

CRS Report for Congress

Central America: Major Trends in U.S. Foreign Assistance Fiscal 1978 to Fiscal 1990

Jonathan E. Sanford
Analyst in International Political Economy
Foreign Affairs and National Defense Division

June 19, 1989



**CENTRAL AMERICA:
MAJOR TRENDS IN U.S. FOREIGN ASSISTANCE
FISCAL 1978 TO FISCAL 1990**

SUMMARY

In 1978, the year before the Sandinistas took power in Nicaragua and the coup by reformist military officers in El Salvador opened up prospects for political change in that country, U.S. foreign aid to Central America was at its historic low. In 1979, major increases in U.S. aid levels commenced. By 1983, it was four and one-half times as large, in real terms, as in 1979. U.S. foreign assistance to Central America peaked in 1985 at a level ten times as great (in real terms) as in 1978 and three times as great as the previous high (1965). Thereafter, it has fallen by 40 percent from the 1985 peak level. The U.S. aid program in Central America has been about the same size since 1988, in real terms, as it was in 1983.

In addition to the increase in its overall size, other major changes have taken place in the composition of the U.S. aid program in Central America, the share of that aid going to individual countries, and the types of activities financed. There has been a substantial increase, for example, in the share of U.S. aid in Central America allocated to El Salvador and Costa Rica, up from 20 and 10 percent, respectively, of U.S. aid in 1978-80 to over 43 and 16 percent in 1984-87. The share for Honduras has remained at about 20 percent of the total throughout the 1978-90 period, though the volume of U.S. aid has increased considerably. U.S. aid levels to Guatemala fell substantially during the middle years of the past decade, but rose later after an elected civilian government was installed. Most recently, (1988-90) Guatemala has accounted for 17 percent of U.S. Central American aid and is the second largest economic aid recipient in the region.

In 1978, aid for developmental purposes accounted for almost 95 percent of total U.S. assistance for Central America. Since then, as the economic, military, and political problems of the region have grown, the levels of U.S. balance of payments and military aid have increased substantially. From zero in 1978, aid for balance of payments purposes increased to almost half of all U.S. aid to the region by the mid-1980s and military aid increased from almost zero to about 20 percent of the total in the same period. The share of U.S. aid allocated for developmental purposes has varied during the 1978-90 period. In the past five years, it has been about 35 percent of the total.

Most of the U.S. balance of payments funds have gone for programs to provide the private sector with the foreign exchange to import items needed for production. The U.S. development aid program continues to put the largest share of its assistance into the agriculture sector, though increased emphasis has also been placed, in the past five years, on health and education programs and on programs to help strengthen private sector. The U.S. military aid program sought to build up the capacity of a few key countries. The composition of the U.S. military aid program differs from country to country, depending on its situation and needs.

CONTENTS

INTRODUCTION	1
BACKGROUND: U.S. POLICY TOWARD CENTRAL AMERICA	3
FOUR PERIODS FOR U.S. POLICY TOWARD CENTRAL AMERICA	4
FOUR PERIODS FOR U.S. AID TO CENTRAL AMERICA	5
BACKGROUND: THE COUNTRIES OF CENTRAL AMERICA	7
CHANGES IN THE TOTAL SIZE OF THE U.S. AID PROGRAM	10
CHANGES IN THE COMPOSITION OF THE U.S. AID PROGRAM ..	12
CHANGED AMOUNTS FOR PROGRAMS	12
Four Categories	13
Changes within Individual Programs	13
CHANGED OBJECTIVES FOR U.S. AID	15
CHANGES IN THE TERMS FOR U.S. AID	17
CHANGES IN COUNTRY SHARES FOR U.S. AID	18
OVERALL CHANGES IN THE REGION	18
SPECIFIC COUNTRY PROGRAMS	18
Major Recipients	20
El Salvador	20
Prevailing Conditions in El Salvador	20
U.S. Aid Policy Towards El Salvador	22
U.S. Aid Programs	25
Honduras	27
U.S. Policy Toward Honduras	27
U.S. Aid to Honduras	28
Guatemala	29
U.S. Policy Toward Guatemala	29
Economic Conditions in Guatemala	32
U.S. Aid to Guatemala	32
Costa Rica	33
Minor Recipients	35
Regional Programs	35
Belize	37
Panama	39
Nicaragua	41
Aid to Nicaragua	41
Aid to the "Contras"	43
CHANGES WITHIN THE INDIVIDUAL AID PROGRAMS	44
ECONOMIC SUPPORT FUND	44
DEVELOPMENT AID	48
FOOD AID	52
MILITARY ASSISTANCE	55
APPENDIX: U.S. AID TO CENTRAL AMERICA (In current and constant 1990 dollars)	59

1

**CENTRAL AMERICA:
MAJOR TRENDS IN U.S. FOREIGN ASSISTANCE
FISCAL 1978 TO FISCAL 1990**

INTRODUCTION

Since 1978, the year before the fall of Somoza in Nicaragua and the coup in El Salvador, the level of U.S. foreign assistance to Central America has grown substantially. At its peak, in fiscal 1985, the U.S. aid program in Central America was over 10 times as large as it was in 1978, in real terms, and over three times as large as the previous high (in 1965.) Since 1985, the level of U.S. aid in the region has fallen, due mainly to the declining size of the foreign aid budget and concern about the Federal deficit. Nevertheless, in fiscal 1989, the U.S. aid program in Central America was almost six times as large as in 1978, in real terms, and about as large in fiscal 1983.

In large part, this increase--and the underlying shifts in the composition and focus of the U.S. aid--reflect the expanded level of U.S. concern which has developed about events in the region. Before 1979, the U.S. aid program in Central America was shrinking because of U.S. concern about the repressive character of the incumbent regimes and the high level of human rights violations. Since that time, important political and social changes have occurred in most of the countries. The U.S. foreign aid program is both a tool with which the United States has sought to influence events in the Central American region and an indicator of the significance it attaches to those events.

There has been much debate in Congress and elsewhere about the appropriate size, mix, and objectives for U.S. foreign aid in Central America during the past decade. Among other things, the participants in the debate disagree about the relative emphasis which should be put on security assistance compared to developmental aid. They also disagree about the overall level of U.S. aid to the region and the shares going to individual countries.

This paper examines the major trends in U.S. foreign assistance to Central America which have taken place since 1978. It deals with four topics: (1) changes in the overall size of the U.S. aid effort in the region, (2) changes in the composition (the overall program mix and the country mix) of the U.S. aid program, (3) changes in the content and focus of the U.S. aid program in each of the Central American country, and (4) changes in the character of the types of activities financed by the individual programs (development aid, military aid, food aid, economic support aid, etc.) themselves.

SOURCES AND DATA

This report draws mainly upon information which the Administration has provided to Congress. The principal source is the Agency for International Development's (AID) annual congressional presentation document. Data on activities by the Peace Corps, Inter-American Foundation and AID's office of Foreign Disaster Assistance (OFDA) were obtained from the agencies themselves. Additional information has been obtained from documents and data provided by the executive branch and from interviews with executive branch officials.

The figures in this report show the amounts of money the United States obligated--that is, the amounts it formally committed itself to provide--during fiscal years 1978 to 1990. The amounts for 1989 are estimates while the fiscal 1990 figures are requested levels. The amounts the United States actually disbursed to pay for aid programs in Central America during any one year may be different from the amounts obligated that year. The obligation figures may also be different from the amounts which Congress appropriated that year. Aid money is not necessarily obligated during the same fiscal year it is appropriated.

In some cases, the lag between appropriation and obligation can lead to analytical problems. For example, the funds approved in the supplemental 1984 appropriation act were obligated in two fiscal years. The \$195.3 million in supplemental military aid were obligated in the last days of fiscal 1984, as were \$60 million of the Economic Support Fund (ESF) appropriation and \$350,000 for supplemental development aid. The remaining \$230.5 million in ESF aid and \$67.7 million in development aid were obligated early in the next fiscal year. This makes it seem as though the increase in U.S. military aid started first and the growth in development aid followed later, whereas in fact both were approved in the same legislation at the same time. The assignment of these funds by fiscal year is an accounting phenomenon, not an indication of policy.

For this study, the Central American region consists of seven countries: Belize, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, and Panama.

BACKGROUND: U.S. POLICY TOWARD CENTRAL AMERICA

The year 1979 was a watershed year for Central America. In Nicaragua, the Sandinista-led insurgents seized power following an intense civil war. In El Salvador, a coup by reformist military officers gave rise to a new effort to deal with the country's chronic political and social problems as well as intensified armed conflict with the guerrillas. The oil shock of 1979--which doubled world oil prices for the second time in half a decade--also shook the economies of the Central American countries. Costa Rica, Panama, Guatemala, Honduras and El Salvador all experienced major negative shifts in their balance of payments, and they all turned to the International Monetary Fund (IMF), the World Bank, and the United States for major infusions of economic aid to bolster their economies against further collapse. In the process, they agreed to undertake or to consider major shifts in their national economic policies and major changes in their economic processes. The continuing decline in the international prices for the Central American countries' major exports placed serious strains on their economic resources, however. The associated social and political conflicts in these countries also made it difficult for them to develop the domestic bases of support needed to carry out the changes and to cope adequately with their current problems.

The political instability and civil war in El Salvador and the strained relations between the United States and Nicaragua have been the principal foci for U.S. policy towards Central America. In many respects, U.S. policy towards the other countries of the region has been conditioned by those principal concerns. Nevertheless, U.S. relations with the other countries have been also colored by factors intrinsic to their situations. Concern about the canal was a major factor affecting U.S.-Panamanian relations, for example, during the early years of the 1978-90 period. More recently, tensions about drug trafficking and political reform have become a major focus for U.S. policy concern. In Guatemala, concern about human rights and democratization have been major components of U.S. policy. In Costa Rica, the United States has sought to protect the country's open democratic system from the potentially destabilizing effects of the regional conflicts and the country's declining economic situation.¹

¹ For a broader review of U.S. policy towards Central America, see two articles by Nina M. Serafino; Overview: Central American Dilemmas and U.S. Policy, and U.S. Interests in Central America, in *Central American Dilemmas and U.S. Policy*, CRS Review, February 1989, pp. 1-3 and 5-7.

CONSTANT 1990 DOLLARS

On many occasions, this report converts the actual amounts the United States provided in aid to Central America (current dollars) into constant 1990 dollars. This eliminates the distorting effects of inflation and permits easy comparison of aid levels over time. The changes which may have occurred in aid levels between two periods may be called changes "in real terms," that is, changes which take into account the changed real value of the money. The deflators used for the constant dollar calculation in this report are those provided by the Office of Management and Budget. The graphs in this study all use constant 1990 dollars, the same dollars Congress is using as it considers the fiscal 1990 budget. Appendix I provides the actual amounts, in current dollars, for U.S. aid to Central America during the 1978-90 period. Appendix II provides the same data in constant 1990 dollars.

FOUR PERIODS FOR U.S. POLICY TOWARD CENTRAL AMERICA

U.S. policy toward Central America has gone through four periods in the past decade. The years 1978-80 were a time of coming to grips with the issues and making initial decisions. The years 1981-83 were a time of expanding U.S. involvement and growing controversy about the ends and means of U.S. policy. In addition to expanding U.S. support for El Salvador and other regional countries, the Administration initiated a series of military training exercises in Honduras in 1981 and it later began stationing troops there for training purposes on a more-or-less continual basis.² The United States also began providing assistance during this period to the anti-Sandinista Nicaraguan guerrillas ("contras.")³

² For a further discussion of the exercises and other U.S. military activities in Honduras, see: U.S. Library of Congress. Congressional Research Service. Honduras: U.S. Military Activities, Issue Brief No. IB84134, by James P. Wootten.

³ For additional information about U.S. support for the "contras", see: U.S. Library of Congress. Congressional Research Service. Contra Aid, FY1982-FY1988: Summary and Chronology of Major Congressional Action on Key Legislation Concerning U.S. Aid to the Anti-Sandinista Guerrillas. Report No. 88-563 F, by Nina M. Serafino. Washington, August 18, 1988; and U.S. Library of Congress. Congressional Research Service. Nicaraguan Resistance ("Contras"): Background and Major Concerns of Congress. Report No. 87-943 F, by Veronica R. Clifford. Washington, December 1, 1987.

The years 1984-87 were a time of substantial U.S. assistance and substantial executive and congressional agreement about U.S. goals and priorities in the region. The Kissinger Commission's report on U.S. policy towards Central America helped knit together a consensus, which had not existed previously, concerning U.S. aid and policy towards Central America.⁴ In addition, and perhaps more important, the election of the Duarte government in early 1984 helped soften congressional resistance to increased military aid for El Salvador, the crux of the previous debate. Congress moved in the next few years to allow increased levels of U.S. aid for the region. In fiscal 1986 and 1987, Congress sustained the Central American aid levels despite a declining volume of U.S. aid worldwide.

Since 1987, the levels of U.S. aid to Central America have declined, more because of the continued shrinking size of the U.S. foreign aid budget and a lack of desire on the part of Congress to protect Central American aid levels at a time when other regions are being substantially cut than because of any substantial opposition to U.S. policy. The base of support for U.S. foreign aid policy, established in the 1984-7 period, persists. The reduced levels of available U.S. funding, the continued political and economic problems of the region, and the heightened prospects for the Central American peace process have encouraged interest, however, in alternative approaches.⁵

FOUR PERIODS FOR U.S. AID TO CENTRAL AMERICA

The U.S. foreign aid program for Central America has changed in the past decade as U.S. policy towards the region has evolved. Between 1978 and 1980, the level of U.S. aid almost doubled in real terms. By 1980, the U.S. aid level was comparable to the amount the United States had provided the region, in real terms, during the 1960s and the 1970s. Development aid accounted for the bulk of the U.S. assistance to the region, during these years. Nevertheless, the basic decisions were made at this time (although the results mainly show up in the fiscal 1981 data) to increase the volume of balance of

⁴ For a further discussion of the Kissinger Commission report, see: U.S. Library of Congress. Congressional Research Service. Kissinger Commission Implementation: Action by the Congress Through 1986 on the Recommendations of the National Bipartisan Commission on Central America. Report No. 87-291 F, by K. Larry Storrs. Washington, March 7, 1987; and U.S. Library of Congress. Congressional Research Service. A Summary and Analysis of the Report of the National Bipartisan "Kissinger" Commission on Central America, January 1984, Report No. 84-39 F, by Richard P. Cronin and K. Larry Storrs. Washington, February 29, 1984.

⁵ For a review of Central American development prospects and emerging multilateral approaches, see: K. Larry Storrs. Central America's Economic Development: Options for U.S. Assistance, in Central American Dilemmas and U.S. Policy, CRS Review, February 1989, pp. 8-10.

payments support and military aid to the region. The levels of U.S. aid for El Salvador and Honduras increased significantly during this period, while the amounts for Panama and Guatemala declined.

During the 1981-3 period, the level of U.S. foreign aid to Central America increased substantially. By 1983, the volume was three times as great in real terms as it had been in 1980. Emphasis shifted during this period from development aid to balance of payments and military assistance. In 1980, almost 85 percent of U.S. aid to the region went for developmental purposes. By 1983, however, balance of payments aid accounted for over half the U.S. aid to the region, and military aid had climbed to represent 18 percent of the total. Development assistance, on the other hand, had fallen to about one-quarter. The U.S. aid program in El Salvador grew considerably during this period. By 1983 it accounted for 42 percent of all U.S. aid to the region, while another 50 percent was allocated to Costa Rica and Honduras.

In the 1984-87 period, U.S. aid to Central America reached its highest peak. On average, U.S. aid to the region was one-third more than the level reached in fiscal 1983. The share of U.S. aid allocated for developmental purposes went up during this period. On average, during these four years, 46 percent of the U.S. aid funds went for balance of payments purposes, 35 percent for developmental activities, and 19 percent for military aid. The share allocated for regional development programs and for education and health programs, all priorities the Kissinger Commission had stressed in its report, also increased. El Salvador, Honduras, and Costa Rica continued to receive the bulk (overall, during this period, about 80 percent of the total) of the U.S. aid provided to Central America. A rapidly growing aid program for Guatemala developed, however, as the country moved to install a new, elected, civilian government.

Since 1988, U.S. aid levels in Central America have declined from the high amounts registered during the 1984-87 period. Nevertheless, they still remain at roughly the same level reached, in real terms, in 1983. During this period, the share of U.S. aid allocated for balance of payments programs has remained at about 48 percent of the total. The military and developmental aid programs have been essentially unchanged, though the Administration has suggested that somewhat more should be allocated for military aid (and less for development aid) in future years.⁶

⁶ For a discussion of recent congressional action on U.S. aid to Central America and several relevant issues, see: U.S. Library of Congress. Congressional Research Service. Central America and U.S. Foreign Assistance: Issues for Congress. Issue Brief No. IB84075, by Jonathan E. Sanford and Alan K. Yu.

BACKGROUND: THE COUNTRIES OF CENTRAL AMERICA

In the past decade, the Central American countries (Belize, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, and Panama) have experienced sharp political turmoil and/or serious economic problems. Nicaragua, El Salvador, and Guatemala have experienced internal war, in which guerrilla forces have sought to overthrow their central governments. The collapse of the Central American Common Market, which began with the 1969 war between Honduras and El Salvador and accelerated with the region's civil unrest, disrupted regional trade and hurt the economies of all the countries. Economic sabotage by guerrilla groups and war damage to the economic infrastructure have also taken a toll on the economies of several countries, particularly El Salvador and Nicaragua. The oil price shocks and world recession of the late 1970s and early 1980s contributed to the rising foreign indebtedness of the Central American countries, especially Costa Rica and Panama. The low international prices for Central America's major export crops have also undercut the region's economic growth and development prospects. The strain in regional political relations, which was associated with the Sandinista victory in the Nicaraguan civil war, and the subsequent strain in U.S.-Nicaraguan relations have also had a negative effect on the region. Levels of U.S. economic and military aid to the region have increased, with positive effects for some countries, but the difficult political, security, and diplomatic situation has also diverted resources from other ends and hampered regional efforts to cope with common problems.

Although all are small states with relatively poor populations and serious social and economic problems, there are major differences among the countries of Central America. (See Table 1, p. 8) Costa Rica and Belize have made considerable economic and social progress. Only about a third of their workforce is in agriculture and their economies are becoming increasingly diversified. The other countries of the region suffer from serious social and health problems and their economies remain heavily agricultural, mainly focused on the production of a few basic export crops (coffee, cotton, etc.) with weak international markets. All Central American countries have suffered serious trade deficits in recent years and several are very deeply in debt. Honduras, Costa Rica, Panama, and Nicaragua are especially mortgaged, and large shares of their export earnings are earmarked to help service their debts.

The countries of the region differ significantly in the size of their military and their expenditures on military forces. Costa Rica has no formal military force, its army having been abolished in 1948. Nicaragua has a large military (77,000 active duty personnel, plus reserves) armed with modern equipment, mostly provided by the Soviet Union and Eastern Europe. El Salvador also

TABLE 1. Comparative Statistics on
the Countries of Central America

	<u>Belize</u>	<u>Costa Rica</u>	<u>El Salvador</u>	<u>Guatemala</u>	<u>Honduras</u>	<u>Nicaragua</u>	<u>Panama</u>
<u>BASIC INDICATORS:</u>							
Population, 1988 (thousands)	172	2,888	5,389	8,831	4,972	3,500	2,300
GNP, 1987 (millions)	\$201	\$4,100	\$4,419	\$8,213	\$3,679	\$3,077	\$4,835
GNP per capita	\$1,170	\$1,420	\$820	\$930	\$740	\$879	\$2,102
GNP growth 1965-86	2.2%	1.6%	-0.2%	1.4%	0.3%	-1.6%	2.4%
Population growth, 1988	2.4%	2.7%	2.4%	2.5%	3.2%	3.4%	2.1%
<u>SOCIAL INDICATORS:</u>							
Adult literacy, 1985	91%	93.5%	72%	52%	59%	72%	87%
Life expectancy at birth	68.8	75.5	58.8	60.3	64.6	59.8	72.6
Infant mortality (under 1 year)	3.6%	1.6%	8.6%	7.9%	6.6%	6.1%	2.3%
Population with access to safe water	68% (1984)	88% (1983)	57% (1987)	57% (1983)	50% (1984)	70% (1975)	62% (1983)
<u>ECONOMIC INDICATORS:</u>							
Inflation (1987)	2.4%	16.8%	24.8%	12.3%	2.5%	2000%	1.0%
Share of labor force in agriculture (1987)	37%	27.7%	40%	58.1%	53.1%	37.6%	29.4%
Merchandise trade balance, 1987 (millions)	NA	\$-138.9	\$-333.6	\$-337.8	\$-31.4	\$-538.9	\$784.7
Current Account (BOP) balance, 1987 (millions)	NA	\$-243.5	\$-137.0	\$-427.1	\$-176.6	\$-720.8	\$358.4
Foreign public debt as % of GNP, 1986	NA	97.8%	40.2%	31.7%	72.4%	198.2%	66.5%
Debt service as % of exports:							
in 1970	NA	19.9%	12.1%	8.2%	5.2%	10.5%	7.7%
in 1984	2.5%	27.9%	17.2%	20.6%	20.4%	17.5%	7.9%
in 1986	18.5%	28.9%	20.8%	23.3%	22.0%	12.9%	7.6%
<u>MILITARY INDICATORS:</u>							
1987 Defense Budget (millions)	\$11.3	\$62.8	\$177.0	\$265.8	\$75.0	\$436.1	\$104.6
Defense spending as % of GNP, 1987	4.5%	0.7%	4.0%	3.2%	2.0%	14.2%	2.0%
Size of military							
Active	700	0	55,000	42,000	18,700	77,000	7,300
Reserves	0	0	NA	5,200	50,000	88,000	0
Paramilitary forces	350	9,500	24,600	26,600	5,000	2,000	12,300

Compiled by Rachel Peterson, Foreign Affairs Analyst

(Sources: IADB's *Econ and Social Progress in Latin America, 1988*. World Bank's *World Development Report, 1988*. Agency for International Development (AID), 1988, Congressional Presentation document. Military size data from Institute for International Strategic Studies' *The Military Balance, 1988-89*).

has a sizable military (55,000 active duty personnel, plus reserves), equipped with modern weapons provided by the United States. Honduras has a smaller military (18,700 plus reserves) also equipped with modern U.S.-supplied equipment. Guatemala has large military force (42,000 plus reserves) but much of its equipment is dated and only a small portion was provided by U.S. aid. Panama's defense force is also small (7,300 plus reserves), with limited modern equipment (only a small portion of it supplied by U.S. aid.) Aside from the resources provided by foreign aid, Nicaragua has by far the largest defense budget for any country in the region (\$436 million in 1987, about 14 percent of its GNP.) Guatemala and El Salvador had smaller defense budgets, as Table 1 indicates. In the Salvadoran and Honduran cases, the capacity of the military was augmented significantly by U.S. military aid.

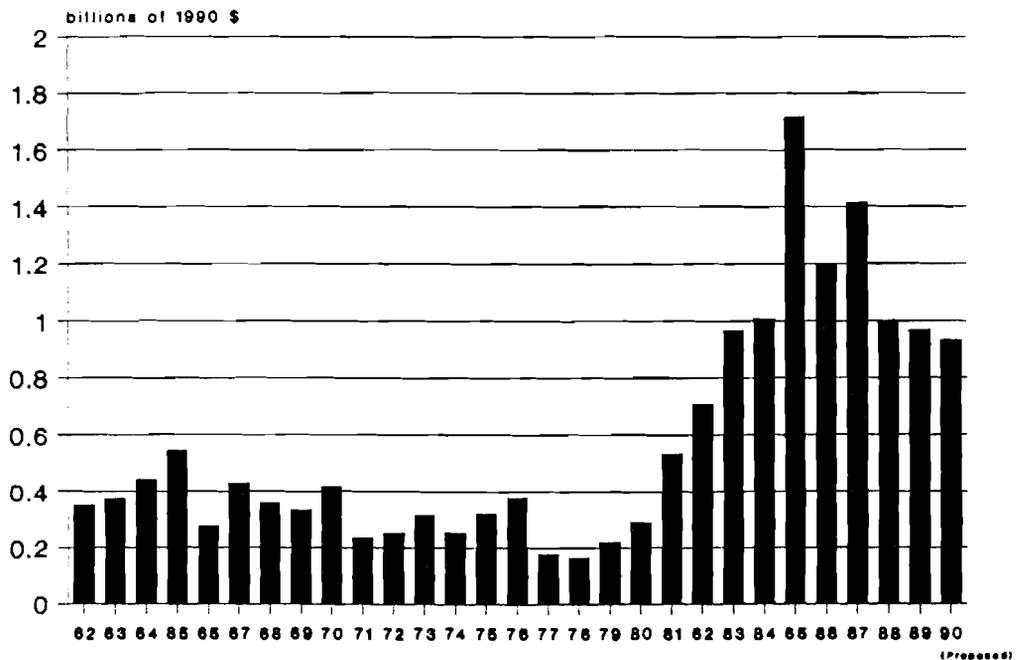
Besides their regular military, some of these countries have sizable security or military forces. (In most cases, the police and other local law forces are controlled by the national government.) El Salvador, for example, reportedly has about 12,600 people in its Treasury Police, National Guard, and National Police and another 12,000 in the armed territorial civil defense force. Costa Rica has about 9,500 serving in the para-military civil guard and similar organizations.

CHANGES IN THE TOTAL SIZE OF THE U.S. AID PROGRAM

There has been a substantial increase in the total level of U.S. military and economic aid to Central America in the past decade. As Figure 1 indicates, fiscal 1978, the initial year for the period under examination here, was a low point for U.S. aid to the region.⁷ During the 1979-80 period, however, as the United States became increasingly concerned about developments in the region, the level of U.S. aid increased substantially. By 1980, the United States had raised its aid levels in Central America to about the historic average for the previous two decades. In the next three years (1981-3), the United States raised its average annual aid level to \$706 million, as it rapidly increased levels of foreign aid to the region.

Figure 1

U.S. Aid to Central America, 1962-90



By 1983, the U.S. aid program in Central America had achieved the levels it held for the rest of the decade. Between 1984 and 1987, with the Kissinger Commission report, the election of the Duarte government in El Salvador, the

⁷ From a high point of \$545.3 million (in 1990 dollars) in 1965, during the midst of the Alliance for Progress period for U.S. aid to Latin America, the level of U.S. assistance to the Central American countries gradually declined. In 1978, the United States provided Central America with the smallest amount of aid (in real terms) since 1961.

Salvadoran earthquake in 1986, and other developments, U.S. aid to the region peaked, averaging \$1.33 billion a year. Thereafter, with the pressure of the Federal budget deficit and other demands on the shrinking foreign aid budget, the U.S. aid program in the region declined. As Figure 1 shows, the U.S. foreign aid program for Central America was about 28 percent smaller annually during the 1988-90 period than it was on average annually in 1984-87. Since 1987, the U.S. aid to the region has been at about the same plateau that it first achieved in 1983.

CHANGES IN THE COMPOSITION OF THE U.S. AID PROGRAM

Since 1978, there has been a major shift in the composition--the mix of activities and the types of aid--of U.S. foreign assistance in Central America. This can be shown in three ways: changes in the funding levels for the individual programs, shifts in the objectives which the U.S. aid is intended to accomplish, and changes in the terms upon which the United States provides its aid.

CHANGED AMOUNTS FOR PROGRAMS

The United States channels its foreign aid to Central America through ten programs. In declining size, they are as follows:

- The Economic Support Fund (ESF), a security assistance program, provides balance of payments support and funding for special or high-priority development projects.
- The AID development aid program funds projects and activities designed to promote economic development, meet basic human needs, and encourage economic growth in recipient countries.
- The Military Assistance Program (MAP) provides grants to finance the purchase of arms, equipment, and training for military units.
- The P.L. 480 Title I food loan program makes loans, at concessional rates, to finance commercial food imports and, in the process, to provide balance of payments support to recipient countries.
- The P.L. 480 Title II humanitarian food grant program provides direct allocations of food aid to help needy individuals.
- The Foreign Military Sales (FMS) credit program provides funds--market-and concessional-rate loans and proposed grants in fiscal 1990--to help countries finance purchases of U.S. military equipment.
- The Peace Corps assigns volunteers to serve in countries, on a grant basis, to staff special types of development programs.
- The AID Office of Foreign Disaster Assistance (OFDA) provides grant allocations of emergency aid to help victims of natural or man-made disasters.
- The Inter-American Foundation (IAF) makes grants to assist small cooperatives, microenterprise, and other small-scale private development-oriented organizations.

- The International Military Education and Training (IMET) program makes grants to finance the participation by individual members of foreign military services in special U.S. training programs designed to help improve their professionalism and military skills.

Four Categories

Within these programs, four general categories of activity can be noted. These include (1) the ESF program, (2) the two food aid programs (namely, the P.L. 480 food loan and humanitarian food grant programs), (3) the three military aid programs (namely, MAP, FMS, and IMET), and (4) four development programs (namely, the AID development aid program, the Peace Corps, the Inter-American Foundation, and disaster aid.)

As Figure 2 indicates (next page), the amounts of U.S. aid allocated through the four categories of programs has varied during the past decade, as the overall size of the U.S. aid program in the region has gone up and down. Overall, despite these changes in the amounts, the relative shares for U.S. aid in the four categories have been relatively similar. In fiscal years 1983 and 1989, for example, the United States provided about the same amounts of foreign aid to Central America in real terms. Development aid and ESF programs were about 5 percent larger, in the latter year, while the military aid and food aid programs were about 10 percent and 25 percent smaller, respectively, in 1989.

Changes within Individual Programs

Not all the U.S. aid programs in the four categories have demonstrated the same amounts of growth. AID's development assistance program accounted for most of U.S. development funds. As Figure 3 indicates (p. 15), the average annual size of the AID development aid program was relatively unchanged, in real terms, during the first half of the 1978-90 period. After 1984, it increased significantly and the higher level of activity was diminished only moderately when U.S. foreign aid levels in the region began to decline towards the end of the decade. Some of the minor programs--the Peace Corps and Inter-American Foundation, in particular--registered increases in the size of their Central American programs, in the later years, though in absolute terms their overall programs remained rather small. The disaster aid program declined in size towards the end of the decade.

The ESF program peaked during the 1984-87 period, and then fell by one quarter in recent years. The two food aid programs moved in opposite directions in their levels of funding. The P.L. 480 Title II grant program operated at about the same level throughout the decade, in real terms, with the exception of the enhanced period of funding in 1981-83. The P.L. 480 Title I loan program, on the other hand, grew substantially and was almost five times larger at the end of the decade than it had been at the beginning.

AREA GRAPHS

This study uses a number of area graphs, as in Figure 2, to illustrate its findings. The top line shows the amount spent, over time, for the activities covered by the graph, while the patterned areas below show the amounts spent for each individual activity. The larger the vertical distance in a patterned area, the more money spent during the year. For example, the total amount (in constant 1990 dollars) for U.S. aid to Central America in 1985 was about \$1.72 billion, as the highest peak in Figure 2 indicates. Economic Support Fund aid, the striped program at the top, amounted to \$904 million--the difference between the peak at the top and the peak for the program immediately below. Food aid amounted to \$137 million, the difference between the peak for the white area in 1985 and the high point for the activity below it. Military aid, the black area, accounted similarly for \$289 million. Developmental aid amounted to \$384 million in 1985, the difference between the top of the striped area at that point and the baseline of the graph.

Figure 2
U.S. Aid to Central America, 1978-90
by Type of Program

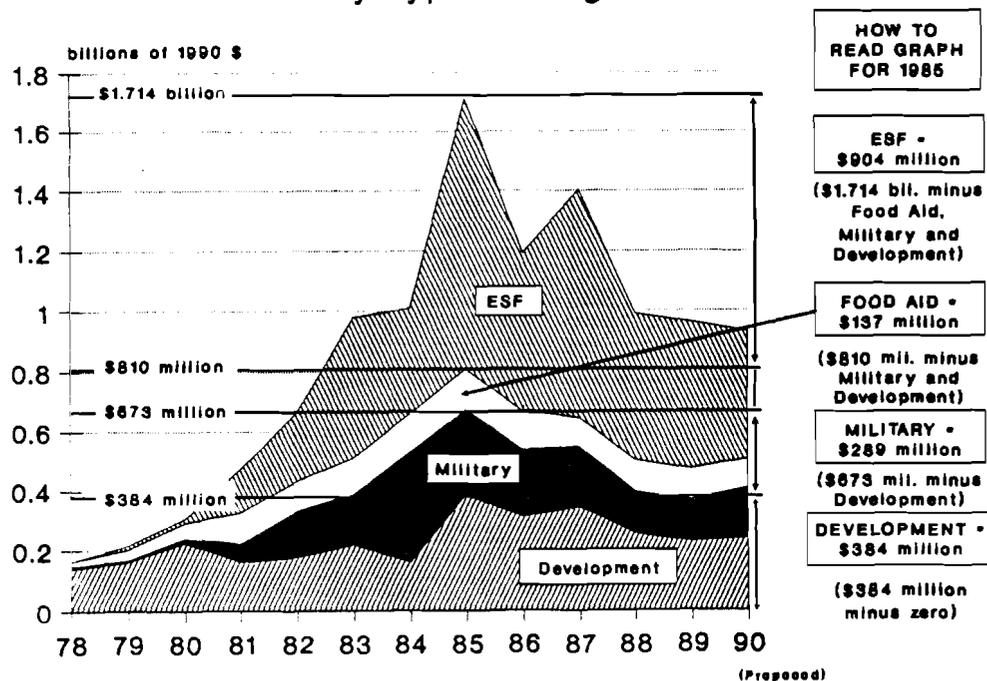
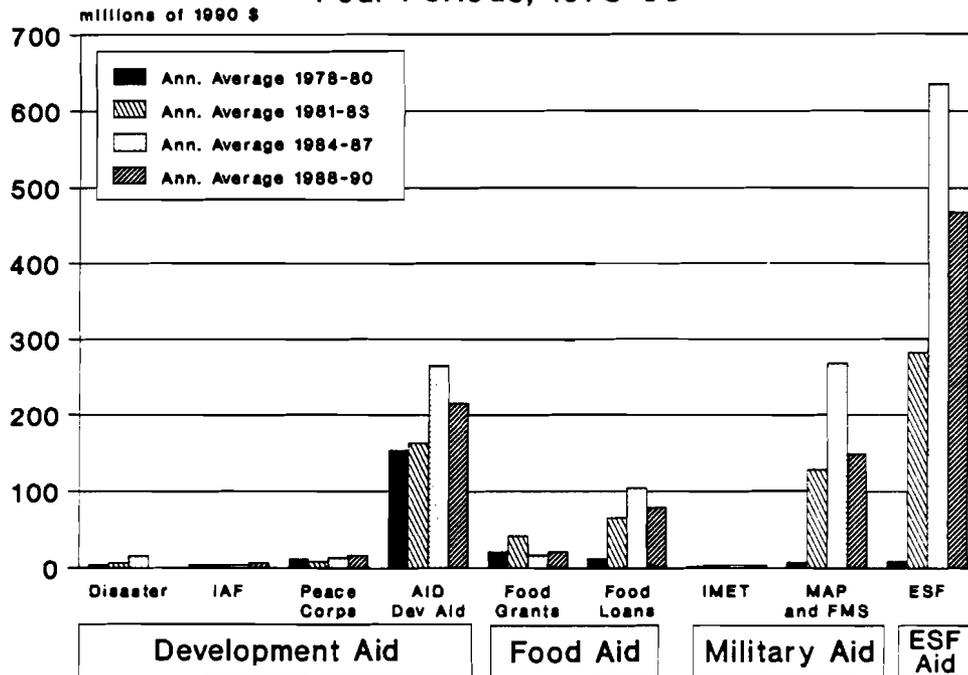


Figure 3
Average Annual Size of Individual
U.S. Aid Programs in Central America
Four Periods, 1978-90



Military aid programs were also quite different in their patterns. The small IMET training program remained about the same size, in real terms, throughout the decade. The volume of military aid through MAP and FMS programs more than doubled in 1984-87, on the other hand. Since the 1984-87 period, the average annual level of MAP and FMS to the region has declined back to about the same level, in real terms, as in 1981-83.

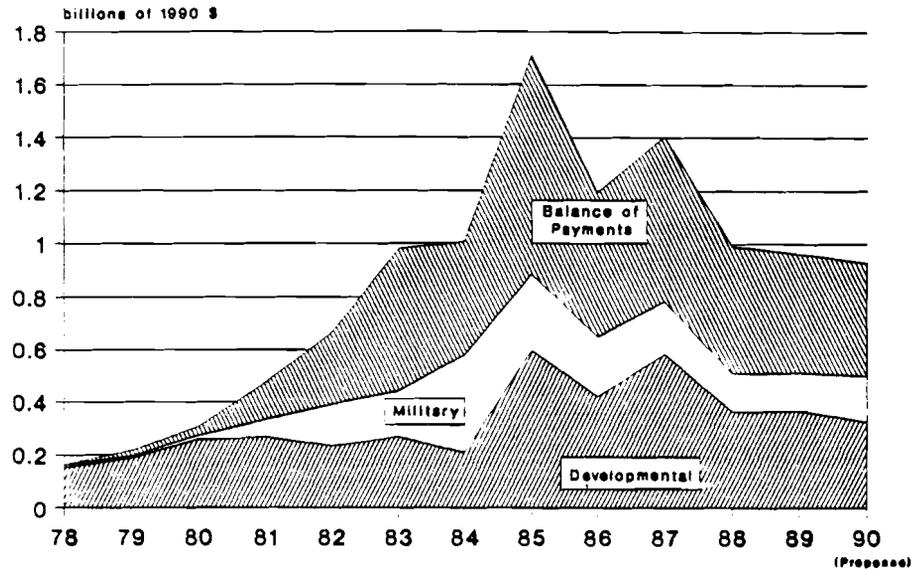
CHANGED OBJECTIVES FOR U.S. AID

The program-by-program format is the familiar way for discussing the U.S. foreign aid data, as it is the way Congress provides funds and how the executive branch administers these activities. Nevertheless, this method of presentation may obscure the changes which have taken place in the objectives the U.S. aid programs have sought to achieve in Central America. Some of the aid programs serve more than one goal.

The ten U.S. foreign aid programs aim to achieve three basic purposes in Central America: economic development, balance of payments (BOP) stability,

and enhanced military security.⁸ In 1978, aid for developmental purposes accounted for 95 percent of all U.S. aid to Central America. As the economic, military, and political problems of the region multiplied in subsequent years, however, the share of U.S. aid allocated for balance of payments (BOP) support and military purposes grew substantially. From zero in 1978, as Figure 4 indicates, BOP aid increased to almost half of all U.S. aid to the region by the mid-1980s, while military aid grew from almost zero to about 20 percent of the expanded total during the same period. The proportion of U.S. aid allocated for developmental purposes has gone up and down during the decade, varying between about 20 percent (in fiscal 1984) and over 40 percent (in fiscal 1987) of U.S. aid. Generally, though, in the past five years, about 35 percent of all U.S. aid for the region has been programmed for developmental purposes.

Figure 4
U.S. Aid to Central America, 1978-90
by Purpose or Objective

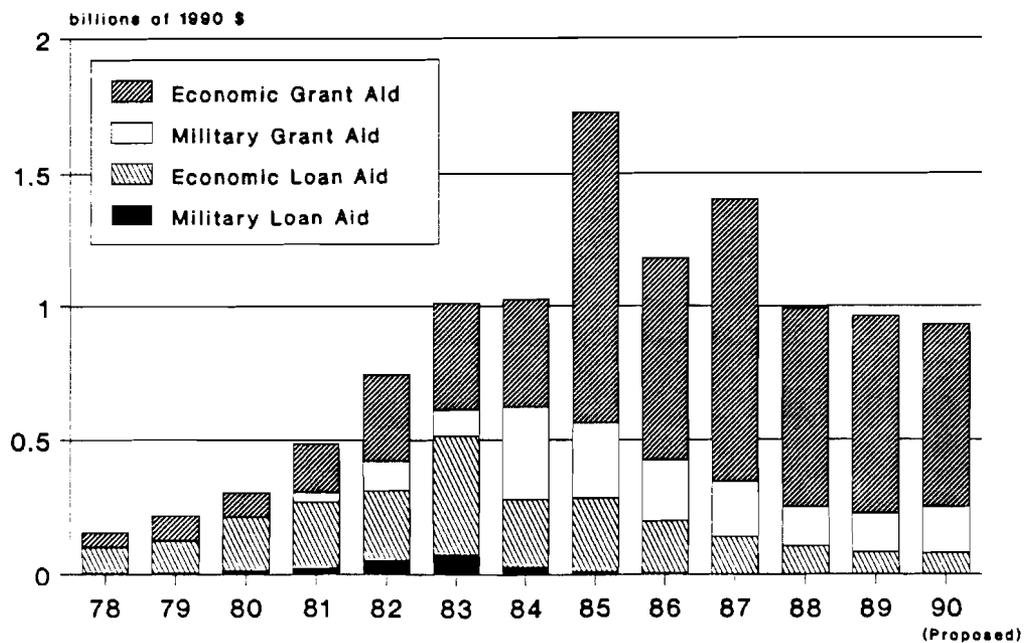


⁸ As used here, the categories are defined as follows: Developmental aid includes, besides the assistance channeled through AID's regular development aid account, all development programs financed through the Economic Support Fund (ESF), Peace Corps activities, P.L. 480 Title II food grants, and disaster assistance. These all focus either on long-term economic, social, and institutional change or on meeting direct individual needs. The balance of payments support category includes all ESF stabilization aid and all P.L. 480 Title I concessional food loans. These both provide fast-disbursing aid to help the recipients finance current imports. Military aid includes the Military Assistance Program (MAP) and Foreign Military Sales (FMS) program grants, FMS market-rate loans (before 1986), and grants for the International Military Training and Education (IMET) program. These provide equipment and supplies to help strengthen the recipient countries' armed forces and training to improve their operational capacity.

CHANGES IN THE TERMS FOR U.S. AID

Besides this shift in composition of the various U.S. foreign aid programs in Central America, a major softening has taken place in the financial terms for U.S. aid. Since the mid-1980s, the United States has increased the share of its overall aid worldwide provided on a grant basis. In Central America, as a result, and as Figure 5 demonstrates, the United States now provides almost all its aid to Central America on grant rather than loan terms. Indeed, the P.L. 480 Title I food loan program remains the only U.S. foreign aid loan program in the region. By contrast, in 1980, all but about 18 percent of U.S. aid to Central America was provided on loan terms. The value of U.S. aid to the region has expanded enormously as a consequence of this shift from loans to grants.

Figure 5
 Terms (Loan or Grant) for U.S.
 Aid to Central America, 1978-90



CHANGES IN COUNTRY SHARES FOR U.S. AID

OVERALL CHANGES IN THE REGION

During the 1978-90 period, major shifts occurred in the amounts and shares of U.S. aid targeted to specific Central American countries. Figure 6 (next page) shows the changing year-to-year pattern for U.S. aid to the countries of the region. Figure 7 (next page) shows the average share of U.S. aid which went to each country during the four main periods discussed earlier.

From a starting point of about 20 percent of all U.S. aid to the region in the late 1970s, for example, the level of U.S. aid to El Salvador increased rapidly and remained in the 43 to 48 percent range for the rest of the period. Nicaragua and Panama dropped, on the other hand, from 13 to 16 percent each in the late 1970s to virtually nothing in recent years. Honduras remained a constant recipient of 20 to 25 percent of total U.S. aid during the entire period. Guatemala declined during the middle years, when U.S. aid was constrained on account of human rights abuses in the country. Aid to Guatemala surged upward, though, to 15 percent of U.S. assistance to the region after an elected civilian government was installed in 1986. Costa Rica received about the same proportion of U.S. aid at the end of the 1978-90 period as it did at the beginning--about 10 percent of the total. During the middle years of the decade, however, the Costa Rican share ranged significantly higher--to around 16 or 17 percent of the total--during the period when the country's balance of payments crisis was most serious. The level of U.S. aid for regional development programs increased notably after the Kissinger Commission put special stress in its 1984 report on the need for a broader regional approach to Central America's problems. Funding for these programs doubled in the second half of the decade, though overall the regional programs remained a relatively minor portion of the overall U.S. Central American aid program.

SPECIFIC COUNTRY PROGRAMS

Important shifts also took place, during the 1978-90 period, in the composition of U.S. aid for each of the Central American countries. The following eight graphs show the shifts which occurred in the size and composition of the U.S. aid program in each individual country. In some cases--Guatemala, for example--the pattern for U.S. aid in the individual countries was significantly different from that evidenced for the U.S. aid program in the region as a whole.

The aid programs for the major aid recipients--El Salvador, Honduras, Guatemala, and Costa Rica--can be easily compared through visual inspection of the graphs picturing their aid programs, as the graphs are all on the same scale. Likewise, the minor aid recipients--Panama, the regional program,

Figure 6
U.S. Aid to Central America, 1978-90
by Country

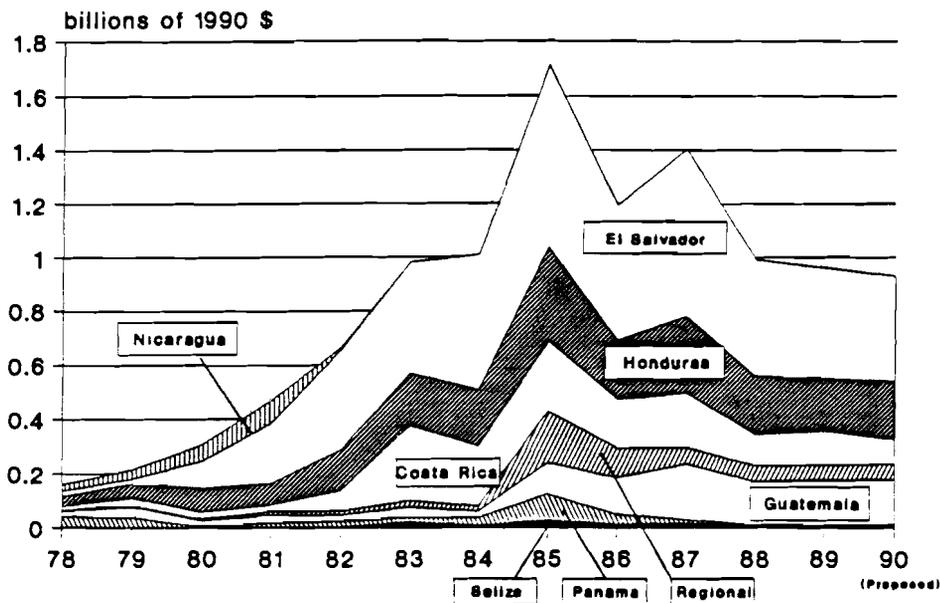
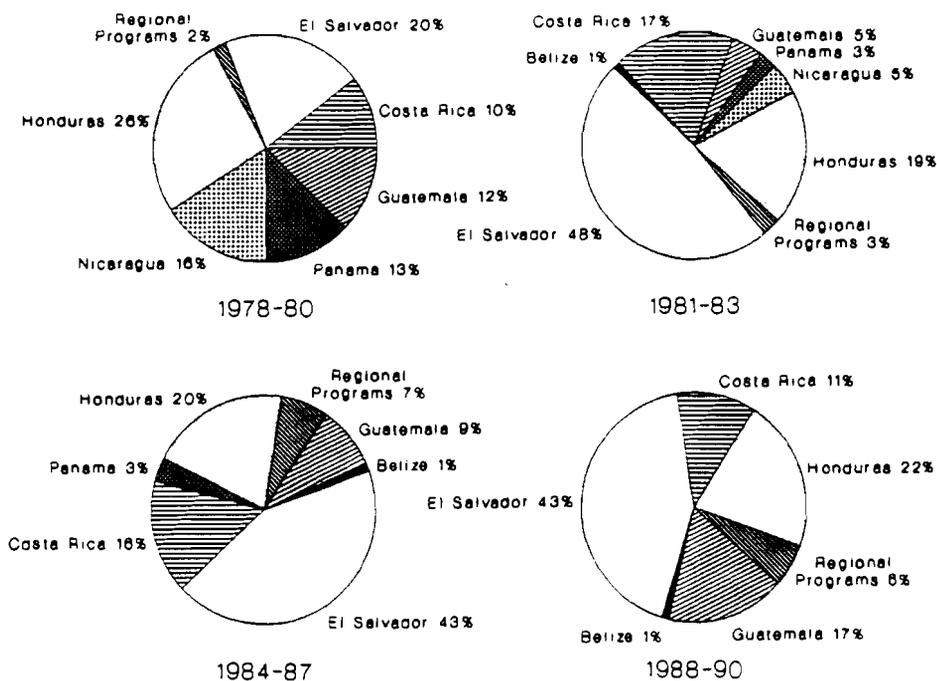


Figure 7
Country Shares for U.S. Aid
to Central America
Four Periods, 1978-90



Belize, and Nicaragua--may be easily compared with one another because their graphs are also on a similar scale. The graphs for the major and minor aid recipients are not directly comparable, however, as the substantial difference in the size of their aid programs made it impractical to put them all on a common scale. Had this been attempted, the columns for U.S. aid to the minor aid recipients would have been so small as to be unreadable.

Major Recipients

*El Salvador*⁹

Prevailing Conditions in El Salvador. The U.S. aid program in El Salvador has taken place in the context of severe economic, military, and political difficulties.¹⁰ The country suffers from chronic social and political cleavages attributable to poverty, historic enmities, and political abuses. Traditionalist, reformist, and revolutionary groups are all forcefully pressing their competing agendas and their conflicting goals for the country. In many respects, although the armed hostilities involve but two opposing sides, the civil war is a multi-sided struggle with subtle patterns of opposition and alliance.

Because of the war and other problems, El Salvador's economy has been under substantial strain in the past decade. After experiencing 5 percent annual growth throughout the 1970s, the national economy contracted sharply. Between 1979 and 1983, the real GDP shrank by 25 percent, with corresponding drops in exports and employment, increased capital flight, and a 75 percent fall in private investment. A chronic balance of payments deficit brought increased foreign indebtedness and growing limits on the country's capacity to finance needed imports. The slide in the Salvadoran economy stopped in 1983 and the country has experienced positive economic growth (though it was only slight in 1986 and 1988) in the subsequent years. Taking into account population growth, however, the Salvadoran economy essentially shrank in size during most of the period. Some success has been achieved in

⁹ For an overview of the Salvadoran situation and U.S. policy, see: U.S. Library of Congress. Congressional Research Service. *El Salvador: U.S. Foreign Assistance Facts*. Issue Brief No. IB85113, by K. Larry Storrs. See also: *El Salvador: New Challenges for U.S. Policy*, by K. Larry Storrs, in *Central American Dilemmas and U.S. Policy*, CRS Review, February 1989, pp. 14-16.

¹⁰ For a discussion of events in El Salvador since 1984, see: *Overview on Attainment of U.S. Policy Objectives in El Salvador Since 1984* Recommendations of Kissinger Commission, by K. Larry Storrs, in U.S. Library of Congress. Congressional Research Service. *El Salvador 1979-89: A Briefing Book on U.S. Aid and the Situation in El Salvador*. Report No. 89-369 F Washington, April 28, 1989. (Referred to subsequently as CRS El Salvador Briefing Book.)

controlling inflation and unemployment, but both continue to be substantial. The country's trade deficit has worsened considerably during the decade on account of the deep decline which has occurred in international prices for coffee and cotton, its primary exports.

On the military front, there has been a substantial level of fighting throughout the decade. In January 1981, the FMLN (Farabundo Marti National Liberation Front) rebels launched their "final offensive," which brought about a significant increase in combat and control of some territory. Attacks on public facilities followed, including widespread destruction of bridges and electrical facilities.¹¹ Before 1983, the FMLN operated mainly small units, striking when opportunities presented and avoiding large-scale battles. In 1983-84, the guerrillas expanded the size of their fighting units and attempted to fight the Salvadoran military in battalion-size engagements and large-scale attacks on military targets. The resulting losses forced a return to their earlier guerrilla tactics. While the guerrillas have not been able to prevent the Salvadoran military from entering any part of the country, they continue to exert substantial control over a number regions. The fighting continues to be waged mainly on the periphery and in rural areas, although, since 1985, a number of attacks have also occurred in urban areas.¹²

On the political front, El Salvador has experienced a long-period of political instability. Following the coup by young officers in October 1979, the country was ruled by a series of civilian-military juntas which promulgated land reform and other reforms. The junta experienced considerable turmoil, however. Key elements defected to the guerrillas, claiming the new government was unable to control the military or constrain the political violence. In March 1982, a Constituent Assembly was elected to write a new constitution, and an interim government was formed under Alvaro Magana. During the 1982-83 period, conservative groups enhanced their influence and it appeared that many of the reforms would be negated. Complaints continued that the security forces were unrestrained and the level of human rights abuses too high.

In March and May 1984, however, a national election led to the inauguration of Jose Napoleon Duarte, a reform minded Christian Democrat, as President of El Salvador. (He had served briefly earlier as head of the junta in 1980-82.) In 1985, the Christian Democrats won control of the Salvadoran legislature. It appeared that the right-wing forces had been

¹¹ For a discussion of the FMLN's sabotage campaign and war-damage, see: Jonathan E. Sanford. U.S. Aid to Repair War-Damaged Infrastructure, in CRS El Salvador Briefing Book, Report No. 89-369 F, April 28, 1989.

¹² For further discussion of the military situation, see: James P. Wootten. Military Status of the Civil Conflict in El Salvador, in CRS El Salvador Briefing Book, Report No. 89-369 F, April 28, 1989.

somewhat eclipsed in their power and influence. A number of major economic reforms were undertaken and the level of human rights violations abated significantly.¹³

The Christian Democrats had serious difficulties managing the grave economic, social, and security problems which confronted El Salvador during their tenure. They were also plagued by persistent charges of corruption and economic incompetence.¹⁴ In March 1988, ARENA, the conservative opposition party, won control of the Salvadoran national legislature and, in March 1989, the ARENA candidate, Alfredo Cristiani, won an absolute majority of the vote in the presidential election.

U.S. Aid Policy Towards El Salvador. The Carter Administration had been restricting U.S. assistance until the October 1979 coup on human rights grounds. Following the coup, however, it decided to provide aid in order to encourage the reformist trend in Salvadoran affairs. The Administration reprogrammed \$43 million in new development aid and \$12 million in fast-disbursing ESF and P.L. 480 Title I aid to El Salvador in early fiscal 1980. With the consent of the congressional appropriations committees, it also used its reprogramming authority to provide the country with almost \$6 million in emergency military assistance in fiscal 1980. The provision of military aid was particularly controversial. At the suggestion of the Senate Appropriations Committee, for example, the Administration agreed to limit its fiscal 1980 military aid solely to non-lethal equipment.

The prevailing conditions in the country--the high level of right-wing death squad activity, the growing levels of left-wing terrorism, the coup by reformist military officers, and the subsequent shift to the right by a series of unstable military juntas--were a source of deep distress to many U.S. observers. Debate about the wisdom of supporting the new Salvadoran regime grew in late 1980, after Archbishop Romero was killed in March 1980, several left-wing opposition leaders were murdered in November 1980, four U.S. churchwomen were killed in December, and the head of the Salvadoran agrarian reform program and two U.S. advisors were murdered in January 1981.

The Carter Administration had requested, and Congress had approved, expanded levels of economic aid and an initial allocation of \$5.4 million for non-lethal military aid for fiscal 1981. After the murders, however, the Administration suspended all U.S. aid to El Salvador, pending investigation

¹³ For a further discussion, see: Mark P. Sullivan. The Human Rights Situation, 1980-1988, in CRS El Salvador Briefing Book, Report No. 89-369 F, April 28, 1989.

¹⁴ For a discussion on charges of corruption, see: Nina M. Serafino. Reported Misuse of U.S. Funds, in CRS El Salvador Briefing Book, Report No. 89-369 F, April 28, 1989.

of charges that government security forces were responsible for the deaths. U.S. economic aid resumed a few weeks later after Jose Napoleon Duarte was named President of the junta in a major reorganization. Further provision of U.S. military aid was conditioned on a reduction in the violence, however, and on progress in the investigation of the murdered U.S. churchwomen. The situation changed in mid-January, after the Salvadoran guerrillas launched their "final offensive". The Carter Administration resumed the \$5.4 million in non-lethal military aid and soon added an additional \$5 million of arms and ammunition (from Department of Defense stocks, under authority of Sec. 506(a) of the Foreign Assistance Act) and the lease of six U.S. Army helicopters.

The Reagan Administration continued to expand U.S. aid to El Salvador after it took office. In March 1981, the Administration used its Sec. 506(a) authority to provide El Salvador with an additional \$25 million in emergency military supplies. It dispatched 40 U.S. military advisors (rising to 55) to help train the Salvadoran military in counterinsurgency procedures. It also increased by over \$20 million the amount of U.S. economic aid allocated for El Salvador in fiscal 1981.¹⁵

The Administration recommended in subsequent years that Congress approve increased levels of U.S. economic and military aid for El Salvador. Major struggles between the Administration and its congressional critics also took place over funding levels. On several occasions, Congress enacted major cuts in the Administration's proposed levels of military and balance of payments support aid, particularly for El Salvador. In fiscal 1982, the Administration used its Sec. 506(a) powers to augment El Salvador's military aid funds by \$55 million in transfers from Defense Department stocks when Congress had made cuts in the funding levels that it thought unacceptable.

Some Members of Congress tried to use the War Powers Resolution as a device for challenging the Reagan Administration's position on El Salvador. Some also tried to deny the Administration the funds it sought or to attach restrictions to them in order to materially alter the direction of U.S. policy.

¹⁵ For a detailed analysis of the controversies surrounding U.S. policy towards El Salvador during this period, see: U.S. Library of Congress. Congressional Research Service. El Salvador Aid: Congressional Action, 1981-1986, on President Reagan's Requests for Economic and Military Assistance for El Salvador. Report No. 87-230F, K. Larry Storrs. Washington, March 18, 1987. That report divides the period into two parts. The first runs from 1981 through passage of the regular fiscal 1984 appropriations act in 1983, while the second runs from enactment of the supplemental 1984 appropriation in August 1984 to the close of the reporting period in 1986. This report does not divide fiscal years. Consequently, it presents fiscal 1984 as the first year of the period of relative consensus, despite the fact that the debates which accompanied the initial fiscal 1984 appropriation legislation were quite difficult and contentious.

Congress rejected motions to cut off U.S. aid or to force the withdrawal of the U.S. trainers from El Salvador. In December 1981, however, it enacted legislation which set the terms for further U.S. assistance to that country. Aid could continue if the President certified annually that the Salvadoran Government (1) was making a concerted effort to comply with internationally recognized human rights, (2) was achieving substantial control over the armed forces committing acts of indiscriminate terror, (3) was making continued progress on economic and political reforms, (4) was committed to free elections at an early date and allowed the participation of all groups willing to implement an equitable political solution to the country, and (5) was investigating the murder of the U.S. citizens.

Between 1981 and 1983, the debate in Congress tended to focus on whether the Administration was correct in its certification that El Salvador was complying with the five legislated conditions for U.S. aid. In many respects, it seemed that the key players in Congress and the Administration had quite different expectations about the goals and terms for U.S. policy in El Salvador. The product of their struggle during the 1981-83 period was an aid program whose goals and justification often seemed to be shaped on an ad hoc incremental basis.

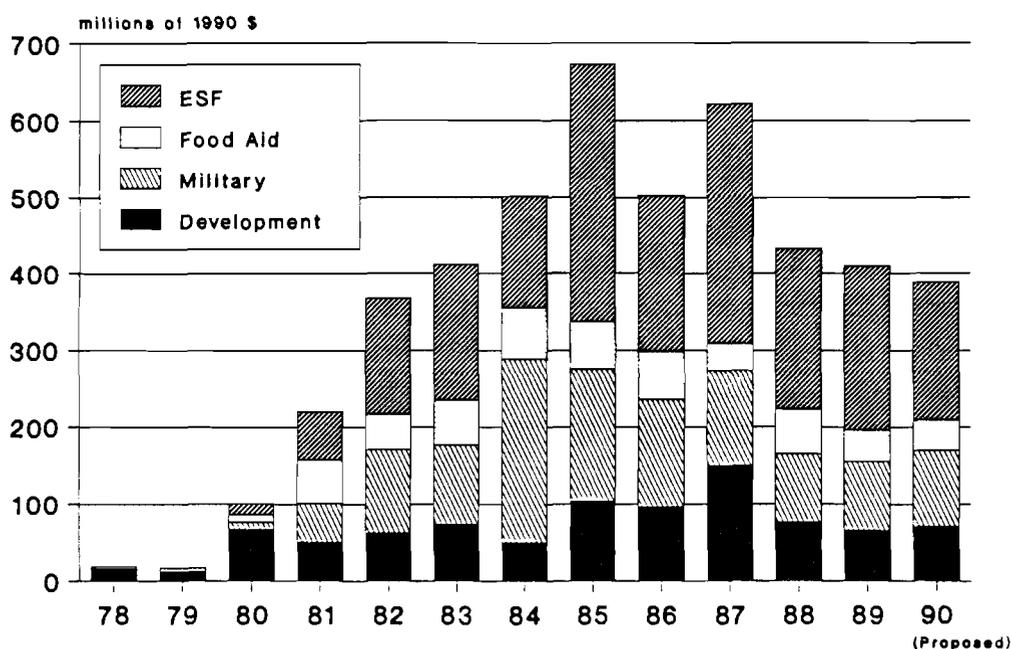
Since the appearance of the Kissinger Commission report in 1984 and the election of the Duarte government in 1984, the base of congressional support for U.S. economic and military assistance to El Salvador seems to have widened. The level of human rights violations in the country declined significantly, the military situation improved, the Duarte government won an election giving its party majority control of the legislature in 1985, and the onset of occasional talks between the government and the guerrillas raised hopes of an eventual negotiated settlement. After 1984, Congress made no formal cuts in military aid levels for El Salvador and it earmarked ESF aid levels for El Salvador mostly to protect them against cuts due to the reduced size of the overall foreign aid budget. Except for a requirement that a small portion of the aid would be available only if El Salvador prosecuted the murders of certain U.S. citizens, the congressionally enacted conditions on U.S. aid to El Salvador during this period mainly required reports about U.S. policy and the success in achieving the previously specified goals. Unlike the previous period, U.S. aid to the country was not made contingent upon a presidential certification that the goals were being satisfactorily met.

The ARENA party's electoral victories, in the legislature in 1988 and the presidency in 1989, may or may not affect congressional support for continued U.S. aid. Key leaders of the party have been associated with death squad activity and human rights abuses in previous years. President-elect Cristiani has not been linked to the earlier abuses and pledged to control human rights abuses in the future. Some observers believe that the level of congressional support for U.S. aid to El Salvador may erode if human rights conditions deteriorate under the new government.

U.S. Aid Programs. The initial U.S. aid response, after the 1979 coup, was a major increase in U.S. developmental aid, implemented by a rapid reprogramming of fiscal 1980 funds. (See Figure 8, next page.) With its fiscal 1981 aid program, however, the Carter Administration initiated the flow of economic support and military aid (both lethal and non-lethal) to El Salvador. Since fiscal 1982, the U.S. aid program in El Salvador has remained at a sustained level, with aid in fiscal 1982 about as large, in real terms, as it is today.¹⁶

Figure 8

U.S. Aid to El Salvador, 1978-90



The level of U.S. aid going to El Salvador through development programs has remained at about the same in real terms since fiscal 1980. The levels of economic support aid and military aid have increased substantially.¹⁷ A significant portion of the ESF aid allocated for El Salvador has gone to

¹⁶ For a discussion of the levels of U.S. assistance, see: Jonathan E. Sanford. Levels of U.S. Aid to El Salvador, in CRS El Salvador Briefing Book, Report No. 89-369 F, April 28, 1989.

¹⁷ For a discussion of the changed composition of U.S. aid, see: Jonathan E. Sanford. Composition of the U.S. Aid Program and the Uses Made of the Funds, in CRS El Salvador Briefing Book, Report No. 89-369 F, April 28, 1989.

finance projects and other types of development programs.¹⁸ Most of the balance of payments assistance supports the private sector by providing the dollars (which the Salvadorans purchase with an equivalent value of their own local currency) to import goods needed for the production process.¹⁹ A substantial share of the local currency generated by the U.S. balance of payments aid programs have gone to finance development projects or to strengthen the Salvadoran private sector.

U.S. aid has had a significant impact on the Salvadoran Government's budget and on the programs it is able to finance. Most of the aid which the United States provided to the Salvadoran Government between 1985 and 1988 went for military aid or for socially oriented development projects. If the local currency generated by the U.S. balance of payments programs and the value of the U.S. military and development aid are taken into account, the Government of El Salvador spent about 26 percent of its budget on military programs and about 39 percent on social programs in 1988. Overall, using the same basis for calculation, the United States can be seen as having supported about 33 percent of the Salvadoran Government's on-budget operations in 1988.²⁰

¹⁸ Between 1980 and 1989, \$389 million of the \$1.18 billion (32.9 percent) of the ESF funds allocated to El Salvador went to finance projects and other developmental activities. Of the development funds which AID programmed in El Salvador through the development assistance and the ESF accounts, 39.4 percent were financed through the ESF. See *Composition of the U.S. Aid Program and the Uses Made of the Funds*, by Jonathan E. Sanford, in *CRS El Salvador Briefing Book*, Report No. 89-369 F, April 28, 1989. A significant portion of the ESF funds have gone, in recent years, for earthquake reconstruction. For further information on these programs, see: Lois B. McHugh. 1986 *San Salvador Earthquake: Disaster Assistance and Reconstruction*, in *CRS El Salvador Briefing Book*, Report No. 89-369 F, April, 28, 1989.

¹⁹ See the discussion of the U.S. balance of payments aid program in El Salvador in *Composition of the U.S. Aid Program and the Uses Made of the Funds*, pp. 2-7.

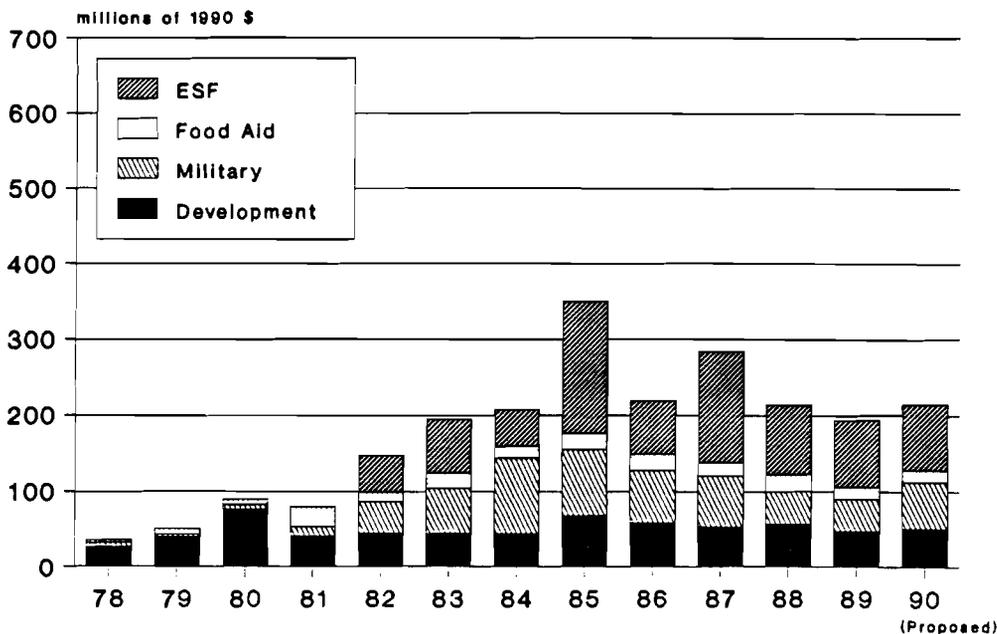
²⁰ There are several ways of calculating the share of Salvadoran spending which goes for social and military activities and the U.S. share in supporting the Salvadoran Government budget. The numbers reported here are the maximum numbers. Somewhat smaller percentages can be produced through other methods of calculation which include or exclude certain off-budget activities from the tabulation. See: Jonathan E. Sanford. *U.S. Aid and the Salvadoran Government Budget*, in *CRS El Salvador Briefing Book*, Report No. 89-369 F, April 28, 1989.

Honduras²¹

The U.S. foreign aid program in Honduras is the second largest in Central America. As Figure 9 shows, the volume of U.S. aid has increased substantially since 1981. Economic aid accounts for the bulk of the U.S. assistance program in Honduras, but military aid also represents a significant share of the total.

Figure 9

U.S. Aid to Honduras, 1978-90



U.S. Policy Toward Honduras. Foreign policy concerns have been the principal reason for the increased volume of U.S. aid to Honduras. The country's geography puts it at the center of U.S. policy for the region. Looking south, Honduras has helped the United States pressure Nicaragua. It has allowed the anti-Sandinista Nicaraguan insurgents (the "contras") to establish base and logistical facilities in its territory or to transport supplies

²¹ For a further analysis of U.S. policy and conditions in Honduras, see: Honduras: the Regional Middleman, by Mark P. Sullivan, in Central American Dilemmas and U.S. Policy, CRS Review, February 1989, pp. 17-19.

to their bases in Nicaragua through Honduras. It has also hosted a series of joint U.S.-Honduran military exercises which have brought thousands of U.S. troops to the Central American region. Looking west, Honduras has taken on increased military tasks on its Salvadoran border--controlling refugees and monitoring cross-border traffic from Nicaragua. In some respects, the increased levels of U.S. aid have served to mitigate or counterbalance some of the risks the country is perceived to have run as a consequence of its cooperation with U.S. Central American policy. In 1986 and 1988, for example, Sandinista troops crossed the border into Honduras to attack "contra" bases and Honduran troops were drawn into the fighting. The high level of U.S. military aid to El Salvador has also engendered concern in Honduras. The two countries are traditional rivals, the so-called "soccer war" between them in 1969 being only one example of the continuing strain in their relations. U.S. aid has sought to strengthen the military capacity of the Honduran armed forces and to help stabilize and improve the country's overall economic and political situation.

U.S. Aid to Honduras. In real terms, the level of U.S. aid to Honduras peaked at \$350 million (in 1990 dollars) in fiscal year 1985. Since then, it has fluctuated around an annual average of about \$225 million a year, with a moderate upward trend in the levels of security and balance of payments assistance and a marginal decrease in the levels of development aid.

In general, the fluctuations in the levels of U.S. aid to Honduras are attributable to the annual variations in the volume of ESF aid. Most of the ESF aid provided to Honduras has gone to finance balance of payments support operations. In connection with this aid, however, the Honduran Government has agreed to undertake some economic policy reforms (including some preliminary steps in the politically sensitive area of exchange rate reform) and some privatization of state-owned enterprise. Because of the important role the country has played in U.S. foreign policy in the region, however, the United States has been unable to persuade the Hondurans to adopt some of the most important and most difficult economic reforms.

In terms of development aid, over half the funds managed by AID in Honduras have gone for agricultural development activities--with a heavy emphasis on small farmers and rural development--or for education and health projects. AID has also put much emphasis on programs designed to help improve productivity, encourage non-traditional exports, and strengthen private sector economic organizations.

The U.S. military aid program has provided Honduras with arms (including F-5E/F aircraft and helicopters), improved communications and transportation equipment, and training to upgrade the capacity of the Honduran forces. Until 1984, most U.S. military aid for the country was financed with market-rate FMS loans. After a one-year transition period in 1985, all the U.S. military aid to Honduras has been on a grant basis, through

either the MAP program (from 1986 to 1989) or through FMS grants (as proposed for 1990).²²

*Guatemala*²³

Until 1985, as Figure 10 shows (next page), the U.S. aid program in Guatemala was relatively small. As the country moved towards installing a popularly elected democratic government, and as the human rights situation appeared to improve (relative to the past), the volume of U.S. aid to Guatemala began to increase substantially. From a low point in 1984, Guatemala moved up in 1987 to become the third largest overall U.S. aid program in Central America. Since 1988, Guatemala has been the second largest recipient of U.S. economic aid in the region.

U.S. Policy Toward Guatemala. The Guatemalan case is a complex one. The largest country in the region in terms of population, Guatemala has experienced serious human rights abuses, major economic problems, prolonged military rule, and an active guerrilla insurgency during much of the period since 1978. Congress and the Administration have sometimes disagreed strongly about the size and focus of U.S. aid for Guatemala.

During the period of military rule, the Administration often proposed that the United States provide Guatemala with balance of payments support. In terms of U.S. policy toward the region, the Administration apparently hoped that if it gave foreign aid to Guatemala, the military government might more actively support U.S. policy towards Nicaragua. In terms of the country, however, the Administration argued that the policy of withholding aid had not brought improvements in the Guatemalan human rights situation or movements toward democracy and that an infusion of U.S. aid might encourage progress in those directions. One such allocation occurred in fiscal

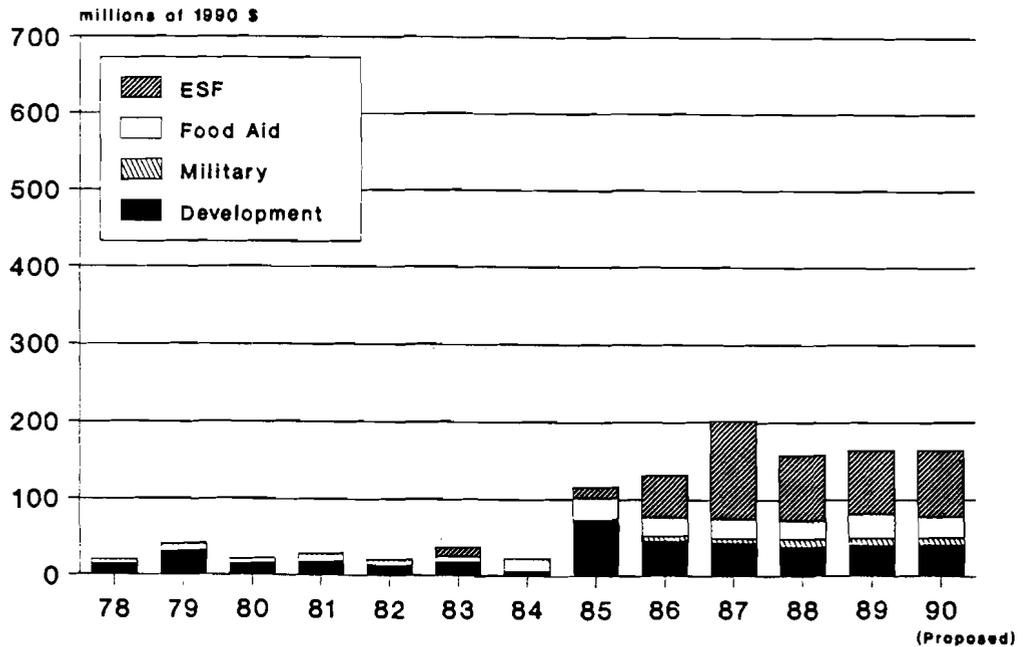
²² The figure for military aid to Honduras does not include the \$20 million in emergency military aid (financed from U.S. Defense Department stocks) which the Administration provided at the time of the first Nicaraguan incursion into Honduran territory, in March 1986, nor the value of the logistical support which the U.S. military provided to the Honduran forces as they responded to the second Nicaraguan incursion, in 1988. It also excludes the material and training assistance the Hondurans received from the U.S. military (including equipment and construction of facilities) during the joint exercises which the U.S. and Honduran military have held in recent years.

²³ For further background, see: U.S. Library of Congress. Congressional Research Service. Guatemala: Country Background Report, Report No. 88-586 F, by Maureen Taft-Morales. Washington, August 26, 1988. For additional analysis of U.S. policy and Guatemalan conditions, see: U.S. Library of Congress. Congressional Research Service. Maureen Taft-Morales, Guatemala: Development of Democracy and U.S. Influence, in Central American Dilemmas and U.S. Policy, in CRS Review, February 1989, pp. 19-21.

1983, but Congress generally prohibited the Administration from providing Guatemala with any ESF aid or limited the amount and specified that it must be used for developmental purposes. Congress was generally reluctant about aiding Guatemala so long as the human rights situation remained poor and progress toward democracy was scant.

Figure 10

U.S. Aid to Guatemala, 1978-90



The Administration was able to circumvent, to a degree, the congressional prohibitions against the provision of balance of payments aid to Guatemala through the substitution of P.L. 480 Title I food loans for ESF aid. The Administration told Congress in its AID presentation document for fiscal 1985, for example, that it planned to provide Guatemala with \$35 million in ESF and \$11.4 million in P.L. 480 food loans that year.²⁴ Once it became evident that Congress would not allow the full amount of ESF aid sought for Guatemala, the Administration began increasing the amount of money which was to be provided through the P.L. 480 Title I program. By the time the congressional presentation document was submitted to Congress, the Administration had already raised its Title I planning number to \$16 million.

²⁴ U.S. Agency for International Development. Congressional Presentation for Fiscal Year 1985, Annex III, Vol. II, p. 92.

As congressional resistance to the ESF allocation increased, the Administration raised the Title I planning number again, to \$21 million. In the end, Congress ruled that no more than \$12.5 million in ESF aid could be available for Guatemala--and this had to be "aimed directly at improving the lives of the poor." Subsequently, the Administration provided Guatemala with \$19.7 million in P.L. 480 food loans.²⁵

During the period of military rule, the United States provided Guatemala with little in the way of military aid. The Carter Administration ended U.S. military aid to Guatemala for human rights reasons.²⁶ Subsequently, Congress rejected the Reagan Administration's annual proposals for renewed military aid, although an IMET program (grants to finance special professional training courses for military personnel) was approved in fiscal 1985. The next year, when it became evident that Guatemala was moving towards the installation of a civilian government, Congress approved (with conditions) a modest allocation of FMS aid (market rate loans) in the fiscal 1986 appropriation. In early 1986, the Administration decided instead to provide new U.S. military aid to Guatemala on a grant basis through the MAP program, and it used its statutory authority to waive the provisions of law that would have otherwise blocked the allocation of MAP aid to that country.²⁷

²⁵ Congress usually examines closely ESF country allocation proposals. This is not always the case, however, with P.L. 480 food loans. Unlike the ESF and other components of the foreign aid account, the funding for P.L. 480 food loans is handled by the House and Senate Agriculture Committees and the corresponding agricultural appropriations subcommittees. The House Foreign Affairs Committee also has concurrent jurisdiction over the P.L. 480 legislation. In most cases, the P.L. 480 program is seen as a vehicle for food aid or a mechanism for increasing U.S. agricultural exports. Congressional review usually focuses on policy and commodity issues, rather than on the annual country allocation figures. Consequently, assuming that there is sufficient demand in the recipient country for imported agricultural products, it is not difficult for the Administration to substitute more P.L. 480 Title I food loan money for ESF aid when the availability of the latter is limited by shortages of funds or by legislation.

²⁶ In 1978 and 1979, Guatemala received small amounts (a few thousand dollars) of MAP aid for supply operations to close out previous MAP activities. No military aid was provided thereafter during the Carter years.

²⁷ The fiscal 1986 Foreign Operations Appropriations Act prohibited the Administration from providing any MAP aid to Guatemala. The Administration decided, however, that in light of the changed situation in the country it should provide such aid. The Administration therefore invoked the authority of sec. 614 of the Foreign Assistance Act to override the limitations in the appropriations legislation.

Economic Conditions in Guatemala. Guatemala's economic problems were very serious at the time the new elected civilian government took office. Guatemala was experiencing negative rates of growth and substantial inflation. Supported by a growing level of U.S. balance of payments aid, the Guatemalan government began to implement a number of major policy changes which were aimed at stabilizing the economy and improving the prospects for long-term economic growth. Initially, these included efforts at monetary reform, cuts in the public sector deficit, the elimination of foreign exchange controls, and the adoption of a unified exchange rate. More recently, the Guatemalan government has focused on programs and policies which aim at expanding exports, particularly non-traditional exports, and encouraging new foreign investment in the country.

U.S. Aid to Guatemala. Before 1985, the Administration and Congress seemed to agree about the strategic goal of encouraging human rights and democratization in Guatemala, but they fundamentally disagreed about tactics and the appropriate level for U.S. aid. Since 1985, Congress and the Administration have seen the situation more similarly, and there has been a marked increase in the volume of U.S. aid to Guatemala, as Figure 10 indicates.

Balance of payments support, through the ESF and the P.L. 480 food loan program, has accounted for the largest share of the U.S. aid. Not all ESF aid to Guatemala has gone for balance of payments purposes, however. About 17 percent of the ESF aid provided to Guatemala since 1985 has been used to finance development projects and other development-type activities. About \$20 million has been obligated, for example, to finance a variety of activities--agribusiness support, farm-to-market roads--in the agriculture sector. Another \$27.6 million has been used for scholarships, to help Guatemalan youth study in the United States, and modest amounts have also been devoted to programs for child immunization, judicial and law enforcement reform, and vocational-type training.

About half the funds obligated through AID's regular development aid program in Guatemala have gone for rural development, education, or health activities. Notable among the rural development programs are projects to assist small scale farmers, cooperatives, and highland agriculture as well as funding for rural roads, electrification, and market-based programs for changing land ownership patterns. A small portion of AID's funds in Guatemala has also gone to strengthen the private sector, promote agribusiness, and encourage the growth of non-traditional exports.

There continues to be serious concern on Capitol Hill about human rights problems in Guatemala. This has fueled occasional controversies in Congress about whether the United States should provide military aid to Guatemala. Nevertheless, the tactical and strategic views of Congress and the Administration about human rights and democratization goals are more similar today than in the past. Congress has generally agreed with the Administration in recent years that a modest amount of U.S. military aid can

help bolster the pro-human rights and pro-democracy factions within the military and help encourage further progress on both issues. In 1987, Congress specified that Guatemala would receive at least \$7 million in MAP aid during fiscal 1988, so long as none of it was used for the purchase of weapons or ammunition. The House of Representatives rejected an amendment to the appropriation bill that year which would have allowed the U.S. military aid program to provide Guatemala with weapons, munitions, and other types of lethal equipment. The Administration had not requested authority to provide the country with such aid. In 1988, Congress directed that Guatemala would receive at least \$9 million for non-lethal MAP aid in fiscal 1989--more than the Administration had requested--and that at least \$2 million must be used for civic action programs and construction of military barracks.

This pattern of congressional support for the democratization process and human rights improvements is also evident with respect to the levels of ESF aid for Guatemala. Rather than adopting limits on the size or purposes for ESF aid, as was the case during the period of military rule, Congress has sometimes adopted earmarks designed to protect Guatemala's allocation of ESF aid. In 1987, Congress said that Guatemala would get somewhat more ESF aid (and other regional countries somewhat less) than the Administration had originally proposed.

*Costa Rica*²⁸

The pattern of U.S. assistance to Costa Rica has been different from the patterns evidenced for El Salvador, Honduras, and Guatemala--the other major Central American aid recipients. U.S. policy concerns have been different in Costa Rica than in neighboring countries. Unlike El Salvador and Guatemala, the country does not face an internal insurgency. Unlike Honduras, it has served only secondarily (and apparently, after 1985-6, mainly against its will) as a military base for the anti-Sandinista guerrillas. Despite the instability and the uncertainty of its region, Costa Rica has no military forces of its own. It relies on international guarantees rather than national military forces for protection against external aggression.

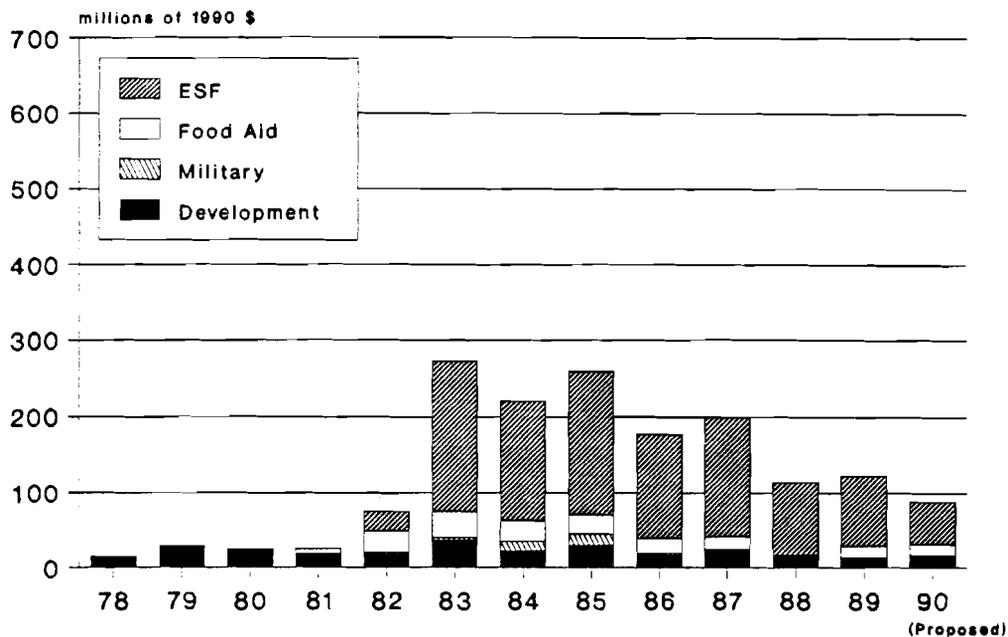
Since the early 1980s, the principal issue has been the concern that Costa Rica's international debt burden and its chronic balance of payments problem might undercut the economic health of the country and destabilize its political system. The United States has provided Costa Rica with substantial amounts of ESF balance of payments aid to help prevent such events from occurring.

²⁸ For additional background, see: U.S. Library of Congress. Congressional Research Service. *Costa Rica: Country Background Report*. Report No. 88-563 F, by Nina M. Serafino. Washington, August 18, 1988. For further assessment of U.S. policy and Costa Rican conditions, see: U.S. Library of Congress. Congressional Research Service. Nina M. Serafino, *Costa Rica: Our Uneasy Ally*, in *Central American Dilemmas and U.S. Policy*, in CRS Review, February 1989, pp. 22-23.

As Figure 11 shows (next page), the amount of U.S. development assistance for Costa Rica has been relatively small and has declined in the past decade while the overall level of U.S. military aid has been quite low.

Figure 11

U.S. Aid to Costa Rica, 1978-90



Along with the International Monetary Fund (which made stabilization loans in 1982 and 1985) and the World Bank (which made a major structural adjustment loan in 1985), the United States has encouraged Costa Rica to undertake major macroeconomic reforms. These include, among other things, a major restructuring of the country's national banking and credit system, the adoption of a unified exchange rate, and the reduction in the number of agencies and government programs receiving subsidized funds. The U.S. ESF aid has been used, in particular, to provide the private sector with access to dollars, so that--despite the balance of payments crisis--the economy could keep operating and vital imports (such as machinery, spare parts, and inputs for the production process) could be purchased abroad. The local currency generated by these ESF activities has been used to help finance the government's privatization program and to facilitate the sale of state enterprises to the private sector.

The U.S. aid effort in Costa Rica basically has been unchanged in its major parameters since 1983. The level of ESF assistance has declined

somewhat in recent years, perhaps because the earlier infusions of ESF aid were successful in helping the country come to grips with the worst aspects of its economic crisis and because the budgetary pressures on the ESF account have been very tight in recent years. Some analysts suggest that the decline in ESF aid is also due to difference about regional policy and the Reagan Administration's opposition to the peace plan proposed by President Arias of Costa Rica. Congressional support for Costa Rica has remained relatively strong, however. Occasionally, in recent years, the amount earmarked by Congress for ESF aid to Costa Rica has been more than the Administration had proposed for such aid.

Minor Recipients

Regional Programs

Until recently, the Central American regional program was a small activity. Administered by ROCAP (the Regional Office for Central America and Panama), it focused mainly on strengthening the organizational capacity of certain of the regional institutions associated with the Central American Common Market (CACM). When the level of economic cooperation among the Central American countries began to diminish after 1978, the ROCAP program grew initially to help meet the problem. By fiscal 1984, however, it was evident that the U.S. program could not stop the functional deterioration of the CACM and the size and justification for the traditional ROCAP program were in decline.

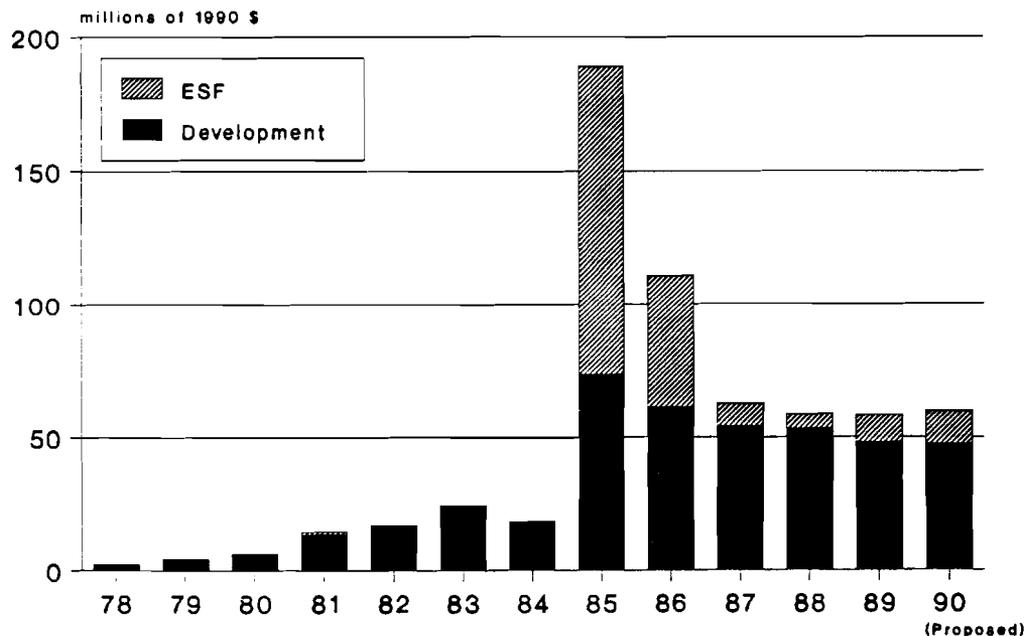
The Central American regional program was reinvigorated, however, after the Kissinger Commission recommended in its 1984 report that the U.S. aid program should put more emphasis on regional approaches and solutions to Central America's development problems. The level of funding for the program jumped substantially in fiscal 1985 and 1986 and, while the overall volume has declined lately, it still remains, as Figure 12 indicates (next page), in real terms about three times as large as it was at its most recent low point in 1984.

Initially, a substantial amount of the increased funding for the Central American regional program was financed through the ESF account. As the pressure of alternative demands for scarce ESF funds has increased in recent years, however, funds from AID's regular development aid accounts have been the principal source for the regional program. The regional program does not provide balance of payments support to its recipient countries. Regardless of whether they have come from the ESF or from AID's development accounts, the regional program's funds have been used to finance projects or other long-term development activities.

The Central American regional program has changed in two major respects since 1984. First, in addition to the ROCAP office (based in Guatemala), a second office (the Central American Regional Office in Washington) was created to manage Central American regional programs.

Whereas ROCAP mainly finances development projects through, or in connection with, the Central American regional institutions, the Washington office administers projects which involve more than one country and support or reinforce the current U.S. aid programs there. Second, the ROCAP and Washington office have both tried to put more emphasis on the development of projects which seek to encourage agricultural and non-traditional exports, to improve health and environmental conditions on a regional basis, and to enhance legislative, criminal justice, and electoral procedures in the region. The Central American Peace Scholarships (CAPS) program is financed in significant part, for example, with regional program funds. Initially, in the period just after the issuance of the Kissinger Commission report, the Central American regional program planned to undertake a number of major programs for trade revitalization, trade credits, and regional industrial renovation. These were found to be unfeasible on technical or procedural grounds, however, and the money was used instead to support other development activities.

Figure 12
U.S. Aid for Central American
Regional Programs, 1978-90



In addition to economic aid programs, the United States financed a regional military assistance program in Central America between 1983 and 1985. (Data on this are not included in Figure 12). At the Regional Military Training Center (RMTC) located in Honduras, the United States trained

Honduran, Salvadoran, and (a few) Costa Rican troops in various military skills. The Hondurans were reportedly uncomfortable about training Salvadorans (their traditional adversary) on their own territory. Land ownership issues also clouded the status of the RMTC. Congress attached requirements to the supplemental 1984 and regular 1985 appropriations acts, requiring that--among other things--the Administration certify that Honduras would continue allowing the Salvadorans access to the Training Center in future years. The Center was closed in mid-1985, after it became evident that a certification of this sort was not possible. Only a small portion of the \$18.5 million originally allocated for the RMTC, in fiscal 1984, was actually spent on the center. The remaining \$18 million was reprogrammed, to finance military training activities in El Salvador, Honduras, and Costa Rica. It is counted, for purposes of this report, in the military aid totals for those countries.

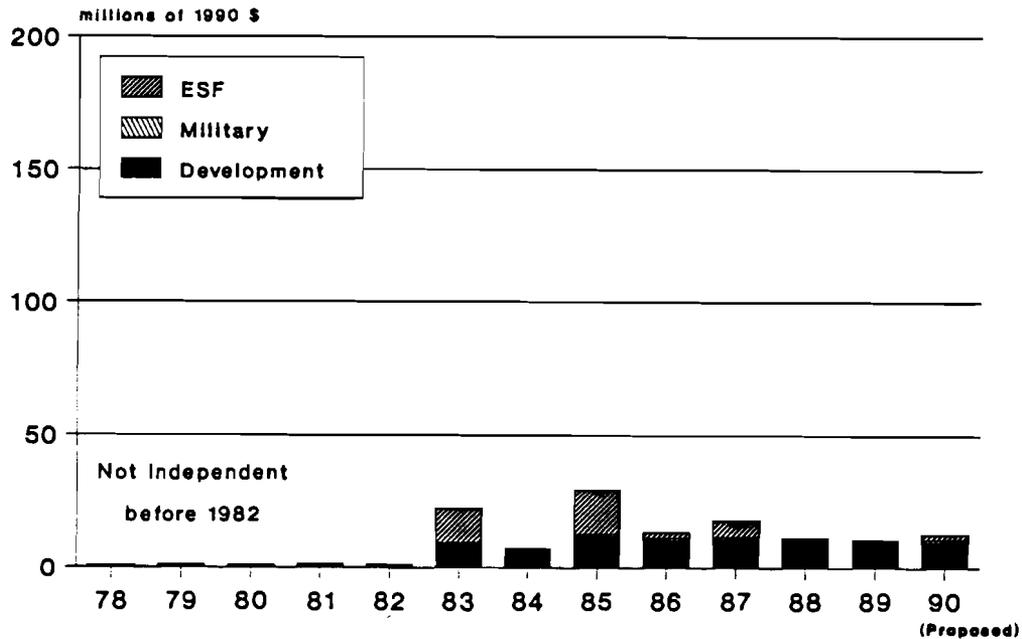
*Belize*²⁹

The U.S. foreign aid program in Belize is quite small, although on a per capita basis it is the second largest in the region. (In fiscal 1989, the 160,000 people of Belize received \$66.71 per capita in U.S. aid, while the 5.6 million people of El Salvador received \$71.22 per capita.) Before Belize became independent from the United Kingdom in 1982, the United States provided a small infusion of disaster aid to help cope with emergencies, Inter-American Foundation grants to help cooperatives and other non-governmental organizations, and low levels of assistance through the Peace Corps. Since 1982, the United States has provided most of its aid to Belize through governmental channels. As Figure 13 shows (next page), most of this has been developmental in nature, though there have been several major allocations of ESF balance of payments aid. The United States has also provided small amounts of military aid, to help strengthen the Belizian defense forces with new equipment which replaced obsolete military vehicles and helped standardize its small arms. The United Kingdom currently has about 1,800 troops stationed in Belize to help promote internal security and to protect its territorial integrity.

²⁹ For additional background, see: U.S. Library of Congress. Congressional Research Service. Belize: Country Background Report. Report No. 88-568 F, by Mark P. Sullivan. Washington, August 19, 1988.

Figure 13

U.S. Aid to Belize, 1978-90



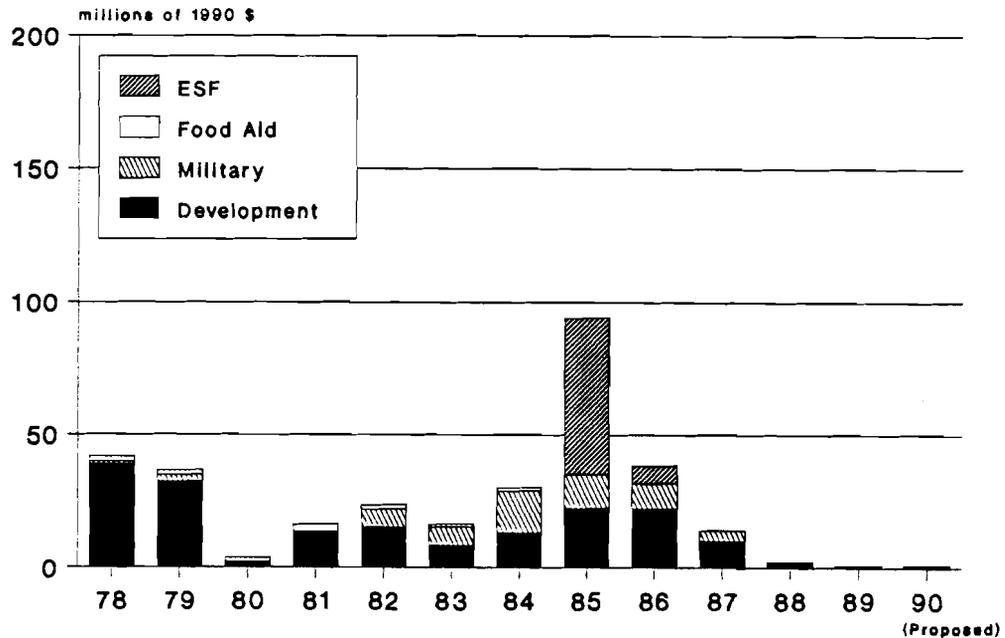
In addition to the general goal of maintaining friendly relations with the country, the United States has three specific foreign policy concerns in Belize. First, Belize is a fast-growing country in a very troubled region. U.S. aid seeks to help Belize cope with its financial and development problems and to insulate it from regional conflicts. Second, Belize is located close to areas of Guatemala which have experienced guerrilla attacks. Moreover, although it has not pressed its claim lately, Guatemala historically has considered Belize to be part of its national territory. Some observers are concerned that, if the British were to withdraw their forces in the future, Guatemala might be tempted (particularly in the face of an upswing in guerrilla violence or some other national crisis) to exert pressure on Belize in order to exercise its historic claims. Third, Belize has been used as a major production center for marijuana and a way station for aircraft flying the North-South drug smuggling routes from South America to the United States. The U.S. Government has been seeking the cooperation of the Belizian authorities to discourage and control this activity.

Panama³⁰

After the Panama Canal treaties were ratified in 1978 and went into effect in 1979, the level of U.S. aid to Panama declined significantly. The United States agreed, in connection with the Panama Canal treaties, that it would consider--but it would not necessarily provide--a substantial increase in bilateral aid to Panama during the 1980s. The fact that Panama received increased payments under the treaties made it more difficult to justify, however, larger amounts of foreign aid.

Figure 14

U.S. Aid to Panama, 1978-90



³⁰ For further analysis, see: U.S. Library of Congress. Congressional Research Service. Panama's Political Crisis; Prospects and U.S. Policy Concerns, Issue Brief No. IB87230, by Mark P. Sullivan; and U.S. Library of Congress. Congressional Research Service. U.S. Sanctions and the State of the Panamanian Economy. Report No. 88-578 F, by Mark P. Sullivan. Washington, August 22, 1988. For additional discussion, see: Mark P. Sullivan, Panama: Dilemma for U.S. Policy, in Central American Dilemmas and U.S. Policy. CRS Review, February 1989, pp. 24-26.

Starting in fiscal 1982, however, the United States began providing Panama with modest, but increasing, flows of military aid. Initially, this took the form of FMS market rate loans, but it was later shifted to MAP grants. In fiscal 1985, Panama also received for the first time a substantial allocation of ESF balance of payments aid. The amount of development aid also went up that year. These increases reflected a new concern about Panama's economic problems, the country's growing role in regional affairs, and its need for greater political stability. The Administration apparently believed that an increased level of U.S. aid might give the United States more influence on events. In 1983, Panama negotiated a \$150 million loan from the IMF to help finance a major three-year program for economic reform and balance of payments stabilization. The same year, it hosted the Contadora talks, a regional initiative not favored by the United States, which sought to find a political solution to the Central American situation. Also that year, the Panamanian military took steps towards relinquishing formal power. A civilian government took office the following year, albeit as the result of an election which was apparently marred by fraud and military manipulation of the electoral results.

Events in Panama did not go as the United States had hoped and the United States subsequently reduced its level of aid to the country. In 1986, the tight U.S. budgetary situation led to pressure for some cuts in the levels of U.S. aid to Central America. Panama's political record, and its relatively better economic situation compared to the other regional countries, made it a leading candidate for reductions. Among other things, Panama had incurred U.S. disfavor because of its unwillingness to implement some of the key economic reforms it had agreed to previously and because of the Panamanian military's blatant role (in September 1985) in forcing the country's new President to resign. The United States had hoped to promote economic stability and to encourage democratic political reform, and these developments went directly contrary to the U.S. aspirations. The plans for a large U.S. aid program in Panama were abandoned and the levels of U.S. aid fell dramatically in fiscal 1986 and 1987.

In mid-1987, the tensions between the United States and Panama were further exacerbated by charges that the commander of the Panamanian Defense Forces, General Manuel Antonio Noriega, had had a direct hand in the illegal export of cocaine and other illegal drugs to the United States. In late 1987, General Noriega was indicted by two U.S. grand juries on such charges and the United States undertook a concerted effort of economic pressures which were intended to force his removal from office. The U.S. aid program was cut to \$2.3 million in fiscal 1988, with most of the aid going for scholarships for Panamanian youth, assistance to private cooperatives, or disaster relief. In 1989, the program shrank further, as Congress prohibited U.S. aid to Panama and as the direct scholarship aid program was discontinued. In fiscal 1990, the Administration plans to limit U.S. aid solely to the Inter-American Foundation's program of grants to non-governmental private cooperative organizations.

Nicaragua³¹

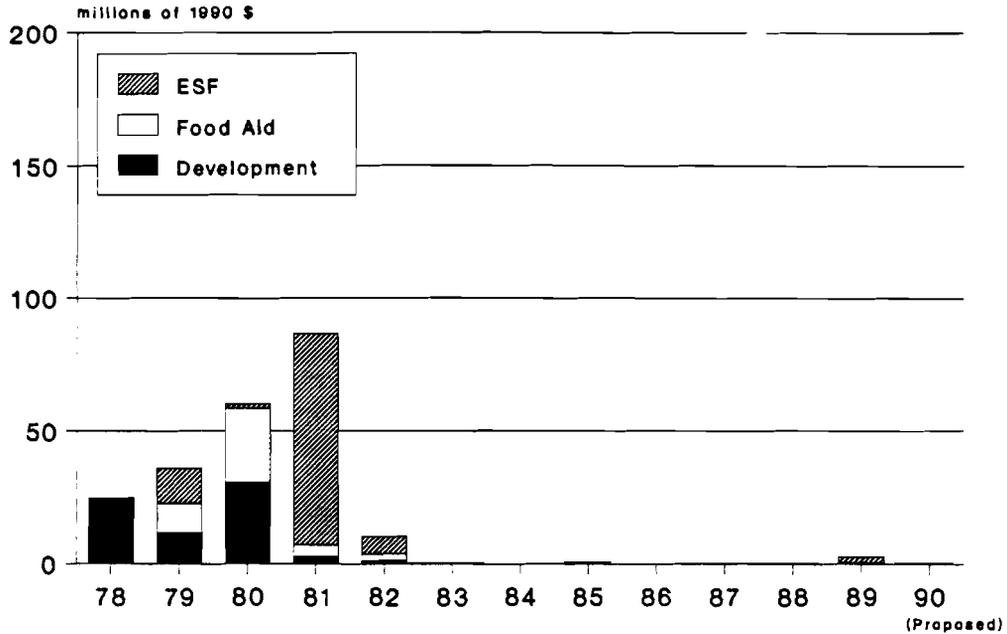
Aid to Nicaragua. The level of U.S. aid to Nicaragua was quite low prior to the 1978-79 civil war, as Figure 15 indicates (next page). Thereafter, the Carter Administration channeled significant amounts of U.S. aid to Nicaragua--first development aid and then, increasingly, fast disbursing balance of payments aid--as it sought to develop good relations with and to influence the character of the post-revolutionary government. After U.S. relations with the new Nicaraguan regime soured in late 1980, however, further U.S. assistance to that country was terminated.

In 1979, the Carter Administration asked Congress to approve \$75 million in reconstruction aid for Nicaragua. Congress authorized the funds with restrictions, while requiring that no obligations be made until the beginning of fiscal 1981. On October 17, 1980, the Carter Administration signed agreements with Nicaragua obligating \$48 million in loan and \$5 million in grant aid. Congress had stipulated in the legislation appropriating this money, however, that it would only be available as long as the Administration certified that the Nicaraguans were not aiding international terrorism or helping the Salvadoran guerrillas. President Carter made one such certification in September 1980. In November 1980, however, according to State Department sources, he reversed his position and quietly froze the last \$15 million of obligated, but not yet disbursed, ESF aid. He also soon froze disbursement of an additional \$4.3 million in AID development assistance and \$10 million in P.L. 480 food loans. On April 1, 1981, the Reagan Administration announced that it was taking formal steps to freeze those funds, on grounds that Nicaragua had engaged in prohibited activities.

³¹ For discussion of U.S. policy towards Nicaragua, see: U.S. Library of Congress. Congressional Research Service. Nicaragua: Conditions and Issues for U.S. Policy. Issue Brief No. IB82115, by Nina M. Serafino; U.S. Library of Congress. Congressional Research Service. Mark P. Sullivan, Nicaragua: an Overview of U.S. Policy, Report No. 87-855 F, October 13, 1987; U.S. Library of Congress. Congressional Research Service. Nicaragua: Possibilities for Mutual Accommodation, by Nina M. Serafino, in Central American Dilemmas and U.S. Policy. CRS Review, February 1989, pp. 11-13; and U.S. Library of Congress. Congressional Research Service. Congress and U.S. Policy Towards Nicaragua in 1987. Report No. 89-158 F, by Linda Robinson. Washington, March 2, 1989. See also: U.S. Library of Congress. Congressional Research Service. Nicaragua's "Civic" Opposition: Players, Problems, and Prospects, by Nina M. Serafino. Report No. 87-735 F, by Nina M. Serafino. Washington, August 5, 1987; and U.S. Library of Congress. Congressional Research Service. The U.S. Trade Embargo Against Nicaragua After Two-and-a-Half Years. Report No. 87-870 E, by Glennon J. Harrison. Washington, October 30, 1987.

Figure 15

U.S. Aid to Nicaragua, 1978-90



In subsequent years, the Reagan Administration has provided a small amount of economic aid to non-governmental Nicaraguan organizations. In fiscal 1982, for example, \$5.8 million was obligated for programs to assist the Nicaraguan private sector and another \$1.6 million was provided through private voluntary organizations for direct food aid to individuals. Since 1982, though, the only continuing U.S. aid link has been the small flow of Inter-American Foundation grants to non-governmental Nicaraguan cooperative organizations.

In 1987, Congress earmarked \$250,000 of the fiscal 1988 funds appropriated for the National Endowment for Democracy for use in programs to aid the "civic opposition" in Nicaragua, i.e., aid to non-governmental groups (most of them members of the legal internal opposition.) In 1988, the Administration proposed that an additional \$2 million in ESF aid for fiscal 1989 should also be channeled through the National Endowment for Democracy for assistance to such groups. The Endowment is reportedly having difficulty securing the Nicaraguan Government's consent for the use of this money within Nicaragua, however. The Nicaraguan Government has passed a law which makes it illegal for individuals, political parties, labor unions, or other similar organizations to receive or to bring into the country

any funds, goods, or resources financed with these or other funds. The Endowment may sponsor programs in neighboring countries to train Nicaraguan citizens and to improve organizational skills.

Aid to the "Contras". The U.S. Government has provided at least \$321.9 million in direct assistance to the Nicaraguan guerrillas ("contras") fighting against the Sandinista regime.³²

As the level of tension between the United States and Nicaragua grew after 1980, there was considerable debate about the approach the United States should take toward the Sandinista regime. The Administration proposed in 1981, and Congress authorized, covert funding for the contras. Between 1981 and 1983, Congress approved the allocation of \$38 million through the classified portions of the Defense Department Appropriations Act and an additional \$10 million was reportedly provided from CIA contingency funds. Controversy mounted, however. In 1982, Congress enacted the first Boland amendment, prohibiting any use of U.S. funds to overthrow the Government of Nicaragua or effecting military conflict between Nicaragua and Honduras. In 1983, the House voted three times to cut off all funding for the contras. The final legislation limited the new U.S. contribution to \$24 million and it barred the Administration from using its contingency funds for contra support.

In 1984, Congress barred further "covert" (not officially acknowledged) assistance. Subsequently, though, between 1984 and 1988, it passed several laws which provided a total of \$224 million in direct publicly-approved ("overt") support for the contra forces. Of this, \$130 million was designated for use solely in the provision of "humanitarian" (non-lethal) aid. In April 1989, Congress and the Administration agreed that an additional \$49.8 million (plus transportation costs) in non-lethal assistance could be provided to the contras through February 28, 1990.

The tabulations for U.S. foreign aid to Central America in this paper do not include this direct overt or covert assistance to the contra forces. These activities have been funded with Defense Department and CIA funds, not with funds appropriated for the U.S. foreign aid program.

³² For a discussion of the military issues associated with this aid, see: U.S. Library of Congress. Congressional Research Service. *The Military Situation in Nicaragua*. Report No. 88-11 F, by James P. Wooten. Washington, Feb. 4, 1988. See also the materials cited in footnote 3.

CHANGES WITHIN THE INDIVIDUAL AID PROGRAMS

ECONOMIC SUPPORT FUND

The Economic Support Fund (ESF) is the largest and most controversial U.S. aid program in Central America. The ESF is security assistance which is allocated on the basis of foreign policy rather than development criteria.³³ It is economic assistance, but most commonly provided to countries of particular political and security importance to the United States. Consequently, the way it is categorized can have a major impact on the overall picture for U.S. aid in the region.

Supporters of current U.S. policy in Central America often combine the ESF with totals for U.S. development aid to show that most U.S. assistance to the region has gone for non-military purposes. Critics often combine the ESF with the total for military aid, to show that most U.S. aid in the region has gone for security purposes. Both perspectives are incomplete. ESF aid is authorized and appropriated under the auspices of the international security assistance portion of the Foreign Assistance Act. It is allocated to countries of major foreign policy importance to the United States, to bolster the countries and help achieve U.S. foreign policy goals. On the other hand, in its application in the recipient countries, ESF aid is often used to support activities which are designed to strengthen the recipient country's economy and to promote growth and development. In many cases, the differences between the programs funded by AID development aid and by ESF project aid have been more a matter of degree than of kind.

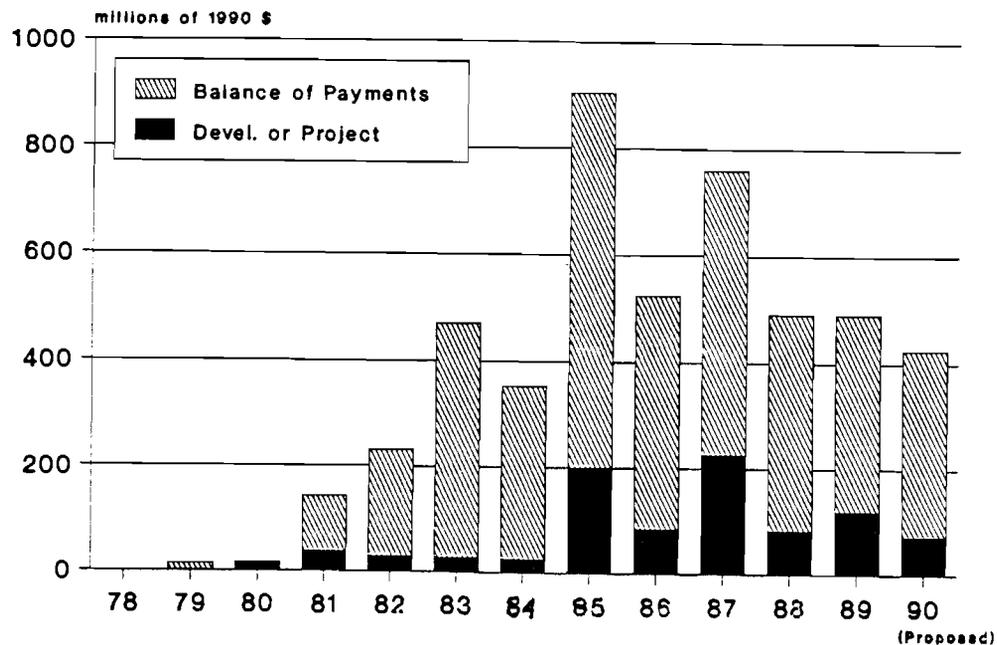
Three points concerning the focus of ESF aid in Central America might be made. First, as Figure 16 shows (next page), most ESF money in the region has gone to provide balance of payments (BOP) support. On the whole, this BOP support has been used, not to subsidize general imports or to finance government operations, but rather to provide the private sector with access to foreign exchange in order that it might purchase needed imports and maintain operations.³⁴ A significant portion of the ESF funds

³³ For a general discussion of the ESF, see: U.S. Library of Congress. Congressional Research Service. *An Overview of the Economic Support Fund*. Report No. 88-284 F, by Larry Q. Nowels. Washington, April 1, 1988.

³⁴ In general, the United States provides its balance of payments support aid to the Central American countries in the form of grants. The United States and the recipient country government sign an agreement specifying the conditions and limits on the use of the funds and the money is kept in a separate account. Individuals and private sector firms may purchase the BOP aid dollars from their central bank, in exchange for an equivalent value in their own national currency, in order to finance their purchases of qualifying imports. The local currency generated by the BOP aid program belongs to the

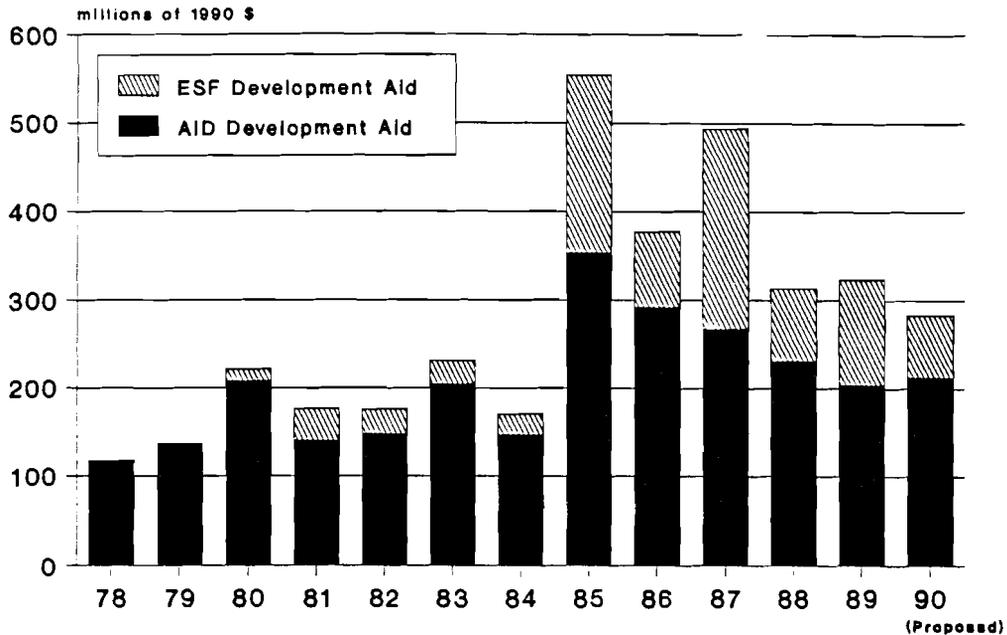
have been also used, however, as Figure 16 shows, to finance development projects and other related activities. In most years since 1985, as Figure 17 indicates (next page), the amount of development aid which was programmed through the ESF was one-third to one-half (or more) as much as the amount programmed through AID's regular development aid accounts. In some cases, the ESF has financed programs which help encourage the democratization process or strengthen democratic institutions. In some cases, particularly in El Salvador, it has funded programs to repair war-damaged or earthquake-damaged facilities and to help displaced persons. In many cases, there have been few significant operational differences between the activities financed through the ESF and through the regular AID development accounts.

Figure 16
U.S. Economic Support Fund Aid
to Central America, 1978-90



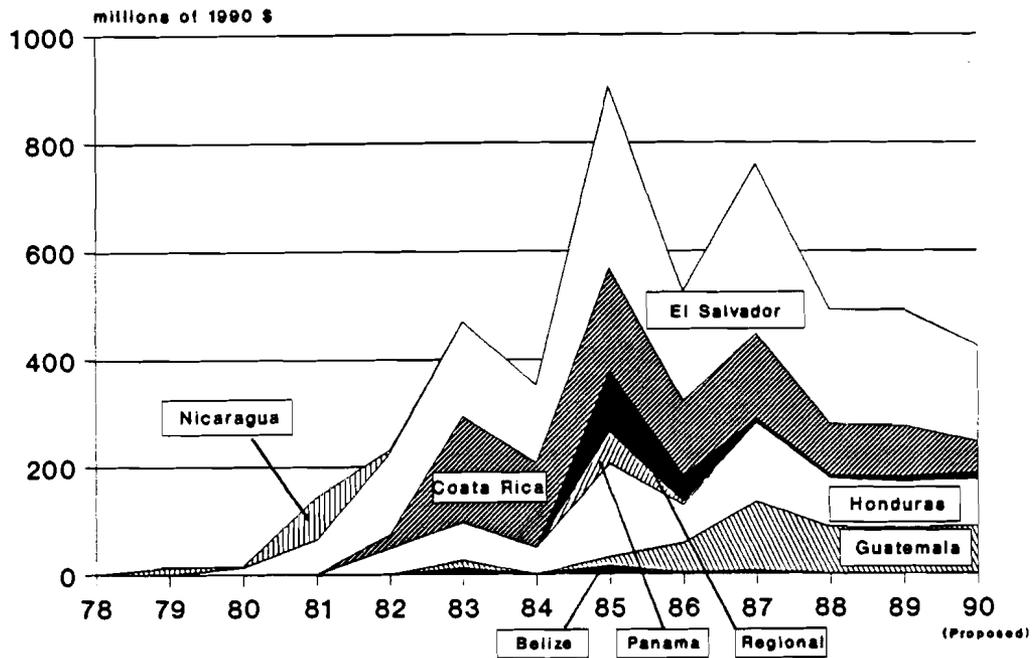
recipient country government. Nevertheless, it is used by agreement between the United States and the recipient country, to finance activities compatible with the purposes of the U.S. Foreign Assistance Act. In many countries, the local currency is used to finance special development projects or to fund the country's share of the cost (counterpart funds) for development projects supported by foreign aid. For additional details, see: Central American Local Currency Impact Study. A report prepared by Development Associates, Inc. for the Latin America and Caribbean Bureau, AID, March 3, 1988. Draft report provided to CRS by AID. For a discussion of BOP support programs in El Salvador, see: Composition of the U.S. Aid Program and the Uses Made of the Funds, in CRS El Salvador Briefing Book. Report No. 89-369 F, April 28, 1989.

Figure 17
Development Aid from AID and ESF
to Central America, 1978-90



Second, there has been a significant shift, in the past decade, in the countries receiving ESF aid. In 1979 and 1981, as Figure 18 shows (next page), Nicaragua was the largest recipient of ESF aid in Central America, accounting for over 52 percent of the total. Thereafter, as aid to Nicaragua declined, El Salvador, Costa Rica, and Honduras became the principal ESF aid recipients in the region. Between 1981 and 1983, for instance, El Salvador received 46 percent, Costa Rica 26 percent, and Honduras 14 percent of all ESF aid to Central America. Between 1984 and 1987, their shares respectively were 39, 25, and 13 percent of all such ESF aid. Significant shares were also allocated, in the recent period, for Guatemala and (secondarily) for the regional aid program. Indeed, Guatemala's ESF aid program has been almost as large as those for Costa Rica and Honduras since 1987.

Figure 18
U.S. Economic Support Fund Aid
to Central America, 1978-90



Third, the United States began to attach more stringent conditions, as the decade progressed, to its allocations of ESF balance of payments aid. Before 1981, the main conditions on U.S. BOP aid involved stipulations that local currency proceeds must be used for activities which would help the poor or meet basic human needs. Few if any macroeconomic conditions were attached (worldwide or in Central America) to this aid. Since 1981, the United States has broadened the range of activities which may be financed with local currency generated by U.S. balance of payments aid (though they still must be compatible with the goals of the U.S. Foreign Assistance Act). A substantial share in Central America has gone to programs designed to help strengthen the Central American private sector. The United States has also tried to require its BOP aid recipients to make changes in their economic procedures and their national macroeconomic policies. These include reductions in subsidies and limits on monetary creation (to help control inflation) and changes in exchange rates (in order align domestic and international prices and thus to make the recipient countries' economies more efficient and productive.)

The capacity of the United States to secure the recipient's cooperation with these terms often seems to depend on the broader political situation.³⁵ In some countries the United States has been relatively successful in using aid to promote economic reform. Costa Rica, for example, has been in dialogue with the IMF and World Bank, as well as with U.S. officials, and has expressed an open view to proposals for reform. In other countries, where the security and political situation is more precarious and more central to U.S. foreign policy in the region, the economic leverage of the BOP programs has been limited. In Honduras in 1985, for example, the U.S. aid mission held up the release of some ESF funds while it tried to persuade the Honduran Government to implement some promised economic reforms. The reforms were not undertaken and, after the top leadership of the Honduran Government appealed to the Administration in Washington for support, the money was released and the BOP program in Honduras was funded anyway. In Panama in 1985, a similar situation of limited progress in economic reform also prevailed. In this case, AID also eventually disbursed the promised ESF money, but it reduced Panama's access to ESF funds quite substantially the following year. In El Salvador, the United States finally persuaded the Salvadoran Government to devalue its currency and implement a package of reforms in 1986. The degree of reform was substantially less than the United States and other international analysts thought necessary. Salvadoran Government leaders were reluctant to go further, or even to fully implement some of the changes announced in 1986, out of concern for the possible public and political backlash they might entail. The United States was unable to cut its ESF aid program in El Salvador on account of these performance problems, as it had earlier in Panama, because of broad foreign policy concerns.

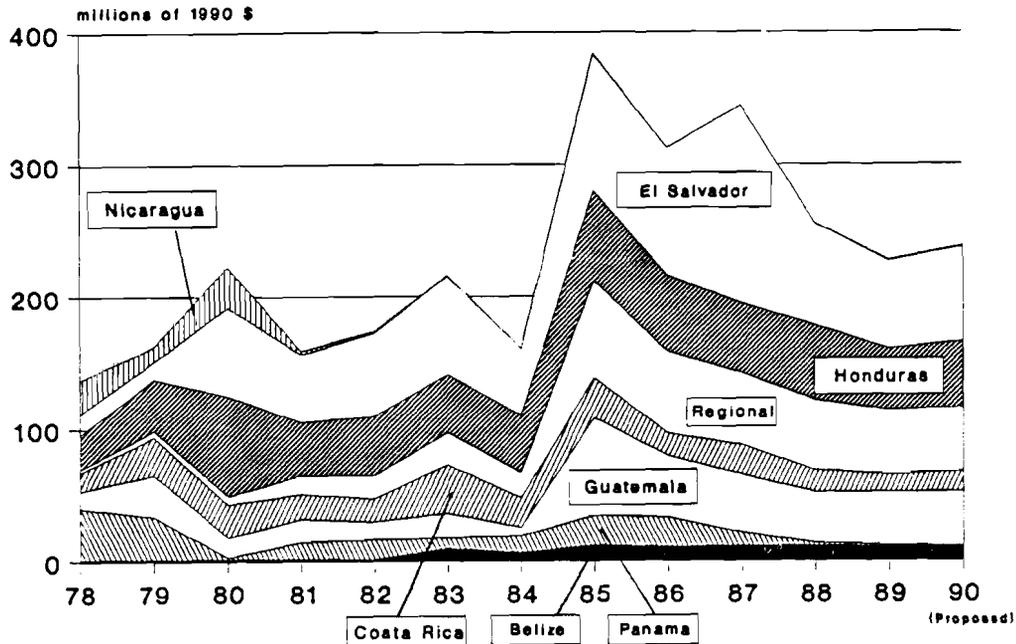
DEVELOPMENT AID

The volume of U.S. development aid to Central America has increased substantially since fiscal 1985, the first year the increases recommended by the Kissinger Commission were obligated for development programs. (See Figure 19, next page) Between 1978 and 1984, U.S. development aid to the region averaged about \$170 million a year; after 1985, the development aid level jumped to about \$280 million annually.³⁶

³⁵ See, for example: Economic Assistance to Central America; Conclusions of an AID/State/OMB Team. Report of a team of experts from the Agency for International Development, Department of State, and Office of Management and Budget. [No date, but after June 4, 1988.] Provided to CRS by AID. See also: U.S. General Accounting Office. Providing Effective Economic Assistance to El Salvador and Honduras: a Formidable Task. GAO/NSIAD-85-82, July 3, 1985. Washington, 1985.

³⁶ For a general discussion of trends worldwide in U.S. development aid policy, see: U.S. Library of Congress. Congressional Research Service. Development Assistance Policy: a Historical Overview. Report No. 88-285 F,

Figure 19
U.S. Development Aid
to Central America, 1978-90

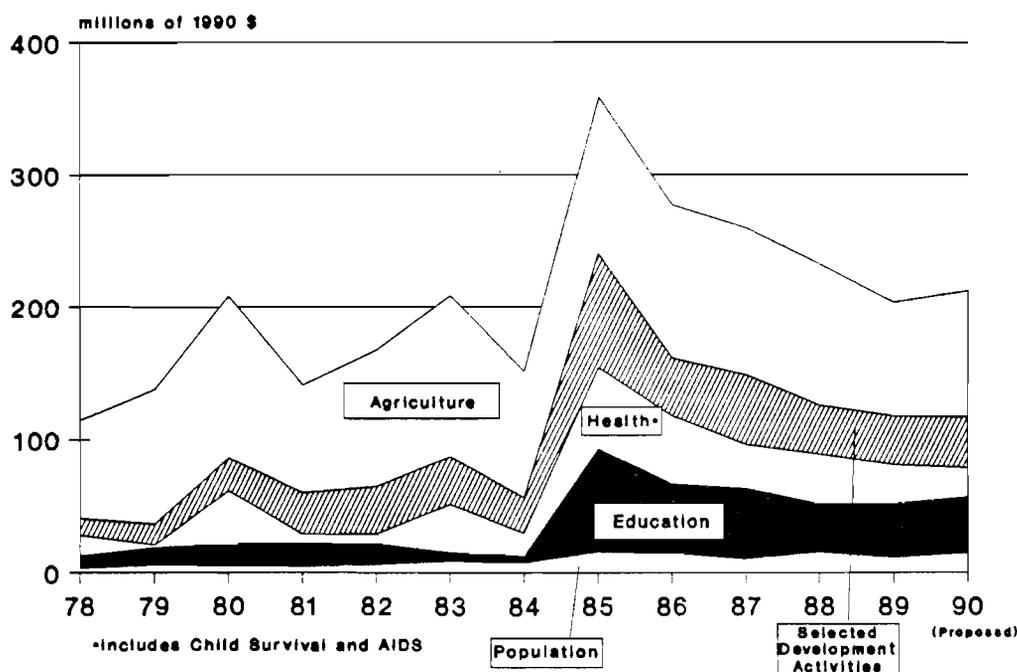


Overall, there has been much continuity in the country allocation pattern for U.S. development aid in Central America. As Figure 19 shows, Belize, Costa Rica, and Honduras received about the same amounts each year, in real terms, during the 1978-90 period. The United States essentially terminated aid twice to Panama, in 1980 and in 1989. During the 1981-86 period, however, the level of development aid level was fairly constant as well.

Major increases were registered, however, in several country programs. Levels for El Salvador almost doubled, for example, from about \$45 million a year before 1985 to \$84 million annually thereafter. As Figure 19 shows, the U.S. development aid program in Guatemala also grew from about \$9 million annually, during the period before the move towards democratization occurred the increases recommended by the Kissinger Commission became available, to about \$42 million a year since 1985. The Central American regional program --an activity strongly endorsed by the Kissinger Commission report--also expanded substantially, from an average \$11 million a year before 1985 to about \$57 million afterwards.

In addition to the increased levels of aid, there have also been subtle but significant shifts since 1985 in the ways the U.S. development aid has been used in the region. Figure 20 shows how the Agency for International Development has allocated its development aid funds in its five functional accounts.³⁷ The amounts obligated by AID in the functional accounts have varied widely each year, as plans are made and funds assigned to finance program operation. (Obligations are often multi-year commitments; the annual spending patterns are much smoother than Figure 20 would suggest.)

Figure 20
AID Development Aid to Central America
Trends in Each Sector of Activity



On the whole, AID has placed greatest emphasis on agricultural programs. In real terms, as Figure 20 indicates, most of AID's obligations in the 1978-90 period were in this area. AID's spending was greater, in real terms, at the end of the period than it was at the beginning.

Nevertheless, the agriculture share of AID's spending fell significantly during the past decade. Between 1978 and 1984, AID obligated an average \$100 million a year for agriculture sector programs, or about 62 percent of its spending for the period. Between 1985 and 1990, AID increased its annual

³⁷ For purposes of this analysis, expenditures in the Child Survival and AIDS functional account are included in the Health account.

obligation total in the sector to about \$105 million, but the agriculture share of total AID spending in the region fell to 42 percent.

Since 1985, the population, health, education, and selected development activities accounts have experienced the most rapid growth in AID funding in Central America. To a large extent, the growth in the first three areas reflects the emphasis the Kissinger Commission placed on the need for more assistance for basic health care, education, and related services. The growth in the selected development activities category reflects the growing emphasis AID has placed, in recent years, on programs for strengthening the private sector and promoting non-traditional exports.

As may be deduced from Figure 20, AID's population program in Central America grew from about \$5.8 million a year, between 1978 and 1984, to about \$13.7 million a year thereafter. The health account jumped, meanwhile, from an average \$17.5 million a year to over \$28.9 million annually. The education account increased its spending from \$12.2 million a year to an average \$49.9 million annually after 1985. The selected development activities account, which mainly finances programs to strengthen the private sector and promote new exports, expanded meanwhile from an average \$26.1 million a year between 1978 and 1984 to an average \$49.4 million annually after 1985.

The changes in the types of activities which AID has financed within the individual sectors are perhaps as important as the shifts in emphasis among the sectors. Before 1981, for example, most of the programs funded through the agriculture sector focused on basic human needs, rural development, and targeted assistance to the needy. After 1981, an increasing emphasis was placed on programs to support commercial agriculture, expand non-traditional agricultural exports, and related activities. This trend continued after 1985. Similarly, before 1981, the selected development activities (SDA) account focused mainly on activities, such as the development of alternative energy supply systems or the funding of municipal improvements, which sought mainly to serve the needs of individuals. After 1981, the SDA account began to put more emphasis on programs expanded its emphasis on designed to help make private firms more productive and to strengthen private sector institutions, to supply credit and needed resources, and to help Central American firms take advantage of trading opportunities opened up to them by the U.S. Caribbean Basin Initiative. (CBI.) This trend has also continued since 1985. The education sector has put new emphasis, since 1985, on scholarship programs designed to provide for Central American students with opportunities to pursue undergraduate educations in the United States. It has funded vocational and non-academic training programs, to provide workers and employees of government agencies with new skills and resources. It has also financed several programs for rural or primary education and programs to help strengthen the institutional and managerial capacity of countries' educational systems. The health area has evidenced fewer changes in the types of programs AID has financed during the 1978-90 period. On the whole, it continues to put most of its emphasis on programs to support the health

system, provide rural and village level services, and build new infrastructure to provide clean water and better public sanitation.

The United States has also allocated significant amounts of assistance for development purposes through programs other than the AID functional accounts. Largest and most significant of these is AID's Office of Foreign Disaster Assistance (OFDA), which has allocated over \$82.3 million (\$101.9 million in constant 1990 dollars) for emergency assistance in the region. Of this, over \$51 million went for emergency post-earthquake relief in El Salvador; most of the rest has gone to counter the effects of political or war-related disasters. (In real terms, about 76 percent of this emergency aid has gone to El Salvador.) Another \$100 million was allocated for earthquake reconstruction, through the ESF account in fiscal 1987. Substantial sums (equal in some countries, El Salvador for example, to the full value of the assistance the United States has provided through its balance of payments aid) has also been programmed for special development programs using local currency funds generated by the U.S. balance of payments programs. (This local currency development spending is not included in the totals reported in this paper for U.S. foreign aid to Central America. Technically, the funds belong to the Central American governments, although by agreement between the United States and the recipient country government they must be used for activities compatible with the U.S. Foreign Assistance Act.)

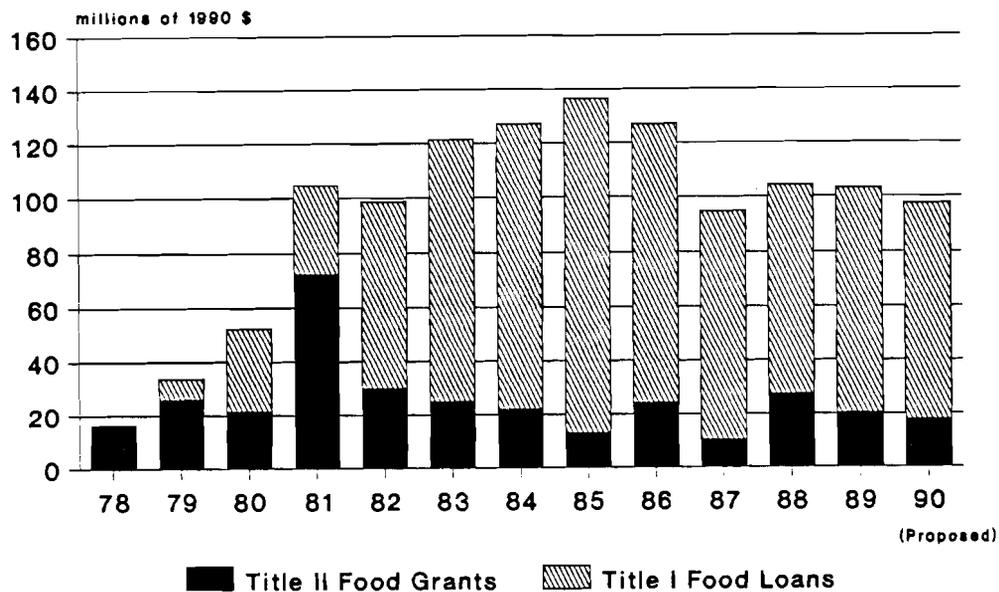
Minor sums have also been allocated for development purposes through the Peace Corps and the Inter-American Foundation. The Peace Corps has programmed over \$139 million since 1978 (over \$156 million in 1990 dollars) for education, village level training, and other activities using U.S. volunteers. Over 70 percent of its expenditures have been in two countries, Guatemala and Honduras. For most of the period, the Peace Corps has had no programs in El Salvador, Nicaragua, or Panama. The Inter-American Foundation has also channeled an additional \$50.9 million into Central America since 1978 (\$61.8 million in 1990 dollars) to help cooperatives, micro-enterprises, and other small-scale activities. This aid has been distributed relatively evenly to most all the countries of the region. In recent years, leaving aside aid allocated through other programs to help the political opposition, the IAF has been the main program through which the United States has provided economic aid and maintained foreign aid contacts with Nicaragua and Panama.

FOOD AID

As Figure 21 indicates (next page), U.S. expenditures for food aid to Central America have gone up considerably since the late 1970s. In fiscal 1978 and 1979, the U.S. food aid program for Central America totalled \$17 and \$33 million a year, respectively, whereas by the mid-1980s it had increased to over \$100 million annually. The composition of the food aid program also changed considerably during this period. Between fiscal 1978 and 1981 P.L. 480 food grants accounted for the bulk of this aid. (This was due primarily to the substantial jump in this type of aid for El Salvador and

Guatemala which was programmed in 1981 and 1982, for a combination of humanitarian and foreign policy reasons.) Thereafter, the level of grant aid fell (both in absolute and in relative terms) and the P.L. 480 food loan program became the principal vehicle for U.S. food assistance to the region. Today, even though a significant amount of U.S. food assistance goes to help refugees, displaced persons, disaster victims, and other needy individuals, the overall volume of U.S. humanitarian food assistance in Central America is about the same size, in real terms, as it was in fiscal 1978.

Figure 21
U.S. Food Aid
to Central America, 1978-90



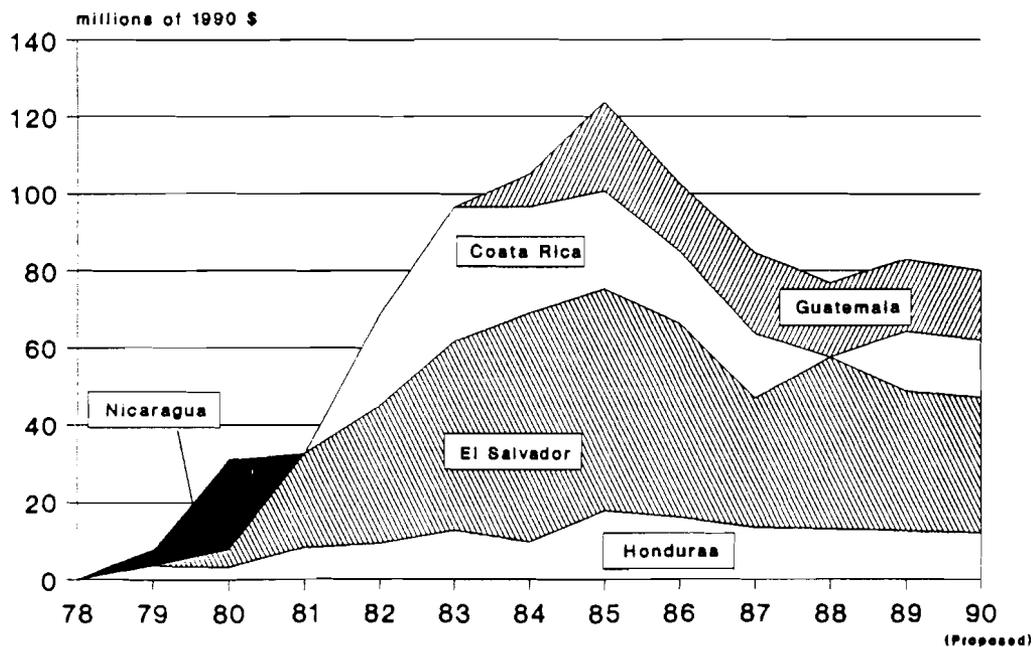
The shift in the P.L. 480 program from grants to loans represents more than a simple switch in the terms under which U.S. food aid is provided. The P.L. 480 Title I food loan and the P.L. Title II food grant program are very different in their purposes and their operations. The food grant program channels most aid through private voluntary organizations (PVO), with direct allocations of food in order to help needy people through nutrition, emergency feeding, and supplementary feeding programs. The food loan program helps the recipient country purchase food from U.S. firms and the imported food is distributed through the country's regular commercial marketplace. The P.L. 480 Title I food loan program may help increase the stock of food available in the country and it may help reduce food prices in situations of scarcity.

In the main, however, the food imported through the food loan program benefits the individuals who have the money to purchase it.

Like the ESF program, the P.L. 480 Title I food loan program operates basically as a supplemental balance of payments support program. It provides recipient countries with low-cost, long-term credits to finance food imports from the United States and, assuming that the country would otherwise have had to spend some of its own scarce foreign exchange to pay for the needed food purchases, the food loan program allows the recipient country to use its own resources for debt payments, new imports, or other purposes.

Like the recipients of ESF aid, the recipients of P.L. 480 Title I aid have been required to undertake a number of "self help" procedures designed to improve their national agricultural productivity. In the early 1980s, these mainly involved requirements that the countries improve their food storage facilities and that they use some of the local currency proceeds from their P.L. 480 food sales to finance agricultural development projects or programs to help meet basic human needs. Since the mid-1980s, though, the conditions on P.L. 480 food loans have been tightened and synchronized more closely with those for ESF aid. In general, they require that borrowers take steps to improve domestic agricultural institutions, reduce or eliminate price controls and food subsidies for consumers, and assure farmers more incentives to help increase production.

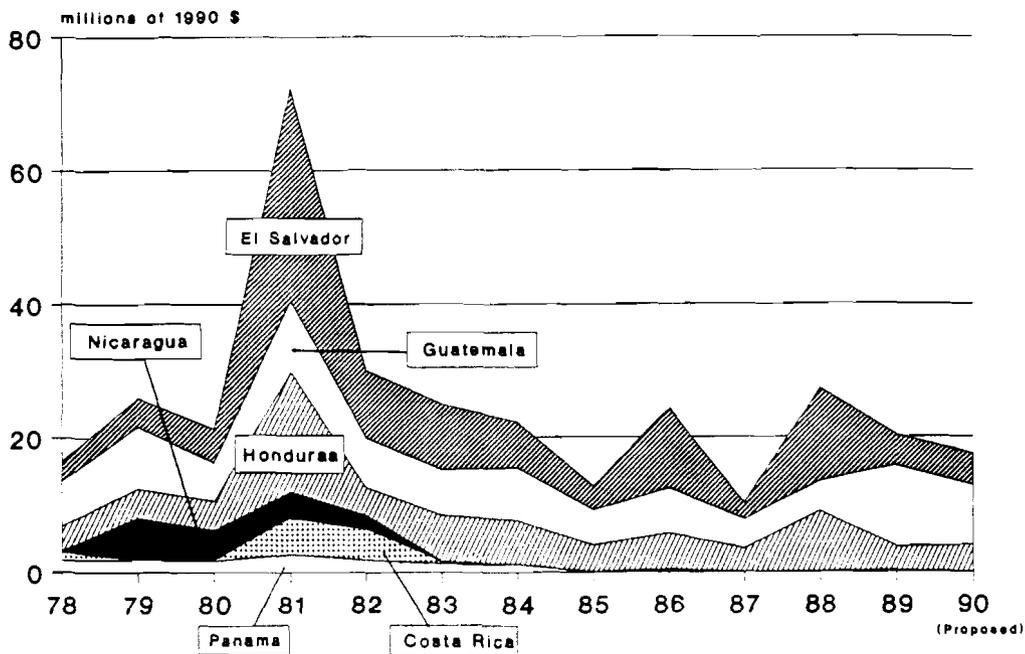
Figure 22
U.S. P.L. 480 Title I Food Loans
to Central America, 1978-90



(Prepared)

Food loan aid has gone to the countries in Central America of primary importance to U.S. policy, as Figure 22 indicates. In real terms, about 48 percent of the P.L. 480 Title I funds for the region have gone to El Salvador and 20 percent to Costa Rica, with the remainder divided almost evenly between Guatemala and Honduras. Food grant aid, on the other hand, has been allocated on the basis of broader concerns. Since 1979, as Figure 23 shows, El Salvador (at 38 percent) and Guatemala (at 35 percent) have been the largest recipients in the region, in real terms, for U.S. food grant aid. Since 1987, however, Guatemala has been the leading recipient of this aid.

Figure 23
U.S. P.L. 480 Title II Food Grants
to Central America, 1978-90



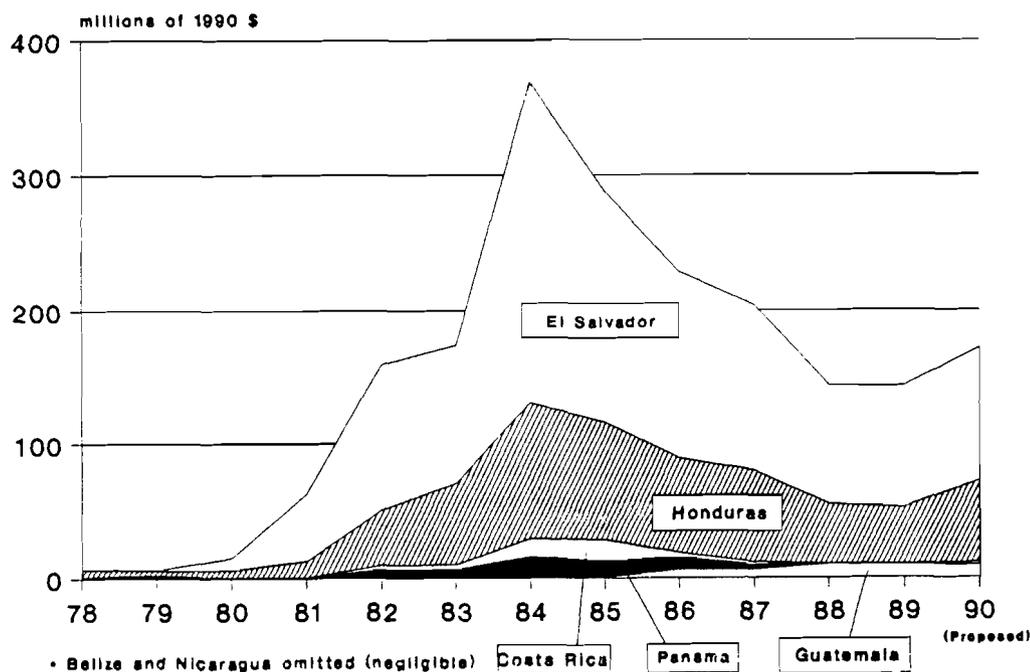
MILITARY ASSISTANCE

The U.S. military aid program in Central America has three basic components. Through the Military Assistance Program (MAP) and the Foreign Military Sales Financing Program (FMS) the United States provides money to help the Central American countries finance purchases of equipment, services, supplies, and stocks to strengthen their national military organizations. Through the International Military Education and Training Program (IMET), the United States also provides direct training to foreign military personnel, in order to help improve their professional military capability or to impart new technical or operational skills. The IMET and

MAP are grant aid programs. Until 1984, the FMS was a market-rate loan program. Since then, however, the repayment terms for FMS aid have eased. Starting in 1990, the Administration has requested that FMS aid be provided on basically the same terms (full grants) as MAP assistance.³⁸

The volume of U.S. military aid to Central America has grown substantially since 1979. At the beginning of the decade the small flow of U.S. military aid to the region mainly went to Honduras and Panama. As Figure 24 indicates, the increase in U.S. military aid started in fiscal 1980 in El Salvador. After 1981, Honduras also became a major recipient of U.S. military assistance. Overall, in real terms, about 63 percent of the U.S. military aid to the region has gone to El Salvador and another 30 percent has gone to help Honduras. Small amounts have also gone, at various times, to Costa Rica, Panama, Guatemala, and Belize. For the decade as a whole, in real terms, military aid constituted about 18 percent of all U.S. aid to the region. In fiscal 1988 and 1989, military aid accounted for about 14 percent of total U.S. aid.

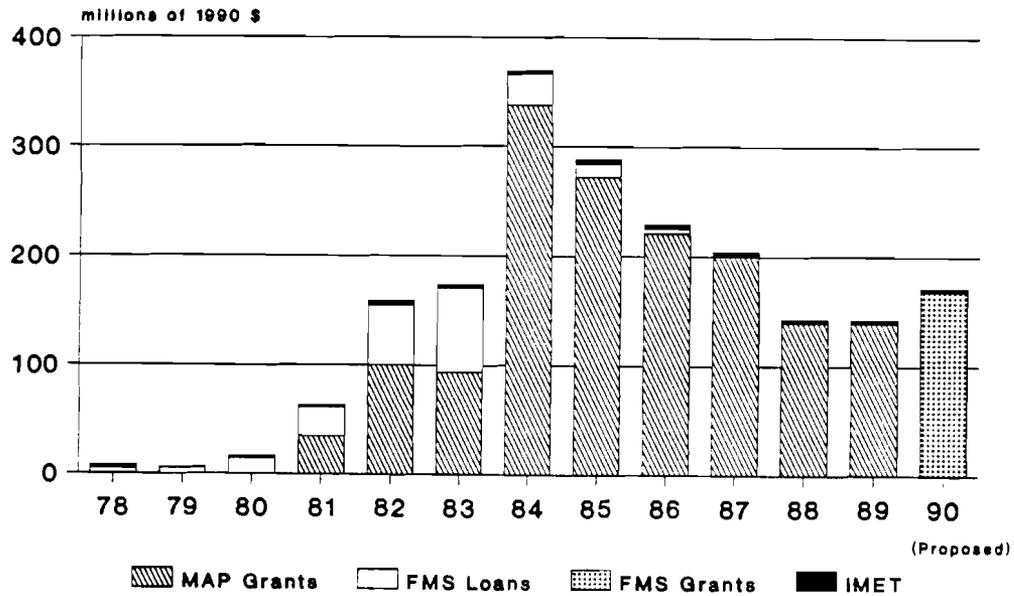
Figure 24
U.S. Military Aid
to Central America, 1978-90*



³⁸ For a general discussion of U.S. Military Aid, see: U.S. Library of Congress. Congressional Research Service. An Overview of United States Military Assistance Programs. Report No. 88-282 F, by Richard F. Grimmett. Washington, March 29, 1988.

Between 1978 and 1983, a substantial share of all U.S. military aid for Central America was financed with FMS market rate loans. In 1984, however, the Administration decided that the countries of Central America and many other parts of the world were too poor and too indebted to afford much more market-rate aid, and--as the situation seemed to require continued large infusions of military aid--the U.S. military assistance program was shifted to a grant and concessional loan basis. Since fiscal 1987, as Figure 25 shows, all U.S. military aid to the region has been grant aid.

Figure 25
U.S. Military Aid
to Central America, 1978-90



The main focus of the U.S. military aid program has been different in different countries. In Costa Rica and Belize, the national military forces were weak and underequipped. The U.S. aid program sought to provide them with small arms, communications equipment, vehicles, and training, in order to help expand their proficiency and enhance their capacity for supervising their frontiers and controlling illegal cross-border activity and drug trafficking. In Guatemala, though, the U.S. military aid program had a political as well as a military dimension. Besides providing the military with communications equipment, spare parts, and other kinds of non-lethal assistance, in order to increase its counterinsurgency capabilities and the size of its civic action program, the U.S. aid program also sought to improve U.S. links with the military leadership and to encourage support for democratization and the

effort to strengthen human rights conditions in the country. In Panama the U.S. military aid program was also aimed, in the mid-1980s, at strengthening the professional capacity of the military and at encouraging--albeit unsuccessfully--its support for the democratization process. When this effort failed, the volume of U.S. military aid was reduced substantially.

In El Salvador and Honduras, by contrast, U.S. military aid concentrated on providing the military with the equipment they need to fight an active or a potential military conflict. Between 1978 and 1980, the U.S. aid program focused mainly on providing basic equipment (motor vehicles, communications gear, etc.) in order to enhance the military's overall capacity and its general level of professionalization. As the shooting war heated up in El Salvador and as deteriorating relations with Nicaragua provided reasons for increasing the military capability for Honduras, however, the U.S. aid program began to also provide these countries with "consumables"--ammunition, small arms, unit training, field equipment--and other combat support items. At the same time, through the IMET program, the United States began putting more emphasis on teaching the Central American military new tactical and counterinsurgency skills. Between fiscal 1985 and 1987, the level of spending for basic equipment and "consumables" continued to grow. In addition, the United States began to provide other advanced weapons systems--helicopters and aerial gunships in El Salvador and new fighter aircraft in Honduras, for example--in order to expand their military capacity, firepower, and mobility still further. Most recently, excepting the continuing program for supplying Honduras with advanced military aircraft, the U.S. military aid program in these countries has concentrated mainly on supplying consumable equipment and on sustaining the military capacity built up in the previous years. In fiscal 1990, the Administration reports, some major expenditures may be needed in order to replace or recondition equipment (particularly helicopters) purchased in earlier years.

APPENDIX

	U.S. AID TO CENTRAL AMERICA (millions of current dollars)													
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989 est.	1990 req.	TOTAL
BELIZE														
Disaster Assistance			.04		.03									.06
Development Assistance						6.69	3.88	7.65	6.85	7.30	7.40	7.60	7.18	54.54
Economic Support Fund						10.00		14.00	1.91	5.40			2.00	33.31
PL 480 Title I Food Loans														
PL 480 Title II Food Grants														
Peace Corps	.56	.65	.82	.75	.62	.87	1.49	2.48	2.36	2.59	2.57	2.56	2.48	20.82
Inter-American Foundation		.09	.01	.25	.30	.10	.06	.25	.19	.24	.29	.35	.65	2.78
Int Military Ed & Training					.03	.08	.05	.10	.07	.10	.07	.10	.12	.71
Military Assistance Program							.50	.50	.48	.50	.25			2.23
Foreign Military Sales Program													.50	.50
Total	.56	.75	.86	1.00	.98	17.74	5.97	24.98	11.87	16.13	10.58	10.61	12.92	114.94
COSTA RICA														
Disaster Assistance					.01	.08	.03	.01			.11	.13		.36
Development Assistance	6.15	15.69	13.56	11.48	11.54	27.16	15.40	20.53	10.95	17.10	11.75	8.50	11.00	180.79
Economic Support Fund					20.00	157.00	130.00	160.00	120.58	142.47	90.00	90.00	57.00	967.05
PL 480 Title I Food Loans					18.00	27.50	22.50	21.40	16.20	15.20		15.00	15.00	150.80
PL 480 Title II Food Grants				3.84	3.43	.18			.26			.08		8.58
Peace Corps	1.32	1.46	1.46	1.75	1.01	1.26	1.83	2.89	2.64	2.95	3.52	3.48	3.41	28.96
Inter-American Foundation	.04	.03	.80	.30	.93	.70	1.33	2.04	1.22	.61	.10	.75	.65	9.49
Int Military Ed & Training				.04	.06	.13	.13	.23	.22	.23	.23	.23	.25	1.74
Military Assistance Program					2.00	2.50	11.00	13.00	2.39	1.50				32.39
Foreign Military Sales Program													1.50	1.50
Total	8.20	17.20	15.90	17.39	56.98	216.50	182.22	220.10	154.47	180.06	105.70	118.16	88.81	1,381.66
EL SALVADOR														
Disaster Assistance			.03	3.03	11.90		.08			51.33				66.36
Development Assistance	7.53	6.05	43.16	32.79	36.20	58.79	41.30	87.76	83.88	82.43	70.00	62.37	67.80	680.03
Economic Support Fund			9.10	44.90	115.00	140.00	120.23	285.00	177.05	281.50	195.01	206.63	180.00	1,754.41
PL 480 Title I Food Loans			3.00	17.20	27.20	39.00	49.00	49.00	44.00	30.10	41.50	35.00	35.00	370.00
PL 480 Title II Food Grants	1.58	2.57	3.27	22.64	7.70	7.74	5.56	3.07	10.45	2.22	12.88	4.41	4.76	88.85
Peace Corps	1.39	1.56											1.50	4.45
Inter-American Foundation		.14	.02	.41	*	*	*	.01	.32	.81	1.37	1.50	1.90	6.48
Int Military Ed & Training			.25	.49	2.00	1.30	1.30	1.50	1.43	1.52	1.50	1.40	1.60	14.29
Military Assistance Program	.03	.01	.01	25.00	63.50	33.50	176.75	134.75	120.37	110.00	80.00	85.00		828.91
Foreign Military Sales Program			5.70	10.00	16.50	46.50	18.50	10.00					97.00	204.20
Total	10.53	10.32	64.52	156.47	280.00	326.82	412.72	571.09	437.49	559.90	402.25	396.31	389.56	4,017.98

* Less than \$5,000.

U.S. AID TO CENTRAL AMERICA
(millions of current dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989 est.	1990 req.	TOTAL
GUATEMALA														
Disaster Assistance	1.61				.29	.13	.70		.02					2.74
Development Assistance	4.22	16.50	7.76	9.14	7.90	12.31	1.60	58.03	36.88	34.87	30.03	33.00	35.28	287.51
Economic Support Fund						10.00		12.50	47.85	115.02	79.78	80.52	87.00	432.68
PL 480 Title I Food Loans							7.00	19.70	15.40	18.90	18.00	18.00	18.00	115.00
PL 480 Title II Food Grants	3.65	5.42	3.68	7.55	5.60	5.35	6.48	4.40	5.82	3.89	4.12	11.69	8.84	76.47
Peace Corps	1.53	2.10	1.85	2.05	1.65	1.91	2.61	3.04	2.93	3.08	4.06	4.22	4.02	35.03
Inter-American Foundation		.07	.40	1.39	.46	.28	.13	1.01	.56	1.12	1.43	1.40	1.90	10.15
Int Military Ed & Training								.46	.36	.49	.38	.40	.50	2.58
Military Assistance Program	*	.01							5.00	5.00	9.00	9.00		28.01
Foreign Military Sales Program													9.00	9.00
Total	10.99	24.09	13.69	20.12	15.90	29.97	18.52	99.13	114.81	182.36	146.79	158.23	164.54	999.16
HONDURAS														
Disaster Assistance			.03		.06			7.53						7.61
Development Assistance	12.40	20.70	45.82	25.66	31.17	31.23	32.00	44.33	44.31	41.67	44.94	38.00	43.20	455.42
Economic Support Fund					36.80	56.00	40.00	147.50	61.25	131.79	85.00	85.00	87.00	730.33
PL 480 Title I Food Loans		2.00	2.00	5.80	7.00	10.00	8.00	15.00	13.90	12.00	12.00	12.00	12.00	111.70
PL 480 Title II Food Grants	2.04	2.63	2.83	12.64	3.10	5.47	5.24	3.35	4.60	3.10	8.35	3.30	3.88	60.51
Peace Corps	1.68	2.10	1.97	2.44	2.62	2.79	2.98	4.98	5.24	5.17	6.50	6.32	6.34	51.13
Inter-American Foundation	.02	.23	.90	.53	.06	.66	.59	.55	.66	.56	.92	1.00	1.15	7.82
Int Military Ed & Training	.69	.25	.44	.54	1.28	.80	.94	1.10	1.05	1.20	1.20	1.10	1.25	11.83
Military Assistance Program		.01	.01		11.00	38.50	81.50	72.80	60.11	60.00	40.00	40.00		403.93
Foreign Military Sales Program	2.50	2.00	3.53	8.40	19.00	9.00							60.00	104.43
Total	19.33	29.91	57.53	56.01	112.08	154.44	171.25	297.14	191.11	255.49	198.90	186.72	214.82	1,944.71
NICARAGUA														
Disaster Assistance	.51	5.10	.15	.03	.03									5.82
Development Assistance	11.82	.19	18.31	1.83	.68									32.82
Economic Support Fund		8.00	1.13	56.57	5.10						.25	2.00		73.05
PL 480 Title I Food Loans		2.60	15.00											17.60
PL 480 Title II Food Grants	.03	3.65	2.83	2.83	1.63									10.96
Peace Corps	1.07	.25	.10											1.41
Inter-American Foundation	.30	1.60	1.30	.27	.45	.38	.11	.73	.01			.55	.65	6.34
Int Military Ed & Training	.40	.01												.41
Military Assistance Program	*	.01												.01
Foreign Military Sales Program														
Total	14.12	21.40	38.81	61.52	7.89	.38	.11	.73	.01		.25	2.55	.65	148.42

CRS-60

* Less than \$5,000.

U.S. AID TO CENTRAL AMERICA
(millions of current dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989 est.	1990 req.	TOTAL
PANAMA														
Disaster Assistance					.10			.01		.03	.26			.39
Development Assistance	20.69	19.31	1.04	8.64	11.40	6.23	10.72	18.82	18.80	8.39	1.10			125.14
Economic Support Fund								50.00	5.74					55.74
PL 480 Title I Food Loans														
PL 480 Title II Food Grants	1.02	1.09	1.06	1.85	1.40	1.05	1.01		.08			.14		8.69
Peace Corps														
Inter-American Foundation	.68	.12	.20	.67	.11	.48	.07	.66	.93	.88	.94	.95	1.15	7.83
Int Military Ed & Training	.50	.39	.29	.38	.40	.45	.50	.59	.56	.62				4.67
Military Assistance Program	.01	*	*				8.00	10.00	3.83	2.90				24.74
Foreign Military Sales Program		1.00			5.00	5.00	5.00		3.83					19.83
Total	22.90	21.92	2.59	11.53	18.40	13.20	25.30	80.08	33.76	12.80	2.30	1.09	1.15	247.03
REGIONAL PROGRAMS														
Development Assistance	1.30	2.65	4.16	9.70	13.13	19.40	15.46	62.46	53.29	48.70	49.34	46.50	47.75	373.82
Economic Support fund				.90				97.99	43.43	7.78	4.93	9.65	12.00	176.69
Total	1.30	2.65	4.16	10.60	13.13	19.40	15.46	160.46	96.72	56.48	54.27	56.15	59.75	550.50
TOTAL AID TO CENTRAL AMERICA														
Disaster Assistance	2.11	5.10	.24	3.06	12.41	.21	.80	7.54	.02	51.36	.36	.13		83.34
Development Assistance	64.10	81.08	133.81	99.22	112.02	161.80	120.35	299.58	254.95	240.45	214.55	195.96	212.20	2,190.07
Economic Support Fund		8.00	10.23	102.37	176.90	373.00	290.23	766.99	457.81	683.94	454.97	473.80	425.00	4,223.25
PL 480 Title I Food Loans		4.60	20.00	23.00	52.20	76.50	86.50	105.10	89.50	76.20	71.50	80.00	80.00	765.10
PL 480 Title II Food Grants	9.01	15.37	13.74	51.34	22.86	19.78	18.29	10.82	21.21	9.20	25.34	19.62	17.48	254.07
Peace Corps	7.54	8.13	6.20	6.98	5.91	6.82	8.91	13.40	13.17	13.79	16.64	16.57	17.74	141.80
Inter-American Foundation	1.05	2.28	3.62	3.81	2.31	2.60	2.28	5.24	3.89	4.21	5.04	6.50	8.05	50.88
Int Military Ed & Training	1.59	.65	.98	1.44	3.76	2.75	2.92	3.98	3.68	4.16	3.38	3.23	3.72	36.23
Military Assistance Program	.04	.02	.02	25.00	76.50	74.50	277.75	231.05	192.18	179.90	129.25	134.00		1,320.21
Foreign Military Sales Program	2.50	3.00	9.23	18.40	40.50	60.50	23.50	10.00	3.83				168.00	339.46
GRAND TOTAL	87.94	128.23	198.06	334.63	505.36	778.45	831.54	1,453.70	1,040.24	1,263.21	921.04	929.81	932.19	9,404.41

* Less than \$5,000.

U.S. AID TO CENTRAL AMERICA
(millions of constant 1990 dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989 est.	1990 req.	TOTAL
BELIZE														
Disaster Assistance			.05		.03									.09
Development Assistance						8.44	4.71	9.01	7.86	8.11	7.97	7.88	7.18	61.15
Economic Support Fund						12.61		16.50	2.20	6.00			2.00	39.30
PL 480 Title I Food Loans														
PL 480 Title II Food Grants														
Peace Corps	1.03	1.10	1.27	1.05	.82	1.10	1.81	2.92	2.71	2.88	2.77	2.66	2.48	24.61
Inter-American Foundation		.16	.01	.35	.39	.13	.07	.29	.22	.27	.31	.36	.65	3.22
Int Military Ed & Training					.03	.09	.06	.12	.08	.11	.08	.10	.12	.80
Military Assistance Program							.61	.59	.55	.56	.27			2.57
Foreign Military Sales Program													.50	.50
Total	1.03	1.26	1.34	1.41	1.28	22.36	7.26	29.44	13.61	17.93	11.40	11.00	12.92	132.23
COSTA RICA														
Disaster Assistance					.02	.10	.03	.01			.11	.13		.40
Development Assistance	11.27	26.46	21.03	16.18	15.17	34.24	18.71	24.19	12.56	19.01	12.66	8.81	11.00	231.29
Economic Support Fund					26.29	197.97	157.92	188.55	138.31	158.36	96.99	93.27	57.00	1,114.66
PL 480 Title I Food Loans					23.66	34.68	27.33	25.22	18.58	16.90		15.55	15.00	176.91
PL 480 Title II Food Grants	1.28	.03	.11	5.41	4.51	.23			.30			.08		11.96
Peace Corps	2.41	2.47	2.27	2.46	1.32	1.58	2.22	3.41	3.03	3.28	3.79	3.60	3.41	35.25
Inter-American Foundation	.07	.04	1.24	.42	1.23	.88	1.62	2.40	1.40	.68	.10	.78	.65	11.50
Int Military Ed & Training				.05	.08	.16	.16	.27	.25	.25	.25	.24	.25	1.96
Military Assistance Program					2.63	3.15	13.36	15.32	2.74	1.67				38.88
Foreign Military Sales Program													1.50	1.50
Total	15.03	29.01	24.65	24.51	74.89	273.00	221.36	259.37	177.19	200.14	113.90	122.45	88.81	1,624.31
EL SALVADOR														
Disaster Assistance			.04	4.27	15.64		.09			57.06				77.10
Development Assistance	13.79	10.20	66.93	46.23	47.58	74.13	50.17	103.41	96.22	91.63	75.44	64.63	67.80	808.15
Economic Support Fund			14.11	63.30	151.14	176.53	146.06	335.85	203.08	312.90	210.15	214.14	180.00	2,007.28
PL 480 Title I Food Loans			4.65	24.25	35.75	49.18	59.53	57.74	50.47	33.46	44.72	36.27	35.00	431.02
PL 480 Title II Food Grants	2.90	4.34	5.07	31.91	10.12	9.76	6.76	3.62	11.98	2.46	13.88	4.57	4.76	112.14
Peace Corps	2.55	2.63											1.50	6.68
Inter-American Foundation		.24	.02	.58	*	.01	*	.01	.37	.89	1.48	1.55	1.90	7.05
Int Military Ed & Training			.38	.69	2.63	1.64	1.58	1.77	1.64	1.69	1.62	1.45	1.60	16.69
Military Assistance Program	.05	.01	.01	35.25	83.46	42.24	214.72	158.79	138.07	122.27	86.21	88.09		969.17
Foreign Military Sales Program			8.84	14.10	21.69	58.63	22.47	11.78					97.00	234.52
Total	19.29	17.42	100.07	220.60	368.00	412.11	501.38	672.99	501.83	622.36	433.49	410.71	389.56	4,669.81

* Less than \$5,000.

U.S. AID TO CENTRAL AMERICA
(millions of constant 1990 dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989 est.	1990 req.	TOTAL
GUATEMALA														
Disaster Assistance	2.95				.38	.16	.85		.02					4.35
Development Assistance	7.72	27.84	12.04	12.88	10.38	15.52	1.94	68.39	42.30	38.76	32.36	34.20	35.28	339.62
Economic Support Fund						12.61		14.73	54.89	127.85	85.98	83.45	87.00	466.51
PL 480 Title I Food Loans							8.50	23.22	17.66	21.01	19.40	18.65	18.00	126.44
PL 480 Title II Food Grants	6.68	9.14	5.70	10.65	7.36	6.74	7.87	5.18	6.68	4.32	4.44	12.12	8.84	95.72
Peace Corps	2.79	3.55	2.87	2.88	2.17	2.40	3.16	3.58	3.36	3.42	4.37	4.37	4.02	42.97
Inter-American Foundation		.11	.62	1.96	.61	.36	.16	1.19	.64	1.24	1.54	1.45	1.90	11.78
Int Military Ed & Training								.54	.41	.54	.40	.41	.50	2.81
Military Assistance Program	.01	.01							5.74	5.56	9.70	9.33		30.34
Foreign Military Sales Program													9.00	9.00
Total	20.16	40.65	21.23	28.37	20.90	37.80	22.49	116.82	131.70	202.70	158.18	163.98	164.54	1,129.53
HONDURAS														
Disaster Assistance			.04		.08			8.87						8.98
Development Assistance	22.71	34.92	71.07	36.18	40.96	39.37	38.87	52.24	50.82	46.32	48.43	39.38	43.20	564.49
Economic Support Fund					48.37	70.61	48.59	173.82	70.26	146.49	91.60	88.09	87.00	824.82
PL 480 Title I Food Loans		3.37	3.10	8.18	9.20	12.61	9.72	17.68	15.94	13.34	12.93	12.44	12.00	130.51
PL 480 Title II Food Grants	3.73	4.43	4.39	17.82	4.07	6.89	6.36	3.95	5.28	3.45	9.00	3.42	3.88	76.67
Peace Corps	3.08	3.55	3.06	3.44	3.44	3.52	3.62	5.87	6.00	5.75	7.00	6.55	6.34	61.22
Inter-American Foundation	.04	.39	1.40	.75	.07	.83	.71	.64	.75	.62	.99	1.04	1.15	9.39
Int Military Ed & Training	1.27	.42	.68	.75	1.68	1.01	1.14	1.30	1.20	1.33	1.29	1.14	1.25	14.47
Military Assistance Program		.01	.02		14.46	48.55	99.01	85.79	68.95	66.69	43.11	41.45		468.04
Foreign Military Sales Program	4.58	3.37	5.47	11.84	24.97	11.35							60.00	121.59
Total	35.42	50.47	89.23	78.96	147.30	194.74	208.03	350.16	219.21	283.99	214.35	193.50	214.82	2,280.18
NICARAGUA														
Disaster Assistance	.93	8.61	.24	.04	.04									9.86
Development Assistance	21.66	.32	28.39	2.57	.89									53.84
Economic Support Fund		13.50	1.74	79.76	6.70						.27	2.07		104.05
PL 480 Title I Food Loans		4.39	23.26											27.65
PL 480 Title II Food Grants	.05	6.16	4.39	3.98	2.14									16.72
Peace Corps	1.95	.41	.15											2.52
Inter-American Foundation	.56	2.70	2.02	.37	.59	.48	.13	.86	.01			.57	.65	8.93
Int Military Ed & Training	.73	.01												.74
Military Assistance Program	.01	.01												.02
Foreign Military Sales Program														
Total	25.89	36.11	60.19	86.74	10.37	.48	.13	.86	.01		.27	2.64	.65	224.34

* Less than \$5,000.

U.S. AID TO CENTRAL AMERICA
(millions of constant 1990 dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989 est.	1990 req.	TOTAL
PANAMA														
Disaster Assistance					.12			.01		.03	.28			.44
Development Assistance	37.92	32.58	1.62	12.18	14.98	7.86	13.02	22.18	21.56	9.32	1.19			174.41
Economic Support Fund								58.92	6.59					65.51
PL 480 Title I Food Loans														
PL 480 Title II Food Grants	1.86	1.84	1.65	2.61	1.84	1.32	1.23		.09			.15		12.58
Peace Corps														
Inter-American Foundation	1.25	.21	.31	.94	.14	.61	.08	.77	1.07	.97	1.01	.98	1.15	9.50
Int Military Ed & Training	.91	.66	.45	.53	.53	.56	.61	.69	.64	.69				6.28
Military Assistance Program	.02	.01	*				9.72	11.78	4.39	3.22				29.15
Foreign Military Sales Program		1.69			6.57	6.30	6.07		4.39					25.03
Total	41.97	36.99	4.02	16.26	24.19	16.65	30.74	94.36	38.72	14.23	2.48	1.13	1.15	322.89
REGIONAL PROGRAMS														
Development Assistance	2.38	4.46	6.45	13.67	17.26	24.46	18.78	73.61	61.12	54.13	53.17	48.19	47.75	425.43
Economic Support Fund				1.27				115.48	49.82	8.65	5.32	10.00	12.00	202.53
Total	2.38	4.46	6.45	14.94	17.26	24.46	18.78	189.09	110.94	62.78	58.48	58.19	59.75	627.95
TOTAL AID TO CENTRAL AMERICA														
Disaster Assistance	3.87	8.61	.37	4.32	16.31	.26	.97	8.89	.02	57.09	.39	.13		101.22
Development Assistance	117.46	136.79	207.54	139.89	147.22	204.02	146.21	353.04	292.44	267.28	231.21	203.08	212.20	2,658.38
Economic Support Fund		13.50	15.86	144.34	232.50	470.34	352.58	903.85	525.14	760.24	490.30	491.02	425.00	4,824.65
PL 480 Title I Food Loans		7.76	31.02	32.43	68.61	96.46	105.08	123.85	102.66	84.70	77.05	82.91	80.00	892.53
PL 480 Title II Food Grants	16.51	25.94	21.31	72.38	30.04	24.95	22.22	12.75	24.33	10.23	27.31	20.33	17.48	325.79
Peace Corps	13.82	13.71	9.62	9.84	7.76	8.60	10.82	15.79	15.10	15.33	17.93	17.17	17.74	173.25
Inter-American Foundation	1.92	3.84	5.62	5.37	3.03	3.28	2.77	6.17	4.46	4.68	5.43	6.74	8.05	61.37
Int Military Ed & Training	2.92	1.10	1.52	2.03	4.94	3.46	3.55	4.69	4.23	4.62	3.64	3.35	3.72	43.75
Military Assistance Program	.09	.05	.03	35.25	100.54	93.94	337.41	272.28	220.44	199.97	139.29	138.87		1,538.16
Foreign Military Sales Program	4.58	5.06	14.32	25.94	53.23	76.29	28.55	11.78	4.39				168.00	392.14
GRAND TOTAL	161.17	216.36	307.19	471.79	664.20	981.60	1,010.16	1,713.08	1,193.22	1,404.13	992.56	963.61	932.19	11,011.25

* Less than \$5,000.