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

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

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

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

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

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

Summary

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

President Bush has requested $16.12 billion for FY2003 Foreign Operations, an amount 5% higher than regular FY2002 appropriations, but somewhat less than enacted FY2002 foreign aid appropriations when amounts allocated from the Emergency Terrorism Response (ETR) fund are included. The White House has distributed nearly $1.3 billion in FY2002 from the $40 billion emergency terrorism supplemental appropriation (P.L. 107-38) enacted in mid-September 2001 following the September 11, 2001 terrorist attacks. Combined with amounts provided in the regular appropriation (P.L. 107-115), enacted Foreign Operations spending for FY2002 totals $16.8 billion, about 4% more than the FY2003 request. Moreover, the President has proposed an additional $1.3 billion for foreign aid in a pending FY2002 supplemental aimed at bolstering homeland security and fighting terrorism abroad.

The FY2003 Foreign Operations proposal increases bilateral U.S. development assistance by $248 million (+9%), including an additional $165 million, or one-third more for global HIV/AIDS programs. Other major additions in the FY2003 budget include 15% more for the Peace Corps, 17% more for the Andean Counternarcotics Initiative, 22% more for contributions to multilateral development banks, and 11% more for military assistance, primarily to support countries facing terrorist threats. Overall, the FY2003 request includes $3.5 billion in aid for "front-line" states in the war on terrorism. In a few areas, the President's request cuts spending: Export-Import Bank appropriations would fall by nearly one-quarter while assistance to Eastern Europe would drop by 20%.

Key Foreign Operations issues that are likely to attract considerable debate this year include: size and composition of aid to help combat terrorism, including amounts proposed as an FY2002 supplemental; the President's pledge to increase U.S. economic assistance by $5 billion by FY2006 and whether the initiative should begin immediately; development aid funding priorities, especially the adequacy of U.S. support for international HIV/AIDS programs and proposed reductions for other global health programs; funding for family planning programs and eligibility of the U.N. Population Fund; and assistance to Colombia, especially proposals to expand aid beyond counter-narcotics to a broader counter-terrorism focus.

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Most Recent Developments

In early February 2002, President Bush submitted his FY2003 budget that includes $16.12 billion for FY2003 Foreign Operations. The amount is 5% higher than regular FY2002 appropriations, but 4% less than enacted FY2002 foreign aid appropriations when amounts allocated from the Emergency Terrorism Response (ETR) fund are included. On March 21, 2002, the President requested a supplemental FY2002 appropriation, including $1.3 billion for foreign assistance to "front-line" states in the global war on terrorism. Legislation (H.R. 4775) passed by the House and Senate increases the foreign aid supplemental total to around $1.8 billion, adding funds for Israel, the Palestinians, and international HIV/AIDS programs.

In mid-January 2002, the White House announced that it had placed a hold on the transfer of $34 million to the U.N. Population Fund (UNFPA) due to new allegations that UNFPA was involved in managing coercive family planning programs in China. The Administration sent a team in May to conduct its own investigation as a basis for deciding whether and in what amount the U.S. will release contributions to UNFPA this year.

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 two-thirds — of total international affairs spending by the United States (see **Figure 1**). The legislation funds all U.S. bilateral development

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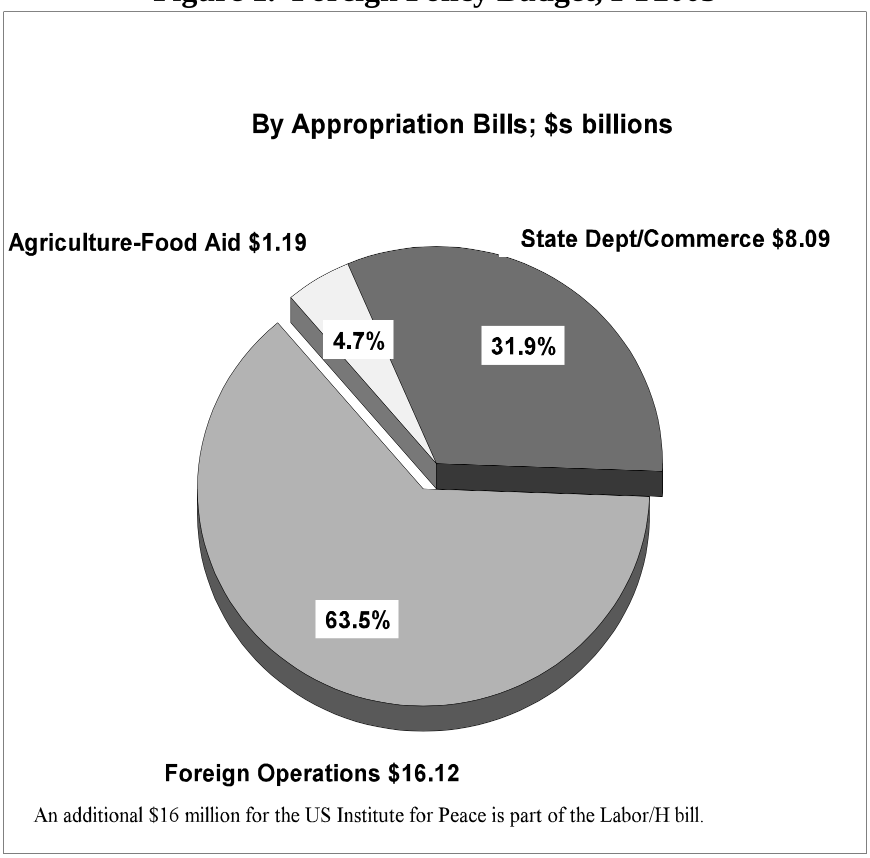
[1] Although the Foreign Operations appropriations bill is often characterized as the "foreign aid" spending measure, it does not include funding for all foreign aid programs. Food aid, an international humanitarian aid program administered under the P.L. 480 program, is appropriated in the Agriculture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

assistance programs, managed mostly by the U.S. Agency for International Development (USAID), together with several smaller independent foreign aid agencies, such as the Peace Corps and the Inter-American and African Development Foundations. Most humanitarian aid activities are funded within Foreign Operations, including USAID's disaster program and the State Department's refugee relief support. Foreign Operations includes separate accounts for aid programs in the former Soviet Union (also referred to as the Independent States account) and Central/Eastern Europe, activities that are jointly managed by USAID and the State Department. Security assistance (economic and military aid) for Israel and Egypt is also part of the Foreign Operations spending measure, as are smaller security aid programs administered largely by the State Department, in conjunction with USAID and the Pentagon. U.S. contributions to the World Bank and other regional multilateral development banks, managed by the Treasury Department, and voluntary payments to international organizations, handled by the State Department, are also funded in the Foreign Operations bill. Finally, the legislation includes appropriations for three export promotion agencies: the Overseas Private Investment Corporation (OPIC), the Export-Import Bank, and the Trade and Development Agency.

Figure 1. Foreign Policy Budget, FY2003



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

Status

Table 1. Status of Foreign Operations Appropriations, FY2003

Subcomm. Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conf. Report Approval		Public Law
House	Senate						House	Senate	

President Bush submitted his FY2003 federal budget request to Congress on February 4, including funding proposals for Foreign Operations Appropriations programs. Subsequently, on March 21, the White House requested FY2002 emergency supplemental funds for homeland security and combating terrorism overseas, a proposal that includes assistance to "front-line" states. House and Senate Appropriations Committees have held a series of hearings on both the FY2003 and FY2002 supplemental requests, and are engaged in conference discussions for the supplemental (H.R. 4775). The Committees are not expected to begin work on the FY2003 legislation until at least mid-June.

Foreign Operations Funding Trends

As shown in Figure 2 below, Foreign Operations funding levels, expressed in real terms taking into account the effects of inflation, have fluctuated widely over the past 25 years.[2] After peaking at over $33 billion in FY1985 (constant FY2003

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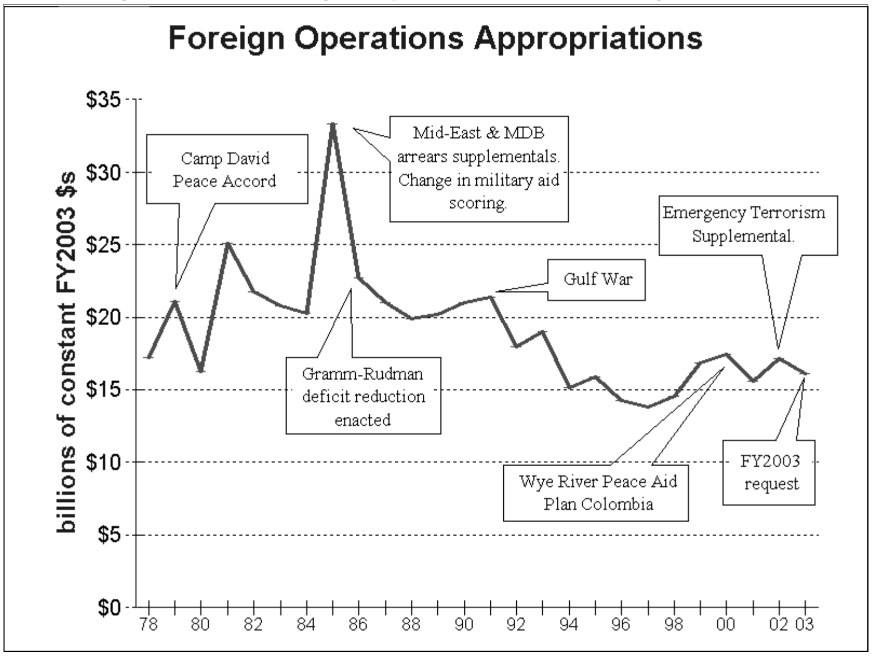
[2] Some of these swings, however, are not the result of policy decisions, but due to technical budget accounting changes involving how Congress "scores" various programs. For example, the large increase in FY1981 did not represent higher funding levels, but rather the fact that export credit programs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

(continued...)

dollars), Foreign Operations appropriations began a period of decline to $13.8 billion in FY1997, with only a brief period of higher amounts in the early 1990s due to special supplementals for Panama and Nicaragua (1990), countries affected by the Gulf War (1991), and the former Soviet states (1993).

Figure 2. Foreign Operations Funding Trends



Arguing that declining international affairs resources seriously undermined U.S. foreign policy interests and limited the ability of American officials to influence overseas events, Clinton Administration officials and other outside groups vigorously campaigned to reverse the decade-long decline in the foreign policy budget. Foreign aid spending increased slightly in FY1998, but beginning the following year and continuing to the present, Foreign Operations appropriations have trended upward due in large part to the approval of resources for special, and in some cases unanticipated foreign policy contingencies and new initiatives. While funding for regular, continuing foreign aid programs also rose modestly during this period, supplemental spending for special activities, such as Central American hurricane relief (FY1999), Kosovo emergency assistance (FY1999), Wye River/Middle East peace accord support (FY2000), and a counternarcotics initiative in Colombia and the Andean region (FY2000 and FY2002), was chiefly responsible for the growth in foreign aid appropriations.[3] The average annual funding level during the FY1999-FY2002 period of $16.8 billion represents a level 22% higher than the low point in Foreign Operations appropriation in FY1997.

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[2] (...continued)
Congressional decisions regarding Foreign Operations appropriations over the past 25 years.

[3] Foreign Operations appropriations dipped in FY2001, a year in which there was only one, relatively small ($100 million) supplemental for a global health trust fund, later named the Global Health Fund to Fight AIDS, Tuberculosis, and Malaria.

Table 2. Foreign Operations Appropriations, FY1995 to FY2003
(discretionary budget authority in billions of **current dollars**)

	FY95	FY96	FY97	FY98	FY99*	FY00	FY01	FY02	FY03
nominal $s	13.61	12.46	12.27	13.15	15.44	16.36	14.99	16.78	16.12
constant FY03 $s	15.91	14.27	13.77	14.57	16.86	17.42	15.61	17.15	16.12

* FY1999 excludes $17.861 billion for the IMF.

Funding for Foreign Operations programs grew significantly in FY2002 following the terrorist attacks of September 11. As part of a $40 billion emergency supplemental to fight terrorism enacted in September 2001 (P.L. 107-38), President Bush and Congress allocated over $1.4 billion for foreign aid activities, pushing FY2002 totals to $16.78 billion.[4] This amount is the largest in nominal terms since FY1985 and the highest in constant terms in 10 years. With Congress considering an additional $1.3 billion Foreign Operations supplemental request (H.R. 4775 and S. 2551), amounts for FY2002 are likely to climb higher.

Despite the recent trend of increased spending on foreign aid, however, by historical standards current FY2002 and proposed FY2003 budgets, in real terms, are relatively low. Except for the lowest point in foreign aid appropriations that occurred in the mid-1990s, FY2002 and FY2003 are lower, in real terms than for any year prior to FY1994.

As a share of the entire $2.1 trillion U.S. budget for FY2002, Foreign Operations currently represents a 0.8% share. As a portion of discretionary budget authority — that part of the budget provided in annual appropriation acts (other than appropriated entitlements) — Foreign Operations consumes 2.3%. By comparison, at the high point of Foreign Operations spending in FY1985, foreign aid funds represented 2% of the total U.S. budget and 4.6% of discretionary budget authority.

[4] Although the entire $40 billion was appropriated in FY2001, nearly all Foreign Operations funds were not allocated to specific foreign aid programs until after the beginning of FY2002 on October 1. Amounts are assigned to a specific fiscal year according to the time at which the money was transferred from the Emergency Response Fund to a program account.

Data Notes

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

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

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

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

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

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

Congress, however, has not concluded debate on a budget resolution and agreed on a common framework. Without this, the Section 302(b) process cannot move ahead under normal procedures. Instead, some have suggested that Congress include in the pending FY2002 supplemental appropriation (H.R. 4775) a so-called "deeming resolution" that would effectively enact one of the two pending budget resolutions and establish a ceiling for FY2003 discretionary budget authority and outlays. Members remain divided, however, over which budget resolution level to use. Senate and House Appropriation Committee leaders argue that amounts approved in H.Con.Res. 353 are not adequate for funding all 13 appropriation bills, and oppose inclusion of the "deeming resolution" in H.R. 4775 unless the ceilings are raised by at least $9 billion.

Foreign Operations Appropriations Request for FY2003 and Congressional Consideration

Request Overview

In February 2002, President Bush asked Congress to appropriate $16.12 billion for FY2003 Foreign Operations, an amount $774 million, or 5% higher than regular Foreign Operations appropriations for FY2002. However, when the $1.44 billion levels provided for foreign assistance in the Emergency Terrorism Response supplemental measure (P.L. 107-38) are added to enacted amounts for FY2002, the proposal for FY2003 is $662 million or 4% below current total appropriations. Moreover, the President has requested $27.1 billion in additional homeland security and other activities to combat terrorism, including $1.28 billion supplemental funding for Foreign Operations programs. Enactment of the pending supplemental would increase FY2002 Foreign Operations appropriations to $18.1 billion, making the FY2003 recommendation $1.94 billion, or 10.8% less than the current year.

Fighting the war on terrorism. Although the request for FY2003 includes a significant emphasis on aid activities associated with fighting the war on terrorism, in several ways some have regarded it as an incomplete budget plan for addressing U.S. interests overseas in a post-September 11 environment. Since the terrorist attacks last year, the focus of American foreign aid programs has shifted to focus more directly on supporting key coalition countries and global counter-terrorism efforts. The Administration says that the FY2003 proposal includes $3.5 billion to assist the so-called "front-line" states in the war on terrorism.[5] But FY2003 increases proposed for many of these "front-line" states are uneven. For some – notably Jordan, India, Oman, and Yemen – the FY2003 recommendations include considerably more assistance than current allocations, while for others – the Philippines, Uzbekistan, Tajikistan, Turkey, and Indonesia, for example – proposed additional assistance is modest compared to FY2002 amounts. The FY2003 budget submitted in February also does not include specific levels for Afghanistan. Executive officials said that the request assumes about $138 million for Afghanistan in several refugee and humanitarian aid accounts that are not allocated by recipient countries, but that other bilateral reconstruction support for Kabul would be determined later.

The absence of a comprehensive plan for Afghanistan and far less assistance than anticipated for key nations cooperating in the war on terrorism led several Members of Congress to characterize the FY2003 Foreign Operations plan as a "business as usual" budget and one that did not adequately address the most urgent requirements of the war on terrorism.[6]

To a large extent, the $1.28 billion FY2002 supplemental Foreign Operations proposal, submitted to Congress on March 21, addresses the concerns of those who doubt that the FY2003 plan is adequate. As outlined below in more detail, the supplemental includes additional aid to 27 nations around the world, many of which would receive no increase or only a modest rise in U.S. aid under the FY2003 request. The supplemental further seeks $250 million more assistance for Afghanistan.

Other key elements of the FY2003 request. Beyond the issue of aid to combat terrorism, the Foreign Operations proposal for next year would substantially increase aid activities in several areas while cutting resources for a few programs. Significant appropriation increases include:

- **Development assistance** would rise by about $250 million, or over 9%, but increases among the many development programs are mixed. Funding for HIV/AIDS, agriculture, environment, and trade/investment programs would grow sharply, while resources for several health activities would fall. (See below for more details in section on development aid priorities.)

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[5] "Front-line" states are defined by the State Department as a group of countries not only bordering Afghanistan or located in the region, but nations that have committed to helping the United States in the war on terrorism globally. Although the complete list of "front-line" states remains classified, the Administration has identified several (such as Jordan, Pakistan, India, and Oman) of the countries in statements and budget justifications issued in the past several months.

[6] See statement of Congressman Kolbe, Chairman of the House Foreign Operations Subcommittee, during a February 13, 2002 hearing. See also a February 26 press release by Senator Leahy, Chairman of the Senate Foreign Operations panel, released prior to a subcommittee hearing on USAID's FY2003 request.

Table 3. Summary of Foreign Operations Appropriations

(Discretionary funds – in millions of dollars)

Bill Title & Program	FY2001 Enacted	FY2002 Enacted	FY2003 Request	FY2003 House	FY2003 Senate	FY2003 Enacted
Title I - Export Assistance	738.9	577.9	399.1			
Title II - Bilateral Economic Aid	9,121.8	10,700.7	9,775.7			
Development aid	*2,325.0*	*2,611.5*	*2,859.5*			
Israel/Egypt economic aid	*1,532.6*	*1,375.0*	*1,215.0*			
Former Soviet Union	*808.2*	*830.5*	*755.0*			
Anti-terrorism programs	*41.9*	*122.0*	*69.2*			
Narcotics control/Andean Init	*275.0*	*792.7*	*878.2*			
Title III - Military Assistance	3,752.5	4,120.0	4,295.5			
Israel/Egypt	*3,273.6*	*3,340.0*	*3,400.0*			
Title IV - Multilateral Aid	1,330.0	1,383.3	1,627.0			
OMB Retirement Accruals	–	–	23.0			
Total Foreign Operations	**14,943.2**	**16,781.9**	**16,120.3**			

Source: House and Senate Appropriations Committee and CRS calculations.

* FY2002 levels include regular Foreign Operations appropriations enacted in P.L. 107-115, plus $1.436 billion emergency terrorism funding allocated from amounts provided in P.L. 107-38. In addition, there is a pending $1.28 billion Foreign Operations supplemental for FY2002 that is not included.

- **Andean Regional Initiative** would grow by $106 million, or 13%, continuing a program of several years to enhance Colombia's and other regional states' capabilities to interdict illegal drug production and to support alternative development programs. (See below for more details.)

- **Peace Corps** would increase by $42 million, or 15%, in an effort to open eight new country programs and place 8,000 volunteers by the end of FY2003.

- **Contributions to the World Bank** and other international financial institutions would grow by $262 million, or 22%, covering all scheduled U.S. payments to the multilateral development banks, plus one-third ($177 million) of U.S. arrears owed to these institutions.

Funding reductions are sought in three primary areas:

- **Export-Import Bank** funds would drop by $182 million, or 23%, although the Administration says that Bank lending will increase by over 10% because of what it calls "more focused" estimates of default risk that will reduce the level of appropriations.

- **East European assistance** would fall by $126 million, or 20% from enacted levels. The executive proposes reductions for nearly every regional country, including Bosnia, Montenegro, and Kosovo.

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

Leading Foreign Aid Recipients Proposed for FY2002/FY2003

While Israel and Egypt remain the largest U.S. aid recipients, as they have been for many years, in the aftermath of the September 11 terrorist attacks, foreign aid allocations have changed in several significant ways. The Administration has used economic and military assistance as an additional tool in efforts to maintain a cohesive international coalition to conduct the war on terrorism and to assist nations which have both supported U.S. forces and face serious terrorism threats themselves. Pakistan, for example, a key coalition partner on the border with Afghanistan, had been ineligible for U.S. aid, other than humanitarian assistance, due to sanctions imposed after India and Pakistan conducted nuclear tests in May 1998 and Pakistan experienced a military coup in 1999. Since lifting aid sanctions in October, the United States has transferred over $900 million to Pakistan, and another $450 million remains pending in the FY2002 supplemental and FY2003 requests. India, the Philippines, Turkey, and Uzbekistan also are among the top aid recipients planned for this year and next as part of the network of "front-line" states in the war on terrorism.

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

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

	FY2001 Actual	FY2002 Enacted[a]	FY2002 Supp. Request	FY2003 Request
Israel	2,814	2,788	0	2,700
Egypt	1,992	1,956	0	1,916
Pakistan	4	921	145	305
Colombia	49	382	35	538
Jordan	229	230	125	453
Afghanistan[b]	184	420	270	138
Peru	90	198	0	189
Ukraine	183	163	0	166
Russia	169	165	0	158
FRYugoslavia	186	165	0	136
Indonesia	121	125	16	132
Bolivia	89	126	0	137
Turkey	2	4	228	21
India	60	80	0	153
Philippines	49	94	40	95
Georgia	100	103	20	97
Uzbekistan	31	115	46	44
Kosovo	150	118	0	85

Source: U.S. Department of State.

Note: Because of the unusual way in which the United States has allocated FY2002 country aid levels (largely in support of the war on terrorism), this table lists countries in order of the combined FY2002 enacted and FY2002/2003 requested appropriations. This better reflects the ranking of current major U.S. aid recipients, avoiding distortions that would result if the list ranked countries by one of the years only.

[a] FY2002 includes funds allocated from the regular Foreign Operations appropriation, plus funds drawn from the Emergency Response Fund appropriated in P.L. 107-38.

[b] Amounts for Afghanistan are estimates that include funds allocated from refugee, food, and other humanitarian aid accounts.

Supplemental FY2002 Foreign Operations Funding

The Administration seeks $1.28 billion in additional FY2002 Foreign Operations funding, primarily to increase economic, military, and counter-terrorism assistance to so-called "front-line" states in the war on terrorism. If enacted, the supplemental would nearly double the level of assistance allocated in FY2002 for emergency foreign assistance to combat terrorism. Beginning in October 2001, the

President distributed $1.5 billion for Foreign Operations programs, drawn from the $40 billion emergency terrorism supplemental approved by Congress shortly after September 11 (P.L. 107-38). The proposed supplemental also includes several policy changes related to foreign aid activities that may raise controversy during congressional debate.

Table 5. FY2002 Supplemental Compared with Enacted & Requested

($s – millions)

Country/Program	FY2001 Enacted	FY2002 Enacted	FY2002 Supplement Request	FY2002 Supplement House[a]	FY2002 Supplement Senate[a]	FY2003 Request
South Asia:						
Afghanistan	–	$297.0	$250.0	$370.0		TBD
Nepal	$21.3	$30.0	$20.0			$41.2
Pakistan	$3.5	$921.0	$145.0			$305.0
Middle East						
Bahrain	$0.2	$0.4	$28.5			$0.5
Jordan	$226.2	$227.0	$125.0			$450.4
Oman	$0.0	$0.3	$25.0			$20.3
Yemen	$4.2	$5.5	$25.0			$12.7
Economic Initiative	–	–	$50.0	$25.0	$50.0	–
Israel	$2,813.8	$2,788.0	$0.0	$200.0	$200.0	$2,700.0
Palestinians	$71.0	$72.0	$0.0	$50.0	$50.0	$75.0
East Asia						
Indonesia	$121.0	$124.7	$16.0	$8.0	$16.0	$71.9
Philippines	$50.4	$92.1	$40.0			$93.1
Africa						
Cote d’Ivoire			$2.0		$0.0	
Djibouti	$0.2	$0.2	$6.0			$0.2
Ethiopia	$40.6	$46.8	$12.0			$51.1
Kenya	$34.6	$40.7	$22.0			$48.8
Mauritania			$1.0			
Nigeria			$2.0			
Southern Sudan	$4.5	$11.4	$10.0			$22.3
Europe/Eurasia						
Georgia	$97.8	$100.9	$20.0			$95.2
Kazakstan	$48.4	$48.6	$3.5			$47.0
Kyrgyz Republic	$35.2	$37.6	$42.0			$41.1
Tajikistan	$16.7	$19.9	$40.0			$22.5
Turkey	$1.7	$22.7	$228.0			$20.3
Turkmenistan	$7.3	$7.6	$4.0			$8.2
Uzbekistan	$28.4	$95.6	$45.5			$41.5
Latin America						

Country/Program	FY2001 Enacted	FY2002 Enacted	FY2002 Supplement Request	FY2002 Supplement House[a]	FY2002 Supplement Senate[a]	FY2003 Request
Colombia	$49.0	$381.7	$35.0			$538.2
Mexico	$31.1	$35.6	$25.0	$25.0		$43.6
Ecuador	$16.4	$47.5	$3.0			$65.8
Regional Border Control	–	–	$5.0			–
Global						
Antiterrorism Training	$38.0	$83.5	$20.0			$64.2
Terrorist Financing	–	–	$10.0			–
Terrorist Interdiction	$4.0	$8.0	$10.0			$5.0
USAID admin/security	–	–	$7.0	$7.0	$5.0	–
Defense admin costs	–	–	$2.0	$2.0		–
HIV/AIDS, TB, Malaria, & Global Fund	$573.0	$653.0	$0.0	$200.0	$200.0	$762.0
Demining	$40.0	$40.0	$0.0	$0.0	$10.0	$45.0
Migration/Refugee aid	$698.0	$705.0	$0.0	$0.0	$50.0	$705.6
TOTAL	**$3,765.5**	**$5,546.3**	**$1,279.5**	**$1,816.5**	**$1,779.5**	**$4,885.1**

Sources: Department of State and House Appropriations Committee.
[a] The House and Senate bills direct or recommend allocations for specific countries/programs in only selected cases. These directives and recommendations are noted in this column. The table does not include rescissions.

Funding Issues

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

In several respects the $1.28 billion supplemental proposal reflects what many said should have been incorporated in the FY2003 plan. Although like the FY2003 budget, the request includes significant amounts for Pakistan ($145 million) and Jordan ($125 million), it distributes, as shown in Table 5, considerable amounts of aid to Central Asian states that would not receive substantial increases in FY2003 and to nations globally.

Policy Issues

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

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

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

At a House hearing on April 18, Deputy Secretary of State Armitage told the Foreign Operations Appropriations Subcommittee that although the State Department supports the "intent" of the provisions, the Administration drafted the legislation in a "rather poor way" and that the authority "is a little broader in scope than we really intended." Secretary Armitage pledged that both State and DOD officials would work with Congress to adjust the provisions in a way that would protect the prerogatives of the Secretary of State as the "overseer of foreign policy and foreign aid."[7]

Colombia Aid Restrictions. An additional provision in the supplemental seeks to broaden DOD and State Department authorities to utilize unexpended Plan Colombia, FY2002 and FY2003 appropriations to support Colombia's "unified

[7] Testimony by Secretary of State Armitage before the Foreign Operations Subcommittee, Senate Appropriations Committee, April 18, 2002.

campaign against narcotics trafficking, terrorist activities, and other threats to its national security."[8] The provision would allow funds to be used not only for counter narcotics operations, but also for military actions against Colombian insurgents and any other circumstances that threatened Colombian national security.

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

The Administration, however, is not asking Congress to soften two other Colombia aid restrictions: a 400-person limit on U.S. personnel inside Colombia and the prohibition of aid to Colombian military and police units that are engaged in human rights violations (Leahy amendment). Despite the inclusion of a clause that past and future aid be available "notwithstanding any provision of law" (see below) – except for the two restrictions noted above – Administration officials say they are not seeking to remove other enacted conditions on Colombian aid, such as those related to human rights and aerial coca fumigation. Coupled with a pending FY2003 $98 million military aid request to help protect Colombia's oil pipeline and other infrastructure against guerilla activity, critics argue that the U.S. objective in Colombia is shifting from one of combating narcotics production and trafficking to a counter-terrorism and insurgency strategy.

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

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

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[8] Department of Defense, *FY2002 Supplemental request to Continue the Global War on Terrorism*, March 2002, page 28. For web version, see [http://www.dtic.mil/comptroller/fy2003budget/fy2002_supp.pdf].

Congressional Action on the Administration's Supplemental Foreign Operations Request

House and Senate actions have increased foreign aid funding proposed by the President, but have limited to some extent policy provisions and waivers sought by the White House. Both chambers also introduced two new issues into the supplemental debate – additional funding to fight global HIV/AIDS and the status of U.S. contributions to the U.N. Population Fund (UNFPA).

The House passed bill includes $1.82 billion for foreign aid, $537 million more than requested. The Senate measure provides $1.78 billion, or $500 million higher than proposed. New items added by both the House and Senate include $200 million in assistance to Israel, $50 million for the Palestinians, and $200 million to combat HIV/AIDS, malaria, and tuberculosis. Both versions increase aid to Afghanistan for reconstruction and security support above the President's $250 million request: the House by $120 million and the Senate by roughly $110 million. The House measure reduces funding for a Middle East Economic initiative, while the Senate provides full funding. The Senate bill further adds $15 million to create an international exchange program for students from countries with large Muslim populations, $7 million to support media training activities, especially in Pakistan, Egypt, and elsewhere in the Middle East, and $10 million for humanitarian demining. In most other areas, the bills recommend amounts close to those proposed (see **Table 5**, above).

On policy issues, both bills remove the requested "notwithstanding any provision of law" provisos, but the House legislation still grants specific waivers that will permit the State Department to program most of the funds as proposed. The Senate-passed measure waives the debt arrears provision for Afghanistan, but not for other recipients that might fall under this restriction. On Colombia, both bills include language similar but less sweeping than the Administration's request. Each would allow Colombia to use American foreign aid (money managed by the State Department) for a unified campaign against narcotics trafficking, against organizations designated as terrorist groups, and for humanitarian rescue operations. All current restrictions on Colombian aid, however, would remain in effect. The Senate bill further adds a new requirement regarding the newly elected Colombian President and policies regarding human rights, military reforms, and financial commitments to implement other reforms. The House and Senate differ, however, on broadening the use of DOD funds for programs in Colombia. The House measure allows the money to finance operations against terrorist groups while the Senate bill rejects the Administration's request.

Both bills further deny DOD's request for authority to use $30 million to support indigenous forces engaged in activities combating terrorism, but approve $420 million for payments to Pakistan, Jordan, and other cooperating states for logistical and military support provided. The Senate bill, however, transfers the $420 million to the Foreign Military Financing (FMF) program where it would fall under control of the State Department. The bill calls for the State Department to consult with DOD and OMB before dispensing funds, and also allocates $50 million to the Phillippines. H.R. 4775, as passed by the House, approves DOD's request for $100 million to support foreign government efforts to fight global terrorism, but with significant changes. Transfers would be limited to reimbursements for the costs of goods, services, or use of facilities by U.S. military forces and any proposed commitment of funds must be submitted jointly to the Committees by the Secretaries of State and Defense 15 days in advance for Committee approval. The Senate measure does not include a provision related to this issue.

During House Committee markup, another contentious foreign aid policy issue was introduced. Since mid-January, the White House has maintained a hold on U.S. contributions to the U.N. Population Fund (UNFPA) because of allegations that UNFPA is participating in the management of coercive family planning practices in China. If the White House determines that this is the case, UNFPA would become ineligible for American contributions. For FY2002, Congress provided "not to exceed" $34 million for UNFPA, and some Members have criticized the White House for delaying a decision regarding UNFPA's eligibility. A State Department investigation team spent two weeks in China during May and is expected to complete a report with its findings by late June.

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

Under any of these amendments, a determination that UNFPA is involved in coercive practices would result in the termination of U.S. support. Without such a determination, however, the Senate and Lowey/Kolbe amendments would require the President to transfer the full $34 million. Under the Tiahrt provision, however, the President could have reduced the U.S. contribution to something less than $34 million to express displeasure over alleged coercive family practices in China and UNFPA's involvement.

Major Policy and Spending Issues for FY2003

While the Foreign Operations appropriations bill may include virtually any foreign policy issue of interest to Congress, the annual debate usually focuses on several major policy and spending issues. Possible issues for FY2003 are as follows.

Foreign aid as a tool in the war on terrorism

As discussed above, since the September 11 terrorist attacks and the initiation of military operations in Afghanistan, combating global terrorism has become one of the top priorities of American foreign assistance. While there is disagreement regarding the extent to which foreign aid can directly contribute to reducing the threat of terrorism, most agree that economic and security assistance aimed at reducing poverty, promoting jobs and educational opportunities, and helping stabilize conflict-prone nations can indirectly attack some of the factors that terrorists use in recruiting disenfranchised individuals for their cause. More than $2.7 billion has been extended to or recommended for "front-line" states in FY2002, while the FY2003 budget proposes $3.5 billion.

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

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

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

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

Resources for the $38 million annual ATA program (FY2001) rose sharply following September 11, with an additional $45.5 million allocated out of the Terrorism Emergency Response Fund in FY2002. A further $20 million is requested in the pending emergency supplemental appropriation (H.R. 4775) and the President requests $64.2 million for FY2003. Increased funding for FY2002 and FY2003 will finance three post-September 11 changes in the ATA program:

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

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

Since September 11, the State Department has expanded from 34 to 57 the number of countries where it believes TIP would immediately contribute to the global counterterrorism campaign. The $4 million TIP budget doubled in FY2002 and the Administration seeks an additional $10 million in FY2002 supplemental appropriations as well as $5 million for FY2003.

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

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

In an effort to overcome these problems, USAID is requesting for FY2003 a new Foreign Operations account – the Capital Investment Fund – that will support enhanced information technology ($13 million) and facility construction ($82 million) specifically at co-located sites where security enhancements are needed. USAID plans to use the money in FY2003 for construction projects in Kenya, Guinea, Cambodia, and Georgia. With the facility in Uganda still not built, USAID says it may have to divert some resources from other intended projects to Uganda if an appropriate lease arrangement cannot be worked out in Kampala.

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

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

- Sec. 527 prohibits bilateral U.S. assistance to any country that the President determines grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or otherwise supports international terrorism. The President may waive the restrictions for national security or humanitarian reasons.

- Sec. 544 prohibits any U.S. aid to a government which provides lethal military equipment to a country that the Secretary of State has determined is headed by a terrorist government. The President may waive the requirement if it is important to U.S. national interests.

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

Development Aid Policy Priorities

A continuing source of disagreement between the executive branch and Congress is how to allocate the roughly $2.7 billion "core" budget for USAID development assistance programs. Among the top congressional development aid funding priorities in recent years have been programs supporting child survival, basic education, and efforts to combat HIV/AIDS and other infectious diseases. The Administration also backed these programs, but officials object to congressional efforts to increase funding for children and health activities at the expense of other development sectors. When Congress has increased appropriations for its priorities, but not included a corresponding boost in the overall development aid budget, resources for other priorities, such as economic growth and the environment, have been substantially reduced.

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

For FY2003, USAID seeks $2.86 billion for development aid, an increase of about $250 million, or nearly 10% above FY2002 levels.[9] However, about $100 million of the increase represents a decision to transfer the funding source for a few countries from the Economic Support Fund account in FY2002 to the Development Assistance account in FY2003. After adjusting for this, the USAID proposal is roughly 6% more than FY2002.

USAID proposes increases for each of its three "strategic pillars," with specific emphasis in several areas:

- agriculture programs would increase by 30% to $261 million.
- environmental activities would grow by 11% to $308 million. A year ago USAID proposed $225 million for the environment.
- business, trade, and investment funding would rise by 25% to $317 million.
- basic education, a high congressional priority, would increase by 10% to $165 million.

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[9] The $2.86 billion figure includes USAID's development aid request of $2.74 billion plus the State Department's proposed $120 million contribution to UNICEF. In recent years, Congress has incorporated UNICEF funds within development assistance. For consistency, USAID's request has been adjusted to include UNICEF.

- HIV/AIDS funding would rise by one-quarter to $640 million, including $100 million for the Global Fund to Combat HIV/AIDS, Malaria, and Tuberculosis.[10]
- democracy aid would rise by 68% to $200 million, although much of this increase comes from shifting recipients that had previously received similar types of aid from the Economic Support Fund (ESF) account to the development aid account.

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

The proposed budgets for various global health activities are likely to encounter close congressional scrutiny. USAID requests $1.49 billion for child survival and health programs (including $120 million for UNICEF) within the Development Assistance account, about $55 million higher than current amounts. After adding smaller health-related funds from other Foreign Operations accounts, the total amount for child survival and health projects is $1.67 billion, an increase of $15 million, or 1%. As noted above, with a large increase proposed for HIV/AIDS programs, funding for nearly all other global health activities would decline in FY2003 under the agency's budget plan. As illustrated in Table 6, resources for Child Survival and Maternal Health would fall from $383 million in FY2002 to $344 million in FY2003; amounts for Vulnerable Children would drop from $32 million to $20 million; levels for malaria would decline from $60 million to $42.5 million and for tuberculosis, from $70 million to $52.5 million.

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

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[10] The Global Fund would also receive a $100 million appropriation under the Department of Health and Human Services budget, making the total U.S. pledge $200 million for FY2003, the same as for FY2002.

Table 6. Funding for USAID Global Health Programs
(estimates across all Foreign Operations accounts – in millions of dollars)

Program	FY2001[a]	FY2002 est	FY2003 Request	FY2003 House	FY2003 Senate
Child Survival/Maternal Health	**$361.0**	**$383.0**	**$344.0**		
Of which:					
Morbidity & mortality		*[269.8]*	*[243.5]*		
Polio		*[27.6]*	*[25.5]*		
Micronutrients		*[30.6]*	*[25.7]*		
Iodine Deficiency Disorder		*[2.0]*	*[0.0]*		
Vaccine Fund (former GAVI)		*[53.0]*	*[50.0]*		
Vulnerable Children	**$22.0**	**$32.0**	**$20.0**		
HIV/AIDS	**$433.0**	**$510.0**	**$640.0**		
Of which:					
HIV/AIDS bilateral programs		*[367.0]*	*[467.0]*		
Microbicides		*[15.0]*	*[15.0]*		
Global Fund[b]		*[75.0]*[b]	*[100.0]*[b]		
UNAIDS		*[18.0]*	*[18.0]*		
Intl AIDS Vaccine Initiative		*[10.0]*	*[10.0]*		
Commodity Promotion Fund		*[25.0]*	*[30.0]*		
Other Infectious Diseases	**$140.0**	**$165.0**	**$122.0**		
Of which:					
Malaria		*[60.0]*	*[42.5]*		
Tuberculosis		*[70.0]*	*[52.5]*		
Other		*[35.0]*	*[25.0]*		
UNICEF	**$110.0**	**$120.0**	**$120.0**		
Reproductive Health	**$424.0**	**$446.5**	**$425.0**		
TOTAL, GLOBAL HEALTH	**$1,490.0**	**$1,656.5**	**$1,671.0**		

[a] USAID has not yet finalized health budget figures for sub-account activities for FY2001.
[b] Contributions to the Global Fund benefits HIV/AIDS, malaria, and tuberculosis. In total, the United States contributed $200 million to the Global Fund in FY2002 and plans for a $200 million transfer in FY2003. Additional resources are derived from National Institutes of Health funds.

Family Planning, Abortion Restrictions, and UNFPA Funding

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

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

For FY2002, President Bush requested $25 million for UNFPA. As part of a larger package concerning various international family planning issues, Congress provided in the FY2002 Foreign Operations bill "not more than" $34 million for UNFPA. While members of the Appropriations Committees say it was their intent to provide the full $34 million, the language would allow the President to allocate however much he chooses, up to a $34 million ceiling. According to February 27 testimony by Arthur Dewey, Assistant Secretary of State for Population, Refugees, and Migration before the Senate Foreign Relations Committee, the White House initiated the hold on UNFPA funds because of new evidence that coercive practices continue in counties where UNFPA concentrates its programs. A September 2001 investigation team, sponsored by the Population Research Institute, concluded that a consistent pattern of coercion continues in "model" UNFPA counties, including forced abortions and involuntary sterilizations. Refuting these findings, a UNFPA-commissioned review team found in October 2001 "absolutely no evidence that the UN Population Fund supports coercive family planning practices in China or violates the human rights of Chinese people in any way."[11]

While most observers agree that coercive family planning practices continue in China, differences remain over the extent to which, if any, UNFPA is involved in involuntary activities and whether UNFPA should operate at all in a country where such conditions exist. Given the conflicting reports, the State Department sent its own investigative team to China for a two-week review of UNFPA programs on May 13, 2002. The team was led by former Ambassador William Brown, and included Bonnie Glick, a former State Department official, and Dr. Theodore Tong, a public health professor at the University of Arizona. A final report on its findings is expected by late June. The team's objective was to determine whether UNFPA "supports or participates in the management of a program of coercive abortion or involuntary sterilization." If Administration officials conclude that this is the case,

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[11] See House International Relations Committee hearing, *Coercive Population Control in China: New Evidence of Forced Abortion and Forced Sterilization*, October 17, 2001. See also testimony of Josephine Guy and Nicholaas Biegman before the Senate Foreign Relations Committee, February 27, 2002.)

UNFPA would be in violation of the Kemp-Kasten amendment and be ineligible for U.S. grants. Alternatively, the President could find that the UNFPA did not violate Kemp-Kasten, but reduce the U.S. contribution to something less than $34 million to express displeasure over alleged coercive family practices in China and UNFPA's involvement.

This issue has already been the subject of sharp debate during House consideration of the FY2002 emergency supplemental (H.R. 4775). On May 9, 2002, the House Appropriations Committee approved (32-31) an amendment by Representatives Lowey and Kolbe that would have required the President to transfer $34 million to UNFPA by July 10 if the State Department commission concludes that UNFPA is not involved in coercive family planning practices in China. Meeting on May 15, however, the Committee added an additional provision offered by Representative Tiahrt, supported by the White House, requiring the President to determine by July 31, 2002, whether UNFPA participates in the management of coercive family planning practices. Before final passage, however, pursuant to H.Res. 431, the second rule for consideration of H.R. 4775, both the Lowey/Kolbe and the Tiahrt amendments were deleted from the bill.

The Senate-passed Supplemental Appropriation includes a provision nearly identical to the Lowey/Kolbe text. Under any of these amendments a finding that UNFPA was in violation of Kemp-Kasten would result in the termination of U.S. support. Without such a conclusion, however, the Senate and Lowey/Kolbe amendments would require the full $34 million contribution to go forward. The Tiahrt amendment would have left open the possibility for the President to allocate something less than $34 million for UNFPA.

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

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

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

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

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

When Congress again came to an impasse in FY2001, lawmakers agreed to allow the new President to set policy. Under the FY2001 Foreign Operations measure, none of the $425 million appropriation could be obligated until after February 15, 2001. Subsequently, on January 22, 2001, two days after taking office, President Bush issued a Memorandum to the USAID Administrator rescinding the 1993 memorandum from President Clinton and directing the Administrator to "reinstate in full all of the requirements of the Mexico City Policy in effect on January 19, 1993." The President further said that it was his "conviction that taxpayer funds should not be used to pay for abortions or to advocate or actively promote abortion, either here or abroad."[12] A separate statement from the President's press secretary stated that President Bush was "committed to maintaining the $425 million funding level" for population assistance "because he knows that one of the best ways to prevent abortion is by providing quality voluntary family planning services." The press secretary further emphasized that it was the intent that any restrictions "do not limit organizations from treating injuries or illnesses caused by

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[12] White House. Memorandum for the Administrator of the United States Agency for International Development. January 22, 2001. Found at [http://www.whitehouse.gov/press/releases/20010123-5.html].

legal or illegal abortions, for example, post abortion care."[13] On February 15, 2001, the day on which FY2001 population aid funds became available for obligation, USAID issued specific policy language and contract clauses to implement the President's directive. The guidelines are nearly identical to those used in the 1980s and early 1990s when the Mexico City policy applied.[14] For FY2003, President Bush seeks $425 million for USAID population assistance, the same as requested for FY2002, but less than the $446.5 million appropriated.

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

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

Andean Regional Initiative[15]

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

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[13] White House. Restoration of the Mexico City Policy. January 22, 2001. Found at [http://www.whitehouse.gov/press/releases/20010123.html].

[14] For more background on the Mexico City policy, see CRS Report RL30830, *International Family Planning: the Mexico City Policy.*

[15] This section was prepared by Nina M. Serafino and K. Larry Storrs, and drawn from CRS Report RL31383, *Andean Regional Initiative (ARI): FY2002 Supplemental and FY2003 Assistance for Colombia and Neighbors*.

According to the Administration, the distinctive features of the program, compared to Plan Colombia assistance approved in 2000,[16] are that a larger portion of the assistance is directed at economic and social programs, and that more than half of the assistance is directed at regional countries experiencing the spill-over effects of illicit drug and insurgency activities. Another aspect of the initiative was President Bush's request for the extension and broadening of the Andean Trade Preferences Act (ATPA) expiring in December 2001, that would give duty free or reduced-rate treatment to the products of Bolivia, Peru, Ecuador and Colombia. This was a central topic when President Bush met with Andean leaders at the Summit of the Americas meeting in Canada in April 2001.

In a mid-May 2001 briefing on the Andean Regional Initiative, Administration spokesmen set out three overarching goals for the region that could be called the three D's - democracy, development, and drugs. The first goal was to promote democracy and democratic institutions by supporting judicial reform, anti-corruption measures, human rights improvement, and the peace process in Colombia. The second was to foster sustainable economic development and trade liberalization through alternative economic development, environmental protection, and renewal of the Andean Trade Preference Act (ATPA). The third was to significantly reduce the supply of illegal drugs to the United States from the source through eradication, interdiction and other efforts.[17] Under consideration by the Congress in 2001, critics of the initiative argued that it overemphasized military and counter-drug assistance, and provided inadequate support for human rights and the peace process in Colombia. Supporters argued that it continued needed assistance to Colombia, while providing more support for regional neighbors and social and economic programs.

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

For FY2003, President Bush requests about $980 million for the Andean Regional (ARI) Initiative, including $731 million in counternarcotics assistance

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

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

under the Andean Counterdrug Initiative (ACI), with some ACI funds being used for social and economic programs. The FY2003 request is similar to the FY2002 request, except that the Administration is requesting $98 million in Foreign Military Financing (FMF) for Colombia to train and equip a Colombian army brigade to protect the Cano-Limon oil pipeline in northeastern Colombia. The request marks a sharp break with previous policy towards Colombia, as it is the first request for military assistance provided specifically for a purpose other than counternarcotics operations. The Administration is also requesting $1 million each for Bolivia, Ecuador, Panama, and Peru in FY2003 FMF funding.

Requested FY2003 foreign operations funding of $979.8 million for the ARI, including $731 million for ACI, is to be distributed as follows in descending order:

- Colombia: $537 million in ARI funding, including $439 million in ACI funding and $98 million in FMF funding.

- Peru: $186.6 million in ARI funding, including $135 million in ACI funding and $1 million in FMF funding.

- Bolivia: $132.6 million in ARI funding, including $91 million in ACI funding and $1 million in FMF funding.

- Ecuador: $65.1 million in ARI funding, including $37 million in ACI funding and $1 million in FMF funding.

- Brazil: $29.5 million in ARI funding, including $12 million in ACI funding.

- Panama: $20.5 million in ARI funding, including $9 million in ACI funding and $1 million in FMF funding.

- Venezuela: $8.5 million in ARI funding, including $8 million in ACI funding.

Proponents of the Administration's request argue in the context of the post-September 2001 war on terrorism that Colombia and the region should be supported, and they have urged the Administration to seek expanded authority to provide support for an expansion of activities.[18] On March 6, 2002, the House passed H.Res. 358 expressing the sense of the House of Representatives that "the President, without undue delay, should transmit to Congress for its consideration proposed legislation, consistent with United States law regarding the protection of human rights, to assist

[18] For critical comments, see statements on the Center for International Policy's Colombia Project web site http://www.ciponline.org/colombia/ under CIP Analyses, under U.S. Military and Police Aid (especially Other Groups' Analyses) and under U.S. Government Information (especially Legislators). For supportive comments, see statements on the same web site under U.S. Military and Police Aid (especially Other Groups' Analyses), and U.S. Government Information (especially statements from Officials and Legislators).

the Government of Colombia protect its democracy from United States-designated foreign terrorist organizations and the scourge of illicit narcotics."

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

In addition to the request for FY2003, on March 21, 2002, the Bush Administration requested $27.1 billion in Emergency FY2002 Supplemental Assistance, which was mostly to support Department of Defense and Homeland Security counter-terrorism efforts, but would also provide $38 million in additional funding and authorities relating to Colombia and the Andean Region. Included in this submission was a request for $4 million of International Narcotics Control (INC) funding for Colombia police post support, $6 million of FMF funding for Colombia for infrastructure security and $3 million for Ecuador for counter-terrorism equipment and training, and $25 million of Nonproliferation, Anti-Terrorism and Demining funding for a counter-kidnaping program for members of Colombia's police and armed forces. The supplemental submission proposes to broaden the authorities of the Defense and State Departments to utilize FY2002 and FY2003 assistance and unexpended Plan Colombia assistance to support the Colombian government's "unified campaign against narcotics trafficking, terrorist activities, and other threats to its national security." According to the Administration's explanation, these provisions "would allow broader authority to provide assistance to Colombia to counter the unified 'cross-cutting' threat posed by groups that use narcotics trafficking to fund their terrorist and other activities that threaten the national security of Colombia."

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

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

Millennium Challenge Account

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

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

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

The concept is based on the premise that economic development succeeds best where it is linked to sound economic and good governance policies. Conditioning assistance on policy performance and accountability by recipient nations is not new to U.S. aid programs. Since the late 1980s at least, portions of American development assistance have been allocated to some degree on a performance-based system. What is different about the MCA is the size of the commitment and the pledge to segregate the funds for use only to support development efforts by the "good performers," evidently without regard to other U.S. foreign policy objectives that often strongly influence where U.S. aid is spent.

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

There are indications that both executive and legislative efforts may be forthcoming to launch the initiative before FY2004. Deputy Secretary of State Richard Armitage told the House Foreign Operations Appropriations Subcommittee on April 18 that the Administration might consider a small "pilot program" for FY2003. Several Members of Congress have also expressed support for immediately funding the MCA in the FY2003 regular Foreign Operations appropriations bill. The Senate-reported FY2003 budget resolution (S.Con.Res. 100) appears to endorse an early start for the MCA by increasing international affairs funding by $500 million above the President's request and using the money, among other things, to initiate a pilot program targeting "foreign assistance on debt relief, development, global health, and trade in top performing countries in Africa and other developing regions of the world."[19] (For more information about this issue, see CRS Report RS 21209, *The Millennium Challenge Account: Bush Administration Foreign Aid Initiative.*)

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[19] Senate Committee on the Budget. Concurrent Resolution on the Budget, FY2003. Report 107-141, April 11, 2002, p. 21.

For Additional Reading

General/Overview

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

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

CRS Report RS 21209. *The Millennium Challenge Account: Bush Administration Foreign Aid Initiative.*

Foreign Operations Programs

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

CRS Issue Brief IB10050. *AIDS in Africa.*

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

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

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

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

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

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

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

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

CRS Issue Brief IB89150. *Refugee Assistance in the Foreign Aid Bill: Problems and Prospects.*

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

CRS Report RL 31433. *U.S. global health priorities: USAID FY2003 budget.*

Foreign Operations Country/Regional Issues

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

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

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

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

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

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

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

CRS Report RL31342. *Middle East: U.S. Foreign Assistance, FY2001, FY2002, and FY2003 request.*

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

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

Selected World Wide Web Sites

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

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

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

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

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

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

Inter-American Foundation
[http://www.iaf.gov/iaf1.htm]

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

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

Peace Corps
[http://www.peacecorps.gov/]

Trade and Development Agency
[http://www.tda.gov/]

United Nations Children's Fund (UNICEF)
[http://www.unicef.org/]

United Nations Development Program (UNDP)
[http://www.undp.org/]

United National Population Fund (UNFPA)
[http://www.unfpa.org/]

U.S. Agency for International Development
[http://www.info.usaid.gov/]

U.S. Department of State
[http://www.state.gov/]

World Bank
[http://www.worldbank.org/]

World Bank HIPC website
[http://www.worldbank.org/hipc/]

Table 7. Foreign Operations: Discretionary Budget Authority

(millions of dollars)

Program	FY2002 Enacted	FY2002 Supp. Request	FY2003 Request	House FY2003	Senate FY2003
Title I - Export and Investment Assistance:					
Export-Import Bank	779.3	–	596.7		
Overseas Private Invest Corp	(251.4)	–	(242.1)		
Trade/Development Agency	50.0	–	44.5		
Total, Title I - Export Aid	**577.9**	**–**	**399.1**		
Title II - Bilateral Economic:					
Development Assistance:					
Child Survival & Health	1,433.5[a]	–	[b]		
Development Asst Fund	1,178.0	–	2,859.5[a]		
Subtotal	**2,611.5**	**–**	**2,859.5**		
Of which:					
UNICEF	*[120.0]*	–	*[120.0]*		
Population aid[c]	*[447.5]*	–	*[425.0]*		
HIV/AIDS[c]	*[510.0]*	–	*[640.0]*		
Intl Disaster Aid	235.5	40.0	235.5		
Intl Disaster Aid–ETR[d]	146.0	–	–		
Transition Initiatives	50.0	–	55.0		
Development Credit Programs	7.5	–	7.6		
Subtotal, Development Aid	**3,050.5**	**40.0**	**3,157.6**		
USAID Operating Expenses (OE)	549.0	7.0	572.1		
USAID OE–ETR[d]	15.0	–	–		
USAID Inspector General	31.5	–	33.0		
USAID Capital Invst Fund	–	–	95.0		
Economic Support Fund (ESF)[e]	2,199.0	525.0	2,290.0		
Economic Support Fund–ETR[d]	600.0	–	–		
International Fund for Ireland	25.0	–	[25.0][e]		
East Europe	621.0	–	495.0		
Former Soviet Union	784.0	110.0	755.0		
Former Soviet Union–ETR[d]	46.5	–	–		
Inter-American Foundation	13.1	–	14.0		
African Development Foundation	16.5	–	16.6		
Treasury Dept. technical asst	6.5	–	10.0		
Treasury technical asst–ETR[d]	3.0	–	–		
Debt reduction	229.0	–	0.0		
Peace Corps	275.0	–	317.0		

Program	FY2002 Enacted	FY2002 Supp. Request	FY2003 Request	House FY2003	Senate FY2003
Peace Corps–ETR[d]	3.9	–	–		
Intl Narcotics/Law	217.0	114.0	197.0		
Intl Narcotics/Law–ETR[d]	73.0	–	–		
Intl Narcotics–Andean Initiative	625.0	–	731.0		
Migration & refugee asst	705.0	–	705.0		
Migration & Refugee asst–ETR[d]	100.0	–	–		
Emerg. Refugee Fund (ERMA)	15.0	–	15.0		
Non-Proliferation/anti-terrorism	313.5	83.0	372.4		
Non-Prolif./anti-terrorism– ETR[d]	183.7	–	–		
Total Title II-Bilat Economic	**10,700.7**	**879.0**	**9,775.7**		
Title III - Military Assistance:					
Intl Military Education &Training	70.0	–	80.0		
Foreign Mil Financing (FMF)	3,650.0	372.5	4,107.2		
Foreign Mil Financing–ETR[d]	45.0	–	–		
Peacekeeping Operations	135.0	28.0	108.3		
Peacekeeping Operations–ETR[d]	220.0	–	–		
Total, Title III-Military Aid	**4,120.0**	**400.5**	**4,295.5**		
Title IV - Multilateral Economic Aid:					
World Bank - Intl Develop. Assn	792.4	–	874.3		
World Bank-Environment	100.5	–	177.8		
World Bank-Mult Invst Guaranty	5.0	–	3.6		
Inter-Amer. Development Bank	18.0	–	59.9		
Asian Development Bank	98.0	–	147.4		
African Development Fund	100.0	–	118.1		
African Development Bank	5.1	–	5.1		
European Bank for R & D	35.8	–	35.8		
Intl Fund for Ag Development	20.0	–	15.0		
Intl Organizations & Programs	208.5[f]	–	190.0[f]		
Total, Title IV - Multilateral	**1,383.3**	**–**	**1,627.0**		
OMB Retirement Accruals	–	–	23.0		
Foreign Operations– Regular	**15,345.8**	**1,279.5**	**16,120.3**		
Emergency Terrorism Response	**1,436.1**	**–**	**–**		
Foreign Operations–with ETR	**16,781.9**	**1,279.5**	**16,120.3**		

Source: House and Senate Appropriations Committee and CRS calculations.

a. Includes the UNICEF contribution.

b. For FY2003, the Administration is proposing to consolidate Child Survival/Health and Development Assistance accounts into a single account. For comparative purposes with FY2002, the FY2003 request breaks down as follows: $1.374 billion for Child Survival/Health and $1.365 billion for Development Assistance.

c. Population and HIV/AIDS aid funding include small amounts from other Foreign Operations accounts. The figures here represent totals "across all accounts," not just those within the Development Aid subtotal.

d. Funds allocated from the $40 billion Emergency Terrorism Response (ETR) fund, appropriated in P.L. 107-38. These amounts are in addition to amounts appropriated in P.L. 107-115, the regular Foreign Operations Appropriations for FY2002.

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

f. Excludes UNICEF contribution which is part of Development Assistance under Title II above.