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CRS Report for Congress

Appropriations for FY2002: Foreign Operations, Export Financing, and Related Programs

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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 FY2002: Foreign Operations, Export Financing, and Related Programs

Summary

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

President Bush requested $15.167 billion for FY2002 Foreign Operations, an amount 1.5% higher than enacted FY2001 appropriations. By comparison, foreign policy resources proposed for State Department, U.N. contributions, and other non-foreign aid activities would increase by 13.2% from FY2001, in nominal terms. Although the overall FY2002 Foreign Operations proposed increase was relatively small — $224 million — some activities funded in FY2001 would either not need new appropriations or would require smaller resources in FY2002, thereby freeing up funds for other initiatives. After adjusting the FY2001 base amount to reflect these reduced funding requirements that did not alter current policy, the request represented a higher increase for Foreign Operations — $698 million, or 4.8% more, in nominal terms.

The FY2002 Foreign Operations request set most accounts at or near FY2001 funding levels, while largely concentrating proposals to increase spending in a few areas — disaster aid, global health, international narcotics control, and contributions to the World Bank and other international financial institutions. Likewise, the budget submission recommended cutting appropriations significantly in two accounts — debt reduction resources for the Heavily Indebted Poor Country (HIPC) initiative and the Export-Import Bank – but only the latter represented a policy shift.

Except in one area, the FY2002 budget request represented few changes in the list of top U.S. foreign aid recipients. Israel, Egypt, and Jordan remained the leading recipients. The most significant change was the increase in aid for Latin American drug producing nations. Under the Administration's Andean Counterdrug Initiative, Colombia, Peru, and Bolivia would be among the leading 10 recipients of U.S. aid.

Following nearly six months of debate, Congress cleared for the President on December 20, 2001, a $15.35 billion Foreign Operations Appropriations for FY2002 (H.R. 2506). The measure is roughly midway between levels passed earlier by the House ($15.17 billion) and the Senate ($15.52 billion), and $178 million higher than requested by the President. This marks one of the few occasions when Congress has approved more spending for Foreign Operations than sought by the Administration. The amount is about $400 million, or 2.7% higher than for FY2001 (excluding the $1.1 billion for Foreign Operations programs allocated from the terrorism emergency supplemental measure; P.L. 107-38). Highlights of the enacted bill include: $779 million for the Export-Import Bank, nearly $100 million more than requested; $475 million for HIV/AIDS, up from the $429 million proposal; and $625 million for the Andean Counternarcotics Initiative, a cut of $106 million from the request. The enacted measure drops Senate-passed language overturning the President's international family planning restrictions, but approved funding levels for population aid and UNFPA near the higher Senate-passed amounts.

Key Policy Staff

Area of Expertise	Name	Tel.
General: Policy issues & budget	Larry Nowels, *Specialist, Foreign Affairs*	7-7645
General: Policy issues	Curt Tarnoff, *Specialist, Foreign Affairs*	7-7645
Africa Aid	Raymond Copson, *Specialist, Intl Relations*	7-7661
Agency for Intl Development	Larry Nowels, *Specialist, Foreign Affairs* Curt Tarnoff, *Specialist, Foreign Affairs*	7-7645 7-7656
Andean Regional Initiative	Larry Storrs, *Specialist, Latin American Affairs*	7-7672
Central Asia	Jim Nichol, *Analyst, Foreign Affairs*	7-2289
Debt Relief	Larry Nowels, *Specialist, Foreign Affairs*	7-7645
Development Assistance	Larry Nowels, *Specialist, Foreign Affairs* Curt Tarnoff, *Specialist, Foreign Affairs*	7-7645 7-7656
Disaster aid	Rhodi Margesson, *Analyst, Foreign Affairs*	7-0425
Drug/counternarcotics programs	Raphael Perl, *Specialist, International Affairs*	7-7664
Drug/counternarcotics, Colombia	Nina Serafino, *Specialist, Intl Security Affairs*	7-7667
Export-Import Bank	James Jackson, *Specialist, Intl Trade & Finance*	7-7751
Family planning programs	Larry Nowels, *Specialist, Foreign Affairs*	7-7645
Health programs	Larry Nowels, *Specialist, Foreign Affairs*	7-7645
HIV/AIDS	Raymond Copson, *Specialist, Intl Relations*	7-7661
International affairs budget	Larry Nowels, *Specialist, Foreign Affairs*	7-7645
International Monetary Fund	Jonathan Sanford, *Specialist, Intl Political Economics* Jeff Hornbeck, *Specialist, Intl Trade & Finance*	7-7682 7-7782
Kosovo/Yugoslavia aid	Curt Tarnoff, *Specialist, Foreign Affairs*	7-7656
Middle East assistance	Clyde Mark, *Specialist, Mid-East Affairs*	7-7681
Military aid/Arms sales	Richard Grimmett, *Specialist, National Defense*	7-7675
Multilateral Development Banks	Jonathan Sanford, *Specialist, Intl Political Economics*	7-7682
North Korea/KEDO	Larry Niksch, *Specialist, Asian Affairs*	7-7680
Overseas Private Investment Corp	James Jackson, *Specialist, Intl Trade & Finance*	7-7751
Peace Corps	Curt Tarnoff, *Specialist, Foreign Affairs*	7-7656
Peacekeeping	Marjorie Browne, *Specialist, International Relations*	7-7695
Refugee aid	Larry Nowels, *Specialist, Foreign Affairs*	7-7645
Russia/East Europe Aid	Curt Tarnoff, *Specialist, Foreign Affairs*	7-7656
Terrorism	Raphael Perl, *Specialist, International Affairs*	7-7664
U.N. Voluntary Contributions	Vita Bite, *Analyst, International Relations*	7-7662

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Most Recent Developments

On December 20, 2001, Congress cleared for the President's signature a $15.35 billion Foreign Operations Appropriations for FY2002 (H.R. 2506). Passage of the bill broke a month-long impasse over House-Senate disagreements concerning international family planning and abortion issues. As enacted, H.R. 2506 drops Senate language that would have overturned the President's abortion restrictions on bilateral U.S. population assistance, but appropriates funding for family planning programs closer to the higher amounts recommended by the Senate: $446.5 million for USAID activities and $34 million for the U.N. Population Fund.

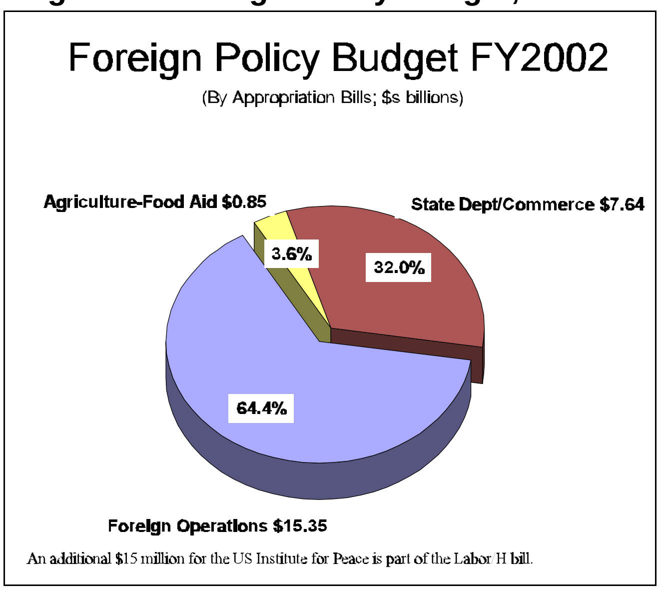
The $15.35 billion appropriation is roughly midway between levels passed earlier by the House ($15.17 billion) and the Senate ($15.52 billion), and $178 million higher than requested by the President. This marks one of the few occasions when Congress has approved more spending for Foreign Operations than sought by the Administration. The amount is about $400 million, or 2.7% higher than for FY2001 (excluding the $1.1 billion for Foreign Operations programs allocated from the terrorism emergency supplemental measure; P.L. 107-38). Highlights of the enacted bill include: $779 million for the Export-Import Bank, nearly $100 million more than requested; $475 million for HIV/AIDS, up from the $429 million proposal; and $625 million for the Andean Counternarcotics Initiative, a cut of $106 million from the request. H.R. 2506 further allows the President to waive restrictions on aid to Azerbaijan through at least December 31, 2002. Azerbaijan is one of several regional states that has offered support in the war against terrorism. The measure also provides Armenia with $90 million in economic aid and $4.3 million in military assistance.

Allocations made during October and November from the $40 billion emergency supplemental (P.L. 107-38) to address costs associated with the September 11 terrorist attacks include $1.1 billion for Foreign Operations programs, including aid to Pakistan, Uzbekistan, and other Central Asian states; emergency relief to Afghan refugees; and improved regional border security capabilities.

Introduction

The annual Foreign Operations appropriations bill is the primary legislative vehicle through which Congress reviews and votes on the U.S. foreign assistance budget and influences executive branch foreign policy making generally.[1] It contains the largest share — about two-thirds — of total international affairs spending by the United States (see **Figure 1**). The legislation funds all U.S. bilateral development 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.[2] Foreign Operations includes separate accounts for aid programs in the former Soviet Union (also referred to as the Independent States account) and Central/Eastern Europe, activities that are jointly managed by USAID and the State Department. Security assistance (economic and military aid) for Israel and Egypt is also part of the Foreign Operations spending measure, as are smaller security aid programs administered largely by the State Department, in conjunction with USAID and the Pentagon. U.S. contributions to the World Bank and other regional multilateral development banks, managed by the Treasury Department, and voluntary payments to international organizations, handled by the State Department, are also funded in the Foreign Operations bill. Finally, the legislation includes appropriations for three export promotion agencies: the Overseas Private Investment Corporation (OPIC), the Export-Import Bank, and the Trade and Development Agency.

Figure 1. Foreign Policy Budget, FY2002



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

[2] Another international humanitarian aid program – food assistance or P.L. 480 title II grants – is funded under the Agriculture appropriations bill.

From the perspective of congressional oversight and involvement in U.S. foreign aid policymaking, the Foreign Operations bill has taken on even greater significance during the past 16 years. Congress has not enacted a foreign aid authorization bill since 1985, leaving most foreign assistance programs without regular authorizations emanating from the legislative oversight committees. As a result, Foreign Operations spending measures developed by the appropriations committees increasingly have expanded their scope beyond spending issues and played a major role in shaping, authorizing, and guiding both executive and congressional foreign aid and broader foreign policy initiatives. It has been largely through Foreign Operations appropriations that the United States has modified aid policy and resource allocation priorities since the end of the Cold War. The legislation has also been a key tool used by Congress to apply restrictions and conditions on Administration management of foreign assistance, actions that have frequently resulted in executive-legislative clashes over presidential prerogatives in foreign policy making.

Status

Table 1. Status of Foreign Operations Appropriations, FY2002

Subcomm. Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conf. Report Approval		Public Law
House	Senate						House	Senate	
6/27	–	7/17 H. Rept. 107-142	7/24 381-46	9/4 S.Rept. 107-58	10/24 96-2	12/19 107-345	12/19 356-66	12/20 V	–

President Bush submitted his FY2002 federal budget request to Congress on April 9, 2001, including funding proposals for Foreign Operations Appropriations programs. House and Senate Appropriations Committees are holding hearings on the proposal prior to marking up funding legislation. The House Foreign Operations Subcommittee adopted a draft spending bill on June 27, a measure that was amended and approved by the full Appropriations Committee on July 10. The bill — H.R. 2506 — was reported on July 17. The House passed H.R. 2506 on July 24 after adopting several amendments. The Senate Appropriations Committee ordered reported its FY2002 Foreign Operations Appropriations measure on July 26, but did not file its report until September 4. The Senate passed H.R. 2506 on October 24, adopting numerous amendments, including some addressing anti-terrorism issues. Conferees met on November 14 to work out differences between the two bills, but could not finalize a few issues in dispute until December 19 when a conference report was filed. The House passed the conference measure on the same day (356-66), while the Senate adopted it on December 20 by voice vote.

Earlier, the Senate, as part of H.R. 2216 (FY2001 Supplemental Appropriations Act), voted to include $100 million for an initial U.S. contribution to a new Global Fund to Fight HIV/AIDS, Malaria, and Tuberculosis. Conferees approved the additional $100 million for the Global Fund, partially offsetting the new resources with $20 million rescissions in prior year Child Survival and ESF appropriations.

Congress cleared the measure on July 20 (P.L. 107-20). The Administration requested $200 million, $100 million of which would be drawn from Foreign Operations spending, but for FY2002, not from FY2001 as P.L. 107-20 provided.

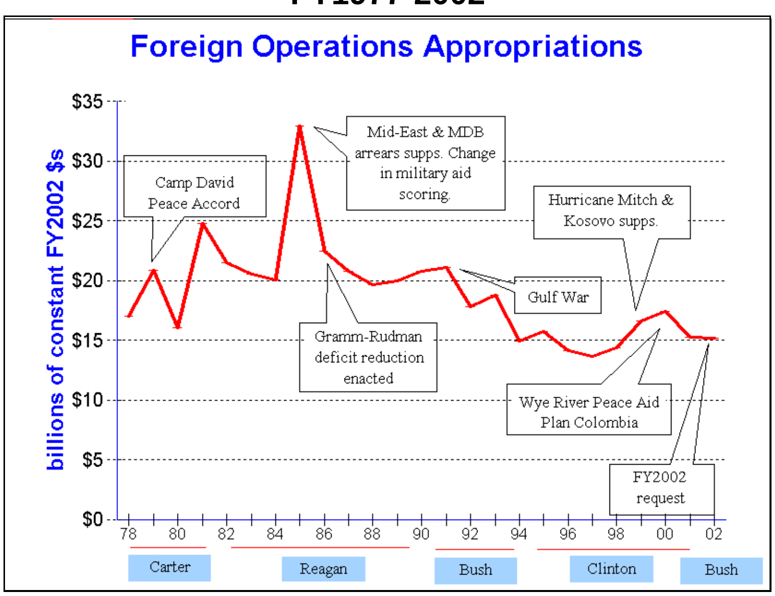
Foreign Operations Funding Trends

In real terms, taking into account the effects of inflation, Foreign Operations funding levels have fluctuated widely over the past 25 years. 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 a 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.

After peaking at nearly $33 billion in FY1985 (constant FY2002 dollars), Foreign Operations appropriations began a period of decline to $13.6 billion in FY1997, with only a brief period of higher amounts in the early 1990s due to special supplementals for Panama and Nicaragua (1990), countries affected by the Gulf War (1991), and the former Soviet states (1993).

Figure 2. Foreign Operations Appropriations, FY1977-2002



Arguing that declining international affairs resources seriously undermined U.S. foreign policy interests and limited the ability of American officials to influence overseas events, Administration officials and other outside groups vigorously campaigned to reverse the decade-long decline in the foreign policy budget. For FY1998, Congress approved a 6% increase for Foreign Operations, followed by an even larger 15.5% increase for FY1999. Levels rose further to $17.4 billion (+5%) in FY2000, marking the highest Foreign Operations appropriations in eight years. (All figures in constant FY2002 dollars). Similar to increased funding during the early 1990s, the large additional Foreign Operation budgets in FY1999 and FY2000 resulted from significant supplemental spending addressing international contingencies, including Central American hurricane relief, Kosovo emergency assistance, Wye River/Middle East peace accord support and a counternarcotics initiative in Colombia.

Table 2. Foreign Operations Appropriations, FY1995 to FY2002

(discretionary budget authority in billions of **current dollars**)

FY1995	FY1996	FY1997	FY1998	FY1999*	FY2000	FY2001*	FY2002
13.611	12.456	12.267	13.147	15.439	16.363	14.943	15.345

* FY1999 excludes $17.861 billion for the IMF. FY2001 excludes $1.1 billion allocated from the terrorism emergency supplemental appropriation (P.L. 107-38) for Foreign Operations programs.

With a much smaller supplemental ($80 million for the Global Health Fund) enacted for FY2001, Foreign Operations fell to $15.4 billion, in real terms. The FY2002 enacted amount is $15.35 billion, slightly less than FY2001, calculated using constant FY2002 dollars. Table 2, above, presents the enacted Foreign Operations funding levels for recent years, expressed in nominal, or current dollars that does not take into account the effects of inflation. Examined in nominal terms, the FY2002 amount represents a 2.7% increase over FY2001.

As a share of the entire $1.9 trillion U.S. budget for FY2001, Foreign Operations represented a 0.79% share. As a portion of discretionary budget authority — that part of the budget provided in annual appropriation acts (other than appropriated entitlements) — Foreign Operations consumed 2.3%. By comparison, at the high point of Foreign Operations spending in FY1985, foreign aid funds represented 2% of the total U.S. budget and 4.6% of discretionary budget authority.

Data Notes

Unless otherwise indicated, this report expresses dollar amounts in terms of *discretionary budget authority*. The Foreign Operations Appropriations bill includes one *mandatory* program that is not included in figures and tables — USAID's Foreign Service retirement fund. The retirement fund is scheduled to receive $44.5 million for FY2002.

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 FY2002 Budget Resolution, and Sec. 302(b) Allocations

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

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

In March and April 2001, the House and Senate, respectively, adopted different versions of an FY2002 budget blueprint (H.Con.Res. 83). For International Affairs, the House-passed measure supported the Bush Administration request of $23.9 billion in discretionary budget authority. The resolution adopted by the Senate increased foreign policy spending to $24.2 billion, by adopting an amendment by Senator Frist to boost international HIV/AIDS resources by $200 million in FY2002 and $500 million in FY2003. The Senate further approved a Kerry amendment adding $50 million annually for 10 years for international climate change programs.

The conference agreement on H.Con.Res. 83, as passed by both Houses during the week of May 7, however, modified the approach taken by House and Senate-approved resolutions. The approved version of H.Con.Res. 83 set discretionary budget authority for each budget function, including International Affairs, at the CBO baseline estimate. (The CBO baseline estimate was roughly the FY2001 level plus inflation.) Based on the CBO baseline estimate, the International Affairs discretionary budget for FY2002 in H.Con.Res. 83 was $23.2 billion, an amount $700 million below the President's request. Conferees, however, noted in their report (H.Rept. 107-55) that figures for each budget function were included for "presentation" purposes, and except for the defense function which assumes the President's request, the amounts "do not reflect any specific policy orientation." Instead, House and Senate Appropriations Committees became responsible for allocating total discretionary budget authority to each of their 13 subcommittees to "address specific policy priorities." The only requirement was that the Appropriation Committees remained within the $661.3 billion total discretionary budget authority level approved in the resolution.

Prior to marking up the first of the 13 appropriation bills for FY2002, House and Senate Appropriation Committees issued their initial Sec. 302(b) allocations. The House panel provided $15.168 billion, the same amount as President Bush's request. The Senate Committee provided $15.524 billion, $357 million more than the proposal. This marked the first time in several years that the initial Foreign Operations allocation had been set at or above the President's request. More common had been the practice of setting the early mark $1-$2 billion below the budget recommendation, a level that was later revised upwards. The difference earlier this year was that both Committees had sufficient funds during their initial mark-ups to accommodate, if they chose, the President's request, and in the Senate's case, some additional funding initiatives. While the overall level basically matched or exceeded the Executive's proposed budget, the House made several changes in how the funds would be allocated among the various accounts and programs, as did the Senate Appropriations Committee when it met in late July.

Post-Terrorist Attack Foreign Operations Allocation. Even before the September 11 terrorist strikes, Congress was debating whether to increase the $561 billion discretionary budget ceiling for FY2002 in order to augment funding for defense, education, and several natural disasters. Following the attacks, congressional leaders and the White House agreed to add $25 billion to accommodate increasing spending needs, a move pushing the ceiling up to $686 billion. Under a revised 302(b) subcommittee allocation, Foreign Operations received $15.35 billion, midway between the earlier House and Senate levels, and reflecting the amount available for conference committee negotiators when they met to reconcile differences between House and Senate versions of the Foreign Operations spending bill.

Foreign Operations Appropriations Request for FY2002 and Congressional Consideration

Request Overview

In April 2001, President Bush asked Congress to appropriate $15.167 billion for FY2002 Foreign Operations. He subsequently amended the request on June 11, adding $200 million for a U.S. contribution to the new Global Fund to Fight HIV/AIDS, Malaria, and Tuberculosis. (Since the entire amount consists of transfers from existing requests and prior year appropriations, including $100 million from the Health and Human Services request, there is no change to the overall amount of Foreign Operations.) The amended Foreign Operations FY2002 request stands at $15.167 billion, an amount 1.5% higher than enacted FY2001 appropriations.[3] In contrast, foreign policy resources for State Department, U.N. assessed contributions, and other non-foreign aid activities in the Commerce, Justice, and State Departments appropriation bill would increase by 13.2% from FY2001 in nominal terms.

Although the overall FY2002 Foreign Operations proposed increase was relatively small — $224 million, or 1.5% — some activities funded in FY2001 either did not need new appropriations or would require smaller resources in FY2002, thereby freeing up funds for other initiatives. For example, FY2001 totals included one-time funding for southern Africa flood relief ($135 million) and compensation to China for the mistaken bombing of its embassy in Belgrade ($28 million). A ten year plan to reduce aid to Israel and Egypt will enter its fourth year, resulting in a net reduction of $100 million for the two largest American aid recipients. The third and final year of U.S. pledged contributions to the Heavily Indebted Poor Country (HIPC) debt initiative required roughly half the amount appropriated in FY2001 ($435 million). After revising the FY2001 base amount to reflect these reduced funding requirements that did not alter current policy, the request represented a somewhat higher increase for Foreign Operations — $698 million, or 4.8% more, in nominal terms.

The FY2002 Foreign Operations request set most accounts at or near FY2001 funding levels, while largely concentrating proposals to increase spending in a few areas:

- **Disaster aid** would grow by 22% to $200 million.
- **International narcotics control** funding, including the new Andean initiative, would nearly triple to $948 million.
- **Global Fund to Fight HIV/AIDS, Malaria, and Tuberculosis** would receive $200 million, a new initiative for FY2002, for which $100 million would be drawn from Foreign Operations, and $100

[3] All comparisons between the FY2002 request and enacted FY2001 appropriations include for FY2001 $80 million in additional Foreign Operations spending approved in P.L. 107-20, the FY2001 Supplemental Appropriations. In real terms, taking into the effects of inflation, the FY2002 proposal is about 0.6% less than current spending.

million from the Health and Human Services budget. (Congress accelerated the U.S. contribution by including $100 million from Foreign Operations spending in the FY2001 Supplemental Appropriations; P.L. 107-20.)

- **Contributions to the World Bank** and other international financial institutions would increase by 6% to $1.2 billion and cover all scheduled U.S. payments to the multilateral development banks. The request, however, included no funds for the $500 million arrears owed by the United States.

Likewise, the budget submission recommended cutting appropriations significantly in two accounts, only the first of which represented a policy shift:

- **Export-Import Bank** funds would drop by 24.5% to $687 million.

- **Debt reduction** resources for the Heavily Indebted Poor Country (HIPC) initiative would fall by one-half to $224 million, but were sufficient to fully fund the pledged U.S. contribution to the multi-year debt relief program.

Table 3. Summary of Foreign Operations Appropriations

(Discretionary funds – in millions of dollars)

Bill Title & Program	FY2000 Enacted	FY2001 Enacted	FY2002 Request	FY2002 House	FY2002 Senate	FY2002 Enacted
Title I - Export Assistance	599.0	738.9	485.9	585.9	578.9	577.9
Title II - Bilateral Economic Aid	9,486.2	9,121.8	9,412.0	9,408.5	9,669.6	9,529.6
Development aid	*1,917.0*	*2,325.0*	*2,368.0*	*2,523.0*	*2,755.5*	*2,611.5*
Israel/Egypt economic aid	*1,676.4*	*1,532.6*	*1,375.0*	*1,375.0*	*1,375.0*	*1,375.0*
Former Soviet Union	*835.8*	*808.2*	*808.0*	*768.0*	*795.5*	*784.0*
Debt reduction	*123.0*	*447.0*	*224.0*	*224.0*	*224.0*	*229.0*
Counter-terrorism	*32.0*	*42.0*	*42.0*	*42.0*	*42.0*	*42.0*
Narcotics control/Andean Init	*1,322.3*	*324.3*	*948.0*	*892.0*	*764.0*	*842.0*
Title III - Military Assistance	4,985.2	3,752.5	3,874.0	3,827.0	3,889.0	3,855.0
Israel/Egypt	*4,445.0*[a]	*3,273.6*	*3,340.0*	*3,340.0*	*3,340.0*	*3,340.0*
Title IV - Multilateral Aid	1,292.6	1,330.0	1,395.8	1,345.8	1,386.4	1,383.3
Total Foreign Operations	**16,363.0**	**14,943.2**	**15,167.7**	**15,167.2**	**15,523.9**	**15,345.8**

Source: House and Senate Appropriations Committee and CRS calculations.

* FY2000 and FY2001 levels have been adjusted to reflect reductions enacted for each year. The FY2000 sequestration reduced the enacted Foreign Operations total by $47 million while the FY2001 0.22% rescission cut the enacted Foreign Operations by $33 million. FY2001 has been adjusted in include supplemental spending in P.L. 107-20, but excludes $1.1 billion for Foreign Operations programs provided in the terrorism emergency supplemental (P.L. 107-38). FY2002 has been adjusted to reflect the June 11 budget amendment.
[a] Includes $1.225 billion in supplemental Wye River Middle East peace support.

For two counter-terrorism programs managed by the State Department — Anti-Terrorism Assistance and the Terrorist Interdiction Program — the FY2002 request was the same amount of funding ($38 million and $4 million, respectively) as appropriated for FY2001. Following the September 11 terrorist attacks, Congress enacted a $40 billion emergency relief and counter-terrorism spending measure (P.L. 107-38), out of which the Administration allocated an additional $98 million for various counterterrorism purposes.

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

	FY2000 Actual	FY2001 Allocation	FY2002
Israel	4,069[a]	2,820	2,760[b]
Egypt	2,054[a]	1,987	1,956[b]
Colombia	902	49	400[c]
Jordan	427[a]	227	228[b]
Peru	121	92	209[c]
Russia	188	169	175[c]
Ukraine	179	176	165[b]
Bolivia	194	90	148[c]
FRYugoslavia	68	172	145[c]
Indonesia	94	117	121[c]
Kosovo	165	150	120[c]
Georgia	112	98	97[b]
Armenia	105	92	96[b]
Nigeria	68	80	90[c]
Ecuador	43	33	82[c]
West Bank/Gaza	485[a]	85	75[c]

[a] Includes regular amounts for Israel, Egypt, Jordan, and the Palestinians, plus the Wye River peace accord: Israel — $1.2 billion; Egypt — $25 million; Jordan — $200 million; Palestinians — $400 million.
[b] Earmarked in H.R. 2506 for FY2002.
[c] Requested for FY2002.

Note: Data exclude food aid, a program not appropriated in the Foreign Operations bill. With food aid included, the rank order above would change. Also excluded for FY2001 is $600 million in economic aid for Pakistan, allocated from the terrorism emergency supplemental (P.L. 107-38).

Leading Foreign Aid Recipients Proposed for FY2002

Except in one area, the FY2002 budget requested few changes in the list of top U.S. foreign aid recipients. Israel, Egypt, and Jordan remained, as they have for a number of years, the leading recipients. Several countries in the Balkans and former Soviet Union — FRY, Kosovo, Russia, Ukraine, and Georgia — would continue to be among the top recipients, although at somewhat lower funding levels. The major change for FY2002, as shown in Table 4, was the significant increase in assistance for

Latin American drug producing nations. Due to the Administration's Andean Counterdrug Initiative, Colombia, Peru, Bolivia, and Ecuador would be among the leading 15 recipients of U.S. aid.

In the aftermath of the September 11 terrorist attacks, the planned allocation of foreign aid funds changed in a few and significant ways. The Administration has used economic and military assistance as an additional tool in efforts to maintain a cohesive international coalition to conduct the war on terrorism. 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. President Bush lifted the nuclear sanctions on September 22 and used a special authority (Sec. 614(a) of the Foreign Assistance Act of 1961) to transfer $100 million to Pakistan in late September and October. At the President's request, Congress approved (S. 1465; P.L. 107-57) a waiver through FY2003 for existing sanctions on aid to Pakistan leading to the release of an additional $500 million in economic aid. This $600 million total is part of a $1 billion Pakistan aid package announced by President Bush on November 10 that will include debt relief, IMF loans, and trade assistance. The Administration has also allocated assistance for other coalition partners, especially some of the "front-line" states, with additional aid. Uzbekistan received $40 million in economic assistance, Turkey and Uzbekistan got $45 million in military support, and several Central Asian states shared $6 million in conflict prevention assistance.

Congressional Debate on Foreign Operations

House Consideration. As passed by the House on July 24, H.R. 2506 included $15.167 billion for Foreign Operations, but altered the allocation of money among several programs. The approved legislation restored about half of the President's proposed cut for the Export-Import Bank, reduced by $56 million the Andean Regional Initiative, but increased development aid activities by $155 million above the Administration's proposal. H.R. 2506 included the full Foreign Operations portion ($100 million) of the U.S. $200 million contribution to the new Global Fund to Fight HIV/AIDS, Malaria, and Tuberculosis. Overall, the legislation included about $487 million for combating HIV/AIDS, roughly $58 million more than proposed. Funding levels for Israel, Egypt, and Jordan were provided at the requested amounts, but Palestinian assistance was conditioned on the PLO's compliance with its policy to renounce terrorism and to take action against PLO officials involved in terrorist acts. The House further made available $100 million in earthquake relief for El Salvador, two-thirds of which would be drawn from various accounts in the FY2002 bill and the remainder from FY1999 and prior spending bills.

Earlier on June 27, by voice vote, the Foreign Operations Subcommittee rejected an amendment that would have overturned President Bush's abortion restrictions applied to international family planning programs. The bill, however, assumed the full $425 million requested for population aid and $25 million for the U.N. Population Fund. The family planning issue was not raised as an amendment during full House debate in July.

In most areas, the House bill matched the President's request, although for a few programs, amounts were reduced:

- Economic aid under the ESF account to non-Camp David countries fell $55 million below the request;
- Aid to the former Soviet Union was set $40 million less than proposed;
- Contributions to the World Bank's Global Environment Facility fell $25 million under the request.

The House measure fully supported the President's request for Anti-Terrorism Assistance ($38 million) and the Terrorist Interdiction Program ($4 million).

During two days of debate (July 19 and 24), the House adopted several amendments that changed funding amounts for several accounts but did not alter the overall $15.167 billion bill total. Key amendments included:

- Preventing mother-to-child HIV/AIDS transmission — earmarking $5 million (Millender-McDonald).
- Vulnerable children and HIV/AIDS funding — adding $5 million for vulnerable children and $13 million for HIV/AIDS, offset by cuts for the Export-Import Bank ($18 million) (Visclosky).
- Tuberculosis funding — adding $20 million to the $70 million directed by the Committee-reported bill, offset by $10 million reductions to each of the Multilateral Investment Guarantee Agency and the Asian Development Fund (Brown, OH).
- South Asia disaster relief — adding $1 million for developing an emergency response capability in South Asia, offset by a cut of $1 million in the Andean Counternarcotics Initiative (Crowley, as amended by Kolbe).
- Illegal trafficking in persons — earmarking $30 million drawn from six accounts to fund the Trafficking Victims Protection Act (Smith, N.J.).
- U.S. Civilian and military personnel involved in the Andean Counternarcotics Initiative — establishing an aggregate limit of 800 personnel (Conyers).
- Andean Counternarcotics Funding — withholding of $65 million until the Secretary of State reports on the April 20, 2001 Peruvian Air Force jet downing of a civilian aircraft in which two Americans were killed (Hoekstra).

The House rejected three amendments, two of which sought to add additional health-related funding while reducing Andean Counternarcotics Initiative (ACI) appropriations. An amendment increasing the U.S. contribution to the global health trust fund by $60 million and cutting ACI funds by $38 million and military aid by $22 million failed 188-240 (Lee). Another proposed amendment to increase child health and tuberculosis programs by $50 million each, offset by a $100 million ACI funding reduction, lost 179-249 (McGovern). A final amendment (Paul) to cut all funding for the Export-Import Bank failed 47-375.

Senate Consideration. The Senate Appropriations Committee, on July 26, ordered reported a $15.524 billion Foreign Operations measure, an amount $341 million higher than the House bill and the President's request, and $581 million more than FY2001 levels. The Senate panel filed its report on September 4 (S.Rept. 107-58) and, following several weeks of delay, the Senate passed H.R. 2506 on October 24. Although Senate amendments to the committee bill did not alter the overall total spending level of $15.524 billion, increases for HIV/AIDS and other health programs, debt relief for Yugoslavia, and higher contributions to the U.N. Population Fund resulted in reductions for the Export-Import Bank, aid to the former Soviet states, anti-drug assistance under the Andean Counternarcotics Initiative, and contributions to the Multilateral Investment Guarantee Agency. Highlights of the Senate bill, as passed, included:

- Export-Import Bank — like the House, restored about half of the funding cut in the President's request.

- Child Survival and other development assistance — set funding at $2.76 billion, $232 million higher than the House and $387 million more than requested.

- HIV/AIDS — included $485 million, $55 million more than requested; provided up to $90 million for the Global Fund to combat AIDS, TB, and malaria.

- Disaster aid — increased by 23% the President's request to $245 million, providing additional funds for relief in El Salvador, Afghanistan, Sudan, and elsewhere.

- Country earmarks — set spending for selected countries at or above the President's request: Israel ($2.76 billion, as proposed); Egypt ($1.956 billion, as proposed); Jordan ($228 million, as proposed); Ukraine ($180 million, up from the $169 million proposed economic aid); Armenia ($95 million, higher than the $70 million request); and Georgia ($90 million, as proposed).

- Andean Counternarcotics Initiative — cut the drug-related initiative to $547 million, $128 million less than the House and $184 million below the Administration's request. Alternative development for the Andean region was set at $151 million, as requested.

- Family planning policy and funding — increased population aid to $450 million, set U.N. Population Fund level at $40 million, and included language that would effectively overturn the President's abortion restrictions on U.S. grants to foreign NGOs implementing family planning activities.

- Counter-terrorism — provided full funding for the FY2002 request of $38 million for Anti-Terrorism Assistance and $4 million for Terrorist Interdiction.

Senate debate on H.R. 2506 occurred after the September 11 terrorist attacks, providing the opportunity to attach several amendments aimed at post-attack relief and response. The most actively debated amendment dealt with efforts to set aside prohibitions on U.S. assistance to Azerbaijan. For nearly a decade, section 907 of the Freedom Support Act (P.L. 102-511) has banned all but some export promotion, humanitarian, and democracy building U.S. aid to Azerbaijan until it ceases blockades and use of force against Armenia and Karabakh. According to the State Department, Azerbaijan has joined the international coalition to fight terrorism and granted the United States overflight rights, the use of its air bases, and has provided important intelligence cooperation. The section 907 ban, however, stood in the way of utilizing the Azerbaijan government support. The Senate amendment, sponsored by Senator Brownback and modified by Senator McConnell, allowed the President to waive section 907 until December 31, 2002, if he certified that it was necessary to counter terrorism and that any U.S. aid would not undermine or hamper ongoing efforts to negotiate a peaceful settlement between Armenia and Azerbaijan or be used for offensive purposes against Armenia. The President could extend the waiver annually after the end of 2002. In addition, the Senate adopted an amendment by Senator McConnell earmarking $4.6 million in military aid and training to Armenia. The Administration had not requested military assistance for Armenia.[4]

(For a listing of other Senate amendments adopted on October 23 and 24 relating to terrorism issues, see discussion immediately below under Terrorism Issues in Foreign Operations.)

Conference consideration. On November 14, House and Senate conferees met and resolved all issues but those related to international family planning. Over a month later — on December 19 — conference managers reached agreement on these remaining matters in dispute, and Congress cleared H.R. 2506 for the White House on December 20.

As enacted, the $15.35 billion appropriation is roughly midway between levels passed earlier by the House ($15.17 billion) and the Senate ($15.52 billion), and $178 million higher than requested by the President. This marks one of the few occasions when Congress has approved more spending for Foreign Operations than sought by the Administration. The amount is about $400 million, or 2.7% higher than for FY2001 (excluding the $1.1 billion for Foreign Operations programs allocated from the terrorism emergency supplemental measure, P.L. 107-38).

On the final issue in dispute, conferees agreed to drop Senate language that would have overturned the President's abortion restrictions on bilateral U.S.

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[4] For more on section 907 and the Armenia-Azerbaijan dispute, see CRS Issue Brief IB92109, *Armenia-Azerbaijan Conflict.*

population assistance, but to fund family planning programs closer to the higher amounts recommended by the Senate: $446.5 million for USAID activities and $34 million for the U.N. Population Fund. (See below for further details on family planning provisions.)

Major funding and policy changes made in the enacted bill from earlier executive and congressional positions include:

- Export-Import Bank — $779 million, $131 million less than FY2001, but nearly $100 million more than requested.

- Development assistance — $2.6 billion, nearly $300 million more than appropriated in FY2001 and about $245 million higher than the request.

- HIV/AIDS — $475 million, up from the $300 million FY2001 appropriation and the $429 million request. The bill provides for a $100 million U.S. contribution to the Global HIV/AIDS, Malaria, and Tuberculosis Health Fund, but draws $60 million from non-HIV/AIDS resources making more funding available for direct HIV/AIDS activities.

- Andean Counternarcotics Initiative — $625 million, a cut of $106 million from the request.

- H.R. 2506 further allows the President to waive restrictions on aid to Azerbaijan through at least December 31, 2002, as proposed by the Senate. The measure also provides Armenia with $90 million in economic aid and $4.3 million in military assistance.

Major Policy and Spending Issues

Terrorism Issues in Foreign Operations. The annual Foreign Operations appropriations measure addresses terrorism issues at four levels: providing funds for two international counter-terrorism programs managed by the State Department; augmenting USAID's physical security needs at its overseas missions; assisting overseas victims of terrorist acts using weapons of mass destruction; and restricting assistance to countries that engage in terrorist activities or aid governments and organizations that do. In the wake of the September 11 terrorist attacks in the United States and enactment on September 18 of a $40 billion supplemental (P.L. 107-38), the President and Congress have allocated an additional $1.15 billion for Foreign Operations programs aimed at countering terrorism, assisting refugees and other victims of the war in Afghanistan, and aiding selected countries backing the international coalition to fight terrorist groups.

Anti-Terrorism Assistance (ATA). Since FY1984, the State Department has maintained the ATA program designed to maximize international cooperation in the battle against global terrorism. Through training, equipment transfers, and advice, the ATA program is intended to strengthen anti-terrorism capabilities of foreign law enforcement and security officials. Between 1984 and 1999 (the most recent year for which ATA data are available), over 23,000 officials from 112 countries participated in ATA programs. Two years ago, ATA conducted training programs in 32 countries, with the largest number of students coming from 11 Middle East nations. The proposed FY2002 program would continue its Middle East focus, but augment training in Colombia and Ecuador, and several former Soviet states where emphasis would be placed on terrorist threats to gas pipelines and other energy sector targets. In FY1999, the ATA program added a new element specifically aimed at countering the use of weapons of mass destruction (WMD) – chemical, biological, radiological, nuclear – by terrorists. Following the 1998 terrorist bombings of U.S. embassies in Kenya and Tanzania, ATA funding more than doubled – to $41 million. Congress appropriated $38 million for FY2001 and the State Department requested the same amount for FY2002. About $1 million would support WMD activities. ATA funding is included within the Foreign Operations account of Non-proliferation, Anti-terrorism, Demining, and Related Programs (NADR).

Terrorist Interdiction Program (TIP). As one response to the 1998 bombings of American embassies in East Africa, the State Department launched the Terrorist Interdiction Program, 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 and training border security and immigration officials in its use, and by expanding access of international criminal information to participating nations. While the State Department has identified 34 countries as possible TIP recipients, programs in only five countries had been planned for each of FY2001 and FY2002. The Administration requested $4 million for TIP in FY2002, the same amount appropriated for FY2001. Like ATA, funds for TIP are part of the NADR account in the Foreign Operations spending bill.

USAID Physical Security. USAID maintains about 97 overseas facilities where much of its workforce – both Americans and foreign nationals – is located. Many missions are based in places where there is a high threat of terrorist activity, and especially since the 1998 embassy bombings in Kenya and Tanzania, agency officials have been concerned about the lack of adequate security. In countries where USAID is or is scheduled to be co-located with the U.S. embassy, the State Department's Foreign Buildings Operations office budget, which is appropriated in the Departments of Commerce, Justice, and State, has included $50 million for FY2001 and FY2002 to construct facilities to house USAID operations. The money has not been released, however, delaying especially the construction of a building for USAID at the new embassy in Kampala, Uganda.

Security upgrades for the 64 overseas missions situated some distance from American embassies are provided out of USAID operating expenses, a Foreign Operations account that has been under funding stress in recent years due to agency relocation costs in Washington, replacement of failed financial management systems, and dwindling non-appropriated trust funds used to finance some in-country costs. The total USAID operating expense appropriation for FY2001 was $533 million, with $549 million approved for FY2002.

Funding for USAID physical security requirements drawn from the operating expenses account peaked in FY2000 at $22.6 million, but fell to $12.5 million in FY2001, and would decline further to $10.6 million in FY2002. The Administration says that the reduction is the result of a "variation in USAID's relocation expenses to move to more secure temporary facilities or to co-locate" with an embassy.[5] Some estimate that USAID needs over $140 million to bring its overseas facilities, other than those co-located with U.S. embassies, up to government security standards. Approximately 90% of USAID overseas staff work at locations situated outside American embassy compounds.

USAID disaster relief. USAID's Office of Foreign Disaster Assistance (OFDA) provides emergency relief to overseas victims of natural disasters and conflict, and specifically maintains the capacity to aid victims of terrorist attacks, including those that involve weapons of mass destruction (WMD). The OFDA budget for FY2001 totaled $165 million, of which $0.8 million was allocated for terrorism-related purposes. The enacted total for FY2002 is $235.5 million, $1 million of which was requested for defending against WMD incidents staged by terrorists.

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

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

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

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

Additional aid, debt relief, and the relaxation of sanctions to countries supporting U.S. counter-terrorism efforts. As the United States attempts to build a strong international coalition of nations to combat terrorism, steps have been take to augment levels of economic and security assistance and debt relief

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[5] Office of Management and Budget. Annual Report to Congress on Combating Terrorism. August 2001, p. 85.

planned for FY2002 and beyond. This is consistent with previous situations, such as the Persian Gulf War during which the United States cancelled $6.7 billion of debt owed by Egypt and increased bilateral aid to Israel and Turkey.

Pakistan, which has pledged full support to the United States, has said it needs financial aid and debt cancellation to bolster its ailing economy. Pakistan owes the United States roughly $3 billion and was scheduled to receive economic aid totaling $7 million in FY2002 to support democracy promotion and basic education programs. Pakistan, however, was barred from receiving non-humanitarian bilateral foreign aid due to two Foreign Operations restrictions of assisting countries that have undergone a military coup and which are more than a year in arrears on debt payments to the United States. The President used his special but limited authority (Sec. 614(a) of the Foreign Assistance Act of 1961) on September 28 and October 16 to channel $100 million in economic assistance to Pakistan. But he required legislative authority – as provided in S. 1465 that passed Congress and was signed by the President on October 27 (P.L. 107-57) – to provide more assistance in the face of the two Foreign Operations restrictions. The President further announced on November 10 a $1 billion aid package for Pakistan that will include debt relief, IMF loans, and trade assistance. Direct U.S. economic aid for Pakistan totals $600 million (including $100 million from the earlier release) of the $1 billion package. The Administration has also allocated $91 million in additional economic and military support for Uzbekistan, Turkey, and other Central Asian states. All of these amounts are drawn from the $40 billion Anti-Terrorism Emergency Supplemental Appropriations (P.L. 107-38) the Congress approved in September. Congress further added an additional $50 million for humanitarian and reconstruction needs in Afghanistan when it allocated (H.R. 3338) the second $20 billion portion of P.L. 107-38 funds.

Congressional debate. Prior to the terrorist attacks of September 11, Congress, in preliminary action on H.R. 2506, had fully supported the President's Anti-Terrorism Assistance ($38 million) and Terrorist Interdiction Program requests ($4 million). House and Senate bills further provided the requested total for USAID operating expenses which would permit the agency to move forward with its $10.6 million physical security plans for FY2002. These same levels are sustained in the enacted text of H.R. 2506. H.R. 2506 further continues for FY2002 the same two general provisions regarding aid restrictions for countries supporting terrorism (Sections 527 and 544). As noted above, Congress agreed to the Senate provision lifting the ban on U.S. aid to Azerbaijan until at least December 31, 2002, if the President certifies that the assistance is necessary to support American counterterrorism efforts. Finally, H.R. 2506 as passed includes a Senate amendment earmarking $15 million for programs to foster democracy, human rights, press freedoms, and the rule of law in countries with a significant Muslim population (Sec. 584).

Conferees dropped from the bill several other terrorism-related amendments added by the Senate, choosing instead to address the issues in the conference report:

- A report on U.S. military aid to Uzbekistan and the extent to which, if any, Uzbek military units engaged in human rights violations (Sec. 585 of the Senate bill);

- A sense of the Senate regarding the delivery of humanitarian aid to Afghanistan (Sec. 586 of the Senate bill);
- A sense of the Senate concerning the important role of Afghan women in the country's reconstruction (Sec. 589 of the Senate bill);
- A study by the Peace Corps to determine the feasibility of increasing the number of Peace Corps volunteers in countries with large Muslim populations (Sec. 593 of the Senate bill).

President Bush has further allocated substantial sums for foreign aid programs from the $40 billion emergency terrorism supplemental appropriation (P.L. 107-38) enacted on September 18. Nearly all additional spending for Foreign Operations programs came from the first $20 billion portion that was under control of the President. In several allocations announced since September 21, the President distributed $1.1 billion for Foreign Operations activities, including:

- $75,000 for relocating the Export-Import Bank's New York office.

- $17.4 million for USAID to enhance emergency communications in Washington, to provide for the potential evacuation at six high-risk USAID overseas posts, and for security upgrades at USAID overseas missions.

- $6.5 million for the evacuation of Peace Corps volunteers at nine posts and to provide for the potential evacuation at other high-risk Peace Corps locations.

- $100 million for Afghan refugees and $96 million for other humanitarian assistance in Afghanistan.

- $600 million for economic aid and $73 million for enhanced border security to Pakistan.

- $40.5 million for economic and law enforcement support for Uzbekistan and $6 million for Central Asian regional conflict prevention.

- $45 million in economic and military aid to Turkey and Uzbekistan.

- $108 million for a variety of counter-terrorism training programs and demining in Afghanistan.

- $3 million to train governments to combat terrorist financing.

The final $20 billion allocation, notified to Congress on October 16, did not include additional funds for Foreign Operations programs, but did propose the transfer of $50 million from FY2001 State Department embassy security funds to USAID for the construction of secure USAID facilities in Kenya and Uganda. As enacted as part of the Defense Department Appropriation bill (H.R. 3338), Congress did not approve the $50 million transfer, but did add $50 million for additional USAID humanitarian and reconstruction efforts in Afghanistan.

Export-Import Bank.[6] The Export-Import Bank is the chief U.S. government agency that helps finance American exports. With a budget of nearly $1 billion, the Bank finances around 2% of U.S. exports a year. Eximbank provides guarantees and insurance to commercial banks to make trade credits available to U.S. exporters. The Bank also offers direct financing to U.S. exporters on a limited basis, primarily to counter subsidized trade credits offered to foreign exporters by their governments.

Such government-sponsored trade financing, however, has long been controversial. One rationale for the Export-Import Bank is the acknowledged competition among nations' official export financing agencies. Most economists doubt, however, that a nation can improve its welfare over the long run by subsidizing exports. Economic policies within individual countries are the prime factors which determine interest rates, capital flows, and often exchange rates, which, in turn, largely determine the overall level of a nation's exports. This means that, at the national level, subsidized export financing merely shifts production among sectors within the economy, rather than adding to the overall level of economic activity, and subsidizes foreign consumption at the expense of the domestic economy. This also means that promoting exports through subsidized financing or through government-backed insurance and guarantees will not permanently raise the level of employment in the economy, but it will alter the composition of employment among the various sectors of the economy.

Some Eximbank opponents argue that the Bank's programs serve only to aid the richest American firms. Nevertheless, the Bank also is attempting to make its programs more accessible to small businesses, which account for 12 to 15% of the Bank's total authorizations. Some opponents further argue that, by providing financing or insurance for exporters that the market seems unwilling, or unable, to provide, Eximbank's activities draw from the financial resources within the economy that would be available for other uses. Another consideration is that subsidized export financing raises financing costs for all borrowers by drawing on financial resources that otherwise would be available for other uses, thereby possibly crowding out some borrowers from the financial markets. This crowding-out effect might nullify any positive impact subsidized export financing may have on the economy.

Eximbank supporters maintain that the Bank's programs are necessary for U.S. exporters to compete with foreign subsidized export financing and also to pressure foreign governments to eliminate concessionary financing. As a result, Eximbank is required in the Bank's Act to provide U.S. exporters with financing terms that are "competitive" with those offered by other official trade financing institutions. These, and other supporters of the Bank, also stress that deficiencies in financial markets bias those markets against exports of high value, long-term assets.

For FY2002, the Bush Administration proposed a $223 million, or 25% cut in spending for the Export-Import Bank. The Administration estimated that about $120 million of the reduction was the result of lower risks in countries where the Eximbank would lend. Because the level of risk and prospects for repayment are factors in

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[6] This section is drawn from CRS Report 98-568, *Export-Import Bank: Background and Legislative Issues,* by James K. Jackson. For more information on the issue, see the complete report.

determining how much must be appropriated, this part of the proposed cut would not affect the level of Bank financing. But the remaining reduction of about $100 million would limit the Export-Import Bank's ability to meet continuing demands from American exporters. The Administration said that Bank lending would focus on U.S. businesses that have no access to private financing and would seek to increase the risk sharing with the private sector. Export coalitions opposed the proposed funding reduction arguing that it would result in fewer U.S. exports, lost American jobs, and would come at a time when major trading competitors were increasing their own export credit activities.

Congressional Debate. The House in H.R. 2506 provided $787 million for the Export-Import Bank, about mid-way between the amounts for FY2001 and the Administration's proposed cut for FY2002. The House Appropriations Committee had recommended $805 million, a level it believed would permit the Bank to maintain authorizations about $2 billion higher than this year and $1 billion more than proposed for FY2002. The full House adopted an amendment (Visclosky) reducing the appropriation level by $18 million, an action some estimated would cut Eximbank loan guarantees by $275 million from what the Committee recommended. Amendment proponents argued that last year, over the objections of the White House and some lawmakers, the Bank extended an $18 million loan guarantee package to Benxi Iron and Steel in China. This, they claimed, hurt American workers in the steel industry by extending credits to a Chinese firm that was involved in an anti-dumping case before the International Trade Commission. Critics of the amendment argued that reduced Eximbank funding would have little impact on the loan guarantee issued last year to Benxi Iron and Steel, but would cut into resources available to other American exporters trying to compete internationally.

The Senate bill, as reported from Committee, had provided a somewhat higher funding level than the House – $806 million – an amount the Committee believed would increase Bank financing in support of about $1 billion more exports than in FY2001. An amendment offered during Senate debate on H.R. 2506, however, reduced the Bank's funding level to $780 million, slightly below the House amount. The reduction was part of larger package of off-sets for increases in HIV/AIDS and other global health funding.

As enacted, H.R. 2506 provides $779 million, slightly below House and Senate-passed levels, but $92 million higher than the request. Conferees noted that the appropriation would provide the Exim Bank with an authorized operation level of $10.6 billion, about 15% higher than for FY2001. As an interim measure, the Foreign Operations Appropriations further extends the Bank's operating authority, which had expired on September 30, 2001, to March 31, 2002. Pending legislation in the House and Senate (H.R. 2871 and S. 1372) would extend the authority through 2005 and 2006, respectively.

Development Aid Policy Priorities. Since the end of the Cold War, a recurring debate has focused on what should replace the anti-communist foreign aid rationale. A more fundamental question raised by some, especially critics of development assistance, is whether the United States needs to maintain an active, globally focused economic aid program. Many of these critics argue that aid can be transformed into a smaller, more targeted, and often privatized instrument to support only the highest priority U.S. foreign policy interests. A perspective promoted by Senator Helms and others suggests that development assistance could have a more significant impact if it was managed to a greater extent by non-governmental organizations – especially faith-based groups – rather than by the U.S. Agency for International Development (USAID). Senator Helms, for a number of years, has advocated the abolishment of USAID, the creation of a separate foundation that would issue development aid bloc grants to NGOs, universities, and other private groups, and transfer the remaining responsibilities of USAID to the State Department.

The Clinton Administration strongly supported the retention of an activist foreign aid policy which was used to bolster a variety of U.S. foreign policy initiatives around the world. During the 1990s, USAID based its program strategies around the principle of "sustainable development," and the goals of promoting economic growth, stabilizing global population and protecting health, protecting the environment, advancing democracy, developing human capacity through education, and providing humanitarian relief.

Congress maintains its own development aid funding priorities that in recent years have emphasized programs supporting child survival, basic education, and efforts to combat HIV/AIDS and other infectious diseases. The Administration also backed these programs, but officials objected to congressional efforts to increase funding for children and health activities at the expense of other development sectors. When Congress increased appropriations for its priorities but cut the overall development aid budget, some areas including, economic growth and the environment, received substantially reduced funding.

For FY2002, the Bush Administration sought $2.368 billion for development aid funded in the two Foreign Operations accounts of Child Survival/Health Programs and Development Assistance. This represented an increase of $133 million, or 6% over FY2001 levels. Most of the additional resources would fall in three areas. Bilateral HIV/AIDS funding would grow by $30 million to $329 million, basic education for children would increase by $20 million to $123 million, and $80 million would be available for a new Global Fund to Fight HIV/AIDS, Malaria, and Tuberculosis. (The Global Fund contribution would total $200 million with $100 million coming from the Department of Health and Human Services budget and $20 million from the FY2001 Foreign Operations bill.) During testimony at his confirmation hearing on April 25, USAID Administrator-designee Andrew Natsios expressed strong support for agriculture and food security programs, areas that would also receive additional funding in the FY2002 request. For most other development aid activities, it appeared that spending would remain the same or decline.

Beyond budget issues, USAID has re-aligned the core goals of sustainable development of the previous Administration and will allocate funds around three "spheres of emphasis" that include Global Health, Economic Growth and Agriculture, and Conflict Prevention and Developmental Relief. The Bush Administration further planned to launch a new initiative – the Global Development Alliance – in an effort to expand public/private partnerships in development program implementation. Under the proposal, USAID would identify good development opportunities being conducted by private foundations, non-governmental organizations, universities, and for-profit organizations, and provide parallel financing to leverage resources already committed to these activities. USAID officials envision that the agency will become much more of a coordinating and integrating institution to expand and enhance development efforts of these non-governmental development partners. Roughly $160 million would be set aside in FY2002 to finance these projects. On the issue of USAID reorganization, Secretary of State Powell told several congressional committees that he would listen to proposals to abolish USAID or merge it into the State Department, but that he was not inclined to propose any change in the current organizational alignment.

Congressional Debate. Legislation passed by the House included $2.523 billion in development assistance for FY2002, a level $155 million above the request and nearly $200 million higher than amounts for FY2001.[7] The House considered several amendments – adopting some and rejecting others – that proposed increases beyond Committee-recommended levels for health programs. (See above under House consideration of H.R. 2506.) The House bill fully funded the proposed $100 million U.S. contribution for the Global Fund to Fight HIV/AIDS, Malaria, and Tuberculosis. (This amount is made up of $80 million in H.R. 2506 and $20 million from the FY2001 appropriation. Another $100 million for the Fund was considered and adopted in the Labor/HHS spending bill. Earlier, Congress approved $100 million in Foreign Operations money for the Fund as part of the FY2001 Supplemental Appropriations; P.L. 107-20). The legislation provided $487 million overall to combat HIV/AIDS.

H.R. 2506, as passed the House, further blocked USAID's major new initiative — the Global Development Alliance (GDA). The House Appropriations Committee expressed support for agency's efforts to expand cooperation with private entities and found the GDA concept "intriguing." The House panel, however, felt that it had not received sufficient details about the scope and operations of the proposed GDA and therefore directed that no programs funds in the FY2002 bill or prior Foreign Operations Appropriations acts could be set aside to implement the initiative.

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[7] All comparisons of development and child survival/health funding levels are based on the modified account structure proposed by the House and Senate Appropriations Committees in the FY2002 funding bills. The Committees recommend four major changes in the grouping of programs funded within the development and child survival/health accounts: 1) Basic education is moved from child survival to the development account; 2) Reproductive health/population aid is moved from the development to the child survival account; 3) Funds for the Inter-American Foundation and the African Development Foundation are not included in the development account, but separately under "Independent Agencies"; and 4) The proposed U.S. contribution to the Global Fund to Fight HIV/AIDS, Malaria, and Tuberculosis is included under the child survival/health account rather than a separate account managed by the Treasury Department, as proposed by the Administration.

Table 5. Funding for Selected USAID Programs
(tentative estimates across all accounts – in millions of dollars)

Program	FY2001 Estimate	FY2002 Request	FY2002 House	FY2002 Senate	FY2002 Estimate
Child & Health programs:					
Child Survival/Maternal Health	295	298	295	325	315
HIV/AIDS	315	429	487	485	475
Global Health Fund	100[a]	100	100[b]	100[b]	100[b]
AIDS orphans/HIV Positive Children	15	15	20	–	–
UNICEF	110	110	120	120	120
Vaccine Fund	50	50	60	51	53
Malaria	49	45	49	65	65
Tuberculosis	70	40[c]	90[c]	80	75
Polio	27	27	25	30	27.5
Vulnerable Children	30	28	30	–	25
Micronutrients	25	25	30	30	–
Reproductive Health	425	425	425	450	446.5
Basic Education	103	123	150	135	150
American Schools/Hospitals	17	15	17	19	18
Microenterprise	158	156	155	155	–
Women in Development	10	10	15	15	–
Victims of Torture	10	10	10	–	10
Biodiversity	97	–	70[d]	100	100

[a] Appropriated in P.L. 107-20, the FY2001 Supplemental Appropriation.

[b] Portions of the $100 million contribution to the Global Trust Fund to Combat HIV/AIDS, Malaria, and Tuberculosis were assumed to be drawn from the HIV/AIDS earmark. The House bill assumed $60 million would be drawn from the $487 million available for HIV/AIDS; the Senate bill assumed that $90 million would be drawn from the $485 million available for HIV/AIDS; the conference agreement assumes that $40 million will be drawn from the $475 million available for HIV/AIDS.

[c] The requested figure represents funds only from the Child Survival account and is therefore lower than the other comparative figures. The House-passed bill for FY2002 level assumed an additional $20 million added by the Brown (OH) amendment to the Committee-reported $70 million target.

[d] Amounts are from the development account and exclude funds drawn from other accounts.

The Senate passed measure went further in additional resources for development activities, providing $2.76 billion, $232 million more than the House. An amendment adopted during Senate debate on H.R. 2506 boosted funding for bilateral HIV/AIDS programs and the U.S. contribution to the global health fund to levels at or near those passed by the House. The amendment further added $10 million each for malaria and tuberculosis programs. Amounts recommended or earmarked in the Senate measure for children and maternal health, population assistance, polio, and biodiversity also exceed those passed by the House or proposed by the Administration. Table 5 compares several development and child survival/health program funding levels that received specific attention in both House and Senate versions of H.R. 2506. Like the House, the Senate Appropriations Committee found merit with the concept of the Global Development Alliance but felt insufficient details had been provided. Pending further consultations, the Committee directs that no program funds can be set aside for GDA activities.

As enacted, H.R. 2506 provides $2.6 billion for the two USAID core development assistance accounts, an amount roughly 12% higher than for FY2001 and the Administration's request for FY2002. Nearly every major program priority, listed in Table 5, receives a significant funding boost over last year, and in many cases above the President's budget proposal. Although amounts for HIV/AIDS are set at $475 million, below both the House and Senate levels, the conference report directs that fewer of these funds be transferred as part of a U.S. contribution to the Global Health Trust Fund for combating AIDS, tuberculosis, and malaria. Consequently, $435 million of the earmark remains for bilateral HIV/AIDS programs rather than $427 million assumed in the House bill and $395 million assumed in the Senate measure. Other significant increases above FY2001 levels enacted in H.R. 2506 include:

- UNICEF contribution – up 9% from FY2001
- malaria – up one-third
- micronutrients – up 20%
- basic education – up 46%
- women in development – up 50%

Conferees also opened the way for USAID to launch its Global Development Alliance initiative, although with conditions. USAID must first provide the Appropriations Committees with additional details about how the GDA would operate and engage in further consultations, if necessary. The conference report further limits to $20 million, rather than $160 million, amounts that USAID can allocate or reserve for GDA programs in FY2002 and requires the agency to notify the Committees prior to obligating such funds.

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

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

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

The FY2000 debate, however, concluded far differently than the previous four years. As Congress and the White House searched in November 1999 for a final FY2000 budget agreement, international family planning and population aid issues became one of the last and most contentious aspects of the negotiations. Congressional leaders insisted that if the President wanted Congress to approve legislation authorizing the payment of nearly $1 billion of U.S. arrears owed to the United Nations, the White House must also accept revised Mexico City language adding abortion restrictions to U.S. population assistance policy. In order to remove the obstacles to U.N. arrears payments, a reluctant President Clinton agreed to the 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 up to a certain point, there was no major impact on USAID family planning programs in FY2000, other than the loss of $12.5 million in population assistance that the legislation required if the White House exercised the waiver authority.

Congress again came to an impasse in 2000 over the international family issue and agreed to allow the new President to set policy early in 2001. 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 advocate or actively promote abortion, either here or abroad."[8] 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."[9] On February 15, 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.[10] For FY2002, President Bush seeks $425 million for USAID population assistance, the same as appropriated for FY2001.[11] The President also proposed a U.S. contribution to the U.N. Population Fund (UNFPA) of $25 million, the same as for FY2001.

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

Supporters of the certification requirement argue that even though permanent law bans USAID funds from being used to perform or promote abortions, money is

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

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

[10] For more background on the Mexico City policy, see CRS Report RL30830, *International Family Planning: the Mexico City Policy.* President Bush re-issued the Mexico City policy guidelines on March 28 as an Executive memorandum. Some lawmakers introduced legislation (S.J.Res. 9) to reverse the policy and have Congress take an early vote on the USAID guidelines under the process allowed by the Congressional Review Act (CRA) regarding agency rules and congressional review. The new White House memorandum would not fall under the CRA.

[11] On May 2, 2001, the House International Relations Committee approved (26-22) an amendment to H.R. 1646 (Foreign Relations Authorization, FY2002/2003) that would have reversed the President's Mexico City policy. The House, however, voted on May 16 (218-210) to delete the amendment from H.R. 1646, thereby supporting the President's position.

fungible; that organizations receiving American-taxpayer funding can simply use USAID resources for permitted activities while diverting money raised from other sources to perform abortions or lobby to change abortion laws and regulations. The certification process, they contend, stops the fungibility "loophole."

Congressional Debate. During subcommittee markup on June 27, the House Foreign Operations panel rejected by voice vote an amendment by Representative Lowey that would have effectively reversed the President's Mexico City policy. The Lowey amendment would have allowed groups to receive USAID funding so long as they did not violate U.S. laws or the laws of the countries in which they operate. On funding issues, H.R. 2506 assumes the complete $425 million Administration request for population aid and $25 million for the U.N. Population Fund. The Mexico City issue was not raised during subsequent House consideration.

The Senate-passed version of H.R. 2506 increased to $450 million family planning aid, plus $40 million for the U.N. Population Fund. A Committee amendment offered by Senator Leahy and adopted by the Senate panel would have effectively overturned the President's "Mexico City" policy. The Senate provision blocked the White House from barring foreign NGOs' eligibility for USAID funding solely on the basis of health or medical services they offer with their own, non-U.S. Government provided funds so long as they did not violate U.S. laws or the laws of nations where which they operate. Foreign NGOs would also not face limitations on advocacy or lobbying activities using their own, non-U.S. Government funds that were more restrictive than those that apply to U.S. NGOs which receive U.S. foreign aid grants. This provision was very similar to a measure included by the Senate Committee in the FY2001-reported Foreign Operations bill, to S. 367 reported favorably on August 1, 2001, by the Senate Foreign Relations Committee, and to the Lowey amendment defeated during House subcommittee markup.

After a month-long stalemate on family planning issues, conferees agreed on December 19 to delete Senate language that would have overturned the Administration's Mexico City policy, but adopt funding levels for bilateral population assistance and UNFPA closer to the Senate-passed higher figures. H.R. 2506, as enacted, appropriates $446.5 million for U.S. bilateral family planning/ reproductive health programs in FY2002, only slightly less than the $450 million passed by the Senate. The legislation allocates the $20.5 million overall increase from FY2001 and the FY2002 request in such a way that will add $10.5 million family planning amounts to the Child Survival account and $10 million to other economic aid accounts. The conference agreement further provides a U.S. contribution to the UNFPA of $34 million, with the conditions that UNFPA not fund abortions and that it segregate and not co-mingle U.S. funds with other UNFPA money so they are not used for UNFPA programs in China. Conferees dropped the House restriction that would have reduced the contribution by whatever UNFPA spent in China.

Debt Reduction — HIPC. In 1996, international creditors, including the World Bank and the IMF, agreed to launch a substantially expanded debt relief program for the world's poorest, most seriously debt-strapped nations. The Heavily Indebted Poor Country (HIPC) initiative encompasses forty-one countries — mostly in Africa — that are potentially eligible for HIPC relief, although only those determined to have "unsustainable" debt and those that maintain a sound economic reform track record would qualify for the more generous HIPC debt relief terms.

HIPC implementation, however, moved slowly in the late 1990s. Debt relief critics, including non-governmental organizations, religious groups, and some donor governments, charged that HIPC terms were not deep enough — that 90% or 100% of bilateral debt owed should be canceled, and that six years was a far too long qualification period for full HIPC relief. They further believed that the non-sustainable debt criteria, based largely on a ratio of a country's debt-to-exports, was too high and therefore excluded many countries that were also in need of debt relief. A number of organizations further advocated instituting mechanisms that would ensure that savings realized by debtor governments would be channeled into spending on poverty programs, such as health and education, with decisions on how to spend the money made jointly by government and civil society.

At the Cologne Summit in June 1999, G-7 leaders endorsed most of the HIPC reforms proposed by critics, and the World Bank and IMF, institutions that manage HIPC debt relief, adopted the enhancements in September. By the end of 2000, 22 countries had qualified for at least preliminary debt reduction, although for nearly all nations, full HIPC relief is not expected for another year or more.

For these 22 qualifiers, the HIPC initiative, together with existing debt relief mechanisms, will result in the cancellation of $53 billion of their total $74 billion debt stock (nominal terms). Annual debt service for these 22 nations will fall by about one-half, or $800 million each year during the period 2001-2003. Poverty program expenditures by the 22 HIPC qualifiers are estimated by the World Bank to increase by $1.7 billion during the same time period. There are 19 other HIPC countries, a few of which are expected to provisionally qualify this year or next. Four nations are considered to have "sustainable" debt without HIPC relief, while one is not seeking HIPC terms. Several others remain involved in regional conflicts or have not began required economic reform programs and are likely not to qualify in the near term. Total creditor costs of the HIPC initiative are estimated at $29.3 billion. Because only about 3% of HIPC debt is owed to the United States, the U.S. financial commitment is small relative to the cost to all creditors – roughly $800 million.[12]

A number of NGOs, however, remain critical of the HIPC initiative, arguing that the terms are still not generous enough to ensure that poor countries will have sufficient resources to invest in health, education, and other poverty-oriented social programs. They contend that the World Bank and IMF should cancel 100% debt owed by HIPC in the same way as most bilateral creditors, including the United States. These critics point out that the degree of annual debt service relief fluctuates widely among qualifying nations, and that for some, the savings will not be substantial. Moreover, they claim that the amount of debt service will still exceed poverty program expenditures even after HIPC relief. Many further say that the qualification criteria should be lowered so that heavily indebted countries like Bangladesh, Nigeria, and Haiti will also be able to benefit from the initiative.

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[12] World Bank and IMF. *Heavily Indebted Poor Countries (HIPC): Progress Report.* April 19, 2001.

World Bank and IMF officials, as well as several creditor governments counter that these institutions do not have the resources to cancel total debt owed by HIPC nations. Unless donors, like the United States, would be willing to increase contributions, further HIPC expansion of multilateral debt relief would wipe out bank reserves. They further express concern that cancellation of all debt owed by these countries would create "moral hazard" and argue that some payment obligations should remain.

Congress acted in 1999 and 2000 authorizing and appropriating most, but not all funding for U.S. pledged contributions to the HIPC initiative. For FY2000, lawmakers provided $110 million for the cancellation of HIPC debt owed to the United States, followed by an FY2001 appropriation of $435 million, of which $75 million will cover the costs of writing-off bilateral debt. The other $360 million is a contribution to the HIPC Trust Fund that assists the African Development Bank, Inter-American Development Bank and other multilateral creditors cover their costs of reducing debt owed by HIPC countries. Because of concerns that HIPC nations would accumulate new debt and fall back into a debt trap, Congress stipulated that countries receiving benefits from U.S. contributions must first agree not to borrow at market rate terms for two years and endorsed consideration of a policy in which the World Bank's International Development Association would expand grant assistance to these governments.

For FY2002, the Bush Administration sought $224 million that, together with $16 million available from prior year appropriations, would complete the U.S. commitment of $600 million for the HIPC Trust Fund.

Congressional Debate. The House provided full funding – $224 million – for U.S. support of the HIPC initiative in FY2002. The House Appropriations Committee directed the Treasury Secretary to press other donors to agree to the creation of a grant aid facility at the World Bank's International Development Association for HIPC beneficiary countries during the first three years following their qualification for HIPC debt relief terms. The Senate bill also recommended the full $224 million funding level for HIPC.

In addition, both House and Senate versions of H.R. 2506 provided resources for another debt relief initiative – the Tropical Forestry Conservation Act (TFCA). The TFCA extends a menu of debt reduction options for countries which are willing to expend resources and implement programs protecting their tropical forests. The Administration did not request funds for FY2002 TFCA activities, but rather sought authority to transfer $13 million from USAID development assistance resources. The House bill directed that $25 million from prior year appropriations be used for TFCA debt relief, while the Senate measure appropriated $11 million for the TFCA and directed the use of $14 million in previously appropriated money, for a total funding level of $25 million.

As enacted, H.R. 2506 provides $224 million for HIPC, as requested. The measure further appropriates $5 million for the TFCA and provides authority for the Administration to use $20 million from unobligated debt relief funds in prior appropriations.

Andean Counterdrug Initiative.[13] The Bush Administration requested $731 million in FY2002 economic and counter-narcotics assistance for Colombia and regional neighbors as part of the "Andean Counterdrug Initiative." The proposal differed from the FY2000 $1 billion Plan Colombia program in two keys ways: 1) economic and social program funding was roughly equal to the drug control and interdiction components, which had been the key focus of the Plan Colombia effort; and 2) more than half of the assistance was directed at neighboring countries that are experiencing the spill-over effects from Colombia of illicit drug and insurgency activities. Based on preliminary outlines of the initiative, funds (not including possible Defense Department resources) would have been allocated as follows:

Colombia: $399 million

- Socio-economic aid: $146.5 million for alternative development, judicial reform, human rights, anti-corruption measures, and support for the peace process.
- Counter-narcotics aid: $252.5 million for aviation and infrastructure support for air assets provided under Plan Colombia, training and equipping security forces, and interdiction and eradication efforts.

Peru: $156 million

- Socio-economic aid: $79 million for alternative development, promotion of democracy, health and education programs.
- Counter-narcotics aid: $78 million for upgrading helicopters and riverine interdiction efforts, eradication, and demand reduction and policy development.

Bolivia: $101 million

- Socio-economic aid: $47 million for alternative development, judicial reform, poverty alleviation, health and environment.
- Counter-narcotics aid: $54 million for ground-based and air interdiction support, eradication efforts, counter-narcotics training, and narcotics awareness and prevention programs.

Ecuador: $39 million

- Socio-economic aid: $20 million for border area development, poverty reduction, judicial reform, and environmental programs.
- Counter-narcotics aid: $19 million for northern border security, law enforcement and border checkpoints, and sea and airport control efforts.

Brazil: $15 million

- Counter-narcotics aid: $15 million for training and equipping border counter-narcotics forces, and for drug awareness and demand reduction programs.

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[13] This section is largely drawn from CRS Report RL31016, *Andean Regional Initiative (ARI): FY2002 Assistance for Colombia and Neighbors,* by K. Larry Storrs and Nina M. Serafino.

Panama: $11 million

- Counter-narcotics aid: $11 million for upgrading interdiction and law enforcement personnel, and for modernizing criminal justice institutions.

Venezuela: $10 million

- Counter-narcotics aid: $10 million for law enforcement and interdiction reforms, efforts to counter money-laundering, and demand reduction.

Congressional Debate. The House-passed bill reduced the President's Andean initiative by $56 million to $675 million. During Committee and floor debate, several House Members expressed concern over the lack of success of the earlier Plan Colombia program, and argued that too much of the proposed Andean Regional Initiative would support military operations rather than development needs. The House considered a number of amendments seeking to reduce further funding for the initiative or limit U.S. involvement in military operations. Adopted were a Conyers amendment that capped U.S. civilian and military personnel involved in the Andean Counternarcotics Initiative at 800 and a Hoekstra amendment that would withhold $65 million until the Secretary of State reports on the April 20, 2001, Peruvian Air Force jet downing of a civilian aircraft in which two Americans were killed. The House further decreased ACI funding by $1 million, but rejected other amendments that would have cut counternarcotics resources by $38 million and $100 million in order to increase health programs.

The Senate measure cut deeper into the President's ACI request, reducing funds to $547 million, $128 million less than the House and $184 million below the Administration's proposed budget. Alternative development for the Andean region, however, was set at $151 million, as requested. An amendment offered by Senators Graham, Hagel, and Dodd that would have restored ACI funding to $731 million, as requested, was voted out of order because it did not propose specific reductions to offset the additional spending for counternarcotics.

The enacted bill provides $625 million for the ACI, an amount between those passed by the House and Senate earlier. Conferees further authorized the transfer of an additional $35 million from the regular International Narcotics account, subject to congressional notification. Although the conference committee encouraged the Administration to provide Bolivia with $86 million and Ecuador with $33 million in alternative development funding. The level for Bolivia is roughly the same amount as requested under the ACI and regular economic aid accounts, while the amount for Ecuador falls below the $59 million proposed ACI and other economic assistance. H.R. 2506, as passed, further limits to 800 the number of U.S. civilian and military personnel involved in the ACI and blocks funding for the resumption of flights in support of the Peruvian air interdiction program until a system of enhanced safeguards is in place.

Supplemental Appropriations, FY2001

The Bush Administration's FY2001 supplemental appropriations proposal largely included additional funds for defense and domestic farm relief, but sought no additional resources for Foreign Operations programs. The Senate Appropriations Committee, however, added $100 million for a new Global Fund to Fight HIV/AIDS, Malaria, and Tuberculosis to its bill (S. 1077) when it reported the measure on June 21.[14] President Bush had proposed $200 million in FY2002 for the Global Fund ($100 million from Foreign Operations and $100 million from Health and Human Services). The request recommended, however, that all of the money would be transferred from previously enacted and proposed funding for FY2002. The House bill (H.R. 2216) included no funds for the HIV/AIDS and other disease fund.

Conferees meeting on H.R. 2216 approved the Senate provision and added $100 million for the Global Fund to the legislation. Congress cleared the measure on July 20 (P.L. 107-20). This action by Congress accelerated the U.S. contribution to the Global Fund, but required USAID to find $20 million in cuts from prior year Child Survival and ESF programs. During initial debate on the bill, the Senate defeated an amendment by Senator Feingold that would have rescinded nearly $600 million for the Navy Osprey aircraft procurement and added $593 million for an additional U.S. contribution to the Global Health Fund.

[14] The Senate action actually would add $90 million in new FY2001 funding for the Global Fund since the previously enacted Foreign Operations Appropriations bill had included $10 million within the Child Survival and Disease (CSD) Program account for such a fund. S. 1077 reduces the CSD account by $10 million.

For Additional Reading

General/Overview

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

CRS Report RS20855. *Foreign Policy Budget for FY2002.*

CRS Report RL30515. *International Affairs Budget Trends, FY1980-FY2000.*

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

Foreign Operations Programs

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

CRS Issue Brief IB10050. *AIDS in Africa.*

CRS Report RL30214. *Debt Reduction: Initiatives for the Most Heavily Indebted Poor Countries.*

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

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

CRS Report RL30793. *Health in Developing Countries: The U.S. Response.*

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

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

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

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

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

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

Foreign Operations Country/Regional Issues

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

CRS Report RL31016. *Andean Regional Initiative (ARI): FY2002 Assistance for Colombia and Neighbors.*

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

CRS Report RL30541. *Colombia: U.S. Assistance and Current Legislation.*

CRS Report RS20737. *The Federal Republic of Yugoslavia: U.S. Economic Assistance.*

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

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

CRS Report RL30453. *Kosovo: Reconstruction and Development Assistance.*

CRS Report RS20903. *Middle East: U.S. foreign assistance, FY2000, FY2001, and FY2002 request.*

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

Selected World Wide Web Sites

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix — Detailed Foreign Operations Accounts

Table 6. Foreign Operations Accounts Discretionary Budget Authority

(millions of dollars)

Program	FY2001 Enacted[a]	FY2002 Request[b]	House FY2002	Senate FY2002	Enacted FY2002
Title I - Export and Investment Assistance:					
Export-Import Bank	910.0	687.3	787.3	780.3	779.3
Overseas Private Investment Corp	(221.0)	(251.4)	(251.4)	(251.4)	(251.4)
Trade & Development Agency	49.9	50.0	50.0	50.0	50.0
Total, Title I - Export Aid	**738.9**	**485.9**	**585.9**	**578.9**	**577.9**
Title II - Bilateral Economic:					
Development Assistance:[c]					
Child Survival/Health/UNICEF[c]	1,315.9	1,326.0	1,425.0	1,510.5	1,433.5
Child Survival rescission[b]	(10.0)	(20.0)	0.0	0.0	0.0
Development Asst Fund[c]	1,019.1	1,062.0	1,098.0	1,245.0	1,178.0
Subtotal	**2,325.0**	**2,368.0**	**2,523.0**	**2,755.5**	**2,611.5**
Of which:					
UNICEF	*[110.0]*	*[110.0]*	*[120.0]*	*[120.0]*	*[120.0]*
Population aid[d]	*[425.0]*	*[425.0]*	*[425.0]*	*[450.0]*	*[446.5]*
HIV/AIDS[d]	*[300.0]*	*[429.0]*	*[487.0]*	*[485.0]*	*[475.0]*
International Disaster Aid	164.3	200.0	201.0	245.0	235.5
Southern Africa flood supp.	135.0	–	–	–	–
Transition Initiatives	49.9	50.0	40.0	52.5	50.0
Development Credit Programs	7.4	7.5	7.5	7.5	7.5
Subtotal, Development Aid	**2,681.6**	**2,625.5**	**2,771.5**	**3,060.5**	**2,904.5**
USAID Operating Expenses	531.8	549.0	549.0	549.0	549.0
USAID Inspector General	26.9	32.0	30.0	32.0	31.5
Economic Support Fund (ESF)[b]	2,290.0	2,254.0	2,199.0	2,239.5	2,199.0
ESF rescission[b]	(10.0)	(5.0)	0.0	0.0	0.0
International Fund for Ireland	24.9	[19.6][e]	25.0	[–]	25.0
East Europe[b]	598.5	605.0	600.0	615.0	621.0
Kosovo/Balkans supplemental	75.8	–	–	–	–
Former Soviet Union (IS/FSU)	808.2	808.0	768.0	795.5	784.0
Inter-American Foundation[c]	12.0	12.1	12.0	13.1	13.1
African Development Foundation[c]	16.0	16.0	16.0	16.5	16.5
Treasury Dept. technical asst	6.0	6.0	6.0	6.0	6.5

Program	FY2001 Enacted[a]	FY2002 Request[b]	House FY2002	Senate FY2002	Enacted FY2002
Debt reduction	447.0	224.0	224.0	235.0	229.0
US Community Program	–	0.5	0.0	0.0	0.0
Peace Corps	264.4	275.0	275.0	275.0	275.0
International Narcotics	324.3	217.0	217.0	217.0	217.0
Intl Narcotics–Andean Initiative	–	731.0	675.0	547.0	625.0
Migration & refugee asst	698.5	715.0	715.0	735.0	705.0
Emerg. Refugee Fund (ERMA)	15.0	15.0	15.0	15.0	15.0
Non-Proliferation/anti-terrorism	310.9	332.0	311.0	318.5	313.5
Total Title II-Bilat Economic	**9,121.8**	**9,412.1**	**9,408.5**	**9,669.6**	**9,529.6**
Title III - Military Assistance:					
Intl Military Education &Training	57.7	65.0	65.0	75.0	70.0
Foreign Mil Financing (FMF)	3,568.1	3,674.0	3,627.0	3,674.0	3,650.0
Peacekeeping Operations[b]	126.7	135.0	135.0	140.0	135.0
Total, Title III-Military Aid	**3,752.5**	**3,874.0**	**3,827.0**	**3,889.0**	**3,855.0**
Title IV - Multilateral Economic Aid:					
World Bank - Intl Develop. Assn	773.3	803.4	803.4	775.0	792.4
World Bank-Environment Facility	107.8	107.5	82.5	109.5	100.5
World Bank-Mult Invst Guaranty	10.0	10.0	0.0	0.0	5.0
Inter-Amer. Development Bank	34.9	25.0	10.0	20.0	18.0
Asian Development Bank	71.8	103.0	93.0	103.0	98.0
African Development Fund	99.8	100.0	100.0	100.0	100.0
African Development Bank	6.1	5.1	5.1	5.1	5.1
European Bank for R & D	35.7	35.8	35.8	35.8	35.8
Intl Fund for Ag Development	5.0	20.0	20.0	20.0	20.0
Intl Organizations & Programs	185.6	186.0	196.0	218.0	208.5
Total, Title IV - Multilateral	**1,330.0**	**1,395.8**	**1,345.8**	**1,386.4**	**1,383.3**
TOTAL, Foreign Operations	**14,943.2**	**15,167.8**	**15,167.2**	**15,523.9**	**15,345.8**

Source: House and Senate Appropriations Committee and CRS calculations.

a. Each account for FY2001 has been adjusted in reflect the across-the-board 0.22% rescission enacted in the Consolidated Appropriations Act, FY2001 (H.R. 4577), signed into law on Dec. 21, 2000. The total amount reduced for Foreign Operations was $33 million.

b. FY2002 request amended on June 11, 2001, to add an additional $200 million for HIV/AIDS, Malaria, and TB Global Fund. Of the total, $100 million was derived by transfer from the Department of Health and Human Services and does not appear in the Foreign Operations budget. The other $100 million came from reductions to the existing FY2002 Foreign Operations request: ESF(-$35 million); Peacekeeping (-$15 million); Child Survival (-$20 million that had been originally allocated for the Global Fund); East European aid (-$5 million). The amendment further made available $25 million from unobligated, prior year ESF and Child Survival appropriations. Congress modified the President's request by approving $100 million for the Global Fund under Foreign Operations funding in the FY2001 Supplemental Appropriations (P.L. 107-20; H.R. 2216). P.L. 107-20 further rescinded $20 million in prior year Child Survival and ESF appropriations to partially offset the new Global Fund spending. For FY2002, the House, Senate, and enacted levels included $100 million for the Global Fund drawn from the Child Survival and other bill accounts.

c. For FY2002, Congress proposed a modified structure for the Child Survival/Health (CSH) and Development aid (DA) accounts. Basic education, which had previously been included in the CSH account, is transferred to the DA account. Family planning, previously enacted in the DA account, is moved to the CSH account. Further, funding for the Inter-American and African Development Foundations was provided in separate accounts (listed below) and not in the DA account as in recent years. Amounts for FY2001 enacted and for FY2002 requested have been adjusted to be consistent with the congressional structure.

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

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