Order Code RL31811

CRS Report for Congress
Received through the CRS Web

Appropriations for FY2004: Foreign Operations, Export Financing, and Related Programs

Updated October 31, 2003

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

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

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

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

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

Appropriations for FY2004: Foreign Operations, Export Financing, and Related Programs

Summary

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

President Bush has asked Congress to appropriate $18.89 billion for FY2004 Foreign Operations. The budget proposal is $2.7 billion, or 16.7% higher than *regular* (non-supplemental) Foreign Operations appropriations for FY2003. If enacted, the President's recommendation would result in one of the largest increases of *regular* Foreign Operations funding in at least two decades. Congress subsequently approved in mid-April an additional $7.5 billion FY2003 supplemental foreign aid spending in P.L. 108-11, for Iraq reconstruction, assistance to coalition partners, and other activities supporting the global war on terrorism. Including the supplemental brings Foreign Operations appropriations in FY2003 to $23.67 billion.

The FY2004 budget blueprint continues to highlight foreign aid in support of the war on terrorism as the highest priority, with about $4.7 billion recommended. The submission also requests funding for four new foreign aid initiatives which together account for most of the $2.7 billion increase over *regular* FY2003 levels. Combined, the Millennium Challenge Account, a new foreign aid concept, the State Department's Global AIDS Initiative, and two new contingency funds, total $2.05 billion. Other Foreign Operations programs are left with a more modest 4% increase.

In total, the request includes $1.2 billion for HIV/AIDS, about $350 million more than enacted for FY2003, and $7.1 billion for military and security-related economic aid, up nearly $650 million or 10% from regular FY2003 appropriations. "Core" bilateral development assistance funding, however, would fall by 8%, although recipients of these accounts are likely to benefit significantly from the new Millennium Challenge Account and Global AIDS Initiative. Funding for Eastern Europe and former Soviet programs is cut by 21%.

The FY2004 budget resolution (H.Con.Res. 95) includes $28.65 billion in discretionary budget authority for International Affairs programs, the same as the President's request. To accommodate other priorities, however, the House and Senate Appropriations Committees decided to reduce the Foreign Operations allocation by 9.4% and 4.2%, respectively. On July 23, the House passed H.R. 2800, appropriating $17.12 billion. The Senate passed the legislation on October 30, providing $18.093 billion.

The FY2004 Foreign Operations debate has included discussion of several significant policy issues, including foreign aid as a tool in the global war on terrorism, the Millennium Challenge Account, programs to combat HIV/AIDS, international family planning programs, and Afghan reconstruction.

Key Policy Staff

Area of Expertise	Name	Tel.	E-Mail
General: Policy issues & budget	Larry Nowels	7-7645	lnowels@crs.loc.gov
General: Policy issues	Curt Tarnoff	7-7656	ctarnoff@crs.loc.gov
Afghanistan reconstruction aid	Rhoda Margesson	7-0425	rmargesson@crs.loc.gov
Africa Aid	Raymond Copson	7-7661	rcopson@crs.loc.gov
Agency for Intl Development	Larry Nowels Curt Tarnoff	7-7645 7-7656	lnowels@crs.loc.gov ctarnoff@crs.loc.gov
Andean Regional Initiative	Larry Storrs	7-7672	lstorrs@crs.loc.gov
Debt Relief	Larry Nowels	7-7645	lnowels@crs.loc.gov
Development Assistance	Larry Nowels Curt Tarnoff	7-7645 7-7656	lnowels@crs.loc.gov ctarnoff@crs.loc.gov
Disaster aid	Rhoda Margesson	7-0425	rmargesson@crs.loc.gov
Drug/counternarcotics programs	Raphael Perl	7-7664	rperl@crs.loc.gov
Drug/counternarcotics, Colombia	Nina Serafino	7-7667	nserafino@crs.loc.gov
Export-Import Bank	James Jackson	7-7751	jjackson@crs.loc.gov
Family planning programs	Larry Nowels	7-7645	lnowels@crs.loc.gov
Health programs	Rhoda Margesson Tiaji Salaam	7-0425 7-7677	rmargesson@crs.loc.gov tsalaam@crs.loc.gov
HIV/AIDS	Raymond Copson	7-7661	rcopson@crs.loc.gov
International affairs budget	Larry Nowels	7-7645	lnowels@crs.loc.gov
International Monetary Fund	Jonathan Sanford Jeff Hornbeck	7-7682 7-7782	jsanford@crs.loc.gov jhornbeck@crs.loc.gov
Iraq reconstruction	Curt Tarnoff Rhoda Margesson	7-7656 7-0425	ctarnoff@crs.loc.gov rmargesson@crs.loc.gov
Kosovo/Yugoslavia aid	Curt Tarnoff	7-7656	ctarnoff@crs.loc.gov
Microenterprise	Curt Tarnoff	7-7656	ctarnoff@crs.loc.gov
Middle East assistance	Clyde Mark	7-7681	cmark@crs.loc.gov
Military aid/Arms sales	Richard Grimmett	7-7675	rgrimmett@crs.loc.gov
Multilateral Development Banks	Jonathan Sanford	7-7682	jsanford@crs.loc.gov
North Korea/KEDO	Larry Niksch	7-7680	lniksch@crs.loc.gov
Overseas Private Investment Corp	James Jackson	7-7751	jjackson@crs.loc.gov
Peace Corps	Curt Tarnoff	7-7656	ctarnoff@crs.loc.gov
Peacekeeping	Marjorie Browne	7-7695	mbrowne@crs.loc.gov
Refugee aid	Larry Nowels	7-7645	lnowels@crs.loc.gov
Russia/East Europe Aid	Curt Tarnoff	7-7656	ctarnoff@crs.loc.gov
Terrorism	Raphael Perl Audrey Cronin	7-7664 7-7676	rperl@crs.loc.gov acronin@crs.loc.gov
Trafficking in Women/Children	Francis Miko	7-7670	fmiko@crs.loc.gov
U.N. Voluntary Contributions	Vita Bite	7-7662	vbite@crs.loc.gov

Contents

List of Figures

List of Tables

Appropriations for FY2004: Foreign Operations, Export Financing, and Related Programs

Most Recent Developments

On October 30, the House passed the conference report on H.R. 3289, providing supplemental appropriations for military operations and reconstruction assistance in Iraq and Afghanistan. Conferees agreed to fund Iraq reconstruction at $18.65 billion, about $1.65 billion less than the President's $20.3 billion request. On the most contested issue regarding Iraq reconstruction, the conference committee decided to provide the assistance entirely as grants, rather than partially as loans as the Senate had proposed (S. 1689). The White House had threatened to veto the measure if the legislation included loans and not grants for Iraq reconstruction.

Meanwhile, in action on the regular FY2004 Foreign Operations request, the Senate and House passed, on October 30 and July 17, respectively, spending bills reducing the President's budget proposal. The House measure (H.R. 2800) provides $17.12 billion, an amount $1.8 billion, or 9.4%, below the President's request. The Senate bill (S. 1426 as reported but H.R. 2800 as passed) appropriates $18.38 billion, $500 million, or2.7%, less than the Administration's proposal. The Administration FY2004 budget request represents one of the largest increases for Foreign Operations programs in several decades. At $18.9 billion, the proposal is $2.7 billion, or 16.7% higher than regular foreign aid funds enacted for FY2003 (excluding the $7.5 billion provided in the FY2003 Iraq War supplemental).

Funding for HIV/AIDS programs is one of the top priorities in both bills. The House provides $1.27 billion for international HIV/AIDS, roughly $30 million above the President's request and $390 million higher than FY2003 levels. The Senate bill, following adoption of a floor amendment by Senator Dewine, includes about $1.47 billion. The HIV/AIDS totals include funding for the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria — $400 million in the House measure and possibly as much as $250 million in S. 1426. Combined with funding approved in the Labor-HHS spending measures (H.R. 2660 and S. 1356), total amounts for international HIV/AIDS in the House is roughly $1.9 billion, similar to the Administration's proposal, while the Senate combined amount is about $2.2 billion. Out of this combined total, $500 million would be available as a U.S. contribution to the Global Fund from the House bills and $400 million from the Senate measures. The President had requested $200 million, $100 million from each of the two appropriation bills. House and Senate bills further restore cuts to bilateral tuberculosis and malaria programs proposed by the Administration.

On other major issues, the House bill reduces the President's $1.3 billion request for the new Millennium Challenge Account to $800 million, while the Senate provides $1 billion. Family planning resources are set at $425 million as requested in H.R. 2800, as passed the House, and at $445 million in the Senate bill. Senate language would further effectively overturn the President's "Mexico City" restrictions banning foreign non-governmental organizations from receiving U.S. funds if they engage in certain abortion-related activities. Contributions for the U.N. Population Fund (UNFPA) are set at $25 million in the House bill and $35 million in the Senate measure, although amounts are subject to conditions that in FY2002 led to the termination of U.S. support. Both bills fully fund amounts for Israel, Egypt, and Jordan.

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.[1] It contains the largest share — about two-thirds — of total international affairs spending by the United States (see **Figure 1**).

The legislation funds all U.S. bilateral development assistance programs, managed mostly by the U.S. Agency for International Development (USAID), together with several smaller independent foreign aid agencies, such as the Peace Corps and the Inter-American and African Development Foundations. Most humanitarian aid activities are funded within Foreign Operations, including USAID's disaster program and the State Department's refugee relief support. Foreign Operations includes separate accounts for aid programs in the former Soviet Union (also referred to as the Independent States account) and Central/Eastern Europe, activities that are jointly managed by USAID and the State Department.

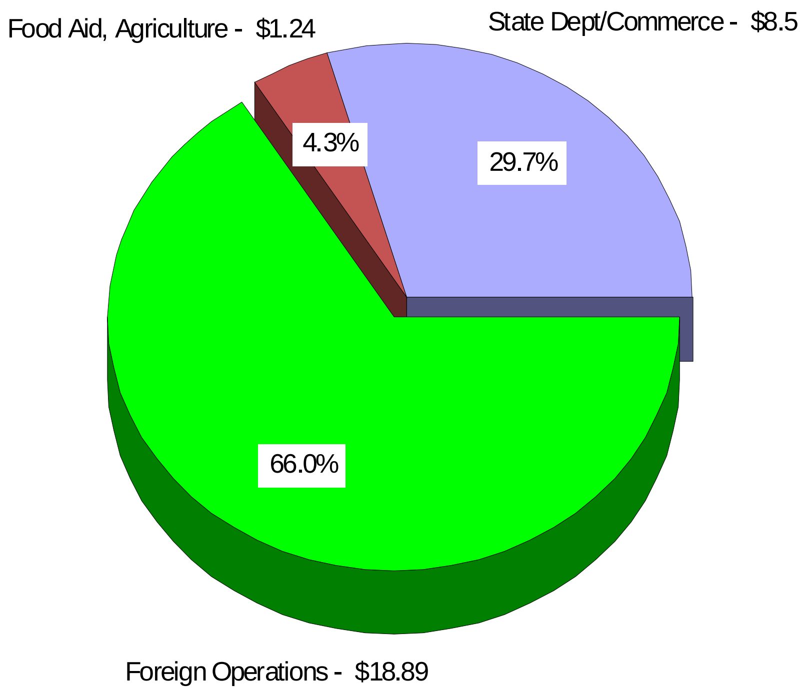
Security assistance (economic and military aid) for Israel and Egypt is also part of the Foreign Operations spending measure, as are other security aid programs administered largely by the State Department, in conjunction with USAID and the Pentagon. U.S. contributions to the World Bank and other regional 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

---

[1] Although the Foreign Operations appropriations bill is often characterized as the "foreign aid" spending measure, it does not include funding for all foreign aid programs. Food aid, an international humanitarian aid program administered under the P.L. 480 program, is appropriated in the Agriculture appropriations bill. Foreign Operations also include funds for the Export-Import Bank, an activity that is regarded as a trade promotion program, rather than "foreign aid." 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.

export promotion agencies: the Overseas Private Investment Corporation (OPIC), the Export-Import Bank, and the Trade and Development Agency.

Figure 1. Foreign Policy Budget, FY2004
By Appropriation Bills - $s billions



For nearly two decades, the Foreign Operations appropriations 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 the channel through which the President has utilized foreign aid as a tool in the global war on terrorism since the attacks of September 11, 2001. The appropriations measure has also been a key instrument 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, FY2004 — H.R. 2800 and S. 1426

Subcomm. Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conf. Report Approval		Public Law
House	Senate						House	Senate	
7/10	—	7/21 H.Rept. 108-222	7/23 370-50	7/17 S.Rept. 108-106	10/30	—	—	—	—

President Bush submitted his FY2004 federal budget request to Congress on February 3, 2003, including funding proposals for Foreign Operations Appropriations programs. Subsequently, on March 25, the White House requested FY2003 emergency supplemental funds for costs of military operations in Iraq, relief and reconstruction of Iraq, ongoing U.S. costs in Afghanistan, additional aid to coalition partners and nations cooperating in the global war on terrorism, and homeland security. House and Senate Appropriations Committees held several hearings on both the FY2004 and FY2003 supplemental requests, and approved the supplemental (P.L. 108-11) on April 12. The House Foreign Operations Subcommittee marked up draft legislation in July 11, while the full House panel approved the legislation on July 16 and reported the measure on July 21. The House passed H.R. 2800 on July 23 (370-50). The Senate Committee reported its companion bill, S. 1426, on July 17, and passed the measure October 30.

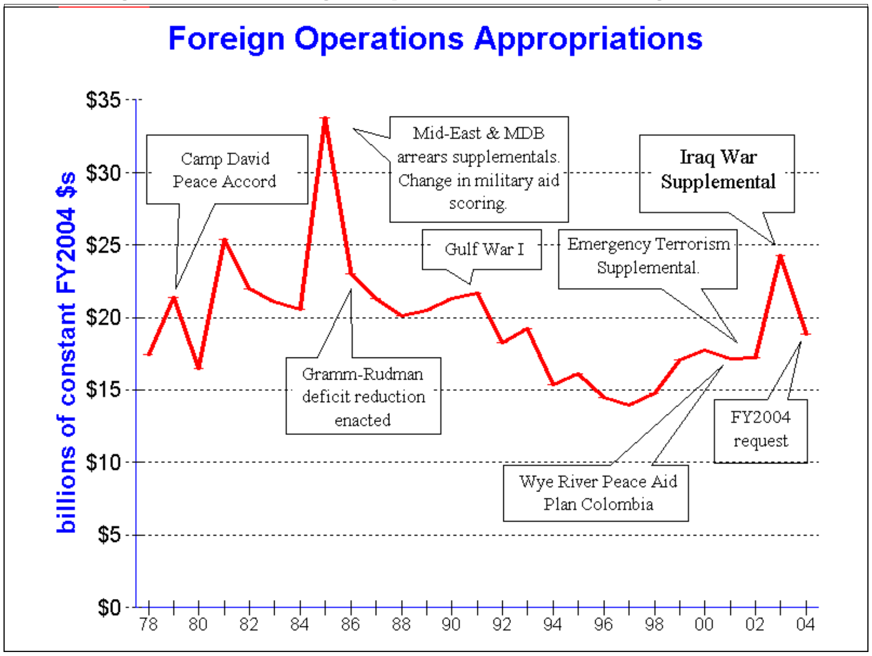
Foreign Operations Funding Trends

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 26 years.[2] After peaking at over $33 billion in FY1985 (constant FY2004 dollars), Foreign Operations appropriations began a period of decline to $13.9 billion in FY1997, with only a brief period of higher amounts in the early 1990s due to

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

special supplementals for Panama and Nicaragua (1990), countries affected by the Gulf War (1991), and the former Soviet states (1993).

Figure 2. Foreign Operations Funding Trends



Arguing that declining international affairs resources seriously undermined U.S. foreign policy interests and limited the ability of American officials to influence overseas events, Clinton Administration officials and other outside groups vigorously campaigned to reverse the decade-long decline in the foreign policy budget. Foreign aid spending increased slightly in FY1998, but beginning the following year and continuing to the present, Foreign Operations appropriations have trended upward due in large part to the approval of resources for special, and in some cases unanticipated foreign policy contingencies and new initiatives. While funding for regular, continuing foreign aid programs also rose modestly during this period, supplemental spending for special activities, such as Central American hurricane relief (FY1999), Kosovo emergency assistance (FY1999), Wye River/Middle East peace accord support (FY2000), a counternarcotics initiative in Colombia and the Andean region (FY2000 and FY2002), aid to the front line states in the war on terrorism and Iraq-war related assistance (FY2003), was chiefly responsible for the growth in foreign aid appropriations. The average annual funding level during the FY1999-FY2003 period of $18.68 billion represents a level 36% higher than the low point in Foreign Operations appropriation in FY1997.

At present, the $24.2 billion appropriated for FY2003 Foreign Operations programs (real terms) is the largest amount since FY1985. This substantial FY2003 funding level is made up of a combination of the highest *regular* Foreign Operations spending bill in over a decade, plus the largest supplemental ($7.5 billion) since approval of an FY1979 supplemental aid package in support of the Camp David peace accords signed by Israel and Egypt.

Due to the unpredictability and significant size of foreign aid supplementals in recent years, it is becoming increasingly difficult to compare a new budget request with the previous year when the latter includes a large supplemental. This is especially true when evaluating the FY2004 Foreign Operations budget plan, which could also substantially increase through supplementals enacted next year. In this case, a more informative assessment might compare *regular* FY2003 and FY2004 Foreign Operations budgets, keeping in mind that FY2003 has already been augmented with significant supplemental funding. Using this point of reference, despite falling well short of total amounts appropriated for FY2003, including the supplemental, the FY2004 Foreign Operations request, if enacted, would be the highest *regular* foreign aid spending measure in at least 15 years (in real terms) and represent the largest single-year increase for *regular* Foreign Operations appropriations over the entire 26 year period.

Table 2. Foreign Operations Appropriations, FY1995 to FY2004
(discretionary budget authority in billions of current and constant dollars)

	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
nominal $s	13.61	12.46	12.27	13.15	15.44	16.41	16.31	16.54	23.67	18.89
constant FY04 $s	16.12	14.46	13.95	14.76	17.08	17.71	17.17	17.21	24.15	18.89

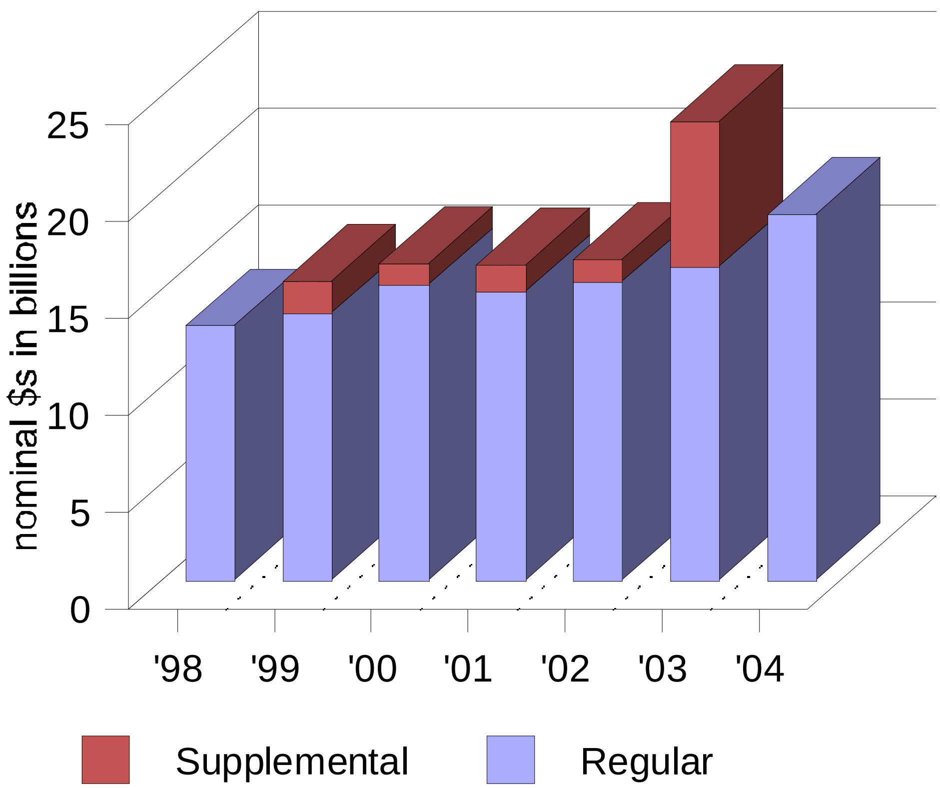
Note. FY1999 excludes $17.861 billion for the IMF.

The significance of supplemental resources for Foreign Operations programs in recent years is illustrated in Figure 3 below. Due to the nature of rapidly changing international events and the emergence of unanticipated contingencies to which it is in the U.S. national interest to respond, it is not surprising that foreign aid and defense resources from time to time are the major reason for considering and approving supplemental spending outside the regular appropriation cycle. Supplementals have provided resources for such major foreign policy events as the Camp David accords (FY1979), Central America conflicts (FY1983), Africa famine and a Middle East economic downturn (FY1985), Panama and Nicaragua government transitions (FY1990), the Gulf War (FY1991), and Bosnia relief and reconstruction (FY1996).

But after a period of only one significant foreign aid supplemental in eight years, beginning in FY1999 Congress has approved Foreign Operations supplemental appropriations exceeding $1 billion in each of the past five years. Relief for Central American victims of Hurricane Mitch, Kosovo refugees, and victims of the embassy bombings in Kenya and Tanzania in FY1999 totaled $1.6 billion, and was followed in FY2000 by a $1.1 billion supplemental, largely to fund the President's new counternarcotics initiative in Colombia. As part of a $40 billion emergency supplemental to fight terrorism enacted in September 2001, President Bush and Congress allocated $1.4 billion for foreign aid activities in FY2001 and FY2002. Another $1.15 billion supplemental cleared Congress in FY2002 to augment Afghan reconstruction efforts and assist other "front-line" states in the war on terrorism.

Until FY2003, these additional resources have accounted for between 7% and 11% of total Foreign Operations spending. The $7.5 billion Iraq War supplemental for FY2003, however, goes well beyond these standards, representing nearly one-third of the FY2003 Foreign Operations budget.

Figure 3. Supplemental Funding for Foreign Operations



As a share of the entire $2.24 trillion U.S. budget for FY2003, Foreign Operations currently represents a 1.06% share, significantly higher than the traditional level of around 0.75%. This is due largely to enactment of the $7.5 billion supplemental for Iraq reconstruction, aid to coalition partners, and assistance to other front-line states in the war on terrorism. The FY2004 Foreign Operations request is projected to total 0.84% of total U.S. federal spending. As a portion of discretionary budget authority — that part of the budget provided in annual appropriation acts (other than appropriated entitlements) — Foreign Operations consumes 2.8% in FY2003, a level that would drop back to 2.4% under the FY2004 budget proposal. 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. Foreign aid as a percent of discretionary budget authority remained above 3% in most years between FY1978 and FY1991. In the last decade, however, it has stood below 3%, with the low point falling in FY2002 to 2.25%.

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 $43.9 million for FY2004.

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 FY2004 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 four other appropriation bills.

How much International Affairs money to allocate to each of the five 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.

On April 11, 2003, the House and Senate agreed to a budget framework for FY2004 (H.Con.Res. 95) that includes $784.7 billion in discretionary budget authority. The discretionary budget authority target for the International Affairs function is $28.65 billion, the same as the President's request (as re-estimated by

CBO). This means that the House and Senate Appropriations Committees received sufficient resources to fully fund the Administration's foreign policy budget proposal, including the Foreign Operations request.

The Committees, however, can choose to allocate the $28.65 billion among the five subcommittees with jurisdiction over the International Affairs programs differently than what the President proposed or to alter the overall amount for foreign policy activities. Depending on other competing priorities, the final allocations can be quite different from those assumed in the budget resolution.

For a number of weeks following passage of H.Con.Res. 95, Appropriation Committee leaders debated how to distribute the discretionary funds under their jurisdiction, and especially how to absorb what they identified as a roughly $5 to $7 billion gap in spending requirements and amounts available. Departing from traditional practices where House and Senate Committees work separately on subcommittee allocations, Committee leaders negotiated across both houses with their leadership and with the White House to establish a common framework within which to base their initial allocations.

On June 11, House and Senate Appropriations Committee Chairmen announced an agreed package which would free-up sufficient resources to address the funding gap and remain within the overall FY2004 discretionary budget cap of $784.7 billion. As approved by all parties, including the President, the Appropriations Committees will reduce Defense spending by $3 billion and move $2.2 billion in FY2004 advance appropriations to FY2003.

The House Appropriations Committee, which also released its allocation for all 13 subcommittees on June 11, made further alternations beyond the basic framework. The Committee's distribution adds funding beyond the President's request for several subcommittees, including Homeland Security (up $1 billion), VA/HUD (up $600 million), and Commerce, Justice, and State (up $229 million). In addition to the $3 billion reduction for Defense, the House Committee further cut Foreign Operations by $1.769 billion to $17.12 billion. This 9.4% cut from the President's request is the largest percentage reduction for any of the 13 subcommittees.

The Senate Appropriations Committee on June 19 agreed to its allocations, differing from House levels in several areas, including Foreign Operations. The Senate panel provides $18.09 billion for foreign assistance, about $800 million, or 4.2%, below the President's request, but $900 million more than the House. Like the House, however, the Senate Committee reduced Foreign Operations on a percentage basis more than any other subcommittee.

Although Senate levels were easier to accommodate, cuts of this size for Foreign Operations have required substantial trade-offs among Administration priorities as well as foreign aid programs of high interest to Congress. With most of the Foreign Operations increases slated for new initiatives, including the Millennium Challenge Account and the Global AIDS program, cuts were necessary for these new proposals, for continuing activities, or for a combination of both. During negotiations with the White House, it was reported that President Bush emphasized that the budget package must not reduce funding for his top spending priorities, including the Global

AIDS Initiative.[3] The Foreign Operations request includes $1.24 billion of the Administration's overall $1.9 billion international HIV/AIDS recommendation.

Foreign Operations Appropriations Request for FY2004 and Congressional Consideration

Request Overview

On February 3, 2003, President Bush asked Congress to appropriate $18.89 billion for FY2004 Foreign Operations. The budget proposal is $2.7 billion, or 16.7% higher than *regular* Foreign Operations appropriations for FY2003, as enacted in P.L. 108-7. If enacted, the President's recommendation would result in one of the largest increases of *regular* (non-supplemental) Foreign Operations funding in several decades. Congress subsequently approved in mid-April an additional $7.5 billion FY2003 supplemental foreign aid spending in P.L. 108-11, for Iraq reconstruction, assistance to coalition partners, and other activities supporting the global war on terrorism. Including the supplemental brings Foreign Operations appropriations in FY2003 to $23.67 billion.

The FY2004 budget blueprint continues to highlight foreign aid in support of the war on terrorism as the highest priority. But a notable characteristic of the submission is the request for funding four new foreign aid initiatives which together account for most of the $2.7 billion increase over *regular* FY2003 levels. Combined, the Millennium Challenge Account (a new structure for delivering foreign aid), the State Department's Global AIDS Initiative, and two new contingency funds (Famine and Complex Crises), total $2.05 billion. Other Foreign Operations programs are left with a more modest 4% increase.

Table 3. Foreign Operations New Initiatives FY2004

	FY2003 Enacted*	FY2004 Request	FY2004 +/- FY2003
Foreign Operations	**$16.192**	**$18.889**	**16.7%**
New Initiatives for FY2004:			
Millennium Challenge Acct	—	$1.300	—
Global AIDS Initiative	—	$0.450	—
Famine Fund	—	$0.200	—
Complex Crises Fund	—	$0.100	—
Total New Initiatives FY2004	—	$2.050	—
Foreign Operations, Less New Initiatives	**$16.192**	**$16.839**	**4.0%**

* Enacted regular appropriations. Excludes $7.5 billion appropriated for Foreign Operations and food aid in the Iraq War supplemental (P.L. 108-11).

[3] National Journal, *Congress Daily PM*, June 11, 2003.)

Fighting the War on Terrorism. Since the terrorist attacks in September 2001, American foreign aid programs have shifted focus toward more direct support for key coalition countries and global counter-terrorism efforts. In total, Congress has appropriated approximately $17.9 billion in FY2002 and FY2003 Foreign Operations funding to assist the 26 "front-line" states in the war on terrorism, implement anti-terrorism training programs, and address the needs of post-conflict Iraq and other surrounding countries. Nearly half of all Foreign Operations appropriations the past two years has gone for terrorism or Iraq war-related purposes.

The FY2004 budget continues the priority of fighting terrorism with $4.7 billion, or 25% of Foreign Operations resources assisting the front-line states. Unlike a year ago when the President's FY2003 budget was viewed by many as an inadequate request, especially for Afghanistan, the FY2004 proposal includes substantial aid packages for a number of the front-line states. Although the levels for most countries will not increase much beyond what was provided from *regular* FY2003 foreign aid funding, the request largely sustains amounts that have grown substantially during the past two years. Anti-terrorism training and technical assistance programs also rise by 45% above FY2003 levels.

The FY2004 submission does not, however, include follow-on funding for Iraq relief and reconstruction. Congress approved $2.5 billion in FY2003 supplemental resources, an amount many view as a down payment of long-term needs in Iraq. With great uncertainty surrounding the costs of Iraq reconstruction, how much of the financial burden the United States will shoulder, and the process by the reconstruction operations will be managed, the Administration has not amended its pending FY2004 request to include additional amounts.

New Initiative: The Millennium Challenge Account. The largest of the new initiatives is the Millennium Challenge Account (MCA), a program designed to radically transform the way the United States provides economic assistance to a small number of "best performing" developing nations. The request for FY2004 is $1.3 billion with a promise that the MCA will grow to $5 billion by FY2006 and remain at least at that level in the future. Some MCA supporters argue that the FY2004 level is too low, saying that the President pledged to implement the initiative in equal installments over three years and that an appropriation of $1.67 billion is what they had anticipated. The Administration says that the added MCA funding will be in addition to and not a substitute for existing U.S. economic aid, but development advocates are concerned that given the tight budget environment, trade-offs between regular economic programs and the MCA may be required. (See separate page under Funding and Policy Issues for more discussion of the MCA.)

New Initiative: The Global AIDS Initiative. In his January 2003 State of the Union address, President Bush pledged to substantially increase U.S. financial assistance for preventing and treating HIV/AIDS, especially in the most heavily inflicted countries in Africa and the Caribbean. The President promised $15 billion over 5 years, $10 billion of which would be money above and beyond current funding. The Global AIDS Initiative, which will be housed in the State Department, represents a portion of that pledge — $450 million in FY2004 — that when combined with other resources managed by USAID and the Department of Health and Human Services (HHS), would raise total international HIV/AIDS resources in

FY2004 to about $1.9 billion. Some observers note, however, that this falls well short of the anticipated $3 billion per year implied in the President's speech and would represent only $500 million in new money to fight AIDS above the FY2003 level. Some further question whether the State Department should be coordinator of international HIV/AIDS programs, as envisioned in the Initiative, rather than USAID or HHS. (See separate page under Funding and Policy Issues for more discussion of the Global AIDS Initiative.)

New Initiative: The Famine Fund. This new contingency fund, with $200 million requested for FY2004, would allow the Administration to provide, under more flexible authorities, emergency food and other disaster relief support as needs arise. Executive officials argue that greater flexibility would permit them to respond rapidly to the human consequences of natural disasters and conflict without having to divert resources from other economic aid accounts. Critics note, however, that the existing international disaster assistance account and P.L. 480 food aid program, plus legislative authorities that allow for temporary borrowing of funds from other aid accounts perform the same functions as the proposed Famine Fund and question whether it is necessary.

New Initiative: The U.S. Emergency Fund for Complex Crises. The Administration proposes to establish within the Executive Office of the President a $100 million contingency fund allowing the United States to respond quickly to unforseen complex foreign crises. The resources would not be used to address victims of natural disasters, but rather would support peace and humanitarian intervention in conflict situations, including acts of ethnic cleansing, mass killing, or genocide. In the past, Congress has been reluctant to approve this type of contingency fund over which it can apply little oversight. The Administration had asked lawmakers to launch the Complex Crisis Fund with $150 million as part of the FY2003 Iraq War supplemental. Congress, however, chose to defer consideration of establishing such a Fund until the FY2004 appropriation cycle, and instead allocated the requested resources among various accounts for Iraq reconstruction and aid to regional states affected by the war.

Other Key Elements of the FY2003 Request. Beyond these specific and prominent issues, the Foreign Operations proposal for FY2004 seeks to substantially increase aid activities in a few areas while cutting resources for several programs. Significant appropriation increases when compared with *regular* FY2003 appropriations (excluding the Iraq War supplemental) include:

- **Security assistance — Economic Support Fund and Foreign Military Financing.** These two core security aid accounts that aim to support countries strategically important to the U.S., would grow by a combined $648 million, or 10% above regular FY2003 levels. Much of the add-on is targeted for a $250 million security aid package for Turkey and a $145 million new Middle East Partnership Initiative.

- **Peace Corps** funding would rise by $64 million, or 22% in an effort to place 10,000 volunteers by the end of FY2004 and to keep on track the President's longer term plan of having 14,000 Americans serving in the Peace Corps by FY2007.

- **Contributions to the World Bank** and other international financial institutions would grow by $259 million, or 17%, covering all scheduled U.S. payments to the multilateral development banks, plus clearing $196 million of U.S. arrears owed to these institutions. The request further includes an 18% increase for the World Bank's International Development Association and the African Development Fund as a "results-based Incentive Contribution" that had been promised last year if the banks implemented certain reforms.

- **Debt reduction**, which received no funding in FY2003 except by a transfer of $40 million from another aid account, would grow to $395 million under the Administration's budget submission. There are three components to the request: $300 million to cancel bilateral debt owed by the Democratic Republic of the Congo under the Heavily Indebted Poor Country (HIPC) initiative; $75 million as a contribution to the HIPC Trust Fund to make up for unanticipated shortfalls in implementing the program; and $20 million for the Tropical Forestry Conservation debt relief activity.

- **International narcotics control** would grow by $89 million, or 45%, largely to expand significantly programs in Pakistan and Mexico. The Administration further seeks $731 million for the Andean Counterdrug Initiative (ACI), an increase from the $700 million regular appropriation for FY2003. The ACI proposal would generally restore amounts that were cut from the FY2003 request for Colombia, Ecuador, Brazil, Venezuela, and Panama.

The largest reduction proposed in the President's Foreign Operations budget targets **assistance to Former Soviet states and Eastern Europe**. Collectively, aid to these countries would decline by $179 million, or 24% from current levels. The request reflects a reorientation in the former Soviet aid account to focus more on Central Asian states, linked to the war on terrorism, and to begin the process of graduation for Russia and Ukraine. Aid to these two nations would fall by 40% from FY2003 allocations. The request further would cut Armenia's aid by nearly half, from $89 million to $49 million. For Eastern Europe, aid levels would fall for nearly every recipient, with some of the largest reductions scheduled for Serbia, Montenegro, and Macedonia.

Funding for the **Export-Import Bank** would also decline under the President's budget — from $565 million to $43 million in FY2004 (as re-estimated by CBO). But because of substantial "carry-forward" resources that were not spent in prior years, Eximbank officials say that Bank lending can total $14.6 billion in FY2004, which is at least $2 billion higher than the anticipated level for FY2003.

Assessing the Administration's request for **bilateral development and health assistance** is more complicated and has led to varying interpretations. With implementation of the President's new Global AIDS Initiative in FY2004, development and health resources, including funds from USAID's "core" accounts for development assistance and child survival/health, and the State Department's Global AIDS Initiative, would increase by $205 million, or 6.4% over regular FY2003 levels. Depending on the purposes for which Millennium Challenge Account funds are spent, further additions to development and health programs might also be expected from MCA allocations.

But excluding the new Global AIDS Initiative and MCA from the equation, overall funding for USAID's two "core" accounts would decline in FY2004 by a combined $245 million, or 7.6%. The implication of this reduction is that with the exception of HIV/AIDS, nearly all other development programs, including those for agriculture, basic education, family planning, malaria and tuberculosis, and democracy programs would be at or slightly below amounts allocated for FY2003. Some critics charge that this violates the executive's pledge that MCA funding would be in addition to and not in place of continuing economic aid programs. Others express concern that the growth in HIV/AIDS resources comes at the expense of other key health activities for which resources would decline.

Table 4. Summary of Foreign Operations Appropriations

(Discretionary funds — in millions of dollars)

Bill Title & Program	FY2002 Enacted*	FY2003 Regular*	FY2003 Supp*	FY2003 Total	FY2004 Request
Title I - Export Assistance	528	369	—	369	(103)
Title II - Bilateral Economic Aid	10,399	10,094	5,322	15,416	12,642
Development/Child Survival aid	*2,612*	*3,205*	*90*	*3,295*	*2,960*
Global AIDS Initiative	—	—	—	—	*450*
Iraq Relief & Reconstruction	—	—	*2,475*	*2,475*	—
Israel/Egypt	*1,375*	*1,207*	*300*	*1,507*	*1,055*
Millennium Challenge Acct	—	—	—	—	*1,300*
Title III - Military Assistance	4,232	4,239	2,159	6,398	4,601
Israel/Egypt	*3,340*	*3,378*	*1,000*	*4,378*	*3,460*
Title IV - Multilateral Aid	1,383	1,490	—	1,490	1,749
Total Foreign Operations	**16,542**	**16,192**	**7,481**	**23,673**	**18,889**

Source: House Appropriations Committee and CRS calculations.

* FY2002 levels include $15.346 billion in regular Foreign Operations appropriations enacted in P.L. 107-115 plus $1.1 billion (net $50 million in rescissions), provided in P.L. 107-206, the FY2002 emergency supplemental appropriation. FY2003 regular includes amounts provided in P.L. 108-7 and are adjusted for a 0.65% across-the-board rescission required by the Act. FY2003 supplemental includes amounts provided in P.L. 108-11.

Leading Foreign Aid Recipients Proposed for FY2004

Israel and Egypt remain the largest U.S. aid recipients, as they have been for many years. However, in the aftermath of the September 11 terrorist attacks, foreign aid allocations have changed in several significant ways. The request for FY2004 largely continues the patterns of aid distribution of the past two years.

Since September 11, the Administration has used economic and military assistance increasingly as a tool in efforts to maintain a cohesive international coalition to conduct the war on terrorism and to assist nations which have both supported U.S. forces and face serious terrorism threats themselves. Pakistan, for example, a key coalition partner on the border with Afghanistan, had been ineligible for U.S. aid, other than humanitarian assistance, due to sanctions imposed after India and Pakistan conducted nuclear tests in May 1998 and Pakistan experienced a military coup in 1999. Since lifting aid sanctions in October 2001, the United States has transferred over $1.5 billion to Pakistan. Jordan, Turkey, Indonesia, the Philippines, and India also are among the top aid recipients 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 the 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)

	FY2002 Actual[a]	FY2003 Regular[a]	FY2003 Supp[a]	FY2003 Total	FY2004 Request
Israel	2,788	2,682	1,000	3,682	2,640
Egypt	1,956	1,904	300	2,204	1,876
Iraq	25	10	2,475	2,485	—
Jordan	355	449	1,106	1,555	462
Pakistan	1,045	295	200	495	389
Afghanistan	527	322[b]	325	647	531
Colombia	406	527	68	595	575
Turkey	253	20	1,000	1,020	255
Peru	197	179	—	179	161
FRYugoslavia	165	151	—	151	114
Ukraine	167	143	2	145	104
Bolivia	134	138	—	138	133
Indonesia	137	132	—	132	122

	FY2002 Actual[a]	FY2003 Regular[a]	FY2003 Supp[a]	FY2003 Total	FY2004 Request
Russia	164	149	—	149	74
Philippines	131	88	60	148	90
Georgia	124	91	—	91	88
West Bank/Gaza	72	75	50	125	75
Kosovo	118	85	—	85	79
India	80	93	—	93	94

Source: U.S. Department of State.

Note: Because of the significant way in which supplementals have affected the ranking of top U.S. aid recipients, this table lists countries in order of the combined FY2002-FY2004 amounts.

a. FY2002 includes funds allocated from the regular Foreign Operations appropriation, plus funds drawn from the Emergency Response Fund appropriated in P.L. 107-38 and allocated from the FY2002 Supplemental Appropriation (P.L. 107-206). FY2003 regular appropriation includes amounts allocated from the Foreign Operations Appropriation, FY2003 (P.L. 108-7). FY2003 supplemental includes funds allocated from the Iraq War Supplemental (P.L. 108-11).

b. The FY2003 level for Afghanistan includes all amounts earmarked in P.L. 108-7.

House Consideration

On July 23, the House passed (370-50) a $17.12 billion spending bill, H.R. 2800, for FY2004 foreign aid programs. The amount is $1.8 billion, or 9.4% below the President's request, but $900 million, or 5.6% higher than regular (excluding supplemental) Foreign Operations spending approved for FY2003. As one of its top priority, the House Committee approved $1.27 billion for international HIV/AIDS, $30 million above the President's request and $390 million higher than FY2003 levels. The HIV/AIDS total includes $400 million for the Global Fund, compared with the President's request of $100 million. Combined with parallel funding approved in the House Labor-HHS spending measure, the House bill provides in both bills $1.9 billion for HIV/AIDS, $20 million less than the Administration's proposal. Out of this, $500 million would be available as a U.S. contribution to the Global Fund for which the President proposes $200 million. The bill also restores cuts to bilateral tuberculosis and malaria proposed by the President, increasing spending for non-HIV/AIDS infectious diseases from $104 million to $156 million.

For overall "core" bilateral development programs, including HIV/AIDS and other non-health activities, the House measure is about $140 million higher than the President's request and $350 million above regular FY2003 amounts. The House bill, however, reduces non-health programs by nearly $30 million from the Administration's request and $63 million from FY2003 amounts. This would result in small cuts for activities such as agriculture, economic growth, environment, and democracy promotion. The House measure, however, places high priority on trade capacity building activities, increasing funding to $195 million, $35 million higher than in FY2003. Spending on basic education would also rise under the House measure, with $259 million specified out of the bilateral development aid funds. In

FY2003, USAID allocated $217 million for basic education and requested $212 million for FY2004. Across all Foreign Operations accounts, the House bill directs a total of $350 million for basic education.

On other major issues, the House measure:

- reduces the President's $1.3 billion request for the new **Millennium Challenge Account** to $800 million.
- sets **family planning** resources at $425 million as requested
- provides $25 million for the **U.N. Population Fund (UNFPA)**, but with conditions that could reduce or eliminate the contribution.
- fully funds at the requested levels amounts for **Israel, Egypt, and Jordan**.
- provides $731 million for the **Andean Counterdrug Initiative**, as proposed, but reduces by $43 million funding for regular counternarcotics programs.
- sets **Peace Corps** funding at $314 million, $19 million higher than FY2003 levels but $45 million under the Administration's budget.
- provides $576 million for the **former Soviet Union**, as requested, but $179 million less than FY2003.
- increases the President's request for **East European** assistance by $17 million, with the additional funds set for Bosnia, Serbia, and Montenegro.
- includes current contributions for several multilateral development banks, including the **World Bank's International Development Association (IDA) and the Global Environment Fund**, but excludes arrearage payments and "incentive" contributions for IDA and the African Development Bank sought by the Administration.
- excludes funds for two new **Presidential contingency funds for Famine and emergency complex crises**. The House bill, however, increases international disaster assistance to $315.5 million, directing that $80 million be used for famine relief, prevention, and mitigation.
- deletes $300 million sought for extending **debt relief** to the Democratic Republic of Congo. The legislation, however, fully funds the requests for HIPC debt relief and for tropical forest conservation.

During House floor debate on July 16, lawmakers adopted several amendments to H.R. 2800, including:

- a proposal by Congressman Kolbe to clarify the role of the new State Department HIV/AIDS Coordinator, with the intent to grant the Coordinator adequate authority to "coordinate" U.S. government efforts to combat AIDS globally while allowing the traditional agencies that have managed such programs for many years — USAID and the Centers for Disease Control and Prevention — to continue their work without excessive micromanagement by the Coordinator.

- an amendment by Congressman Hefley that reduces funding for the International Military Education and Training (IMET) program by $600,000. The intent of the proposal is to cut IMET assistance to Indonesia because of lack of progress in the investigation of an August 2002 ambush that left two Americans and an Indonesian from an international school dead. Some believe the Indonesian military may have been involved. While cutting the IMET account by the amount requested for Indonesia, the amendment itself does not limit the State Department's ability to fund an IMET program for Indonesia in FY2004.

- a proposal by Congresswoman Bigger to authorize U.S. participation in the 13th replenishment of the International Development Association (IDA), the World Bank's concessional lending facility. Congress has approved funding for IDA-13, including $850 million in H.R. 2800, but the money cannot be transferred without a congressional authorization.

- an amendment by Congressman Alcee Hastings stating a sense of Congress that the President should use all diplomatic tools available to ensure that North Korea does not engage in the proliferation of nuclear weapons.

A central theme of House debate — both on the floor and in Committee — were efforts to increase assistance proposed in the bill for Africa, especially to increase funding for HIV/AIDS, malaria, and tuberculosis from the roughly $2 billion level contained in Foreign Operations and Labor, HHS, and Education appropriation bills to something closer to the $3 billion amount Congress previously authorized in P.L. 108-25. Although numerous amendments were offered and debated, none were adopted. Among specific proposals considered to increase aid to Africa and programs combating HIV/AIDS were:

- a Congresswomen Lowey amendment at full Committee markup to add $1 billion in "emergency" funds (an amount that would not count against the bill's spending cap) for additional HIV/AIDS programs, much of which would be delivered in Africa, failed 28-33;

- a Committee amendment proposed by Congresswomen Kilpatrick to transfer $500 million from the Millennium Challenge Account to HIV/AIDS lost 27-28. Amendment supporters argued that the MCA could not utilize all funds appropriated in H.R. 2800 in the first year, and that Africa would benefit more from HIV/AIDS programs than from MCA resources for which a few African countries might qualify. A similar amendment to transfer $300 million from the MCA to HIV/AIDS lost during House floor debate (192-228).

- an amendment by Congressman Jackson in Committee markup to shift $200 million from the MCA to HIV/AIDS and provide $588 million in "emergency" funding for more African economic assistance, Congo debt relief, and a higher amount for the African

Development Fund failed on a voice vote. A similar proposal by Congressman Jackson was ruled out of order during House debate.

- a House floor amendment by Congressman McGovern to shift $75 million from the Andean Regional Initiative to HIV/AIDS programs lost on a vote of 195-226.

Senate Consideration

On October 30, the Senate approved an $18.38 billion spending bill for FY2004 foreign aid programs. (The Senate Appropriations Committee had approved an original bill, S. 1426, on July 17 but passed the House bill, H.R. 2800, with numerous amendments.) The amount is $500 million, or 2.7%, below the President's request, but $2.2 billion higher than regular (excluding supplemental) Foreign Operations spending approved for FY2003. Because of a higher "302(b) allocation," S. 1426 is nearly $1.3 billion more than the House bill.

As one of its top priorities, the Senate provides $1.47 billion for international HIV/AIDS, about $230 million above the President's request and $590 million higher than FY2003 levels. The HIV/AIDS total includes as much as $250 million for the Global Fund, compared with the President's request of $100 million. (The President also requested $100 million for the Global Fund in the Labor/HHS appropriation measure.) Unlike the House bill, the Senate includes HIV/AIDS funds in both the Child Survival/Health (CS/H) and Global AIDS Initiative accounts. The Global AIDS Initiative account is a new request for FY2004, funding programs managed by a new State Department Coordinator. The House bill keeps nearly all HIV/AIDS funds in the CS/H account, consistent with past practice. The Senate-passed bill also restores cuts to bilateral tuberculosis and malaria proposed by the President, increasing spending for non-HIV/AIDS infectious diseases from $104 million to $185 million.

The issue of funding for HIV/AIDS became one of the primary issues of debate during Senate floor consideration. The Senate approved an amendment by Senator Dewine, increasing total resources by $287 million. The Senate, however, rejected proposals by Senator Durbin to add $200 million more for HIV/AIDS, and by Senator Bingaman to boost spending by $200 million, with a corresponding reduction of $200 million for the Millennium Challenge Account.

For overall "core" bilateral development programs, including HIV/AIDS, other non-health activities, and UNICEF contributions, the Senate measure is about $550 million higher than the President's request and $415 million above the House bill. Besides increasing health programs, the Senate bill also adds to the request for other development activities, providing about $80 million more than requested and over $100 million more than the House. Basic education programs receive $220 million under H.R. 2800, as approved in the Senate, while environmental activities ($485 million) and microenterprise ($180 million) are other areas emphasized in the Senate bill that are above the President's request.

On other major issues, the Senate bill:

- reduces the President's $1.3 billion request for the new **Millennium Challenge Account** to $1 billion. The Senate further attached legislation authorizing the MCA, drawing text from S. 925, which had been debated, amended, but not passed by the Senate in mid-July.
- sets **family planning** resources at $445 million, $20 million higher than the request.
- includes text that would effectively overturn the President's **"Mexico City" abortion-related restrictions**.
- provides $35 million for the **U.N. Population Fund (UNFPA)**, but with conditions that could reduce or eliminate the contribution.
- fully funds at the requested levels amounts for **Israel, Egypt, and Jordan**.
- reduces to $660 million funding for the **Andean Counterdrug Initiative**, but provides full funding for regular counternarcotics programs.
- sets **Peace Corps** funding at $310 million, $15 million higher than FY2003 levels but $49 million under the Administration's budget.
- provides $596 million for the **former Soviet Union**, $20 million above the request and roughly the same as for FY2003. The additional funds would off-set proposed reductions for Russia and Armenia.
- increases the President's request for **East European** assistance by $10 million.
- provides the total request, including arrears payments and an "incentive" contribution for the **World Bank's International Development Association (IDA).** Most other multilateral development bank contributions are set at or near the President's request.
- appropriates $100 million for one of the two new **Presidential contingency accounts — the Famine Fund — but deletes funding for the emergency complex crises fund**.
- provides $100 million of $300 million sought for extending **debt relief** to the Democratic Republic of Congo. S. 1426 allocates funds sought for Congo debt relief for other pressing needs in Africa. The legislation, however, fully funds the requests for HIPC debt relief and for tropical forest conservation.

Iraq War Supplemental for FY2003 and Foreign Operations Funding

On March 25, 2003, the President requested a nearly $75 billion FY2003 supplemental that included $7.6 billion for near-term Iraq reconstruction and relief, additional aid to coalition partners and other states cooperating in the global war on terrorism, and related USAID administrative expenses. By comparison, the supplemental request totaled a little less than half of the $16.2 billion appropriated previously by Congress for FY2003 Foreign Operations activities. The proposal, as detailed below in Table 6, was roughly divided into two components: Iraq relief and reconstruction (about $2.85 billion) and aid to coalition partners and other nations engaged in the war on terrorism (about $4.7 billion).[4]

Reconstruction Efforts

Normally, it would be presumed that transfers for reconstruction and post-conflict aid would be made to USAID, the State Department, and other traditional foreign assistance management agencies. But with plans for the Defense Department to oversee the governing of Iraq immediately after the end of hostilities, the proposal stimulated immediate controversy. A number of critics, including Members of Congress, argued that aid programs should remain under the policy direction of the State Department and under the authorities of a broad and longstanding body of foreign aid laws. They pointed out that during other recent reconstruction initiatives in Bosnia and Kosovo, resources and policy decisions flowed through the Secretary of State. Others argued that groups which would play a significant role in post-war rehabilitation efforts — non-governmental organizations (NGOs), foreign donors, and international organizations — would be reluctant to take direction and funding from the U.S. military. This, they contended, would hamper relief activities.

Furthermore, the placement of reconstruction funding in a Presidential account appeared to grant the White House significant discretion in responding to changing and unanticipated demands, unencumbered by specific programmatic allocations. The Administration said only that $543 million would cover humanitarian expenses, $1.7 billion would be set aside for reconstruction needs, and up to $200 million would be available to reimburse foreign aid accounts from which funds were drawn prior to the conflict.

As with other parts of the supplemental dealing with defense and homeland security resources, the White House wanted to maintain maximum flexibility over the distribution of the appropriations so that it could respond to changing circumstances and unanticipated contingencies. Executive officials, who acknowledged that some or all of the funding would be transferred to DOD, argued that the military would be best situated following the conflict to immediately launch the reconstruction efforts. Moreover, the Administration noted that the Defense office in charge of reconstruction operations would most likely re-direct most of the resources to the State Department and USAID who would then be responsible for managing rehabilitation projects. Officials further argued that it was too early to identify specific reconstruction activities and that it was possible to only provide the most general outlines of how the money would be spent until assessment teams could report on the extent of needs throughout the country.

Congressional Action on Iraq Reconstruction. As cleared by Congress, H.R. 1559 appropriated $2.475 billion for the Relief and Reconstruction Fund, slightly higher than requested. The President was able to apportion Fund resources directly to five federal agencies: the Departments of Defense, State, Health and Human Services, Treasury, and USAID. Subsequently the funds were allocated to

[4] OMB documents estimated the total amount for Iraq reconstruction was $3.5 billion, a figure that included nearly $500 million from DOD funding for the repair of oil facilities.

the Coalition Provisional Authority, headed by Ambassador Paul Bremer, who reports to the Secretary of Defense. In previous congressional debate, the House and Senate had each expressed their expectations that these funds would be channeled to the Secretary of State, and in most instances, further directed to USAID. The report accompanying S. 762 specifically noted that the funds were not expected to be transferred to the Secretary of Defense. Nevertheless, the White House continued to argue for greater flexibility and authority to place reconstruction resources under DOD auspices, and ultimately conference committee members agreed.

Table 6. Iraq Reconstruction, International Aid, and Related Activities
(in millions of dollars)

Activity	Request	House	Senate	Enacted
Iraq Relief and Reconstruction:				
Iraq Relief and Reconstruction Fund	$2,443.3	$2,483.3	$2,468.3	$2,475.0
Of which: Reconstruction priorities for public health, water and sanitation, seaports/airports, food-distribution networks, and electricity. Post-conflict emphasis on education, governance, economic institutions, agriculture, and infrastructure repair.	$1,700.0	—	—	—
Humanitarian aid, refugee and displaced persons relief, demining	$543.0	—	—	—
Reimbursement to USAID's Development, Child Survival and ESF aid accounts previously drawn upon to provide food commodities.	$200.0	fully reimburse[a]	$260.0	fully reimburse
Reimbursement to USAID's International Disaster Assistance account for previously drawn upon resources for food distribution, mainly through the UN WFP, and for immediate reconstruction.	$80.0	$160.0	$112.5	$143.8
Reimbursement to USAID's Child Survival/Health account for previously drawn upon resources for water and sanitation reconstruction.	$40.0	$40.0	$90.0	$90.0
Reimbursement to USAID's Economic Support Fund account for previously drawn upon resources for emergency relief and non-health reconstruction.	$40.0	—	$40.0	$40.0
Reimbursement of PL480 food assistance, including the Bill Emerson Humanitarian Trust	—	$319.0	$600.0	$369.0
Replenishment of the Emergency Refugee and Migration Aid (ERMA) fund to restore $17.9 million that has been drawn down for Middle East contingencies and to have funds available for needs worldwide.	$50.0	$80.0	$75.0	$80.0
Peacekeeping funds for coalition partners engaged in post-conflict Iraq	$200.0	$115.0	$150.0	$100.0
Subtotal, Iraq Reconstruction	**$2,853.3**	**$3,197.3**	**$3,535.8**	**$3,297.8**

Activity	Request	House	Senate	Enacted
Assistance to Coalition Partners & Cooperating States in War on Terrorism				
Israel military grant.	$1,000.0	$1,000.0	$1,000.0	$1,000.0
Israel economic loan guarantees. Israel will pay all fees associated with the cost of $9 billion in loan guarantees.	[$9,000.0][b]	[$9,000.0][b]	[$9,000.0][b]	[$9,000.0][b]
Egypt economic grant, a portion of which can be used for up to $2 billion in loan guarantees.	$300.0	$300.0	$300.0	$300.0
Jordan economic and military grants.[c]	$1,106.0	$1,106.0	$1,106.0	$1,106.0
Palestinian economic grant.	$50.0	NS	NS	NS
Turkey economic grant, a portion of which can be used for up to $8.5 billion in direct loans.	$1,000.0	$1,000.0	$1,000.0	$1,000.0
Philippines economic and military grant.	$30.0	NS	$80.0	$60.0
Pakistan military grant and law enforcement aid.[c]	$200.0	$200.0	[d]	$200.0
Djibouti economic and military grants.	$30.0	NS	NS	NS[e]
Oman military grant.	$62.0	NS	NS	NS[e]
Bahrain military grant.	$90.0	NS	NS	NS[e]
Colombia military and counter-narcotics grants to support unified campaign against drugs and terrorism.[f]	$71.0	NS	NS	NS[e]
Afghanistan economic, military, anti-terrorism, and demining grants.	$325.0	$325.0	[d]	$365.0
Middle East Partnership Initiative and Muslim World Outreach.[h]	$200.0	$105.0	[d]	NS[g]
Central Europe military grants.[i]	$84.1	NS	[d]	NS[i]
US Emergency Fund for Complex Foreign Crises — aid to support contingencies for coalition countries .	$150.0	$0.0	$150.0	$0.0
Subtotal, Aid to Coalition Partners & Cooperating States	**$4,698.1**	**$4,488.1**	**$4,604.0**	**$4,518.1**

Activity	Request	House	Senate	Enacted
State Department Administration & Other Activities				
State Department Diplomatic and Consular Affairs	$101.4	$106.4	$93.4	$98.4
Of which: Task Force Surge Support operations.	$5.0	$5.0	NS	$5.0
Baghdad embassy reopening; enacted amount includes diplomatic security	$17.9	$17.9	$17.9	$35.8
Medical supplies	$15.6	$15.6	$15.6	$15.6
Security upgrades	$10.0	$10.0	$10.0	$10.0
Machine Readable Visa fee shortfalls	$35.0	$35.0	$30.0	$32.0
Consular Affairs	—	—	$2.0	—
Worldwide emergency response	—	$30.6	—	—
State Department embassy construction	$20.0	$71.5	$82.0	$149.5
Of which: Temporary facilities in Iraq.	$20.0	—	$20.0	$61.5
Non-official facilities frequented by U.S. citizens overseas	—	—	$10.0	$10.0
Facilities and security in Rome, Italy	—	—	—	$78.0
USAID mission in Iraq, and, as enacted, IG monitoring of the Iraq Fund, and USAID security needs in Pakistan, Afghanistan, and Indonesia.	$22.0	$23.0	$23.6	$24.5
Potential emergency evacuations of US government employees, families, and private American citizens.	$65.7	$65.7	$40.0	$50.0
Radio broadcasting to Iraq and Middle East Television Network	$30.5	$30.5	$62.5	$30.5
Iraq War Crimes Tribunal and investigations into war crimes allegations	—	—	$10.0	$10.0
Subtotal, State Department & Other	**$239.6**	**$297.1**	**$311.5**	**$362.9**
TOTAL, Iraq Reconstruction, International Aid, & Related Activities	**$7,791.0**	**$7,982.5**	**$8,451.3**	**$8,178.8**

NS = Not specified.

[a] The House Appropriations Committee stated that up to $495 million in reimbursements was included in H.R. 1559.

[b] No appropriation required.

[c] DOD funds ($1.3 billion) were requested and enacted for Jordan, Pakistan, and other "key cooperating states" providing logistical and military support to U.S. military operations in Iraq and in the global war on terrorism.

[d] Request "supported" in Senate bill.

[e] Although the enacted supplemental does not set a specific level for this country, the Administration has allocated the full amount requested.

[f] DOD funds ($34 million) were also requested and enacted for drug interdiction and counter-drug activities in Colombia.

[g] Due to Congressional reductions in overall ESF funding and increases for Afghanistan and the Philippines, the Administrations allocated $100 million for MEPI.

[h] House bill funded an Islamic Partnership and Outreach Program.

[i] The Administration requested funds for 10 Central European nations but has altered the list of recipients and the allocation of military grants following enactment of the supplemental, as follows: Poland ($15 million requested and allocated); Hungary ($15 million requested; $8 million allocated); Czech Republic ($15 million requested and allocated); Estonia ($2.5 million requested, $2.75 million allocated); Latvia ($2.5 requested, $2.75 million allocated); Slovakia ($6 million requested, $6.5 million allocated); Romania ($15 million requested and allocated); Slovenia ($5 million requested, $0 allocated); Lithuania ($3.5 million requested, $4 million allocated); Bulgaria ($5 million requested, $10 million allocated); Albania $0 requested, $3 million allocated); Macedonia ($0 requested, $1 allocated); and Ukraine ($0 requested, $1.5 million allocated).

The enacted bill further directed higher and more specific amounts that should be used to replenish several foreign aid accounts that had been drawn upon in order to preposition food and medicine stocks in the region and for other pre-conflict humanitarian purposes. The conference agreement directed "full and prompt" reimbursement of USAID and State Department accounts from the Iraq Fund. The supplemental provided $143.8 million for international disaster assistance, $112.5 million of which would restore funds diverted previously for Iraq. The remaining balance augmented USAID disaster relief resources to respond to foreign contingencies that may arise through the end of FY2003. Similarly, Congress increased the State Department's refugee reserve account from the $50 million requested to $80 million in order to address needs in the Persian Gulf region as well as other global requirements.

International Assistance

The Administration's supplemental appropriation proposal, which was only slightly modified by Congress, provided about $4.7 billion in additional aid to 23 countries and regional programs that are contributing to the war in Iraq and cooperating in the global fight against terrorism. See the table below for a complete list of proposed recipients. Among the largest and most complex aid packages were:

- Jordan — $700 million in economic grants and $406 million in military transfers. This was on top of Jordan's regular $452 aid package from the U.S.

- Israel — $1 billion in supplemental military aid (on top of the $2.7 billion regular FY2003 assistance) and $9 billion in economic loans guaranteed by the U.S. government over the next three years. Israel would pay all costs — fees that may total several hundred millions of dollars — associated with these economic stabilization loans. Conditions on how the funds would be spent, similar to those that were applied in the early 1990s when Israel drew on a $10 billion U.S.-backed loan package, would be employed.

- Turkey — $1 billion for economic grants which could be applied to fees associated with $8.5 billion in direct loans or loan guarantees.

- Afghanistan — $325 million in economic grants, anti-terrorism, demining, and military transfers. This would be in addition to roughly $350 million already scheduled for Afghanistan this year.

- Egypt — $300 million for economic grants, a portion of which could be used to gain access to up to $2 billion in loan guarantees. Depending on the terms of the loan, if Egypt chose to receive the full $2 billion, about $120 million or more of the $300 million would be applied to the costs faced by the United States of guaranteeing the loans. The Administration further proposed to reprogram $379.6 million in previously appropriated commodity import program aid to Egypt as a cash transfer. The supplemental would come on top of $1.9 billion in regular U.S. aid to Egypt.

- Pakistan — $200 million in military grants and law enforcement assistance. Pakistan currently receives $305 million in FY2003.

The Administration further requested $150 million to initiate a U.S. Emergency Fund for Complex Emergencies, a contingency account that would allow the President to address quickly unforseen needs of coalition partners. The Fund, which would be managed by the White House, had originally been proposed for an FY2004 startup of $100 million.

Congressional Action on International Assistance. H.R. 1559, as approved, included $4.52 billion in additional aid to countries and regional programs, about $180 million less than requested. Nearly all of this reduction, however, came from Congress' decision not to fund the President's $150 million emergency account for complex crises. In most other cases, the Administration was able to allocate these foreign aid resources as it had intended. Congress earmarked funding at the requested levels for Israel, Egypt, Jordan, and Pakistan, while adding resources for Afghanistan and the Philippines. Turkey may receive "not to exceed" $1 billion in aid that is conditioned on a requirement for the Secretary of State to certify that Turkey is cooperating with the United States in Operation Iraqi Freedom (including facilitating the movement of humanitarian aid into Iraq), and has not unilaterally deployed forces in northern Iraq. The restriction on Turkey's aid package, the size of which could grow to $8.5 billion if the loan option is implemented, combined text in House and Senate-passed bills. Earlier, the House had defeated two amendments that would have eliminated aid to Turkey or reduced it by $207 million.

For Israeli loan guarantees, the enacted supplemental included the full $9 billion proposal, but added conditions not included in the Administration's proposal. Loans may be issued in $3 billion allotments in each of FY2003 to FY2005, a provision that would allow the President to reduce disbursements in the second and third years if Israel violated any of the loan conditions. One such condition added by Congress prohibited loan resources from supporting any activity in geographic areas that were not administered by Israel prior to June 5, 1967. This is similar to a condition attached to the 1992 $10 billion loan guaranty package for Israel, some of which was not disbursed because of continued Israeli settlement activity in the West Bank area.

Table 7. Proposed Recipients of Supplemental Foreign Aid
($s millions)

	Economic	Loans	Military	Anti-Terrorism	Narcotics/ Law	TOTAL
Jordan	$700[a]	—	$406[a]	—	—	$1,106
Israel	—	[$9,000]	$1,000[a]	—	—	$1,000
Turkey	$1,000[a]	[$8,500]*	—	—	—	$1,000
Afghanistan	$127[b]	—	$170[a]	$28[a]	—	$325
Egypt	$300[a]	[$2,000]*	—	—	—	$300
Pakistan	—	—	$175[a]	—	$25[a]	$200
Bahrain	—	—	$90	—	—	$90
Colombia	—	—	$37	—	$34[a]	$71
Oman	—	—	$62	—	—	$62
Palestinians	$50	—	—	—	—	$50
Djibouti	$25	—	$5	—	—	$30
Philippines	— [c]	—	$30	—	—	$30
Czech Rep.	—	—	$15	—	—	$15
Hungary	—	—	$15	—	—	$15[d]
Poland	—	—	$15	—	—	$15
Romania	—	—	$15	—	—	$15
Slovakia	—	—	$6	—	—	$6[d]
Bulgaria	—	—	$5	—	—	$5[d]
Slovenia	—	—	$5	—	—	$5[d]
Estonia	—	—	$3	—	—	$3[d]
Latvia	—	—	$3	—	—	$3[d]
Lithuania	—	—	$3	—	—	$3[d]

* Up to this amount. Loans would not require additional appropriations since economic grants would be used to pay for loan fees.

a. Amount was earmarked or recommended in the enacted supplemental appropriation.
b. The enacted supplemental appropriation provided $167 million.
c. The enacted supplement appropriation included $30 million for economic aid for the Philippines.
d. Following enactment of the supplemental, the Administration has modified its plans to allocate funds for these recipients. See footnote "i" in Table 6, above, for the allocated amounts.

While most of the President's request for international assistance was supported in the enacted emergency supplemental, the Administration had to reduce economic assistance in one instance. Congress cut Economic Support Fund appropriations by $20 million, but because of earmarks and additions for Afghanistan and the Philippines, and $10 million to investigate possible Iraqi leadership war crimes, executive officials had $100 million less than requested in economic assistance for countries not protected by legislative directives. Non-earmarked programs included $50 million for the Palestinians, $25 million for Djibouti, and $200 million for the Middle East Partnership Initiative. The Administration chose to fully allocate amounts for the Palestinians and Djibouti, but cut resources for the Middle East Partnership Initiative (including Muslim Outreach) to $100 million, half of the level requested.

The State Department also chose to modify its distribution of military aid grants to several Central Europe states. Most significantly, the executive branch decided to add funds (not requested) for Albania, Macedonia, and Ukraine, and increase amounts above the requested levels for Estonia, Latvia, Lithuania, and Bulgaria. As off-sets, the State Department cut funds for Hungary and eliminated the $5 million request for Slovenia. These alterations appear to reflect Administration views on the extent to which selected countries supported or did not support U.S. operations in Iraq. See footnote "i" in Table 6 above for specific amounts allocated to each recipient.

DOD Authorities to Provide Military Aid

Under sections relating to Defense Department funds and authorities, the supplemental proposed two items that drew particular congressional attention. The key issue was whether they infringed on congressional oversight and the State Department's traditional role in directing foreign aid policy and resource allocations. They were both similar to proposals made last year in the FY2002 supplemental that focused on the war on terrorism and were closely scrutinized by Congress.

The first would provide $1.4 billion for the Defense Department, "notwithstanding any provision of law," to pay Jordan, Pakistan, and other nations that have provided logistical and military-related support to U.S. military operations in Iraq or in the global war on terrorism. In the past, Defense officials argue, competing demands on regular military aid resources have delayed reimbursement to key friends that provide services to American forces. Congress approved funding in the FY2002 supplemental for this purpose, but included a 15-day prior notification requirement that is not part of the FY2003 supplemental draft legislation.

The more controversial authority concerned DOD's request for $150 million to support "indigenous forces" assisting U.S. military operations, including those aimed at the global war on terrorism. Decisions to draw on these funds would be made by the Secretary of Defense, with the concurrence of the Secretary of State. The Defense Department defines indigenous forces as "irregular forces and resistance movements" and notes that such forces "generally conduct military and para-military operations in enemy-held or hostile territory and conduct direct offensive lowintensity, cover, or clandestine operations."[5] Although it was unclear from the budget justification and bill text exactly what groups and under what scenarios the Administration would utilize these resources, a senior Administration official suggested that the intent was to have resources available for groups in Iraq. Deputy Secretary of State Richard Armitage testified on March 27 that because of the uncertainty of the war's duration, it might be necessary to transfer additional arms and equipment to Kurdish and other forces, and that the $150 million would provide a "hedge" in case of a more prolonged conflict. In last year's supplemental appropriation debate, DOD asked for $30 million to support indigenous forces, funds that would be exclusively under the control of the Secretary of Defense. Congress rejected the proposal, however. At that time, the House Appropriations Committee observed in deleting the request that the Secretary of State's primary responsibility over U.S. military assistance programs is well established and that the Administration had the necessary authorities under existing foreign aid laws to undertake the requested activities.[6]

Congressional Action on DOD Authorities. H.R. 1559, as enacted, provided the $1.4 billion for nations supporting U.S. military operations in the global war on terrorism, but did not authorize the $150 million for aid to indigenous forces.

Selected Major Issues in the FY2004 Foreign Operations Debate

While the Foreign Operations appropriations bill can include virtually any foreign policy issue of interest to Congress, the annual debate usually focuses on several major policy and spending issues. Among those for FY2004 are likely to include the following.

Foreign Aid to Combat Terrorism

Since the September 11, 2001 terrorist attacks and the initiation of military operations in Afghanistan, combating global terrorism has become one of the top priorities of American foreign assistance. Indeed, Secretary of State Powell has said at several 2003 congressional hearings that fighting terrorism is the most important objective of the FY2004 Foreign Operations request.

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 address some of the factors that terrorists use in recruiting disenfranchised individuals for their cause. As illustrated in the table below, the United States has provided more than $5.9 billion to 26 so-called "front-line" states in the global war on terrorism in

---

[5] U.S. Office of Management and Budget, *FY2003 Request for Supplemental Appropriations*, March 25, 2003.

[6] H.Rept. 107-480, May 22, 2002.

immediate post-September 11 and FY2002 appropriations, while FY2003 regular and supplemental spending bills have provided $7.1 billion. The Administration proposes $4.8 billion for the "front-line" states in FY2004. (None of these figures include post-conflict reconstruction assistance for Iraq which totals about $2.5 billion enacted, plus $18.65 billion anticipated in an FY2004 supplemental.)

While increased levels of foreign aid are only one sign of the importance the United States assigns to the support provided by these front-line states, the amounts allocated since September 11 are in sharp contrast to the $3.4 billion provided to these 26 countries prior to the attacks in regular FY2001 appropriations. Additional economic and military assistance has been particularly evident in a few countries, including Jordan, Pakistan, Afghanistan, Turkey, the Philippines, Kyrgyzstan, Tajikistan, Uzbekistan, Oman, Yemen, and Djibouti.

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 efforts of a coalition-partner government, 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 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. Some 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, instead of providing a blanket waiver of legislative obstacles, Congress approved in P.L. 107-57 specific waivers of aid prohibitions that applied to countries that engaged in missile proliferation, whose leaders came to power through a military coup, and which were behind in debt payments to the United States.

Table 8. U.S. Assistance to Front-Line States in War on Terrorism

($s in millions)

	FY2001 Pre-9/11[a]	FY2001 Post-9/11[a]	FY2002 Enacted	FY2003 Estimate	FY2004 Request
Egypt	1,992	—	1,960	2,204	1,876
Jordan	229	—	355	1,555	462
Afghanistan	32	194	492	647	658
Pakistan	5	993	153	317	395
Turkey	2	20	233	1,020	255
India	138	—	174	184	140
Indonesia	133	—	137	132	137
Philippines	49	—	131	148	90
Bangladesh	127	—	113	123	104
Ethiopia	144	—	103	144	80
Georgia	109	—	124	93	90
Armenia	93	—	98	97	56
Kenya	86	—	78	63	75
Kyrgyzstan	36	4	81	45	50
Tajikistan	30	—	94	27	47
Azerbaijan	41	—	56	56	50
Uzbekistan	31	80	80	52	57
Kazakhstan	51	2	56	52	42
Yemen	5	—	30	14	32
Oman	1	—	26	20	26
Morocco	17	—	18	16	21
Turkmenistan	9	—	20	11	11
Djibouti	1	—	3	29	2
Tunisia	5	—	5	7	12
Algeria	0	—	2	1	1
Malaysia	1	—	1	1	1
TOTAL	**3,367**	**1,293**	**4,623**	**7,058**	**4,770**

Source: U.S. Department of State and CRS calculations. Countries are listed in order of the size of aid provided and requested since September 11, 2001. Amounts include funds appropriated for programs under jurisdiction of the Foreign Operations spending measure, plus food assistance provided in the Agriculture appropriation bill.

a. FY2001 pre-September 11 are amounts allocated from regular FY2001 appropriations. FY2001 post-September 11 are amounts distributed from the Emergency Response Fund, funding for which was provided in P.L. 107-38, enacted in September 2001.

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. Since its initiation in 1984, over 23,000 officials from 112 countries have participated in ATA projects. 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. Congress approved $38 million for FY2002 and $64.2 million for FY2003. Increased funding for FY2003 is intended to finance three ATA program strategies:

- expanding existing U.S.-based training activities;
- initiating new in-country programs in participant nations; and
- adding program flexibility to respond rapidly to changing global circumstances.

For FY2004, the State Department seeks $106.4 million for ATA programs, up nearly two-thirds from existing levels. Most FY2004 training will continue for training of officials from the "front-line" states, with a focus on in-country training in Afghanistan, Pakistan, and Indonesia. The ATA program further plans to launch a Mobile Emergency Training Teams (METT) initiative ($10 million) which will deliver in-country instruction for VIP protection, bomb squads, and crisis response operations. The State Department had planned to begin METT in FY2002 but reprogrammed a $20 million appropriation in order to provide protective service for Afghan President Karzai.

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 60 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. After falling back to $5 million for FY2003, the request for FY2004 is $11 million. The Administration plans to expand operations in up to ten new countries with the additional resources.

Counterterrorism Engagement with Allies. Following the September 11 attacks, the United States began to conduct Senior Official Policy Workshops and multilateral conferences in order to better respond to terrorist incidents involving weapons of mass destruction overseas. With $3 million from emergency FY2002 supplemental spending, the State Department conducted workshops in 18 countries as well as several regional conferences. The $2.5 million budget request for FY2004 would finance ten scheduled workshops, including three in Greece in advance of the 2004 Olympic games.

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 is utilizing approximately half of its $10 million FY2003 "Technical Assistance" program for these purposes. In FY2004, Treasury proposes $5 million for combating terrorist financing activities.

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

In an effort to overcome these problems, USAID requested for FY2003 a new Foreign Operations account — the Capital Investment Fund — that would support enhanced information technology ($13 million) and facility construction ($82 million) specifically at co-located sites where security enhancements are needed. USAID planned to use the money in FY2003 for construction projects in Kenya, Guinea, Cambodia, and Georgia. Congress, however, reduced funding for this account to $43 million, with $30 million assumed for Kenya and $10 million for a new facility in Afghanistan.

With reductions made to the FY2003 request, USAID is proposing a $146.3 million Capital Investment Fund request for FY2004. Of the total, $20 million will support information technology needs, while the balance will finance construction of seven co-located facilities where the State Department is already building new embassies. In addition to Guinea, Cambodia, and Georgia, which went unfunded in FY2003, USAID requests resources for co-located missions in Zimbabwe, Armenia, Mali, and Uganda. For construction of co-located missions at embassies where building will begin in FY2004 or later, resources for USAID facilities will be drawn from State Department appropriations under the Capital Surcharge Proposal.

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, D.C., 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 estimates that it will spend $7.1 million for security needs out of its operations account, compared to $6.75 million in FY2002. USAID is requesting the same amount — $7.1 million — for FY2004 as it has available this year.

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 FY2003 funding measure are two:

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

- Sec. 543 prohibits U.S. aid to a government which provides lethal military equipment to a country that the Secretary of State has determined is headed by a terrorist supporting 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. For specific counter-terrorism programs, the House and Senate bills (H.R. 2800) provide:

- $90 million (House) and $106.4 million (Senate) for ATA activities — the Senate bill is at the President's request;
- $5 million (House) and $11 million (Senate) for the TIP program — the request is $11 million;
- House bill excludes funds for the counter-terrorism engagement/workshops programs;
- the House increases by $5 million funds for combating terrorist financing efforts, with most of the additional resources directed towards Southeast Asia, the Pacific Rim, and South America; the Senate reduces by $2 million the Treasury Department account out

of which these activities are funded, but did not specify where this reduction would be made.

The Senate measure further acknowledges the contributions made by several countries in the war in Iraq — including Albania, El Salvador, Macedonia, Mongolia, East Timor, and Uganda — and encourages the Administration to increase military assistance to these nations.

More generally, House and Senate recommendations in H.R. 2800 would largely, although not totally, support bilateral security and military aid requests for the "front-line" states. Most assistance for these 26 nations is drawn from the Foreign Military Financing (FMF) and the Economic Support Fund accounts in the Foreign Operations bills. The President's $4.4 billion FMF request would fall slightly (0.7%) under the Senate bill and by $100 million (2.2%) under the House measure, possibly resulting in very small cuts, if any at all, for the "front-line" state nations.

For ESF, however, the situation would be more problematic for the Administration to fully fund the President's request, especially under the House-passed levels. The House reduces the executive's ESF recommendation by $275 million (10.8%), but the impact on certain countries, including some "front-line" states, would be more significant. About 70% of the ESF appropriation is earmarked at or above levels requested for countries of special congressional interest, including the "front-line" nations of Afghanistan, Egypt, and Jordan. On the other side of the equation, the legislation reduces by $100 million amounts available for the Middle East Partnership Initiative. Of the remaining ESF funds, at the House-passed level the Administration would need to cut non-earmarked countries collectively by about 21%. Among these non-earmarked ESF recipients are the "front-line" states of Pakistan ($200 million requested), Turkey ($200 million), Indonesia ($60 million), the Philippines ($20 million), and India ($20 million), which would most likely have to absorb some of the ESF reductions.

A similar situation exists in the Senate bill, although with an ESF cut of only $120 million (5%) the impact on "front-line" states would be less significant. Still, aid to non-earmarked recipients would fall collectively by about 18% below requested amounts and include the same "front-line" nations cited above.

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. 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 principles 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 the decision to solicit program proposals developed solely by qualifying countries.

If Congress fully funds the President's MCA request and assuming that FY2003 will be the baseline from which to compare growth in foreign aid spending during implementation of the MCA, a $5 billion increase by FY2006, combined with other announced foreign aid initiatives, would result in a $19.3 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 $18.2 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. The nominal increase between FY2003 and FY2006 would be about 47%, while in real terms, FY2006 funding would be nearly 38% more. These figures are less than Administration claims of a 50% increase in funding due to the MCA, a figure that is apparently calculated using the $10 billion aid level in FY2000 as the base year. Because of the size of the U.S. economy and continued growth projected over the next several years, the MCA increases will have minimal impact on the amount of U.S. aid as a percent of GDP. According to current projections, assistance would rise from the 2002 level of 0.12% of GDP to 0.15%.

During the first year of the MCA, participation 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 has proposed the creation of a Millennium Challenge Corporation (MCC), a new independent government entity separate from the Departments of State and the 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 the Secretary of the Treasury and the Director of OMB, would oversee operations of the MCC.

The decision to house the MCA in a new organization has been one of the most debated issues during early congressional deliberations of the President's foreign aid initiative. The Administration argues that because the MCA represents a new concept in aid delivery, it should have a "fresh" organizational structure, unencumbered by bureaucratic authorities and regulations that would interfere in effective management. Critics, however, contend that if the MCA is placed outside the formal U.S. government foreign aid structure, it will lead to further fragmentation of policy development and consistency. Some believe USAID, the principal U.S. aid agency, should manage the MCA, while others say that the MCA should reside in the State Department where more U.S. foreign policy entities have been integrated in recent years. At least, some argue, the USAID Administrator should be a member of the MCC Board, possibly in place of the OMB Director.

For FY2004, the Administration seeks $1.3 billion for the MCA's first year and remains committed to a $5 billion budget by FY2006. Some believe, however, that the FY2004 request is less than promised a year ago. At the time, Administration officials implied that funding might be phased in over three years in equal increments, resulting in a $1.67 billion program in FY2004, a $3.34 billion level in FY2005, and $5 billion in FY2006. In the President's budget submission this year, however, budget officials say the pace at which resources will rise was never specifically set, and that only the $5 billion target for FY2006 is a firm commitment.

Congressional Action (Appropriations). H.R. 2800, as passed by the House, provides $800 million for the Millennium Challenge Account in FY2004, while the legislation, approved in the Senate, includes $1 billion. Both are below the $1.3 billion request. The Senate further incorporated into H.R. 2800 authorizing legislation that had been debated, amended, but not passed by the Senate on July 9 and 10. (See below for details on the authorizing text, as originally included in S. 925).

Congressional Action (Authorization). In legislation related to the Foreign Operations appropriations bill, the Senate and House have taken action to authorize the Millennium Challenge Account, first in bills directly applying to the MCA, modified texts of which have been incorporated into omnibus foreign policy authorizing legislation.

On May 29, 2003, the Senate Foreign Relations Committee reported S. 1160, legislation providing $1 billion for the MCA in FY2004, $2.3 billion in FY2005, and

$5 billion in FY2006. On a vote of 11-8, the Committee further approved an amendment by Senators Biden and Hagel that would establish the MCA inside the State Department under the direction of the Secretary of State. The legislation abandoned the separate corporation proposal put forward by the Administration. Secretary of State Powell wrote the Committee saying he would advise the President to veto the legislation if this provision to locate the MCA in the State Department remained in the bill.

Senator Lugar, who opposed the Biden-Hagel amendment, proposed an alternative structure in new legislation. S. 1240, as introduced on June 11, would create a Millennium Challenge Corporation, headed by a CEO who would report to the Secretary of State. Senator Lugar intended that such an arrangement would provide the Corporation with the same degree of independence and status as USAID, but with a chain of command that would permit the Secretary of State to broad direction of the MCA. S. 1240 created a Board of Directors, made up of the Secretary of State (Chairman), the Secretary of the Treasury, the USAID Administrator, the U.S. Trade Representative, and the MCC CEO. The full Senate adopted the general approach proposed by Senator Lugar when it voted on July 9 to incorporate a modified text of MCA authorizing legislation into S. 925, the Foreign Affairs Authorization, Fiscal Year 2004. The revised composition of the Board of the Directors proposed in S. 1240 is included. The approved text further strengthens the explicit relationship between the Corporation and the Secretary of State by adding that the CEO shall "report to and be under the direct authority and foreign policy guidance of the Secretary." The Administration has not expressed objection to the revised legislation.

S. 925, as amended, also would permit low-middle income nations to participate in the MCA program only if appropriations in FY2006 and beyond exceed $5 billion annually. In such years, these relatively wealthier countries may compete for only 20% of the total appropriation. In many other areas, however, the legislation adopts the broad concepts recommended by the executive.

As noted above, the Senate added the amended text of S. 925 regarding the MCA to the FY2004 Foreign Operations appropriations, and passed the bill (H.R. 2800) on October 31.

On June 12, the House International Relations Committee reported an MCA authorizing measure — H.R. 2441 — containing at the time significant differences with the Senate and the Administration. The legislation authorizes $1.3 billion for FY2004, as requested, $3 billion for FY2005, and $5 billion for FY2006. Unlike the original Senate measure, H.R. 2441 created a new Millennium Challenge Corporation sought by the President, but altered the composition of the Board of Directors and the authority of the MCC's Chief Executive Officer. The Board, as designed under H.R. 2441, included the Secretary of State as Chairman and the Secretary of the Treasury, as proposed, but deletes the Director of OMB and adds the USAID Administrator, the U.S. Trade Representative, and the CEO of the MCC. The bill also included four additional members, to be appointed by the President from a list submitted by the majority and minority leaders of the House and Senate. The Board would further include as non-voting ex-officio members the CEO of OPIC, and the Directors of the Trade and Development Agency, Peace Corps, and OMB.

Additionally, H.R. 2441 designated the CEO of the Corporation as the individual responsible for determining eligible countries rather than the Board of Directors, as recommended by the Administration. The House bill allowed low-middle income countries to participate in the MCA beginning in FY2006 regardless of the amount of money appropriated, but limits the allocation to these relatively wealthier countries to 20% of MCA assistance. Similar to the Senate, the House incorporated a slightly modified version of H.R. 2441 as Division A in H.R. 1950, an omnibus foreign policy authorization bill. The House passed H.R. 1950 — now called the "Millennium Challenge Account, Peace Corps Expansion, and Foreign Relations Authorization Act of 2003" — on July 16.

The table below summarizes differences among Senate, House, and Administration proposals.

Table 9. Comparison of MCA Authorization Legislation

Issue	Administration	Senate (S. 925)[a]	House (H.R. 1950)[a]
MCA oversight	Board of Directors, chaired by Sec. of State, with Treasury and OMB	Board of Directors, chaired by the Sec. of State, with Treasury, USAID, USTR, and the MCA's Chief Executive Officer (CEO)	Board of Directors, chaired by Sec. of State, with Treasury, USTR, USAID, MCC CEO, and 4 others nominated by the President from a Congressional list. Non-voting members include OPIC, OMB, Peace Corps, and TDA.
MCA organization	Independent Millennium Challenge Corporation	Independent Millennium Challenge Corporation whose CEO reports to and be under the direct authority and foreign policy guidance of the Sec. of State	Independent Millennium Challenge Corporation
MCA coordinator	CEO of Corporation	CEO "manages" the Corporation, reporting to and under the direct authority and foreign policy guidance of the Sec. of State	CEO "heads" the Corporation, reporting to the President
Selection of eligible countries	Board of Directors	Board of Directors	CEO of Corporation
MCC Advisory Council	None	None	Nine members named by the CEO to advise on MCA policy, review eligibility criteria, evaluate the MCC, assess MCC capabilities, and make recommendations to the CEO.

Issue	Administration	Senate (S. 925)[a]	House (H.R. 1950)[a]
Country income eligibility	FY2004 - IDA eligible FY2005 - per cap GNP less than $1,435 FY2006 - per capita GNP less than $2,975	FY2004 - IDA eligible FY2005 - per cap GNP less than $1,435 FY2006 - per capita GNP less than $2,975 only if funds exceed $5 billion; low-middle income countries capped at 20%	FY2004 - IDA eligible FY2005 - per cap GNP less than $1,435 FY2006 - per capita GNP less than $2,975; low-middle income countries capped at 20%
Aid to "near-miss" countries	General support	10% of MCA funds available for countries failing to qualify because of inadequate data or missing one indicator	15% of MCA funds available for countries demonstrating a development commitment but fail to meet a sufficient number of performance indicators
Oversight and reports	MCA contracts and performance posted on the Internet.	Disclosure in Federal Register and on the Internet of eligible countries, programs supported, and performance; proposed performance indicators open to public comment; annual report to Congress	CEO consultation with Congress on eligibility criteria; notification 15 days in advance on grants exceeding $5 million; "Compacts" with countries published in Federal Register and on the Internet; advance notification of aid termination; annual reports to Congress from the CEO and Advisory Council
Funding	FY2004 - $1.3 billion FY2005 - no decision FY2006 - $5 billion	FY2004 - $1 billion FY2005 - $2.3 billion FY2006 - $5 billion	FY2004 - $1.3 billion FY2005 - $3 billion FY2006 - $5 billion

a. The status of the Senate bill is based on S. 925, the Foreign Affairs Act, Fiscal Year 2004, as amended during debate on July 9 and 10. S. 925 remains pending in the Senate. Previously, the Senate Foreign Relations Committee had approved legislation authorizing the Millennium Challenge Account in S. 1160. A modified text of S. 1160 was subsequently incorporated into S. 925 as Division C on July 9. The House bill, H.R. 1950, is also a combined foreign policy authorization measure to which earlier MCA authorizing text was added. The House International Relations Committee had reported H.R. 2441, which was incorporated, with modifications, to H.R. 1950, and passed by the House on July 16.

Development Assistance, Global Health Priorities, and HIV/AIDS

A continuing source of disagreement between the executive branch and Congress is how to allocate the roughly $3.2 billion "core" budget for USAID development assistance and global health 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 has also backed these programs, but officials object to congressional efforts to increase funding for children and health activities when it comes at the expense of other development sectors. Most recently during the FY2003 and FY2004 budget cycles, some Members of Congress have argued that it has been the executive branch that has added funds for Administration priorities by cutting resources for other development activities.

In years when Congress has increased appropriations for its priorities, but not included a corresponding boost in the overall development aid budget, resources for other aid sectors, such as economic growth and the environment, have been substantially reduced. This was more problematic during the mid-to-late 1990s when world-wide development aid funding fell significantly. In more recent years, and especially for FY2003, Congress increased overall development assistance so that both congressional and executive program priorities could be funded without significant reductions for non-earmarked activities. Nevertheless, Administration officials continue to argue that such practices undermine their flexibility to adjust resource allocations to changing global circumstances.

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 identifies good development opportunities being conducted by private foundations, non-governmental organizations, universities, and for-profit organizations, and provides parallel financing to leverage resources already committed to these activities. USAID officials envisioned that the agency would become much more of a coordinating and integrating institution to expand and enhance development efforts of these non-governmental development partners. Although it started out as a much more ambitious project — USAID requested $160 million for FY2002 — the GDA has received relatively modest funding allocations: $20 million in FY2002 and $14.9 million in FY2003. The FY2004 request seeks $15 million.

Underscoring the importance of the debate over funding allocations of development aid resources has been an elevation by the Administration of the value of foreign economic assistance as an instrument of U.S. foreign policy since the terrorist attacks of September 11, 2001. President Bush has announced plans to launch two major foreign aid initiatives — the Millennium Challenge Account and the Global AIDS Initiative — that if approved by Congress, would significantly boost funding for development assistance programs. Moreover, the President's September 2002 National Security Strategy established global development, for the first time, as the third "pillar" of U.S. national security, along with defense and diplomacy.

For FY2004, the President seeks a substantial increase in overall development assistance, although the programs are configured differently than they have been in the past, raising questions in some observers' minds about the Administration's commitment to broad-based, worldwide development. For "core" development assistance — programs that match the current structure of USAID's "strategic pillars" and Foreign Operations appropriation accounts for Development Assistance and Child Survival and Health Program Fund — the Administration proposes $2.96 billion, as shown in Table 10. This represents a $245 million, or 7.7% reduction from current amounts for FY2003. With the exception of HIV/AIDS, democracy programs, and to a far less extent agriculture and economic growth activities, all other development sectors would receive less funding in FY2004 than appropriated for FY2003.

Table 10. Development Assistance Funding

($s — millions)

	FY2002 Actual	FY2003 Estimate	FY2004 Request	FY04 +/- FY03 $	%
USAID "Core Development" Programs:					
Economic Growth[a]	$1,031.6	$1,151.7	$1,133.0	($18.7)	-1.6%
Global Health[b]	$1,467.5	$1,824.6	$1,615.0	($209.6)	-11.5%
Democracy/Conflict/Humanitarian[a]	$146.4	$213.9	$211.9	($2.0)	-0.9%
Subtotal, "Core Development"	**$2,645.5**	**$3,205.1**	**$2,959.9**	**($245.2)**	**-7.7%**
Global AIDS Initiative	—	—	$450.0	$450.0	—
Millennium Challenge Account	—	—	$1,300.0	$1,300.0	—
TOTAL, Development Aid	**$2,645.5**	**$3,205.1**	**$4,709.9**	**$1,504.8**	**47.0%**

Source: USAID.

a. USAID's "strategic pillars" for Economic Growth and Democracy correspond to the Development Assistance account in title II of annual Foreign Operations appropriations bills.

b. USAID's "strategic pillar" for Global Health corresponds to the Child Survival and Health Program Fund account in title II of annual Foreign Operations appropriations bills.

Two new initiatives proposed for FY2004 that would be managed outside of USAID "core development" programs, however, push overall U.S. development assistance well above FY2003 levels. With the additions of the Global AIDS Initiative and the Millennium Challenge Account, for which $450 million and $1.3 billion, respectively, are requested, total development aid in FY2004 would grow to $4.7 billion, or 47% higher than FY2003 amounts.

While development assistance supporters applaud the increases sought for the new initiatives, they remain concerned over the reductions proposed for USAID's "core" development accounts. The latter are worldwide activities that serve multiple development needs in over 55 countries that range from nations with a sound commitment to economic and democratic reforms, to countries emerging from conflict, to failed states that confront humanitarian crises. The HIV/AIDS and MCA proposals, on the other hand, are more narrowly focused. The Global AIDS Initiative, implementing prevention, treatment, and care projects, will be focused largely on 14 priority countries in Africa and the Caribbean. The Millennium Challenge Account will likely support programs in the first year in perhaps as few as 5-8 "best-performing"countries that have demonstrated progress in the areas of governance, economic freedom, and social investments in people. The Administration further had said that funding for the MCA would be in addition, not a substitute for continuing "core" development resources. Critics charge that the FY2004 budget request violates that pledge by cutting amounts for the "core" programs.

What some observers find most problematic about the FY2004 development assistance request is that increases for selected areas, especially those for HIV/AIDS, to some extent result from reductions in other development programs. (See Table 11.) Among health programs, each sub-sector is cut, except for HIV/AIDS. Funding for other infectious diseases, including tuberculosis and malaria, would fall by one-third under the President's budget request, child survival activities would be cut by 11%, reproductive health would drop by 5%, and vulnerable child programs would be reduced from $27 million to $10 million. The Administration recommended similar reductions in its FY2003 budget request last year, but Congress restored most of the funds that would have been lost under the President's recommendation. For example, USAID had sought $110 million out of the Child Survival and Health Program Fund account for FY2003, an amount that rose to $154.5 million due to subsequent congressional additions in the Foreign Operations appropriation.

Aside from global health programs, USAID proposes a mix of budget increases and cuts for other "core" development sectors. Those scheduled for higher spending include:

- Agriculture programs would increase by 4% to $261 million.
- Economic growth activities, including trade and investment programs, would rise less than 1%.
- Democracy and local governance would grow by 20%, although large increases for Afghanistan and Pakistan would leave similar programs in Africa and Latin America below FY2003 levels.

Funding for other "core" development areas would fall:

- Environmental activities would drop by 6% to $286 million.
- Basic education, a high congressional priority for a number of years, would fall by 2% to $212 million, and resources for higher education would be cut by 17%.
- Human rights and conflict prevention programs would be reduced collectively by over one-third.

Resources for some or all of these sectors, however, could rise, and in some cases significantly, when MCA programs are selected. The $1.3 billion sought by the President in FY2004 would be allocated among a selected few "best performing," low income countries, supporting the highest development priority identified by the participant nation.

Table 11. "Core" Development Assistance Funding

($s — millions)

Strategic "Pillar"	FY2001 Actual	FY2002 Actual	FY2003 Estimate	FY2004 Request
Economic Growth/Agriculture/Trade	**$844.6**	**$1,031.6**	**$1,151.7**	**$1,133.0**
Agriculture	$160.4	$201.9	$258.8	$268.4
Environment [of which global climate change]	$274.1 [$112.7]	$278.9 [$110.0]	$303.0 [$109.3]	286.4 [$109.0]
Economic Growth [of which micro-enterprise]	$246.6 [$90.7]	$331.8 [$79.0]	$313.2 [$79.0]	$315.8 [$79.0]
Basic Education for Children	$102.8	$150.0	$216.6	$212.0
Higher Education and Training	$60.4	$62.3	$60.1	$50.3
Global Health[b]	**$1,324.3**	**$1,467.5**	**$1,824.6**	**$1,615.0**
Child Survival/Maternal Health	$295.4	$337.0	$321.9	$284.6
Vulnerable Children	$29.9	$25.0	$26.8	$10.0
HIV/AIDS (bilateral)[c]	$289.3	$395.0	$587.7	$650.0
Global Fund for AIDS, TB, & Malaria	$100.0	$40.0	$248.4	$100.0
Other Infectious Diseases[c]	$123.7	$165.0	$154.5	$104.4
Family Planning/Reproductive Health	$376.2	$385.5	$366.1	$346.0
UNICEF contribution	$120.0	$120.0	$119.2	$120.0
Democracy, Conflict, & Humanitarian	**$156.8**	**$146.4**	**$213.9**	**$211.9**
Democracy & Local Governance	$131.3	$119.4	$136.8	$164.8
Human Rights	$25.2	$27.0	$26.8	$19.5
Conflict	—	—	$50.3	$27.6
[Global Development Alliance]	**[—]**	**[$20.0]**	**$14.9**	**[$15.0]**
TOTAL, Development Aid	**$2,325.7**	**$2,645.5**	**$3,205.1**	**$2,959.9**

Note: Amounts in this table reflect levels allocated from USAID's "core" development aid accounts: Development Assistance and the Child Survival and Health Program Fund. In addition to figures shown here, funds are drawn from other economic aid programs — Economic Support Fund, aid to Eastern Europe, and former-Soviet assistance — that are co-managed by USAID and the State Department. For activities such as basic education and global health, most funding comes from these "core" development accounts. In other areas, however, especially economic growth , agriculture, and democracy, a sizable amount of resources are drawn from these non-"core" accounts. Because USAID does not have data estimating for FY2003 how much each sector will receive across all appropriation accounts, it is only possible to draw comparisons for "core" development aid resources.

Source: USAID.

International HIV/AIDS. By far, the largest growth area for development assistance is for HIV/AIDS prevention, treatment, and care programs (Table 12). Resources requested under the Foreign Operations bill for HIV/AIDS in FY2004 total $1.24 billion, a 41% increase over $882 million appropriated for FY2003. Moreover, the Administration is seeking another $680 million for international HIV/AIDS from non-Foreign Operations accounts, most importantly for the Centers for Disease Control and Prevention funded under the Labor/HHS/Education appropriation bill. The total request across all appropriation measures for FY2004 is $1.92 billion. (The Administration frequently uses a total of $2 billion in its estimates of FY2004 funds requested for international HIV/AIDS programs. These executive estimates include USAID resources for tuberculosis and malaria that are not calculated in the $1.92 billion level shown in Table 12.) A controversial issue likely to arise during congressional consideration is the President's decision to propose $200 million for the Global Fund — $100 million each from Foreign Operations and Labor/HHS/Education. For FY2003, Congress raised the U.S. contribution to $350 million and subsequently authorized "up to" $1 billion for FY2004 in P.L. 108-25, the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003.

Table 12. U.S. International HIV/AIDS Programs

($s millions)

Program	FY2002 Actual	FY2003 Estimate[a]	FY2004 Request
USAID Child Survival/Health account for bilateral programs	$395.0	$591.5	$650.0
USAID Child Survival/Health account for the Global Fund	$40.0	$250.0	$100.0
USAID other non-"core" development assistance accounts	$40.0	$38.5	$40.0
Foreign Military Financing	—	$2.0	$1.5
State Department Global AIDS Initiative	—	—	$450.0
Subtotal, Foreign Operations appropriations	**$475.0**	**$882.0**	**$1,241.5**
CDC Global AIDS Program	$143.8	$183.8	$293.8
CDC International Applied Prevention Research	$11.0	$11.0	$11.0
NIH International Research	$218.2	$252.3	$274.7
DOD HIV/AIDS prevention education with African militaries	$14.0	$7.0	—
DOL AIDS in the Workplace Initiative	$8.5	$10.0	—
USDA Section 416(b) Food Aid	$25.0	$25.0	—
Global Fund contribution from NIH (& other sources in FY02)	$160.0	$100.0	$100.0
TOTAL	**$1,055.5**	**$1,471.1**	**$1,921.0**

Sources: House and Senate Appropriations Committees, Departments of State and HHS, USAID, and CDC.

a. The FY2003 Consolidated Appropriation Act (P.L. 108-7) required an across-the-board rescission of 0.65% for each account, an amount not calculated in these figures.

Congressional Action. On July 23, the House approved $3.55 billion for "core" bilateral development programs, an amount about $140 million higher than the President's request and $350 million above regular FY2003 amounts. H.R. 2800, while adding over $320 million to FY2003 totals for the Child Survival and Health account, reduces non-health programs by nearly $30 million from the Administration's request and $63 million from FY2003 amounts. At these levels, this would result in small cuts for activities such as agriculture, economic growth, environment, and democracy promotion.

For one of the highest Administration and congressional foreign aid priorities, the House provides $1.27 billion for international HIV/AIDS, $30 million above the President's request and $390 million higher than FY2003 levels. Combined with parallel funding approved in the House Labor-HHS spending measure, the House provides in both bills $1.9 billion for HIV/AIDS, $20 million less than the Administration's proposal. Out of this, $500 million — $400 million from the Foreign Operations bill — would be available as a U.S. contribution to the Global Fund for which the President proposes $200 million, $100 million from each bill. H.R. 2800 also restores cuts to bilateral tuberculosis and malaria proposed by the President, increasing spending for non-HIV/AIDS infectious diseases from $104 million to $156 million.

The House measure, within the Development Assistance account, places high priority on trade capacity building activities, increasing funding to $195 million, $35 million higher than in FY2003. Spending on basic education would also rise under the House measure, with $259 million specified out of the bilateral development aid funds. In FY2003, USAID allocated $217 million for basic education and requested $212 million for FY2004. Across all Foreign Operations accounts, the House bill directs a total of $350 million for basic education.

In H.R. 2800 (originally reported as S. 1426), the Senate provides about $4 billion in overall "core" bilateral development programs, including HIV/AIDS, other non-health activities, and UNICEF contributions. The Senate measure is about $560 million higher than the President's request and $420 million above the House bill.

As one of its top priorities, the Senate Committee provides $1.47 billion for international HIV/AIDS, $230 million above the President's request and $590 million higher than FY2003 levels. The HIV/AIDS total includes as much as $250 million for the Global Fund, compared with the President's request of $100 million. (The President also requested $100 million for the Global Fund in the Labor/HHS appropriation measure.) Unlike the House bill, the Senate includes HIV/AIDS funds in both the Child Survival/Health (CS/H) and Global AIDS Initiative accounts. The Global AIDS Initiative account is a new request for FY2004, funding programs managed by a new State Department Coordinator. The House bill keeps nearly all HIV/AIDS funds in the CS/H account, consistent with past practice. The bill also restores cuts to bilateral tuberculosis and malaria proposed by the President, increasing spending for non-HIV/AIDS infectious diseases from $104 million to $185 million. Of that total, tuberculosis is to receive $80 million, while malaria funding is set at $85 million.

Besides increasing health programs, the Senate bill also adds to the request for other development activities, providing about $80 million more than requested and over $100 million more than the House. Basic education programs receive $220 million under bilateral development assistance, while environmental activities ($485 million) and microenterprise ($180 million) are other areas emphasized in the Senate bill that are above the President's request.

International Family Planning and UNFPA Funding

U.S. population assistance and family planning programs overseas have sparked continuous controversy during Foreign Operations debates for nearly two decades. For FY2004, the Administration requests $425 million for bilateral population assistance, the same as proposed last year, but below the $446.5 million appropriated by Congress for FY2003. Although funding considerations have at times been heatedly debated by Congress, the most contentious family planning issues addressed in nearly every annual congressional consideration of Foreign Operations bills have focused on two matters: 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, and whether abortion-related restrictions should be applied to bilateral USAID population aid grants (commonly known as the "Mexico City" policy).

UNFPA Funding. The most contentious issue usually concerns the abortion restriction question, but most recent attention has 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 abortion and involuntary sterilization 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 supports or participates "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 the amount be 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, 2002, 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 2002 because new evidence suggested that coercive practices were continuing 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 continued 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." (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.)

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

Findings:

- There is no evidence that UNFPA "knowingly supported or participated in the management of a program of coercive abortion or involuntary sterilization" in China;
- China maintains coercive elements in its population programs; and
- Chinese leaders view "population control as a high priority" and remain concerned over implications of loosening controls 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; and
- 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 decided on July 22, 2002, 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 had been delegated previously 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." (The full text of the State Department's analysis is online at the State Department's web site at [http://www.state.gov/g/prm/rls/other/12128.htm]. The State Department's assessment team report is also online, at [http://www.state.gov/g/prm/rls/rpt/2002/12122.htm].)

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

For FY2003, the President proposed no funding for UNFPA, although $25 million was requested in "reserve" for the account from which UNFPA receives its funding. Presumably, this could be made available to UNFPA if it is found not to be in violation of Kemp-Kasten. Following several legislative attempts to reverse the Administration's denial of UNFPA — in both FY2002 supplemental appropriations and regular FY2003 Foreign Operations measures — Congress approved in P.L. 108-7, the Consolidated Appropriations Act for FY2003, a provision allocating $34 million to UNFPA, the same as in FY2002, so long as several conditions were met. The most significant requirement is that the President must certify that UNFPA is no longer involved in the management of a coercive family planning program. The President has not yet issued a determination regarding the status of UNFPA funding for FY2003.

Like for FY2003, the FY2004 Foreign Operations request does not propose funding for UNFPA, but places $25 million in "reserve" for unidentified voluntary contributions to international organizations.

"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 subsequent 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.

Between 1996 and 2000, the House and Senate took opposing positions on the Mexico City issue, actions that repeatedly held up enactment of the final Foreign Operations spending measures. 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, rejected in most cases House provisions dealing with Mexico City policy, favoring a position that left these decisions in the hands of the Administration. Unable to reach an agreement satisfactory to both sides, Congress adopted interim arrangements during this period 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 separate 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." 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." 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.

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 foreign 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, closes the fungibility "loophole."

Since re-instatement of the Mexico City policy in early 2001, several bills have been introduced to reverse the policy, but none has passed either the House or Senate. The policy continues to apply to FY2003 family planning aid programs and will presumably continue in FY2004.

Congressional Action. On July 23, the House approved $425 million for bilateral family planning programs, as requested. For UNFPA contributions, the House bill (H.R. 2800) provides $25 million, available only under certain conditions:

- none of the funds can be used in China;
- funds must be maintained by UNFPA in a separate account and may not comingle amounts;
- UNFPA does not perform abortions;
- UNFPA does not provide any resources for the Chinese State Planned-Birth Commission or its regional affiliates; and
- U.S. contributions will be reduced by whatever amount, if any, UNFPA spends in China.

In addition, the terms of the Kemp-Kasten amendment continue to apply, the terms of which resulted in a cut-off of U.S. contributions in FY2002.

On July 17, the Senate Appropriations Committee approved its FY2004 Foreign Operations (S. 1426), including several significant changes regarding international family planning funding and policy. The Administration is likely to oppose, as it has in the past, provisions in the Senate measure. (The Senate, on October 30, subsequently passed the legislation, approving the House-passed measure, H.R. 2800, without making changes to the Committee-reported text concerning international family planning issues.)

For bilateral family planning activities, the Senate bill provides $445 million, $20 million above the President's request. In Section 691, the bill effectively reverses the Administration's Mexico City policy. Specifically, the provision states that foreign NGOs shall not be declared ineligible for U.S. funds solely on the basis of health or medical services they provide (including counseling and referral services) with non-U.S. government funds. This exemption would apply so long as the services do not violate the law of the country in which they are performed and that they would not violate U.S. laws if provided in the United States. Section 691 further provides that non-U.S. government funds used by foreign NGOs for advocacy and lobbying activities shall be subject to conditions that also apply to U.S. NGOs. Since it is largely held that American NGOs would not be subject to these restrictions under the Constitutional protection of free speech, it is possible that this latter exemption would lift current prohibitions that apply to overseas NGOs.

In the White House "Statement of Administration Policy" for H.R. 2800, the executive said that it would "oppose any legislation that would infringe upon the President's ability to enforce current Administration policy regarding international family planning." Addition of such a provision to the House bill, the Statement said, would result in a Presidential veto.

For UNFPA, the Senate bill provides $35 million in FY2004, but makes these funds, together with those appropriated for FY2002 and FY2003, subject to Kemp-Kasten limitations and current restrictions that apply in FY2003.

In authorizing legislation related to portions of the Foreign Operations appropriation bill, the House voted on July 15 (216-211) to delete a committee-approved amendment added to H.R. 1950 that sought to restore U.S. funding to UNFPA. On May 8, the International Relations Committee had approved a provision offered by Congressman Crowley that authorized $50 million for a U.S. contribution to UNFPA for each of FY2004 and FY2005. The Crowley amendment further would have altered existing law for determining UNFPA eligibility by requiring that the President find that UNFPA does not "directly" support or participate in coercive or involuntary activities. This would appear to make it more difficult for the President to block funding for UNFPA than under conditions that apply for this year. Not only would the Crowley amendment have added the word "directly," but also defined the circumstances under which UNFPA would be found ineligible as "knowingly and intentionally working with a purpose to continue, advance or expand the practice of coercive abortion or involuntary sterilization, or playing a primary and essential role in a coercive or involuntary aspect of a country's family planning program."

In another authorizing bill — S. 925, the Foreign Relations Authorization for FY2004 — the Senate added on July 9 an amendment by Senator Boxer that, like S. 1426, would effectively reject the President's Mexico City policy. Senate opponents had tried to table the Boxer amendment, an effort that failed on a vote of 43-53. The Administration strongly opposes the Boxer amendment and says the President would veto the bill if it remains in the legislation.

Afghanistan Reconstruction[7]

Congress is currently considering simultaneous requests for additional reconstruction aid for Afghanistan. In the regular FY2004 Foreign Operations budget proposal, submitted in February 2003, the Administration seeks $550 million for economic and military support for Kabul. More recently, as part of the President's $87 billion FY2004 supplemental request, most of which would support U.S. military operations in Iraq and Afghanistan, and Iraq reconstruction, the White House proposes $799 million additional aid for Afghanistan. The Administration further plans to re-program $390 million prior year DOD, State Department, and USAID appropriations for Afghan reconstruction.

The conditions in Afghanistan represent a challenging mix of ongoing security concerns, infrastructure destruction, and humanitarian needs likely requiring a robust and sustained intervention. While the hunt for Al Qaeda forces within Afghanistan continues, transitional and reconstruction assistance has also moved ahead. An examination of the progress of reconstruction efforts and aid priorities since December 2001 reveals the complexity of the tasks at hand and the important roles to be played by the United States and the international community. The case of Afghanistan may present a special category of international crisis response, in which the United States and others pursue the war on terrorism in a country while simultaneously providing humanitarian and reconstruction assistance.

So far, the international community has continued to provide large amounts of aid and resources for the reconstruction effort. A long-term commitment will likely be necessary to ensure that a stable, democratic Afghanistan emerges and will not fall prey to the twin evils of drugs and terrorism. The outcomes of the international donors conference in January 2002 and other donor conferences since then indicate a strong willingness on the part of the international community to assist in the restoration of Afghanistan. However, reconstruction costs are estimated by some to be more than $15-$30 billion over the next decade.

Current Operating Environment. Key developments since September 11, 2001, and the collapse of the Taliban focus on three main pillars: First, the development of plans for security including the International Security Assistance Force (ISAF), and in the future, an Afghan National Army and police force; second, establishing the political framework through the Bonn Conference and Afghanistan Interim Administration (AIA), the *loya jirga* and Islamic Transitional Government of Afghanistan (ITGA), and renewed diplomatic ties with the international community; and third, the creation of a strategy for reconstruction beginning with the Tokyo Reconstruction Conference in January 2002. The current operating environment continues to highlight the importance of these three themes and the work that remains to be done to assure Afghanistan's recovery.

The most serious challenge facing Afghanistan today is the lack of security. Former commanders maintain control over their own areas and continue fighting with their rivals, making difficult the extension of control by the national government, the

---

[7] This section was prepared by Rhoda Margesson.

provision of humanitarian assistance, and the implementation of plans for reconstruction. With the continued fighting and insecurity, the process of demobilization and integration of combatants has also been slow. U.S. forces are continuing to train a new Afghan National Army that it is hoped will ultimately allow the Kabul government to maintain security on its own, and enable foreign forces to depart Afghanistan. With about 4,500 recruits trained so far, the U.S. government estimates that it will be at least five years until the army reaches full strength, currently planned for 70,000.

Ensuring a secure environment for reconstruction gained greater attention with an initiative by the Pentagon to expand the role of the U.S. military in Afghanistan. In December 2002, DOD announced that it would be setting up eight "provincial reconstruction teams" (PRTs), composed of U.S. combat and civil affairs officers, to provide security for reconstruction workers and to extend the influence of the Kabul government. Three of these PRTs are already in operation and observers say NGOs are gravitating to areas where they are present due to improved security. This marks a departure from the previous policy of relying solely on security through the development of an Afghan national army or expansion of the ISAF, and engages U.S. forces beyond military action to oust the Taliban and Al Qaeda.

Still, factional fighting and increased criminal activity have undermined humanitarian operations. In some cases, where operations were directly targeted, this has led to the temporary suspension of U.N. missions or withdrawal of aid agencies from certain areas. The United Nations has begun a database to record national security incidents and to provide more effective, timely information and situation assessments.

The strength and influence of the central government is viewed as a key factor that will determine the success of the intervention and assistance on the part of the international community. Humanitarian and reconstruction programs face the challenge of maintaining their foothold despite the complex humanitarian requirements (such as population returns and resettlement, food security, shelter, and winter assistance) and reconstruction problems (such as rebuilding the infrastructure, economy and agricultural base; addressing landmines and environmental damage; and reestablishing health, education, and community centers.) At the end of 2003, Afghanistan is to begin preparing for national elections to take place by June 2004. A *loya jirga* in October 2003 is to consider a draft permanent constitution.

Apart from the security problems, the current operating environment presents a number of other urgent challenges. The collapsed infrastructure, rugged terrain, and extreme weather are significant factors with regard to access, food aid, logistics, and plans for reconstruction. The humanitarian needs and support required for recovery in Afghanistan must be understood in the context of the continuing vast numbers of refugees and IDPs, the differences among the regions in which they are located, and the political and security situation throughout the country. There is a need for stronger links between humanitarian and reconstruction projects so that Afghans can begin to move beyond initial reintegration to more permanent resettlement. UNHCR plans to assist 1.2 million refugees and 300,000 IDPs during 2003, although some have raised concerns that the infrastructure may not yet be able to support this many returnees.

The United States has international help in carrying out the reconstruction of Afghanistan. The United States is training the new army and about 9,000 U.S. troops continue to combat Taliban/Al Qaeda remnants. The U.S. Treasury Department is advising the government on its budget and other financial affairs. Among contributions by other countries, Italy is providing advice on judicial reform and Germany is helping establish a national police force. The United States, Japan and Saudi Arabia are financing the rebuilding of the Kabul-Qandahar-Herat major roadway.

There have been some reports that Afghanistan officials have complained about the slow pace at which pledged funds were being paid. In a similar vein, the United States has been critical of other donors for not meeting their "fair share" of the cost of recovery and for not doing enough on a multilateral level. On the one hand, determining the "fair share" of the costs of reconstruction for any one country or group of countries varies from conflict to conflict and depends in part on the resources being spent on conflicts elsewhere. On the other hand, the way in which funds are distributed — be it multilaterally through U.N. agencies or bilaterally with funds supporting international organizations and NGOs directly — appears to be at issue in Afghanistan. Others are concerned that international donors might shift their focus to Iraq reconstruction, and lose interest or run too low on resources to continue to participate in Afghan reconstruction.

Tokyo Pledging Conference. The International Conference on Reconstruction Assistance to Afghanistan held in Tokyo in January 2002 gave the Afghan Interim Authority (AIA) a chance to demonstrate its commitment to the next phase of Afghanistan's recovery and provided the international donor community an opportunity to come together and formally demonstrate support for this initiative. The sixty-one countries and twenty-one international organizations represented pledged $1.8 billion for 2002. The U.S. government pledged $297 million, drawn from existing sources — either from the $40 billion Emergency Terrorism Response supplemental (P.L. 107-38) that was passed shortly after the September 11, 2001 attacks or from regular FY2002 appropriations. The total pledged at Tokyo was $4.5 billion, with some states making pledges over multiple years and commitments to be carried out in different time frames. Some countries offered support in kind but placed no monetary value on that.

Subsequent U.S. Aid Transfers, FY2002 and FY2003. Since the Tokyo pledging conference, through supplemental and regular appropriation bills, Congress has approved an additional $970 million in U.S. assistance to Afghanistan, making Kabul one of the largest recipients of American aid. An emergency FY2002 supplemental measure (P.L. 107-206) added $258 million for Afghanistan to amounts previously allocated, bringing the total amount of U.S. assistance in FY2002 to $686 million, well in excess of funding pledged at the Tokyo conference. Thus far in FY2003, Congress has passed in regular (P.L. 108-7) and supplemental (P.L. 108-11) appropriation acts over $700 million, of which $647 million falls under Foreign Operations programs. In each of these actions, Congress has increased levels beyond those requested by the Administration. The $40 million add-on in P.L. 108-11 will permit USAID to accelerate the Kabul-Qandahar-Herat road construction project that is jointly financed with Japan and Saudi Arabia.

In related legislation, the *Afghanistan Freedom Support Act of 2002* (P.L. 107-327, S. 2712), passed by congress on November 15, 2002, and signed by the President on December 4, 2002, authorizes an additional $3.3 billion for Afghanistan over four years. Included is $2 billion for humanitarian, reconstruction, and enterprise fund assistance through FY2006 and $300 million in drawdown from U.S. military stocks of defense articles and equipment for Afghanistan and other countries and organizations participating in restoring Afghan security. The legislation also includes a Sense of Congress that calls for an expanded International Security Assistance Force with an authorization of an additional $1 billion over two years.

FY2004 Regular Afghanistan Aid Request. For regular FY2004 Foreign Operations funding, the Administration requests $550 million for Afghanistan, an amount that would make Kabul the fourth largest recipient of U.S. aid. Although the FY2004 proposal is less than for FY2002 and FY2003, when funding for humanitarian programs in FY2004 (food, refugees, disaster relief) are added, the total sum is likely to be near or above previous years. (Humanitarian funds are usually not allocated on a country basis until the fiscal year begins.) Nearly half of the $321 million FY2004 economic aid request would continue infrastructure rehabilitation, focusing largely on roads, bridges, schools, health clinics, and waste water facilities.

Table 13. U.S. Assistance to Afghanistan, FY2002-FY2004
($s — millions)

	FY2002 Actual	FY2003 Regular	FY2003 Supp	FY2003 Total	FY2004 Regular Request	FY2004 Supp Request
Development/Health	39.7	89.9	—	89.9	171.0	—
Disaster relief	191.0	94.0	—	94.0	a	—
Food aid	159.5	26.7	—	26.7	a	—
Refugee relief	—	55.0	—	55.0	a	—
Economic/Security (ESF)	105.3	49.5	167.0	216.5	150.0	422.0
Anti-terrorism/ Demining	43.4	5.0	28.0	33.0	19.0	35.0
Narcotics/Law Enforcement	66.0	—	—	0.0	40.0	120.0
Military aid	57.3	21.3	170.0	191.3	150.0	222.0
Peacekeeping	23.9	4.9	—	4.9	20.0	—
TOTAL	**686.1**	**346.3**	**365.0**	**711.3**	**550.0**	**799.0**[b]

a. Although Afghanistan is likely to receive assistance from these humanitarian aid accounts, the FY2004 request does not provide specific amounts for most countries.
b. In addition, the Administration plans to re-program $390 million from previously appropriated DOD, State Department and USAID funds for Afghanistan.

FY2004 Supplemental Request. The Administration's $1.2 billion supplemental aid request, of which $799 million would be for new appropriations and $390 million would come from previously appropriated DOD, State Department, and USAID funds, would more than double U.S. assistance to Afghanistan in FY2003. The proposal comes at a time of growing criticism over delays in aid delivery, deteriorating security conditions, and concern that U.S. and international attention was shifted to Iraq. Key features of the $799 million in new appropriation include targeting projects that would have the most immediate impact on the lives of the Afghan population, such as:

- $402 million for security, with funding included to train and support police, border patrol, the military and counter-narcotics forces, disarmament and de-mobilization programs, and courthouse construction in Kabul.

- $129 million to reinforce the authority of the Government of Afghanistan with budget support for high priority projects, technical experts placed in Afghan ministries, and voter registration and election support.

- $105 million for completion of the Kabul-Kandahar-Herat major highway, a program jointly financed by the United States, Japan, and Saudi Arabia;

- $163 million for social programs and critical infrastructure, including education, health, and local projects.

An additional $390 million will be made available from reallocated, prior-year funds, but the Administration has not specified how they would be used. The White House is further asking that the $300 million limit on military drawdowns from DOD stocks enacted in the Afghanistan Freedom Support Act of 2002 (P.L. 107-327) be increased to $600 million.

If progress on security, road construction, and reconstruction efforts are made in advance of the planned 2004 elections, it could increase the chances of the success of moderates in those elections. Additional funding could also have an impact on decisions by the international community at the upcoming donors conference, possibly resulting in larger contributions. It could also help efforts of the Afghan government to expand ISAF, which is now limited only to Kabul.

Increased funding could also have negative implications. There are concerns that it could add to the already high levels of corruption. Some experts are concerned about absorption capacity and whether additional funds can be allocated quickly and effectively. If progress is not achieved, the increase could be seen as largely symbolic and ineffective. Others have raised the possibility that the United States will be seen giving too much support to the Karzai government in advance of the elections next spring.

Congressional Action.

FY2004 Regular Appropriations. Legislation passed by the House provides not less than $600 million for Afghan reconstruction in FY2004 from all accounts in the bill. H.R. 2800 directs that of the total, not less than $150 million should be drawn from the Economic Support Fund for Afghanistan, as requested. The $600 million House earmark is $50 million higher than the Administration's request, although the President's proposal does not reflect funds drawn from the refugee and disaster relief Foreign Operations accounts which could count towards the $600 million House target. The House Appropriations Committee further urges the State Department Coordinator of Assistance to Afghanistan and USAID to allocate at least $10,000,000 ($5 million from funds in H.R. 2800) to support Afghan women, to include the construction of 17 Women's Centers that provide legal and protective services, computer and literacy classes, and vocational courses.

The Senate measure — S. 1426, as amended and passed as H.R. 2800 — also provides $600 million. The Senate Appropriations Committee highlighted several aspects of U.S. reconstruction efforts for continued support: training for the Afghan National Army and national police, combating narcotics production, bolstering democratic institutions, protecting and strengthening opportunities for Afghan women in the economy and politics of the country, including support for women-led Afghan NGOs, supporting the Afghan Human Rights Commission and the Judicial Reform Commission, targeting aid on Afghan communities and families were victims of military operations, and removing mines, ordnance, and munitions in Afghanistan.

FY2004 Supplemental. S. 1689, as passed the Senate on October 17, approves the President's $799 million Afghan reconstruction proposal largely along the lines proposed. The House measure (H.R. 3289), which also cleared on October 17, increases spending in Afghanistan to $1.174 billion. The add-ons for Kabul come from transfers in what House lawmakers deemed to be low priority items requested for Iraq. House and Senate conferees agreed on October 29 to fund Afghan reconstruction at roughly the higher House-approved levels. (For more details on the Afghan supplemental issue, see CRS Report 32090, *FY2004 Supplemental Appropriations for Iraq, Afghanistan, and the Global War on Terrorism: Military Operations and Reconstruction Assistance*.)

Iraq Reconstruction[8]

Responding to mounting concerns regarding delays, impact, and expansion of Iraq reconstruction activities, President Bush submitted to Congress on September 17, 2003, a $20.3 billion request in additional Iraq reconstruction and security funding. The resources are part of an $87 billion package covering U.S. military costs and smaller amounts for accelerating rehabilitation efforts in Afghanistan. This new supplemental follows earlier approval in April of roughly $3 billion for the purposes of relief and reconstruction in Iraq in the Emergency Wartime Supplemental Appropriations Act, 2003 (P.L. 108-11; H.R. 1559). Of the total provided in P.L. 108-11, $2.48 billion was placed in a special Iraq Relief and Reconstruction Fund supporting efforts in a wide range of sectors, including water and sanitation, food, electricity, education, and rule of law. The FY2003 supplemental also provided $489.3 million through the Department of Defense budget for repair of oil facilities.

[8] This section was prepared by Curt Tarnoff and Rhoda Margesson.

FY2004 Supplemental Proposal. The new request is intended to fund the most pressing, immediate needs in Iraq, with the aim of having a noticeable impact on the two greatest reconstruction concerns that have been raised since the occupation of Iraq began — security and infrastructure. More than $5 billion would be targeted at improving the security capabilities of the Iraqi people and government — including training and equipment for border, customs, police, and fire personnel, and to develop a new Iraqi army and a Civil Defense Corps. Enhanced efforts to reform the judicial system would also be made.

Most of the remaining supplemental reconstruction request would go toward rapid improvements in infrastructure, including electricity, oil infrastructure, water and sewerage, transportation, telecommunications, housing, roads, bridges, and hospitals and health clinics. These, according to Administration officials who have briefed Members of Congress and staff, represent the most urgent needs over the next 12 months, but by no means address total reconstruction requirements in the coming year.[9] Other concerns in such areas of government reform, agriculture, economic development, and education, are not included in the Administration request. A relatively small amount of funds — $300 million — have been requested for programs designed to encourage the growth of the private sector and jobs training.

Table 14. Iraq Supplemental: Proposed Sector Allocation
(billions of dollars)

Sector	Request	Senate	House
Security	**$5.136**	**$5.136**	[a]**$4.561**
Public safety, including border enforcement, police, fire, & customs	$2.100	–	–
Security forces and Iraq Civil Defense Corps	$2.100	–	–
Justice and civil society development	$0.900	–	–
Reconstruction	**$15.168**	**$15.168**	**$14.088**
Electric power rehabilitation	$5.675	$5.675	$5.560[b]
Oil infrastructure rehabilitation	$2.100	$2.100	$2.100
Water and sewerage services repair and improvement	$3.710	$3.710	$4.332[c]
Water resources improvement	$0.875	$0.875	[c]
Transportation and telecommunications rehabilitation	$0.835	$0.835	$0.500[d]
Housing, building, road, and bridge repair/reconstruction	$0.470	$0.470	$0.370[e]
Health facility construction and medical equipment replacement	$0.850	$0.850	$0.793[f]

[9] Congressional briefing by executive branch officials, September 8, 2003.

Private sector business initiatives and job training programs	$0.353	$0.353	$0.153[g]
Refugee aid, local governance, other human rights/civil society	$0.300	$0.300	$0.280[h]
TOTAL	**$20.304**	**$20.304**	**$18.649**

Source: Office of the Coalition Provisional Authority Representative, September 8, 2003, OMB, FY2004 Supplemental Appropriation request, September 17, 2003, and House and Senate Appropriation Committees.

a. Excludes $50 million requested for Iraq traffic police and $400 million for two prisons; reduces funding for the National Security Communications Network.
b. Excludes $25 million for consultants to plan for continued development and building rehabilitation.
c. The House bill combines the categories of Water and sewerage services and Water resources. The amount excludes $153 million for solid waste management, including 40 trash trucks and $100 million for environmental restoration projects.
d. Excludes $4 million for a nationwide telephone numbering system, $9 million for postal information architecture and zip codes, and $10 million for television and radio industry modernization.
e. Excludes $100 million for seven housing communities.
f. Excludes $150 million for a new children's hospital in Basra and $7 million for American and Iraqi health care organization partnerships, but includes an additional $100 million for clinics and hospital modernization.
g. Excludes $200 million for an American-Iraqi Enterprise Fund.
h. Excludes $90 million for Public Information Centers in Iraq municipalities and $20 million for business training courses.

Reconstruction Overview. Among the key policy objectives laid out by the Bush Administration in conjunction with the war in Iraq were the restoration of basic human services and the economic and political reconstruction of the country. While immediate overall responsibility for the war and management of U.S. military activity in post-war Iraq belongs to the Commander of U.S. Central Command, the Coalition Provisional Authority (CPA) is responsible for the administration of Iraq and implementing assistance efforts there. The Authority is headed by L. Paul Bremer, appointed by the President on May 6. He reports to Defense Secretary Rumsfeld. The CPA is staffed by officials from agencies throughout the U.S. government as well as personnel from other coalition member nations. A Coalition Coordinating Council provides liaison with NGOs, donor countries, and U.N. agencies and directs humanitarian affairs.

The CPA has initiated a process intended to lead to Iraqi self-rule. It has appointed a 25-member Iraqi Governing Council and provided it with specific powers and duties, including the choosing of a cabinet to serve as ministers under the supervision of CPA advisors and the responsibility to set in motion formulation of a national constitution. It has encouraged establishment of councils in villages and cities throughout the country to run local affairs and identify community needs. With CPA funding and encouragement, institutions of civil and economic society have been reconstituted. Schools, including universities, hospitals and health clinics, are functioning. The oil-for-food program continues to provide basic foodstuffs. New police and security forces are being trained. Programs to renovate and repair electric power, water, oil production, roads and bridges, airports, and the seaport were launched. Jobs programs have been instituted to help stimulate the economy and lessen unemployment.

Although much has been accomplished since the U.S. occupation began in April, the occupation authority in the view of many has failed to successfully reestablish order and security, restore infrastructure, and introduce political and economic reform, including Iraqi self-governance, in a timely manner. These problems are interlinked; the successful conduct of much reconstruction work is contingent on an environment of order and stability, and the lack of visible progress in restoring basic infrastructure and institutions of security opens the door to political discontent and opposition. The $20.3 billion supplemental request apparently seeks to address those infrastructure and security concerns that have made insufficient progress and on which other U.S. objectives in Iraq hinge.

Until recently, the Administration had suggested that the cost of reconstruction up to the end of 2003 could largely be met by Iraqi and already previously appropriated U.S. resources. A national budget for Iraq covering the rest of the year, announced by the CPA on July 7, estimated expenditures of $6.1 billion and the creation of a Central bank currency reserve of $2.1 billion, for a total budget of $8.2 billion. New oil revenue, taxes, and profits from state owned enterprises would make up $3.9 billion of these costs, according to the CPA's analysis. The remaining deficit of $4.3 billion would be covered by recently frozen and seized assets ($2.5 billion), the Development Fund for Iraq ($1.2 billion), and $3 billion in already appropriated U.S. assistance. Iraq was projected to have $1.1 billion remaining for reconstruction by end of December 2003. (See [http://www.cpa-iraq.org/Budget2003.pdf] for text of the budget.)

The Administration request suggests that a re-assessment of Iraq's immediate reconstruction needs demanded greater outlays of revenue than projected in July. It also suggests that presumed sources of additional revenue in the coming year — chiefly, oil export production and international donor contributions — might not be as large as originally anticipated. In any case, the result is a supplemental reconstruction request nearly 20% larger than the size of the entire national budget for Iraq projected on an annualized basis in early July.

Reconstruction Concerns and Critical Assessment.

Total Reconstruction Costs. As noted above, the supplemental request is intended to meet only the most important, immediate needs in Iraq in the 2004 fiscal year. Until now, the cost of Iraq reconstruction was based on speculation and educated guesswork. However, as part of the lead-in to an international donors conference to be held in Madrid on October 24, the World Bank and the U.N. Development Program have released a needs assessment they conducted of 14 Iraqi economic and social sectors.[10] The resulting Bank/UNDP estimates are likely to establish the targets by which the adequacy of available resources will be judged.

[10] For the full text of the report online, see the World Bank website at [http://lnweb18.worldbank.org/mna/mena.nsf/Attachments/Iraq+Joint+Needs+Assessment/$File/Joint+Needs+Assessment.pdf].

The Bank/UNDP assessments put the cost of reconstruction for the 14 sectors at $36 billion over four years, a figure that does not include $19.4 billion estimated by the CPA for security, oil, and other critical sectors not covered by the Bank assessments.[11] Total Bank/CPA projected reconstruction costs through 2007 amount to $55 billion, $17.5 billion in 2004 alone. If Iraqi oil revenues are not sufficient to meet the projected needs — which appears likely in the near term by most accounts — and other international donors do not pledge significant contributions, the United States may face increased financial demands, if it seeks to meet projected Iraqi needs.

The new needs assessment points out a possible concern that might affect congressional consideration of the Administration request. The Bank/UNDP report suggests that Iraq cannot absorb more than $6 billion in infrastructure program commitments (excluding oil) in 2004, in view of the unstable security situation and the time it takes to plan and implement contracts.[12] The Administration request for infrastructure (excluding oil) is $12.4 billion. In response to this point, OMB has reportedly confirmed that the reconstruction request is intended to cover 18 months.[13] That the Administration request in categories such as electric power and water composes half or more of requirements projected by the World Bank assessment over a four-year period, however, suggests that the request may meet needs beyond even 18 months.

Iraqi Oil Revenues and Financing Reconstruction. Up until recently, the Administration had expected most costs of reconstruction to be borne by Iraq through receipts from its oil exports. While the decrepit state of oil production infrastructure and recurrent sabotage to pipelines and facilities have forced experts to downgrade expectations of potential exports and receipts, any sustained increase in production will assist the reconstruction effort. Current rates of production are nearing 2 million barrels a day, but Iraqis do not expect to reach the prewar level of 2.8 million barrels until spring. After subtracting 0.5 million barrels/day for domestic consumption, a level of 2.3 million might generate between $18.5 billion and $23 billion annually, depending on the price of oil. Production levels of 6 million barrels/day, possible within a decade, would require significant investment outlays.[14] In the near term, Administration officials say that their budget calculations assume an average production of 2 million barrels per day over the next 12 months, generating about $12 billion in revenues that will roughly cover government

[11] "UN/World Bank Present Iraq Reconstruction Needs to Core Group." World Bank/United Nations press release no. 2004/100/S, October 2, 2003.

[12] The Bank further notes that, based on its experience in previous post-conflict situations, if commitments were made on all $36 billion in identified reconstruction needs, actual disbursements in 2004 would likely only reach $5.2 billion. *United Nations/World Bank Joint Iraq Needs Assessment*, October 2003, page x.

[13] "White House Defends Iraq Spending," Financial Times, October 10, 2003.

[14] See Petroleum section by Larry Kumins in CRS Report RL31944, *Iraq's Economy: Past, Present, Future*, pp. 17-23.

operating expenses, but not the type of urgent reconstruction needs identified in the supplemental request.[15]

Roughly $503 million has already been allocated from the 2003 Emergency Wartime Supplemental for repair of oil facilities and restoration of production and distribution systems. The Administration request for these purposes under the FY2004 supplemental is $2.1 billion. Additional sums for Iraqi security forces are in part intended to create an Iraqi force that would prevent pipeline and other oil facility sabotage.

Loans vs. Grants for Reconstruction. Closely related to the issue of Iraqi oil revenues as a means of financing reconstruction projects is the question of whether assistance could be extended on a loan rather than grant basis. Some have argued that, given the substantial amount of oil revenues that Iraq will generate at some point in the future, Baghdad will have the means to service debt incurred for the purpose of rebuilding its infrastructure. Loans, either extended bilaterally or through some sort of trust fund, possibly managed by the World Bank, would be repaid at some point, thereby reducing reconstruction costs to the United States, they say.

The Administration, which has proposed that the entire $20.3 billion supplemental be offered as grants, has argued repeatedly during congressional hearings against adding to Iraq's already substantial debt obligations. Witnesses have asserted that Iraq owes roughly $200 billion in pre-war debts, reparations, and other claims. G7 leaders agreed informally at the June 2003 summit to suspend through 2004 the requirement for Iraq to service any existing debt, giving time to construct some sort of multilateral debt restructuring arrangement.[16] Further, U.N. Security Council Resolution 1483 states that Iraqi oil exports or proceeds could not be attached by creditors through 2007 unless authorized by the Council.

Beyond the matter of whether Iraq should incur more debt obligations in the near term is the question over who could legally assume responsibility for new sovereign debt. Although it is possible that the World Bank could manage an Iraq reconstruction trust fund that would receive contributions from international donors, if the Bank were to use these resources for project lending, it would almost certainly require, as it has in the past, that some sort of sovereign Iraq authority assume the debt obligation. Until such time that legal authority is transferred to Iraqi hands, the Coalition Provisional Authority is the temporary government of Iraq and would be the one signing for the loans. Most legal scholars take the position that an occupying power has no authority to incur new debts on behalf of the displaced sovereign.[17]

---

[15] Congressional briefing by executive branch officials, September 8, 2003.

[16] See, for example, testimony of Secretary of Defense Rumsfeld before the Senate Appropriations Committee on September 22 and L. Paul Bremmer before the House Foreign Operations Appropriations Subcommittee on September 24.

[17] See, for example, Pieter H.F. Bekker, "The Legal Status of Foreign Economic Interests in Occupied Iraq." *ASIL Insights*. American Society of International Law. July 2002. Available at the ASIL web site at [http://www.asil.org/insights/insigh114.htm]. See also (continued...)

Some contend, however, that there is an exception in which a new government would be responsible for the debt if it can be shown that the loans were required for the welfare of the occupied territory and the terms were fair and reasonable.[18]

Also, while loan reconstruction assistance would likely require smaller appropriations than grant aid, some congressional appropriation would be necessary. Under the 1990 Credit Reform Act, Congress must provide a subsidy appropriation in advance of the U.S. government extending direct loans or loan guarantees. The size of the subsidy appropriation is based on several factors, including any subsidy value of the loan terms and the likelihood that the loan will be repaid fully and on time. Given the current state of the Iraqi economy and the high degree of uncertainty over when the debt service payments could begin, the necessary subsidy appropriation likely would be quite large.

This issue is being closely examined by lawmakers. The Senate adopted (51-47) an amendment by Senators Bayh and Nelson on October 16 converting $10 billion of reconstruction grants to loans, which could be later restored as grants if foreign creditors cancel 90% of Iraq's debt. Earlier, Senator Dorgan had offered amendments in committee markup and on the Senate floor (tabled in both venues) that would have created an authority to use Iraqi oil to secure reconstruction financing and convert U.S. grants to loans. Senator Hutchison and others submitted an amendment that did not come up for floor debate directing $10 billion of the total reconstruction supplemental to a Trust Fund, to be established within the World Bank, out of which loans and loan guarantees would be made.

On the House side, Representative Wamp proposed but later withdrew an amendment during Committee markup that would have withheld one-half of Iraq funds until after the election of a new Iraqi leader, at which time the remaining money would be available in the form of a loan. Representative Obey offered an amendment (defeated 25-36) that, among other things, would have transferred about $7 billion of reconstruction funds to a World Bank-administered loan facility. A further amendment by Representative Obey regarding a shift of grants to loans was defeated in the House 200-226.

House and Senate conferees agreed to provide all Iraq reconstruction aid as grants rather than loans.

Contracting Concerns. An Administration decision applied to the early reconstruction contracts to waive the normal competitive bidding requirements and request bids from specific companies which were seen to have preexisting qualifications received considerable attention by the business community. The closed bidding and lack of transparency disturbed a number of legislators, and some

---

[17] (...continued)
Gerhard von Glahn. *The Occupation of Enemy Territory...A Commentary on the Law and Practice of Belligerent Occupation.* Minneapolis: University of Minnesota Press, 1957, p. 159, citing various sources.

[18] von Glahn, citing (with comments) U.S. Army Judge Advocate General's School. *Law of Belligerent Occupation.* (JAGS Text No. 11) Ann Arbor: JAGS 1944, pp. ix, 277.

Members of Congress asked the GAO to determine whether contracting agencies are following appropriate procedures.

Some observers have noted that, in addition to many American firms, a number of international organizations and non-U.S. companies were excluded from the selections made by USAID and other agencies, and even British companies were not considered despite that country's role in the war. U.S. officials point out that only a few select firms possess the particular skills that would qualify them for the job specifications for Iraq reconstruction, and that time and security clearances were also critical factors. Foreign entities, potentially excluded by "buy America" provisions of law, and other U.S. firms can participate as sub-contractors to the selected American firms. Sub-contractors are likely to compose half or more of the total cost of each contract.

The Supplemental's Impact on Other Donors. It is possible that congressional action on the supplemental could influence the contributions of international donors at the upcoming donors' conference. Some argue that a large pledge of U.S. aid prior to the conference may stimulate other donors to contribute more; diminution of the Administration plan, they argue, may have the opposite effect. Opponents of making U.S. aid for reconstruction in the form of loans also contend that other donors may follow the American lead and offer loans rather than grants, adding further to Iraq's debt problems. In addition, the supplemental targets sectors — infrastructure and security — that other donors are less likely to support themselves. In similar "nation-building" exercises elsewhere, donors have tended to funnel contributions to the social sectors, such as education and health, and grassroots democratization and economic development, all areas relatively untouched by the supplemental.

Perhaps a more important factor in other donor calculations will be the extent to which they have a say in the use of funds. Up to now, donors have been reluctant to provide assistance because they were wary of being perceived as supporting a unilateral U.S. policy. In response to this concern, donors discussed at a September 6 meeting in Brussels, the concept of creating Iraq reconstruction trust funds, managed by the U.N. or World Bank, which would accept and distribute contributions. Control over how the money was spent, according to Undersecretary of State Alan Larson who represented the U.S. at the September 6 meetings, would be handled by some sort of a multilateral management board that might include officials from international organizations, major donors, and Iraqis representing interim ministries.[19]

Management of Iraq Reconstruction Funds by U.S. Agencies. Administrative control over Iraq reconstruction funds became a significant issue during congressional debate on the $2.475 billion appropriation in P.L. 108-11. At

---

[19] *Iraq Reconstruction an International Responsibility, Larson Says.* Press briefing by Under Secretary of State for Economic, Business, and Agricultural Affairs Alan Larson, September 4, 2003 [http://usinfo.state.gov/topical/pol/terror/texts/03090434.htm]. Under Secretary Larson also said that no decision had been made as to whether the United States would participate in a trust fund.

that time, most had expected that transfers for reconstruction and post-conflict aid would be made to USAID, the State Department, and other traditional foreign assistance management agencies. But with plans for the Defense Department to oversee the governing of Iraq immediately after the end of hostilities, the White House wanted to maintain maximum flexibility over the distribution of resources so the President could transfer some or all of the funding to DOD. The proposal stimulated immediate controversy with a number of critics, including Members of Congress, arguing that aid programs should remain under the policy direction of the State Department and under the authorities of a broad and longstanding body of foreign aid laws. Although initial House and Senate decisions would have blocked Administration efforts to place control of reconstruction funds with the Pentagon, ultimately Congress agreed to allow the White House to allocate the resources among five agencies, including DOD. Funds for the Iraq Relief and Reconstruction Fund appropriated in P.L. 108-11 have been managed by L. Paul Bremer, head of the Coalition Provisional Authority (CPA), and the U.S. civilian administrator in Iraq, who reports to the Secretary of Defense.

The Administration proposes that the entire $20.3 billion be placed in the Iraq Relief and Reconstruction Fund, as was the case with the previous supplemental, and to continue Ambassador Bremer and the CPA's role as administrators of the Fund under DOD guidance. Since submission of the supplemental, however, the White House announced the establishment of a new "Iraq Stabilization Group,"headed by National Security Advisor Condoleezza Rice. The Group is intended to help speed up reconstruction efforts by identifying and resolving problems that had in some cases been the source of decision-making disputes in Washington. Some analysts believe that the move is also intended to allow the State Department a greater voice in reconstruction policy. At the same time, the State Department staff serving under the CPA in Iraq is expected to grow from 55 to about 110. Nevertheless, Ambassador Bremer will continue to report to the Secretary of Defense.[20]

During congressional debate, the Senate tabled (56-42) an amendment by Senators Leahy and Daschle that would have placed the CPA under the direct authority and foreign policy guidance of the Secretary of State. The House bill, however, adds a provision barring the coordination of defense or reconstruction activities in Iraq or Afghanistan by a U.S. government officer who is not subject to confirmation by the Senate. The House Committee wants to ensure that whoever is in charge of coordination be available to testify at congressional oversight hearings. Senator Leahy proposed a similar amendment for Senate consideration. These proposals appear to block the initiative of placing National Security Council Advisor Rice, who is not subject to confirmation and who does not testify before Congress, in charge of coordinating reconstruction. The White House, however, contends that the new Iraq Stabilization Group does not affect control of reconstruction efforts and that the job remains under control of the Defense Department.[21]

---

[20] "White House to Overhaul Iraq and Afghan Missions," *New York Times*, October 6, 2003; "Rice to Lead Effort to Speed Iraqi Aid," *Washington Post*, October 7, 2003.

[21] "Pentagon Still in Charge in Iraq, Rice Tells Reporters," American Forces Information Service, October 15, 2003.

Reconstruction Priorities and Costs. The Administration has said that the request includes only the most pressing, immediate needs for Iraq in FY2004. However, the relative importance of certain items detailed in the request — 're-engineering of postal service business practices' and construction of seven residential communities, for example — is being questioned in Congress. Further, the costs associated with reconstruction requests have been subject to skepticism, with some congressional staff reportedly suggesting that the price tag is intentionally inflated so that the Administration will not have to return to Congress to ask for more funds in 2004.[22] Several Senate amendments were offered bu not adopted that would have reduced funding for what the sponsors regarded as low-priority needs and redirected the resources for domestic or other military programs in Iraq. The House bill proposes a $1.655 billion cut in Iraq reconstruction funding, reducing or eliminating resources for a wide range of activities that the House found to be un-executable, low priority, or likely to receive funding from other international donors. See **Table 14** above for details of sector and project reductions recommended in the House bill.

Congressional Action.

FY2004 Regular Foreign Operations Appropriations. The President did not request, nor did either House or Senate bills provide, additional funding for Iraq reconstruction in the FY2004 Foreign Operations Appropriations measures. Although the House did not address Iraq reconstruction funding matters in H.R. 2800, Sec. 572 of the legislation requires that Iraq reconstruction contracts awarded with appropriated funds be subject to full and open competition.

FY2004 Iraq Reconstruction Supplemental. As illustrated in Table 14 above, the Senate-passed measure (S. 1689) followed the general funding requests proposed by the President, while the House bill (H.R. 3289) reduced the $20.3 billion recommendation by $1.65 billion. Both bills further added sections requiring more detailed reporting to Congress on reconstruction activities and placed limits on, but not prohibiting non-competitive contracting procedures. The House measure also prohibited reconstruction efforts to be coordinated by anyone not confirmed by the Senate, apparently in reaction to a recent White House announcement establishing the Iraq Stabilization Group, headed by national Security Advisor Rice.

House and Senate negotiators agreed to total Iraq reconstruction at levels similar to House-passed amounts. The conference agreement was approved in the House on October 29.

Perhaps the most challenging issue for conference committee consideration was whether to provide the entire reconstruction package as a grant, as proposed by the President and H.R. 3289, or extend $10 billion in the form as a loan, as the Senate bill recommends. The $10 billion loan in S. 1689 could later be converted to a grant if international creditors agree to cancel 90% of Iraq's debt. Under a threat of a Presidential veto, House and Senate conferees agreed to provide the entire package of aid as grants. (For more on Congressional action regarding the FY2004

---

[22] "In GOP, Concern Over Iraq Price Tag; Some Doubt Need for $20.3 Billion for Rebuilding," *Washington Post*, September 26, 2003.

supplemental, see CRS Report 32090, *FY2004 Supplemental Appropriations for Iraq, Afghanistan, and the Global War on Terrorism: Military Operations and Reconstruction Assistance*.)

For Additional Reading

Overview

CRS Report 98-916. *Foreign Aid: An Introductory Overview of U.S. Programs and Policy,* by Curt Tarnoff and Larry Nowels.

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

CRS Report RL31829, *Supplemental Appropriations FY2003: Iraq Conflict, Afghanistan, Global War on Terrorism, and Homeland Security*, by Amy Belasco and Larry Nowels.

Foreign Operations Programs

CRS Report RS20329. *African Development Bank and Fund*, by Raymond Copson.

CRS Issue Brief IB10050. *AIDS in Africa,* by Raymond Copson.

CRS Issue Brief IB88093. *Drug Control: International Policy and Approaches*, by Raphael Perl.

CRS Report 98-568, *Export-Import Bank: Background and Legislative Issues*, by James Jackson.

CRS Report RL31712. *The Global Fund to Fight to Fight AIDS, Tuberculosis, and Malaria: Background and Current Issues,* by Raymond Copson and Tiaji Salaam.

CRS Report RS21181. *HIV/AIDS International Programs: Appropriations, FY2002-FY2004,* by Raymond Copson.

CRS Report RS20622. *International Disasters: How the United States Responds,* by Lois McHugh.

CRS Report RL30830. *International Family Planning: The "Mexico City" Policy,* by Larry Nowels.

CRS Report RL30932, *Microenterprise and U.S. Foreign Assistance,* by Curt Tarnoff.

CRS Issue Brief IB96008. *Multilateral Development Banks: Issues for the 108th Congress*, by Jonathan Sanford.

CRS Report 98-567. *The Overseas Private Investment Corporation: Background and Legislative Issues*, by James Jackson.

CRS Report RS21168. *The Peace Corps: USA Freedom Corps Initiative*, by Curt Tarnoff.

CRS Report RL30545. *Trafficking in Women and Children: The U.S. and International Response*, by Francis Miko.

CRS Issue Brief IB96026. *U.S. International Population Assistance: Issues for Congress*, by Larry Nowels.

CRS Report RL31689. *U.S. International Refugee Assistance: Issues for Congress*, by Rhoda Margesson.

CRS Report RL31433. *U.S. Global Health Priorities: USAID's Global FY2003 Budget*, by Tiaji Salaam.

Country and Regional Issues

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

CRS Report RL30883. *Africa: Scaling up the Response to the HIV/AIDS Pandemic*, by Raymond Copson.

CRS Issue Brief IB95052. *Africa: U.S. Foreign Assistance Issues*, by Raymond Copson.

CRS Report RL31383. *Andean Regional Initiative (ARI): FY2002 Supplemental and FY2003 Assistance for Colombia and Neighbors*, by Nina Serafino and K. Larry Storrs.

CRS Report RS21213. *Colombia: Summary and Tables on U.S. Assistance*, by Nina Serafino.

CRS Issue Brief IB93087. *Egypt-United States Relations*, by Clyde Mark.

CRS Report RS21301. *The Food Crisis in Southern Africa: Background and Issues*, by Charles Hanrahan.

CRS Issue Brief IB95077. *The Former Soviet Union and U.S. Foreign Assistance*, by Curt Tarnoff.

CRS Report RL31833. *Iraq: Recent Developments in Humanitarian and Reconstruction Assistance*, by Rhoda Margesson and Curt Tarnoff.

CRS Issue Brief IB85066. *Israel: U.S. Foreign Assistance*, by Clyde Mark.

CRS Issue Brief IB93085. *Jordan: U.S. Relations and Bilateral Issues*, by Alfred Prados.

CRS Report RL31412. *Mexico's Counter-Narcotics Efforts Under Fox, December 2000 to April 2002,* by K. Larry Storrs.

CRS Report RS21457, *The Middle East Partnership Initiative: An Overview*, by Jeremy Sharp.

CRS Report RL31744. *Middle East: U.S. Foreign Assistance, FY2002, FY2003, and FY2004 request,* by Clyde Mark.

CRS Report RS21353. *New Partnership for Africa's Development (NEPAD),* by Nicholas Cook.

CRS Report RS20895. *Palestinians: U.S. Assistance,* by Clyde Mark.

CRS Report RL31814. *Potential Humanitarian Issues in Post-War Iraq: An Overview for Congress*, by Rhoda Margesson and Johanna Bockman.

CRS Report RL31759. *Reconstruction Assistance in Afghanistan: Goals, Priorities, and Issues for Congress*, by Rhoda Margesson.

CRS Issue Brief IB98043. *Sudan: Humanitarian Crisis, Peace Talks, Terrorism and U.S. Policy,* by Ted Dagne.

CRS Report RL31785. *U.S. Assistance to North Korea*, by Mark Manyin and Ryun Jun.

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

Selected World Wide Web Sites

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

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

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

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

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

Global Fund to Fight AIDS, Tuberculosis, and Malaria
[http://www.globalfundatm.org/]

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

Inter-American Foundation
[http://www.iaf.gov/index/index_en.asp]

International Fund for Agricultural Development
[http://www.ifad.org]

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

United Nations Program on HIV/AIDS (UNAIDS)
[http://www.unaids.org/]

U.S. Agency for International Development — Home Page
[http://www.usaid.gov/]
U.S. Agency for International Development — Congressional Budget Justification
[http://www.usaid.gov/policy/budget/]
U.S. Agency for International Development — Emergency Situation Reports
[http://www.usaid.gov/our_work/humanitarian_assistance/disaster_assistance/countries/fy2003_index.html]
U.S. Agency for International Development — Foreign Aid Data ("Greenbook")
[http://qesdb.cdie.org/gbk/index.html]

U.S. Department of State — Home Page
[http://www.state.gov/]
U.S. Department of State — Foreign Operations Budget Justification, FY2004
[http://www.state.gov/m/rm/rls/cbj/2004/]

U.S. Department of State — International Affairs Budget Request, FY2004
[http://www.state.gov/m/rm/rls/iab/2004/]
U.S. Department of State — International Topics and Issues
[http://www.state.gov/interntl/]

U.S. Department of the Treasury — Office of International Affairs
[http://www.ustreas.gov/offices/international-affairs/index.html]

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

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

Table 15. Foreign Operations: Discretionary Budget Authority
(millions of dollars)

Program	FY2003 Regular[a]	FY2003 Supp.[b]	FY2003 Total	FY2004 Request	FY2004 House	FY2004 Senate*	FY2004 Enacted
Title I - Export and Investment Assistance:							
Export-Import Bank	564.4	—	564.4	42.6	37.4	41.4	—
Overseas Private Invest Corp	(242.5)	—	(242.5)	(205.6)	(206.6)	(206.6)	—
Trade/Development Agency	46.7	—	46.7	60.0	50.0	50.0	—
Total, Title I - Export Aid	**368.6**	**0.0**	**368.6**	**(103.0)**	**(119.2)**	**(115.2)**	**—**
Title II - Bilateral Economic:							
Development Assistance:							
Child Survival & Health (CS/H)	1,824.6	90.0	1,914.6	1,615.0[c]	2,235.8[c]	1,555.0[c]	—
Global AIDS Initiative	—	—	—	450.0	[d]	989.0	—
Development Assistance Fund (DA)	1,380.0	—	1,380.0	1,345.0	1,317.0	1,423.0	—
Subtotal, CS/H, AIDS, & DA	**3,204.6**	**90.0**	**3,294.6**	**3,410.0**	**3,552.8**	**3,967.0**	—
Intl Disaster Aid	288.1	143.8	431.9	235.5	315.5	235.5	—
Famine Fund	—	—	—	200.0	[e]	100.0	—
Transition Initiatives	49.7	—	49.7	55.0	55.0	55.0	—
Development Credit Programs	7.5	—	7.5	8.0	8.0	8.0	—
Subtotal, Development Aid	**3,549.9**	**233.8**	**3,783.7**	**3,908.5**	**3,931.3**	**4,365.5**	—
USAID Operating Expenses	568.3	24.5	592.8	604.1	604.1	604.1	—
USAID Inspector General	33.1	—	33.1	35.0	35.0	35.0	—
USAID Capital Investment Fund	42.7	—	42.7	146.3	49.3	100.0	—
Subtotal, Development Aid & USAID	**4,194.0**	**258.3**	**4,452.3**	**4,693.9**	**4,619.7**	**5,104.6**	**—**

Program	FY2003 Regular[a]	FY2003 Supp.[b]	FY2003 Total	FY2004 Request	FY2004 House	FY2004 Senate*	FY2004 Enacted
Economic Support Fund (ESF)	2,255.2	2,422.0	4,677.2	2,535.0	2,240.5	2,415.0	—
International Fund for Ireland	24.8	—	24.8	[12.5][f]	19.6	—	—
Eastern Europe/Baltic States	521.6	—	521.6	435.0	452.0	445.0	—
Former Soviet Union	755.1	—	755.1	576.0	576.0	596.0	—
Emergency Fund for Complex Crises	—	—	—	100.0	—	—	—
Iraq Relief and Reconstruction Fund	—	2,475.0	2,475.0	—	—	—	—
Inter-American Foundation	16.1	—	16.1	15.2	15.2	16.3	—
African Development Foundation	18.6	—	18.6	17.7	17.7	18.7	—
Peace Corps	295.1	—	295.1	359.0	314.0	310.0	—
Millennium Challenge Account	—	—	—	1,300.0	800.0	1,000.0	—
Intl Narcotics/Law Enforcement	195.7	25.0	220.7	284.6	241.7	284.6	—
Intl Narcotics — Andean Initiative	695.5	34.0	729.5	731.0	731.0	660.0	—
Migration & Refugee Assistance	781.9	—	781.9	760.2	760.2	760.2	—
Emergency Refugee Fund (ERMA)	25.8	80.0	105.8	40.0	15.8	40.0	—
Non-Proliferation/anti-terrorism	304.4	28.0	332.4	385.2	335.2	385.2	—
Treasury Dept. Technical Assistance	10.7	—	10.7	14.0	19.0	12.0	—
Debt reduction	—	—	—	395.0	95.0	195.0	—
Total Title II-Bilateral Economic	**10,094.5**	**5,322.3**	**15,416.8**	**12,641.8**	**11,252.6**	**12,242.6**	—
Title III - Military Assistance:							
Intl Military Ed. & Training	79.5	—	79.5	91.7	91.1	91.7	—
Foreign Mil Financing (FMF)	4,045.5	2,059.1	6,104.6	4,414.0	4,314.0	4,384.0	—

Program	FY2003 Regular[a]	FY2003 Supp.[b]	FY2003 Total	FY2004 Request	FY2004 House	FY2004 Senate*	FY2004 Enacted
Peacekeeping Operations	114.3	100.0	214.3	94.9	85.0	84.9	—
Total, Title III-Military Aid	**4,239.3**	**2,159.1**	**6,398.4**	**4,600.6**	**4,490.1**	**4,560.6**	**—**
Title IV - Multilateral Economic Aid:							
World Bank - Intl Develop. Assn	844.5	—	844.5	976.8	850.0	976.8	—
World Bank Environment Facility	146.9	—	146.9	185.0	107.5	171.0	—
World Bank-Multilateral Investment. Guaranty	1.6	—	1.6	4.0	4.0	1.1	—
Inter-Amer. Development Bank	42.7	—	42.7	63.5	25.0	39.5	—
Asian Development Bank	97.3	—	97.3	151.9	151.9	136.9	—
African Development Fund	107.4	—	107.4	118.1	107.4	118.1	—
African Development Bank	5.1	—	5.1	5.1	5.1	5.1	—
European Bank for R & D	35.6	—	35.6	35.4	35.4	35.4	—
Intl Fund for Ag Development	14.9	—	14.9	15.0	15.0	15.0	—
Intl Organizations & Programs	193.9	—	193.9	194.6[c]	194.6	194.6[c]	—
Total, Title IV - Multilateral	**1,489.9**	**—**	**1,489.9**	**1,749.4**	**1,495.9**	**1,693.5**	**—**
TOTAL, Foreign Operations	**16,192.3**	**7,481.4**	**23,673.7**	**18,888.8**	**17,119.4**	**18,381.5**	**—**

Sources: House Appropriations Committee and CRS adjustments.

*Does not include adjustments approved during Senate floor debate.

a. Pursuant to Sec. 601 of P.L. 108-7, the Consolidated Appropriations Act, FY2003 and within which regular Foreign Operations funds were enacted, most accounts were reduced by 0.65%. Figures for each account in this column include the 0.65% across-the-board rescission.

b. FY2003 supplemental includes funds appropriated in P.L. 108-11, the Iraq War Supplemental.

c. The Child Survival and Health (CS/H) request includes a $120 million proposed contribution to UNICEF. The Administration requested and the Senate bill (S. 1426) placed these funds in title IV, International Organizations and Programs account. For several years, however, Congress has made the UNICEF contribution part of the CS/H account, and for comparative purposes, the UNICEF funds are included in the CS/H total for each column. Accordingly, the $120 million UNICEF transfer is excluded from the FY2004 International Organizations and Programs (I,O&P) request and Senate level. If the UNICEF contribution is included in I,O&P account, the Senate levels would be $1.435 billion for CS/H and $314.6 million for I,O&P.

d. Funding for the Global AIDS Initiative is included in the Child Survival and Health account.

e. Funding for the Famine Fund is included in the International Disaster Aid account.

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