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Foreign Assistance: An Overview of U.S. Aid Agencies and Programs

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Summary

The Administration's \$16.1 billion FY2003 foreign assistance request is intended to serve a wide range of U.S. foreign policy interests, including security, political, economic, commercial, and humanitarian goals overseas. Congress annually appropriates foreign aid funds in the Foreign Operations Appropriations, plus overseas food aid in the Agriculture spending bill. Funds are channeled through about 40 appropriation accounts that are managed by four major Federal agencies, and several independent organizations. This report provides a short description of each account, organized by the appropriation bill structure, and spending amounts requested for FY2003 and enacted for FY2002. It also illustrates the organizational structure of the executive branch as regards foreign assistance programs and responsibilities.

Export and Investment Assistance

Export-Import Bank: The Export-Import Bank issues loan guarantees and insurance to commercial banks that make trade credits available to American exporters. The Bank also extends direct loans to U.S. businesses, especially those that confront subsidized trade credits offered to foreign exporters by their governments. *FY2003 request:* \$610 million for administrative and subsidy appropriations. *FY2002 appropriation:* \$800 million for administrative and subsidy appropriations.

Overseas Private Investment Corporation (OPIC): OPIC offers political risk insurance, guarantees, and investment financing to encourage U.S. firms to invest in developing countries. *FY2003 request:* \$64 million in administrative and subsidy appropriations. *FY2002 appropriation:* \$39 million in administrative appropriations.

Trade and Development Agency (TDA): The TDA finances feasibility studies and other project-planning services for major development activities in developing countries, to support economic development and to promote U.S. exports. *FY2003 request:* \$45 million. *FY2002 appropriation:* \$50 million.

Bilateral Economic Assistance

U.S. Agency for International Development

Development Assistance: The U.S. Agency for International Development (USAID) makes grants to developing country governments, non-governmental organizations, and international agencies in support of the Agency's four "pillar" strategic framework: economic growth, agriculture, and trade; global health, democracy, conflict and humanitarian assistance; and the Global Development Alliance. Although the Administration has asked Congress to appropriate all development aid funding in one account, during the past several years Congress has separated resources into two appropriation accounts. The Development Assistance account funds programs concerning agriculture, private sector development, education, environment, democracy and governance, among others. *FY2003 request:* \$2.859 billion, composed of \$1.366 billion for Development Assistance and \$1.494 billion for CSH programs. *FY2002 appropriation:* \$1.178 billion for Development Assistance (see below for CSH).

Child Survival and Health Programs: Appropriations in the CSH account fund USAID programs focused on combating infectious diseases such as HIV/AIDS, malaria, and tuberculosis, maternal health, and family planning and reproductive health. The account further includes U.S. contributions to UNICEF. *FY2003 request:* \$1.494 billion, included in the Development Assistance account (see above). *FY2002 appropriation:* \$1.434.

International disaster assistance: The USAID Office of Foreign Disaster Assistance aids nations struck by natural and manmade disasters and emergencies. *FY2003 request:* \$236 million. *FY2002 appropriation:* \$382 million.¹

Transition Initiatives: USAID's Office of Transition Initiatives (OTI) supports programs in transition countries that are moving from war to peace, civil conflict to national reconciliation, or where political instability has not yet erupted into violence and where conflict mitigation might prevent the outbreak of such violence. *FY2003 request:* \$55 million. *FY2002 appropriation:* \$50 million.

Development Credit Program: This account consists of funds for the administrative costs of several USAID credit programs: Urban and Environmental (private loan guarantees that finance shelter projects, including water and sanitation, home improvement, and community facilities); Micro and Small Enterprise Development; and the former Development Credit Authority. *FY2003 request:* \$8 million. *FY2002 appropriation:* \$8 million.

U.S. Agency for International Development (USAID) operating expenses: This account funds the operational costs of USAID, the agency that administers most U.S. bilateral economic assistance activities. *FY2003 request:* \$572 million. *FY2002 appropriation:* \$564 million.¹

¹ This program includes additional funds provided in the FY2002 emergency terrorism supplemental appropriation (P.L. 107-38).

Capital Investment Fund: A new program for FY2003, this account would support USAID construction overseas, with an emphasis on improving security and enhance information technology. *FY2003 request:* \$82 million. *FY2002 appropriation:* none.

USAID Office of Inspector General: Funding supports salaries and expenses of the USAID's IG office in its work to conduct audit and investigative operations. *FY2003 request:* \$33 million. *FY2002 appropriation:* \$32 million.

Other Economic Aid Programs

Economic Support Fund (ESF): Through the security-related ESF program, the United States provides bilateral economic aid to countries of special importance to U.S. foreign policy. Funding decisions are made by the State Department; programs are managed by both USAID and the State Department. Israel and Egypt are the largest ESF recipients. *FY2003 request:* \$2.29 billion. *FY2002 appropriation:* \$2.799 billion.¹

International Fund for Ireland: This activity supports the Anglo-Irish Accord and efforts to spur economic and commercial development in Northern Ireland. *FY2003 request:* \$25 million (within the ESF account). *FY2002 appropriation:* \$25 million.

Eastern Europe and the Baltic States: Since 1990 USAID, under the guidance of the State Department, has channeled most U.S. economic assistance to Eastern Europe through this regional program. *FY2003 request:* \$495 million. *FY2002 appropriation:* \$621 million.¹

Newly Independent States of the former Soviet Union: Through this regional program launched in 1992, USAID, under the guidance of the State Department, extends economic aid to Russia, Ukraine, Armenia, and other republics of the former Soviet Union. *FY2003 request:* \$755 million. *FY2002 appropriation:* \$831 million.¹

Inter-American Foundation (IAF): The IAF, an independent agency, finances small-scale enterprise and grassroots self-help activities aimed at helping poor people in Latin America. *FY2003 request:* \$14 million. *FY2002 appropriation:* \$13 million.

African Development Foundation (ADF): The ADF, an independent agency, finances small-scale enterprises and grassroots self-help activities aimed at helping poor people in Africa. *FY2003 request:* \$17 million. *FY2002 appropriation:* \$17 million.

Peace Corps: The Peace Corps sends U.S. volunteers to developing countries to provide technical aid and to promote mutual understanding on a people-to-people basis. *FY2003 request:* \$317 million. *FY2002 appropriation:* \$279 million.

International Narcotics Control and Law Enforcement: This account funds international counternarcotics activities. It also supports anti-crime programs, including trafficking in women and children. *FY2003 request:* \$197 million. *FY2002 appropriation:* \$290 million.¹

Andean Counterdrug Initiative: This account, created in FY2000 as the Plan Colombia account, supports a multi-year counternarcotics effort in the Andean region, providing

assistance for both interdiction and alternative development. *FY2003 request:* \$731 million. *FY2002 appropriation:* \$625 million.

Migration and Refugee Assistance: This program supports refugee relief activities worldwide and in some cases, helps resettle refugees (primarily in Israel). *FY2003 request:* \$705 million. *FY2002 appropriation:* \$805 million.¹

Emergency Refugee and Migration Assistance (ERMA) Fund: ERMA holds funds that can be drawn upon quickly in times of refugee emergencies. Appropriations replenish resources to this account. *FY2003 request:* \$15 million. *FY2002 appropriation:* \$15 million.

Nonproliferation, Anti-terrorism, Demining, and Related programs: This account funds a variety of State Department-managed activities aimed at countering weapons proliferation and terrorism, and to promote demining operations in various developing nations. *FY2003 request:* \$372 million. *FY2002 appropriation:* \$497 million.¹

Treasury Technical Assistance: Under this program, the United States supports financial advisors to countries seeking help in implementing economic reforms. Most recently, it has been used to address terrorist financing activities. *FY2003 request:* \$10 million. *FY2002 appropriation:* \$10 million.¹

Debt Restructuring: The Treasury Department manages this account that provides funds to reduce, and in some cases forgive, debts owed to the U.S. by poor countries, especially those in Africa and the small economies in Latin America and the Caribbean. In recent years, funds have supported the U.S. commitment to the Heavily Indebted Poor Country (HIPC) Initiative. *FY2003 request:* none. *FY2002 appropriation:* \$229 million.

Military Assistance Programs

Foreign Military Financing (FMF) Program: FMF credits finance U.S. overseas arms transfers on a grant basis. Israel and Egypt are the largest recipients of FMF credits. *FY2003 request:* \$4.107 billion. *FY2003 appropriation:* \$3.695 billion.

International Military Education and Training (IMET): Through IMET, the U.S. provides grant military training to selected foreign military and civilian personnel. *FY2003 request:* \$80 million. *FY2002 appropriation:* \$70 million.

Peacekeeping Operations (PKO): This account provides U.S. efforts to promote international support for voluntary multilateral efforts in conflict resolution. *FY2003 request:* \$108 million. *FY2002 appropriation:* \$355 million.

Multilateral Economic Assistance

World Bank: International Bank for Reconstruction and Development (IBRD): Often called the World Bank's "hard loan" window, the IBRD makes loans on near-market terms to promote economic development primarily in middle-income countries, based largely on bond sales. (No request pending.)

World Bank: International Development Association (IDA): As the World Bank's "soft loan" window, IDA lends at concessional rates to low-income countries. *FY2003 request:* \$874.3 million. *FY2002 appropriation:* \$792.4 million.

World Bank: International Finance Corporation (IFC): The IFC makes loans and equity investments to promote growth of productive private enterprise in developing nations. (No request pending.)

World Bank: Multilateral Investment Guarantee Agency (MIGA): MIGA encourages private investment in developing countries by offering insurance against non-commercial risks such as expropriation. *FY2003 request:* \$3.6 million for paid-in capital, plus a limitation of \$14.8 million on callable capital. *FY2002 appropriation:* \$5 million for paid-in capital, plus a limitation of \$25 million on callable capital.²

Global Environment Facility (GEF): Cosponsored by the UN Development Program, the UN Environment Program and the IBRD, the GEF makes grants to help developing countries deal with global environmental problems. *FY2003 request:* \$177.8 million. *FY2002 appropriation:* \$100.5 million.

Asian Development Bank (ADB): The ADB finances economic development programs in Asia and the Pacific, with near-market rate loans through its ordinary capital account, and concessional loans to the regions' poorest countries through its Asian Development Fund (ADF) subsidiary. *FY2003 request:* \$147.4 million for the ADF. *FY2002 appropriation:* \$98 million for the ADF.

Inter-American Development Bank (IDB): The IDB promotes economic and social development in Latin America and the Caribbean with near-market rate loans through its ordinary capital account and concessional loans to the poorest nations through its Fund for Special Operations (FSO). Another subsidiary, the Inter-American Investment Corporation (IIC), makes loans and equity investments to promote the growth of private enterprise. The IDB also administers the Enterprise for the Americas Multilateral Investment Fund (MIF), a U.S. trust fund. The MIF provides technical and financial assistance to help regional countries reform their investment policies in order to attract foreign investment. *FY2003 request:* \$30.4 million for the IIC and \$29.6 million for the MIF. *FY2002 appropriation:* \$18 million for the IIC.

African Development Bank Group: The AfDB group is comprised of the African Development Bank (AfDB) and the African Development Fund (AfDF). The AfDB lends at near-market rates, with special emphasis on agriculture, infrastructure and industrial development. *FY2003 request:* \$5.1 million paid-in capital, plus a limitation of \$79.6 million in callable capital. *FY2002 appropriation:* \$5.1 million paid-in capital, plus a limitation of \$80 million in callable capital. The AfDF lends on concessional terms to

² Paid-in capital represents the amount Congress appropriates and the United States transfers to MDBs as part of the U.S. contribution to these institutions. Callable capital is a commitment by the U.S. to transfer additional resources in the event MDB borrowers default on loan repayments or if the MDBs need, as a last resort, funds to repay their creditors. Callable capital does not require appropriations and the MDBs have never made a call on this guarantee finance. Unless otherwise noted, all figures represent paid-in capital.

low-income countries in sub-Saharan Africa. *FY2003 request:* \$118.1 million. *FY2002 appropriation:* \$100 million.

European Bank for Reconstruction and Development (EBRD): The EBRD lends at near-market rates to help East European and former Soviet states adopt market economies. Private sector and privatizing public sector firms receive substantial amounts of EBRD lending. *FY2003 request:* \$35.8 million paid-in capital, plus a limitation of \$123.2 million in callable capital. *FY2002 appropriation:* \$35.8 million paid-in capital, plus a limitation of \$27.8 million in callable capital.

North American Development Bank (NADBank): The NADBank is governed by the United States and Mexico as part of the North American Free Trade Agreement. It began lending in 1996 to finance environmental infrastructure projects along the US/Mexico border, as well as community adjustment and investment activities in both nations. (No request pending.)

International Fund for Agricultural Development: IFAD is a multilateral financial institution helping developing countries increase agricultural productivity and income, improve nutritional levels, integrate into larger markets. *FY2003 request:* \$15 million. *FY2002 appropriation:* \$20 million.

International Organizations and Programs: Besides *assessed* contributions made to the United Nations and other organizations—payments funded outside the foreign aid program—the United States voluntarily donates funds to international agencies involved in a range of development, humanitarian, and scientific activities, including the UN Development Program, the UN Environment Program, and U.N. Population Fund. *FY2003 request:* \$190 million (excluding UNICEF). *FY2002 appropriation:* \$208.5 million.

Food Assistance (Agriculture Appropriations)

PL 480 (Food for Peace): Through titles II of PL 480, the United States provides agricultural products on a grant basis to developing countries for emergency food relief and continuing development efforts. *FY2003 request:* \$1.185 billion. *FY2002 appropriation:* \$930 million.¹

Table 1. U.S. Agencies Managing Foreign Aid Programs

Defense	State	USAID	Treasury	Independent
FMF (w/State) IMET	ESF (w/USAID) for. Soviet (w/AID) E Europe (w/AID) Narcotics Program Andean Initiative Intl Organizations Refugee aid Peacekeeping NADR	Development aid Child Survival Credit Programs Disaster aid ESF (w/State) for. Soviet (w/State) E Europe (w/State) PL480 food aid	World Bank Group Inter-Amer Dev Bank African Dev Bank Asian Dev Bank European Bank N Amer Dev Bank IFAD Technical assistance Debt restructuring	Inter-Amer Dev Fd African Dev Fd Peace Corps Export-Import Bk OPIC Trade & Dev Ag