

# CRS Report for Congress

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## **Foreign Operations (House)/State, Foreign Operations, and Related Programs (Senate): FY2007 Appropriations**

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The annual consideration of appropriations bills (regular, continuing, and supplemental) by Congress is part of a complex set of budget processes that also encompasses the consideration of budget resolutions, revenue and debt-limit legislation, other spending measures, and reconciliation bills. In addition, the operation of programs and the spending of appropriated funds are subject to constraints established in authorizing statutes. Congressional action on the budget for a fiscal year usually begins following the submission of the President's budget at the beginning of the session. Congressional practices governing the consideration of appropriations and other budgetary measures are rooted in the Constitution, the standing rules of the House and Senate, and statutes, such as the Congressional Budget and Impoundment Control Act of 1974.

This report is a guide to one of the regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the House Subcommittee on Foreign Operations and the Senate Subcommittee on State, Foreign Operations, and Related Programs. It summarizes the status of the bill, its scope, major issues, funding levels, and related congressional activity, and is updated as events warrant. The report lists the key CRS staff relevant to the issues covered and related CRS products.

**NOTE: A Web version of this document with active links is available to congressional staff at [\[http://beta.crs.gov/cli/level\\_2.aspx?PRDS\\_CLI\\_ITEM\\_ID=73\]](http://beta.crs.gov/cli/level_2.aspx?PRDS_CLI_ITEM_ID=73).**

# Foreign Operations (House)/State, Foreign Operations, and Related Programs (Senate): FY2007 Appropriations

## Summary

The annual Foreign Operations appropriations bill in the House, and the State, Foreign Operations measure in the Senate are the primary legislative vehicles through which Congress reviews the U.S. international affairs budgets and influences executive branch foreign policy making generally. They contain the largest shares — the House bill, about two-thirds; the Senate bill, about 97% — of total U.S. international affairs spending.

Due to subcommittee structural differences between the House and Senate, the House Appropriations Committee considers the Foreign Operations request separate from the State Department budget, with the latter falling under the jurisdiction of the Science, State, Justice, and Commerce (SSJC) Subcommittee. The Senate Appropriations Committee, however, combines Foreign Operations and State Department funding requests.

Funding for Foreign Operations and State Department/Broadcasting programs has been rising for six consecutive years, and amounts approved in FY2004 reached an unprecedented level compared with the past 40 years. Emergency supplementals enacted since the September 11, 2001 terrorist attacks to assist the front line states in the war on terrorism, Afghanistan and Iraq reconstruction, and for State Department operations and security upgrades have pushed spending upward.

Major issues confronting Congress in considering the Foreign Operations and State Department/Broadcasting appropriations request for FY2007 include:

- The overall size of the Foreign Operations request — a 14.4% increase over regular FY2006 Foreign Operations funds;
- Proposed cuts in spending on core bilateral development assistance and programs in Latin America;
- A 71% increase in appropriations for the Millennium Challenge Account; and
- Secretary Rice's Transformational Diplomacy initiative for the State Department which calls for repositioning American diplomats, creating regional public diplomacy centers, localizing small posts outside foreign capitals, training in new skills and languages, and fostering working relationships with the Defense Department and other federal agencies.

On May 25, 2006, the House Appropriations Committee recommended a \$21.3 billion Foreign Operations spending measure, \$597 million larger than current FY2006 levels, but nearly \$2.4 billion less than the request. This report will be updated to reflect congressional action on the appropriations measure.

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# Foreign Operations (House)/State, Foreign Operations, and Related Programs (Senate): FY2007 Appropriations

## Most Recent Developments

On May 25, 2006, the House Appropriations Committee recommended a \$21.3 billion FY2007 Foreign Operations spending measure. The approved level is \$573 million, or 2.8%, higher than regular FY2006 funding (excluding supplementals), but \$2.387 billion, or 11.2%, below the President's \$23.69 billion request.

The recommendation, which is expected to be debated by the full House in June, includes full funding (\$3.43 billion) for HIV/AIDS, but more than doubles the amount requested for the Global Fund to Fight AIDS, Tuberculosis, and Malaria. The legislation further creates a new account — the Trade Capacity Enhancement Fund — consolidating resources from multiple accounts that support trade capacity building efforts. The recommendation also proposes full or near-full funding for several fragile and post-conflict states of Afghanistan, Haiti, Liberia, and Sudan, and provides \$522 million for Iraq, about \$150 million less than requested. The measure includes \$2 billion for the Millennium Challenge Corporation (MCC), \$1 billion less than requested. During the full committee markup, Representative Obey offered an amendment to reduce U.S. military assistance to Egypt pending political and human rights reforms. The amendment was defeated by voice vote.

Meanwhile, Congress is considering an FY2006 emergency supplemental measure (H.R. 4939) that includes over \$2 billion in additional Foreign Operations appropriations for this year. The conferees did not reach agreement prior to the Memorial Day break, and final consideration of the conference report has been put off until Congress returns.

## Introduction

Amounts appropriated for Foreign Operations programs and for the Department of State and related agencies comprise about 96% of the total International Affairs budget and represent roughly 3.6% of discretionary budget authority under the jurisdiction of House and Senate Appropriations Committees.

At the beginning of the 109<sup>th</sup> Congress, House and Senate Committees on Appropriations reorganized their subcommittee structures. The House panel reduced the number of subcommittees to ten and reconfigured several of their jurisdictions. These changes, however, do not affect the previous organizations for Foreign

Operations and State Department/Broadcasting programs. The jurisdiction of the House Foreign Operations Committee remains the same, while State Department, Broadcasting, and related activities continue to be funded within the re-titled Subcommittee on Science, State, Justice, Commerce, and Related Agencies (SSJC).

The Senate Appropriations Committee chose to restructure its subcommittees differently from the House by maintaining twelve sub-panels. The Senate configuration combined Foreign Operations with the State Department, Broadcasting, and related agencies, creating a re-titled Subcommittee on State, Foreign Operations and Related Programs. After passing separate and structurally different bills in 2005, House and Senate leaders agreed that for FY2006 funding measures, conference consideration would follow the House organization. Consequently, State Department funds were removed from the Senate-passed legislation (H.R. 3057) and incorporated into H.R. 2862, the SSJC measure.<sup>1</sup> For the 2<sup>nd</sup> session of the 109<sup>th</sup> Congress, the House and Senate Appropriations Committees are maintaining the same jurisdiction structure as last year — House Foreign Operations and Senate State/Foreign Operations. It is expected, however, that when the Committees meet later in 2006 to resolve differences between House and Senate bills, conferees will follow the Senate appropriations bill structure and consider Foreign Operations and State Department spending levels in a single bill.

This report covers funding and policy issues related to Foreign Operations, as addressed in the House and Senate, and State Department programs as debated in the Senate. The discussion and accompanying tables are designed to track the House Foreign Operations Appropriation measure, as well as the broader Senate State, Foreign Operations spending bill.

## Foreign Operations Overview

Foreign Operations, the larger of the two components with a request of \$23.72 billion for FY2007, is the primary legislative vehicle through which Congress reviews and votes on the U.S. foreign assistance budget and influences major aspects of executive branch foreign policy-making generally.<sup>2</sup>

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

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<sup>1</sup> H.R. 3057, enacted as P.L. 109-102, November 14, 2005; H.R. 2862, enacted as P.L. 109-108, November 22, 2005.

<sup>2</sup> Although the Foreign Operations appropriations bill is often characterized as the “foreign aid” spending measure, it does not include funding for all foreign aid programs. Food aid, an international humanitarian aid program administered under the P.L. 480 program, is appropriated in the Agriculture appropriations bill. Foreign Operations also include funds for the Export-Import Bank, an activity that is regarded as a trade promotion program, rather than foreign aid. In recent years, funding for food aid has run somewhat higher than for the Eximbank, so Foreign Operations is slightly smaller than the official foreign aid budget. Nevertheless, throughout this report, the terms Foreign Operations and foreign aid are used interchangeably.



Corps and the Inter-American and African Development Foundations. Foreign Operations also includes resources for the two newest Administration initiatives: the Millennium Challenge Corporation (MCC) and the Global AIDS Initiative managed by the State Department's HIV/AIDS Coordinator. Most humanitarian aid activities are funded within Foreign Operations, including USAID's disaster/famine program and the State Department's refugee relief office. 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 countries of strategic importance to the United States is part of the Foreign Operations spending measure, programs primarily administered by the State Department, in conjunction with USAID and the Department of Defense. Foreign Operations appropriations also fund reconstruction programs in Afghanistan and Iraq. 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 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.

## **State Department/Broadcasting Overview**

Budgets for the Department of State, including embassy construction and security and public diplomacy, are within the State Department and related programs title of the Science, State, Justice, and Commerce (SSJC) appropriations in the House and the State, Foreign Operations measure in the Senate. This title, for which the Administration requests \$10.09 billion in FY2007, also funds the Broadcasting Board of Governors (BBG), and U.S. assessed contributions to United Nations (U.N.), International Organizations, and U.N. Peacekeeping. State Department and related programs further include funding for the Asia Foundation, the National Endowment for Democracy, and several other small educational and exchange organizations. This title also appropriates resources for international commissions, and under the Senate bill structure, it includes the U.S. Institute for Peace and several foreign policy-related commissions.

## **Related Foreign Policy Authorization Measures**

Intertwined with both Foreign Operations and State Department appropriations are foreign policy authorization bills that, by law, Congress must pass in advance of spending by the State Department, USAID, or other agencies managing appropriated foreign policy appropriations. When Congress does not pass these authorization measures, as has been the case thus far in the 109<sup>th</sup> Congress, the appropriation bills must waive authorization requirements for foreign policy agencies and programs to continue to function.<sup>3</sup> In some cases, this results in the attachment of foreign affairs

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<sup>3</sup> For details on foreign relations authorization legislation from the 109<sup>th</sup> Congress, see CRS (continued...)

authorizing provisions to Foreign Operations and State Department appropriation measures, adding increased importance to the appropriation bills in terms of both funding and setting policy priorities for U.S. foreign policy.

This has been the situation especially for Foreign Operations. For two decades, the Foreign Operations appropriations bill has been the principal legislative vehicle for congressional oversight of foreign affairs and for congressional involvement in foreign policy making. Congress has not enacted a comprehensive foreign aid authorization bill since 1985, leaving most foreign assistance programs without regular authorizations originating from the legislative oversight committees.<sup>4</sup> As a result, Foreign Operations spending measures developed by the appropriations committees increasingly have expanded their scope beyond spending issues and played a major role in shaping, authorizing, and guiding both executive and congressional foreign aid and broader foreign policy initiatives. It has been largely through Foreign Operations appropriations that the United States has modified aid policy and resource allocation priorities since the end of the Cold War. The legislation has also been the channel through which the President has utilized foreign aid as a tool in the war on terrorism since the attacks of September 11, 2001, and launched Afghan and Iraqi reconstruction operations.

These appropriations measures have also been a key instrument by which Congress applies restrictions and conditions on the Administration's management of foreign assistance, actions that have frequently resulted in executive-legislative clashes over presidential prerogatives in foreign policy making.

## **Key Foreign Operations/State Department Funding Issues for FY2007**

While appropriation bills funding foreign aid, State Department operations, embassy construction, public diplomacy, and contributions to international organizations can address the entire range of U.S. foreign policy issues, the FY2007 budget request poses several key matters that the 109<sup>th</sup> Congress is likely to examine closely and debate. For Foreign Operations programs, major issues include:

- The overall size of the request — a 14.3% increase over regular FY2006 Foreign Operations funds — and whether competing budget proposals for domestic programs and efforts to reduce the deficit will permit full funding of the \$23.72 billion recommendation.

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<sup>3</sup> (...continued)

Report RL33000, *Foreign Relations Authorization, FY2006 and FY2007: An Overview*, by Susan B. Epstein.

<sup>4</sup> Although Congress has not approved a broad, comprehensive foreign aid authorization, individual foreign aid components have been authorized, including legislation for the Millennium Challenge Account, the President's HIV/AIDS initiative, Afghanistan reconstruction, assistance for the former Soviet states (Freedom Support Act) and Eastern Europe (SEED Act), microenterprise programs, and the Peace Corps.

- Foreign aid in support of the global war on terror and whether the FY2007 proposal fully addresses this high national security priority. Congress will likely focus on reconstruction and other aid in Iraq for which the Administration seeks \$771 million. This is in addition to a pending \$1.6 billion FY2006 emergency supplemental proposal for Iraq.
- The Millennium Challenge Account and whether progress thus far on this new, innovative foreign aid program justifies a 71% funding increase to \$3 billion in FY2007.
- Global health funding, especially amounts for HIV/AIDS, a new Presidential Malaria Initiative, and avian flu, and whether reductions for other health activities are warranted.
- “Core” bilateral development aid programs and whether proposed funding reductions for some activities are justified, especially given the large increases for MCA and HIV/AIDS programs.
- The creation of the new Director of Foreign Assistance within the State Department, announced in early 2006, and whether the change will result in better coordination and policy coherence of various U.S. foreign aid programs.

On State Department operations, key policy and funding issues include:

- Transformational Diplomacy: the FY2007 request includes \$102.8 million to begin implementing Secretary Rice’s vision of U.S. diplomacy in the 21<sup>st</sup> Century, providing funds for repositioning American diplomats, creating regional public diplomacy centers, localizing small posts outside foreign capitals, training in new skills and languages, and fostering working relationships with the Defense Department and other federal agencies.
- Public Diplomacy: educational and cultural exchange funds increase in the FY2007 request by 11% and broadcasting operations by 4%.

## Status

**Table 1. House Status of Foreign Operations, FY2007**

Subcomm. Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conf. Report Approval		Public Law
House	Senate						House	Senate	
5/19		5/25							

**Table 2. Senate Status of State, Foreign Operations, FY2007**

Subcomm. Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conf. Report Approval		Public Law
House	Senate						House	Senate	

**Note:** Because House and Senate bills do not contain the same program structure, as discussed above, the status of House and Senate action is tracked using two separate tables.

## Foreign Operations and State Department Policy Trends and Goals

Arguably, from the end of World War II until the early 1990s, the underlying rationale for foreign aid and diplomatic efforts was the defeat of communism. U.S. aid programs were designed to promote economic development and policy reforms, in large part to create stability and reduce the attraction to communist ideology and to block Soviet diplomatic links and military advances. Other security assistance activities provided defense equipment and training to American allies and friendly states, some of which faced Soviet or Soviet-proxy threats. Aid programs also were used to help the United States gain access to military bases around the world in order to forward deploy American armed forces. Diplomacy emphasized strengthening alliances and building coalitions to isolate and confront the Soviet threat.

Foreign aid and diplomatic programs also supported a number of secondary U.S. policy goals in the developing world, such as reducing high rates of population growth, promoting wider access to health care, expanding the availability of basic education, advancing U.S. trade interests, and protecting the environment. If these secondary goals were also achieved, U.S. aid programs could be promoted as delivering “more bang for the buck.”

With the end of the Cold War, the focus of American foreign policy shifted to support more extensively other U.S. national interests, including stopping the proliferation of weapons of mass destruction, curbing the production and trafficking

of illegal drugs, expanding peace efforts in the Middle East, seeking solutions to conflicts around the globe, protecting human rights and religious freedom, and countering trafficking in persons.

## Foreign Aid Policy Shifts

Foreign assistance, in particular, underwent significant changes during the 1990s. The United States launched expansive aid programs in Russia and many eastern-bloc states. While these and other new elements of American foreign aid emerged, no broad consensus developed over what the new overarching rationale for U.S. aid programs should be. Throughout the 1990s, policymakers and Congress explored a number of alternative strategic frameworks around which to construct a revised foreign assistance policy rationale. Not only did a policy consensus fail to emerge, but repeated efforts to overhaul the largely Cold War-based foreign aid legislation also did not succeed.

During this period, the Clinton Administration emphasized the promotion of “sustainable development” as the new, post-Cold War, main strategy of those parts of the foreign aid program under the aegis of USAID. Economic assistance supported six inter-related goals: achievement of broad-based economic growth; development of democratic systems; stabilization of world population and protection of human health; sustainable management of the environment; building human capacity through education and training; and meeting humanitarian needs.

Early in the Bush Administration these goals were modified around three “strategic pillars” of: 1) economic growth, agriculture, and trade; 2) global health; and 3) democracy, conflict prevention, and humanitarian assistance. More recently, a USAID White Paper on American foreign aid identified five “core” operational goals of U.S. foreign assistance:

- Promoting transformational development, especially in the areas of governance, institutional capacity, and economic restructuring;
- Strengthening fragile states;
- Providing humanitarian assistance;
- Supporting U.S. geostrategic interests, particularly in countries such as Iraq, Afghanistan, Pakistan, Jordan, Egypt, and Israel; and
- Mitigating global and international ills, including HIV/AIDS.<sup>5</sup>

## Impact of the September 11 Terrorist Attacks

The most defining change in U.S. foreign policy, however, came following the September 11, 2001, terrorist attacks in the United States. Since 9/11, American foreign aid and diplomatic efforts have taken on a more strategic sense of importance and have been cast frequently in terms of contributing to the war on terrorism. In September 2002, President Bush released his Administration’s National Security Strategy that established global development, for the first time, as the third “pillar”

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<sup>5</sup> U.S. Agency for International Development. *U.S. Foreign Aid: Meeting the Challenges of the Twenty-First Century*. January 2004.

of U.S. national security, along with defense and diplomacy.<sup>6</sup> Also in 2002, executive branch foreign assistance budget justifications began to underscore the war on terrorism as the top foreign aid priority, highlighting amounts of U.S. assistance to 28 “front-line” states in the terrorism war — countries that cooperated with the United States in the war on terrorism or faced terrorist threats themselves.<sup>7</sup> The substantial reconstruction programs in Afghanistan and Iraq — which totaled more in FY2004 than the combined budgets of all other aid programs — are also part of the emphasis on using foreign aid to combat terrorism. State Department efforts focused extensively on building coalitions to assist in the war on terror and finding new and more effective ways of presenting American views and culture through public diplomacy.

At roughly the same time that fighting terrorism became the leading concern of U.S. foreign policy, the Bush Administration announced other significant initiatives that have defined and strengthened two additional key foreign assistance goals: promoting economic growth and reducing poverty, and combating the global HIV/AIDS pandemic. The Millennium Challenge Corporation (MCC) is a new aid delivery concept, proposed by President Bush in March 2002 and authorized by Congress and established in early 2004 by P.L. 108-199, that is intended to concentrate significantly higher amounts of U.S. resources in a few low- and low-middle income countries that have demonstrated a strong commitment to political, economic, and social reforms. If fully funded to its proposed level, \$5 billion will be available annually to support these “best development performers” in order to accelerate economic growth and lower the number of people living in absolute poverty.

Addressing global health problems has also become a core U.S. aid objective in recent years. Congress created a separate appropriation account for Child Survival and Health activities in the mid-1990s and increased funding for international HIV/AIDS and other infectious disease programs. President Bush’s announcement at his 2003 State of the Union message of a five-year, \$15 billion effort to combat AIDS, malaria, and tuberculosis has added greater emphasis to this primary foreign assistance objective. Subsequently, the President launched a new initiative in mid-2005 aimed specifically at malaria (President’s Malaria Initiative, PMI), pledging \$1.2 billion in more resources through 2010.

Beyond these recently emerging foreign policy goals, other prominent objectives that have continued since the early 1990s have included supporting peace in the Middle East through assistance to Israel, Egypt, Jordan, and the Palestinians; fostering democratization and stability for countries in crisis, such as Bosnia, Haiti, Rwanda, Kosovo, Liberia, and Sudan; facilitating democratization and free market economies in Central Europe and the former Soviet Union; suppressing international

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<sup>6</sup> Development was again underscored in the Administration’s re-statement of the National Security Strategy released on March 16, 2006.

<sup>7</sup> According to the State Department, these “front-line” states included Afghanistan, Algeria, Armenia, Azerbaijan, Bangladesh, Colombia, Djibouti, Egypt, Ethiopia, Georgia, Hungary, India, Indonesia, Jordan, Kazakhstan, Kenya, Oman, Pakistan, Philippines, Poland, Russia, Saudi Arabia, Tajikistan, Tunisia, Turkey, Turkmenistan, Uzbekistan, and Yemen.

narcotics production and trafficking through assistance to Colombia and other Andean drug-producing countries; and alleviating famine and mitigating refugee situations in places throughout the world.

## **Transformational Development and the Director of Foreign Assistance<sup>8</sup>**

A new dimension this year to the annual congressional debate on Foreign Operations is the Administration's "transformational" development agenda and the creation of the position at the State Department of Director of Foreign Assistance. Although not a funding issue, the realignment of responsibilities at the Department and USAID will have a direct impact on programs funded within the Foreign Operations spending measure.

The Director of Foreign Assistance (DFA), who concurrently holds the position of USAID Administrator, maintains authority over foreign assistance programs managed by USAID and the State Department. In addition, the DFA will "provide guidance" for foreign assistance delivered through other government agencies, such as the Millennium Challenge Corporation (MCC). Randall Tobias, previously the State Department's Global AIDS Coordinator, was confirmed by the Senate on March 29, 2006, as the new USAID Administrator and also serves as the Director of Foreign Assistance.

The DFA is charged with two missions: to develop a coordinated U.S. foreign assistance strategy; and to direct a transformation of foreign assistance to achieve the President's Transformational Development Goals.<sup>9</sup> As both the USAID Administrator and the DFA, he will serve at the level equivalent to Deputy Secretary, reporting directly to the Secretary of State. While USAID is, and remains, an independent agency under the restructuring, the USAID Administrator reports to, and serves under, the foreign policy guidance of the Secretary of State.

The degree to which the DFA will be able to guide and coordinate those entities falling outside the State Department and USAID has not been fully articulated and is likely to be one of the most difficult challenges the new Director faces. Ambassador Tobias said at his confirmation hearing that he hoped to put in place a "formal process" for achieving the DFA's mandate of coordinating across the government.<sup>10</sup> Similar approaches have been tried in the past, but with limited impact. An entity established in 1973 by Section 640B of the Foreign Assistance Act of 1961 (FAA) — the Development Coordinating Council (DCC) — was intended to coordinate government-wide foreign assistance activities. The DCC, however,

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<sup>8</sup> For further discussion on the Director of Foreign Assistance, see CRS Report RS22411, *Restructuring U.S. Foreign Aid: The Role of the Director of Foreign Assistance*, by Larry Nowels and Connie Veillette.

<sup>9</sup> U.S. Department of State Fact Sheet: New Direction for U.S. Foreign Assistance, January 19, 2006.

<sup>10</sup> See exchange between Senator Lugar and Ambassador Tobias at the Senate Foreign Relations Committee hearing on March 7, 2006.

rarely met and, according to USAID, exists today “only as an unimplemented provision in the FAA.”<sup>11</sup>

As with any restructuring initiative, the creation of the DFA raises a number of questions with regard to implementation. Many applaud the restructuring initiative as marking the beginning of what they perceive as a long overdue effort to reform a cumbersome and fragmented U.S. foreign assistance program. Some supporters of the plan, however, believe it does not go far enough and that the Administration is missing an opportunity for launching a much bolder, and necessary reform effort. Some critics have expressed strong concern that the new initiative may lead to a greater degree of aid politicization and that USAID will be further marginalized as a key decision maker of U.S. development policy. Congress is not required to legislate the restructuring plan, although key congressional committees are likely to maintain close oversight as the plan moves forward.

## Foreign Operations and State Department Funding Trends

### Foreign Operations Appropriations Trends

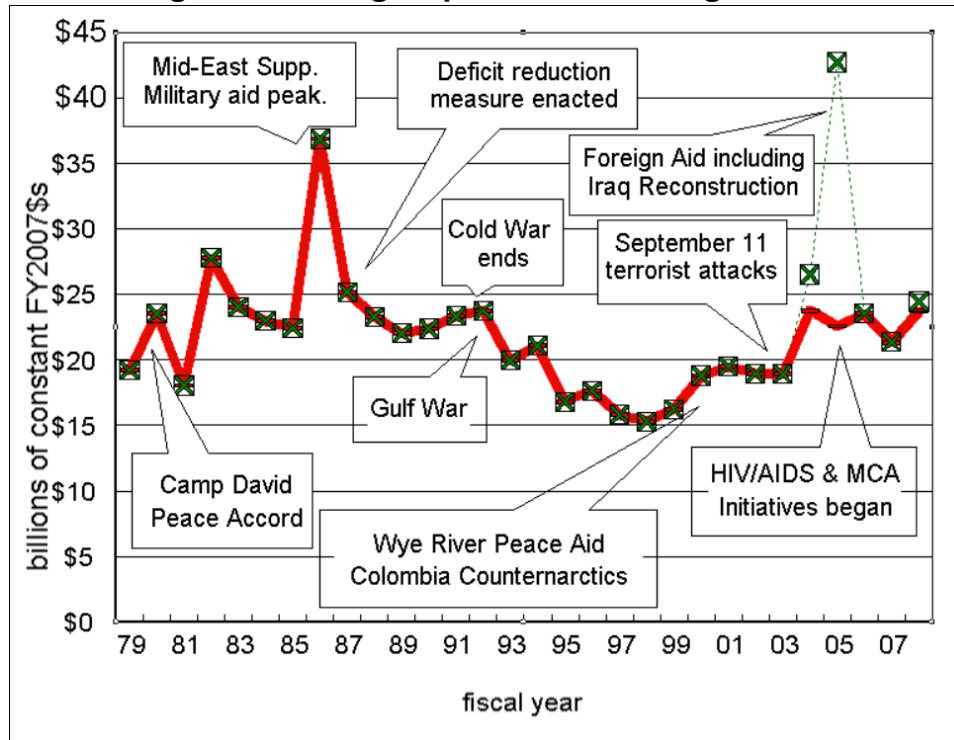
As shown in **Figure 1**, Foreign Operations funding levels, expressed in real terms taking into account the effects of inflation, have fluctuated widely over the past 30 years.<sup>12</sup> After peaking at over \$35 billion in FY1985 (constant FY2007 dollars), Foreign Operations appropriations began a period of decline to a low-point of \$15.3 billion in FY1997. While funding for regular, continuing foreign aid programs began to rise modestly after FY1997, supplemental spending for special activities, such as Central American hurricane relief (FY1999), Kosovo emergency assistance (FY1999), Wye River/Middle East peace accord support (FY2000), a counternarcotics initiative in Colombia and the Andean region (FY2000), aid to the front line states in the war on terrorism and Iraq-war related assistance (FY2003-FY2005), has been chiefly responsible for the growth in foreign aid appropriations during the past decade.

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<sup>11</sup> See “USAID History,” found at [[http://www.usaid.gov/about\\_usaid/usaidhist.html](http://www.usaid.gov/about_usaid/usaidhist.html)].

<sup>12</sup> Some of these swings in budget levels are not the result of policy decisions, but are due to technical budget accounting changes involving how Congress scores various programs. The large increase in FY1981, for example, did not represent higher funding levels, but rather the fact that export credit programs began to be counted as appropriations rather than as “off-budget” items. Part of the substantial rise in spending in FY1985 came as a result of the requirement to appropriate the full amount of military aid loans rather than only the partial appropriation required in the past. Beginning in FY1992, Congress changed how all Federal credit programs are scored in appropriation bills, which further altered the scoring of foreign aid loans funded in Foreign Operations. All of these factors make it very difficult to present a precise and consistent data trend line in Foreign Operations funding levels. Nevertheless, the data shown here can be regarded as illustrative of general trends in congressional decisions regarding Foreign Operations appropriations over the past 30 years.



**Figure 1. Foreign Operations Funding Trends**

Although Foreign Operations appropriations had been rising for five consecutive years, combined amounts approved for FY2003 — FY2005, reached unprecedented levels compared with funding for similar three-year periods over the past four decades. Substantial supplementals of \$7.5 billion, \$21.2 billion, and \$2.5 billion, respectively, for assistance to the front line states in the war on terrorism and Afghanistan and Iraq reconstruction, pushed spending upward. Foreign Operations spending for FY2004 — \$41 billion (constant FY2007 dollars) — was the highest level, in real terms, since the early 1960s. The enacted level for FY2006 of \$20.8 billion (in constant terms), while less than in each of the three previous years, is the largest Foreign Operations appropriations, in real terms, in all other years in over a decade. Moreover, the FY2006 total is likely to increase with anticipated passage of an emergency supplemental containing over \$2.2 billion in Foreign Operations funding.<sup>13</sup>

<sup>13</sup> For a more detailed discussion of foreign aid and State Department spending trends over the past three decades, see CRS Report RL33262, *Foreign Policy Budget Trends: A Thirty-Year Review*, by Larry Nowels.

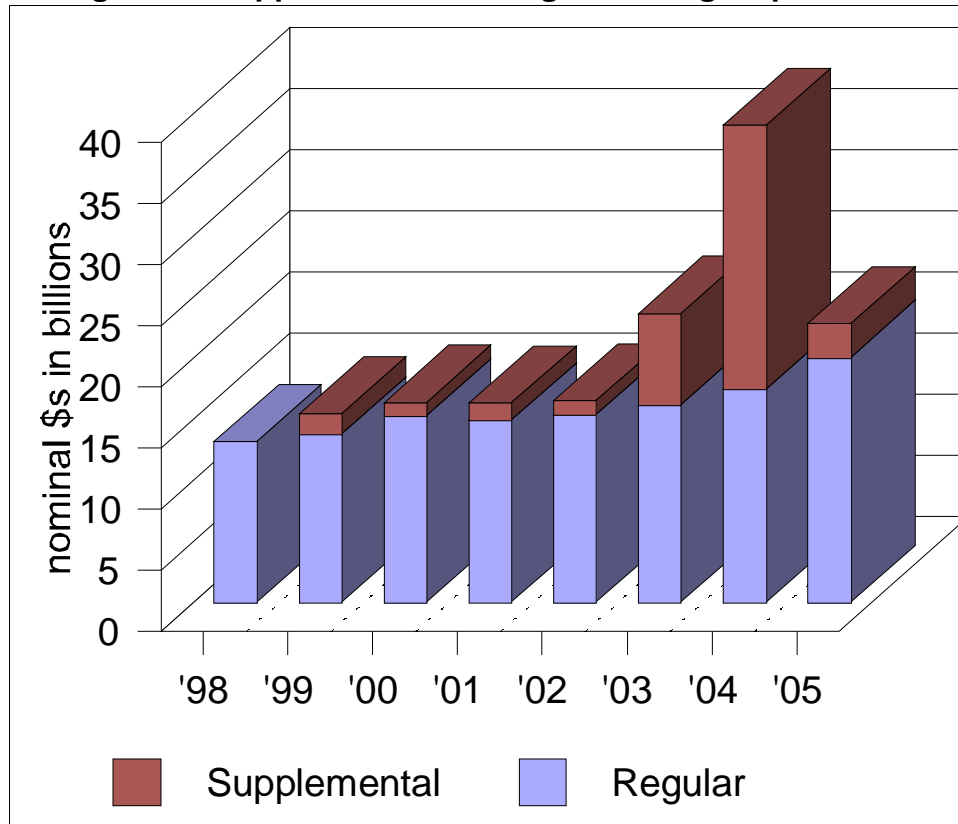
**Table 3. Foreign Operations Appropriations, FY1996 to FY2007**  
(discretionary budget authority in billions of current and constant dollars)

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
current \$s	12.46	12.27	13.15	15.44	16.41	16.31	16.54	23.67	39.05	22.27	20.83	23.69
constant FY07 \$s	15.83	15.30	16.24	18.81	19.51	18.95	18.92	26.53	42.73	23.56	21.37	23.69

**Note:** FY1999 excludes \$17.861 billion for the IMF. FY2006 includes the regular appropriation, plus emergency supplementals, rescissions, and a 1% across-the-board reduction provided in P.L. 109-148, the Defense Appropriation for FY2006. FY2006 does not include a pending \$2.2 billion emergency supplemental in H.R. 4939.

**Growing Importance of Supplementals.** Supplemental resources for Foreign Operations programs, which in FY2004 exceeded regular Foreign Operations funding, have become a significant channel of funding for U.S. international activities, especially those related to reconstruction efforts in Iraq and Afghanistan. Due to the nature of rapidly changing overseas events and the emergence of unanticipated contingencies to which it is in the U.S. national interest to respond, it is not surprising that foreign aid and defense resources from time to time are the major reason for considering and approving emergency supplemental spending outside the regular appropriation cycle. Supplementals have provided resources for such major foreign policy events as the Camp David accords (FY1979), Central America conflicts (FY1983), Africa famine and a Middle East economic downturn (FY1985), Panama and Nicaragua government transitions (FY1990), the Gulf War (FY1991), and Bosnia relief and reconstruction (FY1996).

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

**Figure 2. Supplemental Funding for Foreign Operations**

Until FY2003, these additional resources accounted for between 7% and 11% of total Foreign Operations spending. The \$7.5 billion Iraq war and reconstruction supplemental for FY2003, however, went well beyond these standards, representing nearly one-third of the FY2003 Foreign Operations budget, and was surpassed, as noted above, only by FY2004 supplemental appropriations, which more than doubled the Foreign Operations budget for the year. Congress approved another large Foreign Operations supplemental for FY2005 — \$2.53 billion — largely for additional Afghan reconstruction, tsunami disaster relief, and additional aid for Sudan — representing about 11% of total Foreign Operations appropriations for that year.

### **State Department/Broadcasting Appropriation Trends**

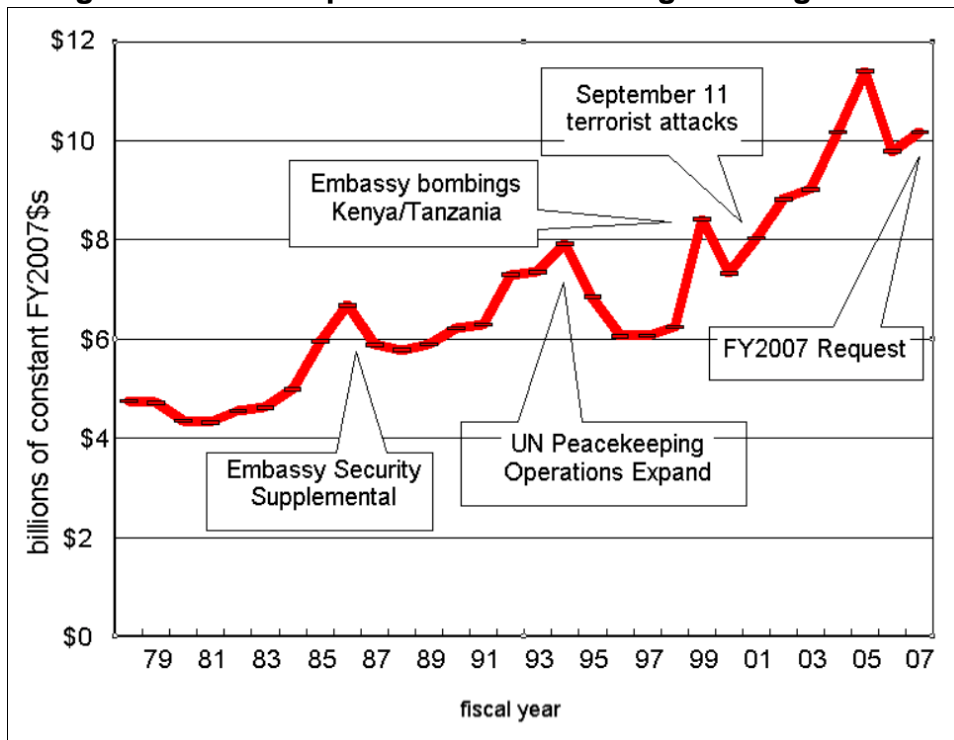
Over the past nearly three decades, the funding level for the State Department and international broadcasting has reflected generally an upward trend. Although there were a few brief periods of declining resources, appropriations continually climbed to the point where the FY2007 budget request is more than double what was requested in the 1978-1984 time period.

Many of the spikes in funding over the years were related to overseas security issues. Since the Vietnam War, for example, American embassies increasingly have been the targets of hostile action. Terrorist attacks grew in number in the 1970s, the decade ending with the taking of American hostages in Tehran in 1979. Similarly, in the early 1980s, the State Department recognized a greater need to tighten security after the 1983 bombing of U.S. Marine barracks in Beirut, Lebanon, and the bombing

of the U.S. Embassy annex in Beirut in 1984. In 1985, a report by the Advisory Panel on Overseas Security, headed by Admiral Bobby Inman, proposed new standards for security measures at U.S. facilities around the world. In 1986, Congress provided an embassy supplemental appropriation to meet those standards. Again in August 1998, another major attack occurred on U.S. embassies in Kenya and Tanzania. Later that year, Congress passed an emergency supplemental that sharply increased total State Department spending. And, as noted above, following the September 11, 2001 terrorist attacks, several emergency supplemental appropriations raised State Department funding levels to an all-time high by FY2004.

From the outset of the George W. Bush Administration, then-Secretary of State Colin Powell strongly asserted within the executive branch and in testimony to Congress that State Department resource needs had been neglected during the previous decade and that significant increases were needed to improve technology and staffing challenges. The Administration of Foreign Affairs portion of State Department spending, the area of the budget out of which personnel and technology costs are paid, has risen from \$4 billion FY2000 to about \$6.4 billion in FY2006, a 60% increase, in real terms. The pending FY2006 emergency supplemental request (H.R. 4939) of nearly \$1.6 billion is likely to add to the existing Administration of Foreign Affairs funding level, and the State Department seeks \$6.8 billion for FY2007.

**Figure 3. State Department/Broadcasting Funding Trends**



**Table 4. State Department/Broadcasting Appropriations,  
FY1996 to FY2007**

(discretionary budget authority in billions of current and constant dollars)

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
current \$s	4.77	4.87	5.06	6.91	6.16	6.91	7.71	8.05	9.29	10.78	9.43	10.05
constant FY07 \$s	6.06	6.07	6.24	8.41	7.33	8.03	8.82	9.02	10.17	11.40	9.65	10.05

#### Data Notes

Unless otherwise indicated, this report expresses dollar amounts in terms of *discretionary budget authority*. The Foreign Operations and State Department Appropriation bills include two *mandatory* retirement programs for USAID and State Department officers that are not included in figures and tables. The two retirement funds received \$41.7 million and \$131.7 million, respectively, for FY2006.

In addition, funding levels and trends discussed in this report exclude U.S. contributions to the International Monetary Fund (IMF), which are enacted periodically in Foreign Operations bills. Congress approved \$17.9 billion for the IMF in FY1999, the most recent appropriation and the first since FY1993. Including these large, infrequent, and uniquely “scored” IMF appropriations would 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.

### Foreign Operations/State Department, the FY2007 Budget Resolution, and Section 302(b) Allocations

Usually, Appropriations Committees begin markups of their spending bills only after Congress has adopted a budget resolution and funds have been distributed to the Appropriations panels under what is referred to as the Section 302(a) allocation process. Section 302(a) is 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 subcommittees, staying within the functional guidelines set in the budget resolution. This second step is referred to as the Section 302(b) allocation. Foreign Operations and State Department funds fall within the International Affairs budget function (Function 150), representing in most years about 67% and 30%, respectively, of the function total. The other major component of Function 150 — international food assistance — is funded in the Agriculture spending measure.

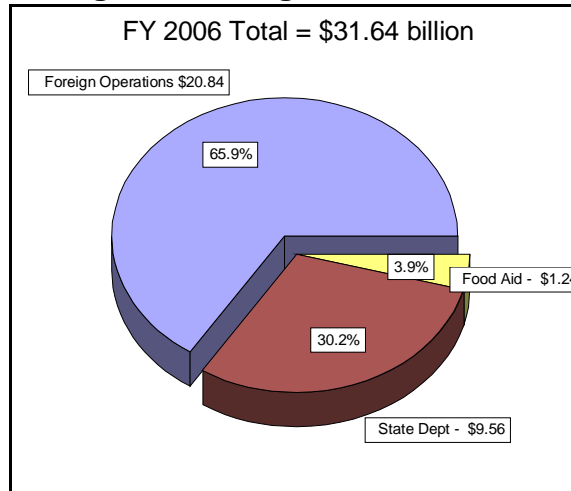
How much International Affairs money to allocate among each of the subcommittees, and how to distribute the funds among the numerous programs, are decisions exclusively reserved for the Appropriations Committees. Nevertheless, overall ceilings set in the budget resolution can have significant implications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

On March 16, 2006, the Senate approved a budget resolution for FY2007 (S.Con.Res.83) that reduces to \$33.5 billion the amount of discretionary budget authority for International Affairs funding. This falls \$1.6 billion, or 4.6%, less than the President's request. The House measure (H.Con.Res.376), which passed on May 17, cuts Function 150 deeper than the Senate. The \$33 billion included in the House measure is \$2.1 billion, or nearly 6%, below the Administration's proposal.

House and Senate Appropriations Committees, however, can choose to allocate the final amount set out in the budget resolution among the various subcommittees with jurisdiction over the International Affairs budget proportionally different than what the President proposed or to alter the overall amount for foreign policy activities. Depending on other competing priorities, the final allocations can diverge significantly from those assumed in the budget resolution.

Nevertheless, the size of the reduction compared with the executive request approved in House and Senate budget resolutions creates a challenging budget picture for appropriation subcommittees with jurisdiction over Foreign Operations and State Department/Broadcasting programs. This is evident by the House Appropriations Committee approval on May 10 of a \$21.3 billion allocation for Foreign Operations. Although 2.8% above regular Foreign Operations appropriations for FY2006, the allocation is 11% below the FY2007 request, by far the largest percentage cut made by the House panel for any of its 11 Section 302(b) allocations. The Committee decided to re-allocate \$2.39 billion from Foreign Operations and \$4.8 billion from Defense and Military Quality of Life subcommittees in order to increase spending levels in several domestic appropriations bills, most prominently for Agriculture, Homeland Security, and Labor, HHS, Education.

**Figure 4. Budget Function 150**



## Foreign Operations/State Department Appropriations Request for FY2007

On February 6, 2006, the President submitted his FY2007 budget request, including \$23.69 billion for Foreign Operations and \$10.09 billion for State Department and Related Agencies appropriations (amounts are adjusted to reflect CBO re-estimates of the request). These amounts are 14.3% and 6%, respectively, higher than FY2006 amounts enacted in regular, non-supplemental appropriations. The combined Foreign Operations/State Department request of \$33.8 billion is 11.7% larger than regular FY2006 funding. Currently pending in Congress is a \$4 billion emergency FY2006 supplemental for Foreign Operations and State Department appropriations (H.R. 4939) that, if enacted, will close the gap between enacted FY2006 and requested FY2007 levels.

### Foreign Operations Request Overview and Congressional Action

The 14.3% increase over regular FY2006 appropriations proposed for Foreign Operations is one of the largest additions in the President's request for discretionary spending in FY2007. By comparison, the Administration seeks increases for two other high-priority budget areas — defense and homeland security — of about 6% and 3%, respectively.

Despite the large overall increase for Foreign Operations, much of the added funding is concentrated in a few areas. The FY2007 budget continues to highlight foreign aid in support of the war on terrorism and Iraq reconstruction as the highest priorities, with nearly \$7 billion proposed. As shown in **Table 5**, increases for Iraq and Afghanistan are especially sharp.<sup>14</sup> Resources would continue to grow for the President's two cornerstone foreign aid initiatives — the Millennium Challenge Account (MCA) and the President's Emergency Plan for AIDS Relief (PEPFAR). The \$3 billion MCA request is 71% higher than in FY2006, while Foreign Operations funds for PEPFAR would rise from \$2.79 billion in FY2006 to \$3.67 billion in the FY2007 request. (Additional PEPFAR funds are proposed in the Labor/HHS appropriation measure, bringing the total FY2007 PEPFAR request to \$4.26 billion.)

After failing to win congressional approval the past four years for a contingency fund that could be used to respond to unanticipated foreign policy emergencies, the White House again proposes \$75 million for a Crisis Response Fund. Funding for debt reduction programs would nearly triple — to \$183 million — largely to cancel debt owed by the Democratic Republic of Congo. Peacekeeping funds for non-U.N.

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<sup>14</sup> The Administration also seeks an additional \$1.6 billion in aid for Iraq in the pending FY2006 emergency supplemental measure (H.R. 4939).

sponsored operations would grow by 16%, mainly due to additional resources for African Union peacekeeping activities in the Darfur region of Sudan.<sup>15</sup>

**Table 5. Foreign Operations Significant Increases FY2007**  
(in billions of current \$s)

	<b>FY2006 Regular*</b>	<b>FY2007 Request</b>	<b>FY2007 +/- FY2006</b>
<b>Foreign Operations Total</b>	<b>\$20.727</b>	<b>\$23.687</b>	<b>14.3%</b>
<b>Significant increases for FY2007:</b>			
-Afghanistan	\$0.931	\$1.124	20.7%
-Iraq	\$0.061	\$0.771	1163.9%
-Anti-Terrorism programs	\$0.136	\$0.157	15.4%
-Millennium Challenge Account	\$1.752	\$3.000	71.2%
-Emergency Plan for AIDS Relief	\$2.790	\$3.665	31.4%
-Conflict Response Fund	—	\$0.075	—
-Debt Reduction	\$0.064	\$0.183	185.9%
-Peacekeeping Operations	\$0.173	\$0.201	16.2%
<b>Significant increases for FY2007, Total</b>	<b>\$5.907</b>	<b>\$9.176</b>	<b>55.3%</b>
<b>Remaining Foreign Operations Programs</b>	<b>\$14.820</b>	<b>\$14.511</b>	<b>-2.1%</b>

\* FY2006 Regular excludes enacted and pending emergency supplemental funding.

Combined, funding for these major elements of the Foreign Operations request totals \$9.2 billion, or 55% higher than for FY2006. By contrast, the \$14.8 billion proposed for all other Foreign Operations activities is 2.1% less than FY2006 regular appropriations amounts.

Each of these high-priority items in the FY2007 Foreign Operations budget request, plus other issues that raise concern, are discussed below.

## **Fighting the War on Terrorism**

Since the terrorist attacks in September 2001, American foreign aid programs have shifted focus toward more direct support for key coalition countries and global counterterrorism efforts. In total, Congress has appropriated approximately \$52.3 billion in FY2002-FY2006 Foreign Operations funding to assist the approximately 28 front-line states in the war on terrorism, implement anti-terrorism training programs, and address the needs of post-conflict Iraq and other surrounding

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<sup>15</sup> The pending FY2006 emergency supplemental request includes \$123 million more for African Union operations in Darfur, an amount that the House and Senate have increased to \$173 million in preliminary action on the legislation (H.R. 4939).



countries. About 43% of all Foreign Operations appropriations in the past five years have funded war on terror and Iraq war-related purposes.

Although there is disagreement regarding the extent to which foreign aid can directly reduce the threat of terrorism, most agree that economic and security assistance aimed at reducing poverty, promoting jobs and educational opportunities, and helping stabilize conflict-prone nations can indirectly address some of the factors that terrorists use to recruit disenfranchised individuals for their cause.

The FY2007 budget continues the priority of fighting terrorism with about \$7 billion, or 29%, of Foreign Operations resources assisting the front-line states and Iraq. The largest recipients for FY2007 include Afghanistan (\$1.12 billion), Iraq (\$771 million), Pakistan (\$739 million), and Jordan (\$457 million).

Foreign Operations spending to fight the war on terror would have been greater in FY2005 and FY2006, and potentially higher for FY2007, except for an Administration decision to transfer funding and program responsibility for security forces training and equipping in Iraq and Afghanistan from the State Department to the Department of Defense. In FY2005, Congress approved in an emergency supplemental \$6.9 billion for security force aid in Afghanistan and Iraq, and has under consideration for FY2006 (H.R. 4939) an additional \$5.9 billion for the same purposes. Military assistance programs have maintained a long tradition of falling under the policy authority of the Secretary of State and civilian diplomats at the Department, with DOD given responsibility to manage the programs. Congress approved the shift from Foreign Operations to Defense Department funds for Afghan military aid in the FY2005 Emergency Supplemental, but only after adding the requirement that the Secretary of State concur with DOD decisions over how to program these funds.

**Congressional Action.** The recommendation of the House Appropriations Committee provides mixed funding levels for various countries and programs related to fighting the war on terror. Aid for several front-line states is reduced:

- Afghanistan is set at \$962 million, about \$140 million below the request;
- Pakistan would receive \$500 million in security assistance, \$150 million less than proposed;
- Indonesia security assistance would be \$12 million less than requested

Security aid for Jordan, on the other hand, is set at \$468 million, \$16 million higher than proposed. For counterterrorism programs under the NADR account, the House panel provides \$143.6 million, \$14 million below the request.

## **Iraq Reconstruction and Stabilization Assistance**

A year ago, the Administration proposed \$414 million for Iraq in FY2006, the first request for such assistance since Congress approved \$18.44 billion in the FY2004 emergency supplemental (P.L. 108-106). At the time of the budget's submission, some critics argued that since large portions of the \$18.44 billion

remained unobligated and even larger amounts were unspent, there were sufficient funds available to meet current and future reconstruction needs in Iraq. Subsequently, the pace of reconstruction spending increased, and by the time Congress took final action on the FY2006 Iraq request, the Administration reported that \$14.77 billion, or 81%, of amounts appropriated in P.L. 108-106 had been obligated and about 49% of the \$18.44 billion total had been spent.<sup>16</sup> Nevertheless, with substantial amounts still remaining, Congress provided only \$61 million of the \$414 million Iraq request for FY2006.

Despite its lack of success in obtaining full funding for Iraq reconstruction and stabilization in the regular FY2006 budget, the Administration has requested nearly \$771 million in its regular FY2007 Foreign Operations budget, plus \$1.6 billion more in emergency FY2006 supplemental appropriations. About 90% of the \$18.44 billion appropriation has been obligated and nearly two-thirds has disbursed.<sup>17</sup> Administration officials say that the entire amount will be obligated by the end of FY2006. Most of the FY2007 request is composed of \$478.8 million in Economic Support Funds (ESF) to continue programs to sustain U.S.-funded infrastructure, and support democracy, governance, civil society, private sector, and agriculture programs. An additional \$254.6 million is aimed at rule of law programs (International Narcotics and Law Enforcement account - INL), \$16.6 million is for nonproliferation and anti-terrorism activities (Nonproliferation, Anti-Terrorism, and Demining account - NADR), \$20 million is for refugee assistance (Migration and Refugee Assistance account - MRA), and \$1.2 million for IMET (International Military Education and Training).

**Congressional Action.** The House Appropriations Committee recommends \$522 million for Iraq, about \$250 million less than requested. Of this total, \$205.8 million is provided for ESF support — \$273 million less than proposed.

## Egypt Assistance and Political Reforms<sup>18</sup>

Since 1979, Egypt has been the second largest recipient, after Israel, of U.S. foreign assistance, receiving an annual average of over \$2 billion in economic and military aid. For FY2007, the Administration seeks \$455 million in economic support and \$1.3 billion in military assistance.

Some lawmakers believe that U.S. assistance to Egypt has not been effective in promoting political and economic reform and that foreign assistance agreements must be renegotiated to include benchmarks that Egypt must meet to continue to qualify for U.S. foreign aid. Others have periodically called for restrictions on U.S. aid to

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<sup>16</sup> Obligation and spending figures from Department of State. *Iraq Weekly Status Report*, October 26, 2005, p. 17. For more details on the status and implementation of Iraq reconstruction programs, see CRS Report RL31833, *Iraq: Recent Developments in Reconstruction Assistance*, by Curt Tarnoff.

<sup>17</sup> Department of State. *Iraq Weekly Status Report*, May 3, 2006, p. 11.

<sup>18</sup> This section was prepared by Jeremy Sharp. For more information, see CRS Report RL33003, *Egypt: Background and U.S. Relations*, by Jeremy Sharp.

Egypt on the grounds that Egypt indirectly supports Palestinian terrorism, suppresses its own population, including minority Christians, and continues to allow Egyptian state-owned media outlets to publish unsubstantiated conspiracy theories regarding Israel and the Jewish people.

For years, Congress has specified in annual Foreign Operations appropriations legislation that ESF funds to Egypt are provided with the understanding that Egypt undertake certain economic reforms and liberalize its economy. More recently, however, Congress has begun to attach conditions to Egyptian assistance intended to support the political reform process. The FY2006 Foreign Operations appropriations (P.L. 109-102), for example, designated \$100 million in economic aid for education and democracy and governance programming. The conference report on the FY2006 spending measure (H.Rept. 109-265) stated that “not less than 50 percent of the funds for democracy, governance and human rights be provided through non-governmental organizations for the purpose of strengthening Egyptian civil society organizations, enhancing their participation in the political process and their ability to promote and monitor human rights.”

**Congressional Action.** Although the House Foreign Operations Subcommittee draft bill fully funds the Administration’s \$1.76 billion Egyptian aid package for FY2007, Representative Obey, ranking Member of the Appropriations Committee, offered an amendment at the full Committee markup to reduce military assistance to Egypt by \$200 million. Under the amendment, a certain portion of military aid would be limited until Egypt improves its record on human rights, detention of democracy activists, election procedures, and other matters. A Kolbe amendment, that passed by voice vote, rescinded \$200 million in previously appropriated but unspent funds to Egypt until certain financial reform benchmarks were met. Previously, the Senate voted on May 3 (H.R. 4939; FY2006 Emergency Supplemental Appropriations) to cut \$47 million in appropriated economic assistance to Egypt as an offset for additional spending on humanitarian emergencies in Africa and Guatemala.

## **Development Assistance: Funding Priorities and Policy Differences**

A continuing source of disagreement between the executive branch and Congress is the size and allocation of the roughly \$3 billion “core” budget for USAID development assistance and global health programs, and whether proposed cuts by the Administration are the result of increases for the Millennium Challenge Corporation and the President’s Global AIDS Initiative (PEPFAR). Similar to budget requests in recent years, the FY2007 proposal would reduce the two USAID “core” accounts — Child Survival/Health and Development Assistance — by a combined \$363 million, or nearly 12%. On the other hand, MCC funding would grow by \$1.25 billion (+71%) and PEPFAR spending on the 15 “focus” countries would rise by \$919 million (+46%) (**Table 6**). Development Assistance (DA) and Child Survival/Health (CSH) funds support education, agriculture, environment, democracy, health, family planning, and other key long-term development activities worldwide, largely in low-income countries. The MCC and PEPFAR programs, on

the other hand, are far more selective, focusing on a few, “best performing” countries in the case of the MCC or those judged to have the worst HIV/AIDS problems.

Critics of the proposed DA and CSH reductions argue that these accounts are fundamental to reducing poverty in the vast majority of countries assisted by the United States, and that cuts in these programs affect large pockets of poor populations around the globe. They have particularly objected to the DA and CSH funding request for Latin America that would sustain substantial cuts in FY2007. These critics, while supporting the MCC and PEPFAR programs, believe that resources for these new initiatives should be in addition to and not a substitute for the traditional USAID “core” accounts. Administration officials defend their budget submission saying that the MCC in particular is not taking funds away from the “core” accounts, but acknowledging that as the fiscal environment has become constrained in recent years, priorities must be set and trade-offs may occur. They also claim that when all Foreign Operations resources are taken into account, Latin America will receive roughly the same amount of assistance in FY2007 as is currently planned for FY2006.

**Table 6. Development Assistance Funding**  
(in millions of current \$s)

	FY2005	FY2006	FY2007	FY07 +/- FY06	
	Actual	Estimate	Request	\$	%
<b>USAID “Core Development” Accounts:</b>					
Development Assistance	\$1,448.3	\$1,508.8	\$1,282.0	(\$226.8)	-15.0%
Child Survival/Health	\$1,537.6	\$1,569.2	\$1,433.0	(\$136.2)	-8.7%
<b>Subtotal, “Core Development”</b>	<b>\$2,985.9</b>	<b>\$3,078.0</b>	<b>\$2,715.0</b>	<b>(\$363.0)</b>	<b>-11.8%</b>
Global AIDS Initiative	\$1,373.9	\$1,975.1	\$2,894.0	\$918.9	46.5%
Millennium Challenge Account	\$1,488.0	\$1,752.3	\$3,000.0	\$1,247.7	71.2%
<b>Total, Development Aid</b>	<b>\$5,847.8</b>	<b>\$6,805.4</b>	<b>\$8,609.0</b>	<b>\$1,803.6</b>	<b>26.5%</b>

Source: USAID.

**Examining Program Sector Distribution Across All Foreign Operations Accounts: A Mixed Picture.** To fully understand the implications of the FY2007 request for development priorities, it is necessary to look beyond just the DA and CSH accounts and include funds drawn from other Foreign Operations channels that provide assistance for the same purposes and are programmed in much the same way as those in the “core development” accounts. Funds appropriated under the State Department’s Global HIV/AIDS Initiative (GHAI) support the same activities as HIV/AIDS resources in the CSH account, but specifically target 15 countries with the most severe HIV/AIDS problems. Resources provided through the ESF account, assistance for former Soviet states (FSA) and Eastern Europe (SEED), and alternative development activities supported with Andean Counternarcotics Initiative (ACI) funds are largely spent in the same manner as those

flowing through the DA and CSH account.<sup>19</sup> What is different about these funds is the rationale for why the aid is given. Countries receiving ESF, FSA, SEED, and ACI have a more strategic or political dimension in their relationships with the United States that justify the size and type of aid received. Another difference, at least in the past, is that these latter, more strategic aid accounts are co-managed by the State Department and USAID, while DA and CSH funds are controlled directly by USAID. Presumably, however, this may no longer be a relevant distinction under Secretary Rice's new foreign aid realignment in which the Director of Foreign Assistance, who also serves as the USAID Administrator, will maintain control over all State and USAID aid appropriations, with the exception of GHAI funds, regardless of which agency has primary management responsibility.

Keeping these similarities and differences in mind, **Table 7** compares the FY2007 budget request with FY2006 enacted amounts, taking into consideration all bilateral economic aid Foreign Operations accounts — DA, CSH, ESF, FSA, SEED, and ACI — broken down by key development assistance sector priorities. Through an examination of this broader array of funding channels, several key findings emerge.

**Table 7. Economic Aid Allocations for All Foreign Operations Accounts, by Program Sector**  
(in millions of current \$s)

Development Sector	FY2005 Actual	FY2006 Enacted	FY2007 Request	FY2007 +/- FY2006
<b>Economic Growth/Agriculture/Trade</b>	<b>\$4,900.7</b>	<b>\$3,471.1</b>	<b>\$3,392.8</b>	<b>-2.3%</b>
Agriculture	\$495.1	\$431.5	\$622.9	44.4%
Environment	\$494.3	\$423.8	\$445.6	5.1%
Economic Growth	\$2,963.9	\$1,675.0	\$1,541.4	-8.0%
Basic Education for Children	\$412.8	\$519.7	\$455.7	-12.3%
Higher Education & Training	\$127.5	\$183.5	\$207.2	12.9%
Israel Cash Transfer	\$407.1	\$237.6	\$120.0	-49.5%
<b>Global Health</b>	<b>\$3,148.4</b>	<b>\$3,835.3</b>	<b>\$1,733.0</b>	<b>-54.8%</b>
Child Survival/Maternal Health	\$450.7	\$461.4	\$421.8	-8.6%
Vulnerable Children	\$35.3	\$37.7	\$13.4	-64.5%
HIV/AIDS (USAID non-focus countries)	\$376.4	\$368.4	\$343.9	-6.7%
HIV/AIDS (State Dept account)	\$1,373.9	\$1,777.1	\$2,794.0	57.2%
Global Fund for AIDS, TB, & Malaria	\$248.0	\$445.5	\$200.0	-55.1%
Other Infectious Diseases	\$216.0	\$310.2	\$396.6	27.9%

<sup>19</sup> This is not always the case, however. At times, ESF resources are provided on more flexible terms, as budget support and cash transfers, than are CSH and DA funds. Portions of U.S. ESF assistance to Egypt and Pakistan, for example, are cash transfers.

Development Sector	FY2005 Actual	FY2006 Enacted	FY2007 Request	FY2007 +/- FY2006
Family Planning	\$448.1	\$435.0	\$357.3	-17.9%
<b>Democracy, Conflict, &amp; Humanitarian</b>	<b>\$1,005.8</b>	<b>\$1,048.1</b>	<b>\$1,095.2</b>	<b>4.5%</b>
Democracy & Local Governance	\$781.6	\$833.0	\$856.2	2.8%
Human Rights	\$46.8	\$39.6	\$30.1	-24.0%
Humanitarian Assistance	\$49.4	\$36.1	\$45.0	24.7%
Conflict Management	\$128.0	\$139.4	\$163.9	17.6%
<b>State Dept. Initiatives</b>	<b>\$490.7</b>	<b>\$510.1</b>	<b>\$730.3</b>	<b>43.2%</b>

**Source:** USAID and CRS calculations.

**Note:** This table shows the distribution of economic aid funding, by sector, across all bilateral Foreign Operations accounts: Development Assistance, Child Survival/Health, Economic Support Fund, East European aid, former Soviet aid, Andean Counterdrug Initiative, and the State Department's Global HIV/AIDS Initiative.

- **Agriculture programs increase but add-ons are limited to Iraq and Afghanistan.** The FY2007 request proposes a \$192 million, or 44% increase in agriculture activities. USAID officials have argued for a number of years that this sector has been under-funded, with demands in developing countries far out-pacing available resources. Congressional directives for higher spending on other sectors, they contend, have squeezed the amount of resources available for agriculture. Nevertheless, the entire increase for agriculture in FY2007 is scheduled for Iraq and Afghanistan, leaving other nations at or below FY2006 levels.
- **Conflict Management increase targets Sudan.** A 17.6% rise in the FY2007 request for the conflict management sector is due to a proposed \$40 million increase — to \$60 million — for activities in Sudan.
- **HIV/AIDS funds re-distributed.** While HIV/AIDS resources for non-focus countries channeled through CSH account are cut slightly in the FY2007 request, overall resources in Foreign Operations to fight the AIDS pandemic are up significantly in the proposed budget (**Table 8**). Nevertheless, the FY2007 request continues a fundamental disagreement between the executive branch and Congress over the appropriate size of a U.S. contribution to the multilateral Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria. The Administration has proposed in every year since FY2003 either \$200 million or \$300 million for the Global Fund, while Congress has appropriated amounts ranging between \$350 million and \$550 million (including funds provided in the Labor/HHS appropriations measure). For FY2007, the Administration again requests \$300 million for the Global Fund,

while boosting amounts for the 15 focus countries from \$1.335 billion to \$2.136 billion.

- **Other infectious diseases funding grows due to malaria initiative and avian flu.** The category of other infectious diseases — which mainly includes funding for malaria, tuberculosis, and recently to combat the anticipated avian influenza pandemic — would rise by \$86 million, or 28% in FY2007. In mid-2005, President Bush announced a plan to provide \$1.2 billion in additional funding through FY2010 for malaria. The FY2007 request of \$225 million for malaria represents the second year of the plan that will increase from three to seven focus countries next year. The FY2007 also includes \$55 million to deal with international aspects of avian flu.

**Table 8. U.S. International HIV/AIDS, Tuberculosis, and Malaria Programs**

(in millions of current \$s)

Program	FY2002 Actual	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY2006 Est.	FY2007 Request	FY2007 House
USAID Child Survival/Health account for HIV/AIDS - regular	\$395.0	\$587.6	\$513.4	\$347.2	\$346.5	\$325.0	\$426.6
USAID Child Survival/Health account for the Global Fund	\$50.0	\$248.4	\$397.6	\$248.0	\$247.5	\$100.0	\$200.0
USAID Global Fund Carry-over	—	—	-87.8 <sup>a</sup>	\$87.8	—	—	—
USAID Child Survival/Health account for TB & Malaria	\$165.0	\$129.0	\$155.0	\$168.6	\$178.2	\$304.0	\$257.6
USAID other economic assistance	\$40.0	\$38.2	\$51.7	\$51.1	\$42.6	\$40.4	\$45.5
State Dept Global AIDS Init. (GHAI)	—	—	\$488.1	\$1,373.9	\$1,775.1	\$2,794.0	\$2,528.0
GHAI for the Global Fund	—	—	—	—	\$198.0	\$100.0	\$244.5
Foreign Military Financing	—	\$2.0	\$1.5	\$2.0	\$1.9	\$1.6	—
<b>Subtotal, Foreign Operations</b>	<b>\$650.0</b>	<b>\$1,005.2</b>	<b>\$1,519.5</b>	<b>\$2,278.6</b>	<b>\$2,789.8</b>	<b>\$3,665.0</b>	<b>\$3,702.2</b>
CDC Global AIDS Program	\$143.8	\$182.6	\$273.9	\$123.8	\$122.7	\$121.9	
CDC International Applied Prevention Research	\$11.0	\$11.0	\$9.0	\$14.0	\$10.9	\$0.0	
CDC International TB & Malaria	\$15.0	\$15.8	\$11.0	\$11.0	\$10.9	\$11.0	
NIH International Research	\$218.2	\$278.6	\$317.2	\$332.3	\$346.5	\$368.0	
Global Fund contribution, NIH/HHS	\$125.0	\$99.3	\$149.1	\$99.2	\$99.0	\$100.0	
Labor Dept AIDS in the Workplace	\$8.5	\$9.9	\$9.9	\$2.0	\$0.0	\$0.0	
<b>Subtotal, Labor/HHS/Ed</b>	<b>\$521.5</b>	<b>\$597.2</b>	<b>\$770.1</b>	<b>\$582.3</b>	<b>\$590.0</b>	<b>\$600.9</b>	
DOD HIV/AIDS prevention education with African militaries	\$14.0	\$7.0	\$4.2	\$7.5	\$5.2	\$0.0	
USDA Section 416(b) Food Aid	\$25.0	\$24.8	\$24.8	\$24.8	\$24.8	\$0.0	
<b>Total, all appropriations</b>	<b>\$1,210.5</b>	<b>\$1,634.2</b>	<b>\$2,318.6</b>	<b>\$2,893.2</b>	<b>\$3,409.8</b>	<b>\$4,265.9</b>	
<b>Total, Global Fund</b>	<b>\$175.0</b>	<b>\$347.7</b>	<b>\$458.9</b>	<b>\$435.0</b>	<b>\$544.5</b>	<b>\$300.0</b>	

**Sources:** House and Senate Appropriations Committees, Departments of State and HHS, USAID, and CDC. FY2004 and FY2005 figures are drawn from, *Action Today, A Foundation for Tomorrow: The President's Emergency Plan for AIDS Relief, Second Annual Report to Congress*. Feb. 2006. p. 155.

**Note:** Following the launch in FY2006 of the President's Malaria Initiative, malaria funding is no longer included in the overall PEPFAR total. However, because HIV/AIDS, tuberculosis, and malaria have traditionally been grouped together in years prior to FY2006, for comparability purposes they are included in the totals for FY2006 and FY2007. Without malaria funding, the FY2006 total would be approximately \$3.297 billion, FY2007 request would be about \$4.032 billion, and the House Foreign Operations recommendation would be \$3.513 billion.

a. Reflects the amount that could not be transferred to the Global Fund in FY2004, but that was carried over for and contributed in FY2005.



- **Basic education allocation for FY2006 exceeds congressional directive but FY2007 shifts funds to strategic countries.** One of the highest congressional development assistance priorities in recent years has been basic education programs. In most years, Congress has increased significantly levels proposed by the Administration. This was the case for FY2006, where lawmakers increased the executive's \$341 million request to \$465 million. Ultimately, however, the Administration allocated \$520 million for basic education in FY2006 and proposes \$456 million for FY2007, nearly meeting the level directed by Congress for FY2006. The FY2007 request, however, marks a significant shift in resources away from Africa and Latin America in order to increase programs in more strategic countries, including Afghanistan and Jordan (**Table 9**).

**Table 9. Basic Education Programs for Selected Regions and Recipients**

(in millions of current \$s)

Region/Country	FY2005 Actual	FY2006 Enacted	FY2007 Request	FY2007 +/- FY2006
Africa	\$146.1	\$183.4	\$129.1	-29.6%
Latin America	\$47.1	\$57.2	\$41.7	-27.1%
Afghanistan	\$37.9	\$51.8	\$81.0	56.4%
Jordan	\$36.2	\$14.0	\$34.0	142.9%

**Source:** USAID and CRS calculations.

- **Family planning funds reduced.** For the first time during the Bush Administration, the executive branch is seeking less than \$425 million for international family planning and reproductive health programs.<sup>20</sup> Consistently one of the most controversial policy elements of the Foreign Operations spending bill, family planning programs generally have been supported by Congress with larger appropriations, ranging between \$432 million and \$480 million in recent years. In defending the request for \$357 million, USAID Administrator Tobias told the House Foreign Operations Subcommittee that family planning remains a “very big priority” of

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<sup>20</sup> In January 2001, President Bush announced that he would re-apply the so-called “Mexico City” policy restrictions banning foreign non-governmental organizations that performed abortions or promoted abortions as a method of family planning from receiving USAID funds even if these activities were financed with non-U.S. government funds. At the same time, however, the President said he remained committed to international family planning and would continue the Clinton Administration \$425 million funding request. Each subsequent budget proposal through FY2006 sought \$425 million. For more information on the Mexico City policy, see CRS Report RL30830, *International Family Planning, The “Mexico City” Policy*, by Larry Nowels.

the Agency, but that with the increases for malaria and avian flu, funding trade-offs among various health activities were necessary.<sup>21</sup>

**Regional Allocations for FY2007: Latin America and Africa.** As noted above, some observers and Members of Congress have been critical of proposed reductions in economic assistance for Latin America. As shown in **Table 10**, amounts for Latin America from the DA and CSH accounts are down sharply in the FY2007 request — nearly 22%. Using a broader measure that includes all Foreign Operations accounts, however, levels for Latin America are reduced in the FY2007 request, but not to the same degree as for the “core” USAID development accounts. Combining DA and CSH funding with these other Foreign Operations accounts that also provide development and poverty reduction aid — ESF, alternative development under the Andean Counternarcotics Initiative, and the Global AIDS Initiative — the FY2007 proposal for Latin America would cut amounts by \$51 million, or about 6% below FY2006. Administration officials also point out that FY2007 totals do not include sizable support for Nicaragua and Honduras under the Millennium Challenge Account, and that other regional countries may qualify for MCA assistance in the future.<sup>22</sup>

Critics remain concerned, nevertheless, that the United States is withdrawing foreign aid from Latin America where large pockets of poverty remain and where the United States has substantial interests. They acknowledge that several regional countries have benefitted from the more recent, selective U.S. initiatives — MCA, HIV/AIDS, and ACI alternative development — but that a number of other Latin American nations are excluded from these programs and are unlikely to qualify in the near-term.

Economic assistance proposed for Africa, on the other hand, increases significantly under the FY2007 proposal — by \$860 million, or over one-third. U.S. assistance to Africa has been increasing for several years, and at the 2005 G-8 summit, President Bush pledged to double U.S. aid to the continent by 2010. The increase for Africa, however, is heavily concentrated in countries that are the primary targets of the President’s HIV/AIDS and malaria initiatives. The 12 African AIDS “focus” countries<sup>23</sup> alone account for \$755 million of the \$860 million regional increase. Similar to the case in Latin America, nations that are not participants in the newest selective foreign aid initiatives are scheduled for flat or reduced assistance in FY2007.<sup>24</sup>

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<sup>21</sup> House Foreign Operations Subcommittee hearing, April 26, 2006.

<sup>22</sup> For more discussion of these issues, see CRS Report RL32487, *U.S. Foreign Assistance to Latin America and the Caribbean*, by Connie Veillette, Clare Ribando, and Mark Sullivan.

<sup>23</sup> Botswana, Cote d’Ivoire, Ethiopia, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, and Zambia.

<sup>24</sup> For further details on U.S. aid to Africa, see CRS Issue Brief IB95052, *Africa: U.S. Foreign Assistance Issues*, by Ted Dagne.

**Table 10. Latin America and Africa Economic Aid Allocations**  
(in millions of current \$s)

Foreign Operations Appropriation Account	Latin America			Africa		
	FY2005 Actual	FY2006 Est.	FY2007 Request	FY2005 Actual	FY2006 Est.	FY2007 Request
Development Assistance	\$247.3	\$254.4	\$181.8	\$517.6	\$588.5	\$563.4
Child Survival/Health	\$144.6	\$140.9	\$128.0	\$370.3	\$391.9	\$478.5
<b>Subtotal, DA &amp; CSH</b>	<b>\$391.9</b>	<b>\$395.3</b>	<b>\$309.8</b>	<b>\$887.9</b>	<b>\$980.4</b>	<b>\$1,041.9</b>
Economic Support Fund	\$163.0	\$120.8	\$152.1	\$126.2	\$121.3	\$164.3
ACI, Alternative Development	\$227.3	\$226.5	\$206.9	—	—	—
Global AIDS Initiative	\$58.8	\$65.3	\$88.0	\$885.7	\$1,238.7	\$1,994.0
<b>TOTAL</b>	<b>\$841.0</b>	<b>\$807.9</b>	<b>\$756.8</b>	<b>\$1,899.8</b>	<b>\$2,340.4</b>	<b>\$3,200.2</b>

Source: USAID and CRS calculations.

**Congressional Action.** The House Appropriations Committee recommendation increases many of the reductions proposed by the Administration for development assistance. Overall, the Committee provides \$1.565 billion for the Child Survival/Health account, \$133 million higher than the request, with increases proposed for child survival and maternal health, vulnerable children, family planning, and other infectious diseases. Overall, including all Foreign Operations accounts, the House measure includes \$432 million for family planning programs, \$75 million above the request. The draft bill also includes \$34 million for the U.N. Population Fund.

For HIV/AIDS, malaria, and tuberculosis, as shown in **Table 8**, the House Committee proposes \$3.7 billion for the Foreign Operations portion of the PEPFAR initiative, slightly higher than the Administration's request. The House measure, however, shifts some of the funds from bilateral activities to increase contributions to the Global Fund to \$444.5 million.

The Development Assistance account is set at \$1.29 billion, \$12 million higher than the request. Because of the creation of a new account for trade capacity building and the transfer of Committee proposed funds for trade capacity out of the DA account, the House measure provides substantially more for DA programs than the account comparison suggests. With \$214 million shifted from DA to the Trade Capacity Enhancement Fund, the actual increase for other DA activities is about \$225 million, or nearly 20% higher than proposed by the Administration. For specific activities, across all Foreign Operations accounts, basic education receives \$550 million, nearly \$100 million more than the request. The newly created Trade Capacity Enhancement Fund provides \$522 million for such activities. This is the same funding level as for FY2006, but will consolidate all resources for trade capacity building in the Foreign Operations measure into a single account. The legislation further directs USAID to create a new office — the Director of Trade Capacity Enhancement.

The House Appropriations Committee recommendation further expresses concerns over the proposed reductions in economic assistance for Latin America. The measure directs the Administration to allocate in FY2007 not less than the amounts provided in FY2006. This directive specifically applies to the DA and Trace Capacity accounts, providing the same levels for FY2007 as allocated in FY2006.

## **The Millennium Challenge Account<sup>25</sup>**

The largest funding increase in the FY2007 Foreign Operations budget is for the Millennium Challenge Account (MCA), a foreign aid program announced in early 2002 and created by statute in February 2004. The MCA is designed to transform the way the United States provides economic assistance, concentrating resources on a small number of “best performing” developing nations. MCA funds are managed by the Millennium Challenge Corporation (MCC), which provides assistance through a competitive selection process to countries that are pursuing political and economic reforms in three areas:

- Ruling justly — promoting good governance, fighting corruption, respecting human rights, and adhering to the rule of law;
- Investing in people — providing adequate health care, education, and other opportunities promoting an educated and healthy population; and
- Fostering enterprise and entrepreneurship — promoting open markets and sustainable budgets.

The MCA concept is based on the premise that economic development succeeds best where it is linked to the principles and policies of a free market economy and democracy, and where governments are committed to implementing reform measures in order to achieve such goals. The MCA differs in several fundamental respects from past and current U.S. aid practices:

- the size of the \$5 billion annual commitment;
- the competitive process that will reward countries for past actions measured by 16 objective performance indicators;
- the pledge to segregate the funds from U.S. strategic foreign policy objectives that often strongly influence where U.S. aid is spent; and
- the requirement to solicit program proposals developed solely by qualifying countries with broad-based civil society involvement.

The request for FY2007 is \$3 billion, the same as for FY2006, but substantially higher than the \$1.75 billion appropriated by Congress for this year. The requests of \$3 billion for each of the past two years fall well below the \$5 billion target for FY2006 and beyond that the President pledged when he announced the initiative in

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<sup>25</sup> For a complete discussion of the Millennium Challenge Account, see CRS Report RL32427, *The Millennium Challenge Account: Implementation of a New U.S. Foreign Aid Initiative*, by Larry Nowels.

March 2002. The MCC's Board of Directors selected 23 countries<sup>26</sup> to participate in the program in FY2004-FY2006, and the Corporation has signed eight agreements, or Compacts, with Madagascar, Honduras, Cape Verde, Nicaragua, Georgia, Benin, Vanuatu, and Armenia between April 2005 and May 2006.

Some Members of Congress, however, believe the initiative has started more slowly than they had anticipated, spending only small amounts of the roughly \$3.7 billion appropriated in total for FY2004-FY2006. Increasing the budget of an untested foreign aid program while other traditional development assistance programs are scheduled for reductions in FY2007, they assert, may not be the best allocation of Foreign Operations resources. The MCC, and its new CEO, Ambassador John Danilovich, argue that changes have been made that will accelerate the signing of more Compacts — three have been signed in 2006 — and that new Compacts will be larger in size helping the MCC fulfill its vision of being a “transformational” development agency. MCC officials say that existing resources are likely to be fully committed by the end of calendar 2006, and that an additional \$3 billion is necessary to finance new Compacts signed in FY2007.

Another concern frequently raised is that additional spending for the MCC comes at the expense of other core development aid accounts. President Bush pledged in 2002 when the MCC concept was first announced that spending on the new initiative would be additional, and not a substitute for existing foreign assistance resources. It is usually impossible to attribute an increase in one program with reductions in others, given the complicated process through which budgets are compiled and the multiple, but not necessarily directly linked, trade-offs that occur. The FY2007 Foreign Operations request is the first budget proposal since establishment of the MCC where Compacts have been signed in countries where USAID maintains programs. In each of these six countries — Armenia, Benin, Honduras, Georgia, Madagascar, and Nicaragua — USAID resources decline. In some cases, decisions to reduce regular aid programs are most likely unrelated to MCC resources. For example, the Administration has been trying to reduce assistance to Armenia and Georgia for a number of years, but congressional earmarks keep levels higher. For other countries, however, executive officials have not explained why traditional assistance has declined, especially for economic growth programs that are the primary focus of MCC Compacts.

**Congressional Action.** The House Appropriations Committee provides \$2 billion for the MCC, \$1 billion under the request. While expressing strong support for the MCC, the Committee's report notes the constraints imposed by a reduced Section 302(b) allocation and the lack of flexibility to fully fund the Administration's request.

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<sup>26</sup> The 23 countries are: Armenia, Benin, Bolivia, Burkina Faso, Cape Verde, East Timor, El Salvador, Gambia, Georgia, Ghana, Honduras, Lesotho, Madagascar, Mali, Mongolia, Morocco, Mozambique, Namibia, Nicaragua, Senegal, Sri Lanka, Tanzania, and Vanuatu.

## Other Key Elements of the FY2007 Request and Congressional Action

Beyond these specific and prominent issues, the Foreign Operations proposal for FY2007 seeks to increase aid activities in a few areas while cutting resources for several programs. Significant appropriation increases include the following:

- **USAID administrative costs** would grow substantially under the request, with operating expenses climbing by 9% and capital investment costs nearly doubling. The largest new expense would be for overseas construction in Burundi, Ethiopia, Madagascar, Serbia, Philippines, Congo (Kinshasa), and Zambia where USAID will co-locate within new U.S. embassy compounds.
- **Refugee assistance** resources would rise by 9% in the request over FY2006 regular appropriations (excluding supplementals), with most of the increase planned for refugee admissions into the United States and for the Emergency Refugee and Migration Assistance (ERMA) contingency fund. Overseas refugee assistance would decline slightly.
- **Conflict Response Fund**, a contingency resource available to the Secretary of State to respond quickly to unforeseen foreign crises, would receive \$75 million in the FY2007 proposal. Funds could also be used to establish a U.S. civilian ground presence in post-conflict situations. In the past, Congress has been reluctant to approve this type of contingency fund for which it can apply little oversight. The Administration had asked lawmakers to launch somewhat similar crisis funds in several recent emergency supplemental and Foreign Operations appropriation requests, proposals that were rejected in each case.
- **Debt restructuring** spending would nearly triple in — from \$64 million in FY2006 to \$183 million — in FY2007. The additional resources would be used largely to cover the costs of canceling debt owed to the United States by the Democratic Republic of Congo, estimated at \$175 million, and to provide for additional contributions to the Heavily Indebted Poor Countries (HIPC) initiative.
- **Peacekeeping** funds would grow by 16%, mainly to increase funding for the Trans-Sahara Counter-terrorism Initiative, support for the African Union (AU) mission in Darfur, and for operations in Liberia. Additional funds for AU operations in Darfur are under consideration in the FY2006 emergency supplemental appropriations.

For several other Foreign Operations accounts, the FY2007 submission represents a reduction below regular amounts approved in FY2006. The proposal cuts funding in two main areas:

- Assistance to **former Soviet states and Eastern Europe**, collectively, would decline by \$151 million, or 17%, from FY2006 levels. The Administration proposes to graduate Bulgaria, Croatia, and Romania from U.S. assistance and decrease every other program in the region other than Kosovo, Ukraine, and the Kyrgyz Republic. Large cuts are recommended for Armenia and Russia.
- Voluntary contributions to **international organizations** would decrease 11% under the request, with reductions proposed for **UNICEF** (-\$2.7 million), the **U.N. Fund for Women** (-\$2.3 million), and the **U.N. Development Program** (-\$14.4 million).

**Congressional Action.** Overall, the May 25 House Appropriations recommendation provides \$21.3 billion for Foreign Operations programs in FY2007, a level \$573 million, or 2.8%, higher than current FY2006 funding (excluding supplemental requests), but \$2.387 billion, or 11.2%, below the President's \$23.7 billion request.

Beyond the specific initiatives discussed above, the Committee bill:

- deletes all funding for the \$75 million Conflict Response Fund;
- reduces by \$4.7 million the request for East European assistance (after adjusting for the transfer of trade capacity building funds);
- cuts aid to the former Soviet states by \$5.5 million from the request (after adjusting for the transfer of trade capacity building funds);
- reduces debt relief to \$20 million, eliminating resources for HIPC expansion and for debt reduction for the Democratic Republic of Congo;
- provides near or full funding for several for several fragile and post-conflict states, including Sudan (\$450 million), Liberia (\$90 million), and Haiti (\$164 million); and
- deletes ESF funds for the Palestinians, but includes amounts for humanitarian and democracy programs.

## Leading Foreign Aid Recipients Proposed for FY2007

While Iraq has been the largest recipient of U.S. assistance, cumulatively, since FY2003, and Israel and Egypt remain the largest annual U.S. aid recipients, significant changes among other benefactors of U.S. assistance have emerged. In the aftermath of the September 11 terrorist attacks, the war in Iraq, and the initiation of the President's Emergency Program for AIDS Relief (PEPFAR), foreign aid allocations have changed in several significant ways. The request for FY2007 continues the patterns of aid distributions of the past four years, with the added feature of several PEPFAR countries moving higher on the list of top recipients. **Table 11** includes those nations that have received an average of more than \$150

million from the United States in FY2006 and requested for FY2007. Countries are listed in the order of the combined amounts for those two years.

Since September 11, the Administration has used economic and military assistance increasingly as a tool in efforts to maintain a cohesive international coalition to conduct the war on terrorism and to assist nations that have both supported U.S. armed forces and face serious terrorism threats themselves. Pakistan, for example, a key coalition partner on the border with Afghanistan, had been ineligible for U.S. aid, other than humanitarian assistance, due to sanctions imposed after it conducted nuclear tests in May 1998, experienced a military coup in 1999, and fell into arrears on debt owed to the United States. Since suspending aid sanctions in October 2001, the United States has transferred over \$3.3 billion to Pakistan. Afghanistan, Jordan, and Indonesia also are among the top aid recipients as part of the network of front-line states in the war on terrorism.



**Table 11. Leading Recipients of U.S. Foreign Aid**  
(appropriation allocations; in millions of current \$)

	FY2003 Total	FY2004 Total	FY2005 Total	FY2006 Regular	FY2006 Supp Req	FY2006 Total	FY2007 Request
Israel	3,682	2,624	2,610	2,495	—	—	2,460
Egypt	2,204	1,865	1,822	1,780	—	—	1,758
Afghanistan	543	1,799	2,674	931	46	—	1,124
Pakistan	495	387	688	754	—	—	738
Colombia	602	574	569	561	—	—	561
Jordan	1,556	560	659	462	—	—	457
Iraq	2,485	18,439	28	61	1,610	—	771
South Africa	73	99	155	226	—	—	360
Kenya	59	85	162	226	—	—	320
Nigeria	73	80	136	182	—	—	320
Ethiopia*	56	74	135	177	—	—	284
Uganda	70	113	170	189	—	—	233
Sudan*	27	171	377	125	213	—	206
Zambia	57	82	132	162	—	—	190
Haiti*	35	102	150	163	—	—	164
Tanzania	41	59	109	135	—	—	190
Indonesia*	132	123	140	143	—	—	154
Mozambique	55	60	84	114	—	—	157

**Source:** U.S. Department of State.

**Note:** Countries are listed in order of the combined FY2006 and FY2007 estimates. Amounts for countries that have signed Millennium Challenge Account Compacts are not considered for this listing of top recipients. MCC Compacts are four- or five-year agreements. If the annual average of the Compacts was added to regular aid totals for the current eight MCC Compact countries, none of the eight would break into this list. As more Compacts are signed, however, some MCC countries might begin to appear among the top recipients.

**Note:** Amounts in this table reflect only direct bilateral, non-food aid programs to these countries. In several cases, especially those noted with an asterisk (\*), countries that have or are experiencing a crisis or natural disaster will receive considerable amounts of U.S. aid through worldwide emergency humanitarian assistance accounts for disaster, refugee, and food relief. For example, assistance for Sudan in FY2005 totaled more than \$1 billion after including these emergency programs. In many cases this emergency assistance is not identified on a country basis. It should be kept in mind that for these selected countries, U.S. assistance is considerably higher in some years than the figures noted here.

A new dimension in U.S. aid allocations — the impact of the President's international HIV/AIDS initiative — can also be seen in amounts allocated for FY2004-FY2006 and proposed for FY2007. Uganda, Ethiopia, Kenya, Mozambique, Zambia, South Africa, Tanzania, and Nigeria, all PEPFAR focus countries, are now among the leading recipients of U.S. assistance.

Missing from the list of top recipients are several countries in the Balkans and the former Soviet Union — Serbia and Montenegro, Kosovo, Russia, Ukraine, Armenia, and Georgia — which have seen levels decline in recent years. Armenia and Georgia, however, have signed MCC Compacts and, including the annual average amount of these Compacts, both countries fall just short of the \$150 million FY2006/FY2007 average cut-off for **Table 12**. Turkey, a leading recipient in most years over the past 25 years, also falls off the list. Andean countries, which have been large recipients of American counternarcotics aid for the past 15 years are also missing. Only Colombia, where U.S. assistance also has a counterterror dimension, remains on the list while Bolivia and Peru are no longer among the top 18 recipients.

## **State Department Appropriations and Related Agencies Overview and Congressional Action**

### **Background**

The State Department, established on July 27, 1789 (1 Stat.28; 22 U.S.C. 2651), has a mission to advance and protect the worldwide interests of the United States and its citizens. The State Department supports the activities of more than 50 U.S. agencies and organizations operating at 260 posts in 180 countries. Currently, the State Department employs approximately 30,000 people, about 60% of whom work overseas. As covered in Title IV of the House Science, State, Justice, and Commerce (SSJC) appropriations measure, State Department funding categories include administration of foreign affairs, international operations, international commissions, and related appropriations, such as international broadcasting. The enacted FY2006 appropriation for Title IV was \$9.56 billion (after adjusting for two rescissions), 9.4% higher than the previous year's regular appropriation, but 11% lower than the previous appropriations when including the FY2005 supplemental funds within P.L. 109-13 for Title IV. Typically, about three-fourths of State's budget is for Administration of Foreign Affairs (about 69% in FY2006), which consists of salaries and expenses, diplomatic security, diplomatic and consular programs, technology, and security/maintenance of overseas buildings.

### **FY2007 Funding Issues<sup>27</sup>**

**Administration of Foreign Affairs.** The Administration's FY2007 request for State's Administration of Foreign Affairs is \$6.81 billion, 5.8% above the

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<sup>27</sup> See CRS Report RL32885, *Science, State, Justice, Commerce and Related Agency (SSJC) Appropriations*, by Susan B. Epstein (coordinator), for a full discussion of this appropriations measure. The total funding level for State Department and related programs in this report will not match exactly the amount discussed in CRS Report RL32885. This is because the Senate bill organization for State Department and related programs includes the U.S. Institute for Peace and several foreign policy-related commissions that are funded separately from the State Department in the SSJC bill.

FY2006 estimated level of \$6.57 billion (including rescissions).<sup>28</sup> The President submitted an FY2006 supplemental request the week after submitting his FY2007 budget request. (See section below regarding the FY2006 emergency supplemental appropriation.)

**Diplomatic & Consular Programs (D&CP).** D&CP primarily covers salaries and expenses, hiring, diplomatic expenditures, cost of living and foreign inflation, as well as exchange rate changes. The FY2007 request of \$4.65 billion represents an increase of 7.7% as compared to the \$4.32 billion funding level enacted for FY2006. The FY2007 funding level request includes \$795.2 million for worldwide security upgrades, as compared to \$680.7 million in the FY2006 appropriation. The D&CP funding request also includes \$351 million, as compared to \$329.7 million in the FY2006 budget, designated only for public diplomacy. In addition, the President's FY2006 supplemental request includes \$1.55 billion for D&CP to pay for operational and security costs for U.S. Missions in Iraq, Afghanistan, and public diplomacy in Iran.

**Embassy, Security, Construction, and Maintenance (ESCM).** ESCM provides funding for embassy construction, repairs, leasing of property for embassies and housing facilities at overseas posts. The FY2007 request of \$640.1 million is 12.1% above the FY2006 enacted level of \$571.1 million (including rescissions).

**Worldwide Security Upgrades.** Ever since the bombings of two U.S. embassies in eastern Africa in August 1998, Congress has appropriated additional money within both D&CP and ESCM for increasing security. The funds in D&CP for worldwide security upgrades are primarily for ongoing expenses due to the upgrades that took place after 1998, such as maintaining computer security, maintaining bullet-proof vehicles, ongoing salaries for perimeter guards, etc. Worldwide security upgrades in ESCM are more on the order of bricks-and-mortar-type expenses. The FY2007 request for upgrades within D&CP total \$795.2 million — \$114.5 million (16.8%) above the enacted level of \$680.7 million (reflecting rescissions) for FY2006. The FY2007 request for worldwide security funding within ESCM totals \$899.4 million, virtually the same as the FY2006 level (after rescissions). The combined total FY2007 request for State's worldwide security upgrades is \$1.69 billion.

**Educational and Cultural Exchanges.** This line item includes programs such as the Fulbright, Muskie, and Humphrey academic exchanges, as well as the international visitor exchanges and some Freedom Support Act and SEED programs. The Administration's FY2007 request is for \$474.3 million, 11.3% more than the FY2006 estimated level of \$426.3 million. The Administration request includes \$200.3 million for the Fulbright program and \$351 million within the D&CP account for public diplomacy expenses. The emergency supplemental appropriation

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<sup>28</sup> These figures for the Administration of Foreign Affairs include only discretionary budget authority and do not include the mandatory appropriation for the Foreign Service Retirement and Disability Fund, amounts that totaled \$131.7 million in FY2006 and an estimated \$126.4 million in FY2007.

legislation (H.R. 4939) includes \$5 million for public diplomacy activities related to Iran.

**Capital Investment Fund (CIF).** CIF was established by the Foreign Relations Authorization Act of FY1994/95 (P.L. 103-236) to provide for purchasing information technology and capital equipment which would ensure the efficient management, coordination, operation, and utilization of State's resources. The FY2007 request is for \$68.3 million, a 17.6% increase over the \$58.1 million enacted for FY2006 (after rescissions). In addition, the FY2006 appropriation also included \$68.5 million for the Centralized Information Technology Modernization Program. The Administration did not request any funding for that account for either FY2006 or FY2007.

## International Commissions

The International Commissions account includes the U.S.-Mexico Boundary and Water Commission (IBWC), the International Fisheries Commissions (IFC), the International Joint Commission (IJC), the International Boundary Commission (IBC), and the Border Environment Cooperation Commission (BECC). The IBWC's mission is to apply rights and obligations assumed by the United States and Mexico under numerous treaties and agreements, improve water quality of border rivers, and resolve border sanitation problems. The mission of the IFC is to recommend to member governments conservation and management measures for protecting marine resources. The IJC's mission is to develop and administer programs to help the United States and Canada with water quality and air pollution issues along their common border. The IBC is obligated by the Treaty of 1925 to maintain an effective boundary line between the United States and Canada. And, established by the North American Free Trade Agreement, the BECC's main purpose is to help local states and communities to develop solutions to environmental problems along the U.S.-Mexico border. The FY2007 funding request of \$63.9 million represents a decrease of 3.9% over the \$66.5 million enacted in FY2006. The FY2007 requested decrease is due largely to a decrease in funds for the Great Lakes Fishery Commission.

## International Organizations and Conferences

The International Organizations and Conferences account consists of two line items: U.S. Contributions to International Organizations (CIO) and U.S. Contributions for International Peacekeeping Activities (CIPA). The FY2007 request totals \$2.4 billion for the overall account, up nearly 11% over the FY2006 level of \$2.17 billion, including rescissions.

**Contributions to International Organizations (CIO).** The CIO supports U.S. membership in numerous international and multilateral organizations that transcends bilateral relationships and covers issues such as human rights, environment, trade, and security. The FY2007 request level for this line item is \$1.27 billion, 10.2% above the \$1.15 billion enacted level for FY2006. The request represents full funding of U.S. assessed contributions to the U.N. and other international organizations. It does not include funding for prior-year funding shortfalls.

**Contributions to International Peacekeeping (CIPA).** The United States supports multilateral peacekeeping efforts around the world through payment of its share of the U.N. assessed peacekeeping budget. The President's FY2007 request of \$1.14 billion represents an increase of 11.1% over the FY2006 estimated level of \$1.02 billion (including rescissions). In addition, the Administration is requesting \$69.8 million for this account in the FY2006 emergency supplemental to support U.N. peacekeeping efforts in southern Sudan and Darfur.

## Related Appropriations

Related appropriations include those for the Asia Foundation, the National Endowment for Democracy (NED), the East-West Center, and the International Center for Middle-Eastern-Western Dialogue Trust Fund. The Administration's FY2007 request for related appropriations totals \$103.7 million — 8.7% less than the FY2006 enacted level of \$113.6 million, after rescissions.

**The Asia Foundation.** The Asia Foundation (TAF) is a private, nonprofit organization that supports efforts in Asia to strengthen democratic processes and institutions, open markets, and improve U.S.-Asian cooperation. It receives both government and private sector contributions. Government funds for the Foundation are appropriated and pass through the Department of State. The FY2007 request of \$10 million reflected a 27.5% reduction over the FY2006 enacted funding level of \$13.8 million. The Foundation states that the \$10 million will support programs that promote tolerance within Muslim minority/majority countries such as in Pakistan, Afghanistan, Nepal, and Cambodia; promote free and fair elections in Asia; and develop democratic institutions for legal reform in China, Vietnam, Indonesia, and Thailand. The Asia Foundation says it will continue to seek private funds and expects to raise \$4 million in private funds for FY2007.

**National Endowment for Democracy (NED).** The National Endowment for Democracy is a private, nonprofit organization established during the Reagan Administration that supports programs to strengthen democratic institutions in more than 80 countries around the world. NED proponents assert that many of its accomplishments are possible because it is not a U.S. government agency. NED's critics claim that it duplicates government democracy promotion programs and could be eliminated, or could be operated entirely through private sector funding. The FY2007 request is \$80 million, the same level as was requested for FY2005 and FY2006, and 8% higher than the final enacted level for FY2006 of \$74.1 million, including rescissions.

**East-West Center.** The Center for Cultural and Technical Interchange between East and West (East-West Center), located in Honolulu, Hawaii, was established in 1960 by Congress to promote understanding and cooperation among the governments and peoples of the Asia/Pacific region and the United States. The FY2007 request for the East-West Center is \$12 million, a 36.8% decline from the FY2006 enacted level of \$19 million, after rescissions.

**The International Center for Middle Eastern-Western Dialogue Trust Fund.** The conferees added language in the FY2004 conference agreement for the Consolidated Appropriations Act, FY2004 to establish a permanent trust fund for the

International Center for Middle Eastern-Western Dialogue. The act provided \$6.9 million for perpetual operations of the Center which is to be located in Istanbul, Turkey. Despite the fact that the Administration did not request any FY2005 funding for this Center, Congress provided \$7.3 million for it in FY2005. The Administration requested spending \$0.8 million of interest and earnings from the Trust Fund for program funding in FY2006. Congress appropriated \$4.9 million for this account in FY2006 and \$0.9 million for the Trust. The Administration is requesting \$0.7 million of interest and earnings from the Trust Fund program for FY2007.

## **International Broadcasting**

International Broadcasting, which had been a primary function of the U.S. Information Agency (USIA) prior to 1999, now falls under an independent agency referred to as the Broadcasting Board of Governors (BBG). The BBG includes the Voice of America (VOA), Radio Free Europe/Radio Liberty (RFE/RL), Cuba Broadcasting, Radio Sawa, Radio Farda, and Radio Free Asia (RFA). In addition to the ongoing international broadcasting activities, the Administration initiated a new U.S. Middle East Television Network — Alhurra.

The BBG's FY2007 funding request totals \$671.9 million, 4.3% above the FY2006 level of \$644 million, after rescissions. The FY2007 broadcasting request includes \$653.6 million for broadcasting operations, \$18.3 million for capital improvements, and \$36.3 million for Broadcasting to Cuba. In addition, the Administration is requesting \$50 million in the emergency supplemental for broadcasting into Iran.

## **FY2006 Emergency Supplemental<sup>29</sup>**

On February 16, 2006, the Administration submitted an emergency FY2006 supplemental appropriations request totaling \$92.2 billion for additional funding for ongoing military operations in Iraq and Afghanistan (\$67.9 billion), State Department operations in Iraq and various foreign aid programs, including assistance for Iraq (\$4.2 billion), and for recovery and reconstruction efforts in the hurricane-affected Gulf Coast areas (\$19.8 billion).

The supplemental proposal for international matters covers a range of activities that were not addressed in the regular FY2006 appropriations, address circumstances that have changed since passage of the regular spending measures, or, like military operations in Iraq and Afghanistan, have been funded largely through supplementals rather than incorporated into the base of annual, on-going diplomatic and aid operations. The request of \$1.6 billion in Iraq stabilization assistance is the first sizable aid package for Baghdad since Congress approved \$18.45 billion in the FY2004 emergency supplemental measure. Other foreign policy elements include

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<sup>29</sup> For a complete discussion of the supplemental request and congressional action, see CRS Report RL33298, *FY2006 Supplemental Appropriations: Iraq and Other International Activities; Additional Hurricane Katrina Relief*, by Paul Irwin and Larry Nowels.

funding for U.S. diplomatic costs in Iraq and Afghanistan, reconstruction aid for Afghanistan, democracy promotion programs for Iran, Darfur humanitarian relief and peace implementation aid in Sudan, Pakistan earthquake reconstruction, Liberia refugee repatriation, and food aid for Africa (see **Table 12** for detailed funding levels).

**Congressional Action.** As passed by the House, the international portion of the emergency supplemental (H.R. 4939) declines to \$4.1 billion, \$66 million less than requested. In most cases where reductions were made, the House Appropriations Committee stated its view that the emergency nature of the requests were not fully justified and that the Committee will address the issues again when it considers the regular FY2007 appropriation proposal. The Senate-approved bill provides \$4.45 billion, about \$220 million higher than the request.

Major items and changes to the Administration request in House and Senate bills include:

- reductions in USAID security and operation costs in Iraq, Afghanistan, and Sudan (House only);
- cuts in security for Provisional Reconstruction Teams in Iraq — \$192 million in the House and \$100 million in the Senate;
- near-full funding for Iraq stabilization assistance, with the redirection of \$26.3 million in the House bill from some prison and judge security funds to counter-narcotics aircraft in Colombia;
- substantial cuts in Afghan reconstruction and debt relief proposals in the House bill, but full funding in the Senate;
- a reduction from \$75 million to \$56 million in the House bill for democracy and related programs in Iran, but full funding in the Senate;
- increases (+\$110 million) in both House and Senate bills for humanitarian and peacekeeping funding for the Darfur region of Sudan;
- full funding for Pakistan earthquake relief and emergency food refugee aid for Africa in both bills;
- additional \$50 million in economic aid for Liberia in both bills;
- additional assistance in the Senate bill for global refugee needs, Haiti, Democratic Republic of Congo, Jordan, drought relief in West Africa and the Horn of Africa, and Guatemala hurricane victims; and
- cuts in the Senate bill to off-set additional appropriations, including reductions for State Department operations in Iraq and aid to Egypt.

**Table 12. State Department and Foreign Aid Funds in FY2006 Supplemental**  
(in millions of current \$s)

Activity*	Request	House	Senate	Conf.
<b>Iraq:<sup>a</sup></b>				
U.S. mission operations	\$1,097.5	\$1,116.1	\$1,037.5	
Provincial reconstruction teams support	\$400.0	\$208.0	\$300.0	
Special Inspector General & State IG <sup>b</sup>	\$25.3	\$25.3	\$25.3	
USAID security and operations	\$119.6	\$61.6	\$119.6	
US Peace Institute	\$0.0	\$1.3	\$0.0	
<b>Subtotal, Iraq mission security and support</b>	<b>\$1,642.4</b>	<b>\$1,412.3</b>	<b>\$1,482.4</b>	
Provincial reconstruction teams/employment <sup>c</sup>	\$675.0	\$675.0	\$675.0	
Infrastructure security	\$287.0	\$287.0	\$287.0	
Infrastructure sustainment	\$355.0	\$355.0	\$355.0	
Nat'l capacity building — democracy & rule of law <sup>e</sup>	\$172.0	\$172.0	\$172.0	
Prison construction/Protection of judges	\$107.7	\$81.4	\$104.4	
Financial integration & security promotion	\$13.0	\$13.0	\$13.0	
<b>Subtotal, Iraq stabilization assistance</b>	<b>\$1,609.7</b>	<b>\$1,583.4</b>	<b>\$1,606.4</b>	
<b>Total, Iraq</b>	<b>\$3,252.1</b>	<b>\$2,995.7</b>	<b>\$3,088.8</b>	
<b>Afghanistan:<sup>d</sup></b>				
U.S. mission security	\$50.1	\$50.1	\$50.1	
USAID security	\$16.0	\$0.0	\$16.0	
<b>Subtotal, Afghanistan mission security</b>	<b>\$66.1</b>	<b>\$50.1</b>	<b>\$66.1</b>	
Power sector projects	\$32.0	\$5.0	\$32.0	
Debt cancellation	\$11.0	\$0.0	\$11.0	
Afghan refugees returning from Pakistan	\$3.4	\$3.4	\$7.4	
<b>Subtotal, Afghanistan assistance</b>	<b>\$46.4</b>	<b>\$8.4</b>	<b>\$50.4</b>	
<b>Total, Afghanistan</b>	<b>\$112.5</b>	<b>\$58.5</b>	<b>\$116.5</b>	
<b>Iran:</b>				
Public diplomacy/independent TV & radio	\$5.0	\$5.0	\$5.0	
Iranian student fellowships/visitor programs	\$5.0	\$5.0	\$5.0	
Broadcasting	\$50.0	\$36.1	\$30.3	
Democracy programs	\$15.0	\$10.0	\$34.8	
<b>Total, Iran</b>	<b>\$75.0</b>	<b>\$56.1</b>	<b>\$75.1</b>	
<b>Sudan/Darfur:</b>				
USAID mission in Juba	\$6.0	\$0.0	\$6.0	
Refugees returning to southern Sudan	\$12.3	\$12.3	\$12.3	
Food aid for southern Sudan	\$75.0	\$75.0	\$75.0	



Activity*	Request	House	Senate	Conf.
UN peacekeeping mission in Southern Sudan	\$31.7	\$31.7	\$31.7	
<b>Subtotal, southern Sudan</b>	<b>\$125.0</b>	<b>\$119.0</b>	<b>\$125.0</b>	
Humanitarian relief in Darfur	\$66.3	\$66.3	\$66.3	
Refugees/conflict victims in Darfur & Chad	\$11.7	\$11.7	\$11.7	
Food aid for Darfur	\$150.0	\$150.0	\$150.0	
African Union peacekeeping mission, Darfur	\$123.0	\$173.0	\$173.0	
UN peacekeeping mission in Darfur	\$38.1	\$98.1	\$98.1	
<b>Subtotal, Darfur</b>	<b>\$389.1</b>	<b>\$499.1</b>	<b>\$499.1</b>	
<b>Total, Sudan/Darfur</b>	<b>\$514.1</b>	<b>\$618.1</b>	<b>\$624.1</b>	
<b>Liberia:</b>				
Refugee repatriation	\$13.8	\$13.8	\$13.8	
Economic aid	\$0.0	\$50.0	\$50.0	
<b>Total, Liberia</b>	<b>\$13.8</b>	<b>\$63.8</b>	<b>\$63.8</b>	
<b>Other Refugee Aid<sup>f</sup></b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$62.5</b>	
<b>Haiti</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$40.0</b>	
<b>Congo, Democratic Republic of</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$13.2</b>	
<b>Jordan</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$100.0</b>	
<b>Pakistan earthquake reconstruction<sup>e</sup></b>	<b>\$126.3</b>	<b>\$126.3</b>	<b>\$126.3</b>	
<b>Food aid, East and Central Africa</b>	<b>\$125.0</b>	<b>\$125.0</b>	<b>\$125.0</b>	
<b>Drought relief for West/Horn of Africa</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$35.0</b>	
<b>Food aid for refugees through WFP</b>	<b>\$10.0</b>	<b>\$10.0</b>	<b>\$20.0</b>	
<b>Colombia</b>	<b>\$0.0</b>	<b>\$26.3</b>	<b>\$5.8</b>	
<b>Hurricane Stan relief for Guatemala</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$12.0</b>	
<b>Rescission of prior aid to Egypt</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>(\$47.0)</b>	
<b>Rescission (House = Peacekeeping funds; Senate = Export-Import Bank)</b>	<b>\$0.0</b>	<b>(\$17.0)</b>	<b>(\$13.2)</b>	
<b>TOTAL, State Dept. &amp; Foreign Aid Funds</b>	<b>\$4,228.8</b>	<b>\$4,062.8</b>	<b>\$4,447.9</b>	

**Source:** Department of State and CRS calculations based on H.Rept. 109-388 and S.Rept. 109-230, with modifications to reflect House and Senate floor amendments.

- a. In addition to these figures for Iraq, the Defense Department portion of the supplemental includes \$3.7 billion for training and equipping Iraq security forces. The FBI also seeks \$32.5 million for operations and support in Iraq and Afghanistan, the Department of Justice's United States Attorneys Office and the U.S. Marshals Service requests \$5.5 million in legal support for Iraq's

- criminal justice system, the Bureau for Alcohol, Tobacco, Firearms, and Explosives proposes \$5 million for firearms trafficking, explosives, and arson operations in Iraq, and the Treasury Department seeks \$1.8 million for its participation in the Iraq Finance Cell and to place a Deputy Treasury Attache in Iraq.
- b. Of the \$25.3 million request, \$1.3 million supports the work of the State Department's IG in Iraq and Afghanistan.
  - c. In addition to new appropriations for these activities, the House bill directs that funds be transferred from previous Iraq Relief and Reconstruction Fund (IRRF) appropriations for Provincial Reconstruction Teams (\$152 million) and for democracy and rule of law programs (\$33.5 million). These amounts are the same as what the Administration had planned to spend for these activities out of the IRRF account. The Senate bill directs that \$104.5 million of ESF for Iraq should be available for broad-based democracy programs in Iraq.
  - d. In addition to these figures for Afghanistan, the Defense Department portion of the supplemental includes \$2.2 billion for training and equipping Afghan security forces and \$192.8 million for counter-drug activities in Afghanistan and the Central Asia area. The FBI also seeks \$32.5 million for operations and support in Iraq and Afghanistan.
  - e. Funds would reimburse several USAID accounts — Development Aid, Child Survival, International Disaster & Famine Assistance, and ESF — for previously reprogrammed money, plus support ongoing reconstruction projects.
  - f. The Senate adds \$42.5 million in refugee funds that include Somalia \$3 million; Horn and W. Africa \$10 million; Congo \$15 million; UNCHR \$4 million; North Caucasus \$2.5 million; North Asia \$3 million; and Burma \$5 million. In addition, the Senate bill provides \$20 million for Emergency Refugee and Migration Assistance for the Horn of Africa.

## For Additional Reading

### Overview

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CRS Report RL32885, *Science, State, Justice, Commerce and Related Agencies (House)/ Commerce, Justice, Science and Related Agencies (Senate): FY2006 Appropriations*, by Susan Epstein and Ian Fergusson.

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CRS Report RL33219, *U.S. and International Responses to the Global Spread of Avian Flu: Issues for Congress*, by Tiaji Salaam-Blyther.

### **State Department/Broadcasting Programs**

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CRS Issue Brief IB90103, *United Nations Peacekeeping: Issues for Congress*, by Marjorie Ann Browne.

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**Table 13. Foreign Operations: Detailed Account Funding Levels**

(in millions of current \$s — discretionary budget authority)

Program	FY2005 Total <sup>a</sup>	FY2006 Regular <sup>b</sup>	FY2006 Supp Req <sup>c</sup>	FY2006 Total	FY2007 Request	FY2007 House	FY2007 Senate	FY2007 Enacted <sup>e</sup>
<b>Title I - Export and Investment Assistance:</b>								
Export-Import Bank	98.9	138.8	(25.0)	113.8	57.6	57.6		
Overseas Private Investment Corp.	(211.6)	(178.1)	—	(178.1)	(192.5)	(192.5)		
Trade and Development Agency	51.1	50.4	—	50.4	50.3	50.3		
<b>Total, Title I - Export Aid</b>	<b>(61.6)</b>	<b>11.1</b>	<b>(25.0)</b>	<b>—</b>	<b>(84.6)</b>	<b>(84.6)</b>		
<b>Title II - Bilateral Economic:</b>								
<b>Development Assistance:</b>								
Child Survival & Health (CS/H)	1,537.6	1,569.2	79.7	—	1,433.0	1,565.6		
Global AIDS Initiative	1,373.9	1,975.1	—	1,975.1	2,894.0	2,772.5		
Development Assistance Fund (DA)	1,448.3	1,508.8	10.5	—	1,282.0	1,294.0		
Trade Capacity Enhancement Fund <sup>d</sup>	—	—	—	—	—	522.0		
Transition Initiatives	48.6	39.6	—	39.6	50.0	40.0		
<b>Subtotal, CS/H, AIDS, TI, DA, &amp; Trade Capacity</b>	<b>4,408.4</b>	<b>5,092.7</b>	<b>90.2</b>	<b>2,014.7</b>	<b>5,659.0</b>	<b>6,194.1</b>		
Intl Disaster & Famine Aid	574.9	361.4	192.0	—	348.8	348.8		
Tsunami Recovery and Reconstruction Fund	656.0	—	—	0.0	—	—		
Development Credit Programs	8.0	7.9	—	7.9	13.4	8.4		
<b>Subtotal, Development Aid</b>	<b>5,647.3</b>	<b>5,462.0</b>	<b>282.2</b>	<b>—</b>	<b>6,021.2</b>	<b>6,551.3</b>		
USAID Operating Expenses	637.5	623.7	141.6	—	678.8	646.0		
USAID Inspector General	37.2	35.6	—	35.6	38.0	39.0		
USAID Capital Investment Fund	58.5	69.3	—	69.3	131.8	105.3		

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Program	FY2005 Total <sup>a</sup>	FY2006 Regular <sup>b</sup>	FY2006 Supp Req <sup>c</sup>	FY2006 Total	FY2007 Request	FY2007 House	FY2007 Senate	FY2007 Enacted <sup>e</sup>
<b>Subtotal, Development Aid &amp; USAID</b>	<b>6,380.5</b>	<b>6,190.6</b>	<b>423.8</b>	<b>—</b>	<b>6,869.8</b>	<b>7,341.6</b>		
Economic Support Fund (ESF)	3,896.2	2,607.7	1,637.5	—	3,214.5	2,650.7		
Economic Support Fund rescission — Turkey	(1,000.0)	—	—	—	—	—		
International Fund for Ireland	18.4	13.4	—	13.4	<sup>e</sup>	10.8		
Eastern Europe/Baltic States	393.4	357.4	—	357.4	273.9	227.9		
Former Soviet Union	625.5	508.9	—	508.9	441.0	371.3		
Conflict Response Fund	—	—	—	—	75.0	0.0		
Inter-American Foundation	17.9	19.3	—	19.3	19.3	19.3		
African Development Foundation	18.8	22.8	—	22.8	22.7	22.7		
Peace Corps	317.4	318.8	—	318.8	336.7	324.6		
Millennium Challenge Corporation	1,488.0	1,752.3	—	1,752.3	3,000.0	2,000.0		
Democracy Fund	—	94.1	—	94.1	0.0	0.0		
Intl Narcotics/Law Enforcement	946.2	472.4	107.7	—	795.5	703.6		
Intl Narcotics — Andean Initiative	725.2	727.2	—	727.2	721.5	506.9		
Migration & Refugee Assistance	884.2	783.1	51.2	—	832.9	750.2		
Emergency Refugee Fund (ERMA)	29.8	29.7	—	29.7	55.0	30.0		
Non-Proliferation/anti-terrorism/demining	423.4	406.0	—	406.0	449.4	425.0		
Treasury Dept. Technical Assistance	18.8	19.8	13.0	—	23.7	23.7		
Debt reduction	99.2	64.4	—	64.4	182.8	20.0		
<b>Total Title II-Bilateral Economic</b>	<b>15,282.9</b>	<b>14,387.9</b>	<b>2,233.2</b>	<b>4,314.3</b>	<b>17,313.7</b>	<b>15,428.3</b>		

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Program	FY2005 Total <sup>a</sup>	FY2006 Regular <sup>b</sup>	FY2006 Supp Req <sup>c</sup>	FY2006 Total	FY2007 Request	FY2007 House	FY2007 Senate	FY2007 Enacted <sup>e</sup>
<b>Title III - Military Assistance:</b>								
Intl Military Education & Training	89.0	85.9	—	85.9	88.9	88.0		
Foreign Mil Financing (FMF)	4,995.2	4,455.0	—	4,455.0	4,550.9	4,454.9		
Security in Asia (additional FMF for the Philippines)	—	9.9	—	9.9	0.0	0.0		
Peacekeeping Operations	417.6	173.3	123.0	—	200.5	170.0		
<b>Total, Title III-Military Aid</b>	<b>5,501.8</b>	<b>4,724.1</b>	<b>123.0</b>	<b>—</b>	<b>4,840.3</b>	<b>4,712.9</b>		
<b>Title IV - Multilateral Economic Aid:</b>								
World Bank - Intl Development Assn	843.2	940.5	—	940.5	950.0	950.0		
World Bank Environment Facility	106.6	79.2	—	79.2	56.3	56.3		
World Bank-Mult Investment Guaranty Agency	—	1.3	—	—	0.0	0.0		
Inter-American Development Bank	10.9	1.7	—	1.7	25.0	23.0		
Inter-American Investment Corporation	—	1.7	—	1.7	0.0	0.0		
Asian Development Bank	99.2	99.0	—	99.0	139.0	115.3		
African Development Fund	105.2	134.3	—	134.3	135.7	135.7		
African Development Bank	4.1	3.6	—	3.6	5.0	5.0		
European Bank for R & D	35.1	1.0	—	1.0	0.0	0.0		
Intl Fund for Agriculture Development	14.9	14.9	—	14.9	18.0	18.0		
Intl Organizations & Programs	325.8	326.2	—	326.2	289.0	327.6		
<b>Total, Title IV - Multilateral</b>	<b>1,545.0</b>	<b>1,603.4</b>	<b>0.0</b>	<b>—</b>	<b>1,618.0</b>	<b>1,630.9</b>		
<b>Rescission</b>	—	—	—	—	—	<b>(388.1)</b>		

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Program	FY2005 Total <sup>a</sup>	FY2006 Regular <sup>b</sup>	FY2006 Supp Req <sup>c</sup>	FY2006 Total	FY2007 Request	FY2007 House	FY2007 Senate	FY2007 Enacted <sup>e</sup>
<b>Total, Foreign Operations</b>	<b>22,268.1</b>	<b>20,726.5</b>	<b>2,331.2</b>	<b>4,314.3</b>	<b>23,687.4</b>	<b>21,299.4</b>		

**Sources:** House and Senate Appropriations Committee and CRS adjustments.

- a. FY2005 includes “regular” and supplemental appropriations.
- b. Amounts shown in this column are FY2006 “regular” appropriations provided in P.L. 109-102. Title III, Chapter 8 of P.L. 108-148, the FY2006 DOD Appropriations, required a 1% across-the-board rescission for each account. Amounts are adjusted to reflect the required reduction for each account.
- c. This column includes amounts requested for emergency FY2006 supplemental appropriations (H.R. 4939), a proposal that is pending in Congress. Also included in this column are amounts enacted in Division B of P.L. 109-148, the FY2006 DOD Appropriations. Division B included emergency supplemental appropriations for Avian Influenza and a rescission for the Export-Import Bank.
- d. The Trade Capacity Enhancement Fund is a new account recommended by the House Foreign Operations Subcommittee. It does not add new money, but consolidates previous funding for trade capacity building that has been included in the DA, ESF, and other Foreign Operations accounts.
- e. The Administration’s FY2007 request includes \$8.5 million for the International Fund for Ireland as part of the Economic Support Fund.

**Table 14. State Department/Broadcasting: Detailed Account Funding Levels**

(in millions of current \$s — discretionary budget authority)

Program	FY2005 Total	FY2006 Regular	FY2006 Supp. Request	FY2006 Total	FY2007 Request	FY2007 House	FY2007 Senate	FY2007 Conference
<b>Administration of Foreign Affairs:</b>								
Diplomatic and Consular Program	4,906.2	4,319.7	1,552.6	—	4,651.9			
<i>[Public Diplomacy]</i>	<i>[\$320.0]</i>	<i>[\$329.7]</i>	—	<i>[\$329.7]</i>	<i>[\$351.0]</i>			
<i>[Worldwide Security Upgrades]</i>	<i>[\$649.9]</i>	<i>[\$680.7]</i>	—	<i>[\$680.7]</i>	<i>[\$795.2]</i>			
Educational & Cultural Exchanges	355.9	426.3	5.0	—	474.3			
Office of Inspector General	30.0	29.6	25.3	—	32.5			
Representation Allowances	8.5	8.2	—	8.2	8.2			
Protection of Foreign Missions & Officials	9.7	9.3	—	9.3	9.3			
Embassy Security-Ongoing Ops & Non-Security Construction	1,195.5	571.1	—	571.1	640.1			
Embassy Security-Worldwide Security Upgrades	900.1	898.6	—	898.6	899.4			
Emergencies in the Diplomatic & Consular Service	1.0	24.9	—	24.9	4.9			
Repatriation Loans	1.2	1.3	—	1.3	1.3			
Payment to the American Institute in Taiwan	19.2	19.5	—	19.5	15.8			
Capital Investment Fund	51.5	58.1	—	58.1	68.3			
Centralized IT Modernization Program	76.8	68.5	—	68.5	0.0			
<b>Total, Administration of Foreign Affairs</b>	<b>7,555.6</b>	<b>6,435.1</b>	<b>1,582.9</b>	<b>—</b>	<b>6,806.0</b>			

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Program	FY2005 Total	FY2006 Regular	FY2006 Supp. Request	FY2006 Total	FY2007 Request	FY2007 House	FY2007 Senate	FY2007 Conference
<b>International Organizations and Conferences:</b>								
Contributions to International Organizations	1,166.2	1,151.3	—	1,151.3	1,268.5			
Contributions to International Peacekeeping	1,163.5	1,022.3	69.8	—	1,135.3			
<b>Total, International Organizations and Conferences</b>	<b>2,329.7</b>	<b>2,173.6</b>	<b>69.8</b>	<b>—</b>	<b>2,403.8</b>			
<b>International Commissions</b>	<b>63.3</b>	<b>66.5</b>	<b>—</b>	<b>66.5</b>	<b>63.9</b>			
<b>Related Appropriations:</b>								
International Center for Middle Eastern-Western Dialogue	7.3	5.8	—	5.8	0.7			
Asia Foundation	12.8	13.8	—	13.8	10.0			
National Endowment for Democracy	59.2	74.1	—	74.1	80.0			
East-West Center	19.2	19.0	—	19.0	12.0			
Eisenhower Exchange	0.5	0.5	—	0.5	0.5			
Israeli Arab Scholarship	0.4	0.4	—	0.4	0.4			
<b>Total, Related Appropriations</b>	<b>99.4</b>	<b>113.6</b>	<b>0.0</b>	<b>113.6</b>	<b>103.6</b>			
<b>TOTAL, STATE DEPARTMENT</b>	<b>10,048.0</b>	<b>8,788.8</b>	<b>1,652.7</b>	<b>—</b>	<b>9,377.3</b>			
<b>International Broadcasting:</b>								
Capital Improvements	10.9	10.8	—	10.8	18.3			
Broadcasting Operations	587.9	633.2	50.0	—	653.6			
Broadcasting to Cuba	<sup>a</sup>	<sup>a</sup>	—	<sup>a</sup>	<sup>a</sup>			
<b>Total, International Broadcasting</b>	<b>598.8</b>	<b>644.0</b>	<b>50.0</b>	<b>—</b>	<b>671.9</b>			
<b>TOTAL, STATE DEPT./INT'L BROADCASTING</b>	<b>10,646.8</b>	<b>9,432.8</b>	<b>1,702.7</b>	<b>—</b>	<b>10,049.2</b>			

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Program	FY2005 Total	FY2006 Regular	FY2006 Supp. Request	FY2006 Total	FY2007 Request	FY2007 House	FY2007 Senate	FY2007 Conference
<b>Commissions and Other:</b>								
Comm. for the Preservation of America's Heritage Abroad	0.5	0.5	—	0.5	0.5			
Commission on International Religious Freedom	3.0	3.2	—	3.2	3.0			
Commission on Security and Cooperation in Europe	1.8	2.0	—	2.0	2.1			
Cong-Executive Comm. on the People's Republic of China	1.9	1.9	—	1.9	2.0			
HELP Commission	1.0	0.0	—	0.0	—			
U.S.-China Economic & Security Review Commission	3.0	3.0	—	3.0	4.0			
U.S. Senate-China Interparliamentary Group	0.1	0.1	—	0.1	—			
United States Institute for Peace	121.9	22.1	—	22.1	27.0			
<b>Total, Commissions and Other</b>	<b>133.2</b>	<b>32.8</b>	<b>—</b>	<b>32.8</b>	<b>38.6</b>			
<b>Grand Total</b>	<b>10,780.0</b>	<b>9,465.6</b>	<b>1,702.7</b>	<b>—</b>	<b>10,087.8</b>			

Sources: House and Senate Appropriations Committee and CRS adjustments.

Note: This table reflects the Senate structure of the State, Foreign Operations Appropriations bill and is not identical to the State Department and Related Programs title in the House SSJC bill. The Senate measure includes the U.S. Institute of Peace and several foreign policy-related commissions while the House SSJC bill funds these programs in separate titles from the State Department and Related Programs.

a. Included in Broadcasting Operations.