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## **Foreign Policy Budget Trends: A Thirty-Year Review**

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

# Foreign Policy Budget Trends: A Thirty-Year Review

## Summary

There have been sharp debates over the past three decades concerning the appropriate level of funding for U.S. foreign policy programs, and it is likely that these debates will continue as Congress reviews the President's FY2007 budget proposal. The past 30 years have witnessed wide swings in the amounts of U.S. resources committed to advancing foreign policy and national security interests, reflecting changes in global challenges faced by the United States. Efforts to promote peace in the Middle East, to confront Soviet influence, to support new democracies in the post-Cold War era, to fight poverty and disease affecting poor nations, to combat global terrorism, and to stabilize fragile or failed states have had a substantial impact on levels of foreign policy resources.

Key highlights of international affairs spending trends include:

- After a substantial decline during the mid-1990s, total foreign policy spending has grown significantly since the terrorist attacks of September 11, 2001. Not only has the United States allocated large amounts of resources for fighting the global war on terror, the Bush Administration has launched two major new foreign aid initiatives — the Millennium Challenge Account and the President's Emergency Plan for AIDS Relief (PEPFAR). The \$52.8 billion (constant FY2006 dollars) budget for FY2004, which included Iraq reconstruction funds, represented by far the highest level of spending during the past three decades.
- Although the amount of spending for international activities has grown significantly since September 11, compared to changes in the overall size of the federal budget, the share allocated for foreign policy programs has declined (with the exception of FY2004) due to increases in defense, homeland security, and, in FY2005, Hurricane Katrina relief.
- "Core" bilateral development assistance funding accounts — those focusing on long-term poverty reduction and economic growth — have more than tripled since FY2000.
- The \$4.5 billion in U.S. aid to Africa estimated for FY2005 was the largest level in three decades and totals over twice the \$2.1 billion annual average since FY1977. The Bush Administration has pledged to double U.S. assistance to Africa by FY2010.
- Funding for State Department personnel, embassy security, public diplomacy, and dues for international organizations has increased steadily over the past three decades, peaking in FY2005 at \$12.2 billion (constant dollars), including costs for a new embassy in Iraq.

This report will be updated as new data become available.

## Contents

Overview .....	1
Data Scope and Sources .....	2
Budget Scorekeeping Changes and Problems with Precise Analysis of Spending Trends .....	3
International Affairs Discretionary Budget Authority .....	4
International Affairs Budget as a Percent of Total U.S. Discretionary Funds ....	8
Foreign Assistance Component of the International Affairs Budget .....	10
Breaking Down Bilateral Foreign Aid Spending Patterns .....	13
“Core” Bilateral Development Assistance .....	13
Humanitarian Assistance .....	16
Political/Security Economic Assistance .....	18
Military Assistance .....	20
Foreign Assistance to Africa .....	23
State Department and Public Diplomacy .....	26
Budget Data Appendix .....	29

## List of Figures

Figure 1. International Affairs Spending .....	7
Figure 2. International Affairs Budget as a % of Total U.S. Budget Authority ...	9
Figure 3. Foreign Aid Discretionary Budget Authority .....	12
Figure 4. “Core” Bilateral Development Assistance Spending .....	15
Figure 5. Humanitarian Assistance Spending .....	17
Figure 6. Political/Security Economic Aid Spending .....	19
Figure 7. Military Aid Spending .....	22
Figure 8. Africa Assistance .....	25
Figure 9. State Department & Public Diplomacy Spending .....	28

## List of Tables

Table 1. International Affairs Discretionary Budget Authority .....	29
Table 2. International Affairs Budget As a % of Total Discretionary Budget Authority .....	30
Table 3. Foreign Assistance Discretionary Budget Authority .....	31
Table 4. “Core” Bilateral Development Assistance Discretionary Budget Authority .....	32
Table 5. Humanitarian Assistance Discretionary Budget Authority .....	33
Table 6. Political/Security Economic Aid Discretionary Budget Authority ....	34
Table 7. Military Assistance Program Size .....	35

Table 8. Africa Assistance .....	36
Table 9. State Department and Public Diplomacy Budget Authority and Fee Collections .....	37

# Foreign Policy Budget Trends: A Thirty-Year Review

## Overview

There have been sharp debates over the past three decades in Congress and differences between the executive and legislative branches on the appropriate level of funding for U.S. foreign policy programs. It is likely that these debates will continue in 2006 as Congress reviews the President's FY2007 budget proposal.

The past 30 years have witnessed wide swings in the amounts of resources the United States has committed to advancing foreign policy and national security interests, reflecting changes in global challenges faced by the United States. Efforts to promote peace in the Middle East, to confront Soviet influence, especially in the developing world, to support new democracies in the post-Cold War era, to fight poverty and disease affecting poor nations, to combat global terrorism, and to stabilize fragile or failed states have had a substantial impact on levels of foreign policy resources.

International affairs funding decisions, however, are influenced not only by overseas requirements, but also by the overall U.S. budget environment and constraints that exist particularly during periods of deficits or when unforeseen events demand reallocation of spending priorities. Congress and the executive branch have reduced foreign policy resources — occasionally to a greater extent than other sectors of the budget — when fiscal austerity or domestic requirements were deemed to be of greater importance. Likewise, during times of international crisis and especially since the terrorist attacks of September 11, 2001, international affairs spending has been one of the most rapidly increasing areas of the U.S. budget.

Foreign policy spending supports a variety of U.S. government programs and activities, including foreign economic and military assistance, contributions to international organizations and multilateral financial institutions, diplomatic operations, public diplomacy, counter-terrorism and narcotics initiatives, and export promotion.

This report serves as a resource for the annual congressional debate on foreign policy spending, providing context and a trend analysis of the past 30 years. It considers the full scope of the International Affairs Budget, or Budget Function 150, as foreign policy spending is designated within the context of the Congressional Budget Resolution. It also illustrates spending trends of the major components that make up Budget Function 150. Other relevant “snapshots” of international spending are also examined, including how foreign aid resources have been allocated across

several sub-categories and trends that are especially applicable to current funding priorities such as confronting global health problems and increasing aid to Africa.

## Data Scope and Sources

Unless otherwise noted, dollar figures are expressed as discretionary budget authority, representing the amount of funds Congress maintains direct control over through enactment of annual appropriation bills. Data trends begin with FY1977 due to the consistency and availability of figures. While some data on Federal spending regarding outlays and mandatory programs are available prior to FY1977, OMB publishes discretionary budget authority figures only beginning with FY1976. Because FY1976 was a 15 month “transition” year in which the beginning date of the fiscal year changed from July 1 to October 1, this analysis starts with FY1977 so that each year covers the same period of time.

In addition, beginning in FY1996 the data include foreign policy resources available for the State Department derived from fees collected through the Machine Readable Visa, Enhanced Border Security/Visa Fraud, Expedited Passport, Commercial Service, Visa Fingerprint, Affidavit of Support, Diversity Lottery, Defense Trade Control, and International and Educational Exchange programs. Excluded are amounts for mandatory Foreign Service retirement programs, as well as resource flows of the Foreign Military Sales Trust Fund and other mandatory accounts that are not regulated through the appropriations process. Data also exclude funding for International Monetary Fund quota increases and for other IMF facilities, amounts that Congress has approved on five occasions in the past 30 years.<sup>1</sup>

Each figure illustrates major events influencing sharp changes in foreign policy spending levels and identifies a few key budget trends over the past three decades. The discussion also references a baseline representing the 30-year annual average of spending that can be compared with actual amounts for any specific year, thereby providing a degree of context for assessing the current budget request. For the most part and unless otherwise noted, data are expressed in constant FY2006 dollars taking into account the effects of inflation over time. Tables attached to the report as an appendix provide specific numbers used in the analysis, expressed in both current and constant terms.

Much of the data are drawn from the Office of Management and Budget’s (OMB) annual Historical Tables volume that accompanies each new budget request made by the Administration. Other sources, where appropriate, include the

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<sup>1</sup> The United States participates in the expansion of IMF resources or the creation of a new IMF facility, at irregular intervals. Although Congress provides new budget authority through appropriations for the full amount of U.S. participation, the transaction is considered as 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 offset by the creation of a U.S. counterpart claim on the IMF that is liquid and interest bearing. Including budget authority figures for the IMF creates “spikes” in selected years and tends to blur continuing trends in funding levels. Because of this, and the fact that IMF budget authority does not result in an outlay or have any impact on the federal deficit or surplus, amounts are excluded from this report.

Department of State, the U.S. Agency for International Development (USAID), the Congressional Budget Office (CBO), and House and Senate Appropriations Committees. Constant dollar calculations are made by CRS.

## **Budget Scorekeeping Changes and Problems with Precise Analysis of Spending Trends**

Following enactment of the Budget Enforcement Act of 1990, the United States began applying in FY1992 different procedures for appropriating funds for credit programs. Prior to FY1992, Congress would appropriate the full value of *direct loans* issued by the U.S. government. For commercial loans *guaranteed* by the United States, Congress placed annual limitations on the total amount of these guarantees, but was not required to appropriate any funds. Under the terms of “credit reform,” Congress began in FY1992 to appropriate the subsidy value of both direct loans issued and loan guarantees backed by the government. In simple terms, the subsidy value, as determined by OMB, is an amount that represents the risk to the U.S. government in issuing or backing the loan, plus the extent to which, if any, the loan carries a concessional interest rate below market value. Accordingly, there are inherent problems with comparing trends before and after FY1992 for any element of discretionary spending that includes credit programs.

Several credit programs operate within Budget Function 150: direct loans under Foreign Military Financing (FMF) and (prior to FY1999) P.L. 480 food programs; loan guarantees issued by USAID; and direct loans and loan guarantees managed by the Export-Import Bank and the Overseas Private Investment Corporation. Two examples illustrate the mixed impact on appropriation requirements of the “credit reform” policy changes that took effect for FY1992. In FY1997, Congress enacted a \$60 million subsidy appropriation for FMF *direct loans*, an amount that allowed the Defense Department to issue military aid loans with a total face value of \$540 million. Prior to FY1992, Congress would have had to appropriate the full \$540 million instead of the \$60 million subsidy that backed the loans. On the other hand, in the case of a *loan guarantee*, Congress approved in FY1997 a \$3.5 million subsidy appropriation permitting USAID’s Urban and Environmental Credit program to guarantee \$29.4 million in loans. These represent loans issued by commercial lenders for which the United States government guarantees repayment. Before FY1992, no appropriation would have been required. Thus, Congress appropriated in FY1997 \$63.5 million in support of these two programs, whereas budget rules that existed prior to the 1992 credit reform would have required an appropriation of \$540 million to implement these same two activities.

Because OMB has not adjusted its figures for pre-FY1992 credit programs, comparisons between the two time periods cannot be totally precise. Nevertheless, an assessment of funding trends before and after FY1992 is still useful in identifying an illustrative pattern of spending decisions. While the application of post-credit reform procedures, on balance, probably tends to overstate somewhat the degree of reductions in Function 150 spending during the mid-1990s, the extent of this overstatement does not appear to be sufficient to override the general conclusion that cuts in the international affairs budget were substantial during that period. Comparison of the increases in FY1999- FY2006 for Function 150 resources with

pre-1992 levels face the same methodological problems. For selected sub-categories of the international affairs budget, however, where no credit programs exist, such as for State Department and public diplomacy programs, the credit reform changes have no effect on measuring and comparing discretionary spending.

## **International Affairs Discretionary Budget Authority**

International Affairs discretionary budget authority, measured in real terms, has experienced several cycles over the past three decades. There were periods of rapid growth followed immediately by sharp declines during the mid-1980s. After several years in the late 1980s and early 1990s of relative stable budget levels, amounts fell — at first gradually, and then sharply — through FY1997. The foreign policy budget rose slightly in FY1998 but significantly in FY1999 and FY2000 compared to amounts during the mid-1990s. Growth in the Function 150 budget continued following the terrorist attacks of September 11, 2001, reaching by FY2004 the highest level of foreign affairs spending in three decades.

The early-to-mid 1980s were marked by a steady increase in foreign policy spending, largely the result of rising amounts of security aid allocated for strategic purposes in Central America, Pakistan, and “military base rights countries” such as the Philippines. At the same time that growth in security aid peaked in FY1985, Congress approved two major supplementals: a \$2.25 billion economic aid package for Israel, Egypt, and Jordan, and about \$1 billion in famine relief for Africa. All of these factors combined to set foreign affairs discretionary budget authority at \$38.1 billion, in FY2006 dollars, a level about 14% higher than the FY2006 amount.

Absent the unique combination of these international demands that spiked aid spending in FY1985, and with intensifying pressure in Washington to reduce the federal deficit, Function 150 discretionary spending, like other federal spending, fell abruptly in FY1986, and declined further in the next two years to a point more than 25% less than where the foreign policy budget had stood just three years earlier.

The following period — FY1988 through FY1993 — marked a relatively stable level of foreign affairs budget authority, ranging in most years roughly between \$28 and \$29 billion annually, as calculated in FY2006 dollars. To a considerable extent, this steady period can be attributed to annually negotiated budget agreements between the Administration and Congress for major discretionary spending categories, one of which was international affairs. A small, temporary upsurge occurred in FY1990/1991, primarily the result of a supplemental appropriation for aid to Panama and Nicaragua, additional costs associated with the Persian Gulf War, including supplemental assistance for Israel and Turkey, and added expenses for U.S. agencies operating in the Gulf region.

Although the foreign affairs budget had been on a long downward trend since FY1985, the drop in FY1994 was the first significant annual decrease in real terms since FY1988. The 3.8% real cut for FY1994 was followed by two years of increasingly larger reductions for foreign policy programs. FY1995 discretionary

budget authority dropped 5.5% below FY1994, followed by an 11.3% cut in FY1996. Reductions continued for FY1997, although at a more modest 1.3% level.

This downward cycle reversed in FY1998, with international affairs budget authority rising by 4% in real terms over FY1997, followed by a far more significant rise — 21.4% — in foreign policy spending for FY1999. In addition to approving modest increases for programs throughout the Function 150 account, Congress further agreed to nearly \$1 billion for U.S. arrearage payments to various international organizations and multilateral development banks, about \$1.5 billion for security upgrades at American embassies and missions around the world following the embassy bombings in Kenya and Tanzania, and large supplementals for Central American victims of Hurricane Mitch (\$1 billion) and for Kosovo humanitarian aid relief (\$1.1 billion). A similarly large supplemental in FY2000 supporting a \$1.8 billion one-time aid package in support of the Wye River/Middle East peace accord and about \$1 billion for a Colombian counternarcotics program, plus rising budgets for a number of regular and continuing foreign affairs programs in FY2001 kept foreign policy spending at around \$27.4 billion during the FY1999-2001 period, one-quarter higher than the low point of FY1997.

The most defining change in U.S. foreign policy spending, however, came following the September 11, 2001, terrorist attacks in the United States. Since 9/11 American foreign aid and diplomatic efforts have taken on a more strategic sense of importance and have been cast frequently in terms of contributing to the global war on terrorism, including assistance to about 30 “front-line” states in the terrorism war — countries that cooperate with the United States in the war on terrorism or face terrorist threats themselves.<sup>2</sup> Through a series of emergency supplemental appropriations, by FY2003 Congress had boosted the international affairs budget following the 9/11 attacks to \$36.6 billion, in real terms.

At roughly the same time that fighting terrorism became the leading concern of U.S. foreign policy, the Bush Administration announced other significant initiatives that have added to a growing foreign affairs budget. The Millennium Challenge Account (MCA) is a new aid delivery concept, authorized by Congress and established in early 2004, that is intended to concentrate significantly higher amounts of U.S. resources in a few low- and lower-middle income countries that have demonstrated a strong commitment to political, economic, and social reforms. MCA funding had been expected to grow to \$5 billion annually by FY2006, although actual appropriations — \$1.77 billion in FY2006 — have been far more modest.

Addressing global health problems has further become a core U.S. aid objective in recent years. Congress created a separate appropriation account for Child Survival and Health activities in the mid-1990s and increased funding for international HIV/AIDS and other infectious disease programs. President Bush’s announcement at his 2003 State of the Union message of a five-year, \$15 billion effort to combat

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<sup>2</sup> According to the State Department, these “front-line” states include Afghanistan, Algeria, Armenia, Azerbaijan, Bangladesh, Colombia, Djibouti, Egypt, Ethiopia, Georgia, Hungary, India, Indonesia, Jordan, Kazakhstan, Kenya, Oman, Pakistan, Philippines, Poland, Russia, Saudi Arabia, Tajikistan, Tunisia, Turkey, Turkmenistan, Uzbekistan, and Yemen.

AIDS, malaria, and tuberculosis (Presidential Emergency Plan for AIDS Relief — PEPFAR) has added greater emphasis to this primary foreign assistance objective and contributed to higher international affairs spending.

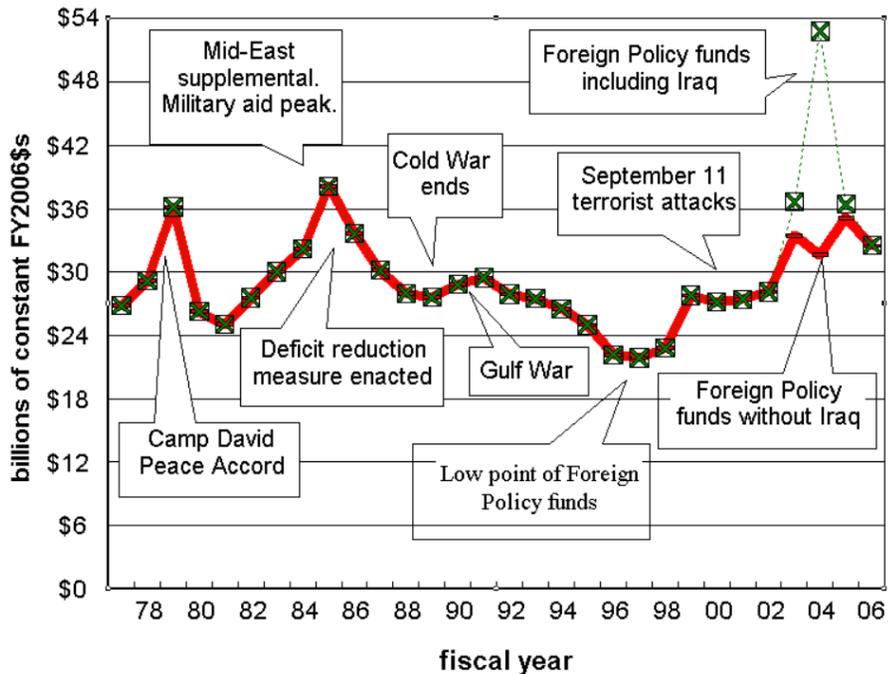
Resources committed to fighting terrorism and rebuilding Afghanistan and Iraq, plus the launch of the MCA and PEPFAR initiatives pushed U.S. foreign policy spending in FY2004 to \$52.8 billion, in real terms, the highest level in over three decades. Even excluding the \$18.45 billion for Iraq reconstruction from the total, FY2004 remains one of the largest international affairs budgets during this period. Without the significant Iraq reconstruction appropriation of FY2004, the FY2005 foreign affairs budget dropped back to \$36.4 billion, although it represented an 11% increase for international activities other than Iraq. Another large emergency supplemental for FY2005 dealing with other foreign crises — tsunami disaster relief, a Palestinian aid package, conflict in the Darfur region of Sudan, and accelerated Afghan reconstruction efforts — pushed Budget Function 150 to its highest level (excluding Iraq) since FY1985.

As overall budget pressures increased in the 109<sup>th</sup> Congress and the unanticipated emergency to address the victims and destruction of Hurricane Katrina, for the first time during the Bush Administration, Congress reduced — by \$2.1 billion or 6.4% — the President's foreign policy request. At \$32.6 billion, however, the international affairs budget for FY2006 is one of the highest in three decades and is 10.3% higher than the annual average over the past 30 years. Levels could rise further if the President chooses to submit a request for, and Congress approves, supplemental spending later in the year.

## KEY TRENDS

Note: Unless otherwise stated, figures are expressed in constant, FY2006 dollars.

**Figure 1. International Affairs Spending**



- The \$32.6 billion FY2006 foreign policy budget is the largest for all but six years during the past three decades.
- Spending in FY2006 is 10% higher than the \$29.74 billion annual average level since 1977.
- International affairs spending for FY2006 is 50% higher than in FY1997, when the budget reached its lowest point in 30 years.
- The five foreign policy budgets since 9/11 represent the largest sum total of any period since 1977.
- FY2004, which includes \$18.4 billion for Iraq reconstruction, was by far the largest budget in 30 years.
- Due to embassy security and Central American disaster aid supplementals, spending surged by 21% in FY1999 from the previous year, the largest increase in a decade.
- Foreign policy resources declined steadily for six years following the end of the Cold War.
- Budget reduction pressures pushed foreign policy and most Federal resources down sharply during the late 1980s.
- Large Middle East and Africa aid supplementals, coupled with continued growth of security assistance, pushed the FY1985 foreign policy budget to the highest level, except for FY2004, over the 30 year period.
- Spending grew during the early 1980s largely due to increasing security aid for Central America and countries that granted the U.S. military base access.

## International Affairs Budget as a Percent of Total U.S. Discretionary Funds

Another way of analyzing trends in international affairs resources is to draw relationships between foreign policy spending and overall funding for total federal discretionary programs. This is relevant especially for the present debate over budgetary priority-setting decisions since it is within the roughly \$840 billion discretionary budget for FY2006 that international affairs requirements must compete.

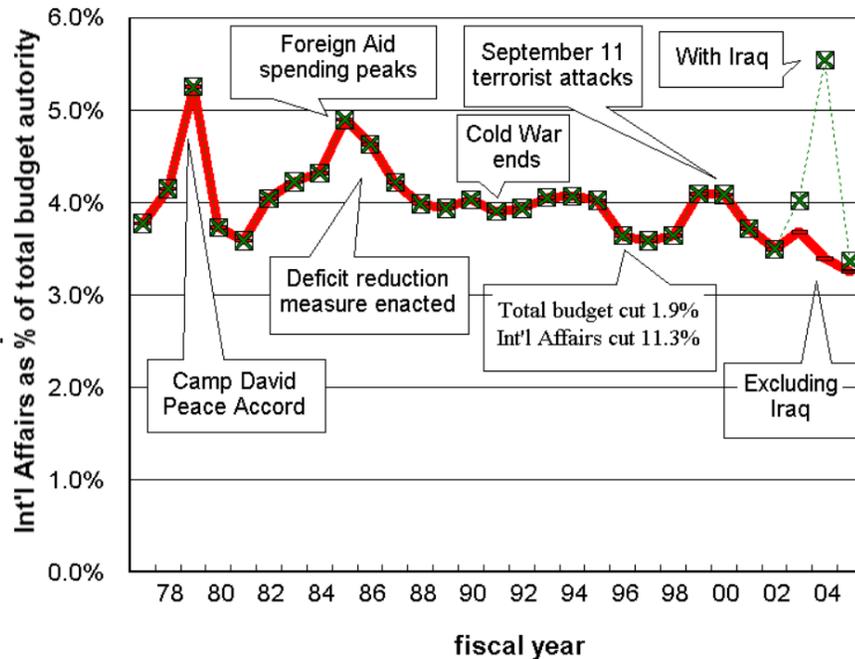
One of the most striking differences between measuring the international affairs budget as a percent of total federal discretionary spending (shown in Figure 2) or as the level of total dollars appropriated (Figure 1) is the trend for each in recent years. Although the amount of spending for international activities has grown significantly since September 11, compared to changes in the overall size of the federal budget, the share allocated for foreign policy programs has declined (with the exception of FY2004 and the \$18.45 billion supplemental for Iraq). The estimated level for FY2005 is 3.36%, the lowest level for any year in the last three decades and about one-fifth less than the 4.1% annual average since FY1977. If, however, the “surge” in spending for Iraq in FY2004 is folded into the entire post-9/11 period, the annual average of the past four years equals the historic 4.1% average for the international affairs account.

This recent trend, which is somewhat counter-intuitive, results from even larger increases in U.S. government spending in non-international sectors, especially for defense, homeland security, and domestic disaster relief. Defense spending, which accounted for roughly half the discretionary budget authority prior to 9/11, grew to more than 54% by FY2004. What the United States now defines as “homeland security” spending, a category that did not exist prior to 9/11, has risen by about one-third. The \$62.3 billion emergency supplementals for relief of Hurricane Katrina victims pushed shares for other budget activities, including Function 150, down for FY2005.

For the period prior to the terrorist attacks of September 11, the patterns in Figures 1 and 2 for foreign policy spending are similar, although the degree of sharp growth and decline are muted somewhat when measuring discretionary BA as a % of total budget authority. One of the most notable trends is the substantial continuity in the amount of the budget authority devoted to international affairs during an eight year period, FY1988 to FY1995. Although dollar amounts for foreign affairs may have risen somewhat in FY1991 due to the Gulf War, and fallen through the next four years, Function 150’s proportion of total discretionary budget authority deviated only slightly from a sustained level of 4% annually. In short, even though the foreign policy budget fell steadily in the early- to mid-1990s, it declined at roughly the same pace as the total for all other programs funded through discretionary spending. But in FY1996, this 4% share that had been sustained for eight years ended, and Function 150’s proportion fell to 3.63%. In FY1997 and FY1998 it fell further to about 3.6% of discretionary BA. Thus, at a time when Congress and the President had reduced total discretionary budget authority, resources for foreign policy programs declined faster than other federal programs.

Note: Unless otherwise stated, figures are expressed in constant, FY2006 dollars.

**Figure 2. International Affairs Budget as a % of Total U.S. Budget Authority**



## KEY TRENDS

- The FY2005 (most current year available) foreign policy budget's share of total Federal discretionary budget authority is 3.36%, substantially smaller than the 29 year annual average of 4.1%.
- Including the Iraq reconstruction supplemental, the FY2004 5.54% share of total spending was the largest for Budget Function 150 in three decades.
- Despite the significant increases in foreign policy resources since September 11, except for FY2004, the share of Function 150 of total U.S. discretionary spending has declined. This is largely due to a more rapid rise in defense and homeland security appropriations, and, in FY2005, relief for victims of Hurricane Katrina.
- With the exception of the years following two large "spikes" associated with the Camp David/Middle East peace accord (FY1979) and Iraq reconstruction (FY2004), the single-year cut for foreign policy spending of 11.3% in FY1996 was the largest in three decades and nearly six times larger than cuts for the rest of the budget.

## Foreign Assistance Component of the International Affairs Budget

The largest single element of the foreign policy budget supports a broad range of development, humanitarian, security/economic, and military assistance programs. In most years, foreign aid makes up about two-thirds of Budget Function 150.<sup>3</sup>

With such a large portion of the international affairs budget supporting foreign assistance, the patterns and trends for foreign aid are quite similar to the entire Function 150. Following the September 11 terrorist attacks, reconstruction initiatives in Afghanistan and Iraq, plus more general assistance to countries supporting U.S. efforts in the global war on terror, have pushed foreign aid spending levels up significantly. During this same period, President Bush launched two major aid initiatives: the President's Emergency Plan for AIDS Relief (PEPFAR), a five year, \$15 billion activity; and the Millennium Challenge Account, anticipated to grow to a \$5 billion annual program concentrating on countries that have performed well on governance, economic, and social measures. Combined with responses to unanticipated international emergencies in recent years, including the Indian Ocean tsunami and conflict in the Darfur region of Sudan, the foreign aid budget has grown from \$18 billion just prior to 9/11 to nearly \$24.4 in FY2005 (constant dollars), a one-third increase in only four years. FY2004 was even larger, at \$42.5 billion, although this included a special \$18.45 billion supplemental for Iraq. The current level of \$22.1 billion for FY2006 is the lowest foreign aid budget since FY2002, although levels could rise later if Congress adds additional resources through supplementals.

Prior to 9/11, foreign aid spending had already been growing since FY1997 when funding hit its lowest point over the past 30 years. While resources for continuing foreign aid programs rose modestly during the period, levels were pushed higher — nearly 21% between FY1997 and FY2001 — by a series of new initiatives and humanitarian crises. Considerable amounts were programmed for the Wye River/ Middle East peace effort; the United States cleared most of its accumulated arrears owed to the U.N. and World Bank; the Clinton Administration joined other donors in expanding debt relief for the world's poorest nations; and the Bush Administration launched a major counter-narcotics effort in Colombia — that later evolved into a program for the entire region — the Andean Counterdrug Initiative (ACI). The United States also responded to several humanitarian emergencies, including those for the victims of Hurricane Mitch in Central America and the violence in Kosovo.

The low point in foreign aid spending — FY1997 — came following a steady decline over a decade-long period that began with passage in 1985 of the Gramm-Rudman-Hollings deficit reduction act. The foreign aid budget fell by nearly 24% (real terms) between FY1985 and FY1986, and continued to decline in subsequent years as Congress and the President worked towards reducing discretionary spending.

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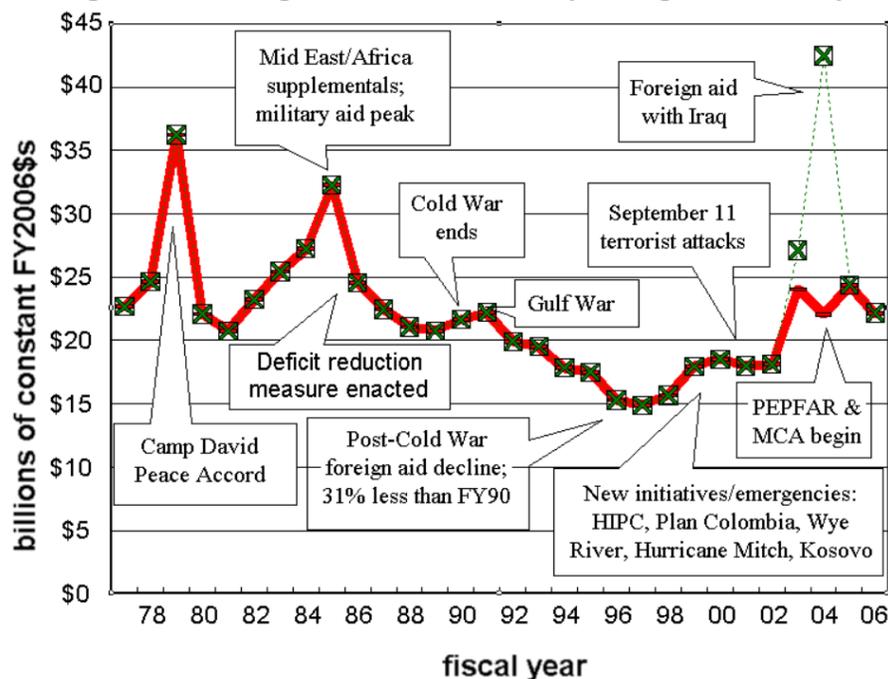
<sup>3</sup> Budget Function 150 is divided into several sub-functions. Foreign aid corresponds to Subfunction 151, or International Development and Humanitarian Assistance, and to Subfunction 152, or International Security Assistance.

With the fall of the Berlin Wall, the collapse of the Soviet Union, and the end of the Cold War, much of the rationale used for supporting U.S. foreign assistance during the previous four decades disappeared. With the exception of FY1991 when Congress approved additional resources for countries affected by the Persian Gulf War, the foreign aid budget continued its steady decline through FY1997. By that point, foreign assistance resources, in real terms, stood 54% below levels of a decade earlier.

The first term of the Reagan Administration saw a steady, large increase in foreign aid spending culminating in FY1985 when resources reached \$32.3 billion, the third highest single year level in the past three decades. Growth occurred not because of policy consensus over the importance of foreign assistance, but rather because of significant policy differences between the executive and legislative branches. Early in the Reagan Administration, officials attempted to reduce multilateral development contributions, while at the same time increasing strategic types of foreign assistance. Congress blocked efforts to cut multilateral and other economic aid, but also approved much of the funds sought by the executive for security assistance programs in Central America and aid to countries that provided U.S. access to military bases. The peak year of FY1985 included a large supplemental package for Israel, Egypt, and Jordan, payment of arrears owed to the World Bank, and humanitarian relief for victims of a severe famine in Africa.

Note: Unless otherwise stated, figures are expressed in constant, FY2006 dollars.

**Figure 3. Foreign Aid Discretionary Budget Authority**



## KEY TRENDS

- Foreign aid spending — the combined resources for development, humanitarian, security/ economic, and military assistance — has grown significantly since 9/11, augmented by the launch of two major aid initiatives for HIV/AIDS and the Millennium Challenge Account.
- Despite this growth, however, the \$22.2 billion total for FY2006 is slightly less than the \$22.6 billion annual average since FY1977.
- FY2004, including Iraq reconstruction, was the highest foreign aid budget in 30 years.
- Foreign aid spending declined substantially following the collapse of the Soviet Union and the end of the Cold War. Between FY1990 and FY1997, funding for foreign assistance fell by 31%, to a 30-year low of \$14.9 billion.
- During the first term of the Reagan Administration, foreign aid grew at a steady pace. Larger contributions to the World Bank, increased assistance to Central America and countries providing the U.S. with military base access, famine relief in Africa, and an economic stabilization package for Israel culminated in FY1985 with the third largest foreign aid budget in 30 years.
- The following year, Congress enacted the Gramm-Rudman-Hollings deficit reduction act and foreign assistance, like most other federal spending programs, fell sharply.
- The one-year costs of security assistance in support of the Camp David Accord pushed foreign aid in FY1979 to the highest point, other than FY2004.

## Breaking Down Bilateral Foreign Aid Spending Patterns

As noted above, foreign assistance includes a wide-breadth of programmatic tools utilized in support of various, and in some cases, divergent U.S. foreign policy objectives. Spending patterns for different components of foreign aid have varied considerably over the past three decades, as illustrated in the charts that follow.

Although there is no precise definition of major bilateral foreign aid categories, this discussion divides programs into four clusters: 1) “core” development assistance that generally employs long-term poverty reduction and economic growth strategies; 2) humanitarian relief activities that aim to save lives and provide basic services immediately following a natural or man-made disaster, or support the needs of refugee populations over an extended length of time; 3) political/security economic aid, intended to help bolster the economies of countries of special strategic interest to the United States or nations undergoing transitions to democratic and market economic systems, such as the states of the former Soviet Union; and 4) military assistance that helps American friends and allies strengthen their defense capabilities.

### “Core” Bilateral Development Assistance

The growth in spending since FY2000 on “core” bilateral development assistance programs represents perhaps the most dramatic increase of any component of the international affairs budget.<sup>4</sup> The \$6.88 billion total for FY2006 is the largest in 30 years and more than three and a quarter times larger, in real terms, than the \$2.09 billion budget for FY2000. Current spending is also well more than double the annual average funding level over the past three decades.

The most important components of for this sizable increase have been the launching of two new bilateral development aid initiatives by the Bush Administration. The Millennium Challenge Account (MCA), promising to eventually total \$5 billion annually, and the President’s Emergency Plan for AIDS Relief (PEPFAR), adding \$10 billion in new assistance over five years, each began in FY2004 and has grown in subsequent years. Annual increases over the previous year level of spending on bilateral development aid have risen, in real terms by 44% in FY2004, 21% in FY2005, and 15% in FY2006.

While the MCA and PEPFAR contributed significantly to “core” bilateral development assistance spending, funds were rising prior to FY2004. Congress

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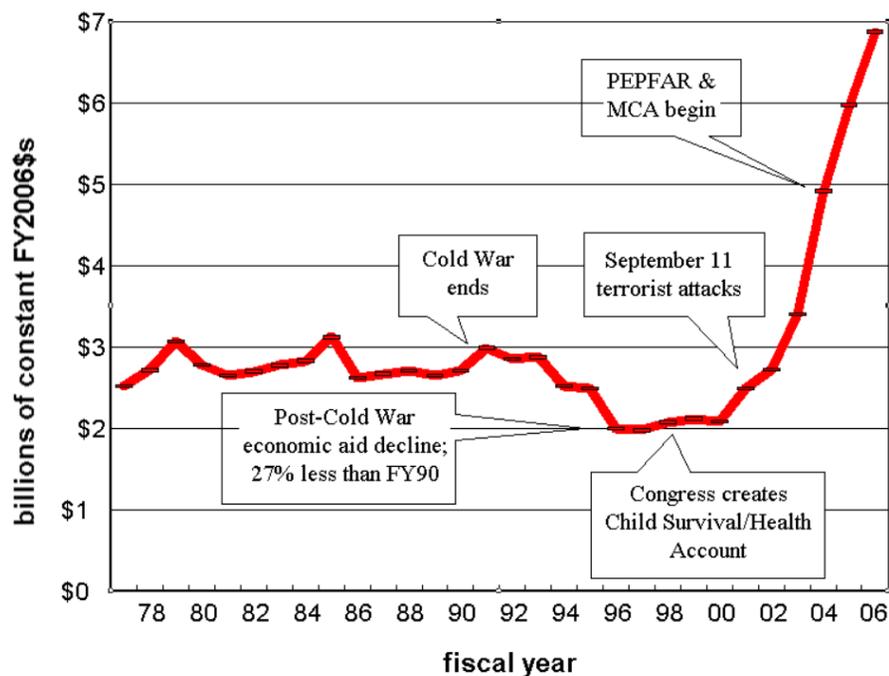
<sup>4</sup> “Core” bilateral development assistance is defined as funds provided currently through four appropriation accounts: Development Assistance Fund, Child Survival and Health, Global AIDS Initiative, and the Millennium Challenge Account. Previously, “core” accounts also included the Development Fund for Africa (FY1988-FY1994), Population Assistance (FY1977-FY1994), Sahel Development Program (FY1977-FY1979), and the so-called “functional development” accounts that Congress created in the New Directions legislation of 1973, providing bilateral development aid for agriculture, health, population, education, and technical assistance (FY1977-FY1992). These latter accounts were replaced with the current account configuration.

began increasing the President's request for both the Development Assistance Fund and the Child Survival and Health account in FY2001, adding resources for such programs supporting basic education, HIV/AIDS, malaria, and tuberculosis. Following the September 11, 2001 terrorist attacks, the Administration added Development, along with Defense and Diplomacy, as the three pillars of U.S. national security, which also assigned greater importance to bilateral development assistance and its role in the global war on terrorism. Annual increases over the previous year, FY2001-FY2003, totaled 19%, 9%, and 24%, respectively.

Prior to the most recent surge in bilateral development aid spending, levels for much of the period beginning in FY1977 remained relatively stable. In real terms, development assistance resources experienced small increases in the late 1970s when the Carter Administration made Africa an aid priority and during the early 1980s when all components of U.S. foreign aid rose during the first term of the Reagan Administration. After falling to \$2.6 billion in FY1986, development aid budgets remained steady, growing somewhat to \$3 billion by FY1991 as Congress sought to double U.S. development assistance to Africa over a period of years. With the end of the Cold War and shifting congressional budget priorities in the mid-1990s, however, development aid, like most other categories of American foreign aid, declined sharply, dropping to \$2 billion (FY2006 dollars) by FY1997, the lowest point during the past 30 years.

Note: Unless otherwise stated, figures are expressed in constant, FY2006 dollars.

**Figure 4. “Core” Bilateral Development Assistance Spending**



## KEY TRENDS

- “Core” bilateral development assistance funding accounts — currently consisting of the Development Assistance Fund, Child Survival/Health, Global AIDS Initiative, and the Millennium Challenge Account — have increased by more than 3 1/4 times since FY2000.
- The FY2006 level of \$6.88 billion is the largest during the past 30 years, and is well more than twice the size of the annual average over this three decade period.
- Development aid spending fell sharply following the end of the Cold War, reaching a 30-year low point in FY1997 at \$1.98 billion.
- For a 13 year period beginning in FY1977, development assistance resources remained relatively stable, ranging in several of these years between \$2.7 billion and \$2.8 billion.

## Humanitarian Assistance<sup>5</sup>

The United States, consistently a large contributor to international disaster and humanitarian relief operations, has spent unprecedented amounts on global humanitarian emergencies in recent years. The confluence of several natural disasters — Hurricane Mitch which struck Central America in late 1998, drought in Ethiopia and elsewhere in Africa since 2002, the Indian Ocean tsunami which struck in December 2004, and the October 2005 earthquake in Pakistan — plus continuing conflicts around the world — Kosovo (1999), Liberia (until 2003), Afghanistan (2002), pre-Iraq war (2003), Haiti (2004), and Darfur (since 2003) combined to push foreign aid spending on humanitarian crises to their highest levels in three decades.<sup>6</sup> The \$3.75 billion humanitarian aid budget for FY2003 was the largest since FY1977, and slightly higher than the \$3.69 billion funding level for FY2005. Resources for FY2006 (\$2.4 billion) are substantially lower than the recent peak years, although passage of supplemental funds — as was the case in FY1999, FY2003, and FY2005 — could push amounts higher.

In only two years prior to FY1999 have humanitarian aid funding levels come close to recent totals. For FY1979-FY1981, large supplementals for Indochina and Soviet/East European refugee resettlements brought amounts to around \$2.8 billion. In FY1985 humanitarian relief spending exceeded \$2.7 billion, largely due to a substantial U.S. response to a major famine in Africa. Assistance to populations affected by the Gulf War in 1991 and to victims of conflict in Bosnia, Haiti, and Rwanda in 1994 represented other “surge” years for humanitarian aid budgets.

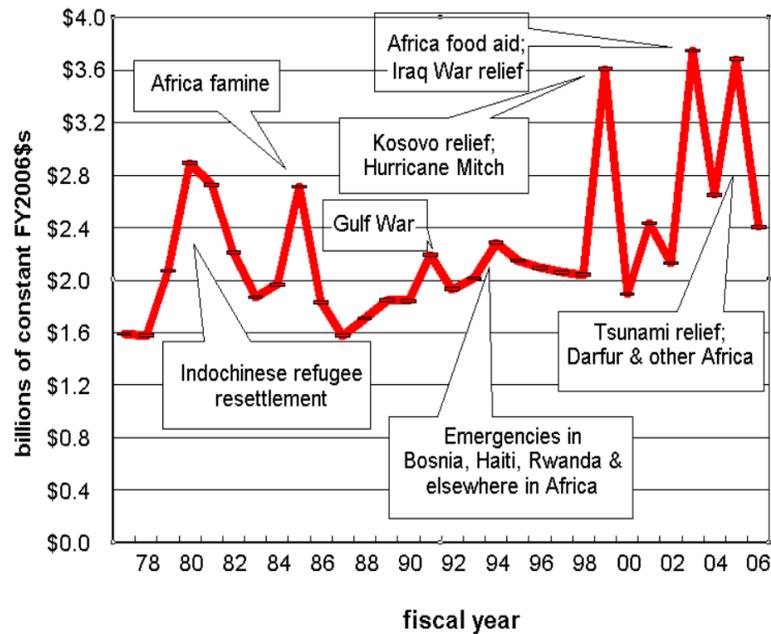
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<sup>5</sup> While there is no “official” definition of what constitutes U.S. humanitarian assistance, this discussion is based on spending appropriated in the current Foreign Operations and Agriculture accounts for International Disaster and Famine Assistance, Transition Initiatives, Migration and Refugee Assistance, Emergency Migration and Refugee Assistance Fund, and title II of P.L. 480 food assistance. In addition, in selected years, Congress has created special accounts for specific relief efforts, such as the Tsunami Recovery and Reconstruction Fund (2005) and Central America and the Caribbean Emergency (1999). Figures do not include amounts funded outside Budget Function 150, such as the Defense Department’s Overseas Humanitarian, Disaster, and Civic Action account provided in annual DOD appropriations. For more information regarding U.S. international humanitarian aid, see CRS Report RL32714, *International Disasters and Humanitarian Assistance: U.S. Government Response*, by Rhoda Margesson.

<sup>6</sup> Because many humanitarian emergencies continue well beyond the year in which they first arise, aid programs may be ongoing for several of these cases.

Note: Unless otherwise stated, figures are expressed in constant, FY2006 dollars.

**Figure 5. Humanitarian Assistance Spending**



## KEY TRENDS

- Due to the unforeseen and unpredictable nature of events requiring humanitarian relief, spending patterns have been highly erratic over the past 30 years.
- In general, however, resources committed for food, disaster, and refugee support have been growing for the past two decades. Amounts have been especially large in several years since FY1999.
- FY2006 appropriations for humanitarian aid programs, at \$2.4 billion, are significantly below recent years — FY1999, FY2003, and FY2005 — when Congress approved large supplementals addressing natural disasters and conflicts.
- For the entire 30-year period, FY2006 spending on humanitarian relief operations is slightly higher than the \$2.26 billion annual average, but 18% below the annual average since FY1999.

## Political/Security Economic Assistance<sup>7</sup>

The United States utilizes several types of economic assistance in pursuit of strategic objectives that do not have as their primary goal long-term economic growth, poverty reduction, or humanitarian relief. These latter purposes may be of secondary importance in providing strategic assistance, but nevertheless, the ways in which either type of aid is delivered may be the same. In general, the specific rationale of why the assistance is provided determines whether it falls into primarily development/humanitarian aid accounts or into another set of political/security-related assistance programs.

The primary channel for transferring political/security economic assistance is through the Economic Support Fund (ESF), an account previously referred to as Security Supporting Assistance and Defense Support. ESF resources have been used in support of Middle East peace efforts since Camp David in FY1979, for helping the U.S. gain access to military bases in the Philippines and elsewhere during the 1980s, for backing Central American governments during conflicts in the mid-1980s, assisting Panama and Nicaragua stabilize following government changes in 1990, and most recently, supporting a group of about 30 nations regarded as the “front-line” states in the Global War on Terror (GWOT). Other types of political/security economic programs include those authorized in the early 1990s for helping the countries of Eastern Europe and the former Soviet Union transition to democratic and market economic states. Counter-narcotics efforts, which became a major initiative in Colombia and elsewhere in the Andean region, non-proliferation programs, and anti-terrorism activities are other types of political/security economic assistance. The large amount of reconstruction assistance provided to Iraq in FY2003 and FY2004 also falls within this category.

Budget “spikes” for political/security economic assistance tend to occur following major new international events, including peace agreements and the termination of hostilities in conflict-stricken areas, several of which are noted above and illustrated in Figure 6 below. Continuing, year-to-year political/security economic aid, on the other hand, has remained more steady than other types of U.S. foreign aid, ranging in “non-peak” years between \$4 billion and \$6 billion, in real terms.

The current (FY2006) \$5 billion political/security assistance budget is not large compared with recent levels and is the smallest amount since FY1998. The total, however, could grow if the Administration proposes and Congress approves supplemental aid for this year, as has been the pattern since FY2000. FY2006 levels are 25% less than the 30-year annual average, although if Iraq reconstruction funds are excluded, FY2006 is only 14% below the three decade annual average.

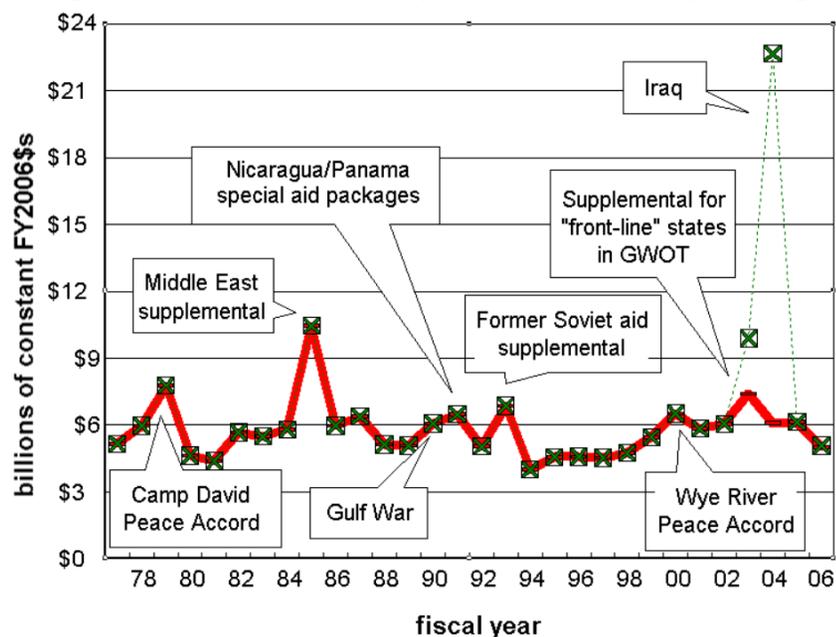
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<sup>7</sup> Foreign Operations appropriation accounts that make up political/security economic assistance include the Economic Support Fund, International Fund for Ireland, Assistance for Eastern Europe and the Baltic States (SEED), Assistance for the Independent States of the Former Soviet Union (FSA), Democracy Fund, International Narcotics Control and Law Enforcement (INCLE), Andean Counterdrug Initiative (ACI), and the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR).

## KEY TRENDS

Note: Unless otherwise stated, figures are expressed in constant, FY2006 dollars.

**Figure 6. Political/Security Economic Aid Spending**



- Political/security-related economic programs generally focus on countries or initiatives of strategic importance to the United States, and funding levels tend to “spike” due to new circumstances, including peace agreements or post-conflict aid.
- FY2006 spending on political/security economic aid, at \$5 billion, is the lowest level since FY1998 and 25% below the 30-year annual average. Amounts could be increased through supplementals, however, as has been the case in recent years.
- Peak years for political/security economic aid spending coincide with specific events: Iraq reconstruction (FY2004); pre-Iraq war aid for “front-line” states in the Global War on Terror (FY2003); the Wye River/Middle East Peace Accord (FY2000); large supplemental for Russia and other states of the former Soviet Union (FY1993); government changes in Panama and Nicaragua (FY1990); a large supplemental for Israel, Egypt, and Jordan (FY1985); and the Camp David Peace Accord (FY1979).
- Other than these peak years, political/security economic aid resources have remained relatively stable at between \$4 billion and \$6 billion per year.

## Military Assistance<sup>8</sup>

Through its military assistance programs, the United States provides friends and allies with defense equipment and training, as well as contributing to non-U.N. peacekeeping operations. Although low by historical trends, military aid budgets during the post-September 11 period have been higher than at any time since the end of the Cold War. Nevertheless, amounts for FY2006 — \$5.1 billion — are nearly 30% less than the annual average since FY1977.

Military assistance spending in FY2005 would have been significantly higher if not for an Administration decision, backed by Congress, to fund with Defense Department resources \$7 billion in programs to train and equip Afghan and Iraqi security forces. In the previous three fiscal years, such activities had been financed through the Foreign Military Financing (FMF) program and the Iraq Relief and Reconstruction Fund (IRRF), both of which fall within the international affairs budget function. Although this represents a substantial shift from traditional State Department policy and budgetary authority over military assistance, the Administration says that it intends to continue this financing structure in future years.

Levels of military assistance declined steadily in the period following the end of the Cold War as the United States ended most defense support to countries other than Israel, Egypt, and a few East European/former Soviet states. This reduction, however, had actually begun in FY1987 when countries such as Spain and South Korea “graduated” as military aid recipients.

The early part of the 1980s witnessed a steady increase in military assistance which became a primary tool for advancing the “Reagan Doctrine” policy of supporting anti-communist insurgents around the world. This included a sharp rise in military support to El Salvador and Honduras in Central America, to the Philippines and other nations providing the United States access to overseas military bases, and to Pakistan, a front-line state on the border with Soviet-occupied Afghanistan.

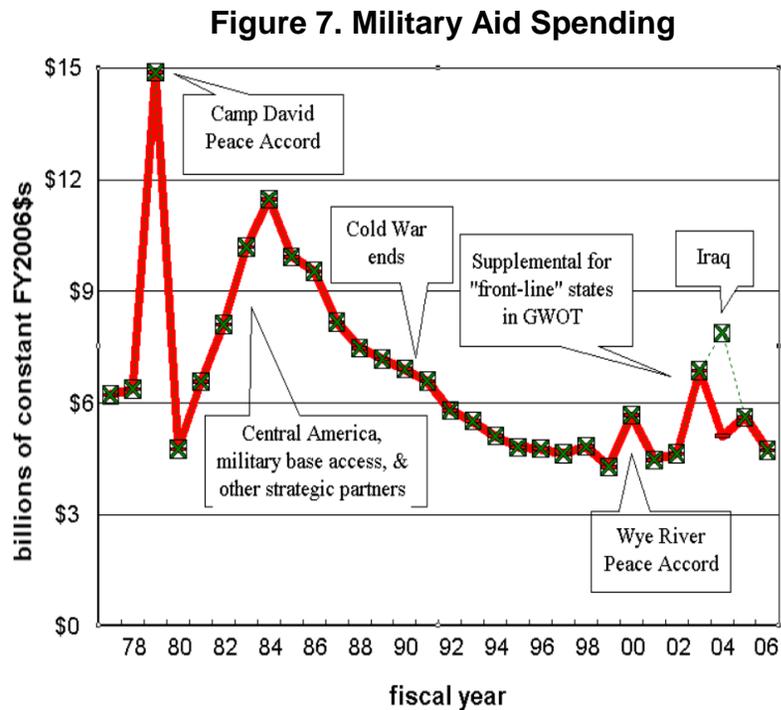
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<sup>8</sup> Accounting for military assistance uses a different methodology than found elsewhere in this report. While other budget trends are expressed in terms of discretionary budget authority, military aid figures are expressed as total program size. This is because at times during the past 30 years, and especially in the 1970s and 1980s, the United States provided large amounts of military support in the forms of market-rate loans rather than as grants or subsidized loans. Budgeting methods for military loans have changed several times in the past three decades, at times requiring appropriations to equal the total face value of the loans, yet in other years only requiring Congress to provide as little as 10% of the face value of the loans. By using figures for the total volume of military aid provided, regardless of the budget rules that may have applied at the time, allows for a more consistent trend analysis.

Current military assistance programs include Foreign Military Financing (FMF), International Military Education and Training (IMET), and Peacekeeping Operations, each managed by the State Department. For the most part, the State Department controls the funds and sets program policy, while the Defense Department implements the activities.

Since the signing of the Camp David Peace Accord in 1978, promoting Middle East peace has been a cornerstone of U.S. military assistance. In FY1979, military aid reached its 30 year peak of \$14.9 billion (in real terms), largely because of a substantial military support package offered to Israel and Egypt as part of the negotiations. From that point, these two countries have accounted for roughly two-thirds of total U.S. military assistance.

## KEY TRENDS



- Even more so than political/security-related economic assistance, military aid focuses on countries and international initiatives of strategic importance to the United States.
- The military aid budget for FY2006, at \$4.77 billion, is the sixth lowest spending level in the past three decades. It falls nearly 30% below the annual average for this period.
- A significant factor as to why military assistance has not been higher in the post-9/11 period, and especially for FY2005 and FY2006, is the Administration's decision to shift funds to train and equip security forces in Iraq and Afghanistan from the international affairs budget to the defense budget. In FY2005, Congress appropriated \$7 billion for such purposes managed by the Defense Department, which in previous years had been funded under State Department accounts.
- Military assistance spending in FY2003 and FY2004 was the highest since the end of the Cold War.
- During the first term of the Reagan Administration military aid resources more than doubled with significant increases for friends in Central America, countries that provided military base access to the United States, Israel and Egypt, Greece and Turkey, Pakistan, and other strategic partners under the "Reagan Doctrine."
- FY1979, the year following the signing of the Camp David Peace Accord, represented the highest level of military aid funding during the past 30 years.

## Foreign Assistance to Africa

Over the past three decades, countries in sub-Saharan Africa have received \$47.2 billion (constant FY2006 dollars) in economic and military assistance from the United States. While aid to the continent is sizable, Africa has never been the primary target of American resources, especially compared with the Middle East throughout the entire period and Asia and Latin America during the 1980s. In 2005, however, considerable international attention focused on African development issues, leading to appeals to sharply increase assistance for poverty reduction, post-conflict stabilization, health needs, and other challenges facing the continent.

At the G-8 Summit in July 2005, the Bush Administration announced a pledge to double U.S. bilateral assistance to Africa from \$4.3 billion in 2004 to \$8.6 billion by 2010.<sup>9</sup> If achieved, this would accelerate what has already been an increasing emphasis and priority of American foreign aid resources to the region in recent years. Already, U.S. assistance to Africa has doubled since FY2001, rising from \$2.3 billion to \$4.6 billion in FY2005, and tripled since a \$1.57 billion total in FY1997.

The sizable increase in U.S. assistance to Africa since the late 1990s has been the result of three factors. First, sub-Saharan Africa has been a principal beneficiary of several new American foreign aid initiatives in recent years. A series of relatively modest, but targeted aid activities launched during the Bush Administration have included the Africa Education Initiative (\$200 million over five years, beginning in FY2001<sup>10</sup>), the Congo Basin Forest Partnership (\$53 million, FY2002-FY2005), the Initiative to End Hunger in Africa (2002), Trade for African Development and Enterprise Initiative (2001), Women's Justice and Empowerment in Africa, among others. Selected African nations will also benefit from the Millennium Challenge Account (MCA) which began operations in FY2004. Madagascar and Cape Verde are among the seven countries selected thus far to receive multi-year grants in recognition of sound economic and governance performance. A \$1.2 billion, five-year anti-malaria program, launched in FY2006, is also expected to provide substantial amounts of additional assistance to the region through FY2010.

The President's Emergency Plan for AIDS Relief (PEPFAR), however, has been the most expansive of the Bush Administration foreign aid policies benefitting Africa. Begun in FY2004, much of the five-year, \$15 billion program will assist 15 "focus" countries that face the most serious threats from HIV/AIDS. Twelve of the focus nations are in sub-Saharan Africa, receiving over \$1 billion in the first two years of the initiative for the prevention and treatment of the AIDS pandemic. Like the MCA and malaria programs, PEPFAR resources are expected to rise in the near term, providing additional amounts of aid to the region.

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<sup>9</sup> The 2004 estimate is based on data compiled by the Organization for Economic Cooperation and Development (OECD) and does not match exactly the methodology used in this report to total aid levels. Most importantly, the OECD figures are based on disbursements of resources, while this report uses budget authority, or appropriated amounts.

<sup>10</sup> The White House announced in June 2005 that this program will continue, providing \$400 million FY2006-FY2010.

A second factor in the growing volume of U.S. assistance to Africa has been the response to a number of humanitarian crises, including food shortages in Ethiopia and elsewhere, and conflict in Liberia and Sudan. Food aid to countries in Africa grew from an average of about \$400 million annually in the late 1990s through FY2002 to an annual average of about \$1.1 billion, FY2003-FY2005.

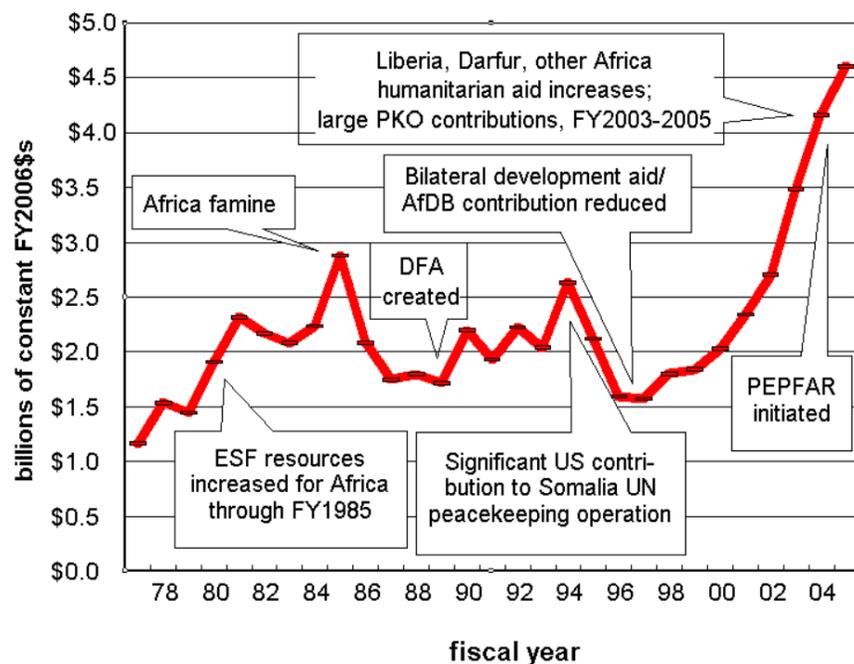
A third reason for the rising level of assistance to Africa in recent years has been the growing size of contributions to various peacekeeping operations in the region. Funding for activities in Sierra Leone, the Democratic Republic of Congo, Liberia, Sudan/Darfur, and Cote d'Ivoire, and efforts to better train and equip peacekeeping forces of the African Union have been especially large. U.S. costs in support of these missions have averaged about \$675 million annually beginning in FY2002, or about four times the annual average of the four previous years.

U.S. assistance to Africa fell sharply in the mid-1990s following the end of support for a U.N. peacekeeping operation in Somalia, cuts in bilateral development assistance, and a temporary suspension of contributions to the African Development Bank and African Development Fund due to concerns over management issues at the institutions. The \$1.6 billion total U.S. aid package to Africa in each of FY1996 and FY1997 was the lowest amount in real terms since FY1979.

During the 1980s, U.S. assistance to sub-Saharan Africa peaked in FY1985 at \$2.9 billion, largely due to a sizable food assistance supplemental responding to a major famine in the region, plus higher levels of security-related economic assistance (ESF) being programmed in African countries. Assistance, however, fell sharply the next two years as ESF transfers declined or were re-directed to other, more strategic areas of the world. Reflecting concern over the transfer of economic aid from Africa to other regions, in FY1988 Congress created a separate appropriation account for the region — the Development Fund for Africa (DFA) — so that aid levels for Africa would be more clearly designated in spending bills. DFA resources grew from about \$500 million to nearly \$800 million by FY1993, before beginning to slide downward the next several years. Congress ended the separate DFA appropriation account in FY1996.

Note: Unless otherwise stated, figures are expressed in constant, FY2006 dollars.

**Figure 8. Africa Assistance**



## KEY TRENDS

- The Bush Administration announced in July 2005 that the United States would double bilateral aid to Africa, increasing it from \$4.3 billion in FY2004 to \$8.6 billion by FY2010.
- The \$4.5 billion in U.S. aid to Africa estimated for FY2005 was the largest level in three decades and totals over twice the \$2.1 billion annual average since FY1977.
- Humanitarian crises in Ethiopia, Liberia, Sudan, and elsewhere, large contributions to U.N. peacekeeping operations in Sierra Leone, Democratic Republic of Congo, Liberia, and Sudan/Darfur, and the launch of the President's Emergency Plan for AIDS Relief (PEPFAR) resulted in significant increases in U.S. assistance to Africa since FY2002.
- Reductions in development and food aid, coupled with a suspension of contributions to the African Development Bank and Fund (AfDB) pushed U.S. assistance to Africa in FY1996/97 to a near three-decade low.
- Following a two-year sharp reduction in U.S. aid to Africa in the mid-1980s, Congress created in FY1988 a separate appropriation account — the Development Fund for Africa — to bring more clarity to funding decisions for the region.
- Increasing demands for food due to famine conditions in Africa, plus the growing use of the security-related Economic Support Fund (ESF) pushed U.S. aid higher during the early 1980s.

## State Department and Public Diplomacy

Besides foreign aid, the other major component of the international affairs budget supports diplomacy and American engagement in the international community. Roughly one-third of the Function 150 budget targets salaries and expenses of the U.S. diplomatic corps; the construction, maintenance, and security of American embassies around the world; educational and cultural exchanges, international broadcasting, and other aspects of public diplomacy; the costs of U.S. membership in the United Nations and other international organizations; and assessed contributions to U.N. peacekeeping operations.<sup>11</sup> In addition to appropriated funds, this category also includes beginning in FY1996 fees that the State Department collects for visa processing and other services. Over time, these have become a source of sizable amounts of resources for the Department, growing to an estimated level of nearly \$1.1 billion in FY2006.

Over the past three decades, the funding level for the State Department and public diplomacy has reflected generally an upward trend. Although there have been a few brief periods of declining resources, appropriations continually climbed to their highest level in FY2005 of \$12.2 billion. Even without the special \$1.256 billion supplemental for a new Iraq embassy and other operations in Bagdad, FY2005 represented the largest spending amount for the State Department and public diplomacy in 30 years. The FY2006 total of \$10.6 billion is second only to FY2005 as the peak year in three decades and is more than 55% higher than the thirty year annual average of \$6.75 billion.

From the outset of the George W. Bush Administration, then-Secretary of State Colin Powell argued strongly within the executive branch and before Congress that State Department resource needs had been neglected during the previous decade and that significant increases were needed to improve technology and staffing challenges. The Bush Administration's first budget saw a jump from \$8.5 billion in FY2001 to \$9.3 billion for FY2002 in State Department and public diplomacy spending. By FY2004, the \$10.1 billion (excluding Iraq) was nearly 19% higher, in real terms, than at the beginning of the Bush Administration.

Many of the spikes in funding for the State Department and public diplomacy over the past 30 years have been related to overseas security issues. Since the Vietnam War, American embassies have increasingly been the targets of hostile action. Terrorist attacks grew in number in the 1970s, the decade ending with the

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<sup>11</sup> This category of the International Affairs budget is technically divided into two parts: Conduct of Foreign Affairs, largely State Department operations and international organization contributions, and Foreign Information and Exchanges. Assessing these two parts separately over the past 30 years, however, became problematic when the U.S. Information Agency (USIA), the lead agency for public diplomacy, was merged into the State Department in FY1999. Prior to that point, USIA operating expenses had been part of the Foreign Information and Exchanges category, but since the consolidation, these resources are included in State Department salaries and expenses. Thus, because it is not possible to present a consistent data set for the entire 30 year period, these two categories are combined in this analysis.

taking of American hostages in Tehran in 1979. Similarly, in the early 1980s, the State Department recognized a greater need to tighten security after the 1983 bombing of the U.S. Marine barracks in Beirut, Lebanon, and the bombing of the embassy annex in Beirut in 1984. In 1985, a report by the Advisory Panel on Overseas Security, headed by Admiral Bobby Inman, set new standards for security measures at U.S. facilities around the world. In 1986 Congress provided an embassy supplemental appropriation to meet those standards, and State Department/public diplomacy resources grew to \$6.6 billion, in real terms. Again in August 1998, another major attack occurred on U.S. embassies in Kenya and Tanzania. Later that year, Congress passed an emergency supplemental that sharply increased total State Department spending to \$8.75 billion.

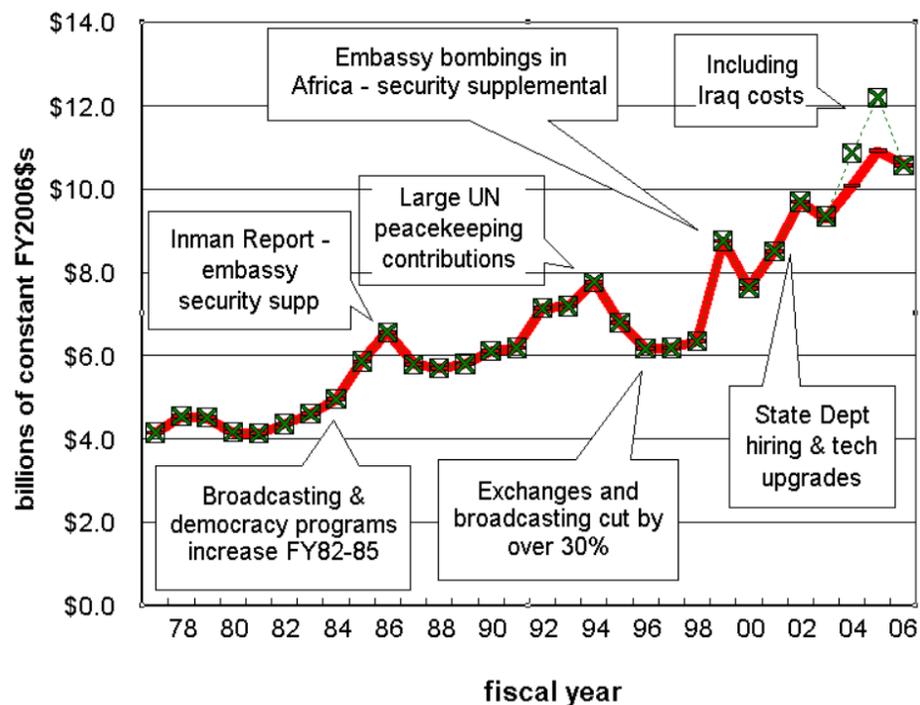
The Clinton Administration generally believed in a multilateral approach to handling international problems and sought an expansion of U.N. involvement in international peacekeeping. In 1994, the Administration requested supplemental funding for U.N. peacekeeping to provide more help with Cyprus and African regional efforts, as well as Angola, Iraq, Yugoslavia, Somalia, Haiti, and Mozambique. Congress appropriated \$670 million for the peacekeeping supplemental in 1994, more than doubling the international peacekeeping account that year. Overall this raised the State Department and public diplomacy budget to \$7.8 billion (FY2006 dollars).

During this same period during the 1990s, both Congress and the Administration struggled to reduce the federal deficit. Some Members contended that, with the end of the Cold War, a peace dividend could be derived, and believed that foreign policy agency funding could be trimmed to help meet growing budget pressures. Reorganization of the international broadcasting entities, beginning in 1994, and later the consolidation of the foreign policy agencies into the Department of State in FY1999, reflected the mood in Congress to streamline these foreign policy agencies, thereby realizing some degree of budgetary savings. Reductions in broadcasting and educational and cultural exchange programs were especially large during the mid-1990s when funding for these programs fell by more than 30%, bringing the \$6.2 billion State Department/public diplomacy budget in FY1997 to a seven year low.

## KEY TRENDS

Note: Unless otherwise stated, figures are expressed in constant, FY2006 dollars.

**Figure 9. State Department & Public Diplomacy Spending**



- Funding for State Department personnel, embassy security, public diplomacy, and dues for international organizations has increased steadily over the past three decades, peaking in FY2005 at \$12.2 billion (constant dollars), including costs for a new embassy in Iraq.
- Emphasis on State Department staffing and technology upgrades during the early Bush Administration pushed spending upward from \$7.6 billion in FY2000 to \$9.3 billion by FY2003.
- The bombings of U.S. embassies in Kenya and Tanzania (1998) and the Inman Report on embassy security standards (1985) led to sizable supplemental spending.
- During the mid-1990 decline in overall U.S. foreign policy spending, resources for international exchange programs and broadcasting fell by over 30%.
- Significant contributions to UN peacekeeping operations, including Somalia, pushed funding for State Department and public diplomacy to \$7.8 billion in FY1994, the highest level in 18 years.

**Budget Data Appendix**  
**Table 1. International Affairs Discretionary Budget Authority**  
(\$s - billions)

Fiscal Year	Function 150 Current \$s	Function 150 Constant FY2006 \$s
1977	9.318	26.834
1978	10.780	29.176
1979	14.504	36.182
1980	11.619	26.266
1981	12.235	25.056
1982	14.383	27.587
1983	16.396	30.041
1984	18.294	32.186
1985	22.374	38.132
1986	20.279	33.630
1987	18.800	30.170
1988	18.079	27.991
1989	18.537	27.607
1990	20.027	28.837
1991	21.321	29.455
1992	20.927	27.911
1993	21.194	27.497
1994	20.854	26.523
1995	20.166	25.019
1996	18.237	22.178
1997	18.333	21.879
1998	19.289	22.807
1999	23.824	27.776
2000	23.871	27.160
2001	24.660	27.430
2002	25.685	28.125
2003	34.141	36.647
2004	50.312	52.838
2005	35.663	36.475
2006 (est)	32.574	32.574

**Sources:** OMB, House and Senate Appropriations Committees, and CRS calculations. FY2006 includes 1% rescission.

**Table 2. International Affairs Budget As a % of Total Discretionary Budget Authority**

<b>Fiscal Year</b>	<b>Function 150 %-Discretionary BA</b>
1977	3.775%
1978	4.147%
1979	4.255%
1980	3.733%
1981	3.588%
1982	4.045%
1983	4.223%
1984	4.318%
1985	4.900%
1986	4.631%
1987	4.217%
1988	3.989%
1989	3.935%
1990	4.032%
1991	3.904%
1992	3.938%
1993	4.053%
1994	4.068%
1995	4.022%
1996	3.640%
1997	3.586%
1998	3.642%
1999	4.095%
2000	4.085%
2001	3.715%
2002	3.496%
2003	4.019%
2004	5.543%
2005 (est)	3.365%

**Sources:** Office of Management and Budget, Congressional Budget Office, and CRS calculations.

**Table 3. Foreign Assistance Discretionary Budget Authority**  
(\$s - billions)

<b>Fiscal Year</b>	<b>Foreign Aid Current \$s</b>	<b>Foreign Aid Constant FY2006 \$s</b>
1977	7.875	22.678
1978	9.101	24.632
1979	14.526	36.237
1980	9.776	22.100
1981	10.129	20.743
1982	12.110	23.228
1983	13.884	25.438
1984	15.478	27.232
1985	18.931	32.264
1986	14.808	24.557
1987	13.993	22.456
1988	13.602	21.059
1989	13.944	20.766
1990	15.032	21.644
1991	16.083	22.219
1992	14.932	19.915
1993	15.048	19.523
1994	14.036	17.852
1995	14.111	17.507
1996	12.576	15.294
1997	12.474	14.887
1998	13.259	15.677
1999	15.394	17.948
2000	16.278	18.521
2001	16.170	17.986
2002	16.537	18.108
2003	25.266	27.120
2004	40.456	42.487
2005	23.880	24.397
2006 (est)	22.195	22.195

**Sources:** OMB, House and Senate Appropriations Committees, and CRS calculations. FY2006 includes 1% rescission.

**Table 4. “Core” Bilateral Development Assistance Discretionary Budget Authority**  
(\$s - billions)

<b>Fiscal Year</b>	<b>Bilateral Development Aid Current \$s</b>	<b>Bilateral Development Aid Constant FY2006 \$s</b>
1977	.876	2.523
1978	1.005	2.720
1979	1.232	3.073
1980	1.232	2.785
1981	1.296	2.654
1982	1.409	2.703
1983	1.517	2.779
1984	1.61	2.833
1985	1.835	3.127
1986	1.582	2.624
1987	1.666	2.674
1988	1.750	2.709
1989	1.782	2.654
1990	1.882	2.710
1991	2.167	2.994
1992	2.141	2.856
1993	2.219	2.879
1994	1.983	2.522
1995	2.011	2.495
1996	1.647	2.000
1997	1.661	1.982
1998	1.760	2.081
1999	1.820	2.122
2000	1.834	2.087
2001	2.243	2.495
2002	2.492	2.729
2003	3.175	3.408
2004	4.683	4.918
2005	5.848	5.975
2006 (est)	6.880	6.880

**Sources:** Department of State, USAID, House and Senate Appropriations Committees, and CRS calculations. FY2006 includes 1% rescission.

**Table 5. Humanitarian Assistance Discretionary Budget Authority**  
(\$s - billions)

<b>Fiscal Year</b>	<b>Humanitarian Assistance Current \$s</b>	<b>Humanitarian Assistance Constant FY2006 \$s</b>
1977	0.552	1.590
1978	0.583	1.578
1979	0.831	2.073
1980	1.280	2.894
1981	1.332	2.728
1982	1.154	2.213
1983	1.020	1.869
1984	1.119	1.969
1985	1.591	2.712
1986	1.105	1.832
1987	0.983	1.578
1988	1.103	1.708
1989	1.241	1.848
1990	1.279	1.842
1991	1.587	2.192
1992	1.449	1.933
1993	1.551	2.012
1994	1.796	2.284
1995	1.730	2.146
1996	1.723	2.095
1997	1.727	2.061
1998	1.727	2.042
1999	3.096	3.610
2000	1.664	1.893
2001	2.188	2.434
2002	1.946	2.131
2003	3.493	3.749
2004	2.525	2.652
2005	3.607	3.685
2006 (est)	2.408	2.408

**Sources:** Department of State, USAID, House and Senate Appropriations Committees, and CRS calculations. FY2006 includes 1% rescission.

**Table 6. Political/Security Economic Aid Discretionary Budget Authority**  
(\$s - billions)

<b>Fiscal Year</b>	<b>Political/Security Economic Current \$s</b>	<b>Political/Security Economic Constant FY2006 \$s</b>
1977	1.792	5.161
1978	2.210	5.981
1979	3.121	7.786
1980	2.046	4.625
1981	2.141	4.385
1982	2.963	5.683
1983	2.999	5.495
1984	3.298	5.802
1985	6.139	10.463
1986	3.603	5.975
1987	3.979	6.385
1988	3.309	5.123
1989	3.406	5.072
1990	4.222	6.079
1991	4.697	6.489
1992	3.791	5.043
1993	5.300	6.876
1994	3.149	4.005
1995	3.680	4.566
1996	3.767	4.581
1997	3.803	4.539
1998	4.018	4.751
1999	4.686	5.463
2000	5.731	6.521
2001	5.253	5.843
2002	5.532	6.057
2003	9.217	9.893
2004	21.593	22.677
2005	6.009	6.139
2006 (est)	5.079	5.079

**Sources:** Department of State, House and Senate Appropriations Committees, and CRS calculations. FY2006 includes 1% rescission.

**Table 7. Military Assistance Program Size**  
(\$s - billions)

<b>Fiscal Year</b>	<b>Military Assistance Current \$s</b>	<b>Military Assistance Constant FY2006 \$s</b>
1977	2.159	6.217
1978	2.356	6.376
1979	5.967	14.885
1980	2.107	4.763
1981	3.210	6.574
1982	4.230	8.113
1983	5.559	10.185
1984	6.526	11.482
1985	5.825	9.928
1986	5.749	9.534
1987	5.091	8.170
1988	4.829	7.476
1989	4.819	7.177
1990	4.797	6.907
1991	4.773	6.594
1992	4.347	5.798
1993	4.251	5.515
1994	4.017	5.109
1995	3.876	4.809
1996	3.924	4.772
1997	3.879	4.629
1998	4.082	4.826
1999	3.674	4.284
2000	4.985	5.672
2001	4.018	4.469
2002	4.232	4.633
2003	6.398	6.868
2004	7.508	7.885
2005	5.502	5.621
2006 (est)	4.724	4.724

**Sources:** Department of State, House and Senate Appropriations Committees, and CRS calculations. FY2006 includes 1% rescission.

**Table 8. Africa Assistance**  
(\$s - billions)

<b>Fiscal Year</b>	<b>Africa Assistance Current \$s</b>	<b>Africa Assistance Constant FY2006 \$s</b>
1977	0.405	1.166
1978	0.568	1.537
1979	0.579	1.444
1980	0.845	1.910
1981	1.132	2.318
1982	1.132	2.171
1983	1.136	2.081
1984	1.272	2.238
1985	1.691	2.882
1986	1.258	2.086
1987	1.090	1.749
1988	1.162	1.799
1989	1.153	1.717
1990	1.527	2.199
1991	1.399	1.933
1992	1.668	2.225
1993	1.572	2.039
1994	2.070	2.633
1995	1.711	2.123
1996	1.311	1.594
1997	1.319	1.574
1998	1.523	1.801
1999	1.579	1.841
2000	1.784	2.030
2001	2.107	2.344
2002	2.471	2.706
2003	3.247	3.485
2004	3.963	4.162
2005 (est)	4.507	4.605

**Sources:** Department of State, USAID, House and Senate Appropriations Committees, and CRS calculations.

**Table 9. State Department and Public Diplomacy Budget Authority and Fee Collections**  
(\$s - billions)

<b>Fiscal Year</b>	<b>State/Public Diplomacy Current \$s</b>	<b>State/Public Diplomacy Constant FY2006 \$s</b>
1977	1.443	4.156
1978	1.679	4.544
1979	1.810	4.515
1980	1.842	4.164
1981	2.018	4.133
1982	2.273	4.360
1983	2.513	4.604
1984	2.816	4.954
1985	3.443	5.868
1986	3.957	6.562
1987	3.610	5.793
1988	3.682	5.700
1989	3.898	5.805
1990	4.243	6.109
1991	4.478	6.186
1992	5.354	7.141
1993	5.547	7.197
1994	6.111	7.772
1995	5.482	6.801
1996	5.070	6.166
1997	5.189	6.193
1998	5.364	6.342
1999	7.509	8.755
2000	6.700	7.623
2001	7.651	8.510
2002	8.862	9.704
2003	8.709	9.348
2004	10.350	10.870
2005	11.945	12.203
2006 (est)	10.579	10.579

**Sources:** Department of State, House and Senate Appropriations Committees, and CRS calculations. FY2006 includes 1% rescission. Beginning in FY1996, figures also include fees collected by the State Department for Visa processing and other services.