to declare either the entire \$5.1 billion as emergency funds or none of it.

On August 13, President Bush announced that he would not utilize the \$5.1 billion of contingent emergency spending. The decision had the effect, in terms used by the White House, of a "pocket veto" by the President of the contingent emergency funds. Major foreign aid funds that were not available because of the President's action included:

- Israel aid — \$200 million
- Palestinian aid — \$50 million
- Afghanistan aid and refugee relief — \$134 million
- Philippine military aid — \$30 million
- International HIV/AIDS, malaria, and tuberculosis — \$200 million

The White House said, however, that the President supported more aid to Israel, the Palestinians, and for HIV/AIDS, and would seek other means to gain congressional approval for these activities in the future.

Subsequently, on September 3, the Administration submitted a \$996 million budget amendment to the pending FY2003 request, including \$350 million for Foreign Operations. Included were \$200 million for Israel, \$50 million for the Palestinians, and \$100 million for the International Mother and Child HIV Prevention program. An additional \$100 million for HIV/AIDS was requested for the Centers for Disease Control fund in the Labor/HHS appropriation.

Other Foreign Operations contingent emergency funds, including those for Afghanistan and the Philippines, were not part of the President's amendment. The effect of not seeking to restore the contingent emergency funds for Afghanistan and the Philippines not only meant less aid for those two countries than amounts assumed by Congress when it passed the supplemental bill, but reductions for several other countries. Congress had assumed that Afghanistan would receive about \$264 million in P.L. 107-206, \$14 million more than the \$250 million request. Ultimately, as shown in **Table 6** below, the State Department allocated Afghanistan \$258 million. Working with \$75 million less in total economic and military assistance than requested, a congressional directive to spend \$7 million on a Muslim education exchange program, and the loss of the contingent emergency funds, Administration officials had to reduce amounts for a number of priority aid recipients in order to maintain a high level for Afghanistan. Final supplemental allocations cut aid to Pakistan by \$30 million, African nations by \$16.5 million, a Middle East economic initiative by \$30 million, and Yemen, Nepal, and Colombia by smaller amounts. The Philippines received \$37 million, \$3 million less than requested and \$33 million below what Congress assumed when it passed the supplemental.

The FY2003 budget amendment request also proposed no offsets, but the White House said it expected Congress to absorb the additional funds within the original \$759 billion appropriation request for all 13 spending bills. In the case of Foreign Operations, the House Committee raised the bill's total by \$200 million, reduced the amount available for defense appropriations, and accommodated the balance of the President's amendment by reducing other programs in the Foreign Operations bill by \$150 million.<sup>8</sup>

**Table 6. FY2002 Supplemental Compared with Enacted and Requested**

(\$s — millions)

Country/Program	FY2001 Enacted	FY2002 Enacted <sup>a</sup>	FY2002 Supplemental Request	FY2002 Supp. Enacted
<i>South Asia:</i>				
Afghanistan	\$184.3 <sup>b</sup>	\$566.8 <sup>b</sup>	\$250.0	\$258.0 <sup>c</sup>
Nepal	\$21.3	\$30.0	\$20.0	\$12.0
Pakistan	\$3.5	\$921.0	\$145.0	\$115.0
<i>Middle East</i>				
Bahrain	\$0.2	\$0.4	\$28.5	\$28.5
Jordan	\$226.2	\$227.0	\$125.0	\$125.0
Oman	\$0.0	\$0.3	\$25.0	\$25.0
Yemen	\$4.2	\$5.5	\$25.0	\$23.0
Economic Initiative	—	—	\$50.0	\$20.0
Israel	\$2,813.8	\$2,788.0	\$0.0	<sup>c</sup>
Palestinians	\$71.0	\$72.0	\$0.0	<sup>c</sup>
<i>East Asia</i>				
Indonesia	\$121.0	\$124.7	\$16.0	\$12.0
Philippines	\$50.4	\$92.1	\$40.0	\$37.0 <sup>b</sup>
<i>Africa</i>				
Cote d'Ivoire	\$2.8	\$3.1	\$2.0	<sup>d</sup>
Djibouti	\$0.2	\$0.2	\$6.0	\$1.5 <sup>d</sup>
Ethiopia	\$40.6	\$46.8	\$12.0	\$2.0 <sup>d</sup>
Kenya	\$34.6	\$40.7	\$22.0	\$15.0 <sup>d</sup>
Mauritania	\$2.1	\$1.9	\$1.0	<sup>d</sup>
Nigeria	\$86.6	\$62.4	\$2.0	<sup>d</sup>
Southern Sudan	\$4.5	\$11.4	\$10.0	<sup>d</sup>

<sup>8</sup> Ultimately, Congress approved in the FY2003 Foreign Operations spending measure (P.L. 108-7) the additional funds for HIV/AIDS and increased significantly Afghanistan assistance for FY2003, but did not provide sufficient funding for increases for Israel and the Palestinians.

Country/Program	FY2001 Enacted	FY2002 Enacted <sup>a</sup>	FY2002 Supplemental Request	FY2002 Supp. Enacted
Africa Regional	—	—	[\$35.0] <sup>c</sup>	\$20.0 <sup>d</sup>
<i>Europe/Eurasia</i>				
Georgia	\$97.8	\$100.9	\$20.0	\$20.0
Kazakstan	\$48.4	\$48.6	\$3.5	\$3.5
Kyrgyz Republic	\$35.2	\$37.6	\$42.0	\$42.0
Tajikistan	\$16.7	\$19.9	\$40.0	\$40.0
Turkey	\$1.7	\$22.7	\$228.0	\$228.0
Turkmenistan	\$7.3	\$7.6	\$4.0	\$4.0
Uzbekistan	\$28.4	\$95.6	\$45.5	\$45.5
<i>Latin America</i>				
Colombia	\$49.0	\$381.7	\$35.0	\$31.0
Mexico	\$31.1	\$35.6	\$25.0	\$25.0
Ecuador	\$16.4	\$47.5	\$3.0	\$3.0
Regional Border Control	—	—	\$5.0	\$4.0
<i>Global</i>				
Antiterrorism Training	\$38.0	\$83.5	\$20.0	\$20.0
Terrorist Financing	—	—	\$10.0	\$10.0
Terrorist Interdiction	\$4.0	\$8.0	\$10.0	\$10.0
USAID admin/security	—	—	\$7.0	\$7.0
Defense admin costs	—	—	\$2.0	\$2.0
HIV/AIDS, TB, Malaria, & Global Fund	\$553.0	\$640.0	\$0.0	<sup>c</sup>
Migration/Refugee aid	\$698.0	\$705.0	\$0.0	<sup>c</sup>
Muslim Education Exchange	—	—	\$0.0	\$7.0
Rescissions	—	—	(\$157.0)	(\$269.0)
<b>TOTAL</b>	<b>\$5,292.3</b>	<b>\$7,228.5</b>	<b>\$1,122.5</b>	<b>\$927.0</b>

**Sources:** Department of State and House and Senate Appropriations Committee.

<sup>a</sup> Enacted amounts include those provided in the regular FY2002 Foreign Operations Appropriation (P.L. 107-115) and funds drawn from the \$40 billion emergency terrorism supplemental appropriation (P.L. 107-38).

<sup>b</sup> Afghan aid figures for FY2001 and FY2002 represent estimates of U.S. assistance provided primarily through humanitarian aid accounts, such as food, refugee relief, and disaster aid. The FY2002 enacted level includes total amounts obligated for Afghanistan, including funds enacted in the Supplemental bill.

<sup>c</sup> As enacted, P.L. 107-206 appropriated \$200 million for Israel, \$50 million for the Palestinians, \$200 million for HIV/AIDS, \$30 million in additional military aid to the Philippines, \$40 million refugee relief for Afghanistan, plus additional amounts in disaster assistance for Afghanistan. These funds represented new items not requested by the President but added by Congress. As such, they were designated as “contingent emergency” funds that needed the President also to declare them as emergency spending before they would become available. Because of the President’s decision not to spend money designated as “contingent emergency,” none of these funds became available.

<sup>d</sup> The Administration did not allocate economic aid for African states on a country-by-country basis, but as a “regional” program shown in the line below. As it suggests, the \$35 million economic aid request for Africa was reduced to \$20 million in the final allocation. Additional amounts shown here for Djibouti, Ethiopia, and Kenya are allocations for military assistance.

<sup>e</sup> As enacted, P.L. 107-206 appropriated \$1.549 billion, \$622 million of which was designated as “contingent emergency” funding. The President decided he would not spend any of the \$5.1 billion contingent emergency funds provided in P.L. 107-206. See footnote “b” above.

## Funding Issues

The proposed supplemental set new directions in the distribution of assistance to meet the terrorist threat. Much of the \$1.5 billion emergency aid distributed prior to March 2002 focused on two areas: 1) economic support to Afghanistan and neighboring countries in anticipation of food shortages, displacement and other humanitarian disruptions that would occur during the military campaign; and 2) efforts to achieve security and stabilize the economic situation in Pakistan and demonstrate support for President Musharraf. By contrast, the proposed \$1.28 billion supplemental would distribute additional economic and military assistance among 23 countries in all regions of the world.

In several respects the \$1.28 billion supplemental proposal reflected what many said should have been incorporated in the FY2003 plan. Although like the FY2003 budget, the request included significant amounts for Pakistan (\$145 million) and Jordan (\$125 million), it distributed, as shown in **Table 6**, considerable amounts of aid to Central Asian states that would not receive substantial increases in FY2003 and to other nations outside the region.

## Policy Issues

The supplemental request included several general provisions that would change current policy regarding the distribution of military aid, assistance to Colombia, and conditions under which regular foreign aid is transferred. Each was closely examined during congressional debate.

**DOD’s Role in Military Aid Allocations.** Currently, the State Department receives funding through the Foreign Military Financing (FMF) account of the Foreign Operations Appropriations and provides broad policy direction for U.S. military assistance programs. DOD frequently administers FMF activities, but under the policy guidance of the State Department. The Administration proposed in the FY2002 supplemental to grant DOD authority to use up to \$30 million to support indigenous forces engaged in activities combating terrorism and up to \$100 million to support foreign government efforts to fight global terrorism. The \$130 million total would come from defense funds — not Foreign Operations — and be directed by the Secretary of Defense and be available “notwithstanding any other provision of law.” A third provision proposed \$420 million in DOD Operation and Maintenance funding for payments to Pakistan, Jordan, and “other key cooperating states for logistical and military support provided” to U.S. military operations in the war on terrorism that would also be under DOD’s policy purview.

DOD officials said that these provisions were essential to help reimburse countries for costs they incur in assisting U.S. forces engaged in the war on terrorism. The United States had to delay payments to Pakistan for support provided in Operation Enduring Freedom because of competing demands on regular military aid funds and the absence of agreements between DOD and the Pakistan military that would allow such transfers out of the defense budget. Nevertheless, critics charged that such a change would infringe on congressional oversight and the State Department's traditional role in directing foreign aid policy and resource allocations. By including a "notwithstanding" proviso, the request further would remove human rights and other conditions that must be observed by countries in order to qualify for U.S. security assistance.

At a House hearing on April 18, Deputy Secretary of State Armitage told the Foreign Operations Appropriations Subcommittee that although the State Department supported the "intent" of the provisions, the Administration drafted the legislation in a "rather poor way" and that the authority was "a little broader in scope than we really intended." Secretary Armitage pledged that both State and DOD officials would work with Congress to adjust the provisions in a way that would protect the prerogatives of the Secretary of State as the "overseer of foreign policy and foreign aid."<sup>9</sup>

**Colombia Aid Restrictions.** An additional provision in the supplemental sought to broaden DOD and State Department authorities to utilize unexpended Plan Colombia, FY2002 and FY2003 appropriations to support Colombia's "unified campaign against narcotics trafficking, terrorist activities, and other threats to its national security."<sup>10</sup> The provision would allow funds to be used not only for counter narcotics operations, but also for military actions against Colombian insurgents and any other circumstances that threatened Colombian national security.

Although the most immediate effect of the change would be to permit the United States to expand intelligence sharing with Colombian security forces, the provision would also allow helicopters and other military equipment provided over the past two years to fight drug production to be used against any threat to Colombia's security.

The Administration, however, did not ask Congress to soften two other Colombia aid restrictions: a 400-person limit on U.S. personnel inside Colombia and the prohibition of aid to Colombian military and police units that are engaged in human rights violations (Leahy amendment). Despite the inclusion of a clause that past and future aid be available "notwithstanding any provision of law" (see below) — except for the two restrictions noted above — Administration officials said they were not seeking to remove other enacted conditions on Colombian aid, such as those related to human rights and aerial coca fumigation. Coupled with a pending FY2003

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<sup>9</sup> Testimony by Secretary of State Armitage before the Foreign Operations Subcommittee, Senate Appropriations Committee, April 18, 2002.

<sup>10</sup> Department of Defense, *FY2002 Supplemental request to Continue the Global War on Terrorism*, March 2002, page 28. For web version, see [[http://www.dtic.mil/comptroller/fy2003budget/fy2002\\_supp.pdf](http://www.dtic.mil/comptroller/fy2003budget/fy2002_supp.pdf)].

\$98 million military aid request to help protect Colombia's oil pipeline and other infrastructure against guerilla activity, critics argued that the U.S. objective in Colombia was shifting from one of combating narcotics production and trafficking to a counter-terrorism and insurgency strategy.

**Removal of Restrictions for Other Economic and Military Assistance.** The Administration's supplemental submission asked Congress to provide most of the economic and military aid funds "notwithstanding any other provision of law." Such language is usually reserved only for situations where humanitarian assistance or aid in support of the highest U.S. foreign policy interests would be prohibited due to existing legislative restrictions on assistance to governments that violate human rights, engage in weapons proliferation, came to power through a military coup, do not cooperate in counter-narcotics activities, or a series of other similar aid conditions.

Because of the sweeping and broad nature of "notwithstanding" provisions, Congress has often been reluctant to enact such a waiver without fully understanding the implications of excluding foreign aid restrictions. More often, Congress prefers to waive specific legislative constraints rather than approving across-the-board waivers. Administration officials said that such a waiver was needed in the supplemental because of impediments that apply to Afghanistan, Yemen, Ethiopia, and Cote d'Ivoire. These first three countries were overdue in making debt payments to the U.S. in violation of the "Brooke amendment" (section 512 of the Foreign Operations Appropriations, FY2002). Cote d'Ivoire is ineligible for aid because of the military coup against a democratically elected government in 1999, in violation of section 508 of the Foreign Operations Appropriations, FY2002.

## **Congressional Action on the Administration's Supplemental Foreign Operations Request**

House, Senate, and conference action increased foreign aid funding proposed by the President, but limited to some extent policy provisions and waivers sought by the White House. The enacted measure also added a new issue into the supplemental debate — additional funding to fight global HIV/AIDS — but dropped a Senate-added provision concerning the status of U.S. contributions to the U.N. Population Fund (UNFPA).

As passed by Congress, the supplemental included \$1.818 billion in new Foreign Operations funds, nearly \$500 million above the request. (This total was offset by \$269 million in rescissions, for a "net" total of \$1.55 billion for Foreign Operations.) The House had included \$1.82 billion, while the Senate measure provided \$1.78 billion. New items added by both the House and Senate, and contained in the final bill, included \$200 million in assistance to Israel, \$50 million for the Palestinians, and \$200 million to combat HIV/AIDS, malaria, and tuberculosis. The HIV/AIDS money could be used to support the President's new International Mother and Child Prevention initiative, but conferees stated that \$100 million of the total should be used as an additional contribution to the Global Fund to Combat HIV/AIDS, Tuberculosis, and Malaria.

Both versions increased aid to Afghanistan for reconstruction and security support above the President's \$250 million request: the House by \$120 million and the Senate by roughly \$110 million. The conference agreement did not set a specific amount for Afghanistan, but with the \$134 million designated for Afghanistan within the International Disaster Assistance Account (\$40 million requested), the final allocation for Afghanistan would likely be higher than the request. The Senate bill added \$15 million to create an international exchange program for students from countries with large Muslim populations, and conferees set the total at \$10 million. In most cases, the conference agreement did not set specific country allocations, leaving that to the discretion of the President.

As noted above, however, the additional funds added by Congress over the President's request — aid to Israel, the Palestinians, for HIV/AIDS, and some of the assistance to Afghanistan and the Philippines — were designated as a "contingent emergency." The President said he did not agree with the emergency designation, and did not make these funds available. Only \$1.2 billion of the \$1.8 billion total in new foreign aid funds would be spent, according to the White House. Nevertheless, on September 3, the President amended his FY2003 Foreign Operations request seeking the contingent emergency funds for Israel, the Palestinians, and international HIV/AIDS programs. In late September, the State Department released the final country and program allocations of the supplemental funding, making reductions not only to levels assumed for Afghanistan and the Philippines, but also to requested amounts for Pakistan, Nepal, Colombia, Yemen, several African nations, and a Middle East economic initiative (see **Table 6**, above).

On policy issues, the final bill removed the requested "notwithstanding any provision of law" provisos, but waived the "Brooke amendment" regarding debt payments in arrears. This permitted most waivers the Administration sought. On Colombia, the final bill included language similar but less sweeping than the Administration's request. It allowed Colombia to use American foreign aid (money managed by the State Department) for a unified campaign against narcotics trafficking, against organizations designated as terrorist groups, and for humanitarian rescue operations. All current restrictions on Colombian aid, however, remained in effect. The bill further added a requirement regarding the newly elected Colombian President and policies regarding human rights, military reforms, and financial commitments to implement other reforms.

Congress denied DOD's request for authority to use \$30 million to support indigenous forces engaged in activities combating terrorism, but approved \$390 million for payments to Pakistan, Jordan, and other cooperating states for logistical and military support provided.

H.R. 4775, as passed by the House, had approved DOD's request for \$100 million to support foreign government efforts to fight global terrorism, but with significant changes. Transfers would be limited only to reimbursements for the costs of goods, services, or use of facilities by U.S. military forces and any proposed commitment of funds must be submitted jointly to the Committees by the Secretaries of State and Defense 15 days in advance for Committee approval. The Senate measure and the final bill did not include a provision related to this issue.



During House Committee markup, another contentious foreign aid policy issue was introduced. Between mid-January and mid-July 2002, the White House had maintained a hold on U.S. contributions to the U.N. Population Fund (UNFPA) because of allegations that UNFPA is participating in the management of coercive family planning practices in China. For FY2002, Congress provided “not to exceed” \$34 million for UNFPA, and some Members criticized the White House for delaying a decision regarding UNFPA’s eligibility. A State Department investigation team spent two weeks in China during May.

After initially adopting an amendment by Representatives Lowey and Kolbe (32-31) that would require the President to transfer the full \$34 million to UNFPA by July 10 if the State Department team concluded that UNFPA was not involved in coercive family planning practices in China, the Committee approved a further amendment by Representative Tiahrt that over-rode the Lowey/Kolbe provision. The Tiahrt amendment required the President to determine whether UNFPA participated in the management of coercive family planning practices by July 31, 2002, but said nothing about how much the President must contribute. Prior to final passage of H.R. 4775, however, the second rule (H.Res. 431) under which the bill was debated deleted both amendments from the legislation. As such, the House-passed measure did not include any language regarding UNFPA. The Senate bill, however, included language nearly identical to Lowey/Kolbe text.

Under any of these amendments, a determination that UNFPA was involved in coercive practices would have resulted in the termination of U.S. support. Without such a determination, however, the Senate and Lowey/Kolbe amendments would have required the President to transfer the full \$34 million. Under the Tiahrt provision, however, the President could have reduced the U.S. contribution to something less than \$34 million to express displeasure over alleged coercive family practices in China and UNFPA’s involvement. The White House strongly opposed the Senate language.

Conferees agreed to drop all UNFPA language from the final bill, leaving the decision entirely up to the President. Subsequently, on July 23, the White House announced the U.S. would withhold the \$34 million transfer.

## **Major Policy and Spending Issues for FY2003**

While the Foreign Operations appropriations bill can include virtually any foreign policy issue of interest to Congress, the annual debate usually focuses on several major policy and spending issues. Issues for FY2003 have included the following.

### **Foreign Aid as a Tool in the War on Terrorism**

As discussed above, since the September 11 terrorist attacks and the initiation of military operations in Afghanistan, combating global terrorism has become one of the top priorities of American foreign assistance. While there is disagreement regarding the extent to which foreign aid can directly contribute to reducing the threat

of terrorism, most agree that economic and security assistance aimed at reducing poverty, promoting jobs and educational opportunities, and helping stabilize conflict-prone nations can indirectly attack some of the factors that terrorists use in recruiting disenfranchised individuals for their cause. More than \$6 billion was extended to “front-line” states in FY2002, through regular and two supplemental appropriations, while the FY2003 budget proposed about \$4 billion.

Foreign aid can be programmed in a number of ways that contribute to the war on terrorism. Assistance can be transferred, as has occurred in Pakistan and Afghanistan, to bolster coalition-partner government efforts to counter domestic dissent and armed attacks by extremist groups, and to promote better health care, education, and employment opportunities to its people. Security assistance can finance the provision of military equipment and training to nations facing threats from their own internally-based terrorist movements.

While there has been substantial congressional support for additional foreign aid resources aimed at countering terrorism, some warn that the United States needs to be cautious about the risks of creating a close aid relationship with governments that may have questionable human rights records, are not accountable to their people, and are possibly corrupt. As noted above, Members have been especially critical of Administration efforts to include in aid proposals for “front-line” states legislative language that would waive all existing restrictions and prohibitions on the transfers. Instead, these critics argue, the Administration should specifically identify any obstacles to proceeding with a country aid program and seek a congressional waiver for those particular problems. For example, in late 2001 when the Administration wanted to provide Pakistan with \$600 million in fast-disbursing economic aid, Congress approved P.L. 107-57 which waived restrictions concerning aid to countries that engaged in missile proliferation, whose leaders came to power through a military coup, and were behind in debt payments to the United States.

Beyond substantial amounts of bilateral aid for “front-line” states, the Foreign Operations appropriation bill funds several global programs specifically aimed at anti-terrorism efforts overseas and the provision of security for USAID employees living abroad.

**Anti-Terrorism Assistance (ATA).** Since FY1984, the State Department has maintained the ATA program designed to maximize international cooperation in the battle against global terrorism. Through training, equipment transfers, and advice, the ATA program is intended to strengthen anti-terrorism capabilities of foreign law enforcement and security officials. Between 1984 and 1999 (the most recent year for which ATA data are available), over 23,000 officials from 112 countries participated in ATA programs. ATA funding is included within the Foreign Operations account of Non-proliferation, Anti-terrorism, Demining, and Related Programs (NADR).

Resources for the \$38 million annual ATA program (FY2001) rose sharply following September 11, with an additional \$45.5 million allocated out of the Terrorism Emergency Response Fund. In addition to the regular \$38 million for FY2002, a further \$20 million was included in the emergency supplemental appropriation (P.L. 107-206; H.R. 4775). The President requested \$64.2 million for

FY2003. Increased funding for FY2002 and FY2003 is intended to finance three post-September 11 changes in the ATA program:

- conducting training sessions more frequently overseas, on-site where participants can be withdrawn quickly to respond to an emerging crisis;
- adding new courses on kidnap intervention and advanced crisis response; and
- expanding training to counter the use of weapons of mass destruction by terrorists.

**Terrorist Interdiction Program (TIP).** As one response to the 1998 bombings of American embassies in East Africa, the State Department launched the TIP, an activity intended to restrict the ability of terrorists to cross international borders, launch attacks, and escape. TIP strengthens border security systems in particularly vulnerable countries by installing border monitoring technology, training border security and immigration officials in its use, and expanding access to international criminal information to participating nations. Like ATA, funds for TIP are part of the NADR account in the Foreign Operations spending bill.

Since September 11, the State Department has expanded from 34 to 57 the number of countries where it believes TIP would immediately contribute to the global counterterrorism campaign. The \$4 million TIP budget doubled for FY2001 following September 11, and grew to \$14 million in FY2002. The request for FY2003 was \$5 million.

**Terrorist Financing.** In December 2001, an interagency review group identified 19 countries where a significant terrorist financing threat existed, and with \$3 million allocated from the Emergency Response Fund, launched a training and technical assistance program. The State Department allocated \$10 million out of the FY2002 supplemental appropriation to expand the program, while the Treasury Department proposed funding this activity in FY2003 out of its \$10 million “Technical Assistance” program. Anti-terrorist financing training is managed by the Treasury Department.

**USAID Physical Security.** USAID maintains about 97 overseas facilities where much of its workforce — both Americans and foreign nationals — is located. Many missions are based in places where there is a high threat of terrorist activity, and especially since the 1998 embassy bombings in Kenya and Tanzania, agency officials have been concerned about insuring adequate security. In countries where USAID is or is scheduled to be co-located with the U.S. embassy, the State Department’s Foreign Buildings Operations office had been responsible for financing USAID secure facilities. These funds are appropriated in the Departments of Commerce, Justice, and State appropriations. Nevertheless, there have been serious construction delays for USAID co-located facilities — especially in Uganda — due to competing State Department building priorities and conflicting congressional directives.

In an effort to overcome these problems, USAID requested for FY2003 a new Foreign Operations account — the Capital Investment Fund — that would support

enhanced information technology (\$13 million) and facility construction (\$82 million) specifically at co-located sites where security enhancements are needed. USAID planned to use the money in FY2003 for construction projects in Kenya, Guinea, Cambodia, and Georgia. With the facility in Uganda still not built, USAID said it may have to divert some resources from other intended projects to Uganda if an appropriate lease arrangement cannot be worked out in Kampala.

Security upgrades for the 64 overseas missions situated some distance from American embassies have been provided out of USAID operating expenses, a Foreign Operations account that has been under funding stress in recent years due to agency relocation costs in Washington, replacement of failed financial management systems, and dwindling non-appropriated trust funds used to finance some in-country costs. As a result, security upgrades for some USAID missions have been deferred due to funding shortfalls. For FY2003, USAID requested \$7 million for security needs out of its operations account, a slight increase over the \$6.9 million level in FY2002. The agency further used \$2 million from the FY2002 emergency supplemental (P.L. 107-206; H.R. 4775) for establishing secure USAID operating facilities in Afghanistan and Pakistan.

**Aid Restrictions for Terrorist States.** Annual Foreign Operations spending bills routinely include general provisions prohibiting U.S. assistance to countries engaged in terrorist activities or providing certain types of support to terrorist groups. Included in the FY2002 funding measure were two:

- Sec. 527 prohibited bilateral U.S. assistance to any country that the President determined grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or otherwise supports international terrorism. The President could waive the restrictions for national security or humanitarian reasons.
- Sec. 544 prohibited any U.S. aid to a government which provided lethal military equipment to a country that the Secretary of State had determined is headed by a terrorist government. The President could waive the requirement if it is important to U.S. national interests.

Despite these restrictions, however, certain types of humanitarian foreign assistance may be provided “notwithstanding” other provisions of law, which would override the terrorism restrictions. Disaster and refugee relief, child survival and HIV/AIDS programs, emergency food and medicine, and demining operations are among the categories of U.S. assistance that could potentially be provided to a country that would otherwise be ineligible.

**Congressional Action.** Both House (H.R. 5410) and Senate (S. 2779) FY2003 Foreign Operations bills, as reported in 2002, expired with the end of the 107<sup>th</sup> Congress. In late January 2003, the Senate adopted a revised FY2003 Foreign Operations measure as part of H.J.Res. 2, a continuing appropriation bill to which the Senate added the full text of the 11 funding measures that had not been enacted for this fiscal year. House and Senate conferees worked out a common Foreign

Operations measure for FY2003 in February, and after passing Congress on February 13, President Bush signed the joint resolution a week later (P.L. 108-7).

The enacted FY2003 Foreign Operations measure provides sufficient funding needed by the Administration to fulfill its plan to use foreign aid in the war on terrorism. Because much of this money is not specifically earmarked in H.J.Res. 2, there are few direct allocations for programs to combat terrorism. Nevertheless, since the accounts out of which these funds are drawn are funded near or above the President's request, the Administration has been able to follow much of its original request. Of the roughly \$4 billion requested for FY2003 in aid for the "front-line" states, the Administration has allocated \$4.1 billion to these 26 countries. The approximate \$100 million increase is the result of a congressional earmark for Afghanistan that is well in excess of the assumed executive proposal. For nearly all other front-line states, aid allocations are at or near levels proposed in the FY2003 budget request. India is the most significant exception among front-line states. The State Department reduced India's aid package from \$244 million to \$186 million, taking most of the cut from a planned \$50 million military aid program.

The approved funding bill further provides \$306 million for the Non-Proliferation, Anti-Terrorism, Demining, and Related (NADR) Programs account, from which several terrorism-related activities are funded. After adjusting for the prohibition on funding for North Korea out of this account, the \$306 million appropriation is \$5 million more than requested. ATA, TIP, and several non-proliferation programs funded within the NADR account receive amounts requested for FY2003. In addition, the Department of Treasury's terrorist financing program is fully funded under the enacted appropriation measure. The spending measure continues both general provisions (sections 527 and 543 in the new bill) relating to prohibitions against terrorist countries.

The largest reduction in resources for terrorism-related activities comes in the Capital Investment Fund, the new USAID account that will finance security upgrades and construction of new missions. The FY2003 enacted spending bill provides \$43 million, the same as recommended by the House in H.R. 5410, but sharply below the President's request (\$95 million) and the Senate approved level (\$65 million). The conference agreement assumes \$30 million for a new USAID facility in Kenya and authorizes up to \$10 million for temporary buildings in Afghanistan. Other USAID plans for FY2003, including \$13 million for information technology upgrades and construction of facilities in Guinea, Cambodia, and Georgia, may be pared back significantly due to funding shortfalls.

## **Development Aid Policy Priorities**

A continuing source of disagreement between the executive branch and Congress is how to allocate the roughly \$3 billion "core" budget for USAID development assistance programs. Among the top congressional development aid funding priorities in recent years have been programs supporting child survival, basic education, and efforts to combat HIV/AIDS and other infectious diseases. The Administration also backed these programs, but officials object to congressional efforts to increase funding for children and health activities at the expense of other development sectors. When Congress has increased appropriations for its priorities,

but not included a corresponding boost in the overall development aid budget, resources for other priorities, such as economic growth and the environment, have been substantially reduced.

In 2001, the Bush Administration set out revised USAID core goals for sustainable development programs focused around three “spheres of emphasis” or “strategic pillars” that include Global Health, Economic Growth and Agriculture, and Conflict Prevention and Developmental Relief. The Administration further introduced a new initiative — the Global Development Alliance (GDA) — in an effort to expand public/private partnerships in development program implementation. Under the initiative, USAID would identify good development opportunities being conducted by private foundations, non-governmental organizations, universities, and for-profit organizations, and provide parallel financing to leverage resources already committed to these activities. USAID officials envision that the agency will become much more of a coordinating and integrating institution to expand and enhance development efforts of these non-governmental development partners. Although USAID requested \$160 million in FY2002 to finance GDA projects, only \$20 million was set aside. A budget of \$30 million was proposed for FY2003.

For FY2003, USAID sought \$2.96 billion for development aid (including \$120 million for UNICEF and the September 3, 2002, budget amendment), an increase of about \$350 million, or 13% above FY2002 levels.<sup>11</sup> However, about \$100 million of the increase represented a decision to transfer the funding source for a few countries from the Economic Support Fund account in FY2002 to the Development Assistance account in FY2003. After adjusting for this, the USAID proposal was roughly 9% more than FY2002.

USAID proposed increases for each of its three “strategic pillars,” with specific emphasis in several areas:

- agriculture programs would increase by 30% to \$261 million.
- environmental activities would grow by 11% to \$308 million. By contrast, USAID proposed \$225 million for the environment for FY2002, a level that Congress raised to about \$279 million.
- business, trade, and investment funding would rise by 25% to \$317 million.
- basic education, a high congressional priority, would increase by 10% to \$165 million.
- HIV/AIDS funding would rise by nearly one-half to \$740 million, including \$100 million for the Global Fund to Combat HIV/AIDS,

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<sup>11</sup> The \$2.96 billion figure included USAID’s development aid request of \$2.74 billion submitted in February, \$100 million proposed in a September 3, 2002, budget amendment for the International Mother and Child HIV Prevention Initiative, and the State Department’s proposed \$120 million contribution to UNICEF. In recent years, Congress has incorporated UNICEF funds within development assistance. For consistency, USAID’s request has been adjusted to include UNICEF.

Malaria, and Tuberculosis and \$100 million for the International Mother and Child HIV Prevention Initiative.<sup>12</sup>

- democracy aid would rise by 68% to \$200 million, although much of this increase came from shifting recipients that had previously received similar types of aid from the Economic Support Fund (ESF) account to the development aid account.

USAID also asked Congress to appropriate all development aid in a single Development Assistance account. Congress created a second account — the Child Survival and Health Programs Fund — in FY1997 in order to highlight the importance of aid activities aimed at promoting the health and well being of children, mothers, and other vulnerable elements of society and to specifically appropriate funds for these purposes. The Administration argued that a successful development strategy required an integrative approach for which resources could be flexibly drawn upon to meet the changing, complex and interwoven nature of development goals. Congressional proponents of a separate Child Survival/Health account, however, continued to argue that special attention needs to be drawn to child and maternal health programs, and said they would challenge the elimination of this second development aid account.

The proposed FY2003 budgets for various global health activities encountered close congressional scrutiny. USAID requested \$1.59 billion for child survival and health programs (including \$120 million for UNICEF and the September 3 budget amendment) within the Development Assistance account, about \$155 million higher than FY2002 amounts. After adding smaller health-related funds from other Foreign Operations accounts, the total amount for child survival and health projects throughout the entire funding measure was \$1.77 billion, an increase of \$115 million, or 7%. As noted above, with a large increase proposed for HIV/AIDS programs (+45%), funding for nearly all other global health activities would have declined in FY2003 under the agency's budget plan. As illustrated in **Table 7**, resources for Child Survival and Maternal Health would have fallen from \$383 million in FY2002 to \$344 million in FY2003; amounts for Vulnerable Children would drop from \$32 million to \$20 million; levels for malaria would decline from \$60 million to \$42.5 million and for tuberculosis, from \$70 million to \$52.5 million.

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<sup>12</sup> The Global Fund would also receive a \$100 million appropriation under the Department of Health and Human Services (HHS) budget, making the total U.S. pledge \$200 million for FY2003, the same as for FY2002. On September 3, the White House submitted a budget amendment requesting \$200 million for the International Mother and Child HIV Prevention Initiative — \$100 million from the Foreign Operations bill and \$100 million from the Labor/HHS appropriation. Previously, Congress had approved \$200 million for the Mother/Child initiative and the Global Fund as part of the FY2002 Supplemental appropriation (P.L. 107-206). Because the President had not requested this \$200 million for the FY2002 Supplemental, it was designated as “contingent emergency” funding and available only if the President declared it as an emergency. In mid-August, President Bush announced that he would not designate any of the \$5.1 billion of contingent emergency funds in P.L. 107-206 as an emergency. The September 3 budget amendment for FY2003 sought to restore what Congress had previously approved but which did not become available because of Executive action.

USAID maintained that resource limitations required the United States to concentrate funds on the most severe health needs in the developing world, which it viewed as fighting the HIV/AIDS epidemic. Some congressional critics of the Administration's decision to increase HIV/AIDS and de-emphasize other health programs said they would work to fully fund or exceed the HIV/AIDS proposal while also restoring funds for areas set for reductions in FY2003. (For more information on this issue, see CRS Report RL31433, *U.S. Global Health Priorities: USAID FY2003 Budget Request*.)

**Table 7. Funding for USAID Global Health Programs**  
(estimates across all Foreign Operations accounts — in millions of dollars)

Program	FY2002 est	FY2003 Request	FY2003 Senate	FY2003 House	FY2003 Enacted
<b>Child Survival/Maternal Health</b>	<b>\$383.0</b>	<b>\$344.0</b>	<b>[\$350.0]<sup>a</sup></b>	<b>[\$340.0]<sup>a</sup></b>	<b>[\$327.0]<sup>a</sup></b>
<i>Of which:</i>					
<i>Morbidity &amp; mortality</i>	[269.8]	[243.5]	—	—	—
<i>Polio</i>	[27.6]	[25.5]	[30.0]	[25.0]	[27.5]
<i>Micronutrients</i>	[30.6]	[25.7]	[30.0]	[30.0]	[30.0]
<i>Iodine Deficiency Disorder</i>	[2.0]	[0.0]	[3.3]	—	—
<i>Vaccine Fund (former GAVI)</i>	[53.0]	[50.0]	[60.0]	[60.0]	[60.0]
<b>Vulnerable Children</b>	<b>\$32.0</b>	<b>\$20.0</b>	<b>[\$25.0]<sup>b</sup></b>	<b>[\$30.0]<sup>b</sup></b>	<b>[\$27.0]<sup>b</sup></b>
<b>HIV/AIDS</b>	<b>\$510.0</b>	<b>\$740.0</b>	<b>\$971.5</b>	<b>\$786.0</b>	<b>\$880.0<sup>c</sup></b>
<i>Of which:</i>					
<i>HIV/AIDS bilateral programs</i>	[367.0]	[467.0]	—	—	—
<i>Microbicides</i>	[15.0]	[15.0]	[18.0]	[15.0]	[18.0]
<i>Global ATM Fund<sup>d</sup></i>	[75.0] <sup>d</sup>	[100.0] <sup>d</sup>	[300.0] <sup>d</sup>	[250.0] <sup>d</sup>	[250.0] <sup>d</sup>
<i>Mother/Child HIV Prevention<sup>e</sup></i>	—	[100.0]	[100.0]	[100.0]	[100.0]
<i>UNAIDS</i>	[18.0]	[18.0]	—	—	—
<i>Intl AIDS Vaccine Initiative</i>	[10.0]	[10.0]	[12.0]	[10.0]	[10.5]
<i>Commodity Promotion Fund</i>	[25.0]	[30.0]	—	—	—
<b>Other Infectious Diseases</b>	<b>\$165.0</b>	<b>\$122.0</b>	<b>\$185.0</b>	<b>\$170.0</b>	<b>\$178.0</b>
<i>Of which:</i>					
<i>Malaria</i>	[60.0]	[42.5]	[75.0]	[60.0]	[72.5] <sup>f</sup>
<i>Tuberculosis</i>	[70.0]	[52.5]	[75.0]	[85.1]	[80.0] <sup>f</sup>
<i>Other</i>	[35.0]	[25.0]	[35.0]	[24.9]	[25.5]
<b>UNICEF</b>	<b>\$120.0</b>	<b>\$120.0</b>	<b>\$120.0</b>	<b>\$120.0</b>	<b>\$120.0</b>
<b>Reproductive Health</b>	<b>\$446.5</b>	<b>\$425.0</b>	<b>\$435.0</b>	<b>\$425.0</b>	<b>\$446.5</b>
<b>TOTAL, GLOBAL HEALTH</b>	<b>\$1,656.5</b>	<b>\$1,771.0</b>	<b>\$2,086.5</b>	<b>\$1,871.0</b>	<b>\$1,978.5</b>

**Note:** Amounts shown in this table for House, Senate, and enacted levels concerning Child Survival and Maternal Health, Vulnerable Children, and Other Infectious Diseases, are estimates based on House and Senate report directives and CRS estimates. It is likely that House, Senate, and enacted Global Health totals will be slightly higher than the figures shown here after USAID releases final allocations.



- <sup>a</sup> House, Senate, and conference bills did not set a level for Child Survival and Maternal Health across all accounts in the bill. The bills, however, specified amounts that should be allocated for this purpose from the Child Survival and Health (CS/H) account, as shown here. These levels compare to the Administration's request of \$282 million for Child Survival and Maternal Health out of the CS/H account.
- <sup>b</sup> House, Senate, and conference bills did not set a level for Vulnerable Children across all accounts in the bill. The bills, however, specified amounts that should be allocated for this purpose from the Child Survival and Health (CS/H) account, as shown here. These levels compare to the Administration's request for \$13 million for Vulnerable Children out of the CS/H account.
- <sup>c</sup> House/Senate conferees set HIV/AIDS funding at \$800 million, assuming that 67% of the \$250 million for the Global Fund to Fight HIV/AIDS, Malaria, and Tuberculosis (Global ATM Fund) would be allocated for HIV/AIDS activities. For consistency with amounts listed for FY2002 and earlier actions for FY2003, the entire \$250 million for the Global ATM Fund is included in this total for HIV/AIDS.
- <sup>d</sup> Contributions to the Global ATM Fund benefits HIV/AIDS, malaria, and tuberculosis programs. In total, the United States contributed \$200 million to the Global Fund in FY2002 and the President pledged a \$200 million transfer in FY2003. The balances to reach these totals that are not shown here are included in the Labor/HHS/Education Appropriations bill. In addition to House, Senate, and enacted amounts for the Global Fund shown here, there is \$100 million provided in the FY2003 Labor/HHS/Education Appropriations measure. The total U.S. Global ATM Fund contribution is \$350 million.
- <sup>e</sup> An additional \$100 million for the International Mother and Child HIV Prevention Initiative is provided in the FY2003 Labor/HHS/ Education appropriation.
- <sup>f</sup> House/Senate conferees attributed 17% and 16% of the Global ATM Fund contribution to total tuberculosis and malaria funding levels included in the enacted FY2003 Foreign Operations. For consistency with FY2002 and earlier FY2003 actions, the enacted amount shown here does not include these assumed allocations from the Global Fund. If the conference committee assumptions are included, the total amount for tuberculosis is \$120 million and the total for malaria is \$115 million.

**Congressional Action.** Both House (H.R. 5410) and Senate (S. 2779) FY2003 Foreign Operations bills, as reported in 2002, expired with the end of the 107<sup>th</sup> Congress. In late January 2003, the Senate adopted a revised FY2003 Foreign Operations measure as part of H.J.Res. 2, a continuing appropriation bill to which the Senate added the full text of the 11 funding measures that had not been enacted for this fiscal year. House and Senate conferees worked out a common Foreign Operations measure for FY2003 in February, and after passing Congress on February 13, President Bush signed the joint resolution a week later (P.L. 108-7).

As enacted, the FY2003 Foreign Operations provides roughly \$2 billion for global health programs across all accounts, about \$210 million, or 12% more than requested. The \$2 billion total is approximately mid-way between amounts recommended by the Senate (\$2.1 billion) and the House (\$1.9 billion). Congress boosts funding for international HIV/AIDS programs to \$880 million, 19% above the request and 73% higher than FY2002.<sup>13</sup>

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<sup>13</sup> The conference report for FY2003 Foreign Operations states that the total for HIV/AIDS is \$800 million. This figure, however, assumes that only about two-thirds of the \$250 million contribution to the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria (continued...)

The enacted legislation further restores funding for other health activities that had been slated for reductions under the President's budget proposal. As shown in Table 7, earmarks for a number of activities — polio, micronutrients, microbicides, malaria, tuberculosis, and reproductive health — are set at or above FY2002 levels and well above the executive's request. Details of how funding for these programs compare with earlier House and Senate recommendations are also shown in Table 7.

## **Family Planning, Abortion Restrictions, and UNFPA Funding**

U.S. population assistance and family planning programs overseas have sparked perhaps the most consistent controversy during Foreign Operations debates for nearly two decades. The primary issues addressed in nearly every annual congressional consideration of Foreign Operations bills focus on two matters: whether abortion-related restrictions should be applied to bilateral USAID population aid grants and whether the United States should contribute to the U.N. Population Fund (UNFPA) if the organization maintains a program in China where allegations of coercive family planning have been widespread for many years.

**UNFPA Funding.** The most contentious issue usually concerns the abortion restriction question, but recent attention has been focused on UNFPA and a White House decision in July 2002 to block the \$34 million U.S. contribution to the organization. During the Reagan and Bush Administrations, the United States did not contribute to UNFPA because of concerns over practices of forced abortions and involuntary sterilizations in China where UNFPA maintains programs. In 1985, Congress passed the so-called Kemp-Kasten amendment which has been made part of every Foreign Operations appropriation since, barring U.S. funds to any organization that supported or participated “in the management” of a program of coercive abortion or involuntary sterilization. In 1993, President Clinton determined that UNFPA, despite its presence in China, was not involved in the management of a coercive program. In most years since 1993, Congress has appropriated about \$25 million for UNFPA, but added a directive that required that amount reduced by however much UNFPA spent in China. Consequently, the U.S. contribution has fluctuated between \$21.5 million and \$25 million.

For FY2002, President Bush requested \$25 million for UNFPA. As part of a larger package concerning various international family planning issues, Congress provided in the FY2002 Foreign Operations bill “not more than” \$34 million for UNFPA. While members of the Appropriations Committees say it was their intent to provide the full \$34 million, the language allowed the President to allocate however much he chose, up to a \$34 million ceiling. According to February 27 testimony by Arthur Dewey, Assistant Secretary of State for Population, Refugees, and Migration before the Senate Foreign Relations Committee, the White House placed a hold on UNFPA funds in January because of new evidence that coercive practices continue in Chinese counties where UNFPA concentrates its programs. A

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<sup>13</sup> (...continued)

(Global ATM Fund) will be used for HIV/AIDS activities. For consistency with previous accounting methodology shown in Table 7, the entire Global ATM Fund contribution is added to the HIV/AIDS total.

September 2001 investigation team, sponsored by the Population Research Institute, concluded that a consistent pattern of coercion continues in “model” UNFPA counties, including forced abortions and involuntary sterilizations. Refuting these findings, a UNFPA-commissioned review team found in October 2001 “absolutely no evidence that the UN Population Fund supports coercive family planning practices in China or violates the human rights of Chinese people in any way.”<sup>14</sup>

While most observers agree that coercive family planning practices continue in China, differences remain over the extent to which, if any, UNFPA is involved in involuntary activities and whether UNFPA should operate at all in a country where such conditions exist. Given the conflicting reports, the State Department sent its own investigative team to China for a two-week review of UNFPA programs on May 13, 2002. The team, which was led by former Ambassador William Brown, and included Bonnie Glick, a former State Department official, and Dr. Theodore Tong, a public health professor at the University of Arizona, made three findings and recommendations in its report dated May 31:

**Findings:**

- There is no evidence that UNFPA knowingly supported or participated in the management of a program of coercive abortion or involuntary sterilization in China;
- China maintains coercive elements in its population programs;
- Chinese leaders view “population control as a high priority” and remain concerned over implications for socioeconomic change.

**Recommendations:**

- The United States should release not more than \$34 million of previously appropriated funds to UNFPA;
- Until China ends all forms of coercion in law and practice, no U.S. Government funds should be allocated to population programs in China;
- Appropriate resources, possibly from the United States, should be allocated to monitor and evaluate Chinese population control programs.

Despite the team’s recommendation to release the \$34 million, Secretary of State Powell determined on July 22 to withhold funds to UNFPA and to recommend that they be re-directed to other international family planning and reproductive health activities. (The authority to make this decision has been delegated by the President to the Secretary of State.) The State Department’s analysis of the Secretary’s determination found that even though UNFPA did not “knowingly” support or participate in a coercive practice, that alone would not preclude the application of Kemp-Kasten. Instead, a finding that the recipient of U.S. funds — in this case UNFPA — simply supports or participates in such a program, whether knowingly or

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<sup>14</sup> See House International Relations Committee hearing, *Coercive Population Control in China: New Evidence of Forced Abortion and Forced Sterilization*, October 17, 2001. See also testimony of Josephine Guy and Nicholaas Biegan before the Senate Foreign Relations Committee, February 27, 2002.)

unknowingly, would trigger the restriction. The team found that the Chinese government imposes fines and penalties on families that have children exceeding the number approved by the government, a practice that in some cases coerces women to have abortions they would not otherwise undergo. The State Department analysis concluded that UNFPA's involvement in China's family planning program "allows the Chinese government to implement more effectively its program of coercive abortion."<sup>15</sup>

Critics of the Administration's decision oppose it not only because of the negative impact it may have on access to voluntary family planning programs by persons in around 140 countries where UNFPA operates, but also because of the possible application of the determination for other international organizations that operate in China and to which the U.S. contributes.

For FY2003, the President proposed no funding for UNFPA, although \$25 million was requested in "reserve" for the account from which UNFPA receives its funding. Presumably, this could be made available to UNFPA if it is found not to be in violation of Kemp-Kasten.

**"Mexico City" Policy.** The debate over international family planning policy and abortion began nearly three decades ago, in 1973, when Congress added a provision to the Foreign Assistance Act of 1961 prohibiting the use of *U.S. appropriated funds* for abortion-related activities and coercive family planning programs. During the mid-1980s, in what has become known as the "Mexico City" policy (because it was first announced at the 1984 Mexico City Population Conference), the Reagan Administration, and later the George H. W. Bush Administration restricted funds for foreign non-governmental organizations (NGOs) that were involved in performing or promoting abortions in countries where they worked, even if such activities were undertaken with *non-U.S. funds*. Several groups, including International Planned Parenthood Federation-London (IPPF-London), became ineligible for U.S. financial support. In some years, Congress narrowly approved measures to overturn this prohibition, but White House vetoes kept the policy in place. President Clinton in 1993 reversed the position of his two predecessors, allowing the United States to resume funding for all family planning organizations so long as no *U.S. money* was used by those involved in abortion-related work.

During the past six years, the House and Senate have taken opposing positions on the Mexico City issue, and thus have repeatedly held up enactment of the final Foreign Operations spending measure. The House position, articulated by Representative Chris Smith (N.J.) and others, supported reinstatement of the Mexico City policy restricting U.S. aid funds to foreign organizations involved in performing abortions or in lobbying to change abortion laws or policies in foreign countries. The Senate, on the other hand, has rejected in most cases House provisions dealing with

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<sup>15</sup> The full text of the State Department's analysis can be found on its web site at [<http://www.state.gov/prm/rls/other/12128.htm>]. The State Department's assessment team can be found at [<http://www.state.gov/prm/rls/rpt/2002/12122.htm>].

Mexico City policy, favoring a position that leaves these decisions in the hands of the Administration.

Unable to reach an agreement satisfactory to both sides, Congress adopted interim arrangements for FY1996-FY1999 that did not resolve the broad population program controversy, but permitted the stalled Foreign Operations measure to move forward. The annual “compromise” removed House-added Mexico City restrictions, but reduced population assistance to \$385 million, and in several years, “metered” the availability of the funds at a rate of one-twelfth of the \$385 million per month.

In FY2000, when the issue became linked with the un-related foreign policy matter of paying U.S. arrears owed to the United Nations, a reluctant President Clinton agreed to a modified version of abortion restrictions, marking the first time that Mexico City conditions had been included in legislation signed by the President (enacted in the Foreign Operations Act for FY2000, H.R. 3422, incorporated into H.R. 3194, the Consolidated Appropriations Act for FY2000, P.L. 106-113). Because the President could waive the restrictions for \$15 million in grants to organizations that refused to certify, there was no major impact on USAID family planning programs in FY2000, other than the reduction of \$12.5 million in population assistance that the legislation required if the White House exercised the waiver authority.

When Congress again came to an impasse in FY2001, lawmakers agreed to allow the new President to set policy. Under the FY2001 Foreign Operations measure, none of the \$425 million appropriation could be obligated until after February 15, 2001. Subsequently, on January 22, 2001, two days after taking office, President Bush issued a Memorandum to the USAID Administrator rescinding the 1993 memorandum from President Clinton and directing the Administrator to “reinstate in full all of the requirements of the Mexico City Policy in effect on January 19, 1993.” The President further said that it was his “conviction that taxpayer funds should not be used to pay for abortions or to advocate or actively promote abortion, either here or abroad.”<sup>16</sup> A separate statement from the President’s press secretary stated that President Bush was “committed to maintaining the \$425 million funding level” for population assistance “because he knows that one of the best ways to prevent abortion is by providing quality voluntary family planning services.” The press secretary further emphasized that it was the intent that any restrictions “do not limit organizations from treating injuries or illnesses caused by legal or illegal abortions, for example, post abortion care.”<sup>17</sup> On February 15, 2001, the day on which FY2001 population aid funds became available for obligation, USAID issued specific policy language and contract clauses to implement the President’s directive. The guidelines are nearly identical to those used in the 1980s

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<sup>16</sup> White House. Memorandum for the Administrator of the United States Agency for International Development. January 22, 2001. Found online at the White House web site at [<http://www.whitehouse.gov/news/releases/20010123-5.html>].

<sup>17</sup> White House. Restoration of the Mexico City Policy. January 22, 2001. Found at [<http://www.whitehouse.gov/news/releases/20010123.html>].

and early 1990s when the Mexico City policy applied.<sup>18</sup> For FY2003, President Bush seeks \$425 million for USAID population assistance, the same as requested for FY2002, but less than the \$446.5 million appropriated for FY2002.

Critics of the certification requirement oppose it on several grounds. They believe that family planning organizations may cut back on services because they are unsure of the full implications of the restrictions and do not want to risk losing eligibility for USAID funding. This, they contend, will lead to higher numbers of unwanted pregnancies and possibly more abortions. Opponents also believe the new conditions undermine relations between the U.S. Government and foreign NGOs and multilateral groups, creating a situation in which the United States challenges their decisions on how to spend their own money. They further argue that U.S. policy imposes a so-called “gag” order on the ability of NGOs and multilateral groups to promote changes to abortion laws and regulations in developing nations. This would be unconstitutional if applied to American groups working in the United States, critics note.

Supporters of the certification requirement argue that even though permanent law bans USAID funds from being used to perform or promote abortions, money is fungible; organizations receiving American-taxpayer funding can simply use USAID resources for permitted activities while diverting money raised from other sources to perform abortions or lobby to change abortion laws and regulations. The certification process, they contend, stops the fungibility “loophole.”

**Congressional Action.** Both House (H.R. 5410) and Senate (S. 2779) FY2003 Foreign Operations bills, as reported in 2002, expired with the end of the 107<sup>th</sup> Congress. In late January 2003, the Senate adopted a revised FY2003 Foreign Operations measure as part of H.J.Res. 2, a continuing appropriation bill to which the Senate added the full text of the 11 funding measures that had not been enacted for this fiscal year. House and Senate conferees worked out a common Foreign Operations measure for FY2003 in February, and after passing Congress on February 13, President Bush signed the joint resolution a week later (P.L. 108-7).

As enacted the FY2003 Foreign Operations measure provides \$446.5 million for bilateral family planning activities, compared with \$425 million recommended by the House in H.R. 5410 and \$435 million passed by the Senate. Conferees agreed to allocate \$34 million to UNFPA, the same as in FY2002, but subject to several conditions, including a requirement that the President certify that the organization is no longer involved in the management of a coercive family planning program. Last year, the Administration declared UNFPA ineligible for U.S. support because of its program in China where the Secretary of State determined UNFPA was involved in a coercive program.

Previously, the Senate had made several significant changes to what the Senate Appropriations Committee had recommended last year regarding international family planning funding and policy issues. H.J.Res. 2, as passed by the Senate, provided

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<sup>18</sup> For more background on the Mexico City policy, see CRS Report RL30830, *International Family Planning: the Mexico City Policy*.

\$435 million for population assistance, \$15 million less than what was proposed by the Senate panel in July 2002. The legislation also did not include language in S. 2779 that would have effectively reversed the Mexico City policy. During Senate debate on H.J.Res. 2, lawmakers adopted an amendment by Senator Leahy increasing population aid from \$425 million to \$435 million and earmarking \$35 million for the UNFPA. Funds could be provided to UNFPA, however, only if the President determined that the organization no longer supported or participated in the management of a program of coercive abortion or involuntary sterilization. The Leahy amendment altered the determination requirement shifting the responsibility from the Secretary of State to the President. The Senate legislation did not include the change to Kemp-Kasten language proposed by the Committee in July 2002 that would have narrowed the circumstances under which the restriction could be imposed.

The 2002 House-reported measure (H.R. 5410) that expired last year provided \$425 million for bilateral family planning aid and a “hard” earmark of \$25 million for UNFPA. The House bill further conditioned the UNFPA contribution, including a restriction that UNFPA provides no funding for the State Planned-Birth Commission or its regional affiliates in China, and required the U.S. to reduce its grant to UNFPA by whatever amount the organization spends in China. The legislation did not address the Mexico City policy.

Previously, Congress debated the UNFPA issue prior to the Administration’s July 22, 2002, decision to terminate support. During consideration of the FY2002 Emergency Supplemental (H.R. 4775) on May 9, 2002, the House Appropriations Committee approved (32-31) an amendment by Representatives Lowey and Kolbe that would have required the President to transfer \$34 million to UNFPA by July 10 if the State Department commission concluded that UNFPA was not involved in coercive family planning practices in China. Meeting on May 15, however, the Committee added an additional provision offered by Representative Tiahrt and supported by the White House, requiring the President to determine by July 31, 2002, whether UNFPA participated in the management of coercive family planning practices. Before final passage, however, pursuant to H.Res. 431, the second rule for consideration of H.R. 4775, both the Lowey/Kolbe and the Tiahrt amendments were deleted from the bill.

The Senate-passed Supplemental Appropriation included a provision nearly identical to the Lowey/Kolbe text. Under any of these amendments a finding that UNFPA was in violation of Kemp-Kasten would result in the termination of U.S. support. Without such a conclusion, however, the Senate and Lowey/Kolbe amendments would have required the full \$34 million contribution to go forward. The Tiahrt amendment would have left open the possibility for the President to allocate something less than \$34 million for UNFPA. As enacted, however, H.R. 4775 dropped all references to UNFPA, leaving the decision up to the President.

## Andean Regional Initiative<sup>19</sup>

The Andean Regional Initiative (ARI) was launched in April 2001, when the Bush Administration requested \$882.29 million in FY2002 economic and counternarcotics assistance, as well as an extension of trade preferences and other measures, for Colombia and six regional neighbors (Peru, Bolivia, Ecuador, Brazil, Panama, and Venezuela). Of this amount, \$731 million was designated as International Narcotics Control (INC) assistance in a line item in the budget request known as the Andean Counterdrug Initiative (ACI). A central element of the program has been the training and equipping of counternarcotics battalions in Colombia.

According to the Administration, the distinctive features of the program, compared to Plan Colombia assistance approved in 2000,<sup>20</sup> are that a larger portion of the assistance is directed at economic and social programs, and that more than half of the assistance is directed at regional countries experiencing the spill-over effects of illicit drug and insurgency activities. Another aspect of the initiative was President Bush's request for the extension and broadening of the Andean Trade Preferences Act (ATPA) expiring in December 2001, that would give duty free or reduced-rate treatment to the products of Bolivia, Peru, Ecuador and Colombia. This was a central topic when President Bush met with Andean leaders at the Summit of the Americas meeting in Canada in April 2001.

In a mid-May 2001 briefing on the Andean Regional Initiative, Administration spokesmen set out three overarching goals for the region that could be called the three D's — democracy, development, and drugs. The first goal was to promote democracy and democratic institutions by supporting judicial reform, anti-corruption measures, human rights improvement, and the peace process in Colombia. The second was to foster sustainable economic development and trade liberalization through alternative economic development, environmental protection, and renewal of the Andean Trade Preference Act (ATPA). The third was to significantly reduce the supply of illegal drugs to the United States from the source through eradication, interdiction and other efforts.<sup>21</sup> During consideration by the Congress in 2001, critics of the initiative argued that it overemphasized military and counter-drug

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<sup>19</sup> This section was prepared by (name redacted) and (name redacted), and drawn from CRS Report RL31383, *Andean Regional Initiative (ARI): FY2002 Supplemental and FY2003 Assistance for Colombia and Neighbors*.

<sup>20</sup> "Plan Colombia" refers to the \$1.3 billion FY2000 emergency supplemental appropriations approved by the 106<sup>th</sup> Congress in the FY2001 Military Construction Appropriations bill (H.R. 4425, P.L. 106-246) for counternarcotics and related efforts in Colombia and neighboring countries. For more detail, see CRS Report RL30541, *Colombia: Plan Colombia Legislation and Assistance (FY2000-FY2001)*. For the latest figures on aid to Colombia, as well as past assistance, see CRS Report RS21213, *Colombia: Summary and Tables on U.S. Assistance, FY1989-FY2003*.

<sup>21</sup> See U.S. Department of State International Information Programs Washington File, Fact Sheet: U.S. Policy Toward the Andean Region, and Transcript: State Department Briefing on Andean Regional Initiative, May 17, 2001, also available at the following web site [<http://usinfo.state.gov/regional/ar/colombia/>]



assistance, and provided inadequate support for human rights and the peace process in Colombia. Supporters argued that it continued needed assistance to Colombia, while providing more support for regional neighbors and social and economic programs.

By the end of 2001, Congress approved, in the Foreign Operations Appropriations Act (H.R. 2506/P.L. 107-115), \$625 million for the ACI, \$106 million less than the President's ACI request. Also included were a series of conditions and certification requirements relating to human rights and to the controversial aerial eradication spraying (also known as aerial fumigation) program to destroy illicit coca crops, and an alteration of the cap on military and civilian contractors serving in Colombia.

For FY2003, President Bush requested about \$980 million for the ARI, including \$731 million in counternarcotics assistance under the ACI, with some ACI funds being used for social and economic programs (\$291 million). (See table 8 below.) Over half — \$537 million — was targeted on Colombia, with other significant amounts proposed for Bolivia and Peru. The FY2003 request was similar to the FY2002 request, except that the Administration proposed \$98 million in Foreign Military Financing (FMF) for Colombia to train and equip a Colombian army brigade to protect the Cano-Limon oil pipeline in northeastern Colombia. The request marked a sharp break with previous policy towards Colombia, as it was the first request for military assistance provided specifically for a purpose other than counternarcotics operations. The Administration also requested \$1 million each for Bolivia, Ecuador, Panama, and Peru in FY2003 FMF funding.

**Table 8. Andean Regional Initiative**  
(\$s millions)

	Develop- ment Aid	Econ Support Fund	Counter- Drug (ACI) Interdiction	Counter- Drug (ACI) Development	Military Aid	TOTAL
<b>Bolivia:</b>						
FY03 request	\$30.7	\$10.0	\$49.0	\$42.0	\$2.0	\$133.7
FY03 enacted	\$30.7	\$10.0	\$49.0	\$41.7	\$2.0	\$133.4
<b>Brazil:</b>						
FY03 request	\$18.5	—	\$12.0	<sup>a</sup>	—	\$30.5
FY03 enacted	\$16.2	—	\$6.0	<sup>a</sup>	—	\$22.2
<b>Colombia:</b>						
FY03 request	—	—	\$275.0	\$164.0	\$98.0	\$537.0
FY03 enacted	—	—	\$284.0	\$149.2	\$93.0	\$526.2
<b>Ecuador:</b>						
FY03 request	\$7.1	\$20.0	\$21.0	\$16.0	\$1.0	\$65.1
FY03 enacted	\$7.1	\$15.5	\$15.0	\$15.9	\$1.0	\$54.5
<b>Panama:</b>						
FY03 request	\$7.0	\$3.5	\$9.0	<sup>a</sup>	\$1.0	\$20.5
FY03 enacted	\$4.9	\$3.0	\$9.0	<sup>a</sup>	\$1.0	\$17.9
<b>Peru:</b>						
FY03 request	\$40.9	\$10.0	\$66.0	\$69.0	\$1.0	\$186.9
FY03 enacted	\$38.1	\$9.0	\$59.5	\$68.6	\$1.0	\$176.2
<b>Venezuela:</b>						
FY03 request	—	\$0.5	\$8.0	<sup>a</sup>	—	\$8.5
FY03 enacted	—	\$0.5	\$2.1	<sup>a</sup>	—	\$2.6
<b>TOTAL, ARI:</b>						
FY03 request	\$104.2	\$44.0	\$440.0	\$291.0	\$103.0	\$982.2
FY03 enacted	\$97.0	\$38.0	\$424.6	\$275.4	\$98.0	\$933.0

<sup>a</sup> ACI amounts do not differentiate between interdiction and alternative development.

Proponents of the Administration's request argued in the context of the post-September 2001 war on terrorism that Colombia and the region should be supported, and they urged the Administration to seek expanded authority to provide support for an expansion of activities.<sup>22</sup> On March 6, 2002, the House passed H.Res. 358

<sup>22</sup> For critical comments, see statements on the Center for International Policy's Colombia (continued...)

expressing the sense of the House of Representatives that “the President, without undue delay, should transmit to Congress for its consideration proposed legislation, consistent with United States law regarding the protection of human rights, to assist the Government of Colombia protect its democracy from United States-designated foreign terrorist organizations and the scourge of illicit narcotics.” Two weeks later, as part of the Administration’s FY2002 supplemental appropriation request, the executive branch specifically requested broader authority for the Departments of State and Defense in supporting Colombia’s both counternarcotics and counterterrorism activities. This issue became a major focus of congressional debate on both the FY2002 supplemental and the FY2003 regular appropriation request. (For a full discussion of this particular issue, see above under the FY2002 supplemental overview.)

Critics argued that the new request would expand the U.S. military role in Colombia, at the time strictly limited to counternarcotics, into a problematic counterinsurgency one. Critics who emphasize human rights considerations argued that such a role would inevitably involve tolerance of the linkages between the Colombian military and paramilitary groups which are responsible for gross violations of human rights. (A particular concern was the lifting of human rights conditions concerning paramilitary groups in the FY2002 supplemental request, see below.) Others, who believe U.S. military power should not be committed unless it can be effective, warned that the proposed assistance fell far short of that required to have any significant effect on the situation in Colombia. Many also worried that the United States was slowly being drawn into a Vietnam-like morass, providing assistance to a government that did not have the credibility and political will to pay for and successfully wage its own war, and conclude a just peace.

In addition to the request for FY2003, on March 21, 2002, the Bush Administration requested \$27.1 billion in Emergency FY2002 Supplemental Assistance, which was mostly to support Department of Defense and Homeland Security counter-terrorism efforts, but would also provide \$38 million in additional funding and authorities relating to Colombia and the Andean Region. Included in this submission was a request for \$4 million of International Narcotics Control (INC) funding for Colombia police post support, \$6 million of FMF funding for Colombia for infrastructure security and \$3 million for Ecuador for counter-terrorism equipment and training, and \$25 million of Nonproliferation, Anti-Terrorism and Demining funding for a counter-kidnaping program for members of Colombia’s police and armed forces. As noted above, the supplemental submission proposed to broaden the authorities of the Defense and State Departments to utilize FY2002 and FY2003 assistance and unexpended Plan Colombia assistance to support the Colombian government’s “unified campaign against narcotics trafficking, terrorist activities, and other threats to its national security.” According to the

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<sup>22</sup> (...continued)

Project web site [<http://www.ciponline.org/colombia/>] under CIP Analyses, under U.S. Military and Police Aid (especially Other Groups’ Analyses) and under U.S. Government Information (especially Legislators). For supportive comments, see statements on the same web site under U.S. Military and Police Aid (especially Other Groups’ Analyses), and U.S. Government Information (especially statements from Officials and Legislators).

Administration's explanation, these provisions "would allow broader authority to provide assistance to Colombia to counter the unified 'cross-cutting' threat posed by groups that use narcotics trafficking to fund their terrorist and other activities that threaten the national security of Colombia."

Such a change would allow the Administration to expand the scope of U.S. assistance, particularly military assistance, to Colombia, allowing State and Defense department funds to assist the Colombian government to counter any threat to its national security. The immediate, and widely discussed, effect of this change would be to allow the U.S. government to broaden the circumstances under which it currently shares intelligence with Colombian security forces, providing intelligence not only for counterdrug operations, but also for military operations against the Colombian guerrillas and paramilitaries. The change would also permit the Plan Colombia helicopters and other equipment that the United States has provided to be used for such purposes.

The Administration's proposal would continue the "Leahy Amendment" — a provision in the foreign operations and defense appropriations legislation forbidding assistance to military and police units credibly alleged to engage in gross violations of human rights — as well as the current caps of 400 each on the number of U.S. civilian contractors and U.S. military personnel supporting "Plan Colombia" activities in Colombia. (The new proposed military activities, i.e., infrastructure protection and anti-kidnaping assistance, are not, however, "Plan Colombia" activities.) Except for those two specifically mentioned conditions, however, the Administration's proposal stated that funding would be provided "notwithstanding any provision of law." That statement would lift conditions like those of Section 567 of P.L. 107-115, the FY2002 Foreign Operations Appropriations Act, which has stiffer provisions regarding human rights violations by security forces, and also requires the armed forces to address the continuing links of some of its members with illegal rightist paramilitary groups. It would also lift P.L. 107-115 conditions regarding aerial fumigation spraying and alternative development.

**Congressional Action.** Both House (H.R. 5410) and Senate (S. 2779) FY2003 Foreign Operations bills, as reported in 2002, expired with the end of the 107<sup>th</sup> Congress. In late January 2003, the Senate adopted a revised FY2003 Foreign Operations measure as part of H.J.Res. 2, a continuing appropriation bill to which the Senate added the full text of the 11 funding measures that had not been enacted for this fiscal year. House and Senate conferees worked out a common Foreign Operations measure for FY2003 in February, and after passing Congress on February 13, President Bush signed the joint resolution a week later (P.L. 108-7).

As enacted, the Foreign Operations appropriation for FY2003 provides \$933 million for the Andean Regional Initiative, with \$700 million of that total allocated directly for the Andean Counternarcotics Initiative. The ACI funding level is \$31 million below the President's request, although the conference agreement allows the Administration to transfer \$31 million from regular narcotics programs for the ACI. As shown in Table 8 above, Colombia receives about \$11 million less than proposed, although Administration allocations increased the level of interdiction funding and cut amounts for alternative development. Conferees further permit up to \$93 million

of military aid for the security of the Cano-Limon oil pipeline, \$5 million less than requested but higher than the \$88 million recommended by the Senate.

The enacted legislation bill specifies that not less than \$250 million of the ACI account is to be apportioned directly to USAID for social and economic programs, \$25 million higher than proposed by the Senate. It also adds earmarks similar to those recommended in the Senate-passed bill: (1) not less than \$5 million for training and equipping a Colombian Armed Forces unit dedicated to apprehending the leaders of paramilitary organizations; (2) not less than \$3.5 million for assistance to the Colombian National Park Service for training, equipment, and other assistance to protect Colombia's national parks and reserves, which according to the report are threatened by illegal drug cultivation and illegal logging; (3) not less than \$3 million for web monitoring software for use by the Colombian National Police; and (4) not less than \$1.5 million for vehicles, equipment, and other assistance for the human rights unit of the Procurador General.

On policy issues and aid conditions, the enacted measure specifies, as requested, that FY2003 funds are available in Colombia for a unified campaign against narcotics trafficking, against terrorist organizations such as the FARC, ELN, and AUC, and to protect the health and welfare in emergency circumstances. Conferees included this broadened authority in recognition that "the narcotics industry is linked to the terrorist groups, including the paramilitary organizations, in Colombia," although they expressed their expectation that counternarcotics, development, and judicial reform would remain the main emphasis of U.S. policy in Colombia. The conference agreement, however, would remove this expanded authority if the Secretary of State has evidence that the Colombian military is not attempting to restore government authority and human rights in areas under the control of paramilitary and guerilla organizations.

The enacted appropriation (section 564) further allows for the distribution of only 75% of the funds for Colombia's military, after which the Secretary of State must certify that Colombian members of the armed forces alleged to have committed human rights violations are being suspended, prosecuted, and punished, and that the Colombian military is severing ties with and apprehending leaders of paramilitary organizations. Such a certification by the Secretary would release 12.5% of assistance to the Colombian military. The remaining 12.5% would be available after July 31, 2003, if the Secretary certifies that Colombian military is continuing to meet its obligations required in the first certification and trying to gain authority and protect human rights in areas under control of paramilitary and guerilla organizations. These certification requirements are similar to provisions contained in both House and Senate bills, although the House measure (H.R. 5410) would have required only a single certification to release all funds.

Other Colombian aid conditions provided in the enacted appropriation include: the continuation, as proposed in both House and Senate bills, of the cap of 400 on the number of U.S. civilian contractors and on the number of U.S. military personnel that can be funded during FY2003; requirement for the return of any helicopter procured with funding from this bill if it is used to aid or abet the operations of any illegal self-defense groups or illegal security cooperatives; and the requirement, similar to the Senate-passed joint resolution, that the Secretary of State and the EPA Administrator

submit a report on the usage and safety of chemicals used in the aerial coca fumigation program in Colombia before FY2003 funds can be used to purchase those chemicals. A new requirement for FY2003 is the completion of an environmental impact statement.

Regarding other conditions, the enacted bill, as proposed by the House, prohibits the use of funds to support a Peruvian air interdiction program unless the Secretary of State and Director of Central Intelligence certify to Congress, 30 days before the resumption of U.S. involvement in such a program, that effective safeguards and procedures are in place to prevent a shoot down similar to that of April 20, 2001, in Peru.

Earlier, in the FY2002 supplemental (P.L. 107-206; H.R. 4775), Congress endorsed the unified campaign policy proposed by the Administration, thereby allowing funds to be used both for counter-narcotics and to fight terrorism.

## **Millennium Challenge Account**

In a speech on March 14, 2002, at the Inter-American Development Bank, President Bush outlined a proposal for the United States to increase foreign economic assistance beginning in FY2004 so that by FY2006 American aid would be \$5 billion higher than three years earlier. If the aid budget rises in three equal installments of \$1.67 billion each year, the initiative could provide as much as a cumulative \$10 billion in additional economic assistance above what might be assumed for the three year period without the President's initiative. The funds would be placed in a new Millennium Challenge Account (MCA) and be available to developing nations that are pursuing political and economic reforms in three areas:

- Ruling justly — promoting good governance, fighting corruption, respecting human rights, and adhering to the rule of law.
- Investing in people — providing adequate health care, education, and other opportunities promoting an educated and healthy population.
- Fostering enterprise and entrepreneurship — promoting open markets and sustainable budgets.

If fully implemented, the initiative would represent one of the largest increases in foreign aid spending in half a century, outpaced only by the Marshall Plan following World War II and the Latin America-focused Alliance for Progress in the early 1960s.

The concept is based on the premise that economic development succeeds best where it is linked to free market economic and democratic principals and policies. Conditioning assistance on policy performance and accountability by recipient nations is not new to U.S. aid programs. Since the late 1980s at least, portions of American development assistance have been allocated to some degree on a performance-based system. What is different about the MCA is the size of the commitment; the competitive process that will reward countries for what they have already achieved not just what is promised for the future; the pledge to segregate the funds from U.S. strategic foreign policy objectives that often strongly influence

where U.S. aid is spent; and to solicit program proposals developed solely by qualifying countries.

Assuming that Congress fully funds the President's aid request for next year and that FY2003 will be the baseline from which to compare growth in foreign aid spending during implementation of the MCA, a \$5 billion dollar increase by FY2006 would result in a \$17.2 billion foreign aid budget. In real terms (constant FY2003 dollars), taking into the account the estimated effects of inflation, U.S. economic assistance in FY2006 would be \$16.14 billion, the highest amount since FY1979 and the signing of the Camp David Middle East peace accords and FY1985, an unusual year in which the United States responded to special Middle East economic stabilization and African famine requirements. But using FY2003 as a baseline rather than FY2000, the percentage of increase, especially in real terms (counting inflation), between FY2003 and FY2006 will be less than the 50% figure used by some Administration officials. The nominal increase would be about 41% while in real terms, FY2006 funding would be nearly 32% more. Because of the size of the U.S. economy and continued growth projected over the next several years, the MCA increases will have little impact on the amount of U.S. aid as a percent of GDP. According to current projections, assistance would rise from the current 0.11% of GDP to 0.13%.

During the first year of the MCA, participants will be limited to the 74 poorest nations that are eligible to borrow from the World Bank's International Development Association and have per capita incomes below \$1,435. The list will expand to include all lower-middle income countries by FY2006 with per capita incomes below \$2,975. Participants will be selected largely based on 16 performance indicators related to the three categories of good governance, economic freedom, and investing in people. Countries that score above the median on half of the indicators in each of the three areas will qualify. Emphasizing the importance of fighting corruption, however, should a country fall below the median on the corruption indicator (based on the World Bank Institute's Control of Corruption measure), it will be automatically disqualified from consideration.

To manage the MCA, the Administration will propose the creation of a Millennium Challenge Corporation (MCC), a new independent government entity separate from the Departments of State and Treasury and from the U.S. Agency for International Development (USAID). The White House envisions a staff of about 100, drawn from various government agencies and non-governmental organizations, led by a CEO confirmed by the Senate. A review board, chaired by the Secretary of State and composed of other cabinet officials, will oversee operations of the MCC.

## **Congressional Action**

Despite some discussion to launch an MCA "pilot" project in FY2003 instead of waiting until FY2004, it appears that such a plan has been deferred. The enacted Foreign Operations for FY2003 includes no MCA funding and earlier versions of House and Senate bills provided nothing for a pilot program this year. The Administration, however, submitted authorizing legislation and a \$1.3 billion FY2004 budget request.

## **For Additional Reading**

### **General/Overview**

CRS Report 98-916. *Foreign Aid: An Introductory Overview of U.S. Programs and Policy.*

CRS Report 97-62. *The Marshall Plan: Design, Accomplishments, and Relevance to the Present.*

CRS Report RL31687. *The Millennium Challenge Account: Congressional Consideration of a New Foreign Aid Initiative.*

### **Foreign Operations Programs**

CRS Report RS20329. *African Development Bank and Fund.*

CRS Issue Brief IB10050. *AIDS in Africa.*

CRS Issue Brief IB88093. *Drug Control: International Policy.*

CRS Report 98-568. *Export-Import Bank: Background and Legislative Issues.*

CRS Report RS21181. *HIV/AIDS international programs: FY2003 request and FY2002 spending.*

CRS Report RS20622. *International Disasters: How the United States Responds.*

CRS Report RL30830. *International Family Planning: The "Mexico City" Policy.*

CRS Report RL30932. *Microenterprise and U.S. Foreign Assistance.*

CRS Issue Brief IB96008. *Multilateral Development Banks: Issues for the 107<sup>th</sup> Congress.*

CRS Report RS21168. *The Peace Corps: USA Freedom Corps Initiative.*

CRS Report RL31689. *U.S. International Refugee Assistance: Issues for Congress.*

CRS Issue Brief IB96026. *U.S. International Population Assistance: Issues for Congress.*

CRS Report RL31433. *U.S. Global Health Priorities: USAID FY2003 Budget.*

### **Foreign Operations Country/Regional Issues**

CRS Report RL31355. *Afghanistan's Path to Reconstruction: Obstacles, Challenges, and Issues for Congress.*



CRS Issue Brief IB95052. *Africa: U.S. Foreign Assistance Issues.*

CRS Report RL31383. *Andean Regional Initiative (ARI): FY2002 Supplemental and FY2003 Assistance for Colombia and Neighbors.*

CRS Report RL30831. *Balkan Conflicts: U.S. Humanitarian Assistance and Issues for Congress.*

CRS Report RS21213. *Colombia: Summary and Tables on U.S. Assistance, FY1989-FY2003.*

CRS Issue Brief IB95077. *The Former Soviet Union and U.S. Foreign Assistance.*

CRS Issue Brief IB85066. *Israel: U.S. Foreign Assistance.*

CRS Report RS20895. *Palestinians: U.S. Assistance.*

CRS Report RL31362. *U.S. Foreign Aid to East and South Asia: Selected Recipients.*

## **Selected World Wide Web Sites**

African Development Bank  
[<http://www.afdb.org/>]

African Development Foundation  
[<http://www.adf.gov/>]

Asian Development Bank  
[<http://www.asiandevbank.org/>]

CRS Current Legislative Issues: Foreign Affairs  
[<http://www.crs.gov/products/browse/is-foreignaffairs.shtml>]

Export-Import Bank  
[<http://www.exim.gov/>]

Inter-American Development Bank  
[<http://www.iadb.org/>]

Inter-American Foundation  
[<http://www.iaf.gov/>]

International Monetary Fund  
[<http://www.imf.org/>]

Overseas Private Investment Corporation  
[<http://www.opic.gov/>]

Peace Corps

[<http://www.peacecorps.gov/>]

Trade and Development Agency

[<http://www.tda.gov/>]

United Nations Children's Fund (UNICEF)

[<http://www.unicef.org/>]

United Nations Development Program (UNDP)

[<http://www.undp.org/>]

United National Population Fund (UNFPA)

[<http://www.unfpa.org/>]

U.S. Agency for International Development

[<http://www.info.usaid.gov/>]

U.S. Department of State

[<http://www.state.gov/>]

World Bank

[<http://www.worldbank.org/>]

World Bank HIPC website

[<http://www.worldbank.org/hipc/>]

**Table 9. Foreign Operations: Discretionary Budget Authority**  
(millions of dollars)

Program				108 <sup>th</sup> Congress <sup>a</sup>			107 <sup>th</sup> Congress <sup>a</sup>	
	FY2002 Regular	FY2002 Supp. <sup>b</sup>	FY2002 Total	FY2003 Request	FY2003 Senate (H.J.Res. 2)	FY2003 Conference (H.J.Res. 2)	House FY2003 (H.R. 5410)	Senate FY2003 (S. 2779)
<b>Title I - Export and Investment Assistance:</b>								
Export-Import Bank	779.3	(50.0)	729.3	596.8	596.7	568.2	596.7	596.7
Overseas Private Invest Corp	(251.4)	—	(251.4)	(242.1)	(242.1)	(242.1)	(242.1)	(242.1)
Trade/Development Agency	50.0	—	50.0	44.5	44.7	47.0	49.5	44.7
<b>Total, Title I - Export Aid</b>	<b>577.9</b>	<b>(50.0)</b>	<b>527.9</b>	<b>399.2</b>	<b>399.3</b>	<b>373.1</b>	<b>404.1</b>	<b>399.3</b>
<b>Title II - Bilateral Economic:</b>								
<b>Development Assistance:</b>								
Child Survival & Health	1,433.5	—	1,433.5	<sup>c</sup>	1,970.0	1,836.5	1,710.0	1,780.0
Development Asst Fund	1,178.0	—	1,178.0	2,959.5 <sup>c</sup>	1,365.5	1,389.0	1,398.0	1,350.0
<b>Subtotal</b>	<b>2,611.5</b>	<b>—</b>	<b>2,611.5</b>	<b>2,959.5<sup>d</sup></b>	<b>3,335.5</b>	<b>3,225.5</b>	<b>3,108.0</b>	<b>3,130.0</b>
<i>Of which:</i>								
<i>UNICEF</i>	<i>[120.0]</i>	<i>—</i>	<i>—</i>	<i>[120.0]</i>	<i>[120.0]</i>	<i>[120.0]</i>	<i>[120.0]</i>	<i>[120.0]</i>
<i>Population aid<sup>e</sup></i>	<i>[446.5]</i>	<i>—</i>	<i>—</i>	<i>[425.0]</i>	<i>[435.0]</i>	<i>[446.5]</i>	<i>[425.0]</i>	<i>[450.0]</i>
<i>HIV/AIDS<sup>e</sup></i>	<i>[510.0]</i>	<i>—</i>	<i>—</i>	<i>[740.0]</i>	<i>[971.5]</i>	<i>[880.0]</i>	<i>[786.0]</i>	<i>[750.0]</i>
Intl Disaster Aid	235.5	90.0	325.5	285.5 <sup>d</sup>	290.0	290.0	315.5	255.5
Transition Initiatives	50.0	—	50.0	55.0	55.0	50.0	40.0	65.0
Development Credit Programs	7.5	—	7.5	7.6	7.6	7.6	7.6	7.6
<b>Subtotal, Development Aid</b>	<b>2,904.5</b>	<b>90.0</b>	<b>2,994.5</b>	<b>3,307.6</b>	<b>3,688.1</b>	<b>3,573.1</b>	<b>3,471.1</b>	<b>3,458.1</b>
USAID Operating Expenses	549.0	7.0	556.0	572.2	571.1	572.0	572.2	571.1

Program				108 <sup>th</sup> Congress <sup>a</sup>			107 <sup>th</sup> Congress <sup>a</sup>	
	FY2002 Regular	FY2002 Supp. <sup>b</sup>	FY2002 Total	FY2003 Request	FY2003 Senate (H.J.Res. 2)	FY2003 Conference (H.J.Res. 2)	House FY2003 (H.R. 5410)	Senate FY2003 (S. 2779)
USAID Inspector General	31.5	—	31.5	32.7	33.0	33.3	33.7	33.0
USAID Capital Invst Fund	—	—	—	95.0	65.0	43.0	43.0	65.0
Economic Support Fund (ESF)	2,199.0	465.0	2,664.0	2,490.0 <sup>d</sup>	2,260.0	2,270.0	2,445.0	2,250.0
International Fund for Ireland	25.0	—	25.0	[25.0] <sup>f</sup>	—	25.0	25.0	—
East Europe	621.0	—	621.0	495.0	530.0	525.0	520.0	555.0
Former Soviet Union	784.0	110.0	894.0	755.0	765.0	760.0	755.0	765.0
Inter-American Foundation	13.1	—	13.1	14.0	16.4	16.2	16.0	16.4
African Development Foundation	16.5	—	16.5	16.7	17.7	18.7	19.7	17.7
Treasury Dept. technical asst	6.5	—	6.5	10.0	10.5	10.8	11.0	10.5
Debt reduction	229.0	—	229.0	0.0	0.0	0.0	0.0	40.0
Peace Corps	275.0	—	275.0	317.0	285.0	297.0	317.0	285.0
Intl Narcotics/Law	217.0	114.0	331.0	197.0	196.7	197.0	197.0	196.7
Intl Narcotics — Andean Initiative	625.0	—	625.0	731.0	650.0	700.0	731.0	637.0
Migration & refugee asst	705.0	—	705.0	705.0	787.0	787.0	800.0	782.0
Emerg. Refugee Fund (ERMA)	15.0	—	15.0	15.0	32.0	26.0	20.0	32.0
Non-Proliferation/anti-terrorism	313.5	83.0	396.5	372.4	306.4	306.4	347.4	376.4
<b>Total Title II-Bilat Economic</b>	<b>9,529.6</b>	<b>869.0</b>	<b>10,398.6</b>	<b>10,125.6</b>	<b>10,213.9</b>	<b>10,160.5</b>	<b>10,324.1</b>	<b>10,090.9</b>
<b>Title III - Military Assistance:</b>								
Intl Military Ed. & Training	70.0	—	70.0	80.0	80.0	80.0	80.0	80.0
Foreign Mil Financing (FMF)	3,650.0	357.0	4,007.0	4,107.2	4,072.0	4,072.0	4,080.2	4,067.0

Program				108 <sup>th</sup> Congress <sup>a</sup>			107 <sup>th</sup> Congress <sup>a</sup>	
	FY2002 Regular	FY2002 Supp. <sup>b</sup>	FY2002 Total	FY2003 Request	FY2003 Senate (H.J.Res. 2)	FY2003 Conference (H.J.Res. 2)	House FY2003 (H.R. 5410)	Senate FY2003 (S. 2779)
Peacekeeping Operations	135.0	20.0	155.0	108.3	120.3	115.0	125.0	125.3
<b>Total, Title III-Military Aid</b>	<b>3,855.0</b>	<b>377.0</b>	<b>4,232.0</b>	<b>4,295.5</b>	<b>4,272.3</b>	<b>4,267.0</b>	<b>4,285.2</b>	<b>4,272.3</b>
<b>Title IV - Multilateral Economic Aid:</b>								
World Bank - Intl Develop. Assn	792.4	—	792.4	874.3	837.3	850.0	874.3	837.3
World Bank Environment Facility	100.5	—	100.5	177.8	177.8	147.8	147.8	177.8
World Bank-Mult Invst Guaranty	5.0	—	5.0	3.6	1.6	1.6	1.6	2.6
Inter-Amer. Development Bank	18.0	—	18.0	59.9	47.9	42.9	54.9	47.9
Asian Development Bank	98.0	—	98.0	147.4	100.4	97.9	97.9	127.4
African Development Fund	100.0	—	100.0	118.1	108.1	108.1	113.1	108.1
African Development Bank	5.1	—	5.1	5.1	5.1	5.1	5.1	5.1
European Bank for R & D	35.8	—	35.8	35.8	35.8	35.8	35.8	35.8
Intl Fund for Ag Development	20.0	—	20.0	15.0	15.0	15.0	15.0	15.0
Intl Organizations & Programs	208.5	—	208.5	190.0 <sup>g</sup>	215.0	195.2	190.4	230.5
<b>Total, Title IV - Multilateral</b>	<b>1,383.3</b>	<b>—</b>	<b>1,383.3</b>	<b>1,627.0</b>	<b>1,544.0</b>	<b>1,499.4</b>	<b>1,535.9</b>	<b>1,587.5</b>
<b>Foreign Operations — Total</b>	<b>15,345.8</b>	<b>1,196.0</b>	<b>16,541.8</b>	<b>16,447.3</b>	<b>16,429.5</b>	<b>16,300.0</b>	<b>16,549.3</b>	<b>16,350.0</b>
Rescissions (estimate for FY2003) <sup>h</sup>	—	—	—	—	(468.6)	(106.0)	—	—
<b>Foreign Operations — Net Total</b>	<b>15,345.8</b>	<b>1,196.0</b>	<b>16,541.8</b>	<b>16,447.3</b>	<b>15,960.9</b>	<b>16,194.1</b>	<b>16,549.3</b>	<b>16,350.0</b>

Sources: House and Senate Appropriations Committee and CRS calculations.

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- a. In 2002, House and Senate Appropriations Committees reported bills appropriating FY2003 Foreign Operations funds. Congress adjourned, however, before completing action on these measures. The 108<sup>th</sup> Congress enacted FY2003 Foreign Operations appropriations as part of new legislation — H.J.Res. 2. For comparative purposes, amounts reported but not enacted in the 107<sup>th</sup> Congress are shown in the final two columns of this table.
- b. FY2002 supplemental includes funds appropriated in P.L. 107-117 (legislation allocating \$20 billion in emergency terrorism response funds) and P.L. 107-206 (Emergency FY2002 Supplemental Appropriations). Excluded from this total is \$1.329 billion appropriated in September 2001 in P.L. 107-38 and (the Emergency Terrorism Response Fund) and allocated to Foreign Operations programs during the first half of FY2002.
- c. For FY2003, the Administration proposed to consolidate Child Survival/Health and Development Assistance accounts into a single account. For comparative purposes with FY2002, the FY2003 request broke down as follows: \$1.474 billion for Child Survival/Health and \$1.365 billion for Development Assistance. The Child Survival/Health figures also include the U.S. contribution for UNICEF, an amount requested in title IV, but included by Congress in this account.
- d. On September 3, 2002, the Administration amended its original request, proposing additional funds for three accounts: development aid, from \$2.86 billion to \$2.96 billion for HIV/AIDS programs; international disaster assistance, from \$235.5 million to \$285.5 million for humanitarian aid for the Palestinians; and the Economic Support Fund, from \$2.29 billion to \$2.49 billion for anti-terrorism aid to Israel.
- e. Population and HIV/AIDS aid funding include small amounts from other Foreign Operations accounts. The figures here represent totals “across all accounts,” not just those within the Development Aid subtotal.
- f. The Administration request included the Ireland Fund as part of the Economic Support Fund.
- g. Excludes UNICEF contribution which is part of Development Assistance under Title II above.
- h. H.J.Res. 2, as passed by the Senate, included an across-the-board rescission of 1.6% (§601, Division N). This rescission was augmented by §309 of Division G, which required an increase in the rescission to offset \$5 billion in additional education spending. According to CBO, this amount generated an additional 1.252% reduction. Thus, the total across-the-board reduction is currently estimated at 2.852%, which has been calculated by CBO as \$11.392 billion. As enacted, §601 of H.J.Res. 2 requires a 0.65% across-the-board rescission. Figures listed here are estimates reflecting the impact of these rescissions.

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