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

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

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

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

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

Summary

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

President Bush requested $16.45 billion (amended on September 3) for FY2003 Foreign Operations, an amount 7% higher than regular FY2002 appropriations, but less than enacted FY2002 foreign aid appropriations when amounts allocated from the two supplemental appropriations are included. The White House distributed nearly $1.4 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. Congress approved in July an additional $927 million (net rescissions) in FY2002 supplemental Foreign Operations amounts aimed at bolstering homeland security and fighting terrorism abroad. Combined with funds provided in the regular appropriation (P.L. 107-115), enacted Foreign Operations spending for FY2002 totals $17.7 billion.

The FY2003 Foreign Operations proposal increases bilateral U.S. development assistance by $348 million (+13%), including an additional $230 million, or nearly one-half more for global HIV/AIDS programs. Other major additions in the FY2003 budget 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%.

The 107^{th} Congress adjourned before completing action on Foreign Operations and 10 other funding measures. These bills are being considered early in 2003. On January 23, the Senate passed H.J.Res. 2 that includes Foreign Operations spending for FY2003 totaling $16.43 billion. Last year, the Senate and House Appropriations Committees had reported $16.35 billion (S. 2779) and $16.55 billion (H.R. 5410) Foreign Operations measures, respectively.

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

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Most Recent Developments

On January 23, 2003, the Senate passed H.J.Res. 2, a continuing appropriations measure to which Foreign Operations and 10 other FY2003 appropriations bills had been added. The Senate provides $16.43 billion for Foreign Operations but H.J.Res. 2 also requires an across-the-board rescission of 2.85% for all discretionary budget authority in the bill. This would reduce total Foreign Operations funding to about $15.96 billion.[1]

Previously, the 107th Congress adjourned without completing action on 11 appropriation bills, including Foreign Operations. Senate and House Appropriations Committees reported Foreign Operations measures (S. 2447 and H.R. 5410) in July and September, respectively, but neither bill received floor debate and expired at the end of the Congress. Following passage of H.J.Res. 2, Appropriation Committee leaders plan to convene a House-Senate conference to settle on final amounts and legislative text. The House does not plan to debate H.J.Res. 2 prior to the conference meeting.

As passed by the Senate on January 23, the $16.43 billion Foreign Operations measure falls slightly – $18 million – below the President's request. The House Committee had reported a $16.55 billion measure last year (H.R. 5410), $102 million above the proposed budget. Both the new Senate bill and H.R. 5410 added funds in key areas. H.J.Res. 2 provides $971 million for international HIV/AIDS programs while the House measure last year supported $786 million. The President proposed $740 million for HIV/AIDS, including a budget amendment of September 3, 2002.

The Senate measure further provides $435 million for bilateral family planning activities and $35 million for the U.N. Population Fund (UNFPA). The UNFPA money, however, is available only if the President certifies that the organization is no longer involved in the management of a coercive family planning program. H.R. 5410 included $425 million for bilateral family planning assistance and $25 million

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[1] H.J.Res. 2, as passed by the Senate, includes an across-the-board rescission of 1.6% (§601, Division N). This rescission is augmented by §309 of Division G, which requires an increase in the rescission to offset $5 billion in additional education spending. According to CBO, this amount generates an additional 1.252% reduction. Thus, the total across-the-board reduction is currently estimated at 2.852%, which has been calculated by CBO as $11.392 billion. Unless otherwise noted, figures in this report do not reflect the across-the-board rescission in H.J.Res. 2.

for UNFPA with similar restrictions to those in the Senate's new bill. The President seeks $425 million for family planning and declared UNFPA ineligible for U.S. support. Last year, the Senate Committee (S. 2779) had recommended changes in the terms under which the President can find an organization in violation of family planning conditions and partially reversed the President's "Mexico City policy" for certain non-governmental organizations. These provisions are not included in H.J.Res. 2.

The new Senate-passed measure provides $650 million for the Andean Regional counternarcotics initiative, while H.R. 5410 had included $731 million, as requested. H.J.Res. 2 includes $220 million for Afghanistan, compared with $296 million specified in H.R. 5410. The Administration estimated that it would allocate $98 million for Afghan aid out of its Foreign Operations request. Both the new Senate measure and last year's House bill provide full funding for regular aid to Israel ($2.7 billion), although the Senate does not earmark an additional $200 million requested by the President in a September 2002 budget amendment for Israeli anti-terrorism aid. The House bill included the extra $200 million. H.J.Res. 2 further cuts all funding for North Korean heavy fuel oil ($71.5 million) but retains $3.5 million for administrative costs of KEDO.

Meanwhile, in the absence of an enacted appropriation, Foreign Operations programs are operating at FY2002 levels under a Continuing Appropriation (P.L. 107-294, as amended) that funds federal agencies through February 20, 2003.

Introduction

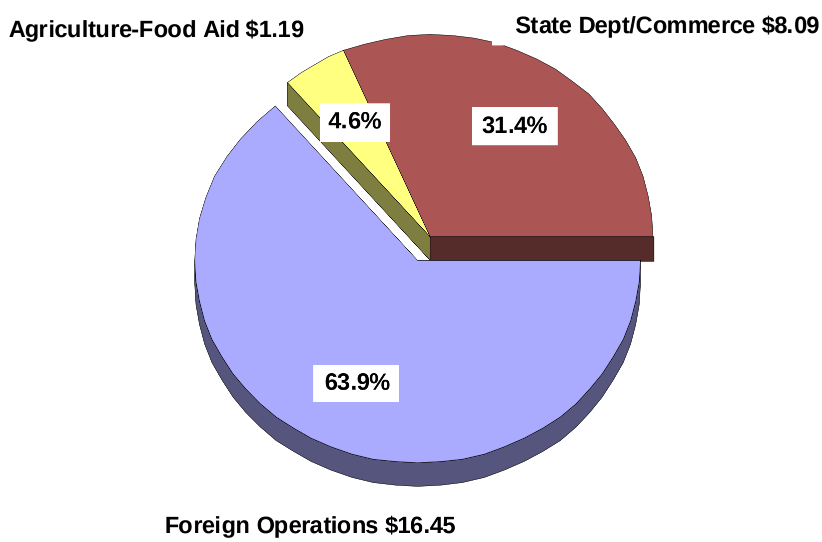
The annual Foreign Operations appropriations bill is the primary legislative vehicle through which Congress reviews and votes on the U.S. foreign assistance budget and influences major aspects of executive branch foreign policy making generally.[2] It contains the largest share — about two-thirds — of total international affairs spending by the United States (see **Figure 1**). The legislation funds all U.S. bilateral development assistance programs, managed mostly by the U.S. Agency for International Development (USAID), together with several smaller independent foreign aid agencies, such as the Peace Corps and the Inter-American and African Development Foundations. Most humanitarian aid activities are funded within Foreign Operations, including USAID's disaster program and the State Department's refugee relief support. Foreign Operations includes separate accounts for aid programs in the former Soviet Union (also referred to as the Independent States

[2] 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.

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

By Appropriation Bills; $s billions



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

Status

Table 1. Status of Foreign Operations Appropriations, FY2003: Action in the 107th Congress

Subcomm. Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conf. Report Approval		Public Law
House	Senate						House	Senate	
9/5/02	7/16/02	9/19/02 107-663 H.R. 5410	–	7/24/02 107-219 S. 2779	–	–	–	–	–

Table 2. Status of Foreign Operations Appropriations, FY2003: Action in the 108th Congress

Subcomm. Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conf. Report Approval		Public Law
House	Senate						House	Senate	
–	–	–	–	–	1/23/03 H.J.Res. 2				

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

In the absence of an enacted appropriation, Foreign Operations programs are operating at FY2002 levels under a Continuing Appropriation (P.L. 107-294, as amended) that funds federal agencies through February 7, 2003. In the meantime, the Senate passed H.J.Res. 2 on January 23, 2003. The legislation includes 11 FY2003 appropriation bills, including Foreign Operations.

Implications for Foreign Operations of Continuing Appropriation Funding

Since October 1, 2002, Foreign Operations, like most appropriation bills, has operated under the terms and limitations of a series of continuing appropriations. In general, these continuing resolutions (CRs) permit spending in FY2003 at the "current rate;" that is, the rate of FY2002 spending based on a calculation designated by OMB. Moreover, unless a waiver is issued, OMB requires agencies to apportion funds based on the percentage of the year covered by the CR.[3] As a result, funding for programs that operate under a CR for an extended period of time may experience resource shortfalls, especially those that are affected by inflation-related increases, that traditionally require large obligations early in the fiscal year or that represent increased funding proposals or new initiatives for which the "current rate" is far below the pending request.[4]

Generally, most Foreign Operations programs are not facing these potential CR limitations. The enactment of nearly $1 billion in terrorism-related FY2002 supplemental appropriations for Foreign Operations – amounts that are included in the "current rate" calculation – provides sufficient funding in FY2003 for many Foreign Operations accounts compared with the Administration requests and bills acted on by the House and Senate.

There are, however, a few exceptions in which agencies may experience difficulties funding operations under a CR through at least early February 2003 and perhaps beyond. The major impact for some programs will be a delay in the availability of increased funds above FY2002 levels and consequently the postponement of expansion efforts until later in the fiscal year. USAID development aid accounts, the Treasury Department's technical assistance program, including anti-terrorism financing projects, the Peace Corps, and the State Department's Andean counternarcotics initiative are scheduled for substantial increases under the Administration's pending budget request. For the Peace Corps and counternarcotics activities, however, the Senate-passed measure (H.J.Res. 2) does not support significant increases, raising the possibility that Congress will decide to keep funding for these programs at or near the current rate allowed under the CR.

A new USAID initiative – the Capital Investment Fund, which will support agency efforts to construct secure facilities overseas and make information technology improvements – will also face delays in implementation under a longer-term CR since the program had no funding in FY2002. Nevertheless, House action last year and Senate decisions on H.J.Res. 2 this year would reduce the Fund's $95 million proposed budget, raising the possibility that overseas construction plans may be significantly curtailed in FY2003, but not because of extended funding under a CR.

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[3] See OMB Bulletin No. 02-06, Supplement No. 2, October 16, 2002 [http://www.whitehouse.gov/omb/bulletins/b02-06a2.pdf]

[4] For more general information concerning a CR, see CRS Report RL30343, *Continuing Appropriations Acts: Brief Overview of Recent Practices.*

The State Department's refugee assistance program, which funds both refugee admissions to the U.S. and humanitarian relief abroad, may experience a funding gap due to the CR apportionment guidelines. Normally, the United States pledges and makes available within the first quarter of a new fiscal year a substantial amount – around $125 million – to the U.N. High Commissioner for Refugees in support of UNHCR's worldwide appeals. The U.S. pledged $125 million at a Geneva conference in early December, but had transferred only $69 million by the end of 2002, in part because of the uncertainty over final FY2003 amounts.

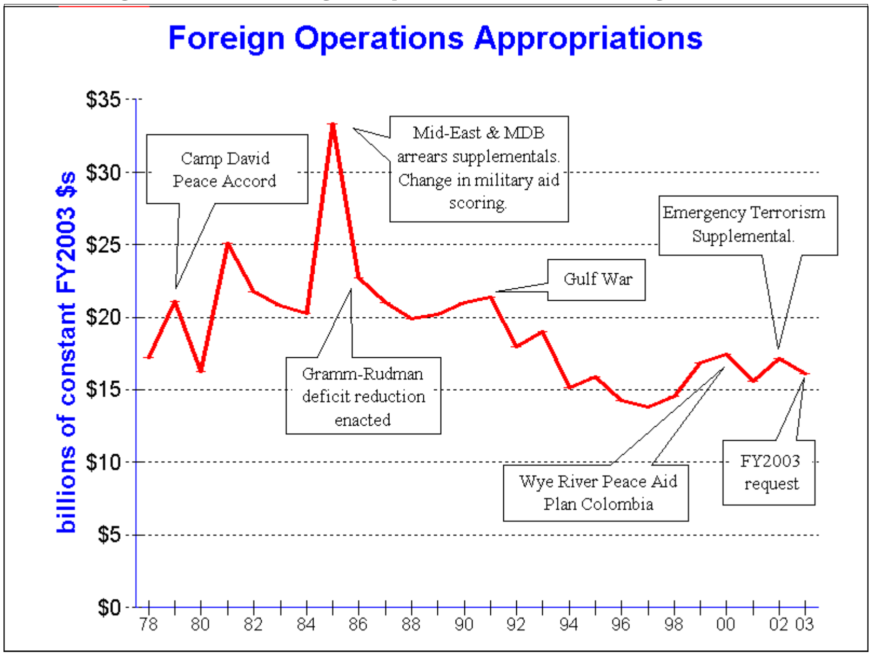
Funding the daily operational expenses of USAID may also pose difficulties under the CR apportionment formula. USAID, like all federal agencies, will need to absorb a salary increase in January 2003 within a current rate that USAID managers say was barely enough to meet FY2002 costs.

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

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

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.[6] The average annual funding level during the FY1999-FY2002 period of $16.99 billion represents a level 23% higher than the low point in Foreign Operations appropriation in FY1997.

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

	FY95	FY96	FY97	FY98	FY99*	FY00	FY01	FY02	FY03 Req.
nominal $s	13.61	12.46	12.27	13.15	15.44	16.36	16.31	16.32	16.45
constant FY03 $s	15.91	14.27	13.77	14.57	16.86	17.42	16.99	16.68	16.45

* FY1999 excludes $17.861 billion for the IMF.

Funding for Foreign Operations programs grew significantly in FY2001 and 2002 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.[7] Congress approved an additional $927 million Foreign Operations supplemental (P.L. 107-206; H.R. 4775), bringing amounts for FY2002 to $16.32 billion. The amounts for each of the past three years – roughly $16.3 billion – are the largest in nominal terms since FY1985 and in constant terms – averaging about $17 billion – are the highest in 10 years.

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 represented 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 consumed 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.

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

Data Notes

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

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

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

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

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

Complicating the Committees' ability to set Section 302(b) allocations and proceed with markups of the FY2003 appropriations was the absence of enactment of a budget resolution. The House approved H.Con.Res. 353 on March 20, 2002, recommending $759 billion in total discretionary budget authority, including a $10 billion reserve for defense, the level requested by the President. The House-passed budget resolution further 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, did not conclude debate on a budget resolution and agree on a common framework. Some 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 remained divided during the 107th Congress, however, over which budget resolution level to use.

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

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

Like the House and Senate Foreign Operations Appropriations bills reported in 2002, these 302(b) allocations expired with the end of the 107th Congress. With only two appropriation bills enacted at the beginning of the 108th Congress, House and Senate leaders agreed to use $750 billion (excluding the $10 billion defense reserve) as the target for completing the remaining 11 appropriation measures. The Senate Appropriations Committee issued new 302(b) figures, providing Foreign Operations with $16.25 billion, about $200 million less than the President's revised request. Although Foreign Operations budget authority in H.J.Res. 2, as reported, remained within this allocation, the Senate approved a floor amendment adding $180 million in additional international HIV/AIDS spending. Consequently, as passed by the Senate on January 23, Foreign Operations totals $16.43 billion, exceeding the 302(b) allocation. Observers expect this difference to be worked out in conference with the House and that revised allocations will likely be issued.

Foreign Operations Appropriations Request for FY2003 and Congressional Consideration

Request Overview

In February 2002, President Bush asked Congress to appropriate $16.1 billion for FY2003 Foreign Operations, a request that was subsequently raised to $16.45 billion on September 3. The amended budget proposal is nearly $1.1 billion, or 7% higher than regular Foreign Operations appropriations for FY2002. When the $1 billion provided for foreign assistance in the FY2002 supplemental appropriation (P.L. 107-216; H.R. 4775) is added to enacted amounts for FY2002, the proposal for FY2003 is slightly – $75 million – above FY2002 total appropriations.

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, American foreign aid programs have shifted focus toward more direct support for 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.[8] 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 (of which $98 million would come from the Foreign Operations bill) 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 some 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 that did not adequately address the most urgent requirements of the war on terrorism.[9]

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[8] "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.

[9] 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.

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

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

- **Development assistance** would rise by about $350 million, or over 13%, 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.)

- **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.

Table 4. Summary of Foreign Operations Appropriations

(Discretionary funds – in millions of dollars)

Bill Title & Program	FY2001 Enacted*	FY2002 Enacted*	FY2003 Request	FY2003 Senate H.J.Res. 2	FY2003 House 107th**	FY2003 Enacted
Title I - Export Assistance	738.9	577.9	399.1	399.3	404.1	
Title II - Bilateral Economic Aid	10,220.2	10,448.6	10,125.6	10,213.4	10,324.1	
Development aid	*2,325.0*	*2,611.5*	*2,959.6*	*3,335.0*	*3,108.0*	
Israel/Egypt economic aid	*1,532.6*	*1,375.0*	*1,415.0*	*1,215.0*	*1,415.0*	
Former Soviet Union	*808.2*	*940.5*	*755.0*	*765.0*	755.0	
Anti-terrorism programs	*167.8*	*141.0*	*69.2*	*69.2*	*69.2*	
Narcotics control/Andean Init	*348.0*	*956.0*	*927.7*	*846.7*	928.0	
Title III - Military Assistance	4,025.9	4,232.0	4,295.5	4,272.0	4,285.2	
Israel/Egypt	*3,273.6*	*3,340.0*	*3,400.0*	*3,400.0*	3,400.0	
Title IV - Multilateral Aid	1,330.0	1,383.3	1,627.0	1,544.0	1,535.9	
Total Foreign Operations	**16,315.0**	**16,641.8**	**16,447.2**	**16,428.7**	**16,549.3**	
Rescissions***	–	(269.0)	–	(468.5)	–	
Total Foreign Operations, Net	**16,315.0**	**16,372.8**	**16,447.2**	**15,960.2**	**16,549.3**	

Source: House and Senate Appropriations Committee and CRS calculations.

* FY2001 levels include the regular FY2001 Foreign Operations Appropriations plus $1.328 billion emergency terrorism funding allocated from amounts provided in P.L. 107-38, the Emergency Terrorism Supplemental Appropriation enacted in September 2001. FY2002 levels include $15.396 billion in regular Foreign Operations appropriations enacted in P.L. 107-115 plus $927 million (net $269 million in rescissions), provided in P.L. 107-206, the FY2002 emergency supplemental appropriation. See Table 8 at the end of this report for more details regarding regular FY2002 Foreign Operations funding and terrorism-related supplementals.

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

** See footnote 1, above. H.J.Res. 2, as passed by the Senate, includes a 2.85% across-the-board rescission. The amount shown here is illustrative of how much might be withheld from Foreign Operations programs if the rescission were applied to each account.

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 $1 billion to Pakistan. India, the Philippines, Turkey, and Uzbekistan also are among the top aid recipients in FY2002 and planned for FY2003 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 5. Leading Recipients of U.S. Foreign Aid

(Appropriation Allocations; $s in millions)

	FY2001 Actual	FY2002 Estimate[a]	FY2003 Request
Israel	2,814	2,788	2,900[b]
Egypt	1,992	1,956	1,916
Pakistan	4	1,036	305
Colombia	49	416	538
Jordan	229	355	453
Afghanistan[c]	184	530	98
Peru	90	198	189

	FY2001 Actual	FY2002 Estimate[a]	FY2003 Request
Ukraine	183	163	166
Russia	169	165	158
FRYugoslavia	186	165	136
Indonesia	121	137	132
Bolivia	89	126	137
Turkey	2	232	21
India	60	80	153
Philippines	49	131	95
Georgia	100	123	97
Uzbekistan	31	161	44
Kosovo	150	118	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 estimated and FY2003 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 estimates includes funds allocated from the regular Foreign Operations appropriation, plus funds drawn from the Emergency Response Fund appropriated in P.L. 107-38 and allocated from the FY2002 Supplemental Appropriation (P.L. 107-206).

[b] Includes $200 million for anti-terrorism assistance requested on September 3, 2002.

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

Congressional Response to the FY2003 Request

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

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

As approved by the Senate, H.J.Res. 2 provides $16.43 billion for Foreign Operations, about $20 million below the President's request. The joint resolution, however, also includes an across-the-board rescission of about 2.85% that if applied to Foreign Operations accounts, would reduce the total by $468 million and result in the net amount of $15.96 billion for Foreign Operations programs.[10] Beyond the overall size of the measure, H.J.Res. 2 makes a number of key changes to the Administration's proposal and to legislation – S. 2779 – reported by the Committee last year:

- **Child Survival and Health** programs receive $1.97 billion, $376 million above the request and $190 million higher than recommended by the Senate Appropriations Committee last year in S. 2779. H.J.Res. 2 goes well beyond the President's budget for HIV/AIDS – providing $971.5 million rather than $740 million – and also restores funds for other health programs that had been scheduled for reductions under the Administration's proposal. HIV/AIDS resources grew during Senate floor debate when an amendment by Senator Durbin adding $180 million, including $100 million additional for the Global Fund, was adopted (see more below).

- **Population assistance** increases to $435 million, $10 million above the request. But H.J.Res. 2 drops a key provision in S. 2779 (Sec. 581) prohibiting the President from denying family planning grants to non-governmental organizations that engage in abortion-related advocacy and lobbying activities with funds other than those provided by the United States. This would have effectively reversed one criteria of the President's so-called "Mexico City policy." NGOs would still have been barred from performing abortions with non-U.S. funds.

- **UNFPA** contributions are earmarked at $35 million, a reduction from $50 million set in S. 2779. The funds would still be conditioned on a determination by the President that UNFPA no longer supports or participates in the management of coercive family planning programs. The Administration declared in July 2002 UNFPA ineligible for U.S. support due to the organization's programs in China. S. 2779 would have modified the terms under which the President could declare UNFPA ineligible in a way which would have made such a finding more difficult. H.J.Res. 2 does not include this change (see more below).

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[10] H.J.Res. 2, as passed by the Senate, includes an across-the-board rescission of 1.6% (§601, Division N). This rescission is augmented by §309 of Division G, which requires an increase in the rescission to offset $5 billion in additional education spending. According to CBO, this amount generates an additional 1.252% reduction. Thus, the total across-the-board reduction is currently estimated at 2.852%, which has been calculated by CBO as $11.392 billion.

- **Andean Regional Initiative** funding is cut to $650 million, $81 million less than requested but $13 million higher than in S. 2779. The joint resolution further continues several existing conditions on aid to Colombia.

- **Afghanistan reconstruction** aid is set in H.J.Res. 2 at $220 million, up from $157 million in S. 2779. The Administration did not submit a formal request for Afghanistan for FY2003, but says there is about $98 million in humanitarian aid Foreign Operations accounts that will likely support programs in Afghanistan.

- **Peace Corps** funding is set at $285 million, $32 million below the request. The Senate measure supports the current Peace Corps expansion effort but believes a stronger planning effort should occur before more funds are provided.

- **North Korea** aid, which had been proposed at $75 million in the original request submitted a year ago, is prohibited in H.J.Res. 2. This follows admissions by North Korea that it had resumed its nuclear program. The Administration has suspended deliveries of fuel oil and food aid to North Korea. The legislation permits the President, however, to provide up to $3.5 million for administrative expenses of the Korean Energy Development Organization (KEDO) that administers the program to build light-water nuclear reactors in North Korea. H.J.Res. 2 further recommends $10 million to assist North Korean refugees and asylum seekers and $250,000 for human rights programs in North Korea managed by the National Endowment for Democracy.

- A **Palestinian Statehood** general provision is included (Sec. 548) that bars U.S. assistance to support a Palestinian state unless certain conditions are met, including those relating to a democratically-elected Palestinian leadership and the end of support for terrorism. This provision was not part of S. 2779.

- H.J.Res. 2 makes no mention of the President's September 3 budget amendment adding **$200 million for Israeli anti-terrorism aid and $50 million for Palestinian humanitarian relief**. The measure, however, increases the disaster assistance account, out of which the Palestinian aid would come, above S. 2779 by $35 million, although much of that may be for Afghanistan. The Senate adds $10 million to the ESF account from amounts recommended last year in S. 2779, but is far short the amount necessary for the additional Israeli aid package.

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

Although the Senate has debated and passed a new version of the Foreign Operations spending measure, as part of H.J.Res. 2, the House has not taken up new legislation in 108th Congress. House and Senate appropriators are expected to hold conference committee meetings on H.J.Res. 2, as passed by the Senate, without holding a House debate in advance. While the recommendations made last year by the House Appropriations Committee in H.R. 5410 no longer have formal legislative standing, they may serve as a guide to House conferees during discussions on H.J.Res. 2. Nevertheless, the conference committee is likely to be working with a somewhat lower spending allocation than the $16.55 billion target used by the House Appropriations Committee last year. Below are the major highlights of H.R. 5410 reported by the Committee in September 2002.

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

- **Child Survival and Health** programs received $1.71 billion, slightly higher than the request. The bill provided $786 million for HIV/AIDS, and also restored funds for other health programs.

- **Population assistance** was set at the $425 million request.

- **UNFPA** contributions were earmarked at $25 million, even though the President declared UNFPA ineligible in FY2002 for U.S. support due to the organization's programs in China. The House Committee measure further conditioned U.S. assistance on UNFPA not providing any support to China's State Planned-Birth Commission or its regional affiliates. H.R. 5410, however, retained current law regarding the terms under which the President can declare UNFPA ineligible.

- **Andean Regional Initiative** funding was set at the $731 million request and the bill modified an existing certification requirement regarding the release of these funds.

- **Afghanistan reconstruction** aid was set at $296 million. The Administration did not transmit a specific request for FY2003, but says there is about $98 million in humanitarian aid accounts for Afghanistan.

- **Peace Corps** funding was set at $317 million, the requested amount.

- A **Palestinian Statehood** general provision was included that bars U.S. assistance to help establish a Palestinian state unless certain conditions are met, including those relating to democratic reforms and the end of support for terrorism. An amendment to modify the provision by Representative Obey was defeated during Subcommittee markup.

Supplemental FY2002 Foreign Operations Funding

The Administration sought $1.28 billion in additional FY2002 Foreign Operations funding, primarily to increase economic, military, and counter-terrorism assistance to so-called "front-line" states in the war on terrorism. Although the complete list remains classified, the United States has placed a growing priority on increasing assistance to over 20 nations representing not just those bordering Afghanistan or located in the region, but including countries globally that have committed to helping the United States in the war on terrorism. Administration officials have publically identified some of those front-line states for whom supplemental assistance was sought.

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

Nevertheless, as a result of a decision made by President Bush on August 13 not to spend any of the $5.1 billion supplemental designated as "contingent emergency," about one-third of the foreign aid supplemental became unavailable. According to the 1985 Balanced Budget and Emergency Deficit Control Act as amended, both the President and Congress must agree that spending is emergency for those funds to be exempt from budgetary controls over total spending. After the White House strongly objected to House and Senate proposals to exceed the President's $27.1 billion supplemental request, lawmakers agreed to provide $5.1 billion of the $28.9 billion supplemental total as contingent emergency funding for which the President also would have to designate as emergency resources in order for the money to become available. The $5.1 billion in contingent emergency funding included new items added by Congress and increases above the Administration's request. The enacted supplemental, however, included a so-called "all or nothing" provision, requiring the President to declare either the entire $5.1 billion as emergency funds or none of it.

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

- Israel aid – $200 million

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

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

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

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

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

Table 6. FY2002 Supplemental Compared with Enacted & Requested

($s – millions)

Country/Program	FY2001 Enacted	FY2002 Enacted	FY2002 Supplemental Request	FY2002 Supp. Enacted	FY2003 Request
South Asia:					
Afghanistan	$184.3[a]	$530.0[a]	$250.0	$258.0[b]	[a]
Nepal	$21.3	$30.0	$20.0	$12.0	$41.2
Pakistan	$3.5	$921.0	$145.0	$115.0	$305.0
Middle East					
Bahrain	$0.2	$0.4	$28.5	$28.5	$0.5
Jordan	$226.2	$227.0	$125.0	$125.0	$450.4
Oman	$0.0	$0.3	$25.0	$25.0	$20.3
Yemen	$4.2	$5.5	$25.0	$23.0	$12.7
Economic Initiative	–	–	$50.0	$20.0	–
Israel	$2,813.8	$2,788.0	$0.0	[b]	$2,700.0
Palestinians	$71.0	$72.0	$0.0	[b]	$75.0
East Asia					
Indonesia	$121.0	$124.7	$16.0	$12.0	$71.9
Philippines	$50.4	$92.1	$40.0	$37.0[b]	$93.1
Africa					
Cote d'Ivoire	$2.8	$3.1	$2.0	[c]	$3.1
Djibouti	$0.2	$0.2	$6.0	$1.5[c]	$0.2
Ethiopia	$40.6	$46.8	$12.0	$2.0 [c]	$51.1
Kenya	$34.6	$40.7	$22.0	$15.0 [c]	$48.8
Mauritania	$2.1	$1.9	$1.0	[c]	$1.9
Nigeria	$86.6	$62.4	$2.0	[c]	$73.0
Southern Sudan	$4.5	$11.4	$10.0	[c]	$22.3
Africa Regional	–	–	[$35.0][c]	$20.0[c]	–
Europe/Eurasia					
Georgia	$97.8	$100.9	$20.0	$20.0	$95.2
Kazakstan	$48.4	$48.6	$3.5	$3.5	$47.0
Kyrgyz Republic	$35.2	$37.6	$42.0	$42.0	$41.1
Tajikistan	$16.7	$19.9	$40.0	$40.0	$22.5
Turkey	$1.7	$22.7	$228.0	$228.0	$20.3
Turkmenistan	$7.3	$7.6	$4.0	$4.0	$8.2
Uzbekistan	$28.4	$95.6	$45.5	$45.5	$41.5
Latin America					
Colombia	$49.0	$381.7	$35.0	$31.0	$538.2

Country/Program	FY2001 Enacted	FY2002 Enacted	FY2002 Supplemental Request	FY2002 Supp. Enacted	FY2003 Request
Mexico	$31.1	$35.6	$25.0	$25.0	$43.6
Ecuador	$16.4	$47.5	$3.0	$3.0	$65.8
Regional Border Control	–	–	$5.0	$4.0	–
Global					
Antiterrorism Training	$38.0	$83.5	$20.0	$20.0	$64.2
Terrorist Financing	–	–	$10.0	$10.0	–
Terrorist Interdiction	$4.0	$8.0	$10.0	$10.0	$5.0
USAID admin/security	–	–	$7.0	$7.0	–
Defense admin costs	–	–	$2.0	$2.0	–
HIV/AIDS, TB, Malaria, & Global Fund	$553.0	$640.0	$0.0	[b]	$817.5
Migration/Refugee aid	$698.0	$705.0	$0.0	[b]	$705.6
Muslim Education Exchange	–	–	$0.0	$7.0	–
Rescissions	–	–	($157.0)	($269.0)	–
TOTAL	**$5,292.3**	**$7,191.7**	**$1,122.5**	**$927.0**[d]	**$6,486.2**

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

[a] Afghan aid figures for FY2001 and FY2002 represent estimates of U.S. assistance provided primarily through humanitarian aid accounts, such as food, refugee relief, and disaster aid. The FY2002 enacted level includes total amounts obligated for Afghanistan, including funds enacted in the Supplemental bill. For FY2003, the Administration did not request a specific amount for Afghanistan, but estimates that about $140 million is assumed for Afghanistan within several humanitarian aid accounts.

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

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

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

Funding Issues

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

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

Policy Issues

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

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

DOD officials said that these provisions were essential to help reimburse countries for costs they incur in assisting U.S. forces engaged in the war on terrorism. The United States had to delay payments to Pakistan for support provided in Operation Enduring Freedom because of competing demands on regular military aid funds and the absence of agreements between DOD and the Pakistan military that would allow such transfers out of the defense budget. Nevertheless, critics charged that such a change would infringe on congressional oversight and the State Department's traditional role in directing foreign aid policy and resource allocations.

By including a "notwithstanding" proviso, the request further would remove human rights and other conditions that must be observed by countries in order to qualify for U.S. security assistance.

At a House hearing on April 18, Deputy Secretary of State Armitage told the Foreign Operations Appropriations Subcommittee that although the State Department supported the "intent" of the provisions, the Administration drafted the legislation in a "rather poor way" and that the authority was "a little broader in scope than we really intended." Secretary Armitage pledged that both State and DOD officials would work with Congress to adjust the provisions in a way that would protect the prerogatives of the Secretary of State as the "overseer of foreign policy and foreign aid."[11]

Colombia Aid Restrictions. An additional provision in the supplemental sought to broaden DOD and State Department authorities to utilize unexpended Plan Colombia, FY2002 and FY2003 appropriations to support Colombia's "unified campaign against narcotics trafficking, terrorist activities, and other threats to its national security."[12] The provision would allow funds to be used not only for counter narcotics operations, but also for military actions against Colombian insurgents and any other circumstances that threatened Colombian national security.

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

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

Removal of Restrictions for Other Economic and Military Assistance. The Administration's supplemental submission asked Congress to provide most of the economic and military aid funds "notwithstanding any other

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

[12] 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].

provision of law." Such language is usually reserved only for situations where humanitarian assistance or aid in support of the highest U.S. foreign policy interests would be prohibited due to existing legislative restrictions on assistance to governments that violate human rights, engage in weapons proliferation, came to power through a military coup, do not cooperate in counter-narcotics activities, or a series of other similar aid conditions.

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

Congressional Action on the Administration's Supplemental Foreign Operations Request

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

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

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

In most cases, the conference agreement did not set specific country allocations, leaving that to the discretion of the President.

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

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

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

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

During House Committee markup, another contentious foreign aid policy issue was introduced. Between mid-January and mid-July 2002, the White House had maintained a hold on U.S. contributions to the U.N. Population Fund (UNFPA) because of allegations that UNFPA is participating in the management of coercive family planning practices in China. For FY2002, Congress provided "not to exceed" $34 million for UNFPA, and some Members 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.

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

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

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

Major Policy and Spending Issues for FY2003

While the Foreign Operations appropriations bill may include virtually any foreign policy issue of interest to Congress, the annual debate usually focuses on several major policy and spending issues. Issues for FY2003 have been 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 was extended to "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 has occurred in Pakistan and Afghanistan, to bolster coalition-partner government efforts to counter domestic dissent and armed attacks by extremist groups, and to promote better health care, education, and employment opportunities to its people. Security assistance can finance the provision of military equipment and training to nations facing threats from their own internally-based terrorist movements.

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

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

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

Resources for the $38 million annual ATA program (FY2001) rose sharply following September 11, with an additional $45.5 million allocated out of the Terrorism Emergency Response Fund. In addition to the regular $38 million for FY2002, a further $20 million was included in the emergency supplemental appropriation (P.L. 107-206; H.R. 4775). The President 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 for FY2001 following September 11, and grew to $14 million in FY2002. The request for FY2003 is $5 million.

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

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

In an effort to overcome these problems, USAID 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 upgrades 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 further used $2 million from the FY2002 emergency supplemental (P.L. 107-206; H.R. 4775) for establishing secure USAID operating facilities in Afghanistan and Pakistan.

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

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

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

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

Congressional Action. Both House (H.R. 5410) and Senate (S. 2779) Foreign Operations bills, as reported in 2002, expired with the end of the 107th Congress.

On January 23, 2003, the Senate adopted a revised FY2003 Foreign Operations measure as part of H.J.Res. 2, a continuing appropriation bill to which the Senate has added full text of the 11 funding measures that have not been enacted for this fiscal year. The new bill, as did S. 2779 last year, provides most of the funding needed by the Administration to fulfill its plan to use foreign aid in the war on terrorism. Because much of this money is not specifically earmarked in H.J.Res. 2, there are few direct allocations for programs to combat terrorism. Nevertheless, since the accounts out of which these funds would be drawn are funded near or above the President's request, the Administration will be able to follow much of its original request. For example, H.J.Res. 2 provides $306 million for the Non-Proliferation, Anti-Terrorism, Demining, and Related (NADR) Programs account. After adjusting for the prohibition on funding for North Korea out of this account, the $306 million appropriation is $5 million more than requested. Both the ATA and TIP programs are funded out of this account. The new legislation approves the full amount for

Treasury's terrorist financing program, and makes only a small reduction to the FMF account where much of the military assistance for "front-line" states will be drawn. For ESF, which provides most security-related economic aid, the spending measure nearly fully funds the President's original request, but does not add additional funds to cover the $200 million September 2002 budget amendment for anti-terrorism aid to Israel. The spending measure continues both general provisions (sections 525 and 526 in the new bill) relating to prohibitions against terrorist countries. For USAID security upgrades and construction of new missions, the Senate cuts the Capital Investment Fund from $95 million to $65 million. The bill earmarks the full $13 million request for information and technology upgrades, but expresses renewed concern over the lack of coordination between the State Department and USAID regarding the construction of new facilities.

The House-reported bill from 2002 that has expired (H.R. 5410) was somewhat more specific on funding levels, especially activities in the NADR account. The measure allocated $64.2 million for ATA and $5 million for TIP, as requested. The measure increased the Treasury Department's program for international technical assistance, including terrorist financing programs, from $10 million to $11 million. The House bill reduced ESF and FMF accounts, from which most aid to the "front-line" states will be drawn, only slightly. Like the Senate, the House bill included two general provisions relating to aid prohibitions for countries supporting terrorism (sections 527 and 543). H.R. 5410 reduced USAID's Capital Investment Fund further, to $43 million, providing $13 million for technology improvements and because of the urgent security requirements, $30 million for construction of the new mission in Kenya. The Committee, however, did not provide construction funds for other facilities, urging the State Department, USAID, and OMB to resolve the long-term issue of whose budget should absorb the costs of overseas building.

Development Aid Policy Priorities

A continuing source of disagreement between the executive branch and Congress is how to allocate the roughly $2.9 billion "core" budget for USAID development assistance programs. Among the top congressional development aid funding priorities in recent years have been programs supporting child survival, basic education, and efforts to combat HIV/AIDS and other infectious diseases. The Administration also backed these programs, but officials object to congressional efforts to increase funding for children and health activities at the expense of other development sectors. When Congress has increased appropriations for its priorities, but not included a corresponding boost in the overall development aid budget, resources for other priorities, such as economic growth and the environment, have been substantially reduced.

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

For FY2003, USAID seeks $2.96 billion for development aid (including $120 million for UNICEF and the September 3, 2002 budget amendment), an increase of about $350 million, or 13% above FY2002 levels.[13] 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 9% 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. By contrast, USAID proposed $225 million for the environment for FY2002, a level that Congress raised to about $279 million.
- business, trade, and investment funding would rise by 25% to $317 million.
- basic education, a high congressional priority, would increase by 10% to $165 million.
- HIV/AIDS funding would rise by nearly one-half to $740 million, including $100 million for the Global Fund to Combat HIV/AIDS, Malaria, and Tuberculosis and $100 million for the International Mother and Child HIV Prevention Initiative.[14]

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[13] The $2.96 billion figure includes USAID's development aid request of $2.74 billion submitted in February, $100 million proposed in a September 3 budget amendment for the International Mother and Child HIV Prevention Initiative, and the State Department's proposed $120 million contribution to UNICEF. In recent years, Congress has incorporated UNICEF funds within development assistance. For consistency, USAID's request has been adjusted to include UNICEF.

[14] The Global Fund would also receive a $100 million appropriation under the Department of Health and Human Services (HHS) budget, making the total U.S. pledge $200 million for FY2003, the same as for FY2002. On September 3, the White House submitted a budget amendment requesting $200 million for the International Mother and Child HIV Prevention Initiative – $100 million from the Foreign Operations bill and $100 million from the Labor/HHS appropriation. Previously, Congress had approved $200 million for the Mother/Child initiative and the Global Fund as part of the FY2002 Supplemental appropriation (P.L. 107-206). Because the President had not requested this $200 million for the FY2002 Supplemental, it was designated as "contingent emergency" funding and available only if the President declared it as an emergency. In mid-August, President Bush announced that he would not designate any of the $5.1 billion of contingent emergency funds in P.L. 107-206 as an emergency. The September 3 budget amendment for FY2003

(continued...)

- 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 encountering close congressional scrutiny. USAID requests $1.59 billion for child survival and health programs (including $120 million for UNICEF and the September 3 budget amendment) within the Development Assistance account, about $155 million higher than FY2002 amounts. After adding smaller health-related funds from other Foreign Operations accounts, the total amount for child survival and health projects is $1.77 billion, an increase of $115 million, or 7%. As noted above, with a large increase proposed for HIV/AIDS programs (+45%), funding for nearly all other global health activities would decline in FY2003 under the agency's budget plan. As illustrated in **Table 7**, 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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[14] (...continued)
substitutes for what Congress had previously approved but which will not be available.

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

Program	FY2001[a]	FY2002 est	FY2003 Request	FY2003 Senate H.J.Res. 2	FY2003 House 107th*
Child Survival/Maternal Health	**$361.0**	**$383.0**	**$344.0**	**$350.0**	**$344.0**
Of which:					
Morbidity & mortality		*[269.8]*	*[243.5]*	–	–
Polio		*[27.6]*	*[25.5]*	*[30.0]*	*[25.0]*
Micronutrients		*[30.6]*	*[25.7]*	*[30.0]*	*[30.0]*
Iodine Deficiency Disorder		*[2.0]*	*[0.0]*	*[3.3]*	–
Vaccine Fund (former GAVI)		*[53.0]*	*[50.0]*	*[60.0]*	*[60.0]*
Vulnerable Children	**$22.0**	**$32.0**	**$20.0**	**$25.0**	**$30.0**
HIV/AIDS	**$433.0**	**$510.0**	**$740.0**	**$971.5**	**$786.0**
Of which:					
HIV/AIDS bilateral programs		*[367.0]*	*[467.0]*	–	–
Microbicides		*[15.0]*	*[15.0]*	*[18.0]*	*[15.0]*
Global Fund[b]		*[75.0]*[b]	*[100.0]*[b]	*[300.0]*	*[250.0]*
Mother & Child HIV Prevention		–	*[100.0]*[c]	*[100.0]*	*[100.0]*
UNAIDS		*[18.0]*	*[18.0]*	–	–
Intl AIDS Vaccine Initiative		*[10.0]*	*[10.0]*	*[12.0]*	*[10.0]*
Commodity Promotion Fund		*[25.0]*	*[30.0]*	–	–
Other Infectious Diseases	**$140.0**	**$165.0**	**$122.0**	**$185.0**	**$170.0**
Of which:					
Malaria		*[60.0]*	*[42.5]*	*[75.0]*	*[60.0]*
Tuberculosis		*[70.0]*	*[52.5]*	*[75.0]*	*[85.1]*
Other		*[35.0]*	*[25.0]*	*[45.0]*	*[24.9]*
UNICEF	**$110.0**	**$120.0**	**$120.0**	**$120.0**	**$120.0**
Reproductive Health	**$424.0**	**$446.5**	**$425.0**	**$430.0**	**$425.0**
TOTAL, GLOBAL HEALTH	**$1,490.0**	**$1,656.5**	**$1,771.0**	**$2,081.5**	**$1,875.0**

Note: Amounts shown in this table for House and Senate levels concerning Child Survival and Maternal Health, Vulnerable Children, and Other Infectious Diseases, as well as the Senate total for Global Health, are estimates based on House and Senate report directives and CRS estimates.

* This column includes amounts recommended in H.R. 5410 from the 107th Congress, as reported by the House Appropriations Committee. Although this legislation expired at the end of the 107th Congress, it may serve as a guide for consideration this year of the FY2003 appropriation.

[a] USAID has not released 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 the President pledged a $200 million transfer in FY2003. Congress had approved (FY2002 Supplemental Appropriations; P.L. 107-206) an additional $200 million for HIV/AIDS activities, recommending that $100 million be transferred to the Global Fund. President Bush, however, decided not to spend these funds, but instead proposed $200 million more for the International Mother and Child HIV

Prevention Initiative. Resources to fulfill pledges to the Global Fund are derived from both Foreign Operations funds (shown here) and those from the National Institutes of Health.

[c] The President seeks an additional $100 million for the International Mother and Child HIV Prevention Initiative from the Department of Health and Human Services appropriation.

Congressional Action. Both House (H.R. 5410) and Senate (S. 2779) Foreign Operations bills, as reported in 2002, expired with the end of the 107th Congress.

On January 23, 2003, the Senate adopted a revised FY2003 Foreign Operations measure as part of H.J.Res. 2, a continuing appropriation bill to which the Senate has added full text of the 11 funding measures that have not been enacted for this fiscal year. The new bill, as did S. 2779 last year, increases global health programs. H.J.Res. 2 adds $310 million to the President's amended request, including $141 million more for HIV/AIDS. The Senate joint resolution further restores amounts to those at or above FY2002 levels for several other key health activities that had been slated for cuts in FY2003 under the President's budget: polio, micronutrients, Vaccine Fund, malaria, tuberculosis, and reproductive health. (See **Table 7**.) The Senate measure achieves these increases in part by adding funds to the Child Survival and Health account, and by directing or recommending the allocation of funds from the ESF and other accounts for health programs. H.J.Res. 2 further provides $200 million for basic education rather than $165 million requested. It also restores the second development aid account for Child Survival and Health.

The House-reported bill from the 107th Congress (H.R. 5410) specified $1.875 billion for global health programs across all Foreign Operations accounts, roughly $100 million more than the amended request. The bill added $46 million for HIV/AIDS, including $100 million for the International Mother and Child Prevention Initiative and $250 million for the Global Fund. Like the Senate measure, H.R. 5410 set spending for other health programs – micronutrients, Vaccine Fund, malaria, and tuberculosis – at or above FY2002 amounts and above levels requested for FY2003. The House also restored the Child Survival and Health account. For basic education, the House measure provided $250 million, $50 million higher than the Senate and $85 million above the request. The House Appropriations Committee further urged USAID to strengthen its trade capacity building assistance and the means to budget resources for prospective activities.

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

For FY2002, President Bush requested $25 million for UNFPA. As part of a larger package concerning various international family planning issues, Congress provided in the FY2002 Foreign Operations bill "not more than" $34 million for UNFPA. While members of the Appropriations Committees say it was their intent to provide the full $34 million, the language allowed the President to allocate however much he chose, up to a $34 million ceiling. According to February 27 testimony by Arthur Dewey, Assistant Secretary of State for Population, Refugees, and Migration before the Senate Foreign Relations Committee, the White House placed a hold on UNFPA funds in January because of new evidence that coercive practices continue in Chinese counties where UNFPA concentrates its programs. A 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."[15]

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

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[15] 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.)

Findings:

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

Recommendations:

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

Despite the team's recommendation to release the $34 million, Secretary of State Powell determined on July 22 to withhold funds to UNFPA and to recommend that they be re-directed to other international family planning and reproductive health activities. (The authority to make this decision has been delegated by the President to the Secretary of State.) The State Department's analysis of the Secretary's determination found that even though UNFPA did not "knowingly" support or participate in a coercive practice, that alone would not preclude the application of Kemp-Kasten. Instead, a finding that the recipient of U.S. funds – in this case UNFPA – simply supports or participates in such a program, whether knowingly or unknowingly, would trigger the restriction. The team found that the Chinese government imposes fines and penalties on families that have children exceeding the number approved by the government, a practice that in some cases coerces women to have abortions they would not otherwise undergo. The State Department analysis concluded that UNFPA's involvement in China's family planning program "allows the Chinese government to implement more effectively its program of coercive abortion."[16]

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

For FY2003, the President 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.

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

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

During the past six years, the House and Senate have taken opposing positions on the Mexico City issue, and thus have repeatedly held up enactment of the final Foreign Operations spending measure. The House position, articulated by Representative Chris Smith (N.J.) and others, supported reinstatement of the Mexico City policy restricting U.S. aid funds to foreign organizations involved in performing abortions or in lobbying to change abortion laws or policies in foreign countries. The Senate, on the other hand, has rejected in most cases House provisions dealing with 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.”[17] A separate statement from the President’s press secretary stated that President Bush was “committed to maintaining the $425 million funding level” for population assistance “because he knows that one of the best ways to prevent abortion is by providing quality voluntary family planning services.” The press secretary further emphasized that it was the intent that any restrictions “do not limit organizations from treating injuries or illnesses caused by legal or illegal abortions, for example, post abortion care.”[18] 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.[19] For FY2003, President Bush seeks $425 million for USAID population assistance, the same as requested for FY2002, but less than the $446.5 million appropriated for FY2002.

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

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

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

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

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

Congressional Action. Both House (H.R. 5410) and Senate (S. 2779) Foreign Operations bills, as reported in 2002, expired with the end of the 107th Congress.

On January 23, 2003, the Senate adopted a revised FY2003 Foreign Operations measure as part of H.J.Res. 2, a continuing appropriation bill to which the Senate has added full text of the 11 funding measures that have not been enacted for this fiscal year. The new bill modifies in several significant ways what the Senate Appropriations Committee had recommended last year regarding international family planning funding and policy issues. H.J.Res. 2, as amended, provides $435 million for population assistance, $15 million less than what was proposed by the Senate panel in July 2002. The legislation also does not include language in S. 2779 that would have effectively reversed the Mexico City policy. During Senate debate on H.J.Res. 2, lawmakers adopted an amendment by Senator Leahy increasing population aid from $425 million to $435 million and earmarking $35 million for the UNFPA. Funds can be provided to UNFPA, however, only if the President determines that the organization no longer supports or participates in the management of a program of coercive abortion or involuntary sterilization. The Leahy amendment altered the determination requirement shifting the responsibility from the Secretary of State to the President. The new legislation does not include the change to Kemp-Kasten language proposed by the Committee in July 2002 that would have narrowed the circumstances under which the restriction could be imposed.

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

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

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

Andean Regional Initiative[20]

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

According to the Administration, the distinctive features of the program, compared to Plan Colombia assistance approved in 2000,[21] 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,

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[20] 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*.

[21] "Plan Colombia" refers to the $1.3 billion 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 , Colombia: Summary and Tables on U.S. Assistance, FY1989-FY2003.

interdiction and other efforts.[22] During 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 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.

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[22] 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/]

- 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.[23] 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 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

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[23] 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).

Demining funding for a counter-kidnaping program for members of Colombia's police and armed forces. The supplemental submission proposed to broaden the authorities of the Defense and State Departments to utilize FY2002 and FY2003 assistance and unexpended Plan Colombia assistance to support the Colombian government's "unified campaign against narcotics trafficking, terrorist activities, and other threats to its national security." According to the Administration's explanation, these provisions "would allow broader authority to provide assistance to Colombia to counter the unified 'cross-cutting' threat posed by groups that use narcotics trafficking to fund their terrorist and other activities that threaten the national security of Colombia."

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

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

Congressional Action. Both House (H.R. 5410) and Senate (S. 2779) Foreign Operations bills, as reported in 2002, expired with the end of the 107th Congress.

On January 23, 2003, the Senate adopted a revised FY2003 Foreign Operations measure as part of H.J.Res. 2, a continuing appropriation bill to which the Senate has added full text of the 11 funding measures that have not been enacted for this fiscal year. The new bill is similar, but modifies in several ways what the Senate Appropriations Committee had recommended last year in S. 2779. The new legislation provides $650 million for the Andean Counterdrug Initiative, $13 million higher than S. 2779 but $81 million less than the President's request. There is no mention in the bill or accompanying statement as to how that amount is to be apportioned among the recipient countries. The bill provides up to $88 million of the requested $98 million for the Cano-Limon pipeline protection program that can be drawn from the Foreign Military Financing account. It is not clear how much of the remainder of the total ARI request ($979.8 million, or $150.8 million over the ACI and the Cano-Limon pipeline requests) is funded. The ACI account may be augmented by an additional $35 million from monies in the INC account.

The bill specifies that not less than $225 million of the ACI account is to be apportioned directly to USAID for social and economic programs, an increase of $10 million from S. 2779. It also earmarks (1) not less than $5 million for training and equipping a Colombian Armed Forces unit dedicated to apprehending the leaders of paramilitary organizations; (2) not less than $3.5 million for assistance to the Colombian National Park Service for training, equipment, and other assistance to protect Colombia's national parks and reserves, which according to the report are threatened by illegal drug cultivation and illegal logging; (3) up to $3 million for web monitoring software for use by the Colombian National Police; and (4) not less than $2 million for vehicles, equipment, and other assistance for the human rights unit of the Procurador General.

The House measure, reported in the 107th and has now expired, provided full funding of $731 million. The House bill did not allocate funds for specific purposes but required a report 45 days after enactment setting out country-by-country distribution of the assistance and its purposes. It further specified that FY2003 funds shall be available for a unified campaign against narcotics trafficking, against terrorist organizations such as the FARC, ELN, and AUC, and to protect the health and welfare in emergency circumstances.

Both House and Senate bills retain the caps of 400 on the number of U.S. civilian contractors and on the number of U.S. military personnel that can be funded during FY2003. They also place several conditions on the use of funds in the bills. After the release of 75% of the funds, two certifications are required to make the remaining amount available. The first certification – which would release 12.5 % of the funds – must find that Colombian members of the armed forces alleged to have committed human rights violations are being suspended, prosecuted, and punished, and that the Colombian military is severing ties with and apprehending leaders of paramilitary organizations. The remaining 12.5% may be released after July 1, 2003, and a Secretary of State certification that the Colombian military is continuing to meet its obligations required in the first certification. Last year in S. 2779, the disbursement of all funds to the Colombian military was contingent on two similar certifications. The House measure also continues human rights requirements that must be met prior to the obligation of funds but stipulates, unlike the Senate bill, that only a single certification must be made.

Both bills further require the return of any helicopter procured with funding from this bill if it is used to aid or abet the operations of any illegal self-defense groups or illegal security cooperatives. The House measure prohibited the use of funds from the bill to support a Peruvian air interdiction program unless the Secretary of State and Director of Central Intelligence certify to Congress, 30 days before the resumption of U.S. involvement in such a program, that effective safeguards and procedures are in place to prevent a shoot down similar to that of April 20, 2001, in

Peru. S. 2779 had also included a similar requirement, but H.J.Res. 2 drops the text. The Senate-passed joint resolution further requires that the Secretary of State and the EPA Administrator submit a report on the usage and safety of chemicals used in the aerial coca fumigation program in Colombia before FY2003 funds can be used to purchase those chemicals. The Senate measure also bans the participation of U.S. military personnel or U.S. civilian contractors in combat operations.

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

Millennium Challenge Account

In a speech on March 14, 2002, at the Inter-American Development Bank, President Bush outlined a proposal for the United States to increase foreign economic assistance beginning in FY2004 so that by FY2006 American aid would be $5 billion higher than three years earlier. If the aid budget rises in three equal installments of $1.67 billion each year, the initiative could provide as much as a cumulative $10 billion in additional economic assistance above what might be assumed for the three year period without the President's initiative. The funds would be placed in a new Millennium Challenge Account (MCA) and be available to developing nations that are 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 free market economic and democratic principals and policies. Conditioning assistance on policy performance and accountability by recipient nations is not new to U.S. aid programs. Since the late 1980s at least, portions of American development assistance have been allocated to some degree on a performance-based system. What is different about the MCA is the size of the commitment; the competitive process that will reward countries for what they have already achieved not just what is promised for the future; the pledge to segregate the funds from U.S. strategic foreign policy objectives that often strongly influence where U.S. aid is spent; and to solicit program proposals developed solely by qualifying countries.

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

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

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

Congressional Action

Despite some discussion to launch an MCA "pilot" project in FY2003 instead of waiting until FY2004, it appears that such a plan has been deferred. Neither House-reported (H.R. 5410 from the 107^{th} Congress) nor Senate-passed (H.J.Res. 2 from the 108^{th} Congress) Foreign Operations appropriations bills allocate funds for an early start to the MCA initiative. The Administration is expected, however, to submit authorizing legislation and an FY2004 budget request of between about $1.4 billion.

For Additional Reading

General/Overview

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

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

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

Foreign Operations Programs

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

CRS Issue Brief IB10050. *AIDS in Africa.*

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

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

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

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

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

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

CRS Issue Brief IB96008. *Multilateral Development Banks: Issues for the 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 RL31433. *U.S. global health priorities: USAID FY2003 budget.*

Foreign Operations Country/Regional Issues

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

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

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

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

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

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

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

CRS Report 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/]

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 8. Foreign Operations: Discretionary Budget Authority

(millions of dollars)

				108th Congress[a]				107th Congress[a]	
Program	**FY2002 Regular**	**FY2002 Supp.[b]**	**FY2002 Total**	**FY2003 Request**	**FY2003 Senate (H.J.Res. 2)**	**FY2003 House (H.J.Res. 2)**	**FY2003 Enacted (H.J.Res. 2)**	**House FY2003 (H.R. 5410)**	**Senate FY2003 (S. 2779)**
Title I - Export and Investment Assistance:									
Export-Import Bank	779.3	–	779.3	596.7	596.7			596.7	596.7
Overseas Private Invest Corp	(251.4)	–	(251.4)	(242.1)	(242.1)			(242.1)	(242.1)
Trade/Development Agency	50.0	–	50.0	44.5	44.7			49.5	44.7
Total, Title I - Export Aid	**577.9**	**–**	**577.9**	**399.1**	**399.3**			**404.1**	**399.3**
Title II - Bilateral Economic:									
Development Assistance:									
Child Survival & Health	1,433.5	–	1,433.5	[c]	1,970.0			1,710.0	1,780.0
Development Asst Fund	1,178.0	–	1,178.0	2,959.5[c]	1,365.0			1,398.0	1,350.0
Subtotal	**2,611.5**	**–**	**2,611.5**	**2,959.5[d]**	**3,335.0**			**3,108.0**	**3,130.0**
Of which:									
UNICEF	*[120.0]*	–	–	*[120.0]*	*[120.0]*			*[120.0]*	*[120.0]*
Population aid[e]	*[447.5]*	–	–	*[425.0]*	*[425.0]*			*[425.0]*	*[450.0]*
HIV/AIDS[e]	*[510.0]*	–	–	*[740.0]*	*[971.5]*			*[786.0]*	*[750.0]*
Intl Disaster Aid	235.5	90.0	325.5	285.5[d]	290.0			315.5	255.5
Transition Initiatives	50.0	–	50.0	55.0	55.0			40.0	65.0
Development Credit Programs	7.5	–	7.5	7.6	7.6			7.6	7.6
Subtotal, Development Aid	**2,904.5**	**90.0**	**2,994.5**	**3,307.6**	**3,687.6**			**3,471.1**	**3,458.1**
USAID Operating Expenses	549.0	7.0	556.0	572.2	571.1			572.2	571.1

Program	FY2002 Regular	FY2002 Supp.[b]	FY2002 Total	108th Congress[a] FY2003 Request	FY2003 Senate (H.J.Res. 2)	FY2003 House (H.J.Res. 2)	FY2003 Enacted (H.J.Res. 2)	107th Congress[a] House FY2003 (H.R. 5410)	Senate FY2003 (S. 2779)
USAID Inspector General	31.5	–	31.5	32.7	33.0			33.7	33.0
USAID Capital Invst Fund	–	–	–	95.0	65.0			43.0	65.0
Economic Support Fund (ESF)	2,199.0	465.0	2,664.0	2,490.0[d]	2,260.0			2,445.0	2,250.0
International Fund for Ireland	25.0	–	25.0	[25.0][f]	–			25.0	–
East Europe	621.0	–	621.0	495.0	530.0			520.0	555.0
Former Soviet Union	784.0	110.0	894.0	755.0	765.0			755.0	765.0
Inter-American Foundation	13.1	–	13.1	14.0	16.4			16.0	16.4
African Development Foundation	16.5	–	16.5	16.7	17.7			19.7	17.7
Treasury Dept. technical asst	6.5	–	6.5	10.0	10.5			11.0	10.5
Debt reduction	229.0	–	229.0	0.0	0.0			0.0	40.0
Peace Corps	275.0	–	275.0	317.0	285.0			317.0	285.0
Intl Narcotics/Law	217.0	114.0	331.0	197.0	196.7			197.0	196.7
Intl Narcotics–Andean Initiative	625.0	–	625.0	731.0	650.0			731.0	637.0
Migration & refugee asst	705.0	–	705.0	705.0	787.0			800.0	782.0
Emerg. Refugee Fund (ERMA)	15.0	–	15.0	15.0	32.0			20.0	32.0
Non-Proliferation/anti-terrorism	313.5	83.0	396.5	372.4	306.4			347.4	376.4
Total Title II-Bilat Economic	**9,529.6**	**869.0**	**10,398.6**	**10,125.6**	**10,213.4**			**10,324.1**	**10,090.9**
Title III - Military Assistance:									
Intl Military Ed. & Training	70.0	–	70.0	80.0	80.0			80.0	80.0
Foreign Mil Financing (FMF)	3,650.0	357.0	4,007.0	4,107.2	4,072.0			4,080.2	4,067.0

Program	FY2002 Regular	FY2002 Supp.[b]	FY2002 Total	108th Congress[a] FY2003 Request	FY2003 Senate (H.J.Res. 2)	FY2003 House (H.J.Res. 2)	FY2003 Enacted (H.J.Res. 2)	107th Congress[a] House FY2003 (H.R. 5410)	Senate FY2003 (S. 2779)
Peacekeeping Operations	135.0	20.0	155.0	108.3	120.0			125.0	125.3
Total, Title III-Military Aid	**3,855.0**	**377.0**	**4,232.0**	**4,295.5**	**4,272.0**			**4,285.2**	**4,272.3**
Title IV - Multilateral Economic Aid:									
World Bank - Intl Develop. Assn	792.4	–	792.4	874.3	837.3			874.3	837.3
World Bank EnvironmentFacility	100.5	–	100.5	177.8	177.8			147.8	177.8
World Bank-Mult Invst Guaranty	5.0	–	5.0	3.6	1.6			1.6	2.6
Inter-Amer. Development Bank	18.0	–	18.0	59.9	47.9			54.9	47.9
Asian Development Bank	98.0	–	98.0	147.4	100.4			97.9	127.4
African Development Fund	100.0	–	100.0	118.1	108.1			113.1	108.1
African Development Bank	5.1	–	5.1	5.1	5.1			5.1	5.1
European Bank for R & D	35.8	–	35.8	35.8	35.8			35.8	35.8
Intl Fund for Ag Development	20.0	–	20.0	15.0	15.0			15.0	15.0
Intl Organizations & Programs	208.5	–	208.5	190.0[g]	215.0			190.4	230.5
Total, Title IV - Multilateral	**1,383.3**	**–**	**1,383.3**	**1,627.0**	**1,544.0**			**1,535.9**	**1,587.5**
Foreign Operations – Total	**15,345.8**	**1,246.0**	**16,591.8**	**16,447.2**	**16,428.7**			**16,549.3**	**16,350.0**
Rescissions[h]	–	(269.0)	(269.0)	–	(468.5)			–	–
Foreign Operations – Net Total	**15,345.8**	**977.0**	**16,322.8**	**16,447.2**	**15,960.2**			**16,549.3**	**16,350.0**

Sources: House and Senate Appropriations Committee and CRS calculations.

a. In 2002, House and Senate Appropriations Committees reported bills appropriating FY2003 Foreign Operations funds. Congress adjourned, however, before completing action on these measures. The 108th Congress is considering FY2003 Foreign Operations appropriations as part of new legislation – H.J.Res. 2. For comparative purposes, amounts reported but not enacted in the 107th Congress are shown in the final two columns of this table.

b. FY2002 supplemental includes funds appropriated in P.L. 107-206 (Emergency FY2002 Supplemental Appropriations). Excluded from this total is $1.329 billion appropriated in September 2001 in P.L. 107-38 (the Emergency Terrorism Response Fund) and allocated to Foreign Operations programs during the first half of FY2002.

c. For FY2003, the Administration proposes 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: $1.474 billion for Child Survival/Health and $1.365 billion for Development Assistance. The Child Survival/Health figures also include the U.S. contribution for UNICEF, an amount requested in title IV, but included by Congress in this account.

d. On September 3, 2002, the Administration amended its original request, proposing additional funds for three accounts: development aid, from $2.86 billion to $2.96 billion for HIV/AIDS programs; international disaster assistance, from $235.5 million to $285.5 million for humanitarian aid for the Palestinians; and the Economic Support Fund, from $2.29 billion to $2.49 billion for anti-terrorism aid to Israel.

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

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

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

h. H.J.Res. 2, as passed by the Senate, includes an across-the-board rescission of 1.6% (§601, Division N). This rescission is augmented by **§**309 of Division G, which requires an increase in the rescission to offset $5 billion in additional education spending. According to CBO, this amount generates an additional 1.252% reduction. Thus, the total across-the-board reduction is currently estimated at 2.852%, which has been calculated by CBO as $11.392 billion.