Order Code RL30211

CRS Report for Congress

Received through the CRS Web

Appropriations for FY2000: Foreign Operations, Export Financing, and Related Programs

Updated August 4, 1999

Larry Nowels
Specialist in Foreign Affairs
Foreign Affairs, Defense, and Trade Division

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 bounded 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.

NOTE: A Web version of this document with active links is available to congressional staff at http://www.loc.gov/crs/products/apppage.html

Appropriations for FY2000: 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 — over two-thirds — of total U.S. international affairs spending.

For FY2000, President Clinton requests $14.6 billion for programs falling under the provisions of the Foreign Operations Appropriations bill. The President's proposal is about $1.2 billion, or 9% higher than the "base" Foreign Operations spending level Congress approved for FY1999. Congress has further enacted an additional $2 billion in two FY1999 emergency supplementals for Central American hurricane relief, Kosovo humanitarian assistance, and a series of other foreign aid accounts. Compared with the $15.4 billion total FY1999 Foreign Operations spending — the "base" plus supplementals — the FY2000 request is about $850 million, or 5.5% less than current amounts.

Congressional action on the FY2000 budget resolution has resulted in preliminary funding allocations for Foreign Operations programs well below the requested amount. H.Con.Res. 68, which cleared Congress on April 15, cuts the $20.9 billion overall foreign policy discretionary budget request to $17.7 billion, 15% less than the President seeks. Because Foreign Operations funds represent over two-thirds of the foreign policy budget, a reduction of this order, substantially limits amounts available for Foreign Operations programs. In late May and June, the House Appropriations Committee set Foreign Operations spending at $10.356 billion, 29% less than the request; the Senate panel allocated $12.7 billion, a cut of 12.8%.

In addition to total funding levels, five issues seem likely to be among those that receive the most attention during the FY2000 debate, and in some cases, may result in the sharpest split between House and Senate, and Congress-Executive branch positions: 1) U.S. development aid policy and spending priorities; 2) population aid and international family planning policy; 3) regional aid allocations; 4) U.S. funding for North Korea's heavy fuel oil and broad U.S.-North Korean policy; and 5) competing initiatives to reduce debt owed to the United States and other creditors by the world's poorest and most highly indebted nations.

On June 30, the Senate approved S. 1234, the FY2000 Foreign Operations spending measure. It provides $12.7 billion for FY2000, an amount about $1.9 billion, or 13%, less than the President requested. Compared to FY1999 levels, the recommendation is about $700 million, or 5%, below the "base" foreign aid appropriation (regular Foreign Operations funding approved in the FY1999 Omnibus spending bill (P.L. 105-277), but over $2.7 billion, or 17.7%, under total Foreign Operations appropriations for FY1999 that includes large Central America and Kosovo emergency relief supplementals. On Aug. 3, the House approved a $12.6 billion companion measure (H.R. 2606), including two competing family planning provisions. Because of the reduced funding levels and the House-passed abortion restrictions, the White House says the President would veto either bill.

Key Policy Staff

Area of Expertise	Name	CRS Division	Tel.
Coordinator	Larry Nowels	FDT	7-7645
Africa Aid	Raymond Copson	FDT	7-7661
Agency for Intl Development	Larry Nowels	FDT	7-7645
Agency for Intl Development	Curt Tarnoff	FDT	7-7656
Bosnia	Julie Kim	FDT	7-3692
Development Assistance	Larry Nowels	FDT	7-7645
Development Assistance	Curt Tarnoff	FDT	7-7656
Drug Control Programs	Raphael Perl	FDT	7-7664
Export-Import Bank	James Jackson	FDT	7-7751
Family Planning Programs	Larry Nowels	FDT	7-7645
International Affairs Budget	Larry Nowels	FDT	7-7645
International Monetary Fund	Patricia Wertman	FDT	7-7748
Kosovo Humanitarian Asst	Lois McHugh	FDT	7-7627
Middle East Assistance	Clyde Mark	FDT	7-7681
Military Aid/Arms Sales	Richard Grimmett	FDT	7-7675
Multilateral Development Banks	Larry Nowels	FDT	7-7645
Nagorno-Karabakh	Carol Migdalovitz	FDT	7-2667
NIS/East Europe Aid	Curt Tarnoff	FDT	7-7656
Nonproliferation	Robert Shuey	FDT	7-7677
North Korea/KEDO	Larry Niksch	FDT	7-7680
Overseas Private Investment Corp	James Jackson	FDT	7-7751
Peace Corps	Curt Tarnoff	FDT	7-7656
Peacekeeping	Marjorie Browne	FDT	7-7695
Refugees & Humanitarian Aid	Lois McHugh	FDT	7-7627
Terrorism	Raphael Perl	FDT	7-7664
Trade and Development Agency	Susan Epstein	FDT	7-6678
U.N. Voluntary Contributions	Lois McHugh	FDT	7-7627

CRS Division abbreviation: "FDT" = Foreign Affairs, Defense, and Trade Division.

Contents

List of Figures

List of Tables

Appropriations for FY2000: Foreign Operations, Export Financing, and Related Programs

Most Recent Developments

On August 3, 1999, the House passed (385-35) a $12.6 billion FY2000 Foreign Operations spending measure (H.R. 2606). During consideration, the House adopted two competing, and possibly conflicting, international family planning amendments. The first, by Representative Smith (NJ), would reimpose modified "Mexico City" abortion-related restrictions on foreign recipients of USAID population aid grants. The other, by Representative Greenwood, restates current policy that foreign NGOs and international organizations cannot use U.S. funds to perform abortions or lobby to change abortion laws in foreign countries. It further requires that NGOs support programs to reduce the incidence of abortion as a method of family planning. The House also approved amendments that cut $8 million from the World Bank's International Development Association because of a recent loan to China that affects Tibet (Gilman), and increases by $8 million the U.S. contribution to the African Development Fund (Campbell). The House also rejected (13-414) an amendment by Representative Campbell cutting economic aid to Israel and Egypt to amounts proposed by the Administration.

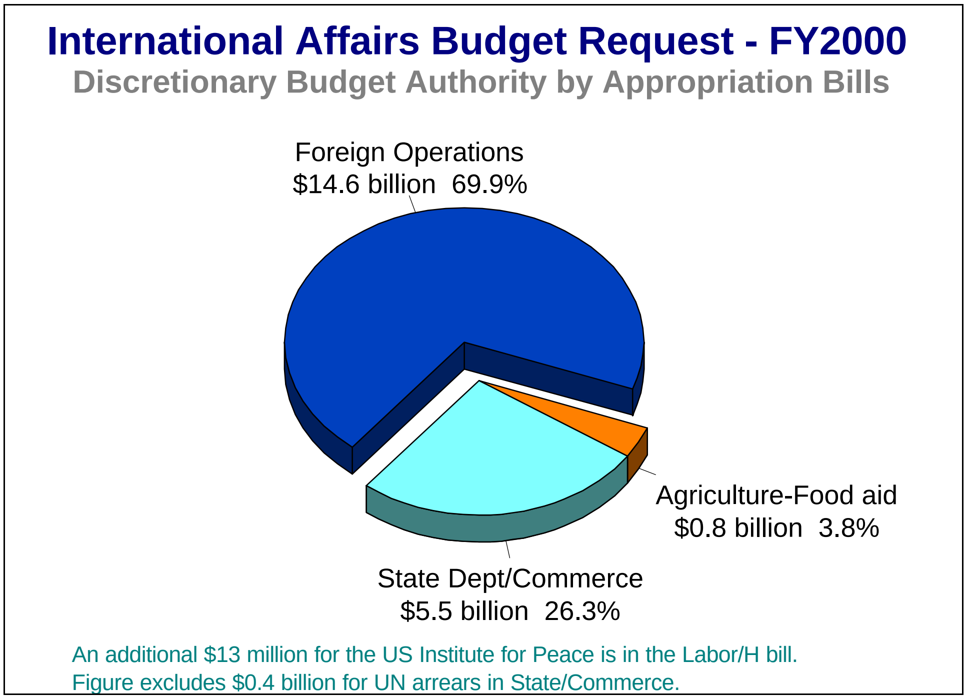
The funding level in H.R. 2606 is about $2 billion, or nearly 14% below the President's request for FY2000. The amount, however, represents a sizable increase from the initial $10.36 billion Foreign Operations allocation made by the Appropriations Committee in June. Earlier, the Senate passed (97-2) S. 1234 on June 30, providing$12.7 billion for Foreign Operations.

Funding for Child Survival/Disease programs is one of the highest priorities in H.R. 2606, while the Senate's main initiative is $430 million for Balkan reconstruction. But for most other programs, funding is both bills is either below the President's request or under FY1999 amounts. The largest cuts in H.R. 2606 fall on USAID operating expenses, aid to Russia and other former Soviet states, and the World Bank's International Development Association and other multilateral development banks (MDBs). S. 1234 cuts aid to the former Soviet Union and MDBs, plus reduces funds for the Peace Corps and counter-narcotics. S. 1234 excludes all funding for the Wye River-Middle East peace accord ($1.3 billion request for Israel, Jordan, and the Palestinians in FY1999/2000), while H.R. 2606 includes $100 million for Jordan. Due to reduced funding, congressional earmarks, and the House-passed family planning restrictions, White House officials say they would recommend a presidential veto of either bill.

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 executive branch foreign policy making generally.[1] It contains the largest share — about 70% — 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. Foreign Operations includes separate accounts for aid programs in the former Soviet Union (also referred to as the New Independent States (NIS) 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

Figure 1--International Affairs Budget



---

[1] Although the Foreign Operations appropriations bill is often characterized as the "foreign aid" spending measure, it does not include funding for all foreign assistance programs. Food aid, administered under the P.L. 480 program and managed by USAID, is appropriated in the Agriculture appropriations bill. Further, the Foreign Operations measure includes funds for one activity—the Export-Import Bank—that is not regarded as "foreign assistance," but rather as a U.S. government activity promoting trade opportunities for American businesses. In most years, this results in a Foreign Operations appropriation (including the EximBank) that is slightly less (1.5% in FY1998) than the official "foreign aid" budget. Throughout this report, references to Foreign Operations and foreign aid are used interchangeably.

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.

From the perspective of congressional oversight and involvement in U.S. foreign aid policy making, the Foreign Operations bill has taken on even greater significance during the past decade. Congress has not enacted a foreign aid authorization bill since 1985, leaving most foreign assistance programs without regular authorizations emanating from the legislative oversight committees. As a result, Foreign Operations spending measures 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, FY2000

Subcommittee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conf. Report Approval		Public Law
House	Senate						House	Senate	
7/14	NA	HR 2606 (H.Rept. 106-254)	8/3/99 385-35	S. 1234 (S.Rept. 106-81)	6/30/99 97-2	--	--	--	--

President Clinton submitted his FY2000 federal budget request to Congress on February 1, 1999, including funding proposals for Foreign Operations Appropriations programs. Subsequently, House and Senate Foreign Operations Subcommittees have held a series of hearings, including testimony from Secretary of State Albright, Treasury Secretary Rubin, and USAID Administrator Atwood. Skipping a formal subcommittee markup, the Senate Appropriations Committee reported on June 17, S. 1234. The full Senate approved the bill on June 30 by a vote of 97-2. The House Foreign Operations Subcommittee marked-up its bill on July 14, followed by full Committee approval of H.R. 2606 on July 20. The House approved the legislation on August 3.

Foreign Operations Funding Trends

As the United States has adjusted its foreign and defense policy to a post-Cold War environment, one of the major foreign assistance challenges for Congress and executive branch policymakers has been to formulate the most effective foreign aid program amidst a tightening resource base.

After peaking at $20.7 billion in FY1985, Foreign Operations appropriations began a period of decline, falling to about $12.3 billion in FY1997. Foreign aid spending cuts were especially sharp in FY1996 when Congress cut funding by $1.15 billion, nearly 9% from the previous year. Many government and non-government experts argued that these budget reductions seriously undermined U.S. foreign policy interests and limited the ability of American officials to influence overseas events. After Foreign Operations funding levels fell again in FY1997 — although by much smaller amounts — the State Department and other executive agencies launched an aggressive campaign in to reverse the decade-long decline in the foreign policy budget. This effort coincided with congressional approval of a near $1 billion increase for FY1998, setting Foreign Operations appropriations at $13.15 billion. Foreign Operations funds rose again to $13.8 billion in FY1999 when lawmakers, at the urging of the White House, added nearly $900 million in the final days of the 105th Congress.

As shown in **Table 2**, the amount for FY1999 is the highest in five years, bolstered especially by $2.1 billion supplemental funding for Central America hurricane relief, Kosovo humanitarian aid, and several other foreign assistance emergencies. Currently, Foreign Operations represent 0.87% of the entire federal budget and 2.6% of total discretionary budget authority. By comparison, these same figures in FY1985 were 2% and 4.6%, respectively.

Table 2. Foreign Operations Appropriations, FY1993 to FY1999
(discretionary budget authority in billions of current dollars)

FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999*
$13.901	$14.298	$13.611	$12.456	$12.267	$13.147	$15.423

* The amount for FY1999 includes the "base" Foreign Operations Appropriations (the regular appropriation approved in P.L. 105-277) plus $2.1 billion in emergency supplementals enacted in P.L. 105-277 and P.L. 106-31. It excludes, however, $17.861 billion for the IMF.

Over the past 20 years, Foreign Operations spending has experienced three distinct trends when calculated in real terms, taking into account the effects of inflation. The first period was marked by a steady growth in Foreign Operations appropriations levels during the early 1980s when the United States rapidly expanded security-related aid programs in Central America, Pakistan, and to countries providing the U.S. with military bases. Funding peaked in FY1985 at $31.9 billion (in FY1999 dollars) followed by a sharp cut in FY1986 as the effects of the Gramm-Rudman deficit reduction initiative took hold and limited federal spending in most areas. For the next five years, during a second phase of Foreign Operations budget trends, appropriations remained relatively stable at about $19.5 billion per year (real terms).

Towards the end of the Cold War, foreign aid spending in real terms began to fall steadily — from about $16.7 billion in FY1992, to $15 billion in FY1995, to $13 billion in FY1997. Appropriations for FY1997 were the lowest since 1975 when Congress slashed foreign assistance spending during the U.S. withdrawal from Vietnam. FY1999 Foreign Operations spending is about 29% below the average appropriation level approved by Congress during the late 1980s, 17% less than FY1992, a year that might be considered the first post-Cold War foreign aid budget, and 8% less than FY1995 when the majority in Congress changed.

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 $44.6 million for FY1999.

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 International Monetary Fund.

Foreign Operations, the FY2000 Budget Resolution, and Section 302(b) Allocations

In most years, Appropriation Committees do not begin markups of their spending bills until 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. As noted above, foreign policy funds are appropriated within four bills with Foreign Operations having the largest share of around 68-70% in most years.

How much foreign policy money to allocate to each of the four subcommittees, and how to distribute the funds among the numerous programs remain 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 Foreign Operations subcommittees will operate when they meet to mark up their annual appropriation bills.

The FY2000 budget resolution that cleared Congress on April 15 (H.Con.Res. 68) strongly suggested that the Foreign Operations subcommittees would receive a significantly reduced section 302(b) allocation than assumed in the President's budget. H.Con.Res. 68 set a $17.7 billion target for total international affairs budget, a figure 15% below the request.

In late May 1999, House and Senate Appropriations Committees approved section 302(b) funding allocations for each of their 13 appropriation bills, setting amounts for Foreign Operations programs sharply below the President's $14.6 billion request and the $13.3 billion "base" appropriation for FY1999.[2] The Senate Committee initially provided $12.5 billion in budget authority but later raised the amount to $12.7 billion. It is 12.8% less than the budget proposal and 4.8% below the current Foreign Operations "base." The House Appropriations panel originally allocated $10.36 billion for Foreign Operations, 29% below the President's request and 22% under the "base." After shifting funds among several subcommittee accounts, the House panel subsequently increased the Foreign Operations amount by over $2.2 billion, resulting in a $12.625 billion level.

Limitations on outlays under the section 302(b) allocation are also problematic.[3] Congress can only influence "new" outlays — those that will spend-out in FY2000 as a result of enactment of new budget authority. House and Senate outlay allocations provide about the same amount in controllable, or "new" outlays — $5.43 billion and $5.25 billion, respectively. These levels are about 11% less than the request. Moreover, funding limits at these levels have constrained the ability of the Appropriations Committees to respond to new aid initiatives such as the Wye River--Middle East peace package, expanded debt reduction for the world's poorest nations, and in the case of the House, to Kosovo reconstruction efforts. Secretary of State Albright told the Senate Appropriations Committee on May 20 that "cuts of this magnitude would gravely imperil immediate and long-term American interests."

---

[2] The "base" appropriation refers to amounts funded in the regular Foreign Operations Appropriations for FY1999, as included in Division A of the Omnibus Appropriations Act, FY1999 (P.L. 105-277). Congress approved additional Foreign Operations funds in two supplemental measures: about $411 million for Child Survival programs, aid to Russia, victims of the Kenya/Tanzania embassy bombings, counter-narcotics, counter-terrorism, and Y2K upgrades (Division B of P.L. 105-277); and about $1.633 billion for Central America hurricane relief, Kosovo humanitarian assistance, counter-narcotics, and the administration of three foreign affairs commissions. All but about $5 million of the supplementals were declared "emergencies" and do not count against the Foreign Operations FY1999 allocation limits.

[3] Budget authority, or appropriation, is the legal authority to incur financial obligations. It normally results in the "outlay" or actual expenditure of federal government funds.

A major reason why the Foreign Operations allocation, as well as the allocation for several other spending measures is so low, is the Congressional and White House desire to stay within discretionary spending "cap" limits agreed to in 1997. These caps, which were negotiated at a time of budget deficits, were intended to provide the means to balance the U.S. budget by FY2002. With the far earlier emergence of a budget surplus, some lawmakers, including members of the Appropriations Committees, are calling for revisions to the budget caps so that a portion of the surplus can be used to ease the spending limitations posed by the current ceilings. Other Members, however, argue that the surplus is largely made up of social security resources; that Congress must not endanger the future of social security by utilizing part of the surplus, nor should it abandon the spending discipline established by the 1997 budget agreement.

Foreign Operations Appropriations Request for FY2000 and Congressional Consideration

Funding Issues for Foreign Operations Appropriations, FY2000

Total Foreign Operations Funding Levels. President Clinton is asking Congress to appropriate $14.6 billion for Foreign Operations programs in FY2000. This proposal is about $1.2 billion, or 9% higher than the "base" Foreign Operations spending level Congress approved for FY1999 (see footnote 3). Congress has further enacted an additional $2.1 billion in two FY1999 emergency supplementals for Central American hurricane relief, Kosovo humanitarian assistance, and a series of other foreign aid accounts. Compared with the $15.4 billion total FY1999 Foreign Operations spending — the "base" plus supplementals — the FY2000 request is about $850 million, or 5.5% less than current amounts. (See below for discussion of the supplemental/advance appropriation requests.)

Funding for Selected Foreign Operations Accounts. For the most part, portions of the $1.2 billion increase above the "base" sought for FY2000 are spread out over many Foreign Operations accounts, resulting in small boosts for these aid activities. Development assistance would grow by about $175 million (9%) above the "base,"[4] non-proliferation and counter-terrorism programs would increase by $33 million (17%), military training funds would rise by $2 million (4%) and military aid grants would move up by $100 million (3%). The military aid grant hike mainly would provide additional support to Israel. The budget request also includes a few large increases from FY1999, representing special priorities of the Administration:

[4] See below for a detailed discussion of development assistance funding strategies, the President's request to re-establish a special account for Africa (Development Fund for Africa), and the continuing controversy over population aid and international family planning programs. Comparisons of development aid figures include a $45 million budget amendment submitted on July 19 for additional HIV/AIDS funding.

- Export promotion programs are slated for an increase of $92 million (11.6%), mainly to provide the Export-Import Bank with the resources to meet what it believes will be increased demands in FY2000.

- Debt reduction funds would grow from $33 million to $120 million in order to launch two new debt relief initiatives for FY2000. (See below for more discussion of this issue.)

- Peace Corps funding would rise by $30 million (12.5%) to maintain the plan to increase the number of Peace Corps volunteers from 6,700 to 10,000 within the next few years. (See CRS Report RS20082, *Peace Corps: 10,000 Volunteer Goal*, by Curt Tarnoff.)

Table 3. Summary of Foreign Operations Appropriations
(Discretionary funds -- in millions of dollars)

Bill Title & Program	FY1999 Enacted	FY2000 Request	House H.R. 2606	Senate S. 1234	FY2000 Enacted
Title I - Export Assistance	660.7	685.0	595.5	620.5	--
Title II - Bilateral Economic Aid	9,616.2*	8,388.2	7,374.3	7,425.5	--
Development aid	*2,321.5**	*2,259.7*	*2,093.9*	*2,111.0*	--
Africa aid	*730.0*	*740.0*	*735.0*	--	--
Israel/Egypt economic aid	*1,855.0*	*1,645.0*	*1,695.0*	*1,695.0*	--
Former Soviet Union	*847.0**	*1,032.0*	*725.0*	*780.0*	--
Title III - Military Assistance	3,507.5*	3,956.0	3,585.5	3,534.0	--
Israel/Egypt	*3,160.0*	*3,220.0*	*3,220.0*	*3,220.0*	--
Title IV - Multilateral Aid	1,638.3	1,587.4	1,068.7	1,111.8	--
MDB arrears	*514.0*	*168.3*	*0.0*	*75.0*	--
Title VI - Intl Monetary Fund	17,861.0	-.-	--	--	--
Total/"Base" Appropriation	**13,401.0**	**14,616.6**	**12,624.0**	**12,691.8**	**--**
Total/with FY99 Supplemental	**15,422.7**	**14,616.6**	**12,624.0**	**12,691.8**	**--**
Total/with Supp. & IMF	**33,283.7**	**14,616.6**	**12,624.0**	**12,691.8**	**--**

Source: House and Senate Appropriations Committees and the State Department.

* Includes "base" appropriations plus emergency supplementals enacted in P.L. 105-277 and P.L. 106-31.

- U.S. assistance to Russia and the former Soviet states would grow by $179 million (21%), the result of a new Administration program — the Expanded Threat Reduction Assistance Initiative — addressing the security implications of the economic crisis in Russia and other NIS states. (See below under regional aid priorities for more discussion.)

- Peacekeeping for non-U.N. missions would increase by $54 million (71%), mainly due to recommendations to boost funding from $10 million to $43 million for the OSCE Kosovo operation, and for smaller increases in Africa and OSCE Bosnia/Croatia peacekeeping activities.

- For the first time in several years, the Administrations seeks funding ($5.1 million) for the African Development Bank, an institution that has had its operations suspended until recently due to administrative and economic problems in the region.

In one area, the FY2000 Foreign Operations request proposes a small program reduction — U.S. assistance to Eastern Europe would drop by $37 million (-8.6%) with most of the cuts coming in aid to Bosnia.

Table 4. Leading Recipients of U.S. Foreign Aid: FY1998 - FY2000
(Appropriation Allocations; $s in millions)

	FY1998 Actual	FY1999 Allocation	FY2000 Estimate
Israel	3,000	2,940	3,150**
Egypt	2,117	2,076	2,016
Jordan	78	298*	328**
Russia	139	178	301
Ukraine	233	203	227
West Bank/Gaza	85	75	200**
Bosnia	225	205	176
Bolivia	74	92	88
Georgia	98	84	87
Peru	63	115	84
Haiti	71	72	73
Armenia	96	81	73
Bangladesh	56	45	59
Kazakhstan	20	49	58
Guatemala	54	59	56

*Includes $100 million supplemental appropriation in P.L. 106-31.
** Includes regular request for Israel, Jordan, the Palestinians, plus amounts for Wye peace accord: Israel--$300 million; Jordan--$100 million; Palestinians--$100 million.

Note: Data exclude food aid, a program not appropriated in the Foreign Operations bill. With food aid included, the rank order above would change somewhat. Food aid projected for FY2000 includes Peru—$50 million; Haiti—$26 million; Bangladesh—$25 million; and Guatemala—$17 million. Moreover, because of a large food aid program, Ethiopia, India and North Korea (FY1998/99) would also rank among the lower 10 of this top 15 list.

Funding for Country Aid Programs. At the country level, the FY2000 proposal recommends generally the same roster of major recipients as for FY1999. The proposal reflects continuing U.S. policy emphasis on Middle East peace, democratic transition in the former Soviet Union, implementation of the Dayton Peace accords in Bosnia, and to a somewhat lesser extent, efforts to counter the drug trade in Latin America. Israel ($2.85 billion) and Egypt ($2 billion) would continue to be the largest recipients, although levels would decline as the United States continues to implement a reduction in economic assistance to both countries.[5] Russia, and to a lesser extent Ukraine, are scheduled for increases in FY2000, mainly due to the Expanded Threat Reduction Assistance Initiative. U.S. assistance to Israel, Jordan, and the Palestinians (West Bank/Gaza) could rise significantly in FY2000 if Congress agrees to a request of $500 million to back the Wye Memorandum peace accord.

Congressional Debate on Foreign Operations Spending

House and Senate debate on the Foreign Operations request for FY2000 has thus far resulted in decisions to spend roughly the same amount of money overall, but at a level less than appropriated in FY1999 and well below the President's request. There are, however, some significant differences in how the two bills allocate funds among the various foreign aid accounts.

The Senate Appropriations Committee launched the beginning of formal congressional consideration of the Foreign Operations request for FY2000 on June 17, 1999, by recommending $12.7 billion (S. 1234). The amount is about $1.9 billion, or 13%, less than the President's request. Compared to FY1999 levels, the recommendation is about $700 million, or 5%, below the "base" foreign aid appropriation (regular Foreign Operations funding approved in the FY1999 Omnibus spending bill (P.L. 105-277), and over $2.7 billion, or 17.7%, under total Foreign Operations appropriations for FY1999 that includes large Central America and Kosovo emergency relief supplementals. The full Senate, in passing S. 1234 on June 30, altered the Committee funding decisions only slightly by cutting $9.4 million from the U.S. contribution to the World Bank's International Development Association.

It had been expected that the House Appropriations panel would be far more limited in its spending parameters than the Senate due to an initial $10.4 billion budget authority allocation (see discussion above under the section on 302(b) allocations and Foreign Operations). Immediately prior to the House Committee markup on July 20, however, the panel revised the Foreign Operations figure upwards to $12.6, making available roughly the same amount of money as passed the Senate in June. As passed in the House on August 3, H.R. 2606 appropriates $12.624 billion in discretionary funds, $1.99 billion, or 13.6 % less than the FY2000 request. It is $777 million below the "base" FY1999 appropriation, and $2.8 billion (18%) under the total Foreign Operations enacted amounts for this year, including both "base" funding and emergency supplementals.

---

[5]In FY1999, the United States began and 10-year initiative to reduce U.S. assistance to Israel and Egypt. For further information, see discussion beginning on page 17.

Each bill identifies a main, but different funding priority. The primary Senate initiative is the earmark of $430 million for Kosovo, Albania, Macedonia, Montenegro, and other regional states affected by the Balkan crisis. The President's budget, prepared before the outbreak of hostilities, included only $152 million for the region. Under the terms of S. 1234, in order to fund initial reconstruction needs at these amounts, USAID would reduce its planned program in Bosnia from $175 million to $130 million and would likely draw on development and other economic aid accounts to meet the Senate earmarks. The Senate measure further allocates $20 million to train and equip a Kosovo security force. The Administration strongly opposes this provision, believing that the language might be interpreted as a requirement to arm the Kosovo Liberation Army (KLA), a policy in conflict with the KLA agreement to disarm under NATO supervision. The House-reported measure does not include earmarked funds for a Kosovo and regional reconstruction initiative.

The major priority set by the House spending measure centers on an effort to protect and increase funding for the Child Survival and Disease account, a category of development aid created by the House panel three years ago. Overall, H.R. 2606 increases the account from the "base" FY1999 appropriation of $650 million and the original $655 million FY2000 request to $685 million.[6] The House recommendation would increase from $50 to $75 million spending on infectious diseases, such as yellow fever and malaria. Although this would provide USAID with more funds than it requested for children and disease programs, the House measure reduces the amount for other bilateral development aid activities, including family planning, environment, democracy, and economic growth projects, by about $65 million. The Senate bill also emphasizes child survival and disease programs, but unlike the House, does not create a separate funding account.

Senate and House measures also increase aid to Israel and Egypt beyond the Administration's regular funding request. The President's budget had proposed accelerating to $150 million the agreed-upon ten-year, $100 million per year pace for reducing U.S. assistance to the two countries. The bills increase the request by $50 million, restoring the ten-year, $100 million per year reduction. Under S. 1234 and the House bill, Israel would receive $2.88 billion and Egypt $2.035 billion. During floor debate, the House rejected (13-414) an amendment by Representative Campbell that would have reduced economic aid to Israel and Egypt back to the amounts requested by the President.

The House and Senate bills, however, defer approval of most, and in the case of the Senate, all of a separate $500 million request supporting the Wye River peace accord signed last year. At the time, the U.S. pledged $900 million in FY1999 and $500 million for FY2000 in additional assistance to Israel, Jordan, and the Palestinians. At a time when little progress was made by the parties in implementing the Wye accord, Congress approved only $100 million in the FY1999 Supplemental Appropriations for Jordan. With the more recent meetings between President Clinton and newly elected Israeli Prime Minister Ehud Barak, the Administration is once again pressing Congress to approve expeditiously the remaining FY1999 and FY2000 Wye

[6] On July 19, the White House amended its FY2000 Child Survival request by seeking an additional $45 million to support a presidential AIDS initiative aimed primarily on Africa.

accord aid pledges. The House bill provides an additional $100 million for Jordan but does not address funds for Israel or the Palestinians. S. 1234 contains no funds for the Wye agreement.

For nearly all other programs, the Senate and House bills recommend reductions — in some cases sharp cuts:

- USAID operating expenses for staff salaries and living expenses abroad are cut significantly, especially in the House measure. Many believe that the $480 million House appropriation ($37 million under the request) would force the agency to implement a reduction-in-force similar to what USAID experienced in 1997. Administration officials also claim that the House-passed level would make it impossible for USAID to finish replacing its financial management systems and initiate security renovations at its facilities overseas. S. 1234 makes a small cut ($13 million) and provides requested authority for voluntary separation incentives for agency employees.

- ESF assistance (other than earmarks for Israel, Egypt and Jordan), which is aimed primarily at democracy, education, and environmental programs in various regions, is cut roughly 42% from the request in both bills.

- Aid to Russia, scheduled at $295 million, would fall significantly under House and Senate recommendations. Under S. 1234, Russian funds would be squeezed because of a $250 million cut from the request for overall aid to former Soviet states and earmarks which allocate assistance at or above amounts requested for Ukraine, Armenia, and Georgia. Russian aid is further conditioned in the Senate bill on Russian peacekeepers in Kosovo not being given a zone of operational control and having them fully integrated under NATO unified command and control. The House makes a deeper cut in the regional account for the former Soviet Union — $307 million under the request — although the bill does not earmark selected countries to receive higher than proposed amounts. An amendment by Representative Traficant, adopted during floor debate, limits assistance to the Russian government to $172 million. Funding at either the Senate's $780 million mark for the account or the House level of $725 million would jeopardize full funding for the Administration's new $241 million Expanded Threat Reduction program.

- Peace Corps funding in S. 1234 is cut to $220 million, $50 million less than the request. The House bill sets the level at $240 million, the same as FY1999, but falls short of funds needed to achieve the Administration's 10,000 volunteer goal.

- Counter-narcotics aid is reduced significantly in the Senate-passed legislation, to $215 million, $80 million below the budget recommendation. Nevertheless, this account had received $257 million in supplemental funding in FY1999 that might reduce somewhat the impact of the funding level proposed in S. 1234. The House measure recommends $285 million, only a slight reduction from the request.

- Peacekeeping contributions (non-U.N.) are set at $80 million in S. 1234 and $76.5 million in the House bill, $50 million and $53.5 million, respectively under the proposal. The Senate measure assumes that no funds will be used in Haiti.

- Funding for Multilateral Development Banks (MDB) is set well below the President's request in both bills. S. 1234 provides $942 million, about $450 million below the President's request. The House mark of $902 million is nearly $500 million less. Most significantly effected is the U.S. contribution to the World Bank's International Development Association (IDA). S. 1234 reduces the President's $803 million request to $777 million, $8.4 million of which represents the presumed U.S. contribution to an IDA-financed project that would resettle poor Chinese farmers into a traditionally Tibetan area. The House bill reduces IDA funding to $569 million, a 29 % cut, and if sustained, would result in the accumulation by the U.S. of substantial arrears to the organization. Other significant MDB reductions include those for the Global Environment Facility and in the Senate bill, contributions to the African Development Fund and the Asian Development Fund.

- Debt reduction for poor countries and to help protect tropical forests, proposed at $120 million in FY2000, is reduced significantly in both bills. S. 1234 provides $43 million, while the House measure includes $33 million. Under terms set in the House bill, the Administration would be able to fund bilateral debt reduction for the poorest countries, mostly in Africa, and partially finance debt write-offs in nations willing to protect their tropical forests. The U.S. could not, however, contribute $50 million to the World Bank's trust fund that is intended to help regional development banks cancel loans to poor developing nations.

Major Policy and Spending Issues in the Foreign Operations Debate

In addition to funding decisions made by Congress in the Foreign Operations appropriation bill, the annual spending measure also includes a wide range of policy provisions that frequently raise contentious foreign policy disagreements between the President and Congress. As mentioned above, because Congress has not enacted foreign aid authorization bills for over a decade, the Foreign Operations legislation often becomes the vehicle for debate on the conduct of U.S. foreign policy more generally. Many of these policy provisions take the form of conditions or restrictions on how the President can use money included in the spending bill. Many of these provisions are opposed by the Administration as excessively limiting his ability to manage American foreign policy. The legislative-executive policy differences have in the past delayed the enactment of the Foreign Operations bill or have prompted a presidential veto.

Among the most significant funding and policy issues expected to be raised during congressional debate this year on the Foreign Operations appropriation measure concern conflicting executive-legislative branch development assistance strategy priorities, restrictions on international family planning programs, regional aid allocations, competing initiatives to reduce debt burdens of the poorest developing countries, and the terms and conditions under which the United States provides heavy fuel oil to North Korea.

Policy Priorities of U.S. Development Aid. Since the end of the Cold War, a recurring debate has focused on what should replace the anti-communist foreign aid rationale of the past 50 years. A more fundamental question raised by some, especially critics of development assistance, is whether the United States needs to maintain an active, globally focused economic aid program. Many of these critics argue that aid can be transformed into a smaller, more targeted, and often privatized instrument to support only the highest priority U.S. foreign policy interests.

Although there has been no definitive consensus on priorities, the Clinton Administration has strongly supported the retention of an activist foreign aid policy which can be used to bolster a variety of U.S. foreign policy initiatives around the world. In early 1994, USAID released its blueprint for a post-Cold War development aid policy, based around the goal of "sustainable development," and its four strategies of promoting economic growth, stabilizing global population, protecting the environment, and advancing democracy. More recently, USAID added a fifth strategy aimed at developing human capacity through education.

USAID has maintained since adopting these strategies in 1994 that they operate as inter-linked, mutually re-enforcing elements of an overall U.S. effort to promote the advancement of market economies and democratic transitions in the developing world. Officials argue that U.S. assistance is justified until countries reach a point of sustainability that no longer requires external aid. Funding reductions, congressional restrictions, and fluctuating Administration priorities, however, have required USAID to alter the mix of resources devoted to each of the strategies, raising questions over whether the integrative, mutually reinforcing principles can be maintained. Congress, for example, limited development aid for population programs in FYs1996-99 to roughly two-thirds the amount provided in FY1995. (See below for more discussion on family planning restrictions.) Further, the State Department's Bureau of Global Affairs places a high priority on environment programs and presses USAID to allocate the maximum amount possible to such activities. As a result, the environment sector of sustainable development probably has not declined as much as it might have otherwise.

At the center of this issue for the past four years has been differences between Congress and the executive branch regarding funding levels for programs supporting child survival, basic education, and efforts against HIV/AIDs and other infectious diseases. Despite cutting overall development aid in FYs1996-97 by about 23% from FY1995 levels, Congress earmarked children and disease programs at amounts equal to or somewhat greater than those allocated in FY1995, making the cuts on all other elements of sustainable development closer to 30%. Congress boosted development aid appropriations for FY1999 by about $20 million beyond the President's request, but lawmakers set funding targets for bilateral child survival and infectious disease activities at about $460 million, $85 million more than the Administration proposed.

As a result, USAID cut funding for economic growth programs by $47 million and environment projects by $42 million below what the agency had planned for FY1999.[7]

Congressional proponents of the child survival priority argue that even though budget pressures require the United States to reduce or hold the line on foreign aid spending, the protection of children remains a core American value demanding that cuts should be implemented without putting at risk the lives and well-being of small children in developing nations. They further point out that the spread of infectious diseases poses a direct threat to U.S. citizens, and that American national interests require continued support for global efforts to reduce or eliminate such illnesses.

Table 5. USAID Sustainable Development Programs
(in millions of dollars)

Goals/Targets	FY1998 Estimate		FY1999 Estimate		FY2000 Request**	
	$s	% of total	$s	% of total	$s	% of total
Economic Growth	**415**	**24.1%**	**416**	**23.3%**	**460**	**24.3%**
Microenterprise	*49*	*2.8%*	*67*	*3.7%*	*75*	*4.0%*
Agriculture	*149*	*8.6%*	*134*	*7.5%*	*148*	*7.8%*
Other Economic Growth	*217*	*12.6%*	*214*	*12.0%*	*237*	*12.5%*
Population/Health	**799**	**46.3%**	**846***	**47.3%**	**845**	**44.6%**
Child Survival	*245*	*14.2%*	*276**	*15.4%*	*236*	*12.5%*
HIV/AIDs	*121*	*7.0%*	*135**	*7.5%*	*172***	*9.1%*
Family Planning	*343*	*19.9%*	*339*	*18.9%*	*355*	*18.8%*
Infectious Diseases	*54*	*3.1%*	*50*	*2.8%*	*50*	*2.6%*
Other health	*36*	*2.1%*	*46*	*2.6%*	*32*	*1.7%*
Human Capacity/Basic Ed.	**125**	**7.3%**	**131**	**7.3%**	**148**	**7.8%**
Environment	**244**	**14.2%**	**248**	**13.9%**	**290**	**15.3%**
Global Climate Change	*92*	*5.3%*	*88*	*4.9%*	*112*	*5.9%*
Democracy	**142**	**8.2%**	**148**	**8.3%**	**150**	**7.9%**
Total Sustainable Develop.	**1,724**	**100%**	**1,789**	**100%**	**1,893**	**100%**

Source: USAID. Amounts in this table only apply to USAID "development aid" programs and do not include funds used for the same purposes, although to a lesser extent, in other accounts, including Economic Support Fund (ESF), East Europe and former Soviet aid programs. For example, USAID estimates that it will spend in FY1999 $385 million across all accounts for family planning programs and about $331 million across all accounts for Child Survival activities.

* Includes $40 million for Child Survival and $10 million for HIV/AIDs provided in supplemental appropriations.

---

[7] Selected elements of economic growth programs that have broad congressional support, such as microenterprise and agriculture activities, were unaffected by reductions elsewhere in this sector.

** Includes a July 19 budget amendment seeking $45 million more to support a presidential AIDS initiative aimed primarily at sub-Saharan Africa.

Although agreeing with the importance of child survival and infectious disease programs, USAID officials apply a broader definition to the terms, arguing, for example, that efforts to protect small children go well beyond immunizations and access to other health services. The quality of a child's life, they assert, also is determined by an array of other factors, including the degree of relative stability in society, protection of the surrounding environment, access to adequate shelter, and implementation of sound economic policies that will ensure jobs and economic opportunities in the future. Consequently, they contend, that the "squeeze" that these targets place on other areas of sustainable development partially undermines the success of programs that also benefit children.

As has been the pattern the past few years, USAID's sustainable development request for FY2000 reduces or maintains at current levels funding for several congressional priorities while increasing development aid overall by $59 million, or about 3%. The $1.89 billion request would cut funds for child survival programs by $40 million from FY1999 appropriations, and hold spending for other infectious diseases activities at the current allocation of $50 million.[8] Due to a $45 million July 19 budget amendment to support a new White House initiative, the Administration's request for HIV/AIDS programs would rise by $33 million. Environmental funds, especially those for global climate change programs, would grow the most under the Administration's request — up $42 million (17%) from existing amounts. Family planning spending would also increase slightly, rising by $16 million (5 %) from FY1999 levels. Other congressional development aid priorities would also receive higher funding under the President's budget for FY2000. For example, microenterprise, agriculture, and basic education programs each would grow by 10-12% next year.

Congressional Action. Senate and House bills reduce the amended USAID development aid account by $101 million and $110 million, respectively, while at the same time increase funds for selected activities. Some of the largest development assistance and child survival earmarks and recommendations include:

- international population aid — $425 million in the Senate; H.R. 2606 places a cap on family planning assistance of $385 million.
- infectious diseases — $225 million, of which $150 million is for HIV/AIDS in S. 1234, and $227 million, including $127 million HIV/AIDS in the House measure.
- maternal health — $50 million in S. 1234.
- polio eradication — $25 million in both bills.
- basic education — $110 million and $98 million in Senate and House bills, respectively.

---

[8]USAID contends, however, that the request for child survival and HIV/AIDs is the same as the FY1999 "base" appropriation enacted by Congress in the regular Foreign Operations bill that was incorporated into the Omnibus Appropriations (P.L. 105-277). Under the Emergency Supplemental division of P.L. 105-277, Congress added $50 million for child survival and HIV/AIDs programs that USAID does not include in its "base."

- displaced children and orphans — $30 million in H.R. 2606.
- agriculture — $305 million (from all economic aid accounts) in S. 1234.
- microenterprise — $152 million in the House measure, while S. 1234 directs USAID to increase microenterprise funding above FY1999 levels.

The net result of the overall reduction to development assistance, plus increases for selected Senate and House priorities, would likely be lower funding levels for other sustainable development activities. Economic growth and private sector programs, environmental activities, and democracy promotion programs are the most likely areas to face funding cuts under the two bills.

Population and Family Planning Assistance. Another aspect of the discussion regarding policy priorities of U.S. development aid is the continuing controversy regarding international family planning restrictions. For FY2000, the President seeks $400 million for USAID population programs, a $15 million increase over FY1999 levels. The principal dispute over population assistance, however, goes well beyond funding issues, centering more directly on abortion-related activities of foreign recipients of USAID grants. For over a decade, Congress has engaged in contentious debates over U.S. international family planning policy, often as part of the Foreign Operations Appropriations. Twice, congressional positions on this issue have been one of the major reasons prompting a presidential veto.

U.S. international family planning programs had been one of the largest growth areas of the foreign aid budget in the 1990s. From an average of about $250 million in the late 1980s, FY1995 spending across all Foreign Operations accounts totaled approximately $548 million. In the following years, when Congress deadlocked over abortion-related restrictions and U.S. population aid policy, a situation that blocked movement of the entire Foreign Operations bill, lawmakers adopted interim provisions that, among other things, strictly limited the amount of funding for USAID family planning programs. The appropriation cap of $385 million enacted in each of FY1997-1999 is roughly two-thirds the amount provided in FY1995. As a result of the impasse over abortion restrictions, Congress established a delayed timetable for making these funds available, a schedule that included monthly apportionments or "metering" of the appropriation.

A second issue in the population aid debate, and one directly connected to funding reductions and metering of the past four years, deals with abortion restrictions and the eligibility requirements for foreign organizations receiving funds to implement U.S.-sponsored family planning programs. During the mid-1980s, in what has become known as the "Mexico City" policy, the Reagan, and later the Bush, Administration, restricted funds for foreign non-governmental organizations 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), 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 U.S. money was not used in abortion-related work.

During the past four years, the House and Senate have taken opposing positions on the Mexico City issue that in each case held up enactment of the final Foreign Operations spending measure. The House position, sponsored by Representative 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 side, has rejected House provisions dealing with Mexico City policy, favoring a policy that leaves these decisions in the hands of the Administration. Moreover, Administration officials have stated that President Clinton would veto any bills that include the House-passed Mexico City restrictions, a threat he carried out in October 1998 when he rejected legislation authorizing family planning programs that included Mexico City policy (H.R. 1757).

Unable to reach an agreement satisfactory to both sides, Congress has adopted interim arrangements for FY1996-99 that do not resolve the broad population program controversy, but has permitted the stalled Foreign Operations measure to move forward. It was hoped that the arrangement, which neither side liked, would provide incentives for those involved in the debate to find a middle ground. Under the terms of the FY1999 temporary arrangement, as included in P.L. 105-277, Congress deleted the House-supported Mexico City restrictions, limited population aid funding to $385 million, down from $435 million passed by the Senate, and delayed, or "metered" the availability of the funds at a rate of one-twelfth of the $385 million per month.

Congress further enacted for FY1999 a ban on U.S. contributions to the U.N. Population Fund (UNFPA), a prohibition that had been in place during the Reagan and Bush Administrations but which was lifted by President Clinton in 1993. At issue are UNFPA programs in China, a country where there have been continuing reports for many years of coercive family planning practices. During the mid-1990s, Congress reduced UNFPA contributions by an amount the organization spent in China, but when UNFPA ended its China program in 1997, the controversy subsided. UNFPA, however, reinstituted activities in China soon thereafter, resulting in the withholding in FY1998 of $5 million for UNFPA and the enactment for FY1999 of a total prohibition on the U.S. $25 million contribution, so long as the organization remained active in China. Nevertheless, the Clinton Administration is seeking $25 million for the UNFPA in FY2000.[9]

---

[9]In related legislative action, the House International Relations Committee on April 29, 1999, reported an omnibus State Department authorization bill, H.R. 1211, that earmarks $25 million for UNFPA in FY2000. U.S. contributions, however, would be conditioned on how UNFPA operates in China; namely, that UNFPA programs focus on improving the delivery of voluntary family planning information and services, and that UNFPA works only in counties where participant quotas and targets have been abolished and coercive practices terminated. The full Committee overturned a subcommittee recommendation to prohibit U.S. contributions to UNFPA, unless the President certified that UNFPA had withdrawn from China or that China no longer engaged in coercive family planning practices. In subsequent debate on a revised, substitute bill (H.R. 2415), the House rejected an amendment by Representative Smith that would have restored the subcommittee prohibition and instead adopted a Campbell amendment authorizing $25 million for the UNFPA, but making it subject

(continued...)

A new element in the family planning issue added during the FY1999 debate emerged following reports that Peru, where USAID has population aid programs, had established national targets for tubal ligations and vasectomies There were also allegations that some Peruvian health workers may have conditioned the receipt of food and medical care on the acceptance of sterilizations. USAID maintains a policy of strict voluntarism for family planning programs it supports, and opposes the use of performance-based quota systems. The Agency says that Peru's government has instituted significant reforms in its family planning programs, including criteria that ensure voluntary informed consent. To reinforce U.S. policies opposing programs based on coercive practices or quota systems, Congress adopted for FY1999 an amendment by Representative Tiahrt that more precisely defines the term, *voluntary* family planning programs, and establishes criteria for USAID to apply regarding the voluntary nature of its population projects.[10] (For more information, see CRS Issue Brief 96026, *U.S. International Population Assistance, Issues for Congress,* by Kerry Dumbaugh and Larry Nowels.)

Congressional Action. S. 1234, as approved by the Senate, increases family planning funds within the development aid account from the $355 million request to $425 million. Across all accounts, including ESF, NIS, and SEED programs, the Senate recommendation would set population aid at about $470 million, a $70 million increase above the Administration's overall $400 million recommendation.. The bill further earmarks UNFPA funding at $25 million, as requested.

The House measure, like previous bills, caps family planning assistance at $385 million. But unlike enacted Foreign Operations laws the past few years, the House bill would not "meter" the availability of these funds. An amendment offered by Representative Pelosi at the House Committee's markup restored the $25 million request for the U.N. Population Fund, but made it subject to a reduction by whatever amount UNFPA spends in China in 2000.

During floor debate, the House adopted two competing and possibly conflicting amendments affecting U.S. international family planning policy. On a 228-200 vote, the House approved a modified Mexico City policy amendment by Representative Smith (NJ) prohibiting U.S. funds to foreign NGOs that perform abortions or lobby to change abortion laws in foreign countries, regardless of whether such activities are financed with U.S. funds. The House also adopted (221-208) a counter amendment by Representative Greenwood permitting U.S. grants to foreign NGOs as long as they do not use U.*S.-provided* money to perform abortions or violate abortion laws in

---

[9](...continued)
to a dollar-for-dollar reduction by however much UNFPA spends in China.

[10]Following adoption of the Tiahrt amendment in the 105th Congress, the House, on March 23, 1999, passed a non-binding resolution (H.Res. 118) re-emphasizing the *voluntary* nature of international family planning programs. The resolution is aimed at an upcoming meeting of the U.N. General Assembly in late June that will review and appraise the implementation of the program of action of the 1994 International Conference on Population and Development. Sponsors of H.Res. 118 reportedly want to signal the conference that Congress believes that all family planning programs should be completely voluntary, avoid numerical targets, and provide recipients complete information on methods.

foreign nations and they support programs to reduce the incidence of abortion as a method of family planning. Because the Smith language is more restrictive concerning foreign NGO eligibility for receiving USAID grants, it would be the operative text if both amendments are enacted. Requirements in the Greenwood provision that NGOs support programs reducing abortions as a method of family planning and adhere to abortion laws in foreign countries, nevertheless, would also apply should conferees adopt both positions. Theoretically, however, some foreign NGOs that would be eligible recipients of USAID grants under the Greenwood amendment would be barred from receiving U.S. population aid under the Smith restrictions. The White House has said the President would veto any bill that included the Smith language.

Regional Allocations of U.S. Foreign Aid and the Request for an Africa-specific Account. Although the Middle East has received by far the largest proportion of U.S. assistance over the past three decades — 55-63% of bilateral aid appropriated in Foreign Operations spending measures in most years— allocations to other regions have fluctuated considerably, especially since the end of the Cold War. Asia, which received substantial assistance in the 1980s associated with the presence of U.S. military bases in the Philippines, had its share drop to 16% to 4% by FY1997. Latin America, where Central American governments were confronted with internal conflict, had its share drop from 16% to 6%. Africa's proportion remained about the same — 7-8% — a development that disappointed those who argued that the world's poorest region should receive higher priority, especially with the reduction in emphasis on security assistance. U.S. aid to the emerging democracies and market-oriented economies in Eastern Europe and the former Soviet Union, where the United States had no programs prior to 1990, grew to represent 14% of American bilateral assistance funded in the Foreign Operations bill for FY1997.

A number of observers, including some Members and congressional committees, believed these shifts in regional aid allocations had swung too far. This was particularly true in the cases of Asia and Latin America, given the Asian financial crises and significant U.S. interests to promote economic development in Latin America in order to counter the trend of rising illegal immigration to the United States. Foreign Operations appropriations measures the past two years have emphasized the need to maintain or increase assistance to Latin America especially. In the case of Africa, others argued that not enough has been reallocated to offer sufficient help to meet the region's unmet needs and to promote future U.S.-African trade opportunities.

As the share of bilateral Foreign Operations funding for the Middle East exceeded 60%, some in Congress began promoting the view that there should be some limits to the amount provided and that if the Administration wanted to pursue new Middle East peace initiatives using foreign aid as an implementing tool, resources should be found within existing Middle East programs and not be taken from other regions.

Accordingly, for FY1998 Congress took steps to legislate a cap on Foreign Operations resources for the Middle East. At the initiative of Representative Callahan, Chairman of the House Foreign Operations Subcommittee, lawmakers stipulated in the FY1998 funding measure (Section 586 of P.L. 105-118) that selected

Middle East nations and regional programs could not receive more than $5.4 billion of the total appropriation. Following this, Israel put forth in January 1998 a plan to cut its aid over the next ten to twelve years. The concept behind the Israeli initiative to decrease assistance from the United States was first raised by Prime Minister Netanyahu in a speech before a joint session of Congress on July 10, 1996. As outlined to congressional and Administration officials by Israeli Finance Minister Neeman in late January 1998, the United States would cut economic aid by $120 million each year for about ten years, while increasing military assistance by $60 million annually. At the end of the period, Israel would be receiving an annual appropriation of $2.4 billion in military aid but no longer receiving any economic assistance. If done over a ten-year period, U.S. aid to Israel would fall $60 million each year in net terms, with a total savings of $600 million by 2009. For FY1999, Congress supported the $60 million net reduction of aid to Israel, also adding a similar $40 economic aid cut for Egypt.

Table 6. Regional Allocations of U.S. Aid
(in millions of dollars; % of bilateral total in Foreign Operations)

	FY1998 Estimate		FY1999 Estimate*		FY2000 Request	
	$s	**% of total**	**$s**	**% of total**	**$s**	**% of total**
Africa	804	9.4%	883	9.0%	893	10.0%
Asia	338	3.9%	325	3.6%	424	4.8%
E. Europe/former Soviet	1,492	17.4%	1,642	16.7%	1,600	18.0%
Latin America	635	7.4%	1,535	15.6%	735	8.3%
Middle East	5,324	62.0%	5,471	55.5%	5,241	58.9%
Total, Bilateral Aid	8,593	100%	9,856	100%	8,893	100%

Source: USAID. Amounts in the this table exclude food aid funded in the Agriculture Appropriations measure.

*FY1999 estimates include supplemental appropriations for Central America hurricane reconstruction ($621 million), economic aid for countries surrounding Kosovo ($225 million), and assistance to Jordan ($100 million).

The President's FY2000 Foreign Operations request reflects several of these regional allocation views expressed by Congress in recent years. Highlights of the Administration's recommendations include the following.

Creation of the Development Fund for Africa Account. After a three-year absence, the President is asking Congress to re-establish a separate Foreign Operations account for African aid and to increase funding slightly over FY1999 levels. Ten years ago, Congress and the Administration launched a joint initiative to create special legislative authority for U.S. economic aid to Africa. The Development Fund for Africa (DFA — authorized in Chapter 10 of the Foreign Assistance Act of 1961) was intended to extend more flexibility to USAID program managers and to protect aid resources for Africa from being transferred to other regions as new foreign policy crises unfolded. At its peak, the United States channeled about $800 million annually through the DFA.

Although the DFA authorization law remained in force, Congress ended the practice of a direct DFA appropriation in FY1996, funding Africa's assistance out of worldwide development aid and child survival accounts. Following President Clinton's visit to Africa in 1998, during which he pledged to restore U.S. aid to higher levels provided in previous years, the Administration has proposed a direct DFA appropriation account for FY2000. The budget includes $745 million for African development aid, including funds from both the DFA and Child Survival accounts. Combined with funds requested under the Economic Support Fund, largely for democracy and economic growth initiatives, and smaller amounts of military assistance, the FY2000 budget includes $893 million for Africa. This compares to FY1999 allocations of $883 million.

Increased Funding for Asia. The FY2000 foreign aid budget proposes significant increases in assistance programs throughout the Asian region. The $424 million requested is nearly $100 million, or 30% higher than allocations for FY1999. This represents the largest percentage increase sought in the FY2000 foreign aid request for any of the five major regions under USAID's portfolio. Much of the increased funding is for a new East Asian economic recovery initiative. This multi-year plan, administered by USAID, would support job creation opportunities, social safety net programs, transparency and anti-corruption activities, and regional economic recovery programs. The Administration plans to spend about $53 million for the initiative out of both development aid and ESF accounts. The Administration is also proposing an expansion of various East and South Asian regional programs aimed at meeting global climate change goals and deterring forest and marine/coastal zone degradation, and promoting democratization and governance initiatives in South Asia. The FY2000 budget request further includes a new item: a $5 million program to counter violence against women and to promote increased participation by women in the political process.

Modest Increases for Most Latin America Programs; Central America Reconstruction Supplemental. Excluding counter-narcotics assistance and emergency Central American hurricane relief, Latin America would receive a modest increase in U.S. assistance for FY2000. (The FY1999 Omnibus Appropriation Act included a separate emergency supplemental for drug control programs — most of which was earmarked for Colombia — that doubled the regular counter-narcotics budget.) The $735 million proposed level for the region is roughly 8% higher than the "base" allocations for FY1999, after adjusting for the supplemental drug and Central America disaster funds. The most significant regional initiative Congress has addressed this year is an FY1999 supplemental for reconstruction and other assistance for the victims of Hurricanes Mitch and Georges, which struck Central America and the Caribbean in 1998, and the more recent earthquake in Colombia. Of the $1 billion appropriated for hurricane relief and reconstruction (enacted in P.L. 106-31), $621 million will finance a Central America and Caribbean Recovery Fund to assist Nicaragua, Honduras, and other states to re-build their countries.

Middle East Aid Reduced for FY2000, but Large Supplemental Package Sought for Wye Peace Accord. The President's FY2000 foreign aid request for the

Middle East reduces slightly U.S. assistance to the region — from $5.47 billion enacted for FY1999 to $5.24 billion proposed for next year. The $230 million reduction stems largely from larger-than-expected cuts in assistance for Israel and Egypt. Many assumed when Congress first began this downsizing in FY1999, that phased cuts would continue at a steady pace of $100 million per year for ten years. The FY2000 proposal, however, recommends a cut of $150 million: $60 million for Egypt and $90 million (net) for Israel. Administration officials say that they still intend to follow the ten-year time period, but that they have not established a firm pace at which amounts would be reduced. The budget also includes a $1.9 billion supplemental/advance appropriation proposal — to be allocated over three years — in support of the Wye Memorandum and the next phase in the Middle East peace process. The $1.9 billion Wye Memorandum proposal would provide $900 million in FY1999 and an advance appropriation of $500 million in both of FY2000 and FY2001. Israel would receive $1.2 billion, the Palestinians and Jordan, $400 million and $300 million, respectively.

Although the President had hoped that Congress would dispense with this proposal as part of an FY1999 supplemental (P.L. 106-31), Congress only considered $100 million requested for Jordan in FY1999, deferring the balance to subsequent legislation, including the Foreign Operations measure for FY2000.

Sharp Increase in Aid to Russia and Other Former Soviet States. In dollar terms, U.S. assistance to Russia and the other Newly Independent States (NIS) of the former Soviet Union would grow more than for any other region. The $1.032 billion FY2000 request for the NIS account is $185 million, or 22% higher than for this year; aid to Russia would rise from $172 million in FY1999 to $295 million. The increase sought for FY2000, however, is totally the result of a $241 million Expanded Threat Reduction Assistance Initiative planned to be launched in Russia and other NIS countries next year. The ETR initiative is aimed at reducing the risks of weapons proliferation, weapons delivery systems, materials, and technology, and the transfer of scientific and technical expertise. The $241 million requested in Foreign Operations spending is part of a larger $1 billion Administration proposal for increasing amounts dedicated to proliferation issues in the NIS, with the remaining funds coming from the Departments of Defense ($486 million) and Energy ($265 million). (For more information, see CRS Report RS20203, *The Expanded Threat Reduction Initiative for the Former Soviet Union: Administration Proposals for FY2000*, by Amy Woolf and Curt Tarnoff, and CRS Issue Brief 95077, *The Former Soviet Union and U.S. Foreign Assistance*, by Curt Tarnoff.)

Congressional Action. S. 1234, as approved by the Senate, would result in several changes to the President's regional aid allocations proposed for FY2000:

- Kosovo and other Balkan reconstruction assistance would grow considerably under the bill's $430 million earmark for such aid.

- Aid to Russia and selected other former Soviet states would decline under the $67 million cut to the region (from FY1999 levels, $250 million below the request), although earmarks for Ukraine, Armenia, and Georgia would keep those programs at or above requested amounts.

- Middle East assistance, especially for Israel, Egypt, and Jordan, would be funded at or above requested levels for regular aid programs. The Senate bill, however, defers consideration of $500 million in FY2000 for support of the Wye River Middle East peace accord.

- Given the worldwide reductions in S. 1234 under both the development assistance and ESF accounts, it is likely that spending in Africa, Latin America, and Asia would fall below the President's request, although the decisions of how to allocate the specific cuts would by up to the Administration. The Senate bill further did not re-establish a separate Development Fund for Africa, as proposed.

The House spending measure also alters the Administration's regional and country allocation plans:

- Sharper-than-Senate reductions in aid to states of the former Soviet Union would likely cut assistance to many of these states. Because the House bill does not earmark amounts for a few selected countries, Russia and several other recipients would not necessarily absorb the bulk of the reductions if the Administration chose not to, although direct assistance to the Russian government is capped at $172 million.

- Aid to Africa would likely amount to $735 million, slightly ($5 million) more than for FY1999, but $10 million less than requested. H.R. 2606 further, like the Senate, does not re-establish a Development Fund for Africa.

- Regular assistance for Israel, Egypt, and Jordan, would be funded at or above the President's request. The House rejected a Campbell amendment (13-414) to cut amounts for Israel and Egypt ($30 and $20 million, respectively) back to the Administration's request. H.R. 2606, however, includes only $100 million for Jordan out of the pending $1.3 billion initiative to back the Wye River peace accord.

Korean Energy Development Organization (KEDO) and U.S. North Korea Policy. At the heart of the Clinton Administration's North Korea policy is the 1994 U.S.-North Korea Agreed Framework, an arrangement under which the United States provides the DPRK with a package of nuclear, energy, economic, and diplomatic benefits, in exchange for suspension by North Korea in the operations and infrastructure development of its nuclear program. As part of the accord, two new light water nuclear reactors will be constructed — financed largely by South Korea and Japan — to replace the nuclear facilities shut down under the Agreed Framework that have the potential to produce nuclear weapons grade material. While the new reactors are being built, the United States and other nations have been contributing funds to the Korean Energy Development Organization (KEDO) for the purchase of heavy fuel oil to supplement North Korea's power and electricity production. Administration officials previously estimated that annual KEDO contributions, appropriated in the Foreign Operations bill, would total about $20-$30 million.

The Administration's policy of engagement with North Korea and the approach outlined in the Agreed Framework have been a frequent source of controversy in congressional debates in recent years. But a series of actions in 1998 by the North Korean government — missile sales to Iran, suspected construction of a new nuclear site, and the launch of a rocket that traveled over Japanese airspace — prompted a sharp reaction from congressional critics, during which the House voted to prohibit the President's FY1999 $35 million request for KEDO.

Although lawmakers ultimately agreed to provide the $35 million payment of heavy fuel oil, Congress attached stiff conditions that had to be met in 1999 prior to the full transfer of funds. Under terms provided in P.L. 105-277, the first $15 million became available only after March 4, 1999, when the President certified that progress was occurring on implementing several nuclear-related agreements with North Korea, that the DPRK was cooperating fully in the canning and storage of all spent fuel from its graphite-moderated nuclear reactors, that North Korea had not diverted any assistance, and that the U.S. was moving ahead with efforts to block DPRK's development and export of ballistic missiles.

The remaining $20 million became available June 1 following a second presidential certification that progress has been made on the nuclear and ballistic missile issues, and that the U.S. and North Korea had agreed on the means to satisfy U.S. concerns about the DPRK's suspect underground construction. P.L. 105-277 further limits the President's "special" waiver authority (Section 614 of the Foreign Assistance Act of 1961), blocking its use to provide more than $35 million to KEDO in FY1999. In addition, Congress required the President to appoint a senior North Korea Policy Coordinator by January 1, 1999, to review U.S.-DPRK policy and to direct negotiations with North Korea. The President named former Secretary of Defense William Perry to the position in late 1998.

The review of North Korean policy was delayed until after a visit by Secretary Perry to North Korea in May and a separate visit by U.S. inspectors to the suspected underground nuclear site. In a preliminary report, the inspectors said, that although they found an extensive underground tunnel complex, work had ceased, the tunnels were empty, and there was not evidence that North Korea was in violation of the Agreed Framework. Reportedly, North Korea had been demanding payment for a U.S. inspection, something the United States rejected. Nevertheless, shortly following the mid-March announcement by the State Department that North Korea had agreed to multiple site visits, officials said that the United States would proceed with a bilateral pilot agricultural project designed to improve potato production in North Korea and contribute an additional 200,000 metric tons of food aid to help North Korea deal with its continuing food shortage and widespread starvation and malnutrition. This was followed by an another 400,000 food pledge on May 17. While officials argue that food assistance is based solely on humanitarian considerations and need, some observers contend there is a connection between arrangements to visit the suspected nuclear site and the food decision.

Beyond issues related to conditions in last year's Foreign Operations measure and the release of FY1999 funds for KEDO, Congress will consider this year the Administration's $55 million request for KEDO payments in FY2000. The proposal is the highest since the U.S. first began financing heavy fuel oil in FY1995, largely due to past shortfalls in U.S. funding and lower-than-anticipated contributions from other nations. (For further information, see CRS Issue Brief 91141, *North Korea's Nuclear Weapons Program*, by Larry Niksch.)

Congressional Action. S. 1234 reduces the President's $55 million KEDO request to $40 million and retains most of the conditions attached to last year's KEDO contribution. The Senate bill, however, drops requirements for the inspection of underground construction sites. The House bill reduces the contribution further, to $35 million, and adds new conditions that the Administration says might present a problem in implementing the program as planned.

Debt Reduction Initiatives for Poor Countries. Providing debt relief to poor developing nations that borrowed in the past from the United States, other creditor governments, and international financial institutions has emerged as one of the key issues in the Foreign Operations debate for FY2000, the result of several factors. First, the Administration is requesting $120 million, nearly four times the amount appropriated for FY1999, to support continuing debt reduction programs and to launch two new activities in FY2000. Secondly, encouraged by various international campaigns promoting more expansive debt relief that will target poverty reduction, including the Jubilee 2000 movement,[11] several congressional initiatives have been introduced in 1999 that go beyond the President's FY2000 request. Further, on March 16, 1999, the White House announced more ambitious U.S. debt reduction policies for the world's most heavily indebted poor nations. At the G-7 Summit in June, the President's new policy was largely endorsed by the other major creditor governments. Finally, during World Bank/IMF meetings in late April, a strong consensus emerged among donors and the institutions that the current debt relief process — known as the Heavily Indebted Poor Country (HIPC) Initiative — was insufficient and required reform.

For the past decade, the United States has engaged in various forms of debt relief for developing nations, resulting in the cancellation of about $14.4 billion of foreign debt. Much of it — $10.1 billion — resulted from special cases involving key U.S. national interests: for Egypt in 1990 ($7 billion), for Poland in 1991 ($2.5 billion), and for Jordan in 1995 ($635 million). U.S. debt reduction policy for other nations based strictly on need has been guided by the principle that eligible countries must have demonstrated a strong and sustained commitment to economic policy reforms prior to receiving debt relief. Under budget rules instituted in 1992, Congress has had to appropriate funds in advance representing the costs of canceling debt. The cost determination methodology is based on a complicated formula that takes into account among other things, the loan's net present value, its interest rate, and the likelihood the loan will be repaid. For especially poor countries with particularly large debt overhangs, the appropriation requirement may be quite small relative to the loan's face value — perhaps 10% or less.

[11] Launched at the June 1997 G-8 Denver Summit, the Jubilee 2000 campaign is spearheaded primarily by Catholic and Protestant organizations from over 60 countries, together with other religious and non-governmental organizations. The principal aim of Jubilee 2000 is to achieve unconditional debt forgiveness for the most heavily indebted poor countries by the year 2000 on terms that will maximize the benefits for the poorest segments of the population.

When it was first introduced in 1996, HIPC was hailed as the first arrangement that included relief from debts owed to the World Bank, the IMF, and other international institutions, organizations that hold over 25% of debt held by the most heavily indebted nations. Previously, multilateral organizations had declined to participate in debt cancellation, arguing that it would increase their costs of raising new money to lend, expenses that would have to be passed on to borrowers. Forty-one countries — mostly in Africa — are eligible for HIPC, although only 29 likely have "unsustainable" debt, a further criterion for being a HIPC participant. Countries deemed eligible for HIPC terms may have their bilateral public debt reduced by 80% after they have maintained a record of strong economic performance for as much as six years. At present, Uganda and Bolivia are the only nations that enjoy full HIPC benefits.

Strong critics of HIPC have emerged, especially among non-governmental organizations and religious groups working in developing countries. They charge that HIPC terms are not deep enough — that 90% or 100% of bilateral debt owed should be canceled and multilateral debt write-offs should go further — and that six years is far too long a period for countries to qualify. They further believe that the non-sustainable debt criteria, based largely on a ratio of a country's debt-to-exports, is too high and therefore excludes many countries that are also in need of debt relief. Some critics oppose the economic reform requirements and argue for unconditional debt reduction. A number of organizations further advocate instituting mechanisms that would ensure that savings realized by debtor governments would be channeled into spending on basic services, such as health and education, that would improve the quality of life of the very poor. Many of these arguments are reflected in legislative initiatives launched in 1999, including H.R. 1095 (Debt Relief Poverty Reduction Act of 1999), H.R. 772 (Hope for Africa Act), and H.R. 2232 (Debt Relief and Development in Africa Act of 1999). Complicating enactment of such bills, however, is the large additional costs that would be associated with efforts to broaden, deepen, and accelerate HIPC or U.S. bilateral debt reduction policies.

For FY2000, the President seeks $120 million for three debt reduction activities funded under the Foreign Operations legislation:

- $20 million to continue U.S. bilateral debt relief agreements for reforming poor countries. Of this total, $17 million would be available to support the President's Africa debt reduction initiative, launched in 1997, offering 100% cancellation of concessional debt owed by Africa's strongest performing nations. This could, according to Administration officials, result in the forgiveness of $115 million of face value of debt held largely by Guinea. The other $3 million would be available for regular bilateral debt agreements, some at HIPC terms, that could cancel up to $50 million of loans owed by several poor nations.

- $50 million for the first U.S. contribution to the HIPC Trust Fund. While the World Bank and the IMF will finance their own participation in HIPC, some multilateral organizations, such as the African Development Bank, do not have the necessary resources to extend debt relief to their debtors. The Trust Fund, which has received contributions of over $450 million from about 19 countries, is designed to assist these international agencies to reduce debt owed by eligible HIPC nations.

- $50 million for debt relief to countries that are committed to protecting their tropical forests. Congress enacted last year the Tropical Forest Conservation Act of 1998 (PL 105-214), authorizing the President to buy back, swap, or cancel concessional U.S. economic and food aid loans in order to generate local currencies that will be used to support tropical forest conservation programs.

Beyond these Administration proposals for FY2000, between March and June the White House expanded U.S. debt reduction policy addressing many of the concerns expressed by HIPC critics. The President's new initiative, much of which was endorsed by other leaders at the June G-7 economic summit in Cologne, would provide deeper debt relief to more poor developing countries. Some of these steps are similar to those proposed in pending legislation — especially H.R. 1095 — although all congressional initiatives would expand HIPC far beyond the Administration's revised policy. How soon the White House plans to launch these initiatives — at least on a bilateral basis — is unclear. But if the plan is to move in the near term, the FY2000 request would have to be amended and additional funding sought.

Congressional Action. S. 1234 provides $43 million for debt reduction in FY2000, well below the requested level. Because of funds carried in from FY1999, the Administration may be able to meet its planned bilateral debt reductions for Africa and other poor nations. But at the Senate level, full funding for tropical forest debt initiative and the HIPC Trust Fund would not be possible. The House appropriation of $33 million would make implementation of the Administration's debt reduction initiatives more problematic. In recommending $33 million, the House Appropriations Committee assumes that most of funds will support bilateral debt cancellation for the poorest countries, but that none of the money is available for the HIPC Trust Fund.

FY1999 Supplemental Appropriations and Foreign Operations

Congress considered several major FY1999 supplemental appropriation requests as part of S. 544 and H.R. 1141, and a separate emergency Kosovo military and humanitarian initiative. H.R. 1141, which cleared Congress and was signed by the President on May 21 (P.L. 106-31), includes $1 billion for Central American and Caribbean reconstruction aid in the wake of hurricanes that struck the region in late 1998; $100 million for Jordan, the most urgently sought portion of a $1.9 billion, three-year aid package for Israel, Jordan, and the Palestinians to help implement the terms of the Wye Memorandum negotiated in October 1998; and $819 million in humanitarian and refugee aid to Kosovo and surrounding countries. All of the Middle East and Kosovo assistance, and nearly $700 million of the Central American relief package fall under the jurisdiction of the Foreign Operations measure.

Because of congressional decisions to offset the costs of the new spending, however, the President threatened to veto preliminary House and Senate bills. Proposed offsets — cuts to existing appropriations — affected Foreign Operations programs especially in H.R. 1141. Among the most controversial offsets in the House bill was the rescission of $648 million in callable capital appropriated prior to 1980 that is used by multilateral development banks to leverage borrowing in global markets and to maintain their high credit ratings. Administration officials claimed this might lead to higher borrowing costs by the World Bank and others, and thereby, recommend that the President veto the legislation. H.R. 1141 would have further cut existing funds for the Export-Import Bank and USAID development assistance programs. As enacted, most of the Foreign Operations offsets were dropped, except for a $25 million rescission of prior appropriations for U.S. contributions to the Global Environment Facility, and $5 million in ESF funding. (For further information, see CRS Report RL30083, *Supplemental Appropriations for FY1999: Central America Disaster Aid, Middle East Peace, and Other Initiatives*, by Larry Nowels.)

For Additional Reading

Foreign Operations Programs

CRS Issue Brief 88093. *Drug Control: International Policy*, by Raphael Perl.

CRS Issue Brief 96008. *Multilateral Development Banks: Issues for the 106th Congress*, by Jonathan Sanford.

CRS Issue Brief 86116. *U.N. System Funding*, by Vita Bite.

CRS Issue Brief 96026. *U.S. International Population Assistance: Issues for Congress*, by Kerry Dumbaugh and Larry Nowels.

Foreign Operations Country/Regional Issues

CRS Issue Brief 95052. *Africa: U.S. Foreign Assistance Issues*, by Raymond Copson.

CRS Issue Brief 95077. *The Former Soviet Union and U.S. Foreign Assistance*, by Curt Tarnoff.

CRS Issue Brief 85066. *Israel: U.S. Foreign Assistance*, by Clyde Mark.

CRS Issue Brief 91141. *North Korea's Nuclear Weapons Program*, by Larry Niksch.

Selected World Wide Web Sites

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

CRS Foreign Affairs, Defense and Trade Division
[http://www.loc.gov/crs/foreign/fandpage.html]

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

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

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

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/]

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/]

Appendix — Detailed Foreign Operations Accounts

Table 7. Foreign Operations Appropriations: Discretionary Budget Authority

(millions of dollars)

Program	FY1999 Enacted	FY2000 Request	House H.R. 2606*	Senate S. 1234	FY2000 Enacted
Title I - Export and Investment Assistance:					
Export-Import Bank	790.00	881.0	799.0	825.0	--
Overseas Private Investment Corp.	(175.4)	(244.0)	(247.5)	(247.5)	--
OPIC-Emergency Y2K	2.1	--	--	--	--
Trade & Development Agency	44.0	48.0	44.0	43.0	--
Total, Title I - Export Aid	**660.7**	**685.0**	**595.5**	**620.5**	--
Title II - Bilateral Economic:					
Development Assistance:[a]					
Child Survival/Disease/UNICEF	650.0	700.0	685.0	--	—
Child Survival-Emergency Supp[b]	50.0	--	--	--	--
Development Asst Fund	1,225.0	817.1	1,201.0	1,928.5	--
Development Fund for Africa	-.-[c]	512.6[c]	--	—	—
Subtotal	**1,925.0**	**2,029.7**	**1,886.0**	**1,928.5**	--
Of which:					
UNICEF	*[100.0]*	*[100.0]*	*[110.0]*	*[105.0]*	--
Population aid	*[385.0]*	*[400.0]*	--	*[425.0]*	--
Africa aid	*[730.0]*	*[745.0]*	*[735.0]*	--	—
Inter-American Foundation	*[20.0]*	*[22.3]*	*[5.0]*	--	--
African Development Foundation	*[11.0]*	*[14.4]*	*[14.4]*	*[12.5]*	--
International Disaster Aid	200.0	220.0	200.9	175.0	--
Central Amer Disaster-Emerg Supp[b]	25.0	--	--	--	--
Kosovo Disaster-Emergency Supp[b]	163.0	--	--	--	--
Micro/Small Enterprise programs	2.0	2.0	2.0	2.0	--
Urban/Environment credit program	6.5	8.0	5.0	5.5	--
Subtotal, Development Aid	**2,321.5**	**2,259.7**	**2,093.9**	**2,111.0**	--
USAID Operating Expenses	480.0	507.7	479.7	495.0	--
USAID-Emergency Y2K[b]	10.2	--	--	--	--
USAID Inspector General	30.8	25.3	25.0	25.0	--
Economic Support Fund (ESF)	2,367.0	2,389.0[d]	2,177.0	2,195.0	--
ESF-Emergency Supp.-Kenya/Tanz.[b]	50.0	--	--	--	--
ESF-Wye River Accord[b]	50.0	150.0	50.0	0.0	--
ESF-Balkans Emergency Supp[b]	105.0	--	--	--	--
ESF-E. Timor Elections Supp[b]	6.5	--	--	--	--
ESF rescission[b]	(5.0)	--	--	--	--
International Fund for Ireland	19.6	[19.6][d]	19.6	--	--
East Europe	430.0	393.0	393.0	535.0	--

Program	FY1999 Enacted	FY2000 Request	House H.R. 2606*	Senate S. 1234	FY2000 Enacted
E. Europe-Balkans Emergency Supp[b]	120.0	--	--	--	--
Former Soviet Union (NIS)	801.0	1,032.0	725.0	780.0	--
NIS-Emergency Supplemental[b]	46.0	--	--	--	--
Central America-Emergency Supp[b]	621.0	--	--	--	--
Debt reduction (Treasury)	33.0	120.0	33.0	43.0	--
Debt reduction-Emergency Supp[b]	41.0	--	--	--	--
Treasury Dept. technical asst	1.5	8.5	1.5	1.5	--
Treasury-IFI&IMF Comm Supp[b]	1.5	--	--	--	--
U.S. Community Adjustment Credits	10.0	17.0	0.0	--	--
Peace Corps	240.0	270.0	240.0	220.0	--
Intl Narcotics	261.0	295.0	285.0	215.0	--
Intl Narcotics-Emergency Supp[b]	232.6	--	--	--	--
Intl Narcotics-Emergency Supp[b]	23.0	--	--	--	--
Migration & refugee asst	640.0	660.0	640.0	610.0	--
Kosovo Refugees-Emergency Supp[b]	266.0	--		--	--
Emergency Refugee Fund (ERMA)	30.0	30.0	30.0	20.0	--
ERMA-Kosovo Emergency Supp[b]	165.0	--	--	--	--
Non-Proliferation/anti-terrorism	198.0	231.0	181.6	175.0	--
Terrorism-Emergency Supp[b]	20.0	--	--	--	--
Terrorism Commission-Supp[b]	0.8	--	--	--	--
Religious Freedom Comm.-Supp[b]	3.0	--	--	--	--
Total, Title II- Bilateral Economic	**9,616.2**	**8,388.2**	**7,374.3**	**7,425.5**	--
Title III - Military Assistance:					
Intl Military Education & Training	50.0	52.0	45.0	50.0	--
Foreign Mil Financing (FMF) grants	3,330.0	3,430.0	3,420.0	3,410.0	--
FMF-Wye River Accord[b]	50.0	350.0	50.0	0.0	--
Foreign Mil Financing loan subsidy	20.0	0.0	0.0	0.0	--
Special Defense Acquisition Fund	(19.0)	(6.0)	(6.0)	(6.0)	--
Peacekeeping Operations	76.5	130.0	76.5	80.0	--
Total, Title III-Military Aid	**3,507.5**	**3,956.0**	**3,585.5**	**3,534.0**	--
Title IV - Multilateral Economic Aid:					
World Bank-Intl Development Assc	800.0	803.4	568.6	776.6	--
World Bank-Environment Facility	192.5	143.3	50.0	25.0	--
of which arrears	*[192.5]*	*[35.8]*	*[0.0]*	*[25.0]*	--
WB Environment Fac.-rescission[b]	(25.0)	--	--	--	--
of which arrears	*[-25.0]*	--	--	--	--
World Bank-Mult Invst Guaranty Ag	-.-	10.0	0.0	10.0	--
Inter-American Development Bank	96.8	79.1	25.6	25.6	--
of which arrears	*[71.2]*	*[28.5]*	*[0.0]*	*[0.0]*	--
Asian Development Bank	223.2	190.7	113.7	63.7	--
of which arrears	*[187.0]*	*[77.0]*	*[0.0]*	*[50.0]*	--

Program	FY1999 Enacted	FY2000 Request	House H.R. 2606*	Senate S. 1234	FY2000 Enacted
African Development Fund *of which arrears*	128.0 *[88.3]*	127.0 *[27.0]*	108.0 *[0.0]*	0.0 *[0.0]*	-- --
African Development Bank	-.-	5.1	0.0	5.1	--
European Bank for R & D	35.8	35.8	35.8	35.8	--
Intl Organizations & Programs	187.0	193.0	167.0	170.0	--
Total, Title IV - Multilateral *of which Mult. Dev. Bank arrears*	**1,638.3** *[514.0]*	**1,587.4** *[168.3]*	**1,068.7** *[0.0]*	**1,111.8** *[75.0]*	**--** --
Title VI - IMF:					
IMF New Arrangements to Borrow[e]	3,361.0	-.-	--	--	--
IMF Quota Increase[e]	14,500.0	-.-	--	--	--
TOTAL, "Base" Appropriation[f]	**13,401.0**	**14,616.6**	**12,624.0**	**12,691.8**	**--**
TOTAL, with FY99 Supplementals	**15,422.7**	**14,616.6**	**12,624.0**	**12,691.8**	**--**
TOTAL, with FY99 Supp. & IMF	**33,283.7**	**14,616.6**	**12,624.0**	**12,691.8**	**--**

* Amounts for H.R. 2606 reflect House amendments adopted on July 29.

a. The account structure for development aid differs among various versions of the bills. This table shows a consistent and comparable account structure based on enacted development aid for FY1999.

b. Not enacted as part of the regular Foreign Operations Appropriations Act, FY1999. Approved as an FY1999 supplemental appropriation or rescission in either P.L. 105-277 or P.L. 106-31.

c. For FY2000, the Administration is requesting a separate account under development assistance for Africa (the Development Fund for Africa or DFA). African aid is also proposed within the Child Survival account. The total amount for Africa, DFA plus Africa Child Survival, is $745 million. This compares to an FY1999 level of $730 million appropriated within the Child Survival and Development Assistance Fund accounts.

d. The Administration request includes the Ireland Fund as part of the Economic Support Fund.

e. IMF funding occurs only occasionally — about every five years. There is no request for FY2000.

f. The "Base" Appropriation refers to amounts funded in the regular Foreign Operations Appropriations for FY1999, as included in Division A of the Omnibus Appropriations Act, FY1999 (P.L. 105-277). Congress approved additional Foreign Operations funds in two supplemental measures: $411 million for Child Survival programs, aid to Russia, victims of the Kenya/Tanzania embassy bombings, counter-narcotics, counter-terrorism, and Y2K upgrades (Division B of P.L. 105-277); and $1.641 billion for Central America hurricane relief, Kosovo humanitarian assistance, counter-narcotics, and the administration of three foreign affairs commissions. All but about $5 million of the supplementals were declared "emergencies" and do not count against the Foreign Operations FY1999 allocation limits. Under special allowances provided in the Balanced Budget Act of 1997, Foreign Operations Appropriations for multilateral development bank arrearage payments and IMF funds also did not count against the FY1999 allocation limits.