Order Code RL30511

CRS Report for Congress

Received through the CRS Web

Appropriations for FY2001: Foreign Operations, Export Financing, and Related Programs

Updated September 2, 2000

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

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

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

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Appropriations for FY2001: 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 Clinton has asked Congress to appropriate $15.1 billion for FY2001 Foreign Operations, an amount about $1.6 billion, or 12% higher than total FY2000 appropriations, after adjusting FY2000 to deduct the one-time, emergency $1.8 billion aid package for Israel, Jordan, and Palestinians in support of the November 1998 Wye River/Middle East peace accord. (Including Wye River assistance in the FY2000 totals, the FY2001 request is roughly $210 million, or 1.4%, less than total FY2000 enacted appropriations.) The largest increases at the account level are those for the Export-Import Bank (+26%), USAID development assistance (+18%), nonproliferation, terrorism, and demining (+44%), voluntary contributions to international organizations (+45%), and multilateral development bank contributions (+24%).

S. 2522, as approved by the Senate on June 22, provides $13.4 billion for FY2001 Foreign Operations Appropriations. The measure is about $65million less than FY2000 enacted (after subtracting from FY2000 the one-time, $1.8 billion emergency Wye River aid package). The Senate bill falls about $1.7 billion, or 11%, below the President's FY2001 request. A major new initiative in S. 2522 is the creation of a Global Health account ($691 million) with specific earmarks for HIV/AIDS, tuberculosis, malaria, and for a U.S. contribution to the Global Fund for Children's Vaccines ($50 million). Population aid would increase by $110 million and a new set of conditions on family planning programs would effectively eliminate the current abortion-related restrictions that Congress enacted for FY2000.

H.R. 4811, as approved by the House on July 13, provides $13.1 billion, about $350 million less than the FY2000 enacted, and 13% less than the President's request. The bill maintains the FY2000 funding level and abortion-related restrictions. At $238 million, the bill provides most of the Administration's FY2001 request for debt relief, but still falls well short of the combined FY2000/2001 debt reduction request of $472 million.

Four issues in the FY2001 Foreign Operations debate are receiving special attention: 1) U.S. development aid policy and spending priorities; 2) population aid and international family planning policy; 3) regional/country aid issues and allocations; and 4) initiatives to reduce debt owed to the United States and other creditors by the world's poorest and most highly indebted nations.

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CRS Division abbreviation: “FDT” = Foreign Affairs, Defense, and Trade Division.

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Most Recent Developments

On July13, the House approved (239-185) H.R. 4811, the FY2001 Foreign Operations Appropriations, providing $13.1 billion, about $350 million less than the FY2000 enacted (after adjusting for Wye River and Plan Colombia aid packages), and $2 billion, or 13%, below the President's $15.1 billion FY2001 request. The House bill increases the President's request for child survival and infectious disease programs ($886 million) and international fund for Ireland ($25 million), and nearly matches the FY2001 request for debt reduction ($238 million). The House bill reduces the President's proposed budget in many areas: aid to the former Soviet Union ($740 million; -$90 million), Foreign Military Financing grants ($3.27 billion; -$228 million), the World Bank's International Development Association ($566.6 million; -$270 million), and the Global Environment Facility ($35.8 million; -$140 million). The House measure further continues current abortion restrictions applied to USAID population aid.

On June 22, the Senate approved (95-4) S. 2522. (Subsequently, on July 18, the Senate substituted the text of S. 2522 into H.R. 4811, and passed H.R. 4811.) The $13.4 billion measure is about $70 million less than FY2000 enacted (after excluding from FY2000 the one-time Wye River/Middle East Peace $1.8 billion aid package and the Plan Colombia supplemental). S. 2522 falls $1.7 billion, or 11%, below the President's FY2001 request. Most accounts are funded below the Administration's proposal. S. 2522 creates a new Global Health account at $691 million, parallel with executive branch initiatives to increase funding for HIV/AIDS and other infectious diseases. Population aid would increase by $110 million to about $482 million, but fall below the request of $541 million. A new set of conditions on family planning programs would eliminate the current abortion restrictions that Congress enacted for FY2000. Funding for USAID operating expenses, counter narcotics, poor country debt relief, peacekeeping, and contributions to several multilateral development banks are set below both FY2000 enacted and FY2001 requested amounts.

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 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.

From the perspective of congressional oversight and involvement in U.S. foreign aid policy making, the Foreign Operations bill has taken on even greater significance during the past 15 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.

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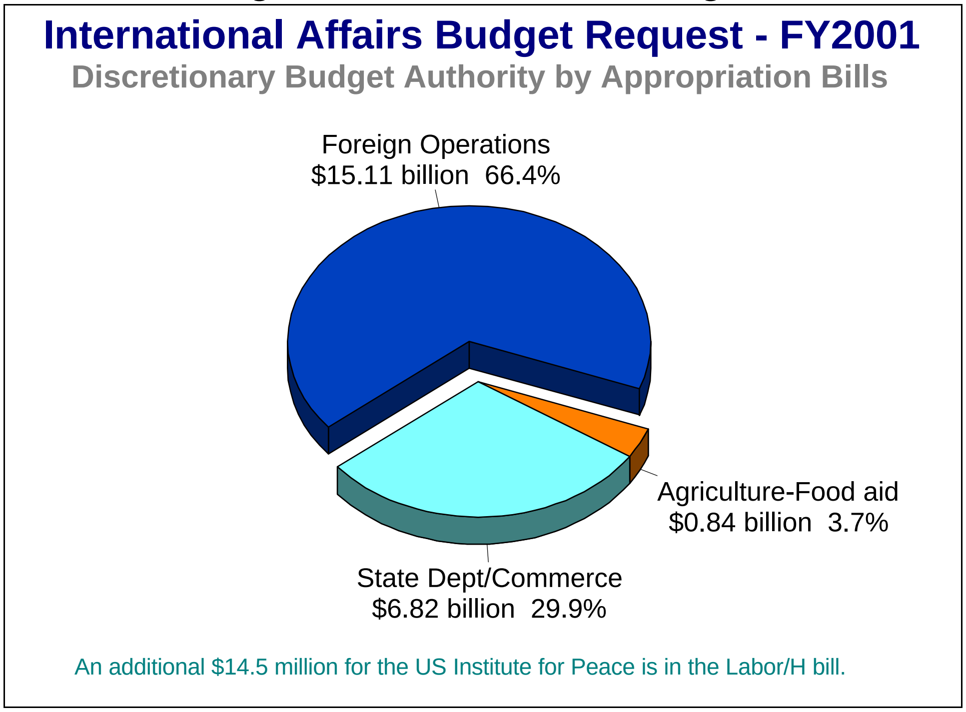
[1]Although the Foreign Operations appropriations bill is often characterized as the "foreign aid" spending measure, it does not include funding for all foreign assistance programs. Food aid, administered under the P.L. 480 program and managed by USAID, is appropriated in the Agriculture appropriations bill. Furthermore, the Foreign Operations measure includes funds for one activity—the Export-Import Bank—that is not regarded as "foreign assistance," but rather as a U.S. government activity promoting trade opportunities for American businesses. In recent years, funding for food aid and the Eximbank have been about the same, so that the Foreign Operations appropriation 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.

Status

Figure 1. International Affairs Budget



President Clinton submitted his FY2001 federal budget request to Congress on February 7, 2000, including funding proposals for Foreign Operations Appropriations programs. Subsequently, House and Senate Foreign Operations Subcommittees held hearings, including testimony from Secretary of State Albright, Treasury Secretary Summers, and USAID Administrator Anderson. The Senate Appropriations Committee bypassed subcommittee markup, and ordered reported S. 2522 on May 9. Because of disputes over scheduling and the opportunity by the minority to offer amendments to other legislation, the Senate delayed taking up S. 2522. Those problems were settled and the Senate approved S. 2522 on June 22. The House Foreign Operations Subcommittee marked up its companion bill, H.R. 4811, on June 20, followed by full Committee approval on June 27. The House approved H.R. 4811 on July 13.

Table 1. Status of Foreign Operations Appropriations, FY2001

Subcommittee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conf. Report Approval		Pres. Action
House	Senate						House	Senate	
June 20	—	June 27 106-720	July 13	May 11 106-291	June 22				

Foreign Operations Funding Trends

As the United States has adjusted its foreign and defense policy to a post-Cold War environment, one of the major foreign assistance challenges for Congress and executive branch policymakers has been to formulate the most effective foreign aid program amidst a tightening resource base. A dominant characteristic of Foreign Operations funding trends in the most recent years has been the degree to which foreign policy contingencies and international disasters have created demands for additional resources beyond those originally requested by the President. Congress has approved substantial amounts for FY1999 and FY2000 through "emergency" or supplemental appropriation mechanisms, amounts that are over and above what is enacted in "regular" Foreign Operations bills.

After peaking at $20.7 billion in FY1985, Foreign Operations appropriations began a period of decline, falling to about $12.3 billion in FY1997. Foreign aid spending cuts were especially sharp in FY1996 when Congress cut funding by $1.15 billion, nearly 9% from the previous year. Many government and non-government experts argued that these budget reductions seriously undermined U.S. foreign policy interests and limited the ability of American officials to influence overseas events.

After Foreign Operations funding levels fell again in FY1997 — although by much smaller amounts — the State Department and other executive agencies launched an aggressive campaign to reverse the decade-long decline in the foreign policy budget. This effort coincided with congressional approval of a near $1 billion increase for FY1998, setting Foreign Operations appropriations at $13.15 billion. Foreign Operations funds rose again to $15.4 billion in FY1999 when lawmakers, at the urging of the White House, added nearly $900 million in the final days of the 105th Congress and another $2.1 billion for Central American hurricane relief and Kosovo emergency assistance in supplemental funding.

Table 2. Foreign Operations Appropriations, FY1994 to FY2000
(discretionary budget authority in billions of current dollars)

FY1994	FY1995	FY1996	FY1997	FY1998	FY1999*	FY2000*
14.298	13.611	12.456	12.267	13.147	15.439	16.487

* FY1999 excludes $17.861 billion for the IMF; FY2000 includes $1.825 billion for the one-time, Wye River/Middle East peace accord and $1.094 billion enacted in P.L. 106-246 for supplemental Foreign Operation funds, mostly for Plan Colombia.

Amounts enacted for FY2000 – $16.5 billion – were also augmented by late-year "emergency" add-ons recommended by the President, including $1.8 billion for the Wye River/Middle East peace accord and $1.1 billion supplemental assistance, mostly for a new counternarcotics initiative in Colombia. As shown in **Table 2**, the amount for FY2000 is the highest in six years and the largest funding level, in nominal terms, for Foreign Operations since FY1985. Nevertheless, when calculated using constant dollars – taking into account the effects of inflation – current Foreign Operations amounts are 47% less than the high point of FY1985, 15% less than the annual average appropriation during the late 1980s, and 3% less than FY1992, a year that might be considered the first post-Cold War foreign aid budget. FY2000 Foreign Operations spending level represents 0.91% of the entire federal budget and 2.8% of total discretionary budget authority. By comparison, these same figures in FY1985 were 2% and 4.6%, respectively.

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 $44.6 million for FY1999.

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 International Monetary Fund*.

Foreign Operations, the FY2000 Budget Resolution, and Section 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. As noted above, foreign policy funds are appropriated within four bills with Foreign Operations having the largest share of around 67-70% in most years.

How much foreign policy 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 Foreign Operations subcommittees will operate when they meet to mark up their annual appropriation bills.

The FY2001 budget resolution that cleared Congress on April 13 (H.Con.Res. 290) strongly indicated that the Foreign Operations subcommittees would receive a significantly reduced Section 302(b) allocation from that assumed in the President's budget. H.Con.Res. 290 sets a $20 billion target for total international affairs discretionary budget authority, a figure about 12% below the request.[3]

On May 4, House and Senate Appropriations Committees released Section 302(b) funding allocations for each of their 13 appropriation bills. In the House, Foreign Operations programs received $13.28 billion, sharply below the President's $15.1 billion request ($14.8 billion if Plan Colombia funds were enacted, as they were, in FY2000; see footnote 3). The allocation is over $3 billion less than total amounts approved for FY2000 and $213 million below the "base" FY2000 appropriation, after deducting the Wye River/Middle East peace money. The Senate panel approved a slightly higher Foreign Operations level – $13.39 billion. But this would still be insufficient to fund increases sought for FY2001, and at best, would result in an overall total slightly below a "freeze" as compared to the FY2000 "base"amount.

Practices in the past few years suggest, however, that the initial 302(b) allocation for Foreign Operations, as well as other spending bills, may change significantly, especially at the latter stages of the appropriations debate. Last year, House and Senate Foreign Operations Subcommittees received allocations of $12.6 billion and $12.7 billion, respectively, levels which established the ceiling for House and Senate passed bills (H.R. 2606 and S. 1234). Nevertheless, following a Presidential veto of H.R. 2606 because of low funding levels and continued White House pressure to raise foreign aid spending, during end-of-the session negotiations, Congress agreed to $15.3 billion for Foreign Operations. Much of the additional funds were designated as "emergency" appropriations, amounts that did not count against allocation limits.

While the early 302(b) allocation for Foreign Operations has resulted in House and Senate bills of around $13.3 billion, the Administration is certain to press for additional funding throughout the process. As they have the past two years, Foreign Operations spending issues could be significant matters of debate in any final budget "deal" negotiated at the end of the 106th Congress should lawmakers and the White House reach an impasse on one or more of the 13 appropriation measures.

[3] The FY2001 budget resolution assumed that Congress, would enact, as it did, funding for the entire Plan Colombia counternarcotics initiative as an FY2000 budget item, including the $256 million proposed for FY2001. Using this assumption, the $20 billion for International Affairs is 11% less than the President's request.

Foreign Operations Appropriations Request for FY2001 and Congressional Consideration

President Clinton has asked Congress to appropriate $15.1 billion for FY2001 Foreign Operations. There are two basic ways in which to compare this proposal with current spending. The first is to make a straight comparison between enacted FY2000 Foreign Operations levels and the FY2001 request. Using these reference points, the FY2001 budget recommendation is about $1.4 billion, or 8% *less* than total FY2000 appropriations. Another means of comparison, and one that is frequently used by congressional Budget and Appropriations Committees, is to compare funding for foreign aid programs continuing from year to year, that would deduct appropriations provided under special circumstances, such as emergency requirements, one-time, unique initiatives, or supplemental funding. For FY2000, Congress approved under an emergency designation a one-time, $1.8 billion aid package for Israel, Jordan, and Palestinians in support of the November 1998 Wye River/Middle East peace accord. Congress further enacted in P.L. 106-246 an additional $1.1 billion in FY2000 Foreign Operations supplemental spending, mostly for counternarcotics in Colombia. Under this second comparison approach, which adjusts the FY2000 appropriation level from $16.5 billion to $13.5 billion, the FY2001 Foreign Operations request is 12% *higher* than current spending.

Major Changes to Current Funding Proposed for FY2001

The President's budget plan would raise funding levels for nearly every Foreign Operations account. Those receiving the largest increases or which represent special Administration initiatives include:

- **Export-Import Bank –** The $214 million, or 26% funding increase for Eximbank activities in FY2001 may actually support a smaller level of U.S. exports than in FY2000, according to the Administration. OMB has issued a new risk assessment methodology, effective for FY2001, which determines the amount of appropriated funds necessary to back Bank lending and insurance operations. Because of higher risk levels for some potential countries, Eximbank estimates that the FY2001 appropriation will fall 14.5% below the equivalent current appropriation.

- **USAID development assistance –** Overall bilateral development aid would grow by nearly $350 million, or 18%. Most of the increase would support Administration initiatives to bolster **family planning** programs (+45%), **HIV/AIDS** funding (+39%), and **democracy promotion** (+24%), and to launch two new **environmental** activities protecting tropical forests and promoting cleaner energy sources. (See more below under special issues.)

- **Debt reduction for poor developing nations –** The FY2001 request includes $262 million for debt reduction, most of which would support U.S. participation in the Heavily Indebted Poor Country (HIPC) initiative. This is more than double debt relief appropriations for FY2000, although Congress rejected a $210 million supplemental request for a U.S. contribution to the HIPC Trust Fund. (See more below under special issues.)

Table 3. Summary of Foreign Operations Appropriations
(Discretionary funds – in millions of dollars)

Bill Title & Program	FY2000 Enacted	FY2001 Request	FY2001 Senate	FY2001 House	FY2001 Enacted
Title I - Export Assistance	599.0	845.0	636.0	606.5	–
Title II - Bilateral Economic Aid	9,595.6	9,017.9	7,947.3	8,106.0	–
Development aid	*2,179.4*	*2,565.0*	*2,393.3*	*2,359.0*	–
Africa aid	*737.8*	*837.0*	–	–	–
Israel/Egypt economic aid	*1,676.4*	*1,535.0*	*1,535.0*	*1,535.0*	–
Former Soviet Union	*839.0*	*830.0*	*775.0*	*740.0*	–
Debt reduction	*123.0*	*262.0*	*75.0*	*238.0*	–
Intl Narcotics control	*305.0*	*587.0*	*220.0*	*305.0*	–
Plan Colombia	*1,018.5*	–	–	–	–
Title III - Military Assistance	4,992.0	3,709.0	3,659.0	3,433.2	–
Israel/Egypt	*3,160.0*	*3,220.0*	*3,220.0*	*3,280.0*	–
Title IV - Multilateral Aid	1,302.0	1,550.0	1,205.9	996.2	–
Intl Organizations	*183.0*	*206.0*	*178.0*	*188.0*	–
Total Foreign Operations	**16,488.6**	**15,121.9**	**13,424.2**	**13,141.9**	
Total, without FY00 Supp.	**13,495.1**	**15,121.9**	**13,424.2**	**13,141.9**	–

Source: H.R. 4811 and S. 2522.

Note: For comparative purposes and to conform to the account structure of the FY2000 enacted Foreign Operations, some funding in the FY2001 request and Senate bill have been shifted: UNICEF, GAVI, Inter-American Foundation, and African Development Foundation amounts requested for FY2001 are included in development aid under title II. Senate funding for UNICEF, approved in title IV, is also shifted to development aid in title II.

- **Nonproliferation, Anti-terrorism, Demining, and Related Programs account (NADR)** – The Administration seeks a $136 million, or 63% increase for an assortment of counterproliferation and anti-terrorism programs in FY2001. Of special note is the doubling of resources for activities aimed at fighting terrorists, including money to establish a new anti-terrorism training facility for foreign officials. The account also projects a $20 million increase – to $55 million – for payment of heavy fuel oil to North Korea as part of the Korean Energy Development Organization (KEDO) designed to block North Korea's nuclear weapons development program. A June 5, 2000 budget amendment added $41.2 million to the account for a contribution to the costs of the trial in the Netherlands of the Lockerbie bombing suspects.

- **Voluntary contributions to International Organizations** – The FY2001 request increases U.S. contributions to about 20 organizations by $83 million, or 45%. Nearly all of the additional resources would support the **U.N.**

Development Program (+$10 million) and a new **Global Alliance for Vaccines and Immunizations (GAVI)** initiative ($50 million). The **U.N. Population Fund (UNFPA)** contribution would remain the same at $25 million.

- **Multilateral Development Bank contributions** – Overall, the budget proposes a $235 million, or 24% increase for U.S. commitments to the World Bank and regional multilateral development banks (MDBs). Most of the additional funding ($140 million) would go to the **Global Environment Facility,** an organization for which the United States has fallen into significant arrears due to congressional reductions in recent years.

Congressional Debate on Foreign Operations Spending

Summary of Debate. The first congressional action on the Foreign Operations Appropriations for FY2001 occurred on May 9 when the Senate Appropriations Committee marked up and reported S. 2522. The legislation also includes FY2000 supplemental funding for various Foreign Operations programs.[4] The full Senate approved the measure on June 22. The House Foreign Operations Subcommittee marked up its companion bill, H.R. 4811, on June 20, followed by full Committee endorsement on June 27. The full House approved the measure on July 13. Subsequently, the Senate took up H.R. 4811 on July 18, deleted the House-passed text, and inserted the text of S. 2522. Conference negotiations will be the next legislative step.

Senate action. As approved by the Senate, S. 2522 provides $13.4 billion for Foreign Operations programs in FY2001. The amount is about $110 million less than FY2000 enacted, after subtracting from FY2000 the one-time, $1.8 billion emergency aid package for Israel, Jordan, and the Palestinians in support of the Wye River/Middle East Peace Accord, and the recently approved supplemental.[5] The Senate recommendation falls about $1.7 billion, or 11%, below the President's $15.1 billion FY2001 request. Nearly every account is funded below the Administration's request, and several are reduced from FY2000 enacted amounts:

- **USAID operating expenses** ($510 million) is $10 million below enacted and requested amounts. At this level, USAID would most likely face the choice

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[4] FY2000 supplemental funds will most likely be deleted from S. 2522 during subsequent action. The House earlier had approved a separate supplemental funding measure – H.R. 3908 – but Senate leaders decided to attach all supplemental proposals to regular FY2001 appropriation bills, including Foreign Operations. On June 29, Congress cleared for the White House H.R. 4425 (P.L. 106-246), the FY2001 Military Construction Appropriation, including $1.094 billion in Foreign Operations supplemental money. The conference negotiations on H.R. 4425 reflected Senate positions taken in S. 2522 regarding supplemental funding, and presumably these matters will not be an issue for the regular FY2001 Foreign Operations conference committee deliberations.

[5] Without adjusting for the FY2000 Wye River aid and the supplemental amount, S. 2522 is about $3 billion less than the current level.

of reducing plans for growth in either staff salaries and benefits, overseas support costs, or information technology enhancements.

- **former Soviet aid** ($775 million) declines by about $65 million compared with enacted and proposed levels. But because earmarks in S. 2522 for Ukraine ($175 million), Georgia ($94 million) and Armenia ($89 million) are slightly higher than amounts requested, the overall account shortfall likely will fall most heavily on aid to Russia, proposed at $162 million.

- **Inter-American Foundation** receives no funding in S. 2522 for FY2001. The legislation further authorizes, but does not require, the President to abolish the Foundation. Last year, Congress also authorized the President to terminate the Inter-American Foundation, appropriating $5 million for the small, grassroots development organization, an amount believed to be sufficient to cover existing grants and contract obligations, and to conclude any other outstanding operations of the Foundation. The President, however, did not exercise this authority, and requested $20 million for FY2001 programs. The Senate Appropriations Committee believes that there will be enough funds carried forward into FY2001 that would cover Foundation termination costs.

- **Peace Corps**. As proposed by the Committee bill, Peace Corps funds ($220 million) would fall below FY2000 enacted ($245 million) and FY2001 requested ($275 million), and would undermine Administration efforts to achieve a 10,000 Peace Corps volunteer target. During floor debate, an amendment (Dodd) was approved, providing an additional $24 million to be drawn from other parts of the bill and allowing Peace Corps levels to remain at roughly the FY2000 level.

- **Debt reduction** resources to support the Heavily Indebted Poor Country Initiative (HIPC) – $75 million – are significantly less than the combined $475 million FY2000 supplemental/FY2001 request. The most immediate effect would be to delay final debt relief for Bolivia because of funding shortfalls in the HIPC Trust Fund. (See below under Major Spending and Policy Issues.)

- **International narcotics control** appropriations ($220 million) are roughly $90 million below enacted and requested amounts. This would not affect Plan Colombia, which is funded elsewhere, but would cut by nearly one-third continued funding for other anti-drug initiatives.

- **Peacekeeping operations** funds ($85 million) are well below FY2000 ($153 million) and FY2001 proposed ($134 million) amounts. The Senate Appropriations Committee assumes no funding for operations in Haiti ($4 million). Cuts recommended in S. 2522 might also jeopardize Administration plans to support OSCE activities in Kosovo and train and equip an African crisis peacekeeping force.

- **World Bank, International Development Association (IDA)** contribution of $750 million would add about $85 million to arrears owed by the U.S. S. 2522 further cuts funding for the Global Environment Facility, Asian

Development Bank, African Development Fund, and other multilateral organizations.

In a few areas, S. 2522 increases Foreign Operations spending over enacted amounts, supporting in some cases Administration priorities. The major Senate Committee initiative is the creation of a **Global Health account** within development assistance spending. This account, which incorporates much, although not all of the current Child Survival and Infectious Disease fund, represents a comprehensive funding approach to protect global health, attack poverty, and shield Americans from infectious diseases easily transmitted across borders. The $691 million appropriated in S. 2522 (including a Senate floor amendment adding $40 million to the Committee recommendation) provides earmarks for HIV/AIDS ($255 million), malaria ($65 million), tuberculosis ($51 million), and a U.S. contribution ($50 million) to the Global Fund for Children's Vaccines. For another key economic aid issue – **population assistance** – S. 2522 earmarks $425 million within development program funding which, when combined with resources from other accounts, would total about $482 million. This is $110 million higher than current spending, but below the request of $541 million. S. 2522 further replaces current abortion-related restrictions that apply to FY2000 funds with language that would permit the White House to restore previous family planning policy in which no U.S. funds can be used for performing or promoting abortions, but no conditions are imposed on how foreign organizations spend funds raised from non-U.S. Governments sources. (See below under Major Funding and Policy issues for more discussion of development assistance population aid.)

FY2000 Supplemental

On June 29, Congress passed an $11.2 billion supplemental spending measure (P.L. 106-246; H.R. 4425), including $1.094 billion in Foreign Operations funds. Most of money – $1.019 billion – supports the full FY2000/2001 Administration request for a counternarcotics initiative in Colombia. The legislation also provides $50 million in additional economic aid to Kosovo, Croatia, and Montenegro ($251 million requested), and $25 million for southern Africa flood relief ($200 million requested). H.R. 4425 further rejects the President's supplemental request for a $210 million contribution to the HIPC Trust Fund, an initiative to provide multilateral debt relief to the world's poorest nations.

House action. As approved by the House on July 13, H.R. 4811 provides $13.1 billion, about $350 million less than the FY2000 Act (after subtracting from FY2000 the one-time, $1.8 billion Wye River/Middle East peace aid package and the recently enacted supplemental), and $2 billion, or 13%, below the President's $15.1 billion FY2001 request.

As is the case with the Senate bill, many accounts fall below the Administration request:

- **USAID development assistance (other than Child Survival)** ($1.258 billion) is roughly $250 million below the request.

- **USAID operating expenses** ($509 million) is $11 million below enacted and requested amounts. As noted above, USAID would confront several options to cut operations in order meet the reduced appropriation.

- **former Soviet aid** ($740 million) declines by about $95 million compared with enacted and proposed levels. The House panel allocates a percentage (12.5%) of the account total for Armenia and Georgia, resulting in similar amounts as earmarked by the Senate. The House bill, however, does not earmark funds for Ukraine, providing somewhat more flexibility for the State Department in making its country allocations for Russia and other former Soviet states.

- **Foreign Military Financing (FMF)** was reduced during House debate by $242 million to $3.268 billion, $270 million below the request. The cuts were part of off-set packages that allowed for an increase in debt reduction and HIV/AIDS funding. Not only would the House-passed amount squeeze FMF requests for new members of NATO, Partnership-for-Peace nations, and Jordan, but also falls $12 million below the combined $3.28 billion request for Israel and Egypt.

- **World Bank, International Development Association (IDA)** contribution of $566.6 million is about $270 million below the requested amount. The House measure further reduces by significant levels proposed U.S. contributions to the Global Environment Facility, Asian Development Bank, African Development Fund, and other multilateral organizations. Overall, the House measure includes $1 billion for multilateral assistance, one-third less than requested and 25% below current amounts.

As has been the case in House Foreign Operations spending bills since 1995, the legislation places priority on child survival and infectious disease activities. The House bill approves $886 million, $74 million above the request and $117 million higher than existing levels.

Initially, H.R. 4811, as reported, had provided $82.4 million in debt reduction resources to support the Heavily Indebted Poor Country Initiative (HIPC), a level that, like the Senate's, was well below the combined $475 million FY2000 supplemental/FY2001 request. During floor debate, the House adopted an amendment (Waters, 216-211) that raised this amount to $238 million, $24 million below the FY2001 request, but still far less than the combined request.

Major Policy and Spending Issues in the Foreign Operations Debate

In addition to funding decisions made by Congress in the Foreign Operations appropriation bill, the annual spending measure also includes a wide range of policy provisions that frequently raise contentious foreign policy disagreements between the President and Congress. As mentioned above, because Congress has not enacted foreign aid authorization bills for over a decade, the Foreign Operations appropriations legislation often becomes the vehicle for debate on the conduct of U.S.

foreign policy more generally. Many of these policy provisions take the form of conditions or restrictions on how the President can use money included in the spending bill. Many of these provisions are opposed by the Administration as excessively limiting its ability to manage American foreign policy. The legislative-executive policy differences have in the past delayed the enactment of the Foreign Operations bill or have prompted a presidential veto.

Among the most significant funding and policy issues raised during congressional debate this year on the Foreign Operations appropriation measure are conflicting executive-legislative branch development assistance strategy priorities and new Administration initiatives, restrictions on international family planning programs, regional and country aid allocations, and efforts by the Administration to secure funding to reduce debt burdens of the poorest developing countries.

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 of the past 50 years. 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.

Although there has been no definitive consensus on priorities, the Clinton Administration has strongly supported the retention of an activist foreign aid policy which can be used to bolster a variety of U.S. foreign policy initiatives around the world. In early 1994, USAID released its blueprint for a post-Cold War development aid policy, based around the goal of "sustainable development," and its four strategies of promoting economic growth, stabilizing global population, protecting the environment, and advancing democracy. More recently, USAID added a fifth strategy aimed at developing human capacity through education.

Since adopting these strategies in 1994, USAID has maintained that they operate as inter-linked, mutually reinforcing elements of an overall U.S. effort to promote the advancement of market economies and democratic transitions in developing nations. Officials argue that U.S. aid is justified until countries reach a point of sustainability that no longer requires external aid. Funding reductions, congressional restrictions, and fluctuating Administration priorities, however, have required USAID to alter the mix of resources devoted to each of the strategies, raising questions over whether the integrative, mutually reinforcing rationale can be maintained. Congress, for example, limited development aid for population programs in FYs1996-2000 to roughly two-thirds of the amount provided in FY1995. (See below for more discussion on family planning restrictions.) Further, the State Department's Bureau of Global Affairs has in the past placed a high priority on environment programs and pressed USAID to allocate the maximum amount possible to such activities. As a result, the environment sector of sustainable development has not declined as much as it might have otherwise.

Table 4. USAID Sustainable Development Programs
(in millions of dollars)

Goals/Targets	FY1999 Estimate		FY2000 Estimate		FY2001 Request	
	$s	% of total	$s	% of total	$s	% of total
Economic Growth*	**416**	**23.3%**	**411**	**22.9%**	**445**	**20.8%**
*Micro enterprise**	*70*	*3.9%*	*83*	*4.6%*	*73*	*3.4%*
Agriculture	*134*	*7.5%*	*152*	*8.5%*	*153*	*7.1%*
Private markets	*214*	*12.0%*	*259*	*14.4%*	*292*	*13.6%*
Population/Health	**846**	**47.3%**	**856**	**47.7%**	**1,053**	**49.2%**
Child Survival	*276*	*15.4%*	*248*	*13.8%*	*236*	*11.0%*
HIV/AIDS	*135*	*7.5%*	*175*	*9.7%*	*244*	*11.4%*
Family Planning	*339*	*18.9%*	*328*	*18.3%*	*484*	*22.6%*
Infectious Diseases	*50*	*2.8%*	*62*	*3.5%*	*54*	*2.5%*
Human Capacity/Basic	**131**	**7.3%**	**143**	**8.0%**	**146**	**6.8%**
Environment	**248**	**13.9%**	**253**	**14.1%**	**333**	**15.6%**
Global Climate Change	*88*	*4.9%*	*106*	*5.9%*	*109*	*5.1%*
Biodiversity/Trop.	*62*	*3.5%*	*62*	*3.5%*	*100*	*4.7%*
Clean Energy initiative	*0*	*0.0%*	*0*	*0.0%*	*30*	*1.4%*
Democracy	**148**	**8.3%**	**132**	**7.4%**	**164**	**7.7%**
Total Sustainable	**1,789**	**100.0%**	**1,795**	**100.0%**	**2,141**	**100.0%**

Source: USAID. Amounts in this table only apply to USAID "development aid" programs and do not include funds used for the same purposes, although to a lesser extent, in other accounts, including Economic Support Fund (ESF), East Europe and former Soviet aid programs. For example, USAID estimates that it will spend in FY2000 $372.5 million across all accounts for family planning programs, about $200 million across all accounts for HIV/AIDS, and $299 million for agriculture.

*Although most funding for Micro enterprise programs is drawn from the Economic Growth sector, small amounts are derived from the other sustainable development programs. Consequently, totals for the Economic Growth goal exceed the sum of the three components of micro enterprise, agriculture, and private markets for FY2000 and FY2001.

A central theme for the past five years has been differences between Congress and the executive branch regarding funding levels for programs supporting child survival, basic education, and efforts against HIV/AIDS and other infectious diseases. Despite cutting overall development aid in FYs1996-1997 by about 23% from FY1995 levels, Congress earmarked children and disease programs at amounts equal to or somewhat greater than those allocated in FY1995, making the cuts on all other elements of sustainable development closer to 30%. Congress reduced the President's FY2000 development aid request by $80 million overall, but lawmakers set funding targets for child survival and infectious disease activities $18 million higher than proposed. As a result, USAID cut funding for economic growth programs by $49 million, environment projects by $37 million, and democracy promotion activities by $18 million below what the agency had planned for FY2000.[6]

Congressional proponents of the child survival priority argue that even though budget pressures require the United States to reduce or hold the line on foreign aid spending, the protection of children remains a core American value demanding that cuts should be implemented without putting at risk the lives and well-being of small children in developing nations. They further point out that the spread of infectious diseases poses a direct threat to U.S. citizens, and that American national interests require continued support for global efforts to reduce or eliminate such illnesses.

Although agreeing with the importance of child survival and infectious disease programs, USAID officials apply a broader definition to the terms, arguing, for example, that efforts to protect small children go well beyond immunizations and access to other health services. The quality of a child's life, they assert, also is determined by an array of other factors, including the degree of relative stability in society, protection of the surrounding environment, access to adequate shelter, and implementation of sound economic policies that will ensure jobs and economic opportunities in the future. Consequently, they contend, that the "squeeze" that these targets place on other areas of sustainable development partially undermines the success of other programs that benefit children.

FY2001 Request. As has been the pattern the past few years, USAID's sustainable development request for FY2001 reduces or maintains at current levels funding for several congressional priorities while increasing development aid overall by $335 million, or 18.5%. The $2.14 billion request would cut funds for child survival programs by $12 million and infectious diseases, other than HIV/AIDS, by $8 million from FY2000 appropriations.[7] The proposed budget further reduces development aid funds supporting micro enterprise assistance by $10 million and holds spending steady for agriculture and food security programs.[8] Both of these latter activities are targets of special congressional interest.

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[6] Selected elements of economic growth programs that have broad congressional support, such as microenterprise and agriculture activities, were unaffected by reductions elsewhere in this sector.

[7] USAID's child survival budget, however, when combined with appropriations for UNICEF and a planned $50 million U.S. contribution to the Global Alliance for Vaccines and Immunization (GAVI) initiative that is funded under the multilateral assistance title, boosts overall U.S. funding for child health and survival efforts by about 10%.

[8] Although microenterprise funds under the development aid account decline, USAID says that it will maintain the current year overall target of $135 million for FY2001, drawing on funds from ESF and other accounts, and local currencies that are generated from certain types of USAID programs. For agriculture and food security programs, however, overall USAID spending, across all accounts, will decline from about $299 million this year to $272 million. This is largely due to a shift in program emphasis in Egypt, where less ESF funding in agriculture is projected. Congress has recommended a $305 million target for agriculture resources across all accounts the past two years.

USAID requests significant increases for several other sustainable activities, plus funding to launch a few new initiatives:

- Efforts to strengthen **private markets**, including developing the private sector, promoting trade, assisting privatization activities, and advancing fiscal policy and financial sector reforms would receive $292 million, a $33 million increase over current spending;

- Programs combating the spread of **HIV/AIDS**, especially in Africa, are a major priority of the Administration, both within USAID and across other Federal agency budgets, including Health and Human Services, Center for Disease Control, and DOD. Vice President Gore announced in January 2000 that the United States would increase spending to $325 million in FY2001, up $100 million from existing levels, for AIDS education, prevention, and treatment in Africa, India, and other areas. HIV/AIDS funding from USAID development aid accounts would grow by nearly $50 million, or 28% in FY2001. Congress has also made AIDS funding a priority in recent years. Numerous bills have been introduced in 2000 supporting and/or expanding the Administration's initiative.[9]

- **Population assistance** represents the largest single funding increase for FY2001, rising by $156 million, or 48% from current amounts. (Across all USAID accounts, population aid would grow from $372.5 million to $541.6 million.) Last year, the White House reluctantly accepted new congressional restrictions on abortion and eligibility of foreign family planning organizations implementing USAID population programs. The Administration wants to restore family planning assistance funding to levels enacted for FY1995, the year before Congress and the President began to engage in contentious debates over abortion and international family planning. (See next section for further discussion on this issue.)

- **Environmental** funding would grow significantly under the Administration's request — up $80 million (32%) from existing amounts. Most of the additional resources would target two initiatives. Last year, Congress directed USAID to restore **biodiversity** funding to the same proportion of development assistance funds it received in FY1995. Although it appears that USAID's $62 million allocation for FY2000 falls well short of the roughly $99 million target under the proportional requirement, biodiversity funds, combined with the new tropical forestry initiative, would grow to $100 million in FY2001. This would be roughly the same dollar amount of funds programmed for biodiversity in FY1995. Nevertheless, it represents only about 4.6% of total development aid resources, falling short of the 5% allocation six years ago. USAID is also launching a new, $30 million **clean energy initiative**.

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[9] See, for example, H.R. 3826/S. 2387, H.R. 4039/S. 2030, H.R. 4038/S. 2032, S. 2026, H.R. 4140, and subtitle D, title 2 of S. 2382. For more information regarding these initiatives, see CRS Issue Brief IB10050, *AIDS in Africa*, by Raymond Copson.

Congressional action. The **Senate** approved bill, S. 2522, sets sustainable development assistance funding roughly mid-way between FY2000 enacted and FY2001 requested levels. The $2.17 billion appropriation (an amount that for comparative purposes includes UNICEF contributions), is nearly $230 million, or 12%, higher than current spending. The centerpiece of the Senate proposal is the creation of a new $691 million account for Global Health. The Global Health account replaces the Child Survival and Infectious Disease line-item in the FY2000 measure, incorporating most, although not all, child-related programs.[10] In several respects, the new account supports many of the funding initiatives proposed in other legislation (see footnote 9) and in the Administration's request. Committee earmarks and report recommendations allocate resources for several priorities:

- **HIV/AIDS** – $255 million, up from $175 million this year, and higher than the FY2001 request of $244 million.
- **Tuberculosis** – $51 million, more than three times the current $15 million allocation.
- **Malaria** – $65 million, over four times the FY2000 $15.6 million amount.
- **GAVI contribution** – $50 million, as requested.
- **Polio** – $30 million, slightly higher than the amount currently spent.
- **Maternal health** – $50 million, plus additional resources to reduce pregnancy-related deaths.

For other non-health development activities, S. 2522 directs that USAID allocate at least $310 million (across all accounts) for agriculture programs, a level slightly higher than current and requested amounts. Population assistance would also increase under S. 2522, although not to the level proposed by the Administration (see below for more details).

Although earmarks and directives in S. 2522 protect and increase resources for Senate priorities, especially in the health area, the overall funding level for USAID sustainable development programs will result in cuts for other, non-earmarked activities, such as those for private markets and democracy promotion. USAID calculates that development programs not earmarked in S. 2522 would be cut by about 21% from FY2000 allocations and by nearly one-third from the FY2001 request.

H.R. 4811 would provide $2.1 billion for sustainable development activities, about $25 million less than the Senate. The House measure maintains the Child Survival/Disease account at $886 million, an increase of $159 million over amounts enacted in FY2000. Program recommendations in the House measure include:

- Child survival and maternal health – $290 million.
- Vulnerable children – $30 million.
- HIV/AIDS – $254 million.
- Polio – $25 million.
- Malaria – $27 million.

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[10] Basic education, for example, is not included in the Global Health account, but is funded at $100 million ($98 million enacted and requested) within regular development aid resources.

- Tuberculosis – $55.1 million.
- Basic education – $103 million (plus $15 million in other accounts).
- UNICEF contribution – $110 million.

Although the House continues its practice of recent years of providing higher funding for children activities and cutting requests for other development objectives, the Committee's report acknowledges the need for broader social and economic development. The Committee encourages USAID to increase spending on economic growth and private sector programs aimed at increasing the number of jobs, educating the population, and providing better health care in developing nations. The House panel further encourages increased funding for agriculture activities and a microenterprise program of $152 million. Nevertheless, with the number of earmarks and priorities in the children and health sectors endorsed by the House panel, USAID would most likely need to make substantial reductions in a variety of non-health program areas.

Population and Family Planning Assistance

Another aspect of the discussion regarding policy priorities of U.S. development aid is the continuing controversy regarding international family planning restrictions. For FY2001, the President seeks $541.6 million for USAID population programs, a $169 million, or 45% increase over FY2000 levels. The White House further proposes a $25 million U.S. contribution to the U.N. Population Fund (UNFPA), the same as appropriated for this year. U.S. international family planning programs had been one of the largest growth areas of the foreign aid budget in the early 1990s. From an average of about $250 million in the late 1980s, FY1995 spending across all Foreign Operations accounts totaled approximately $541 million. In the following years, when Congress deadlocked over abortion-related restrictions and U.S. population aid policy, a situation that blocked movement of the entire Foreign Operations bill, lawmakers adopted interim provisions that, among other things, strictly limited the amount of funding for USAID family planning programs. The appropriation cap of $385 million enacted in each of FY1997-2000 is roughly two-thirds the amount provided in FY1995.

The principal dispute over population assistance, however, goes well beyond funding issues, centering more directly on abortion-related activities of foreign recipients of USAID grants. For over 15 years, Congress has engaged in contentious debates over U.S. international family planning policy, often as part of the Foreign Operations Appropriations.

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. Moreover, Administration officials routinely said that President Clinton would veto any bills that included the House-passed Mexico City restrictions, a threat he carried out in October 1998 when he rejected legislation authorizing family planning programs that included Mexico City policy (H.R. 1757).

Unable to reach an agreement satisfactory to both sides, Congress adopted interim arrangements for FY1996-1999 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).

Under the terms of Section 599D of H.R. 3422, private foreign non-governmental and multilateral organizations must certify that they neither perform abortions or lobby to change abortion laws in foreign countries in order to receive USAID population aid grants in FY2000. Section 599D allows the President to waive the certification requirement for up to $15 million in grants to groups that would otherwise be ineligible, but with the penalty that $12.5 million of the $385 million population aid appropriation would be transferred to child health programs. The restrictions apply only to FY2000 and will expire on September 30, 2000.

One day after signing the legislation, the President exercised his waiver authority (November 30, 1999), thereby reducing FY2000 population aid funds to $372.5 million. He further instructed USAID to implement Section 599D in a way that will minimize the impact on U.S. funded family planning programs. Under agency guidelines, all non-U.S. NGOs (whether non-profit or for-profit) and multilateral organizations that are prime contractors, grantees, and cooperative agreement recipients must certify (and collect the same certification from their sub-contractors) that they will not engage in three types of activities with either USAID or non-USAID funds from the date they sign an agreement to receive FY2000 USAID population funds through September 30, 2001:

- perform abortions in a foreign country, except where the life of the mother would be endangered, or in cases of forcible rape or incest;
- violate the laws of a foreign country concerning the circumstances under which abortion is permitted, regulated, or restricted; or
- attempt to alter the laws or governmental policies concerning circumstances under which abortion is permitted, regulated, or restricted.

If an organization declines to certify, or does not return the certification form, it will be ineligible to receive FY2000 USAID population funds.

It is likely to be several more months before the full implications of the new population aid provisions can be evaluated. A key issue will be whether the $15 million in total grants allowed under the waiver authority will be sufficient to cover all foreign organizations that decline to certify regarding their involvement in abortion-related activities. Although there is great uncertainty about how many groups have not responded because they disagree with the certification terms, IPPF-London and the World Health Organization have refused. At some point, USAID will review the cases of all foreign organizations that have not responded or declined to certify, and decide how to allocate the $15 million available to such groups. At present, agency officials believe that they will not exceed the $15 million cap.

Critics of the certification requirement oppose it on several grounds. From an administrative standpoint, they say it will increase USAID costs to manage family planning programs because of the additional paperwork and delay implementation of projects. (USAID has contracted with John Snow, Inc. to track the certification process.) They further believe that family planning organizations will 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. Opponents also believe the new conditions will 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 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."

President Clinton says he will oppose any attempt to extend the abortion restrictions beyond September 30, 2000. Supporters of his position have introduced several bills that would effectively reverse the Mexico City language, by either:

- making the eligibility requirements for NGOs and multilateral organizations no more restrictive than those that apply to foreign governments (H.R. 3634 and S. 2380);

- subjecting foreign groups (concerning the use of non-USAID funding for advocacy and lobbying activities) to the same restrictions imposed on U.S. NGOs, and maintaining their eligibility so long as these groups do not engage in health or medical services in violation of the laws of the country in which they operate or which would violate U.S. law if provided here (H.R. 4211).

Supporters of the certification process are pressing for continuation of the restrictions in the FY2001 funding bill in order to further institutionalize them.

UNFPA Issues. Congress further enacted for FY2000 restrictions on U.S. contributions to the U.N. Population Fund (UNFPA). During the Reagan and Bush Administrations the United States did not support UNFPA, a policy reversed by President Clinton in 1993. At issue are UNFPA programs in China, a country where there have been continuing reports for many years of coercive family planning practices. During the mid-1990s, Congress reduced UNFPA contributions by the amount the organization spent in China, but when UNFPA ended its China program in 1997, the controversy subsided. UNFPA, however, reinstituted activities in China soon thereafter, resulting in the withholding in FY1998 of $5 million for UNFPA and the enactment for FY1999 of a total prohibition on the U.S. $25 million contribution, so long as the organization remained active in China. Congress restored the $25 million earmark for UNFPA in FY2000, but under terms that required a deduction of $3.5 million (the cost of UNFPA's program this year in China).

Coercive Family Planning Practices and Peru. A new element in the family planning issue added during the FY1999 debate emerged following reports that Peru, where USAID has population aid programs, had established national targets for tubal ligations and vasectomies There were also allegations that some Peruvian health workers may have conditioned the receipt of food and medical care on the acceptance of sterilizations. USAID maintains a policy of strict voluntarism for family planning programs it supports, and opposes the use of performance-based quota systems. The Agency says that Peru's government has instituted significant reforms in its family planning programs, including criteria that ensure voluntary informed consent. To reinforce U.S. policies opposing programs based on coercive practices or quota systems, Congress adopted for FY1999 an amendment by Representative Tiahrt that more precisely defines the term, *voluntary* family planning programs, and establishes criteria for USAID to apply regarding the voluntary nature of its population projects. These same provisions were continued in the FY2000 appropriation.[11]

Congressional action. S. 2522 earmarks $425 million for population assistance out of development assistance funding, a level, when combined with resources from other accounts, would provide about $482 million for family planning activities. This is significantly higher than for FY2000, but below the Administration's $541 million request.

On the issue of abortion conditions, section 590 of S. 2522 deletes restrictions applying to FY2000 funds, substituting language that would have the effect of restoring previous Clinton Administration policy on foreign NGOs and multilateral organization eligibility for USAID population aid grants. Specifically, the conditions stipulate that such organizations:

- shall not be subject to requirements regarding how they use non-U.S. Government funds for advocacy or lobbying activities that are more restrictive that those that apply to U.S. NGOs which receive economic aid grants; and

- shall not be ineligible for USAID grants solely on the basis of health or medical services provided with non-U.S. Government funds so long as such services do not violate the laws of the country in which they are provided or would not violate U.S. Federal law if provided in this country.

It is generally held that under the Constitution, U.S. NGOs cannot be restricted from using their own funds to advocate policy positions they support. The first new condition would essentially extend that protection to foreign NGOs and multilateral organizations. The second condition would not disqualify an organization from receiving USAID grants for performing abortions with its own money if abortion or whatever medical service it provided was legal in the country in which it operated, and that the service would be legal in the United States if performed here.

H.R. 4811 would make no change in current law, allowing the restrictions established in the FY2000 appropriations to continue. During subcommittee markup, the Foreign Operations panel rejected (7-8) an amendment by Representative Lowey to remove the abortion restrictions from the bill. A similar amendment during full Committee mark-up also failed 26-34, and, on the House floor, another amendment was rejected (Greenwood, 206-221) that would have removed the restrictions. H.R. 4811 further continues current conditions on UNFPA contributions. The bill provides $385 million for population assistance, far below the President's $542 million request. Based on reports of continuing coercive family planning practices in Peru, the House measure requires a series of new investigations and reports by USAID and its Inspector General in an effort to strengthen application of the Tiahrt amendment, not only in Peru, but in all countries where USAID maintains family planning programs.

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[11] For more information, see CRS Issue Brief IB96026, *U.S. International Population Assistance, Issues for Congress*, by Larry Nowels.

Regional Allocations of U.S. Foreign Aid

Although the Middle East has received by far the largest proportion of U.S. assistance over the past three decades — 55-60% of bilateral aid appropriated in Foreign Operations spending measures in most years— allocations to other regions have fluctuated considerably, especially since the end of the Cold War. Asia, which received substantial assistance in the 1980s associated with the presence of U.S. military bases in the Philippines, had its share drop from 16% to 4% by the late 1990s. Latin America, had its share fall from 16% to 6% following the end of conflict in Central America in the early 1990s. Africa's proportion has remained about the same — 7-9% — a development that disappointed those who argued that the world's poorest region should receive higher priority, especially with the reduction in emphasis on security assistance. U.S. aid to the emerging democracies and market-oriented economies in Eastern Europe and the former Soviet Union, where the United States had no programs prior to 1990, grew to represent over 16% of American bilateral assistance funded in the Foreign Operations bill by the end of the decade.

A number of observers, including some Members and congressional committees, believed these shifts in regional aid allocations had swung too far. This was particularly true in the cases of Asia and Latin America, given the Asian financial crises and significant U.S. interests in promoting economic development in Latin America in order to counter the trend of rising illegal immigration to the United States. Foreign Operations appropriation measures in recent years have emphasized the need to maintain or increase assistance especially to Latin America, and more recently, to the Philippines, Thailand, and Indonesia which were most directly affected by the regional economic downturn. Others argued that not enough has been reallocated to Africa to meet the region's unmet needs and to promote future U.S.-African trade opportunities.

Table 5. Regional Allocations of U.S. Aid
(In millions of dollars; % of bilateral total in Foreign Operations)

	FY1999 Actual*		**FY2000 Estimate****		**FY2001 Request**	
	$s	**% of total**	**$s**	**% of total**	**$s**	**% of total**
Africa	884	8.9%	899	7.6%	1,018	11.1%
Asia	367	3.7%	431	3.7%	568	6.2%
E. Europe/former Soviet	1,653	16.7%	1,586	13.4%	1,643	17.9%
Latin America	1,535	15.5%	1,786	15.1%	754	8.2%
Middle East	5,463	55.2%	7,103	60.2%	5,216	56.7%
Total, Bilateral Aid	9,902	100.0%	11,805	100.0%	9,199	100.0%

Source: USAID. Amounts in the this table exclude food aid funded in the Agriculture Appropriations measure.

* FY1999 includes Central America hurricane reconstruction ($613 million).
** FY2000 includes supplemental funding for Plan Colombia ($1.1 billion), Balkan aid ($50 million), and southern Africa flood relief ($25 million).

When the share of bilateral Foreign Operations funding for the Middle East exceeded 60%, some in Congress began promoting the view that there should be some limits to the amount provided. If the Administration wanted to pursue new Middle East peace initiatives using foreign aid as an implementing tool, they argued, resources should be found either within existing Middle East programs or provided on top of overall aid appropriations, rather than being taken from other regions.

Accordingly, for FY1998 Congress took steps to legislate a cap on Foreign Operations resources for the Middle East. At the initiative of Representative Callahan, Chairman of the House Foreign Operations Subcommittee, lawmakers stipulated in the FY1998 funding measure (Section 586 of P.L. 105-118) that selected Middle East nations and regional programs could not receive more than $5.4 billion of the total appropriation. For FY2000, the Middle East aid cap was lowered to $5.3 billion. Shortly after Congress initiated a Middle East aid ceiling, Israel put forth in January 1998 a plan to cut aid received from the United States over the next ten to twelve years. Under the Israeli plan, the United States would reduce economic aid by $120 million each year for about ten years, while increasing military assistance by $60 million annually. At the end of the period, Israel would be receiving an annual appropriation of $2.4 billion in military aid but no longer receiving any economic assistance. If done over a ten-year period, U.S. aid to Israel would fall $60 million each year in net terms, with a total savings of $600 million by 2009. Since FY1999, Congress has supported the $60 million net reduction of aid to Israel, also adding a similar $40 million economic aid cut for Egypt.

The President's FY2001 Foreign Operations request reflects several of these regional allocation views expressed by Congress in recent years. Highlights of the Administration's recommendations include the following.

Creation of the Development Fund for Africa Account.[12] After a 5-year absence, the President proposes to re-establish a separate Foreign Operations account for African aid and to increase bilateral funding (including economic and military assistance) by 16% over FY2000 levels. In the late 1980s, Congress and the Administration launched a joint initiative to create special legislative authority for U.S. economic aid to Africa. The Development Fund for Africa (DFA — authorized in Chapter 10 of the Foreign Assistance Act of 1961) was intended to extend more flexibility to USAID program managers and to protect aid resources for Africa from being transferred to other regions as new foreign policy crises unfolded. At its peak, the United States channeled about $800 million annually through the DFA.

Although the DFA authorization law remained in force, Congress ended the practice of a direct DFA appropriation in FY1996, funding Africa's assistance out of worldwide development aid and child survival accounts. Following President Clinton's visit to Africa in 1998, during which he pledged to restore U.S. aid to higher levels provided in previous years, the Administration proposed a direct DFA appropriation account for FY2000. Congress rejected the DFA recommendation but

[12] For more details on U.S. assistance to Africa, see CRS Issue Brief IB95052, *Africa: U.S. Foreign Assistance Issues*, by Raymond Copson.

approved sufficient development funds so that Africa's level grew from $703 million in FY1999 to $737 million estimated for FY2000.

The FY2001 request once again seeks the restoration of the DFA account, that when combined with child survival funds, would allocate $836 million to Africa, an increase of $99 million. While some of the additional assistance would support the HIV/AIDS initiative, family planning and other health activities would receive substantial increases. The request for activities financed under the Economic Support Fund, an aid account used for political and security purposes, rises by one-third over FY2000, largely for democracy and economic growth initiatives for countries in transition. Military aid would grow from about $20 million this year to $27 million, with the largest increase for stabilizing regional security situations through the promotion of democratic transition within the militaries of countries such as Nigeria, and to assist African forces participate in regional peacekeeping operations. Nigeria, which is one of the State Department's four worldwide aid "focus" countries for FY2001 (along with Ukraine, Indonesia, and Colombia) would be the largest ($81 million) African recipient of economic and military assistance (excluding food aid), followed by Uganda ($54 million), Mozambique ($47 million), and Ethiopia ($41 million).

Increased Funding for Asia. The FY2001 foreign aid budget proposes significant increases in assistance programs throughout the Asian region. The $568 million requested is nearly $137million, or 32% higher than allocations for FY2000. This follows a 17% increase this year for Asia compared with FY1999. The higher amounts would be drawn in roughly equal levels between development and ESF accounts. Of particular priority are economic growth programs aimed at helping economic recovery in southeast Asia. Indonesia, another of the Administration's four aid "focus" countries, would be by far the largest recipient of U.S. economic assistance ($130 million). Another $10 million is scheduled for East Timor. India ($72 million), Bangladesh ($69 million), and the Philippines ($45 million) follow as other leading economic aid recipients in the region. For each of these three, the FY2001 proposed allocations are roughly 50% higher than those for FY2000.

Modest Increases for Most Latin America Programs; Major Counternarcotics Initiative for Colombia. Aid allocations for Latin America surged in FY1999, largely due to the $613 million emergency relief package approved to aid the victims of Hurricane Mitch that struck Central America in late 1998. Assistance to the region increased again for FY2000 due to a $1.1 billion add-on for counternarcotics in Colombia. For FY2001, regular economic, anti-drug, and military assistance for Latin America would total $754 million. Counternarcotics aid continues to be a primary focus of assistance to Latin America, accounting for 29% of total resources in the FY2001 request.

Overshadowing continuing Latin American aid programs has been the FY2000/2001 $1.1 billion counternarcotics initiative for Colombia and other drug producing nations in the region. (Including resources requested from Defense and Justice Department budgets, "Plan Colombia," as the initiative has been labeled, totals $1.272 billion over two years.) The major, and arguably most controversial component ($600 million) of the initiative is "Push into Southern Colombia," designed to help the Colombian government extend anti-drug efforts throughout southern

Colombia where coca cultivation is expanding and where Colombian guerrillas operate. This would include training and equipping two new army counternarcotics battalions and purchasing Black Hawk and Huey helicopters to transport them. On June 29, Congress cleared for the White House (P.L. 106-246) a $1.3 billion supplemental for Colombia ($1.1 billion in Foreign Operations funds) that closely matches the President's funding request but imposes a number of policy changes and conditions on the assistance.[13]

Peru and Bolivia, each scheduled to receive $98 million in FY2001, top the list of Latin American aid recipients projected for next year. Haiti ($51 million) and Guatemala ($50 million) are also prominent aid recipients planned for FY2001. Colombia, however, has emerged in recent years as one of the main benefactors of U.S. assistance worldwide, representing the fifth largest recipient in FY1999 behind Israel, Egypt, Jordan, and Ukraine. With passage of the counternarcotics initiative, Colombia has become the third top aid recipient worldwide for FY2000.

Middle East Aid Reduced Slightly for FY2001. The President's FY2001 foreign aid request for the Middle East reduces slightly – from $5.278 billion to $5.216 billion – U.S. assistance to the region when compared with regular programs for FY2000 (excluding Wye River accord funding). This is largely the result of continuing for the third year the ten-year plan to downsize aid to Israel and Egypt. The $2.82 billion for Israel would be $60 million less than earmarked for this year, and the $1.996 billion for Egypt is $40 million below current levels.[14] Enactment for FY2000 of a one-time, $1.8 billion Wye River/Middle East peace accord aid package supporting Israel, Jordan, and the Palestinians, pushed total Middle East aid levels far higher this year. No equivalent initiative is proposed for FY2001. Palestinian assistance for next year is scheduled for $100 million, up from the FY2000 $85 million regular program.

Another element of the FY2001 Middle East recommendation concerns Egypt's request to receive part of its military assistance early in the fiscal year rather than over a much longer period of time as payments become due for defense purchases. For a number of years, Congress has directed that economic and military aid for Israel be disbursed within the first month of a new fiscal year, allowing Israel to invest the funds and earn interest prior to using the money to service debt owed to the United States and make payments on military procurements. Last year, the Administration asked Congress to allow Egypt to receive $475 million in "early disbursements," an action that would have increased Foreign Operations outlays by an equivalent amount. With extremely tight limits on outlays for FY2000, the Appropriation Committees could not accommodate the request. Instead, however, Congress added $25 million for Egypt under the Wye River aid package, an amount roughly equal to the interest Egypt would have gained from an early disbursement. For FY2001, the

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[13] For more on Plan Colombia, see CRS Report RS20451, *Colombia: Fact Sheet on U.S. Assistance and Legislation*, by Nina Serafino.

[14] Because of a 0.38% across-the-board rescission for FY2000, aid to Israel and Egypt was reduced slightly below what was earmarked in the Foreign Operations Appropriations, 2000. The cuts in aid proposed for FY2001 are actually somewhat less after deducting the FY2000 rescission amounts.

Administration is proposing a somewhat different mechanism to achieve the same purpose: that Egypt receive by October 31, 2000 (or within 30 days of enactment of the appropriation, whichever is later) the amount of military aid that OMB estimates will be disbursed to Egypt throughout FY2001. Egypt will place the funds in an interest-bearing account at the Federal Reserve, and earn about $25 to $30 million during the course of the year. The advantage of this plan from a budget standpoint is that it would not increase outlays over what is currently projected.

Table 6. Leading Recipients of U.S. Foreign Aid: FY1999 - FY2001
(Appropriation Allocations; $s in millions)

	FY1999 Actual	FY2000 Allocation	FY2001 Estimate
Israel	2,940	4,069*	2,820
Egypt	2,076	2,054*	1,996
Colombia	210	55**	296
Jordan	298	428*	229
Ukraine	212	167	180
Kosovo	80	160**	175
Russia	165	184	168
Indonesia	58	95	130
West Bank/Gaza	75	485*	100
Bolivia	91	84	99
Peru	109	83	98
Bosnia	197	101	94
Georgia	93	112	91
Nigeria	24	58	81
Armenia	81	104	76
India	45	49	73
Bangladesh	48	49	71

*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.

** Once allocated, FY2000 supplemental funds will increase amounts for these countries.

Note: Data exclude food aid, a program not appropriated in the Foreign Operations bill. With food aid included, the rank order above would change somewhat. Food aid for FY2001 includes Peru–$30 million; India–$92 million; Bangladesh–$43 million; and Bolivia–$22 million. Moreover, because of a large food aid programs, Ethiopia and Haiti would also rank among the lower 5 of this top 17 list.

Flat Budget Request for Russia and Other Former Soviet States; Increase for Kosovo. After several years of disputes between Congress and the President over proposals to sharply increase assistance to Russia and the other nations comprising the former Soviet region, the Administration's FY2001 request of $830 million for economic assistance is nearly identical to amounts allocated for this year. Distribution among recipients, however, changes somewhat from FY2000. Russia's bilateral aid would fall from $178 million to $162 million, while Ukraine, another Administration aid "focus" country, would see its assistance rise from $160 million to $171 million. U.S. assistance to Armenia and Georgia, countries which have received higher levels in the past because of congressional earmarks, would be cut in FY2001, to $75 million and $86 million, respectively. These reductions, as well as those for Russia and Moldova, would be offset by increases for most other former Soviet states, with Azerbaijan growing from $31 million to $55 million.[15]

For other former eastern bloc and European countries, the FY2001 request proposes an increase of $57 million, or 10% in economic aid, primarily to extend additional support to Kosovo, Croatia, and Montenegro. Foreign Military Financing grants would nearly double to $95 million, with levels for new NATO members Poland, Hungary, the Czech Republic rising by 50%. Partnership for Peace countries are scheduled to receive $62 million in FMF grants for FY2001, up from $33 million this year. [16]

Congressional action. S. 2522 and H.R. 4811 make several changes to the Administration's regional and country aid proposals.

Africa. Neither bill re-instates the Development Fund for Africa, as requested, but funds development programs for sub-Saharan Africa out of the worldwide development assistance and global health/child survival accounts. Because of the overall development aid funding levels, it might be expected that the Senate bill would result in Africa development aid allocations somewhere between the current $738 million level and the proposed $837 million for FY2001. The emphasis in S. 2522 on health and family planning programs, however, might lead USAID officials to allocate amounts approaching the $837 million request since some of the world's most severe health problems occur in Africa. H.R. 4811 requires that USAID allocate the same proportion of development aid to Africa that it did for FY2000, a provision that would result in somewhat higher spending for Africa in FY2001.

Asia. While it is unclear how much of the funds in S. 2522 and H.R. 4811 might be allocated for Asia, both measures include directives for specific countries and activities. Senate Appropriations Committee specified in its report and bill:

- Burma – directs that $6.5 million, as requested, be provided to Burmese exiles and refugees for education, health care, and political initiatives.

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[15] For more information, see CRS Issue Brief IB95077, *The Former Soviet Union and U.S. Foreign Assistance*, by Curt Tarnoff.

[16] For more information, see CRS Report RL30453, *Kosovo: Reconstruction and Development Assistance,* by Curt Tarnoff.

- Cambodia – recommends $20 million (up from $16.8 million requested) addressing HIV/AIDS, education, and environmental needs, but avoiding direct assistance to the central government.

- Indonesia – encourages the policies of Indonesian President Wahid, but does not propose a specific amount of assistance.

- East Timor – earmarks $25 million for reconstruction and income-generating projects, higher than the $10 million request.

The House Appropriation Committee directs USAID to place emphasis on trade and investment programs for Asia and to allocate $60 million, as requested, for such purposes in the region for FY2001.

Latin America. S. 2522 prohibits any additional assistance to the Government of Haiti included in this or any previous appropriations act, until the Secretary of State reports that Haiti has held free and fair elections to seat a new parliament. H.R. 4811 places high priority on Latin American funding levels, directing that the Administration allocate at least the same amounts in FY2001 for the region as it did for this year. The House measure also places conditions on aid to Haiti.

Middle East. Both House and Senate bills continue the 10-year phased reduction in aid to Israel and Egypt, as proposed in the FY2001 request, and support the Administration's request to allow Egypt to receive some military assistance early in the fiscal year. S. 2522 also directs that $25 million be provided for programs benefitting the Iraqi people, $15 million of which must go for food, medicine, and other humanitarian purposes.

Israel's possible $250 million sale to China of an airborne early warning aircraft became a significant issue during House Committee consideration of the appropriations measure. Because of the proposed transfer of the Phalcon airborne radar system, delivery of which was expected in October 2001, Chairman Callahan offered a provision withholding $250 million in FY2001 aid to Israel, until the Secretary of State certified that the sale was terminated or it did not pose a national security threat. The amendment was defeated (6-9). Chairman Callahan proposed the same amendment at full Committee markup, but the House panel approved a substitute amendment expressing the "sense" of Congress that the China sale could threaten both Taiwan and the United States and urged Israel to terminate the sale.[17] On July 12, Israel announced it had cancelled the sale.

Independent States of the Former Soviet Union and East Europe. S. 2522 reduces funding for the former Soviet aid account to $775 million while increasing amounts for Eastern Europe to $635 million. The likely effect of these actions will be to reduce allocations for Russia and increase amounts for Montenegro and Croatia. The Senate bill includes several country earmarks that would set funding at or above amounts proposed by the President:

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[17] For more discussion of this issue, see CRS Report RS20583, *Israel's Sale of Airborne Early Warning Aircraft System to China,* by Clyde Mark.

- Ukraine – $175 million earmark, up from the $173.5 million request.
- Armenia – $89 million earmark, up from the $75 million proposal.
- Georgia – $94 million earmark, higher than the $85.8 million request.
- Montenegro – $89 million, as proposed for FY2000/2001.
- Croatia – $60 million, nearly equal to the combined FY2000/2001 request.

For other countries, S. 2522 limits aid allocations or attaches conditions that must be met prior to distributing the funds:

- Russia – half of aid allocated to the Russian central government must be withheld until the President certifies that Russia has ended its nuclear training and technical assistance programs with Iran; further, no funds can be allocated to the Russian central government until the Secretary of State certifies that the Russian government is cooperating with international investigations of alleged war crimes in Chechnya and is permitting aid organizations full access to refugees and displaced persons in Chechnya. A floor amendment (Helms), waivable on national security grounds, would reduce aid to the central government by the amount of loans it provides to Serbia, and another (Smith, NH) expresses the "sense" of Congress that the President instruct U.S. representatives to the international financial institutions to oppose future loans if Russia delivers SS-N-22 missiles to China. S. 2522 further earmarks $10 million for NGOs providing humanitarian aid in Chechnya and Ingushetia.

- Kosovo – no assistance can be made available for Kosovo until the Secretary of State certifies that U.S. obligations and expenditures of funds do not exceed 15% of total amounts from all donors.

- Bosnia – limits to $75 million ($90 million requested) FY2001 assistance.

H.R. 4811 would provide $740 million for the former Soviet Union and $535 million for East Europe. The bill would allow an additional $50 million in foreign currency to be used for assistance programs. No former Soviet country could receive more than 25% of the account, and Georgia and Armenia would each receive $92.5 million. Aid to the central government of Russia would be subject to a number of conditions, including the FY2000 language on the transfer of nuclear technology to Iran. Aid to Kosovo, as was the case in FY2000, would be limited to 15% of pledges and $150 million.

Debt Reduction Initiatives for Poor Countries[18]

Providing debt relief to poor developing nations that borrowed in the past from the United States, other creditor governments, and international financial institutions emerged as one of the key foreign aid issues in 1999 and continues as a White House priority this year. At the Cologne Summit in June 1999, G-7 leaders endorsed a

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[18] For more extensive analysis of debt relief issues, see CRS Report RL30214, *Debt Reduction: Initiatives for the Most Heavily Indebted Poor Countries*, by Larry Nowels; and CRS Report RL30449, *Debt and Developing in Poor Countries: Rethinking Policy Responses*, by J. F. Hornbeck.

substantial expansion of the Heavily Indebted Poor Country (HIPC) Initiative largely along the lines of policy changes recommended by the United States and Britain. The World Bank and IMF, institutions that manage HIPC debt relief, adopted these enhancements in September. In late 1999, Congress approved some of the legislation requested by the Administration for full U.S. participation in HIPC, but left several matters incomplete, primarily those associated with the cancellation of multilateral debts. This year, the White House seeks congressional approval for authorizing and appropriating issues left over from 1999.

For the past decade, the United States has engaged in various forms of debt relief for developing nations, resulting in the cancellation of about $14.7 billion of foreign debt. Much of it — $10.1 billion — resulted from special cases involving key U.S. national interests: for Egypt in 1990 ($7 billion), for Poland in 1991 ($2.5 billion), and for Jordan in 1995 ($635 million). U.S. debt reduction policy for other nations based strictly on need has been guided by the principle that eligible countries must have demonstrated a strong and sustained commitment to economic policy reforms prior to receiving debt relief. Under budget rules instituted in 1992, Congress has had to appropriate funds in advance representing the costs of canceling debt. The cost determination methodology is based on a complicated formula that takes into account among other things, the loan's net present value, its interest rate, and the likelihood the loan will be repaid. For especially poor countries with particularly large debt overhangs, the appropriation requirement may be quite small relative to the loan's face value — perhaps 10% or less.

When it was introduced in 1996, HIPC was hailed as the first arrangement that included relief from debts owed to the World Bank, the IMF, and other international institutions, organizations that hold over 25% of debt owed by the most heavily indebted nations. Previously, multilateral organizations had declined to participate in debt cancellation, arguing that it would increase their costs of raising new money to lend, expenses that would have to be passed on to borrowers. Forty-one countries — mostly in Africa — are eligible for HIPC, although only those determined to have "unsustainable" debt would qualify for HIPC terms.

The initial HIPC framework came under heavy criticism in early 1999, especially among non-governmental organizations and religious groups working in developing countries. They 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. Some critics opposed the economic reform requirements and argued for unconditional debt reduction. A number of organizations further advocated instituting mechanisms that would ensure that savings realized by debtor governments would be channeled into spending on basic services, such as health and education, that would improve the quality of life of the very poor. Many of these arguments were reflected in legislative initiatives launched in 1999, including H.R. 1095 (Debt Relief Poverty Reduction Act of 1999), H.R. 772 (Hope for Africa Act), H.R. 2232 (Debt Relief and Development in Africa Act of 1999), and S. 1690 (Debt Relief for Poor Countries Act of 1999). Complicating the expansion of HIPC and enactment of these bills, however, was the large additional costs that would be associated with efforts to broaden, deepen, and accelerate HIPC or U.S. bilateral debt reduction policies.

Following agreement to expand HIPC and insert a strong poverty reduction requirement, President Clinton amended in September 1999 his pending FY2000 foreign aid request, increasing debt relief from $120 million to nearly $1 billion over four years. Congress agreed to $123 million for bilateral debt cancellation at the Paris Club in 2000 but rejected the $600 million proposed for HIPC Trust Fund contributions, FY2000-FY2003 (H.R. 3422, as incorporated into P.L. 106-113).[19] The President had also asked Congress to allow the United States to support an IMF plan to draw on resources in a contingency fund and to re-value some of its gold holdings at current prices through an off-market gold sale that would allow the IMF to cancel HIPC debts owed to the Fund.[20] Congress authorized the use of the contingency fund but placed a restriction that the IMF could only use 9/14ths of the gold transaction "profits" for HIPC debt relief (H.R. 3425, as incorporated into P.L. 106-113).

Legislative Issues in 2000. The Administration is asking Congress this year to approve items carried over from last year:

- HIPC Trust Fund $210 million contribution as an FY2000 supplemental appropriation;
- HIPC bilateral and multilateral debt relief request of $262 million for FY2001;
- HIPC bilateral and multilateral debt relief advance appropriation (FY2002/2003) of $375 million;
- Authorization for the U.S. to participate in the HIPC Trust Fund; and
- Authorization permitting the U.S. to support the full use of the IMF of gold transaction profits for debt relief.

Administration officials are especially concerned about appropriations for the HIPC Trust Fund contribution. They argue that the absence of a U.S. payment has convinced other creditor governments to hold back their own pledges until the U.S.

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[19] The HIPC Initiative has two major components: cancellation of bilateral debt owed to the United States and other creditor governments, and reduction of debt owed to the World Bank, the IMF, and other regional IFIs. Creditor governments cover their own expenses individually for the forgiveness of bilateral debt at the Paris Club, an informal arena for negotiating debt reschedulings and reduction of publically held loans. To finance the cancellation of multilateral debts, the World Bank and IMF created the HIPC Trust Fund into which IFIs and aid donor governments would deposit contributions. The Bank and the Fund will cover their own costs, but other IFIs – especially the African Development Bank – do not have enough resources to cover the losses of cancelled loan repayments. Donor governments have agreed to to make up the gap for those IFIs with insufficient funds.

[20] The actual process by which the gold is re-valued involves several steps. First, the gold, which is carried on the IMF books at the original price of $48 per ounce, would be purchased at current market value (over $270 per ounce) by a member country about to make a large payment on an IMF loan. After buying the gold, the country immediately makes its loan payment to the IMF, but in gold that it just purchased, rather than hard currency. The IMF invests the "profits" of its gold transaction in a security instrument and uses the earned interest to pay for the costs of canceling HIPC debt over a 20 year period.

acts. They further contend that while most of the existing Trust Fund pledges are earmarked for African nations that will be among the earliest qualifiers, resources for Latin American debt relief – for Bolivia and Honduras – are not available. Without a U.S. contribution, they say, a debt workout for Bolivia has been delayed because of inadequate resources. Critics of multilateral debt relief, including some in Congress, argue, however, that before the U.S. contributes to the Trust Fund, multilateral institutions should agree to suspend for a period of time new lending to HIPC countries once they receive debt relief so that they do not return to a severely indebted state.

Congressional Action. Prior to consideration of the FY2001 Foreign Operations spending measure, lawmakers dealt with other aspects of the HIPC requests. In the FY2000 supplemental appropriation (H.R. 4425), Congress rejected the President's request for the HIPC Trust Fund. Supporting other Administration requests, however, the Senate Foreign Relations Committee reported on April 7 legislation (S. 2382) authorizing U.S. participation in the HIPC Trust Fund and U.S. approval of the entire IMF off-market gold same mechanism. That bill, which was subsequently referred to the Senate Banking Committee, has not received full Senate consideration.

S. 2522 provides $75 million in debt reduction for FY2001, far below the combined FY2000/2001 requests for $472 million. The legislation permits the Administration to use the resources for either bilateral debt relief or contributions to the HIPC Trust Fund. Because several HIPC countries are nearing consideration for HIPC eligibility, it is possible that reduced funding for debt relief in S. 2522 would result in delays for debt workout negotiations.

H.R. 4811 provides $238 million for debt reduction. The House Appropriations Committee bill had provided $82.4 million for debt reduction, well under the Administration's request. During floor debate, however, the House adopted an amendment (Waters, 216-211) that increases the debt relief allocation by $155.6 million. As reported by the Committee, however, H.R. 4811 requires that before any U.S. contribution to the HIPC Trust Fund, the Administration must report to Congress that the HIPC beneficiary country will not receive any new market-rate loans from international financial institutions for 30 months or concessional loans for 9 months. The Administration opposes these limitations. The House Committee expressed support for economic reforms undertaken by Bolivia and Mozambique, and its expectation that all of the debt reduction funds for HIPC would go to these two countries. The House measure further indicates that $13 million of the debt reduction appropriation is reserved for the Tropical Forestry debt initiative.

For Additional Reading

Foreign Operations Programs

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

CRS Issue Brief IB96008. *Multilateral Development Banks: Issues for the 106th Congress*, by Jonathan Sanford.

CRS Issue Brief IB86116. *U.N. System Funding*, by Vita Bite.

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

Foreign Operations Country/Regional Issues

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

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

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

CRS Issue Brief IB91141. *North Korea's Nuclear Weapons Program*, by Larry Niksch.

Selected World Wide Web Sites

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

CRS Foreign Affairs, Defense and Trade Division
[http://www.loc.gov/crs/foreign/fandpage.html]

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

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

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

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 7. Foreign Operations Appropriations: Discretionary Budget Authority

(millions of dollars)

Program	FY2000 Enacted[a]	FY2001 Request	Senate FY2001	House FY2001	FY2001 Enacted
Title I - Export and Investment Assistance:					
Export-Import Bank	799.00	1,011.0	811.0	782.5	–
Overseas Private Investment Corp.	(244.0)	(220.0)	(221.0)	(222.0)	–
Trade & Development Agency	44.0	54.0	46.0	46.0	–
Total, Title I - Export Aid	**599.0**	**845.0**	**636.0**	**606.5**	–
Title II - Bilateral Economic:					
Development Assistance:[b]					
Child Survival/Disease/UNICEF	727.5	769.3	–	886.0	–
Development Asst Fund	1,215.5	984.8	1,478.3	1,258.0	–
Development Fund for Africa	[512.5][d]	532.9[d]	–	–	–
Global Health	–	–	691.0	–	–
Subtotal	**1,943.0**	**2,337.0**	**2,169.3**	**2,144.0**	–
Of which:					
UNICEF	*[110.0]*	*[110.0]*	*[110.0]*	*[110.0]*	–
Population aid	*[372.5]*	*[484.0]*	*[425.0]*	*[385.0]*	–
HIV/AIDS	*[175.0]*	*[244.0]*	*[255.0]*	*[254.0]*	–
GAVI contribution	–	*[50.0]*	*[50.0]*	[37.5]	–
Inter-American Foundation	*[5.0]*	*[20.0]*	–	*[10.0]*	–
African Development Foundation	*[14.4]*	*[16.0]*	*[14.4]*	*[16.0]*	–
International Disaster Aid	202.9	220.0	220.0	165.0	–
Southern Africa floods supplemental	25.0	–	–	–	–
Transition Initiatives	[40.5][e]	[55.0][e]	–[e]	40.0	–
Development Credit Programs	8.5	8.0	4.0	10.0	–
Subtotal, Development Aid	**2,179.4**	**2,565.0**	**2,393.3**	**2,359.0**	–
USAID Operating Expenses	520.0	520.0	510.0	509.0	–
USAID Inspector General	25.0	27.0	25.0	27.0	–
Economic Support Fund (ESF)	2,345.5	2,313.0	2,220.0	2,208.9	–
ESF-Wye River Accord[d]	450.0	–	–	–	–
International Fund for Ireland	19.6	[19.6][f]	–[f]	25.0	–
East Europe	535.0[a]	610.0	635.0	535.0	–
Kosovo/Balkans supplemental aid	50.0	–	–	–	–
Former Soviet Union (IS/FSU)	839.0	830.0	775.0	740.0	–
Debt reduction	123.0	262.0	75.0	238.0	–
Treasury Dept. technical asst	1.5	7.0	5.0	2.0	–
U.S. Community Adjustment Credits	10.0	10.0	0.0	0.0	–
Peace Corps	245.0	275.0	244.0	258.0	–
International Narcotics	305.0	312.0	220.0	305.0	–

Program	FY2000 Enacted[a]	FY2001 Request	Senate FY2001	House FY2001	FY2001 Enacted
Intl Narcotics – Plan Colombia	1,093.5[a]	256.0	—[a]	0.0[a]	–
Migration & refugee asst	625.0	658.2	615.0	645.0	–
Emergency Refugee Fund (ERMA)	12.5	20.0	15.0	12.5	–
Non-Proliferation/anti-terrorism	216.6	352.7	215.0	241.6	–
Total, Title II- Bilateral Economic	**9,595.6**	**9,017.9**	**7,947.3**	**8,106.0**	–
Title III - Military Assistance:					
Intl Military Education & Training	50.0	55.0	55.0	47.3	–
Foreign Mil Financing (FMF) grants	3,420.0	3,538.2	3,519.0	3,268.0	–
FMF-Wye River Accord [d]	1,375.0	–	–	–	–
Special Defense Acquisition Fund	(6.0)	–	–	–	–
Peacekeeping Operations	153.0	134.0	85.0	117.9	–
FMF loans rescission	–	(18.2)	–	–	
Total, Title III-Military Aid	**4,992.0**	**3,709.0**	**3,659.0**	**3,433.2**	–
Title IV - Multilateral Economic Aid:					
World Bank-Intl Development Assn	775.0	835.6	750.0	566.6	–
World Bank-Environment Facility	35.8	175.6	50.0	35.8	–
World Bank-Mult Invst Guaranty Ag	4.0	16.0	4.0	4.9	–
Inter-American Development Bank	41.6	59.9	10.0	18.0	–
Asian Development Bank	90.7	125.0	100.0	72.0	–
African Development Fund	128.0	100.0	72.0	72.0	–
African Development Bank	4.1	6.1	6.1	3.1	–
European Bank for R & D	35.8	35.8	35.8	35.8	–
Intl Organizations & Programs	183.0	196.0[g]	178.0[g]	188.0[h]	–
Total, Title IV - Multilateral	**1,302.0**	**1,550.0**	**1,205.9**	**996.2**	–
Title VI - Southern Africa Rehab	**–**	**200.0[j]**	**–**	**160.0[j]**	
TOTAL, Foreign Operations App[i]	**16,488.6**	**15,121.9**	**13,424.2**	**13,141.9**	–
TOTAL, without FY00 Supps.	**13,495.1**	**15,121.9**	**13,424.2**	**13,141.9**	–

a. FY2000 enacted includes $1.1 billion in supplemental FY2000 Foreign Operations funds enacted in P.L. 106-246 (H.R. 4425).

b. The account structure for development aid differs among versions of the bill. This table shows a consistent and comparable account structure based on the conference agreement for development aid, FY2000. For the Administration's request, this means adding amounts to development aid for the Inter-American and African Development Foundations, GAVI, and UNICEF, which are requested in other accounts. For the Senate it means the addition of $110 million for UNICEF which S. 2522 funds under the Int'l Organizations account in title IV.

c. For FY2001, the Administration requests a separate account under development aid for Africa (the Development Fund for Africa, or DFA). Africa aid is also proposed within the Child Survival account. The total amount requested for Africa — DFA plus Africa/Child Survival — is $837 million. This compares to $738 million appropriated for Africa in FY2000 within the Child Survival and Development Assistance Fund accounts.

d. Congress approved for FY2000 a one-time supplemental ESF ($450 million) and FMF ($1.375 billion) package supporting the Wye River/Middle East peace accord with aid for Israel, Jordan, and the Palestinians.

e. Transition Initiative funds included in Disaster Assistance account for FY2000 and Senate FY2001 bill.

f. The Administration request and S. 2522 includes the Ireland Fund as part of the Economic Support Fund.

g For comparative purposes and to conform to the account structure enacted for FY2000, UNICEF funds ($110 million) have been deducted here and added in the development aid subtotal in title II. The Administration's $50 million FY2001 request for GAVI has also been shifted from here to title II, as proposed by the Senate.

h. Includes $5 million provided to IFAD. The House bill establishes IFAD as a separate account.

i. Pursuant to sequestration requirements in P.L. 106-113, the amounts for FY2000 are reduced by $19 million.

j. Southern Africa rehabilitation and reconstruction is requested, and approved in the House bill, as an FY2000 emergency supplemental appropriation. It is not included in the totals for FY2001.