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U.S. Foreign Aid to East and South Asia: Selected Recipients

Updated March 7, 2006

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Summary

This report analyzes annual budget justifications and legislation for foreign operations and discusses U.S. foreign aid trends, programs, and restrictions in 16 East Asian and South Asian countries. This report does not cover aid to Pacific Island nations, North Korea, and Afghanistan.

Since September 2001, the United States has raised military, economic, and development assistance for anti-terrorism objectives in the East Asia-Pacific (EAP) and South Asia regions. Pakistan, India, the Philippines, and Indonesia have received the bulk of the increases in U.S. foreign assistance to EAP and South Asia since 2001.

The Foreign Operations, Export Financing, and Related Programs Appropriations Act for FY2006 (P.L. 109-102) raised spending on democracy programs for Burma and government institution-building in East Timor beyond the Bush Administration's FY2006 budget request. P.L. 109-102 also appropriated Foreign Military Financing (FMF) for the Philippines and Bangladesh in amounts that exceeded the Administration's request.

The United States restricts foreign assistance to many countries in East and South Asia in order to encourage democracy and discourage the spread of nuclear weapons capabilities. Several countries in Asia — including Burma, Cambodia, Indonesia, and Pakistan — face constraints or conditions on U.S. bilateral assistance because of past or ongoing human rights violations. In February 2005, the Secretary of State determined that the Indonesian government and armed forces had satisfied legislative conditions for the resumption of full International Military Education and Training (IMET). In November 2005, the Bush Administration waived restrictions on Foreign Military Financing to Indonesia on national security grounds pursuant to Section 599F(b) of P.L. 109-102. The FY2006 foreign operations appropriations measure renewed the President's waiver authority on coup-related sanctions against Pakistan. The President again certified the waiver on February 8, 2006, thus making U.S. foreign assistance available to Pakistan for another year.

This report will be updated periodically.

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U.S. Foreign Aid to East and South Asia: Selected Recipients

Overview

Congressional Interests

The United States responds to global humanitarian needs and advances U.S. foreign policy and national security goals through its foreign assistance programs. Traditionally, U.S. foreign aid policy has emphasized social and economic development as foundations for effective governance, democratization, and regional security. Since the war on terrorism began in 2001 and the Bush Administration's Global HIV/AIDS Initiative (GHAI) and Millennium Challenge Account (MCA) were initiated in 2004, the United States has increased foreign aid spending dramatically in some regions. Most of the additional anti-terrorism resources have been targeted toward "front line" states and the conditions that make radical ideologies attractive, such as poverty, limited educational opportunities, and ineffective governance. Special emphases also have been placed upon health crises and democracy building.

The United States has imposed restrictions on non-humanitarian development aid, Economic Support Funds (ESF),¹ and military assistance to some Asian countries in order to pressure them to improve performance related to democracy, human rights, weapons proliferation, foreign debt payments, and other areas. Several countries in Asia, including Burma, Cambodia, China, Indonesia, and Pakistan, have faced congressional restrictions on U.S. bilateral assistance because of human rights violations. However, the United States continues to fund non-governmental organizations (NGOs) that run development and democracy programs in some of these countries.² Most sanctions on aid to Indonesia and Pakistan have been lifted.³

¹ Economic Support Funds (ESF) programs involve a wide range of uses (except military) that support U.S. security interests and promote economic and political stability in the recipient countries and regions.

² Democracy programs are administered by the U.S. Department of State's Bureau for Democracy, Human Rights, and Labor (DRL), and by the U.S. Agency for International Development's (USAID) Office of Democracy and Governance in the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA).

³ Sanctions against Pakistan related to the 1999 military coup and debt arrearage have been waived or lifted on an annual basis since 2002.

Conflicting Policy Objectives. Some policy-makers have expressed concern that the emphasis on fighting terrorism may conflict with other U.S. foreign aid objectives, such as promoting democracy and funding development programs. Others argue that the Millennium Challenge Account — a new, separate assistance program that conditions U.S. foreign aid on social, economic, and political criteria — provides a means of rewarding or encouraging good governance independently of U.S. efforts to garner international cooperation in the war on terrorism. Furthermore, they contend, the MCA's emphasis upon good or fair governance in developing countries supports U.S. economic and security interests around the globe. However, due to competing budget priorities, since the MCA's inception in 2004, Congress has not granted the Bush Administration's full requests for MCA funding. Some foreign aid experts contend that new programs, such as the MCA and Global HIV/AIDS Initiative, are making U.S. foreign aid increasingly incoherent and ad hoc.⁴

Funding Trends

The war on terrorism has reoriented foreign assistance priorities in Asia and accelerated a trend toward increased aid to the region that began in 2000. Throughout the 1990s, U.S. assistance to Asia fell due to the ebbing of Cold War security concerns, nuclear proliferation sanctions, and favorable economic and political trends in much of the region. For example, the withdrawal of U.S. military forces from the Philippines, nuclear proliferation and other sanctions against Pakistan, and the reduced need for economic assistance, particularly in Southeast Asia, contributed to declines in U.S. aid levels. The Asian financial crisis of 1997-98 reversed the downward trend, as USAID funded a regional economic recovery program for Indonesia, the Philippines, Thailand, and Vietnam.

Following the New York and Washington, D.C. terrorist attacks in 2001, Pakistan, India, the Philippines, and Indonesia became the foci of the Bush Administration's anti-terrorism efforts in South and Southeast Asia, due to their strategic importance, large Muslim populations, and insurgency movements using terrorist tactics. These countries have received the bulk of the increases in U.S. foreign aid (non-food) to the South Asia and East Asia-Pacific regions. Average yearly U.S. assistance to Pakistan during 2002-2005 is estimated to be \$675 million compared to \$3.4 million in 2000-2001. Annual U.S. assistance to India has increased by over 50% in 2002-2005 compared to 2000-2001, while annual U.S. assistance to the Philippines during the same period has tripled compared to 2000-

⁴ Murray Hiebert, "More Aid, but New Strings," *Far Eastern Economic Review*, February 20, 2003; Harold Molineu, "Linking Aid to Democracy Will Be a Challenge," *Newsday*, March 5, 2003; Paolo Pasicolan, "How to Prevent the Millennium Challenge Account from Becoming Like Traditional Foreign Aid," *Heritage Foundation Executive Memorandum*, no. 892, July 14, 2003; Emad Mekay, "War Spending Expected to Cut into Foreign Aid," *Global Information Network*, September 17, 2003; InterAction Policy Paper, "Foreign Assistance in Focus: Emerging Trends," November 2003. For further information, see CRS Report RL32427, *The Millennium Challenge Account: Implementation of a New U.S. Foreign Aid Initiative*, by Larry Nowels; CRS Report RS21181, *HIV/AIDS International Programs: Appropriations, FY2003-FY2005*, by Raymond W. Copson.

2001.⁵ Beginning in 2004, both Indonesia and the Philippines received new funding for education programs in efforts to promote diversity, non-violent resolution of social and political conflict (Indonesia), and livelihood skills among Muslims residing in impoverished and conflict-ridden areas (southern Philippines).

The Bush Administration has bolstered democracy programs as a means toward reducing the appeal of terrorist movements. The Department of State's Human Rights and Democracy Fund (HRDF) increased from a yearly average of \$13 million in 2001-2002 to \$31.4 million in 2003, \$34.2 million in 2004, and \$35.7 million in 2005. Nearly one-third of the Democracy Fund is allocated to Asia, with a large portion supporting democracy programs in China.⁶ P.L. 109-102, the Foreign Operations, Export Financing, and Related Programs Appropriations Act for FY2006, recommends \$63.2 million for the HRDF.

Some analysts have estimated that the MCA would substantially bolster U.S. foreign assistance to Asia, if fully funded and if several candidate countries in Asia were chosen.⁷ Since the program's inception, however, Congress has not provided it with the levels of funding that the Bush Administration has requested. The Consolidated Appropriations Act, FY2004 (P.L. 108-199) extended nearly \$1 billion to the Millennium Challenge Corporation (MCC) for development assistance, compared to the Bush Administration's request of \$1.6 billion. Congress appropriated \$1.5 billion and \$1.77 billion for the MCC in 2005 and 2006, respectively, compared to the President's requests of \$2.5 billion for 2005 and \$3 billion for 2006. Three Asian countries are eligible to apply for MCA assistance — East Timor, Mongolia, and Sri Lanka — while two countries — Indonesia and the Philippines — have been designated as "threshold" or close to meeting MCA criteria and eligible for assistance in qualifying.

Africa remained the largest regional recipient of humanitarian and development assistance — Child Survival and Health (CSH) and Development Assistance (DA) in FY2004.⁸ The largest regional recipient of Economic Support Funds in FY2004 was Near East Asia (Middle East) while the largest recipient of military assistance was Near East Asia followed by South Asia.⁹ See **Table 1**, **Figures 1-3**, and **Appendix**.

⁵ FY2005 figures are based upon the FY2005 Congressional Budget Justification for Foreign Operations.

⁶ The Human Rights and Democracy Fund, administered by the Bureau of Democracy, Human Rights, and Labor (DRL) of the Department of State, was established by the Foreign Relations Authorization Act, FY2003 (P.L. 107-228).

⁷ Murray Hiebert, "More Aid, but Strings Attached," *Far Eastern Economic Review*, February 20, 2003.

⁸ The State Department divides foreign aid allocations into six regions: Africa, East Asia-Pacific (EAP), Europe and Eurasia, Near East Asia (Middle East), South Asia, and Western Hemisphere (Latin America and Caribbean).

⁹ Military Assistance includes International Military Education and Training (IMET), Foreign Military Financing (FMF), and Peace keeping Operations (PKO).

**Table 1. U.S. Foreign Assistance by Region
(Excluding Food Aid), 2002-2006¹⁰**
(millions of current U.S. dollars)

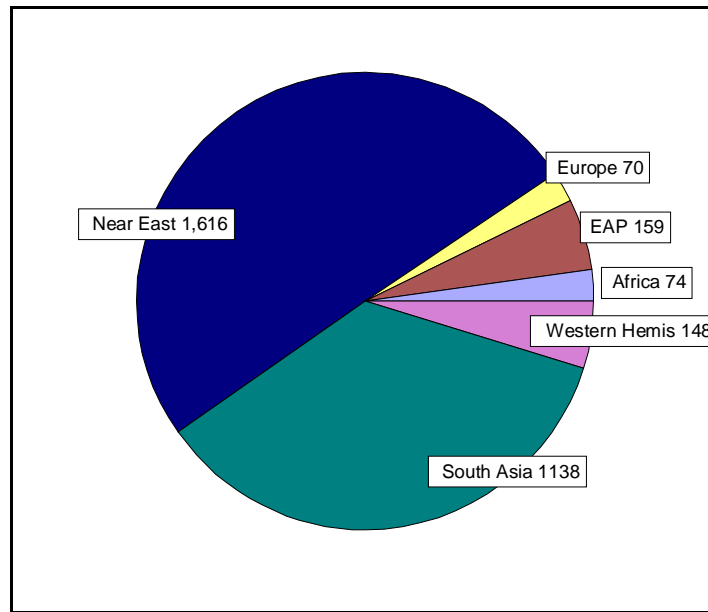
	FY2002	FY2003	FY2004 actual	FY2005 est.	FY2006 request
Africa	1,481	1,706	2,091	2,444	2,803
East Asia- Pacific (excluding North. Korea)	455	477	474	523	489
Europe and Eurasia	2,435	2,871	1,577	1,401	1,266
Near East Asia	5,567	8,409	5,556	5,343	5,878
South Asia (excluding Afghanistan)	1,403	785	685	966 ^a	969
Western Hemisphere	1,385	1,559	1,545	1,713	1,585

Sources: U.S. Department of State, *FY2006 Budget Request — International Affairs*; U.S. Department of State, *FY2005 Congressional Budget Justification for Foreign Operations*; United States Agency for International Development, *FY2005 Budget Justification to the Congress*.

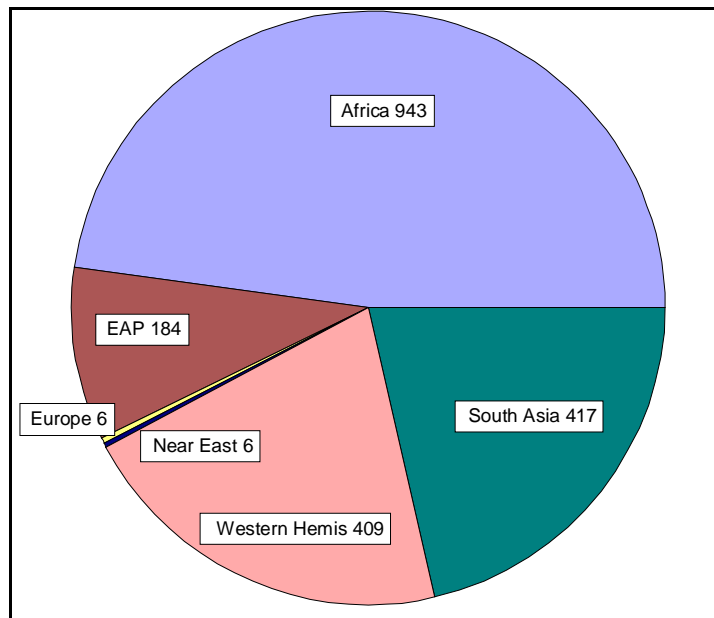
- a. This table reflects the President's FY2005 Supplemental Budget Request, which includes \$150 million in FMF for Pakistan.

¹⁰ USAID administers emergency and humanitarian food assistance pursuant to **P.L. 480, Title II** (the Agricultural Trade Development Act of 1954, as amended). USDA's Foreign Agricultural Service (FAS) administers **P.L. 480, Title I** — sales of agricultural commodities under concessional or favorable credit terms, **Food for Progress** programs (Food for Progress Act of 1985), **Food for Education** (Farm Security and Rural Investment Act of 2002), and **Section 416(b)** (Agricultural Act of 1949, as amended) — donation of surplus commodities.

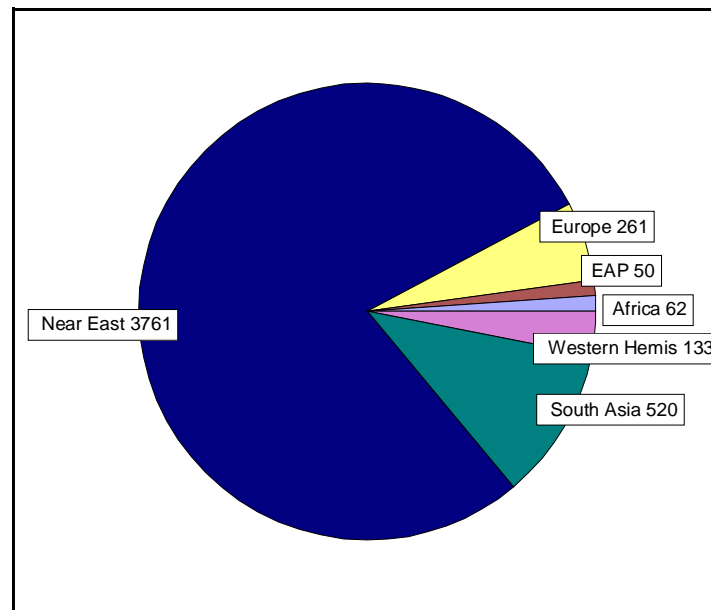
**Figure 1. Economic Support Funds
by Region, FY2004
(millions of dollars)**



**Figure 2. Humanitarian and Development
Assistance (CSH and DA)
by Region, FY2004
(millions of dollars)**



**Figure 3. Military Assistance
by Region, FY2004
(millions of dollars)**

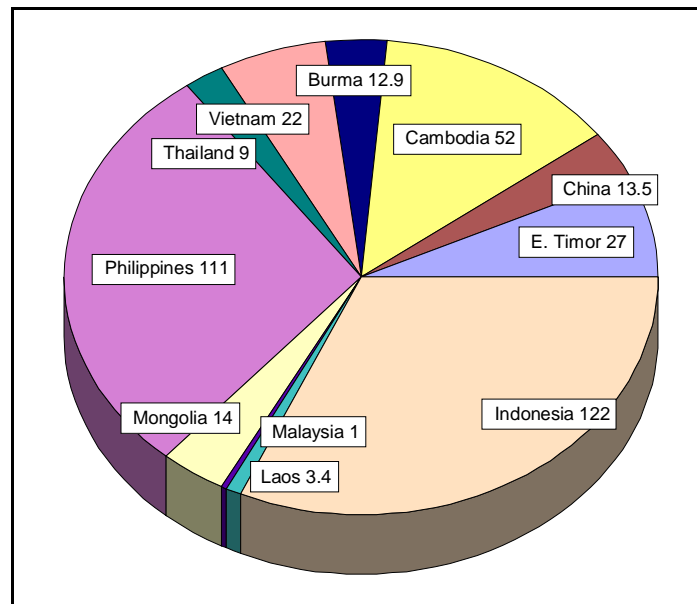


East Asia

Major objectives and program areas for U.S. assistance in East Asia include counter-terrorism, economic growth, HIV/AIDS prevention, the development of civil society, democratization, environmental management, and restricting the international flow of arms. The United States also sponsors counter-narcotics, counter-trafficking-in-persons, and de-mining activities in the region. Since 2001, foreign aid spending in East Asia has grown markedly, largely due to anti-terrorism efforts in the Philippines and Indonesia. The Philippines, a major non-NATO ally, and Indonesia, a democratizing nation with the world's largest Muslim population, are homes to several insurgency movements and radical Islamist organizations, some with ties to Al Qaeda, such as the Abu Sayyaf Group (Philippines) and Jemaah Islamiyah (Indonesia). Furthermore, Jemaah Islamiyah reportedly has made small-scale attempts to recruit members or smuggle terrorist weapons in Burma, Cambodia, and Laos.¹¹ USAID's programs in East Asia aim to address the conditions that may be conducive to radical ideologies and terrorism — poverty and unemployment, lack of education, failing governments, political disenfranchisement, and violent conflict. In October 2003, the Bush Administration announced initiatives to support education programs in Muslim communities in the Philippines and in Indonesia as part of its regional counter-terrorism efforts.

¹¹ See also CRS Report RL31672, *Terrorism in Southeast Asia*, by Bruce Vaughn, et al.

**Figure 4. U.S. Foreign Aid (Non-food)
to East Asian Countries, FY2004
(millions of dollars)**



Among EAP countries (excluding the Pacific Islands), in FY2004, Indonesia was the largest recipient of U.S. foreign aid, particularly humanitarian and development assistance and ESF, followed by the Philippines. The Philippines was the region's largest beneficiary of Foreign Military Financing (FMF) and International Military Education and Training (IMET). Thailand and Malaysia were the second- and third-largest recipients, respectively, of IMET. Laos, the Philippines, and Thailand each received \$2 million in counter-narcotics assistance and law enforcement assistance (INCLE). Indonesia, Cambodia, and Vietnam were the largest recipients of Non-proliferation, Anti-terrorism, De-mining, and Related programs (NADR). See **Figure 4**. Vietnam is the only Asian country to receive Global HIV/AIDS Initiative (GHAI) funding.

Economic Support Funds support several EAP regional programs. These include the Association of Southeast Asian Nations (ASEAN) fund, Anti-Terrorism Assistance, Developing Asian Institutions Fund, and Regional Women's Issues. The ASEAN fund, introduced in FY2004, promotes regional cooperation on several fronts, including terrorism, HIV/AIDS, human trafficking, narcotics, and economic integration and development. Anti-Terrorism Assistance provides grants for equipment and training for terrorism event responses and investigations. The Asian Institutions Fund supports multilateral fora such as the Asia-Pacific Economic Cooperation (APEC) meeting and the ASEAN Regional Forum (ARF). Asia Near East (ANE) regional programs, administered by USAID, include the East-Asia and Pacific Environmental Initiative and post-tsunami reconstruction. EAP also receives assistance through USAID's Regional Development Mission-Asia, including programs for reducing trafficking in persons, improved economic policy and governance, protecting the rights of people with disabilities, and the prevention and control of HIV/AIDS and other infectious diseases.

Foreign Aid Restrictions. In some East Asian countries, the United States has withheld assistance or restricted it to non-governmental organizations (NGOs) or to democratic political groups in response to government actions that the United States has deemed undemocratic. The Consolidated Appropriations Act for FY2005 included human rights-related provisions restricting some U.S. foreign assistance to Burma, Cambodia, and Indonesia while supporting Burmese dissident groups and promoting civil society, human rights, and democracy in Cambodia, China, East Timor, Indonesia, Mongolia, and Thailand.

Indonesia has faced sanctions on military assistance following the Indonesian army's reported human rights violations in East Timor in 1999.¹² The Consolidated Appropriations Legislation for FY2003 (PL 108-7) dropped restrictions on IMET to Indonesia. However, foreign operations appropriations legislation for FY2004 (P.L. 108-199) re-imposed IMET sanctions unless the Secretary of State determined that the Indonesian government and armed forces (TNI) were cooperating with the Federal Bureau of Investigation regarding the August 2002 attack in Timika, Papua, where three school teachers, including two Americans, were killed. P.L. 108-199 continued the ban on FMF unless the President certified that the Indonesia government was prosecuting those members of the Indonesia armed forces credibly alleged to have committed gross violations of human rights. These restrictions remained in effect under P.L. 108-447, the FY2005 foreign operations appropriations measure, with the exception of FMF to the Indonesian navy to enhance maritime security. In February 2005, Secretary of State Condoleezza Rice determined that the Indonesian government and armed forces had cooperated with the FBI's investigation into the Papua murders, thereby satisfying legislative conditions, and certified the resumption of full IMET for Indonesia. The foreign operations appropriations act for FY2006 (P.L. 109-102), Section 599F(a), continued existing restrictions on FMF, stating that such assistance may be made available for Indonesia only if the Secretary of State certifies that the Indonesian government is prosecuting, punishing, and resolving cases involving members of the TNI credibly alleged to have committed gross violations of human rights in East Timor and elsewhere. Section 599F(b) provided that the Secretary of State may waive restrictions on FMF for Indonesia if such action would be in the national security interests of the United States. In November 2005, the Secretary of State waived restrictions on FMF to Indonesia on national security grounds pursuant to Section 599F(b).

Indian Ocean Earthquake and Tsunami. The December 26, 2004 tsunami caused catastrophic losses of lives and property in Aceh province, Indonesia, with nearly 130,000 persons dead and over 500,000 displaced.¹³ The Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 (P.L. 109-13) appropriated \$631 million for tsunami recovery and reconstruction. The Bush Administration has pledged \$400 million for relief and reconstruction efforts in Indonesia and \$5.3 million to Thailand.¹⁴

¹² See the Consolidated Appropriations Act for FY2000 (P.L. 106-113, Section 589).

¹³ USAID, *Indian Ocean — Earthquakes and Tsunamis, Fact Sheet #39* (July 7, 2005).

¹⁴ USAID, *Tsunami Assistance, One Year Later* (December 21, 2005); See also CRS Report RL32715, *Indian Ocean Earthquake and Tsunami: Humanitarian Assistance and Relief*

Country Aid Levels and Legislative Conditions — East Asia¹⁵

Burma

Table 2. U.S. Assistance to Burma, 2002-2006
(thousands of dollars)

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
CSH	0	2,000	0	0	0
DA	0	0	0	0	0
ESF	6,500	6,950	12,923	7,936	10,890
Other				4,000 ^a	3,000 ^a
Totals	6,500	8,950	12,923	11,936	13,890

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture

a. Humanitarian assistance for displaced Burmese and host communities in Thailand through an unspecified account.

Burma has significant foreign aid needs. It has the largest population of displaced persons in East Asia and one of the world's highest HIV/AIDS infection rates. The country is the world's largest trafficker of methamphetamine and second-largest producer of opium. According to USAID, ethnic fighting and deteriorating economic conditions have compelled 1.6 million persons to flee Burma and displaced 1.5 million Burmese within the country. The United States suspended bilateral assistance to Burma in 1988 and resumed it on a limited basis in 1993. The United States restricts assistance to Burma and provides no direct aid to the Burmese government in response to the Burmese military junta's (State Peace and Development Council or SPDC) repression of the National League for Democracy (NLD), failure to honor the NLD's parliamentary victory in 1990, and harassment of its leader, Aung San Suu Kyi, who remains under house arrest.¹⁶ Continuing U.S. sanctions against Burma include opposition to international bank loans to Burma and a ban on debt restructuring assistance. In addition, the United States shall withhold contributions to the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) in amounts that correspond to the GFATM's assistance to the Burmese government.¹⁷ U.S. foreign aid to Burma is limited mainly to Burmese victims of trafficking, ethnic minorities, displaced persons, refugees along the Burma-Thailand border, and

Operations, by Rhoda Margesson, et al.

¹⁵ Including Southeast Asia and excluding North Korea and Pacific Island nations.

¹⁶ For Burma aid sanctions, see P.L. 104-208, Section 570.

¹⁷ See P.L. 109-102, Section 526.

Burmese pro-democracy students and mass media personnel living outside the country.¹⁸

On June 11, 2003, the 108th Congress passed the Burmese Freedom and Democracy Act of 2003 (P.L. 108-61), which bans imports from Burma unless democracy is restored.

The Organization for Economic Cooperation and Development (OECD) ranks the United States fourth among Burma's principal aid donors behind Japan, France, and Germany.

Cambodia

Table 3. U.S. Assistance to Cambodia, 2002-2006
(thousands of dollars)

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
CSH	15,000	22,100	29,360	29,300	28,556
DA	0	3,687	2,750	8,950	5,487
ESF	20,000	15,000	16,900	16,864	14,850
FMF	0	0	0	992	990
NADR	2,290	2,765	3,916	4,170	3,700
Totals	37,290	43,552	52,926	60,276	53,583
Food Aid					
P.L. 480 Title II Grant ^a	1,085	0	703	0	0
FFP ^b	1,432	1,715	3,444	3,643	—
FFE ^b	0	650	0	0	—
Section 416(b) ^b	9,920	0	0	0	—

Sources: U.S. Department of State; USAID; U.S. Department of Agriculture, Foreign Agricultural Service (FAS).

a. USAID data — includes freight costs.

b. USDA data — does not include freight costs.

Cambodia ranks 130th out of 175 countries and regions on the United Nations Development Programme's Human Development Index, which measures GNP per capita, life expectancy, and educational attainment. The country's poverty, primitive infrastructure, and weak human resource base hinder not only economic but also political development.

¹⁸ The State Department has also awarded grants to the National Endowment for Democracy (NED) for assisting Burmese pro-democracy groups.

U.S. restrictions on foreign assistance to Cambodia reflect congressional disapproval of Prime Minister Hun Sen's seizure of power in 1997, sporadic, ongoing political violence, and other human rights violations. Foreign operations appropriations have barred U.S. assistance to the central government of Cambodia and to the Khmer Rouge tribunal and instructed U.S. representatives to international financial institutions to oppose loans to Cambodia, except those that meet basic human needs. The Foreign Operations, Export Financing, and Related Programs Appropriations Act for FY2006 (P.L. 109-102) does not include restrictions regarding international bank lending and the Khmer Rouge tribunal but continues the restriction on aid to the central government. U.S. assistance may be provided only to Cambodian and foreign NGOs and to local governments. Statutory exceptions allow for the following categories of U.S. assistance to the central government of Cambodia: reproductive and maternal and child health care; basic education; combating human trafficking; cultural and historic preservation; the prevention, treatment, and control of HIV/AIDS and other infectious diseases; counter-narcotics activities; and developing international adoptions procedures.¹⁹ Cambodia has also received FMF for border control and counter-terrorism efforts, subject to congressional notification requirements. ESF for Cambodia supports democracy and democratic political parties.

Leahy War Victims Funds assist Cambodians injured by land mines (approximately 800 victims per year). Other foreign aid programs include strengthening democratic processes and political parties. USAID grantees include the Asia Foundation, the National Democratic Institute, the International Republican Institute, and Cambodian NGOs. Cambodia also participates in USAID Office of Foreign Disaster Assistance (OFDA)-funded activities that enhance flood forecasting capacity and early-warning information transfer to communities in the Lower Mekong River Basin.

¹⁹ For most of these activities, USAID collaborates with the central government of Cambodia but continues to provide funding through the country's large and vibrant NGO community.

People's Republic of China (PRC)

Table 4. U.S. Assistance to China, 2002-2006
(thousands of dollars)

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
ESF	10,000	15,000	13,500 ^a	19,000 ^b	23,000 ^c
ESF/Tibet	—	—	4,000 ^a	4,250 ^b	4,250 ^d
Peace Corps	1,559	977	863	1,476	1,807
Totals	11,559	15,977	18,363	24,726	29,057

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

- a. P.L. 108-199.
- b. P.L. 108-447.
- c. House Rpt. 109-265.
- d. P.L. 109-102, Section 575.

USAID does not have a presence or mission in the People's Republic of China (PRC) and China does not receive development aid, largely stemming from U.S. objections regarding human rights conditions in China. However, the Peace Corps has been involved in English language and environmental education in China since 1993, and Economic Support Funds (ESF) have been appropriated for democracy, human rights, and rule-of-law programs in China since 2000, primarily to U.S.-based non-governmental organizations (NGOs) working in the PRC.

China received only Peace Corps assistance prior to 2000. The consolidated appropriations act for FY2000 appropriated \$1 million for foreign-based NGOs working in Tibet and authorized ESF for foreign NGOs to promote democracy in China. For FY2001, the United States extended \$28 million to the PRC as compensation for damages caused by the accidental NATO bombing of the Chinese Embassy in Belgrade in 1999. Since 2002, Congress has increased its annual earmark for democracy, human rights, and rule-of-law programs in China, from \$10 million in 2002 to \$19 million in 2005. Appropriations for cultural preservation, economic development, and environmental conservation activities in Tibetan communities in China has also grown. In 2004, the Bureau of Democracy, Human Rights and Labor (DRL) of the Department of State became the principal administrator of China democracy programs. Major U.S. grantees have included the National Endowment for Democracy (NED), the Asia Foundation, Temple University (School of Law), the American Bar Association, and the Bridge Fund (Tibet).

The conference agreement (House Rpt. 109-265) on the 2006 foreign operations appropriations bill (H.R. 3057, signed into law as P.L. 109-102) recommends \$20 million for China/Hong Kong/Taiwan from the Human Rights and Democracy Fund. In addition, NED is to receive \$3 million for democracy programs in China. P.L. 109-102 also provides up to \$5 million in Development Assistance to American educational institutions for programs in China related to democracy, rule of law, and

the environment, subject to the regular notification procedures of the Committees on Appropriations. For Tibet, the FY2006 foreign aid measure authorizes \$4 million to NGOs for cultural preservation, sustainable development, and environmental conservation in the Tibetan Autonomous Region and in Tibetan communities in China and \$250,000 to NED for human rights and democracy programs related to Tibet. In addition, the National Endowment for Democracy (NED) provides grants (approximately \$2 million per year since 1999) for programs that promote human rights, labor rights, legal and electoral reforms, and independent mass media in China through its annual congressional appropriation.²⁰

Foreign operations appropriations legislation prohibits funding to the United Nations Population Fund (UNFPA) for programs in China. The United States continues to impose other restrictions that were put in place in the aftermath of the 1989 Tiananmen Square military crackdown, including “no” votes or abstentions by U.S. representatives to international financial institutions regarding loans to China (except those that meet basic human needs) and a ban on Overseas Private Investment Corporation (OPIC) programs in the PRC. The Foreign Operations Appropriations Act for FY2002 (P.L. 107-115) lifted the restrictions (effective since FY2000) requiring that ESF for China democracy programs be provided only to NGOs located outside the PRC. However, Tibet programs are still restricted to NGOs. Congress continues to require that U.S. representatives to international financial institutions support projects in Tibet only if they do not encourage the migration and settlement of non-Tibetans (Han Chinese) into Tibet or the transfer of Tibetan-owned properties to non-Tibetans.

East Timor (Democratic Republic of Timor-Leste)

Table 5. U.S. Assistance to East Timor, 2002-2006
(thousands of dollars)

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
DA	0	0	0	500	0
ESF	25,000	24,838	22,367	21,824	18,810
FMF	1,000	1,990	2,420	1,023	990
IMET	50	119	159	364	297
INCLE	0	0	0	0	1,485
PKO	8,000	3,250	1,050	1,000	0
Peace Corps	612	1,219	1,320	1,402	1,583
Totals	34,662	31,416	27,316	25,613	23,165
Food Aid					
P.L. 480 Title II Grant	0	0	669 ^a	405 ^b	0

²⁰ See General Accounting Office, “Foreign Assistance: U.S. Funding for Democracy-Related Programs,” February 2004; CRS Report RL31910, *China: Economic Sanctions*, by Dianne E. Rennack.

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

- a. USAID data — includes freight costs.
- b. USDA data — does not include freight costs.

East Timor (Democratic Republic of Timor-Leste) gained full independence in May 2002. The United States supports a range of aid programs in East Timor, one of Asia's poorest countries, with the goal of building a viable economy and democratic political system. Economic programs include developing small-scale coffee and vanilla production for export, business management training, and health care for workers. Political activities include supporting independent media, civil society organizations, and political parties, building judicial institutions, and strengthening governmental capacity. USAID helped to design East Timor's constitution and provided assistance for the presidential elections of 2002, which many international observers reported as free and fair. U.S. military assistance to the country helps to equip and train the East Timor Defense Force. In November 2005, the Millennium Challenge Corporation selected East Timor as eligible for MCA assistance in 2006.

On March 28, 2003, President Bush issued a certification and report pursuant to Section 637(a)(2) of the Foreign Relations Authorization Act, FY2003 (P.L. 107-228), granting excess defense articles and International Military Education and Training (IMET) to East Timor.²¹

In addition to the United States, major bilateral donors to East Timor include Japan, Portugal, and Australia.

Indonesia

Table 6. U.S. Assistance to Indonesia, 2002-2006²²
(thousands of dollars)

Account	FY2002	FY2002 S.A. ^a	FY2003	FY2004	FY2005	FY2006 estimate
CSH	35,568	—	31,955	33,000	37,100	28,017
DA	38,704	—	39,016	33,291	27,848	33,212
ESF	50,000	—	59,610	49,705	68,480	69,300
FMF	0	—	0	0	0	990
IMET	405	—	0	599	728	792
NADR	0	8,000	1,008	5,998	5,300	5,750
INCLE	0	4,000	0	0	0	4,950
Totals	124,677	12,000	131,589	122,593	139,456	143,011

²¹ The President must certify that East Timor has established an independent armed forces; and that the provision of defense articles and services is in the national security interests of the United States, and will promote both human rights and the professionalization of the armed forces in East Timor.

²² This table does not include 2004-2005 tsunami disaster relief.

Account	FY2002	FY2002 S.A. ^a	FY2003	FY2004	FY2005	FY2006 estimate
Food Aid						
P.L. 480 Title I USDA Loan	19,000	—	0	0	0	—
P.L. 480 Title II Grant ^b	10,400	—	29,540	3,315	11,900	18,190
FFP ^c	10,927	—	0	5,597	6,194	—
Section 416(b) ^c	11,209	—	7,926	17,700	9,078	—

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

a. Supplemental Appropriations (P.L. 107-206).

b. USAID data — includes freight costs.

c. USDA data — does not include freight costs.

The world's largest Muslim country, Indonesia plays an important role in U.S. efforts toward curbing terrorism, maintaining regional economic and political stability, and promoting democracy in Southeast Asia and Muslim countries. According to the Department of State, Indonesia "has made significant progress in consolidating democratic reforms and processes" and has "demonstrated its resolve to fight terrorists" following the bombings in Bali in October 2002 and Jakarta in July 2003. The State Department's FY2005 budget request for Indonesia stated that these developments could have profound, positive implications for U.S. strategic interests, although serious problems remain, including political corruption, poverty, a broken educational system, and a lack of governmental capacity.²³ The MCC has designated Indonesia as a "threshold" country for 2006, meaning that it is close to meeting MCA criteria and may receive assistance in reaching eligibility status.

USAID programs and proposals for Indonesia include the following: CSH funds for maternal and child health care and HIV/AIDS prevention and treatment; DA allocations for education, watershed management and water treatment, and trade and investment; and ESF for several targeted areas — economic policy, democratic institutions, elections, rule of law, local governmental capacity building, and basic education. Basic education programs are part of an education initiative announced by President Bush in October 2003. NADR supports training and expansion of the Police Counter-terrorism Task Force. INCLE programs support judicial capacity-building.

2004 Tsunami Relief. The December 26, 2004 tsunami caused catastrophic losses of lives and property in Aceh province, Indonesia, with nearly 130,000 persons dead and over 500,000 displaced.²⁴ The Emergency Supplemental Appropriations

²³ U.S. Agency for International Development, "FY2005 Budget Justification to the Congress"; U.S. Department of State, "FY2005 Congressional Budget Justification for Foreign Operations."

²⁴ USAID, *Indian Ocean — Earthquakes and Tsunamis, Fact Sheet #39* (July 7, 2005).

Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 (P.L. 109-13) appropriated \$631 million for tsunami recovery and reconstruction. The Bush Administration has pledged \$400 million for relief and reconstruction efforts in Indonesia.

Restrictions on IMET and FMF. The Foreign Operations Appropriations Act for 2002 (P.L. 107-115, Section 572(a)) stipulated that military assistance (IMET and FMF) may be provided to Indonesia only if the President determined and submitted a report to the appropriate congressional committees that the Indonesian government and armed forces (TNI) were taking effective measures to prosecute and punish members of the armed forces and militia groups who committed human rights violations in East Timor in 1999. Notwithstanding the above restrictions, P.L. 107-115 and subsequent foreign operations measures have allowed for *Expanded* International Military Education and Training (E-IMET), available for Indonesia since 2001, which emphasizes and teaches human rights, military codes of conduct, and the principles and practices of civilian control of the military. On January 23, 2003, the Senate defeated an amendment to the FY2003 Consolidated Appropriations bill that would block IMET to the Indonesian military. The Consolidated Appropriations Resolution for 2003 (P.L. 108-7) applied restrictions only to Foreign Military Financing (FMF). However, reportedly because of ongoing concerns about the Indonesian military, no IMET funds were released in 2003.

The Consolidated Appropriations legislation for FY2004 (P.L. 108-199) made IMET available to Indonesia if the Secretary of State determined that the Indonesian government and armed forces (TNI) were cooperating with the United States in the investigation regarding the August 2002 attack in Timika, Papua, in which three school teachers, including two Americans, were killed. P.L. 108-199 continued the ban on FMF unless the President certified that the Indonesia government was prosecuting and punishing those members of the Indonesia armed forces credibly alleged to have committed gross violations of human rights in East Timor and elsewhere. The FY2005 appropriations act (P.L. 108-447) contained similar provisions, but allowed FMF to the Indonesian navy to enhance maritime security. In February 2005, Secretary of State Condoleezza Rice determined that the Indonesian government and armed forces had cooperated with the FBI's investigation into the Papua murders, thereby satisfying legislative conditions, and certified the resumption of full IMET for Indonesia. According to the U.S. State Department, IMET in Indonesia will facilitate counter-terrorism cooperation through improved communications between United States and Indonesian military officers.

The foreign aid appropriations act for FY2006 (P.L. 109-102) continued existing restrictions on FMF to Indonesia; however, the law provides that the Secretary of State may waive restrictions on FMF to Indonesia if such action would be in the national security interests of the United States. In November 2005, the Secretary of State exercised the waiver authority pursuant to the law and permitted FMF for Indonesia. P.L. 109-102 also required the Secretary of State to report on the status of the investigation of the Papua murders and on cooperation provided by the Indonesian government in the investigation.

The United States is the second-largest bilateral donor to Indonesia after Japan.

Laos

Table 7. U.S. Assistance to Laos (LPDR), 2002-2006
(thousand of dollars)

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
CSH	1,000	1,000	500 ^c	0	0
DA	1,000	1,000	0	0	0
IMET	0	0	0	0	49
INCLE	4,200	2,500	2,000	1,984	990
NADR	1,328	1,200	1,412	2,500	3,000
Totals	7,528	5,700	3,912	4,484	4,039
Food Aid					
P.L. 480 Title II Grant ^a	513	685	0	0	0
Section 416(b) ^b	330	0	0	0	—

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

a. USAID data — includes freight costs.

b. USDA data — does not include freight costs.

c. Leahy War Victims Funds for land mine education.

Laos is one of the poorest countries in the world, with a per capita GDP of \$310, a life expectancy of 54 years, and a literacy rate of 53%. However, the country does not receive CSH or Development Assistance. Although there are no formal restrictions, U.S. foreign assistance to Laos remains relatively limited and channeled through NGOs rather to the government of Laos, due to strained bilateral relations. INCLE funding supports counter-narcotics efforts.²⁵ NADR assistance focuses on de-mining activities in cooperation with NGOs and UXO Lao, a quasi-governmental entity. Unexploded ordnance from the Vietnam War has injured over ten thousand Laotians and resulted in over five thousand deaths and continues to wreak havoc on farmers and children. If an IMET agreement with Laos is concluded, funds would be provided for English language training for Laotian personnel involved in U.S.-Laos efforts to locate American Missing-In-Action from the Vietnam War. Other aid programs in Laos include the Laos Economic Acceleration Program for the Silk Sector (LEAPSS), initiated in 1998, which aims to develop an economic alternative to opium production, HIV/AIDS prevention, and anti-trafficking-in-persons activities. Laos participates in Office of Foreign Disaster Assistance (OFDA)-funded activities that increase flood forecasting capacity and early-warning information transfer to communities in the Lower Mekong River Basin.

²⁵ Laos is the world's third-largest producer of opium.

The major bilateral donors to Laos are Japan, Germany, Sweden, France, Australia, and Norway.

Malaysia

Table 8. U.S. Assistance to Malaysia, 2002-2006
(thousands of dollars)

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
IMET	831	831	939	1,100	891
NADR	150	1,267	230	1,020	1,650
Totals	981	2,098	1,169	2,120	2,541

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

The United States and Malaysia share important interests in Southeast Asia, including counter-terrorism activities, regional security, trade, and democracy. Because of its relatively high level of economic development, Malaysia is not a recipient of U.S. development and economic aid. The United States extends IMET and NADR funds to the country. IMET helps to familiarize the Malaysian armed forces with U.S. military doctrine, management techniques, and equipment and promotes military cooperation between the two countries. IMET also attempts to impart democratic ideals and norms upon the armed forces of Malaysia. NADR programs aid in controlling transfers of sensitive materials and technologies that could contribute to weapons proliferation, and support the Malaysia Counter-terrorism Center.

Mongolia

Table 9. U.S. Assistance to Mongolia, 2002-2006
(thousands of dollars)

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
ESF	12,000	10,000	9,941	9,920	7,425
FMF	2,000	990	995	992	2,970
IMET	686	767	872	1,009	891
Peace Corps	1,710	1,765	1,646	1,820	1,872
PKO	0	0	1,000	0	0
Totals	16,396	13,522	14,454	13,741	13,158
Food Aid					
FFP ^a	0	3,612	8,572	3,658	—
Section 416(b) ^a	3,350	0	0	0	—

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

a. USDA data — does not include freight costs.

U.S. assistance to Mongolia aims to help the strategically-located nation make its transition to a free market democracy. Economic Support Funds target private sector development and democratic institution building. FMF assists efforts at controlling Mongolia's borders with China and Russia against drugs and illegal goods trafficking. IMET aims to help transform the Mongolian military from a Soviet-era organization into one that is compatible with democratic government and capable of cooperating with U.S. military forces. Since 2004, Mongolia has been eligible for MCA assistance.

The United States ranks a distant second, behind Japan, in development assistance. Germany is another major aid donor.

Philippines

Table 10. U.S. Assistance to Philippines, 2002-2006
(thousands of dollars)

Account	FY2002	FY2002 S.A. ^a	FY2003	FY2003 W.S. ^b	FY2004	FY2005	FY2006 Est.
CSH	25,599	—	22,920	—	28,850	27,050	22,671
DA	24,459	—	28,209	—	21,568	27,576	25,522
ESF	21,000	12,000	15,000	30,000	17,645	30,720	19,800
FMF	19,000	25,000	19,870	30,000	19,880	29,760	29,700
IMET	2,025	—	2,400	—	2,700	3,000	2,900
INCLE	0	—	0	—	2,000	3,968	1,980
NADR	95	—	2,094	—	750	600	5,150
Peace Corps	2,436	—	2,624	—	2,774	2,846	2,973
PKO	0	—	0	—	15,000	0	0
Totals	94,614	37,000	93,117	60,000	111,167	125,520	110,696
Food Aid (not including freight costs)							
P.L. 480 Title I USDA Loan	19,000	—	40,000	—	20,000	20,000	—
FFP ^c	1,091	—	0	—	3,517	1,720	—
Section 416(b) ^c	12,787	—	7,936	—	0	5,644	—

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

a. Supplemental Appropriations (P.L. 107-206).

b. Emergency Wartime Supplemental Appropriations (P.L. 108-11).

c. USDA data — does not include freight costs.

The United States shares important security, political, and commercial interests with the Philippines, a Major Non-NATO ally and front-line state in the war on terrorism. Since 2001, the Philippines has received the most dramatic increases in U.S. foreign assistance to the EAP region. The major program areas of U.S. foreign aid are Muslim Mindanao; corruption and poor economic governance; education; health care issues; and the environment.

CSH programs in the Philippines include HIV/AIDS prevention, tuberculosis diagnosis and treatment, and family planning. DA funds support corruption mitigation and economic and environmental governance. Economic Support Funds promote economic development and infrastructure in Mindanao, home of the Moro National Liberation Front, Abu Sayyaf, and other Muslim insurgency groups, some of which purportedly have ties to Al Qaeda. DA and ESF aid local education programs as part of an effort, launched in October 2003, to address “political, economic, and social marginalization of Muslims and other impoverished and conflict-affected communities in order to build peace and security.”²⁶ FMF contributes to the military capabilities of the armed forces of the Philippines and to enhanced cooperation under the U.S.-Philippines Visiting Forces Agreement. IMET promotes military professionalism, civilian control of the military, and military-to-military contacts between the United States and the Philippines. INCLE and NADR help to strengthen Philippine law enforcement, counter-terrorism capabilities, and control over small arms proliferation. In addition, the Philippines has been made eligible for priority delivery of Excess Defense Articles (EDA).²⁷

The MCC has designated the Philippines as a “threshold” country for 2006 or close to meeting MCA criteria and eligible for assistance in qualifying.

The United States signed a Tropical Forest Conservation Act Agreement with the Philippines on September 19, 2002.²⁸ This accord cancels a portion of the Philippines’ debt to the United States. The money saved by this rescheduling — estimated at about \$8 million — is to be used for forest conservation activities over a period of 14 years. In 2004, OFDA provided continued funding for a conflict preparedness program in Mindanao (\$500,000 since 2003).

The United States is the fifth-largest aid donor to the Philippines after Japan, the Asian Development Bank, Germany, and the World Bank.

Thailand

Table 11. U.S. Assistance to Thailand, 2002-2006
(thousands of dollars)

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
CSH	1,000	1,500	0	0	0
DA	750	1,250	0	0	0
ESF	0	0	0	992	990
FMF	1,300	1,990	881	1,488	1,485

²⁶ U.S. Agency for International Development, “FY2005 Budget Justification to the Congress.”

²⁷ Excess Defense Articles consist of used U.S. weapons and equipment given away for free. See Alex Spillius, “Bush Calls on Asia to Renew Support for War on Terror,” *The Daily Telegraph*, October 20, 2003.

²⁸ The Tropical Forest Conservation Act (P.L. 105-214).

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
IMET	1,650	1,768	2,572	2,526	2,376
INCLE	4,000	3,700	2,000	1,608	990
NADR	720	200	1,380	750	1,000
Peace Corps	1,267	1,818	1,840	2,243	2,373
PKO	0	0	500	0	0
Totals	10,687	12,226	9,173	9,607	9,214

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

Thailand is one of five U.S. treaty allies in Asia and was designated a Major Non-NATO ally in 2003. Thailand has sent troops to both Afghanistan and Iraq and has aggressively pursued terrorist cells within its borders. In 2003, Thai authorities, in cooperation with the United States, apprehended Indonesian-born Hambali in Thailand. Hambali is believed to be the operations chief of the Islamic militant group Jemaah Islamiyah and mastermind of the 2002 bomb attack in Bali, the 2003 bombing in Jakarta, and other attacks in the Philippines. FMF, IMET, and INCLE programs in Thailand support counter-terrorism activities, international peacekeeping and reconstruction efforts (East Timor, Aceh, Afghanistan, and Iraq), military professionalism and interoperability with U.S. forces, counter-narcotics efforts, and border-control. NADR funds provide assistance for the control, detection, and interdiction of transfers of sensitive materials and technologies that could contribute to weapons proliferation. Since 2005, Thailand has received ESF for programs to promote democracy and press freedoms.

Thailand participates in OFDA-funded activities that increase flood forecasting capacity and early-warning information transfer to communities in the Lower Mekong River Basin. The United States government has pledged \$5.3 million in relief and reconstruction assistance for areas in Thailand affected by the December 2004 tsunami.

In 2001, the United States and Thailand signed an agreement pursuant to the Tropical Forest Conservation Act (P.L. 105-214), providing \$11 million in debt relief to Thailand. In return, Thailand is to contribute \$9.5 million over 28 years toward the protection of its mangrove forests.

Vietnam

Table 12. U.S. Assistance to Vietnam, 2002-2006
(thousands of dollars)

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
CSH	4,106	5,300	6,600	1,200	0
DA	6,950	7,671	3,000	4,750	2,818
GHAI	—	0	10,000	22,044	31,214
IMET	0	0	0	50	50

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
NADR	1,500	2,527	3,214	3,130	4,350
Totals ²⁹	12,556	15,498	22,814	31,174	38,432
Food Aid					
FFP ^a	992	15,122	7,898	0	—
FFE ^a	—	4,796	0	0	—
Section 416(b) ^a	3,674	0	6,170	0	—

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

a. USDA data — does not include freight costs.

United States bilateral assistance to Vietnam focuses on the following: accelerating Vietnam's transition to an open and market-based economy; upgrading access to services for selected vulnerable groups; and developing sustainable urban and industrial environmental management.

CSH and DA for Vietnam provide assistance to victims of war, land mines, and unexploded ordnance (Leahy War Victims Fund), orphans (Displaced Children and Orphans Fund), and those at high risk of contracting HIV/AIDS. NADR programs bolster export control and border security and help the Vietnamese government in de-mining efforts and agricultural development. Vietnam receives EAP regional assistance for economic development, environmental management, and anti-trafficking-in-persons efforts. In June 2005, the United States and Vietnam concluded an agreement whereby the United States would establish an IMET program in Vietnam involving medical, technical, and language support.³⁰

The United States also provides assistance for HIV/AIDS prevention, treatment, and control in Vietnam through USAID regional programs, the President's Global HIV/AIDS Initiative (GHAI), and the Centers for Disease Control. Vietnam, with an estimated 130,000 HIV-positive persons, is the only Asian country to receive GHAI assistance. Vietnam is estimated to have fewer HIV/AIDS cases but a higher infection rate than India or China.³¹

In 2004, USAID's Office of Foreign Disaster Assistance provided \$700,000 to the U.N. Development Program for flood and storm early-warning systems in Vietnam. Vietnam also participates in OFDA-funded activities that increase flood

²⁹ These totals do not include other U.S.-sponsored programs in Vietnam funded outside the foreign operations budget, such as Department of Defense de-mining assistance, Department of Labor technical cooperation projects, Centers for Disease Control (CDC) HIV/AIDS programs, and Fulbright educational exchanges.

³⁰ Sharon Behn, "U.S. Military Specialists Headed to Vietnam," *Washington Times*, June 23, 2005.

³¹ [http://www.kaisernetwork.org].

forecasting capacity and early-warning information transfer to communities in the Lower Mekong River Basin.

Many Members of Congress have supported placing conditions upon U.S. assistance to Vietnam. The Vietnam Human Rights Act of 2005 (H.R.3190)³² would bar U.S. non-humanitarian assistance to the government of Vietnam unless the President certifies that the country is making “substantial progress” in the areas of political and religious freedoms, the rights of ethnic minorities, and combating human trafficking.³³

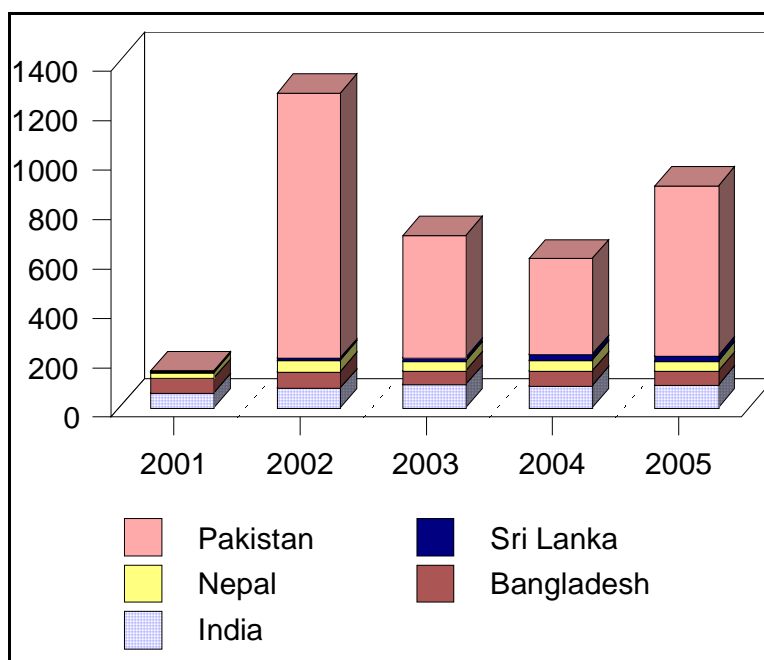
South Asia

Key U.S. foreign aid objectives in South Asia include combating terrorism, developing bilateral military relations, reducing poverty and disease, spreading secular education, fostering political stability, and strengthening democratic institutions. Prior to September 2001, South Asia was the smallest regional recipient of U.S. non-food assistance. Since the war on terrorism began, counter-terrorism and related funding for South Asia, especially Afghanistan and Pakistan, have made the region a relatively large recipient of humanitarian, development, and economic assistance and the second-largest beneficiary of military assistance after the Middle East. Before 2002, India and Bangladesh were the largest recipients of U.S. bilateral aid in South Asia. Following Pakistan’s participation in Operation Enduring Freedom (OEF) in Afghanistan, the country became the largest beneficiary of U.S. foreign assistance in the region, followed by India. See **Figure 5**.

³² This bill was introduced as the Vietnam Human Rights Act of 2004 (H.R. 1587) in the 108th Congress.

³³ For further information about United States foreign aid to Vietnam and proposed sanctions, see CRS Report RL32636, *U.S. Assistance to Vietnam*, by Mark E. Manyin.

**Figure 5. U.S. Assistance to South Asia
(Excluding Food Aid), 2001-2005
(millions of current U.S. dollars)**



South Asia faces daunting development challenges. According to USAID, the region is home to one-fifth of the world's population and 40% of the world's poor. More than half of the region's children under the age of five are malnourished. South Asia reportedly also has alarming infant and child mortality rates, the world's highest adult illiteracy rates, the second highest fertility levels, and a rapidly spreading HIV/AIDS epidemic. These conditions, in turn, threaten political stability and, according to some observers, create fertile ground for the rise of radical political ideologies, organizations, and activities. India, Nepal, Pakistan, and Sri Lanka and have long dealt with terrorist and insurgent groups to varying degrees, while some Al Qaeda forces are believed to have fled to Bangladesh.³⁴

South Asia regional programs include Anti-Terrorism Assistance, Migration and Refugee Assistance (MRA), and South Asia Regional Funds for job-creation, education, democracy, and conflict mitigation. South Asia also receives assistance through USAID's Asia Near East (ANE) regional programs, including the U.S.-Asia Environmental Partnership, HIV/AIDS prevention and treatment, and secondary education for Muslim youth.

Foreign Aid Restrictions. Both Pakistan and India faced sanctions on non-humanitarian aid for conducting nuclear weapons tests in 1998. The United States imposed additional restrictions on aid to Pakistan because of the military coup that took place in October 1999 and delinquency on foreign loan payments. Many of the

³⁴ See CRS Report RL32259, *Terrorism in South Asia*, by K. Alan Kronstadt and Bruce Vaughn.

nuclear test-related sanctions were lifted soon after they were imposed, and the United States reportedly was prepared to normalize relations with India in the first half of 2001.

On September 22, 2001 President Bush issued a final determination removing all nuclear test-related sanctions against India and Pakistan pursuant to the Department of Defense Appropriations Act, 2000 (P.L. 106-79). On October 27, 2001, the President signed S. 1465 into law (P.L. 107-57), exempting Pakistan from coup-related sanctions through FY2002, providing waiver authority on the sanctions through FY2003, and granting an exemption from foreign aid prohibitions related to the country's loan defaults.³⁵ Congress has extended the waiver authority on coup-related sanctions and the exemption regarding loan arrearage on a yearly basis through FY2006. Since 2003, President Bush has annually exercised the waiver authority on coup-related sanctions against Pakistan. The President again certified the waiver on February 8, 2006. A crucial challenge for the United States, according to some U.S. leaders, is how to assist Pakistan in its anti-terrorism activities and reward its cooperation in Operation Enduring Freedom while still applying pressure regarding democratization, nuclear non-proliferation, and other foreign policy imperatives.

Disaster Assistance. In the December 2004 earthquake and tsunami, Sri Lanka suffered heavy human losses (an estimated 31,000 dead, 4,100 missing, and 519,000 displaced) and property damage worth approximately \$1 billion (or 4.4% of GDP). The United States government (USG) has pledged \$134 million in disaster assistance (including USAID disaster assistance and food aid and USDA food aid) to Sri Lanka as well as \$17.9 million to India.³⁶ On October 8, 2005, a catastrophic, magnitude 7.6 earthquake struck Pakistan, killing over 73,000 persons in Pakistan and over 1,000 in India and leaving nearly 3 million people homeless. The United States government has committed \$83.5 million in humanitarian assistance to Pakistan (including USAID/OFDA, USDA, and other assistance) out of a total of \$300 million in USG assistance pledged.³⁷

³⁵ Pursuant to P.L. 107-57, the President must determine and certify that such a waiver: (a) would facilitate the transition to democratic rule in Pakistan; and (b) is important to United States efforts respond to, deter, or prevent acts of international terrorism.

³⁶ USAID, Fact Sheet no. 39, *Indian Ocean — Earthquake and Tsunamis*, July 7, 2005; USAID, *Tsunami Assistance, One Year Later* (December 21, 2005); See also CRS Report RL32715, *Indian Ocean Earthquake and Tsunami: Humanitarian Assistance and Relief Operations*, by Rhoda Margesson, et al.

³⁷ USAID, Fact Sheet no. 38, *South Asia — Earthquake*, February 10, 2006.

Country Aid Levels and Legislative Conditions — South Asia

Bangladesh

Table 13. U.S. Assistance to Bangladesh, 2002-2006
(thousands of dollars)

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
CSH	39,950	27,600	35,500	33,412	26,384
DA	21,670	21,391	18,200	16,535	10,859
ESF	3,000	4,000	4,971	4,960	4,950
FMF	0	0	0	248	990
IMET	648	772	862	1,035	891
Peace Corps	581	1,248	1,566	1,759	1,776
Totals	65,849	55,011	61,099	57,949	45,850
Food Aid					
P.L. 480 Title II Grant ^a	23,974	38,577	33,451	22,842	50,751
Section 416(b) ^b	12,871	49	53	3,257	—

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

a. USAID data — includes freight costs.

b. USDA data — does not include freight costs.

U.S. foreign aid policy emphasizes sustainable economic development and effective, democratic governance in Bangladesh, one of the poorest and most populous countries in the world. The Department of State reports that Bangladesh is a moderate Islamic democracy; however, poverty and political corruption, combined with porous borders, have increased the attractiveness of radical ideologies.³⁸ U.S. development assistance program areas include family planning, child health, HIV/AIDS prevention, private enterprise development, environmental protection, political party reform, and local governance. Since 2003, USAID has administered a basic education program primarily in rural areas. IMET programs help to professionalize the Bangladesh military. IMET also enhances international peacekeeping skills and U.S.-Bangladesh military relations.

In 2000, the United States signed an agreement with Bangladesh reducing the country's debt payments to the United States by \$10 million over 18 years. In return, Bangladesh is to set aside \$8.5 million to endow a Tropical Forest Fund to protect

³⁸ U.S. Department of State, "FY2005 Congressional Budget Justification for Foreign Operations," February 2004.

and conserve its mangrove forests.³⁹ In FY2004, USAID's Office of Foreign Disaster Assistance provided \$180,000 for flood monitoring and forecasting.

The major bilateral aid donors to Bangladesh are Japan, the United Kingdom, and the United States.

India

Table 14. U.S. Assistance to India, 2002-2006
(thousands of dollars)

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
CSH	41,678	47,438	47,800	53,222	47,690
DA	29,200	34,495	22,539	24,856	10,892
ESF	7,000	10,500	14,912	14,880	4,950
IMET	1,000	1,000	1,366	1,502	1,188
NADR	900	1,000	685	685	600
Totals	79,778	94,433	87,302	95,145	65,320
Food Aid					
P.L. 480 Title II Grant ^a	93,679	42,812	40,869	49,006	43,000
Section 416(b) ^b	11,961	0	0	0	—

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

a. USAID data — includes freight costs.

b. USDA data — does not include freight costs.

In 1998, the United States imposed sanctions on India and Pakistan for detonating nuclear devices. Non-humanitarian assistance was terminated or suspended. India, one of the largest recipients in the world of U.S. development assistance and food aid, continued to receive funding for health and food programs. In 1998, Congress passed the India-Pakistan Relief Act of 1998 (P.L. 105-277, Title IX), which authorized the President to waive the sanctions for one year. On October 25, 1999, Congress provided permanent waiver authority in the Department of Defense Appropriations Act, FY2000 (P.L. 106-79). On October 27, 1999, President Clinton, signaling a warming of bilateral relations, waived the applicability of nonmilitary aid and IMET restrictions on India. On September 22, 2001, President Bush issued a final determination removing remaining sanctions on Pakistan and India resulting from their 1998 nuclear tests.

The United States significantly increased its foreign assistance to India in FY2002 and FY2003. Development programs include health and family planning, environmental protection, and disaster management. Since 2003, greater emphasis

³⁹ Pursuant to the Tropical Forest Conservation Act (P.L. 105-214).

has been placed upon education for children and economic growth. Economic growth programs are to focus on state fiscal reforms and economic sectors that will likely produce investment opportunities for U.S. companies.

IMET helps to strengthen professionalism in the Indian military and facilitate cooperation in U.S.-India joint exercises. NADR funding for the Export Control and Related Border Security Assistance (EXBS) program assists India in strengthening its export control system.

The United States government has pledged \$17.9 million in disaster relief and reconstruction assistance to India for areas affected by the December 2004 tsunami.

India has an estimated 5 million people infected with the HIV virus, the highest national total in Asia. CSH funds support HIV/AIDS prevention and control programs in three states. Many members of Congress have called for India to be included in the President's Emergency Plan for AIDS Relief.⁴⁰

The United States is the fifth-largest aid donor to India, after Japan, the United Kingdom, Germany, and the European Union.

Nepal

Table 15. U.S. Assistance to Nepal, 2002-2006
(thousands of dollars)

Account	FY2002	FY2002 S.A. ^a	FY2003	FY2004	FY2005	FY2006 estimate
CSH	20,000	—	19,899	24,840	25,165	18,613
DA	7,597	—	10,247	8,874	10,000	7,895
ESF	3,000	—	4,000	4,971	4,960	4,950
FMF	2,000	12,000	2,950	3,975	—	1,980
IMET	377	—	500	546	648	644
Peace Corps	2,111	—	2,624	2,108	394	0
Totals	35,085	12,000	40,220	45,314	41,167	34,082
Food Aid						
P.L. 480 Title II Grant ^b	2,352	—	0	0	1,000	0
FFE ^c	—	—	2,130	0	3,871	—
Section 416(b) ^c	0	—	0	0	0	—

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

⁴⁰ See 108th Congress, H.R. 4449 and S. 2203 and 109th Congress, H.R. 1408 and S. 674.

- a. Supplemental Appropriations (P.L. 107-206).
- b. USAID data — includes freight costs.
- c. USDA data — does not include freight costs.

The United States has an interest in helping Nepal to reduce poverty in rural areas, which have become recruitment areas for Maoist insurgents. The largest U.S. aid program in Nepal is health and family planning, which includes child mortality prevention and HIV/AIDS control. Other program areas include hydropower development, civil society, women's participation in politics, government performance, rule of law, and political reform. In 2002, Nepal received \$12 million in supplemental appropriations (FMF) to help the government fight Maoist rebels. IMET supports professionalism, intelligence, civil affairs, psychological operations, special forces, medical, and logistics needs of the RNA. In 2004, the United States suspended the Peace Corps program in Nepal after Maoist rebels bombed the United States Information Center in Kathmandu.

Since 2005, the United States has placed restrictions upon FMF for Nepal due to human rights concerns and unless the Secretary of State determines that waiving such restrictions is in the national security interests of the United States. The Foreign operations appropriations measure for FY2006 (P.L. 109-102) provides that FMF may be made available to Nepal only if the Secretary of State certifies that the Government of Nepal has restored civil liberties, is protecting human rights, and has demonstrated a commitment to restoring multi-party democratic government.

The largest aid donors to Nepal are Japan, the United States, Denmark, the United Kingdom, and Switzerland.

Pakistan

Table 16. U.S. Assistance to Pakistan, 2002-2006
(thousands of dollars)

	FY2002	FY2002 E.R.F.^a	FY2002 S.A.^b	FY2003	FY2003 W.S.^c	FY2004	FY2004 E.S.^d	FY2005	FY2006 estimate
CSH	14,000	—	—	15,645	—	25,600	—	21,000	32,172
DA	10,000	—	—	34,500	—	49,400	—	29,000	40,590
ESF	9,500	600,000	15,000	188,000	—	—	200,000	297,600	337,095
FMF	0	—	75,000	49,500	175,000	74,560	—	298,800 ^f	297,000
ERMA	—	25,000	—	0	—	0	—	0	0
IMET	894	—	—	990	—	1,384	—	1,885	2,024
INCLE	2,500	73,000	15,000	6,000	25,000	31,500	—	32,150	37,620
NADR	100	—	10,000	717	—	4,930	—	7,000	6,700
PKO	0	220,000	—	0	—	0	—	0	0
Totals	36,994	918,000	115,000	295,352	200,000	187,374	200,000	687,435	753,201
Food Aid									
P.L. 480 Title I USDA Loan	10,000	—	—	0	—	0	—	0	—
P.L. 480 Title II Grant ^g	5,134	—	—	6,792	—	13,067	—	0	0

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	FY2002	FY2002 E.R.F. ^a	FY2002 S.A. ^b	FY2003	FY2003 W.S. ^c	FY2004	FY2004 E.S. ^d	FY2005	FY2006 estimate
FFE ^h	—	—	—	4,200	—	0	—	5,796	—
FFP ^h	0	—	—	8,977	—	5,980	—	10,170	—
Section 416(b) ^h	76,614	—	—	0	—	9,583	—	1,972	—

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

a. Emergency Response Fund (P.L. 107-38).

b. Supplemental Appropriations (P.L. 107-206).

c. Emergency Wartime Supplemental Appropriations (P.L. 108-11).

d. Emergency Supplemental Appropriations for Iraq and Afghanistan Security and Reconstruction Act, 2004 (P.L. 108-106).

e. Economic grants that can be used to cancel a total of approximately \$2 billion in debt owed by Pakistan to the U.S. government. Amounts for FY2004 “shall not be considered ‘assistance’ for the purposes of provisions of law limiting assistance to a country” (P.L. 108-106).

f. Including the President’s FY2005 supplemental request of \$150 million in FMF for Pakistan.

g. USAID data — includes freight costs.

h. USDA data — does not include freight costs.

Foreign Aid Programs. Pakistan faces daunting development challenges related to not only the war on terrorism but also massive poverty and undemocratic, weak, or ineffective political institutions. In addition to Pakistan's anti-terrorism efforts and cooperation with the United States in Operation Enduring Freedom (OEF), U.S. assistance has focused upon educational activities. Since 2002, USAID has carried out a \$100 million, five-year secular education program with the goals of offering a popular alternative to the *madrassas*, or religious schools, and building foundations for economic development and political moderation. The program identifies four areas: education sector policy and planning; capacity of teachers and education administrators; youth and adult literacy; and public-private partnerships to improve access and delivery of education services. Other major foreign aid areas are health (including HIV/AIDS prevention), economic growth, and democratic governance.

FMF helps Pakistan acquire training and purchase aircraft, helicopters, vehicles, surveillance systems, and other equipment and for OEF along the Afghan border. INCLE programs enhance the effectiveness of Pakistan's police efforts in three areas — law enforcement, border security, and counter-narcotics. NADR activities help to prevent weapons transfers, support anti-terrorism training, and curtail the spread of Man Portable Air-Defense Systems (MANPADS). IMET promotes increased professionalism, interoperability between Pakistan and the United States, and technical skills and expertise. The FY2005 appropriations measure (P.L. 108-447) extended \$200 million in ESF to Pakistan for debt relief.⁴¹

Lifting of Foreign Aid Restrictions. Pakistan received limited U.S. assistance during the 1990s — counter-narcotics (INCLE) support, food aid, and Pakistan NGO Initiative programs⁴² — due to U.S. prohibitions related to nuclear weapons testing, delinquent debtor status, and the military coup of 1999. In 1985, the Pressler Amendment to the Foreign Assistance Act of 1961 (Section 620e) barred U.S. foreign assistance to Pakistan unless the President determined that Pakistan did not possess nuclear weapons and that U.S. assistance would reduce the risk of Pakistan's obtaining them. In 1990, President George H. W. Bush declined to make such determinations and imposed Pressler Amendment sanctions against Pakistan. This restriction was eased in 1995 to prohibit only military assistance.⁴³ Although the Department of Defense Appropriations Act, 2000 (P.L. 106-79) gave the President authority to permanently waive all nuclear test-related sanctions, President Clinton waived few restrictions toward Pakistan (e.g., USDA credits and U.S. commercial bank loans) compared to India. Furthermore, Pakistan continued to be

⁴¹ Such funds would not be considered "assistance" for the purposes of provisions of law limiting assistance to Pakistan.

⁴² The USAID Pakistan NGO Initiative delivered education and health services primarily through the Asia Foundation and Aga Khan Foundation USA and independently of the government of Pakistan. Total funding for the program (1994-2003) was \$10 million.

⁴³ The Brown Amendment to the FAA (1995) narrowed the prohibition to military assistance only.

ineligible for most forms of U.S. foreign assistance due to the 1999 military coup and its delinquency in servicing its debt to the United States.⁴⁴

Following the September 2001 terrorist attacks on the United States, Pakistan was designated as a front-line state in the war on terrorism and received dramatically increased U.S. aid levels. In late September 2001, President George W. Bush waived nuclear weapons sanctions that prohibited military and economic aid to Pakistan and India. The Bush Administration also rescheduled \$379 million of Pakistan's \$2.7 billion debt to the United States so that Pakistan would not be considered in arrears, a requirement for further foreign assistance. On October 27, 2001, President Bush signed S. 1465 into law (P.L. 107-57), allowing the United States government to waive sanctions related to the coup in 2002 and authorizing presidential waiver authority through 2003, provided the President determined that making foreign assistance available would facilitate democratization and help the United States in its battle against international terrorism. P.L. 107-57 also exempted Pakistan from foreign assistance restrictions related to its default on international loans.⁴⁵ The Emergency Supplemental Appropriations for Iraq and Afghanistan Security and Reconstruction Act, 2004 (P.L. 108-106) amended P.L. 107-57 by extending the President's waiver authority and loan payment exemption through 2004. P.L. 108-447 and P.L. 109-102 extended the provisions of P.L. 107-57 through FY2005 and FY2006, respectively. Since 2003, President Bush has annually exercised the waiver authority on coup-related sanctions against Pakistan.

The United States government has pledged approximately \$300 million in humanitarian and reconstruction assistance to Pakistan (including USAID/OFDA, USDA, and other assistance) in response to the devastating October 2005 earthquake that struck Pakistan, India, and Afghanistan.

⁴⁴ See CRS Report RS20995, *India and Pakistan: U.S. Economic Sanctions*, by Dianne E. Rennack. The Foreign Operations Appropriations Act, FY2001 (P.L. 106-429), Section 508, denies foreign assistance to any country whose duly elected head of government is deposed by military coup or decree; Section 512 of the act, the Brooke Amendment, prohibits assistance to any country that is in default on loan payments to the United States for over one year. Sec. 620(q) of the Foreign Assistance Act of 1961 denies foreign assistance to any country that is in default for more than six months in servicing or repaying loans to the United States. The President may waive this restriction if he finds that assistance is in the national interest and so notifies Congress. For additional information, see CRS Issue Brief IB94041, *Pakistan-U.S. Relations*, by K. Alan Kronstadt.

⁴⁵ See P.L. 107-57, Sections 1(b) and 3(2).

Sri Lanka

Table 17. U.S. Assistance to Sri Lanka, 2002-2006⁴⁶
(thousands of dollars)

Account	FY2002	FY2003	FY2004	FY2005	FY2006 estimate
CSH	300	300	300	300	—
DA	5,150	6,150	4,750	6,774	3,465
ESF	3,000	3,950	11,929	9,920	3,690
FMF	0	0	2,495	496	990
IMET	259	307	553	461	445
NADR	0	2,400	1,775	2,900	3,800
PKO	0	0	0	720	1,000
Totals	8,709	13,107	21,802	21,571	13,390
Food Aid (not including freight costs)					
P.L. 480 Title I USDA Loan	8,000	0	0	0	—
P.L. 480 Title II Grant	1,325 ^a	596 ^a	4,190 ^a	1,073 ^b	0
FFP ^b	0	2,775	0	9,690	—
Section 416(b) ^b	0	0	923	0	—

Sources: U.S. Department of State, USAID, U.S. Department of Agriculture.

a. USAID data — includes freight costs.

b. USDA data — does not include freight costs.

USAID programs help to promote the peace process between the government of Sri Lanka and Tamil insurgents, the Liberation Tigers of Tamil Eelam (LTTE). U.S. assistance also helps to meet the reconstruction, rehabilitation, and reconciliation costs stemming from the conflict. Ongoing and planned programs include delivering “peace dividends,” such as skills training and local infrastructure improvements; humanitarian assistance for victims of armed conflict, utilizing Leahy War Victims Funds; economic growth; HIV/AIDS prevention and awareness; and constitutional reform. FMF uses include maritime surveillance and interdiction equipment, military communications and mobility items, defense and intelligence improvements, and equipment for basic soldier safety and survivability. IMET helps to professionalize the Sri Lankan military, build the capabilities of officers in the fight against the LTTE and global anti-terrorism activities, and enhance interoperability with U.S. forces. NADR programs assist in de-mining activities and demilitarization efforts.

⁴⁶ This table does not include 2004-2005 tsunami disaster relief.

Sri Lanka suffered heavy human losses (an estimated 31,000 dead, 4,100 missing, and 519,000 displaced) and property damage worth approximately \$1 billion (or 4.4% of GDP) in the December 2004 earthquake and tsunami.⁴⁷ The Bush Administration has pledged \$134.6 million for disaster relief and reconstruction.

Sri Lanka has been eligible for MCA assistance since 2004.

⁴⁷ USAID, Fact Sheet no. 39, *Indian Ocean — Earthquake and Tsunamis*, July 7, 2005

Appendix. Selected Acronyms for U.S. Foreign Aid Accounts and Programs

CSD:	Child Survival and Disease
CSH:	Child Survival and Health (replaces CSD)
DA:	Development Assistance
EDA:	Excess Defense Articles
ERMA:	Emergency Migration and Refugee Assistance
ESF:	Economic Support Funds
FFP:	Food for Progress
FFE:	Food for Education
FMF:	Foreign Military Financing
GHAI:	Global HIV/AIDS Initiative
IMET:	International Military Education and Training
INCLE:	International Narcotics Control and Law Enforcement
MCA:	Millennium Challenge Account
MCC:	Millennium Challenge Corporation
MRA:	Migration and Refugee Assistance
NADR:	Non-proliferation, Anti-terrorism, De-mining, and Related Programs
OFDA:	Office of Foreign Disaster Assistance
PKO:	Peace-keeping Operations
P.L. 480 Title I:	Food Aid (USDA loans)
P.L. 480 Title II:	USAID emergency food program
Section 416(b):	Surplus Food Commodities
USDA:	United States Department of Agriculture