

CRS Report for Congress

State, Foreign Operations, and Related Programs: FY2008 Appropriations

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**Prepared for Members and
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State, Foreign Operations, and Related Programs: FY2008 Appropriations

Summary

The annual State, Foreign Operations and Related Agencies appropriations bill is the primary legislative vehicle through which Congress reviews the U.S. international affairs budget and influences executive branch foreign policy making in general. Funding for Foreign Operations and State Department/Broadcasting programs has been steadily rising since FY2002, and amounts approved for FY2004 in regular and supplemental bills reached an unprecedented level compared with the past 40 years. Emergency supplementals enacted since the September 11, 2001, terrorist attacks to assist the front-line states in the war on terrorism, fund Afghanistan and Iraq reconstruction, and upgrade State Department operations and security upgrades, also have pushed spending upward.

For the first time, House and Senate bills encompass both State Department and foreign operations spending. In the 109th Congress, House and Senate jurisdictions did not coincide, with the House including the State Department in the Science, State, Justice and Commerce appropriations bill, and the Senate folding the State Department into the Foreign Operations bill. Prior to the 109th Congress, the State Department was funded in both the House and Senate Commerce, State, and Justice bills, and Foreign Operations was funded in its own measure.

This report is divided into two parts. The first section analyzes the FY2008 budget request and funding trends, including major issues Congress may consider. The second section tracks congressional action.

Major issues confronting the 110th Congress include:

- The overall size of the budget request that represents an 11% increase over FY2007 enacted levels;
- A foreign aid reform plan that seeks to align assistance with U.S. strategic objectives;
- Significant increases for Presidential initiatives;
- Continued costs relating to Iraq and Afghanistan; and
- Secretary Rice's Transformational Diplomacy initiative for the State Department.

On February 6, 2007, the Administration sent to Congress its FY2008 budget that includes significant increases for the international affairs budget. Unlike in previous years, the budget includes a request for emergency FY2008 funding relating to Iraq operations and reconstruction. Congress may decide to handle the emergency request either in the base FY2008 budget or as a supplemental bill. Congress completed consideration of a \$119.995 billion supplemental for FY2007 that included \$6.146 billion in additional foreign affairs spending (H.R. 2206). The President signed the bill on May 25, 2007 (P.L. 110-28).

This report will be updated to reflect congressional action.

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Contents

International Affairs FY2008 Budget Overview	1
Background and Trends	1
FY2008 Budget Request: State Department and Related Agencies	4
Transformational Diplomacy	4
State Department — Administration of Foreign Affairs	5
Diplomatic and Consular Programs (D&CP)	6
Embassy Security, Construction and Maintenance (ESCM)	6
Educational and Cultural Exchanges	6
The Capital Investment Fund (CIF)	6
International Organizations and Conferences	7
Contributions to International Organizations (CIO)	7
Contributions to International Peacekeeping Activities (CIPA)	8
International Commissions	8
Related State Department Appropriations	8
The Asia Foundation	8
The International Center for Middle Eastern-Western Dialogue Trust Fund	8
National Endowment for Democracy (NED)	8
East-West and North-South Centers	9
U.S. Institute of Peace	9
Broadcasting Board of Governors	9
Emergency FY2008 Request	10
FY2008 Budget Request: Foreign Operations	11
Transformational Development: The Request in the Context of Foreign Aid Reform	12
Foreign Operations Budget in Detail	14
Major Changes	14
Regional Distribution	14
Core Development versus Security Assistance	16
Sector Distribution	19
Presidential Initiatives	19
HIV/AIDS and Tuberculosis Funding	20
MCC Compacts and Other Aid Accounts	21
Use of Supplementals	22
Congressional Action	24
Budget Resolution	24
Appendix A. Acronyms	26
Appendix B. Foreign Aid Country Categories	28
Appendix C. State Department and Related Agencies Appropriations	31
Appendix D. Foreign Operations Appropriations	34

List of Figures

Figure 1. Composition of Foreign Affairs Budget, FY2008	1
Figure 2. Regional Distribution of Foreign Aid	16
Figure 3. Supplemental Funding for Foreign Operations	23

List of Tables

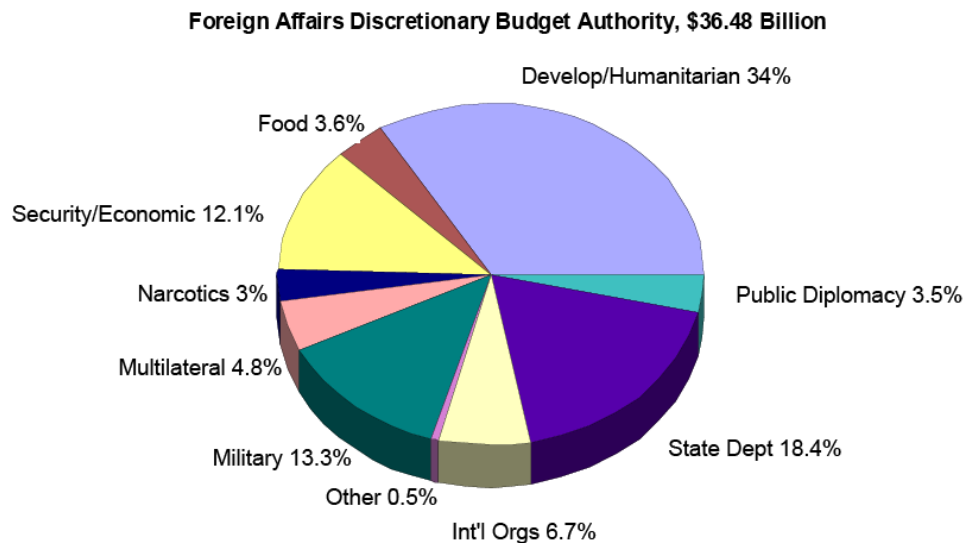
Table 1. International Affairs Appropriations, FY1999-FY2008	3
Table 2. State Department and Related Agencies Appropriations, FY1999 to FY2008	4
Table 3. Foreign Operations Appropriations, FY1999 to FY2008	12
Table 4. Framework for Foreign Assistance: Country Categories and Objectives	13
Table 5. Core Development versus Security/Economic Assistance by Account, FY2006-FY2008	17
Table 6. Core Development versus Security/Economic Assistance by Strategic Objective, FY2006-FY2008	18
Table 7. Selected Sector Funding, FY2006 and FY2008	19
Table 8. Compact Countries, U.S. Assistance, FY2005-FY2008	21
Table 9. Funding for Iraq and Afghanistan, FY2002-FY2008	24

State, Foreign Operations, and Related Programs: FY2008 Appropriations

International Affairs FY2008 Budget Overview

The international affairs budget, also known as Function 150, funds a variety of U.S. government programs and activities, including foreign economic and military assistance, contributions to international organizations and multilateral financial institutions, State Department and U.S. Agency for International Development (USAID) operations, public diplomacy, and international broadcasting programs. **Figure 1** provides a percentage breakout of the FY2008 budget request.

Figure 1. Composition of Foreign Affairs Budget, FY2008



Source: Fiscal Year 2008 Budget of the U.S. Government and CRS calculations.

Note: The total figure of \$36.48 billion includes \$159 million for mandatory retirement accounts.

Background and Trends

The rationale for foreign affairs programs has transitioned from a largely anti-communist orientation for some 40 years following World War II to a more recent focus on anti-terrorism in the post September 11, 2001 environment. During the Cold War, foreign aid and diplomatic programs also pursued a number of other U.S. policy goals, such as reducing high rates of population growth, promoting economic development in general, advancing U.S. trade interests, expanding access to basic

education and health care, and protecting the environment. In the 1990s, other goals included stopping nuclear weapons proliferation, curbing the production and trafficking of illegal drugs, expanding peace efforts in the Middle East, achieving regional stability, protecting human rights and religious freedom, and countering trafficking in persons.

A defining change in focus came following the September 11 terrorist attacks in the United States. Since then, U.S. foreign aid and diplomatic programs have taken on a more strategic sense of importance, and have been frequently cast in terms of contributing to the war on terrorism. In 2002, President Bush released his National Security Strategy that for the first time established global development as the third pillar of U.S. national security, along with defense and diplomacy. Development was again underscored in the Administration's re-statement of the National Security Strategy released on March 16, 2006.

Also in 2002, foreign assistance budget justifications began to highlight the war on terrorism as the top foreign aid priority, emphasizing amounts of U.S. assistance to 28 "front-line" states — countries that cooperate with the United States in the war on terrorism or face terrorist threats themselves.¹ Large reconstruction programs in Afghanistan and Iraq, which peaked in FY2004, are also part of the emphasis on using foreign aid to combat terrorism. State Department efforts focused extensively on building coalitions to assist in the war on terrorism and finding new and more effective ways of presenting American views and culture through public diplomacy.

In the context of the post 9/11 environment, the Bush Administration announced significant initiatives relating to diplomacy and foreign aid. A new transformational diplomacy initiative, announced in 2006, would reposition diplomats to global trouble spots, create regional public diplomacy centers, localize small posts outside of foreign capitals, and train diplomats in new skills. (See Transformational Diplomacy section for more information.) Also announced in 2006 was the creation of a new position at the State Department, the Director of Foreign Assistance (DFA), who serves concurrently as USAID Administrator. Heading up the new "F bureau" at State, the DFA has created a new Strategic Framework for Foreign Assistance with the objectives of providing more coordination, coherence, transparency, and accountability for aid programs. (See Transformational Development section for more information.)

Other presidential initiatives address development and global health concerns. The Millennium Challenge Corporation is a new aid delivery concept, proposed by President Bush in 2002, authorized by Congress (Title VI, Division D of P.L. 108-199), and established in early 2004. It is intended to concentrate significantly higher amounts of U.S. resources in a few low- and low-middle income countries that have demonstrated a strong commitment to political, economic and social reforms. The

¹ According to the State Department, these "front-line" states included Afghanistan, Algeria, Armenia, Azerbaijan, Bangladesh, Colombia, Djibouti, Egypt, Ethiopia, Georgia, Hungary, India, Indonesia, Jordan, Kazakhstan, Kenya, Oman, Pakistan, Philippines, Poland, Russia, Saudi Arabia, Tajikistan, Tunisia, Turkey, Turkmenistan, Uzbekistan, and Yemen.

President initially pledged \$5 billion annually by FY2006, although funds requested and appropriated have never reached this level.

With regard to global health issues, President Bush announced in 2003 a five-year, \$15 billion commitment to combat HIV/AIDS. Known as the President's Emergency Plan for AIDS Relief, or PEPFAR, the initiative has focused significant funds in 15 focus countries, largely in Africa.² Subsequently, the President launched a new initiative in mid-2005 aimed specifically at malaria (President's Malaria Initiative, or PMI), pledging \$1.2 billion in additional resources through 2010. These initiatives, which have benefitted African nations, have contributed to fulfilling the Administration's pledge to double aid to Africa in the 2004-2010 period.

Beyond these recently emerging foreign policy goals relating to terrorism and global health concerns, other prominent objectives have continued since the early 1990s including supporting peace in the Middle East through assistance to Israel, Egypt, Jordan, and the Palestinians; fostering democratization and stability for countries in crisis, like Bosnia, Haiti, Rwanda, Kosovo, Liberia, and Sudan; facilitating democratization and free market economies in Central Europe and the former Soviet Union; suppressing international narcotics production and trafficking through assistance to Colombia and the Andean region; and alleviating famine and mitigating refugee situations in places throughout the world.

The international affairs budget can be divided into two components — State Department/Diplomacy/Broadcasting and Foreign Operations. Both components are analyzed separately in the rest of this report. Taken together, the international affairs budget has fluctuated in real terms in response to changing global events. **Table 1** shows appropriations for the last decade in both current and constant dollars.

Table 1. International Affairs Appropriations, FY1999-FY2008
(discretionary budget authority in billions of current and constant 2008 dollars)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Current \$	22.35	22.57	23.22	24.25	31.72	48.34	34.23	34.25	37.44	36.32
Constant 2008 \$	27.96	27.55	27.71	28.48	36.48	54.21	37.19	35.86	38.39	36.32

Note: Amounts do not include mandatory Foreign Service retirement accounts that total \$159 million in FY2008. The FY2008 column reflects amounts requested by the Administration. FY1999 excludes \$17.61 billion for the International Monetary Fund. All figures include regular and supplemental appropriations with the exception of FY2008.

² PEPFAR countries include Botswana, Cote d'Ivoire, Ethiopia, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Zambia, Vietnam, Guyana, and Haiti.

FY2008 Budget Request: State Department and Related Agencies³

The Administration's FY2008 budget request for the Department of State is \$10.014 billion, representing a 10.5% increase over the FY2007 estimate, but a decline of 4.3% as compared with the FY2006 actual appropriation (the most recent enacted appropriation for the Department of State), including rescissions and supplementals. For international broadcasting, the FY2008 request of \$668.2 million represents a 3.8% increase over the FY2007 estimate, but a 1.7% decline from the FY2006 level, including rescissions and supplementals. Related agencies, which are also funded in the State and Foreign Operations Appropriations bill, include the Broadcasting Board of Governors (BBG), and U.S. assessed contributions to United Nations (U.N.), International Organizations, and U.N. Peacekeeping. Also included are funding for the Asia Foundation, the National Endowment for Democracy, and several other small educational and exchange organizations, as well as resources for international commissions, and the U.S. Institute of Peace. **Table 2** shows appropriations for the last decade in both current and constant dollars.

**Table 2. State Department and Related Agencies
Appropriations, FY1999 to FY2008**
(discretionary budget authority in billions of current and constant dollars)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Current \$	6.91	6.16	6.91	7.71	8.05	9.29	10.78	11.12	10.83	10.68
Constant FY08 \$	8.64	7.52	8.25	9.06	9.26	10.42	11.71	11.64	11.11	10.68

Note: Amounts do not include mandatory Foreign Service retirement accounts that total \$123 million in FY2008. All figures include regular and supplemental appropriations with the exception of FY2008.

Transformational Diplomacy

On January 18, 2006, Secretary of State Condoleezza Rice announced her vision for U.S. diplomacy in the 21st Century. She said that to match President Bush's bold mission of "supporting democracy around the world with the ultimate goal of ending tyranny in our world," the United States needs "an equally bold diplomacy that not only reports about the world as it is, but seeks to change the world itself."⁴ The Secretary referred to this as "transformational diplomacy." Specific aspects of Secretary Rice's Transformational Diplomacy include:

³ State Department and Related Agencies section written by Susan B. Epstein, Specialist in Foreign Affairs and Trade.

⁴ Transformational Diplomacy: Remarks at Georgetown School of Foreign Service, Department of State, January 18, 2006. [<http://www.state.gov/secretary/rm/2006/59306.htm>]

- Global repositioning. Beginning in FY2006 and continuing through FY2007, the Department of State has decided on more than 200 positions to be moved largely from Europe and Washington, DC, to strategically critical areas in Africa, South Asia, East Asia, the Middle East and elsewhere in FY2007. Additional jobs are to be targeted by the summer.
- Regional focus. The Department is creating regional public diplomacy centers in Europe and the Middle East, as well as regional centers for information technology to perform management support activities such as human resources or financial management.
- Localization. As part of the U.S. public diplomacy mission, American Presence Posts (APP) are to be operated by one diplomat working away from the embassy in key population centers of a country; Virtual Presence Posts (VPP) are to provide an Internet site enabling millions of local citizens, particularly young people, to interact with embassy personnel. IT Centralization would provide the State Department workforce with real-time and cutting-edge information whether at their desks or traveling. Creative use of the Internet would enhance America's presence through the Internet interactive online discussions such as Café USA/Seoul.
- Plans for new skills challenges including enhanced training for technology and languages; multi-region expertise requiring diplomats to be experts in at least two regions and fluent in two languages; post assignments criteria requiring diplomats to serve in at least one of the more challenging posts; hands-on practice for diplomats to be more involved in helping foreign citizens, promoting democracy, running programs, starting businesses, improving healthcare, and reforming education — overall recognizing public diplomacy as an important part of every diplomat's job.
- Empowering diplomats to work with other federal agencies — especially with the U.S. military deployed abroad.

Within the Department of State's FY2008 budget, the Administration is requesting \$124.8 million for Transformational Diplomacy. Included is \$39.9 million for repositioning of jobs, \$20.8 million for language, public diplomacy, and technology training, \$34.5 million for Foreign Service modernization, and \$15 million for public diplomacy. The FY2007 budget request included \$102.8 million for Transformational Diplomacy.

State Department — Administration of Foreign Affairs

The State Department's mission is to advance and protect the worldwide interests of the United States and its citizens through the staffing of overseas missions, the conduct of U.S. foreign policy, the issuance of passports and visas, and other responsibilities. Currently, the State Department coordinates with the activities of 50 U.S. government agencies and organizations in operating more than 260 posts

in over 180 countries around the world. Currently, the State Department employs approximately 30,000 people, about 60% of whom work abroad. Highlights follow.

Diplomatic and Consular Programs (D&CP). The D&CP account funds overseas operations (e.g., motor vehicles, local guards, telecommunications, medical), activities associated with conducting foreign policy, passport and visa applications, regional bureaus, under secretaries, and post assignment travel. Beginning in FY2000, the State Department's Diplomatic and Consular Program account included State's salaries and expenses, as well as the technology and information functions of the former U.S. Information Agency (USIA) and the functions of the former Arms Control and Disarmament Agency (ACDA).

For D&CP's FY2008 budget, the Administration is requesting \$4,942.7 million, 14.5% above the estimated FY2007 level, but a 13.2% decline from the FY2006 funding level of \$5,692.3 million, reflecting rescissions and supplementals. Within the FY2008 request, \$964.8 million is designated for worldwide security upgrades. The estimated FY2007 funding level is \$4,314.0 million, of which more than \$700 million is for supporting worldwide security upgrades.

Embassy Security, Construction and Maintenance (ESCM). This account supports the maintenance, rehabilitation, and replacement of facilities to provide appropriate, safe, secure and functional facilities for U.S. diplomatic missions abroad. Early in 1998, Congress had enacted \$640 million for this account for FY1999. However, following the embassy bombings in Africa in August 1998, Congress agreed to more than \$1 billion (a supplemental funding bill) for the Security and Maintenance account by establishing a new subaccount referred to as Worldwide Security Upgrades.

The Administration seeks \$792.5 million for FY2008 for regular ESCM and \$806.9 million for worldwide security upgrades, for a total account level of \$1,599.4 million, a 7.4% increase over both the FY2007 and FY2006 ESCM total appropriations level of \$1,489.7 million, reflecting rescissions.

Educational and Cultural Exchanges. This account funds programs authorized by the Mutual Educational and Cultural Exchange Act of 1961, such as the Fulbright Academic Exchange Program, as well as leadership programs for foreign leaders and professionals. Government exchange programs came under close scrutiny in past years for being excessive in number and duplicative. After the September 11th attacks, the Department of State began to emphasize public diplomacy activities in Arab and Muslim populations.

The Bush Administration is requesting \$486.4 million for exchanges in FY2008. This represents a 9.1% increase over the FY2007 estimate and a 12.8% increase over the FY2006 enacted level of \$431.3 million. In addition, Congress, in the FY2006 appropriation, designated \$329.7 million in the D&CP funds for public diplomacy. The estimated FY2007 funding level for public diplomacy within D&CP is unclear at this time.

The Capital Investment Fund (CIF). CIF was established by the Foreign Relations Authorization Act of FY1994/95 (P.L. 103-236) to provide for purchasing

information technology and capital equipment that would ensure the efficient management, coordination, operation, and utilization of State's resources.

The FY2008 budget request includes \$70.7 million for CIF, which is 21.7% higher than both the enacted FY2006 and estimated FY2007 levels of \$58.1 million. The request seeks no funding for the Centralized Information Technology Modernization Program, which was funded in FY2006 at \$68.5 million. In addition, the FY2006 conference report (H.Rept. 109-272) stated that the conferees expect \$116 million from expedited passport fee collections would be used for Technology Investments in FY2006. The Revised Continuing Appropriations Resolution, FY2007 (P.L. 109-289, as amended by P.L. 110-5) explicitly stated no funding would be provided for the Centralized Information Technology Modernization Program in FY2007.

International Organizations and Conferences

In recent years, U.S. contributions to the United Nations and its affiliated agencies (CIO) and peacekeeping activities (CIPA) have been affected by a number of issues. These have included the withholding of funds related to international family planning policies; issues related to implementation of the Iraq Oil for Food Program and the findings and recommendations of the Volcker Committee Inquiry into that program; alleged and actual findings of sexual exploitation and abuse by personnel in U.N. peacekeeping operations in the field and other misconduct by U.N. officials at U.N. headquarters in New York and at other U.N. headquarters venues; and efforts to develop, agree to, and bring about meaningful and comprehensive reform of the United Nations organization, in most of its aspects.

Since 2004, congressional attention has often been directed to ways to ensure comprehensive U.N. reform, through legislative proposals fashioned after extensive hearings. Current legislative issues include followup and oversight of reforms initiated by the United Nations membership in September 2005 and throughout its fall General Assembly session and the possibility of increasing the 25% legislative cap on U.S. contributions to U.N. peacekeeping assessments to 27.1%.⁵

Contributions to International Organizations (CIO). CIO provides funds for U.S. membership in numerous international organizations and for multilateral foreign policy activities that transcend bilateral issues, such as human rights. Maintaining a membership in international organizations, the Administration argues, benefits the United States by advancing U.S. interests and principles while sharing the costs with other countries. Payments to the U.N. and its affiliated agencies, the Inter-American Organizations, as well as other regional and international organizations, are included in this account.

The President's FY2008 request totaling \$1,354.4 million for this account represents a 17.6% increase over the estimated FY2007 level and the FY2006 enacted appropriation of \$1,151.3 million, including rescissions.

⁵ For more information, see CRS Report RL33611 *United Nations System Funding: Congressional Issues*.

Contributions to International Peacekeeping Activities (CIPA). The United States supports multilateral peacekeeping efforts around the world through payment of its share of the U.N. assessed peacekeeping budget. The President's FY2008 request totals \$1,107.0 million. This represents nearly a 4% decline from the FY2006 actual funding level of \$1,152.1 million and a smaller decline of 2.5% below the estimated FY2007 CIPA funding level of \$1,135.3 million.

International Commissions

The International Commissions account (in the State Department budget, but not in the 150 account) includes the U.S.-Mexico Boundary and Water Commission, the International Fisheries Commissions, the International Boundary Commission, the International Joint Commission, and the Border Environment Cooperation Commission. The FY2008 request of \$113.5 million represents a 100.8% increase over the FY2006 level of \$66.5 million and a 99% increase over the estimated FY2007 level of \$67 million. The increase is largely due to plans for a water treatment project near San Diego, California.

Related State Department Appropriations

The Asia Foundation. The Asia Foundation is a private, nonprofit organization that supports efforts to strengthen democratic processes and institutions in Asia, open markets, and improve U.S.-Asian cooperation. The Foundation receives both government and private sector contributions. Government funds for the Asia Foundation are appropriated to, and pass through, the State Department. The Administration request for FY2008 is \$10 million, the same as requested a year earlier, but 27.5% below the enacted FY2006 level of \$13.8 million (with rescissions). The estimated government funding level for FY2007 is \$13.8 million for the Asia Foundation.

The International Center for Middle Eastern-Western Dialogue Trust Fund. The conferees added language in the FY2004 conference agreement for the Consolidated Appropriations Act, FY2004, to establish a permanent trust fund for the International Center for Middle Eastern-Western Dialogue. The act (P.L. 108-199) provided \$6.9 million for perpetual operations of the Center, which is to be located in Istanbul, Turkey. From FY2004 to FY2006, appropriations provided \$18.75 million as seed money. The Center's funds each year are the total amount of interest and earnings from the Trust. The Administration requested spending \$850,000 of interest and earnings from the Trust Fund for program funding in FY2006. For FY2007, the Administration requested appropriation authority to spend \$750,000 of interest and earnings from the Trust Fund to be used for programming activities and conferences at the Center. The FY2008 budget contains a request for \$875,000 from the Trust for the program account.

National Endowment for Democracy (NED). The National Endowment for Democracy, a private nonprofit organization established during the Reagan Administration, supports programs to strengthen democratic institutions in more than 90 countries around the world. NED proponents assert that many of its accomplishments are possible because it is not a government agency. NED's critics

claim that it duplicates U.S. government democracy programs and either could be eliminated or could operate entirely with private funding.

The Administration's FY2008 budget request of \$80 million for NED is the same as its FY2005, FY2006, and FY2007 requests. The FY2008 request represents an 8.1% increase over the enacted \$74.0 million (after rescissions) for FY2006. In addition, however, the 109th Congress created a Democracy Fund in the FY2006 Foreign Operations Appropriations (P.L. 109-102) which provided an additional \$15.25 million for NED that year. The estimated FY2007 funding level is estimated to be \$74 million.

East-West and North-South Centers. The Center for Cultural and Technical Interchange between East and West (East-West Center), located in Honolulu, Hawaii, was established in 1960 by Congress to promote understanding and cooperation among the governments and peoples of the Asia/Pacific region and the United States. The Center for Cultural and Technical Interchange between North and South (North-South Center) is a national educational institution in Miami, Florida, closely affiliated with the University of Miami. It is to promote better relations, commerce, and understanding among the nations of North America, South America and the Caribbean. The North-South Center began receiving a direct subsidy from the federal government in 1991. Congress has not funded the North-South Center since FY2001, noting that it should be funded by the private sector.

The Administration's FY2008 request is for \$10 million for the East-West Center, a decrease of 47.4% from the FY2006 funding level of \$19.0 million (including rescissions). The FY2007 funding level is currently set at \$19 million.

U.S. Institute of Peace

The U.S. Institute of Peace (USIP) was established in 1984 by the U.S. Institute of Peace Act, (Title XVII of the Defense Authorization Act of 1985 P.L. 98-525). USIP's mission is to promote international peace through activities such as educational programs, conferences and workshops, professional training, applied research, and dialogue facilitation in the United States and abroad. Prior to the FY2005 budget, USIP funding came from the Labor, HHS, Education and Related Agencies appropriation. In the FY2005 budget process, it was transferred to the Commerce, Justice, State and related agencies appropriation primarily for relevancy reasons.

For FY2008, the Administration is requesting \$30 million, up nearly \$8 million from the FY2007 estimated level of \$22.07 million, after rescissions.

Broadcasting Board of Governors

The United States International Broadcasting Act of 1994⁶ reorganized within USIA all U.S. government international broadcasting, including Voice of America

⁶ Title III of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995; P.L. 103-236.

(VOA) radio and television, Broadcasting to Cuba, Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), and the Middle East Broadcasting Network. The 1994 Act established the Broadcasting Board of Governors (BBG) to oversee all U.S. government broadcasting; abolished the Board for International Broadcasting (BIB), the administering body of RFE/RL; and recommended that RFE/RL be privatized by December 31, 1999. This recommendation was repealed in 1999 by P.L. 106-113.

During the reorganization debate in 1999, the 106th Congress agreed that credibility of U.S. international broadcasting was crucial to its effectiveness as a public diplomacy tool. Therefore, Congress agreed not to merge broadcasting functions into the State Department, but to maintain the Broadcasting Board of Governors (BBG) as an independent agency as of October 1, 1999.

For FY2008 international broadcasting activities the President is requesting \$668.2 million, an increase of 3.8% over the FY2007 estimate of \$644 million, but a decrease of 1.7% from the FY2006 enacted level of \$679.6 million, including rescissions and supplementals. Of the \$668.2 million request, \$618.8 million would be for broadcasting operations, such as VOA, \$10.7 million for Capital Improvements, and \$38.7 million for Broadcasting to Cuba.

The BBG is planning to eliminate several VOA services including Uzbek, Greek, and Cantonese as well as the RFE/RL Macedonia service. BBG also plans to reduce several others, such as VOA and RFE/RL service in Ukrainian, Tibetan, and Romanian. (Reportedly, eleven former VOA directors are appealing to Congress to reverse the proposed Administration cuts.)⁷ At the same time, BBG's FY2008 request would increase Middle East Broadcasting network funds by some \$20 million.

Emergency FY2008 Request

Along with the FY2008 budget request, the White House sent to Congress two supplemental funding requests — one for FY2007 amounting to \$1.168 billion for State and \$10 million for international broadcasting; another for FY2008 amounting to \$1.935 billion for the Department of State. Both requests are primarily for U.S. operations in Iraq and Afghanistan.

Currently, the U.S. Embassy in Iraq has over 1,000 American and locally engaged staff representing about 12 agencies. 156 U.S. direct hires and 155 locally engaged staff represent the Department of State (DOS) in the U.S. Mission. The bulk of the FY2007 and FY2008 supplemental requests would fund State Department operations in Iraq.⁸ Of the \$1.935 billion FY2008 emergency funding request, \$1.882 billion is for ongoing U.S. Mission operations in Iraq and \$53 million would fund U.N. Assistance Missions in Afghanistan and in Iraq. In addition, \$35 million is in the request for Migration and Refugee Assistance.

⁷ [http://www.freemediaonline.org/former_voa_directors_protest_program_cuts.doc].

⁸ For information on the FY2007 supplemental, see CRS Report RL33900 *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*.

On April 25 and 26, the House and Senate passed the conference report (H.Rept. 110-107) for the FY2007 Supplemental (H.R. 1591, U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007) that provided \$1.275 billion for State Department operations. The bulk of the funds (\$871 million) would support U.S. operations, security, and mission in Iraq, and other world wide security upgrades. Also included was \$20 million for educational and cultural exchanges, \$10 million for international broadcasting, and \$338 million for contributions to international organizations and peacekeeping activities.

After the President vetoed the bill, Congress passed H.R. 2206, which the President signed on May 25. It provided \$1.27 billion including \$871 million for State Department operations in Iraq, and \$333 million for contributions to international organizations and peacekeeping activities. It also included \$20 million for educational and cultural exchanges, and \$10 million for international broadcasting.

Last year the Bush Administration requested an FY2006 Emergency Supplemental of \$1.497 billion within State's Diplomatic and Consular Programs budget account to cover Iraq operations and security. The House and Senate passed the emergency supplemental conference report (H.R. 4939, H.Rept. 109-494) in June 2006. The final measure included \$1.529 billion for D&CP in Iraq, \$25.3 million for State's Inspector General, \$5 million for exchanges in Iran, \$178 million for U.N. peacekeeping, and \$36.1 million for international broadcasting in Iran. The President signed the measure into law (P.L. 109-234) on June 15, 2006.

FY2008 Budget Request: Foreign Operations⁹

The Foreign Operations budget comprises the majority of U.S. foreign assistance programs, both bilateral and multilateral. (See tables at the back of this report for Foreign Operations accounts and funding levels.) The annual Foreign Operations Appropriations bill funds all U.S. bilateral development assistance programs, managed mostly by USAID and the State Department, together with several smaller independent foreign aid agencies such as the Millennium Challenge Corporation, the Peace Corps, and the Inter-American and African Development Foundations. It also includes funds for the Export-Import Bank, whose activities are regarded more as trade promotion rather than foreign aid. Food aid, such as the P.L. 480 Food for Peace program, is funded in the Agriculture Appropriations bill, although it is also considered foreign aid. The FY2008 request for food aid programs totals \$1.319 billion.

The foreign operations budget request for FY2008 totals \$24.4 billion¹⁰ in foreign assistance programs, representing a 12% increase from the previous year's

⁹ Foreign Operations section written by Connie Veillette, Specialist in Foreign Affairs.

¹⁰ This does not include the mandatory Foreign Service Retirement and Disability Account, that totals \$36 million for FY2008. The account is included in tables at the end of this report.

enacted level of \$21.7 billion. This level of increase is the largest within the budget request government-wide, and continues the general trend of increases since September 11, 2001. **Table 3** provides funding levels for foreign operations since FY1999 in both current and constant dollars.

Table 3. Foreign Operations Appropriations, FY1999 to FY2008
(discretionary budget authority in billions of current and constant dollars)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Current \$	15.44	16.41	16.31	16.54	23.67	39.05	23.45	23.13	26.15	24.38
Constant 2008 \$	19.31	20.03	19.46	19.43	27.23	43.79	25.48	24.22	26.82	24.38

Note: Amounts do not include mandatory Foreign Service retirement accounts that total \$36 million in FY2008. FY1999 excludes \$17.61 billion for the IMF. All figures include regular and supplemental appropriations with the exception of FY2008.

Transformational Development: The Request in the Context of Foreign Aid Reform

A new dimension to this year's budget request is the Administration's transformational development agenda and the creation of the new State Department position of Director of Foreign Assistance (DFA).¹¹ The DFA, who is also concurrently the USAID Administrator, has been given authority over foreign assistance programs managed by the State Department and USAID. In addition, the DFA is to "provide guidance" for foreign assistance delivered through other government agencies. Randall Tobias, previously the State Department's Global AIDS Coordinator, served as the DFA and USAID Administrator until April 27, 2007.

The DFA is charged with two missions: to develop a coordinated foreign assistance strategy; and to direct a transformation of foreign assistance to achieve the President's Transformational Development Goals.¹² To that end, he presented a new Strategic Framework for Foreign Assistance¹³ that links aid programs to U.S. strategic objectives. Countries are grouped in categories representing common development challenges. (See appendix B for a list of countries and their categories.) The FY2008 budget is the first opportunity to evaluate the effects of the reform plan on funding levels for accounts, sectors and specific countries.

¹¹ For more information on the DFA and restructuring of foreign assistance, see CRS Report RL33491 *Restructuring U.S. Foreign Assistance: The Role of the Director of Foreign Assistance (DFA) in Transformational Development*.

¹² U.S. Department of State Fact Sheet: New Direction for U.S. Foreign Assistance, January 19, 2007.

¹³ The Framework is available at [<http://state.gov/f/reform/>].

The Strategic Framework creates five categories of countries. The first — Rebuilding — includes countries in, or emerging from, internal or external conflicts. Transforming countries include low and lower-middle income countries that meet certain performance criteria based on good governance and sound economic policies. The category of Developing countries includes low and lower-middle income countries that are not yet meeting performance criteria. Sustaining Partnership countries include upper-middle income countries with which the United States maintains economic, trade, and security relationships beyond foreign aid. Restrictive countries include authoritarian regimes with significant freedom and human rights issues, most of which are ineligible for U.S. aid. Programs in these countries operate through non-governmental organizations or through entities outside the country. A sixth category was created to encompass global or regional programs that transcend any one country's borders.

Each category represents common development challenges around which aid programs are to be designed and coordinated. Strategic objectives have been created and linked to country categories. Strategic objectives include peace and security; governing justly and democratically; investing in people; economic growth; and humanitarian assistance. **Table 4** illustrates the linkages between country category and aid objective. Countries in each category are expected to receive most of their assistance based on a primary objective, but they may in fact receive assistance under several or all objectives.

Table 4. Framework for Foreign Assistance: Country Categories and Objectives

Objective	Country Category Focus	Program Focus	Accounts
Peace & Security	Rebuilding Sustaining Partners	Terrorism, Stabilization, Defense Reform, Drugs, Crime, Conflict Mitigation	FMF, TI, IMET, ESF, INCLE, NADR, PKO, ACI, FSA, SEED
Governing Justly/Democ.	Rebuilding Restrictive	Rule of Law, Human Rights, Governance, Civil Society	DA, TI, SEED, FSA, DF, ESF, INCLE, ACI
Investing in People	Developing Transforming	Health, Education, Vulnerable Populations	DA, CSH, ESF, IDFA, GHAI, PL 480
Economic Growth	Transforming Rebuilding Developing	Trade, Agriculture, Infrastructure, Environment, Micro- enterprise	DA, ESF, SEED, FSA, ACI, PL 480
Humanitarian Assistance	Rebuilding Restrictive Global	Migration, Refugees, Disasters	IDFA, MRA, ERMA, PL 480

Note: See **Appendix A** for a list of account acronyms.

Foreign Operations Budget in Detail

Despite a proposed 12% increase in the foreign aid budget, most of the additional funds are concentrated in a few areas. The FY2008 budget continues a focus on the war on terrorism and reconstruction in Afghanistan and Iraq, as well as assistance to front-line states. Other areas that would see large increases include three of the President's cornerstone initiatives — the Millennium Challenge Corporation, the President's Emergency Plan for AIDS Relief (PEPFAR), and the President's Malaria Initiative. Africa continues to see higher levels of assistance than other regions, but most of the funds are concentrated in HIV/AIDS programs, with other types of assistance, such as basic education and agriculture, decreasing.

Major Changes. One major change in the FY2008 budget was the decision to transfer some Development Assistance (DA) funds to Economic Support Fund (ESF). This was a strategic decision that resulted from the new Framework — some programs previously funded with DA were considered to fit better with the strategic objectives that are to be primarily funded with ESF. Consequently, ESF increases by 35% from FY2007, while DA decreases by 31%. A similar change occurs in the Andean Counterdrug Initiative (ACI) with funds for alternative development transferred to ESF.

Those programs scheduled for significant increases include the Millennium Challenge Corporation (up 71%); International Narcotics Control and Law Enforcement (up 35%); Non-proliferation, Anti-terrorism, Demining and Related Programs (up 14%); Global HIV/AIDS Initiative (up 28%); and debt restructuring (up 223%).¹⁴

Programs that would see significant decreases include Child Survival and Health (down 9%); International Disaster and Famine Assistance (down 18%); Assistance to the Independent States of the Former Soviet Union (down 22%); Migration and Refugee Assistance (down 7%); and International Organizations and Programs (down 11%). The U.S. contribution to the Global Fund for HIV/AIDS, TB, and Malaria is scheduled for a 58% reduction, from \$724 million to \$300 million. Unlike in previous years when the contribution was taken from Child Survival and Health (CSH), the Global HIV/AIDS Initiative (GHAI), and the Department of Health and Human Services (HHS), the Administration proposes that the entire \$300 million would come from HHS. The CSH contribution was \$247.5 million in FY2007; if this transfer is taken into account, the CSH request would represent a 5% increase over last year's level.

Regional Distribution. Relatively few regions see large increases when excluding funds from Millennium Challenge Compacts. (Such compacts are large grants that go to a few countries in each region.¹⁵) Africa would benefit from a 53.8% increase, largely in HIV/AIDS funds, with other programs cut, including basic

¹⁴ The large percentage increase for debt relief is due to funds requested to cover the cost of completing Highly Indebted Poor Countries (HIPC) bilateral debt relief for the Democratic Republic of the Congo.

¹⁵ For more information, see CRS Report RL32427 *Millennium Challenge Account*.

education, agricultural sector productivity, water supply and sanitation, and family planning and reproductive health.¹⁶ South and Central Asia would see a slight increase of 5.5%, largely due to assistance to Afghanistan and Pakistan. The Near East would receive a 3.6% increase, mainly due to Iraq assistance.

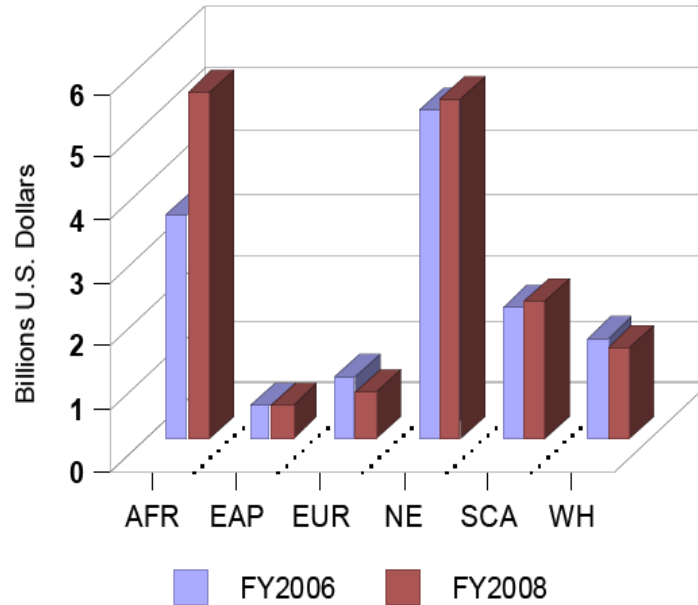
Other regions would receive either static funding or see decreases in aid. A 25.6% decrease for Europe and Eurasia is a result of the graduation of some countries in Europe from aid programs. Latin America's decrease of 9.1% mainly affects basic education, environment, and humanitarian assistance. Funding to the East Asia and the Pacific region would generally remain unchanged.

Effects of HIV/AIDS Funding on Regional Distribution. One of the major focuses of the FY2008 budget is a continuation of funding to address the HIV/AIDS pandemic in many countries with high prevalence rates. The 15 PEPFAR focus countries are the main beneficiaries, although CSH funds are used in non-focus countries as well.¹⁷ When PEPFAR money from the Global HIV/AIDS Initiative (GHAI) account are included in totals, most regions receive slight increases (with the exception of Africa, which receives a very large increase), or slight decreases from FY2006 levels. (See **Figure 2.**)

A concern of some aid analysts is the effect that this focus has on other types of development assistance. The largest effect can be seen in Africa. If GHAI funds are excluded, then Africa would see an 11% decrease in aid rather than a 53.8% increase in aid for FY2008. Two Latin American and Caribbean countries benefit from PEPFAR — Haiti and Guyana — raising the region's foreign aid totals. If these funds are excluded, aid to Latin America and the Caribbean would decrease by 12%. Similarly, if Vietnam's AIDS funding were subtracted, aid levels to East Asia and the Pacific would fall by nearly 11%.

¹⁶ Because of the February 2007 enactment of the FY2007 Continuing Resolution, final aid figures for 2007 are not yet available. Comparisons here are to FY2006. When 2007 figures are available, this analysis will be updated.

¹⁷ For more information, see CRS Report RL33485 *U.S. International HIV/AIDS, Tuberculosis, and Malaria Spending: FY2004-FY2008*, by Tiaji Salaam.

Figure 2. Regional Distribution of Foreign Aid

Source: U.S. Department of State.

Note: Includes GHAI funds. Figures are in billions of current U.S. dollars. AFR = Africa; EAP = East Asia and Pacific; EUR = Europe and Eurasia; NE = Near East; SCA = South and Central Asia; WH = Western Hemisphere.

Core Development versus Security Assistance. A long-running debate in the foreign assistance community is whether the ratio of “core” development assistance to security and economic assistance is appropriate. Proponents of core development define it as those programs having a primary focus on poverty alleviation and health concerns. The accounts that fund these types of programs are Development Assistance (DA), Child Survival and Health (CSH), and the Global HIV/AIDS Initiative (GHAI). Some observers also include the Millennium Challenge Account, and some of the contingency accounts that respond to emergencies, such as Migration and Refugee Assistance, Emergency Refugee and Migration Assistance, Transition Initiatives, and International Disaster and Famine Assistance.

For the most part, non-governmental organizations tend to exclude Economic Support Funds (ESF) from their definition of core development assistance for two reasons. First, there is the perception that ESF is given to strategic allies regardless of need, largely due to historic levels of ESF that have gone to such countries as Egypt and Israel. Second, a sizeable portion of ESF funds has been used for budget support rather than development projects. On the ground, the characterization that ESF does not promote development is difficult to make because some ESF-funded programs have the same or similar purposes as those funded by DA.

The FY2008 budget request proposes a major change by transferring some programs funded by DA into the ESF account. This change complicates the analysis because ESF no longer cleanly fits in the non-core development assistance category, if it ever really did. **Table 5** compares the FY2008 request with FY2007 estimates based on accounts with ESF disaggregated by budget support and development.

When including the three major development accounts (Development Assistance, Child Survival and Health, and the Global HIV/AIDS Initiative), development assistance is proposed to increase in FY2008 by 4.5% from FY2007. The largest portion of this increase is in the HIV/AIDS initiative, with both DA and CSH falling from last year's levels. If one also includes other accounts (Millennium Challenge, Transition Initiatives, disaster and famine aid, food aid, and migration and refugee assistance), the increase from last year is 13%. However, virtually all of this increase can be attributed to the 71% increase in funds for the Millennium Challenge Corporation. All other accounts receive the same or decreased funding.

Dividing the ESF account into budget support versus program funding helps clarify the debate of how to characterize ESF. Of the amount requested for Economic Support Fund, approximately \$478 million would go for budget support with the remainder presumably funding development projects. Using this scenario, the ratio of core to non-core for FY2008 is 86% to 14%.

Table 5. Core Development versus Security/Economic Assistance by Account, FY2006-FY2008
(millions current U.S. dollars)

Core Development Accounts	FY2006 Actual	FY2007 Estimate	FY2008 Request	% Change FY07-FY08
Development Assistance	1,525.3	1,508.8	1,041.2	-31.0%
Child Survival & Health	1,652.2	1,718.2	1,564.3	-9.0%
Global AIDS Initiative	1,975.1	3,246.5	4,150.0	27.8%
Subtotal — Core	5,152.6	6,463.5	6,755.5	4.5%
Economic Support Fund — Core ^a	1,763.7	1,738.0	2,841.6	63.5%
Subtotal — Core with ESF	6,916.3	8,201.5	9,597.1	17.0%
Other accounts:				
Millennium Challenge	1,752.3	1,752.3	3,000.0	71.2%
Transition Initiatives	39.6	39.6	37.2	-6.1%
Disaster/Famine IDFA	579.0	361.4	297.3	-17.7%
Food Aid	1,588.0	1,314.0	1,319.0	0.4%
Migration/Refugee	888.5	887.9	828.5	-6.7%
Total — All Core	11,763.7	12,556.7	15,079.1	20.1%
Non-Core Assistance				
SEED/FSA	866.3	725.9	640.9	-11.7%
Non-proliferation, Anti-terrorism, & Demining	406.0	406.0	464.0	14.3%

Core Development Accounts	FY2006 Actual	FY2007 Estimate	FY2008 Request	% Change FY07-FY08
Narcotics/Law Enforcement	1,307.3	1,193.9	1,077.4	-9.8%
Military (FMF/IMET)	4,540.9	4,636.7	4,625.5	-0.2%
Peacekeeping Ops	351.3	223.3	221.2	-0.9%
ESF - Budget Support	844.0	717.0	478.0	-33.3%
Subtotal — Non-Core	8,315.8	7,902.8	7,507.0	-5.0%

a. ESF core and non-core do not include supplemental funding. The core figure is obtained by subtracting funds for budget support from the total.

The Administration prefers that the focus be on strategic objectives rather than accounts. **Table 6** provides a breakout of funding for each objective. It is plausible to conceptualize Investing in People, Economic Growth, and Humanitarian Assistance as correlating to core programs, although some would argue that since Economic Growth receives ESF funding, it should not be included. The proposal to transfer some Development Assistance funds to ESF makes casting Economic Growth as a core program unavoidable.

Table 6. Core Development versus Security/Economic Assistance by Strategic Objective, FY2006-FY2008
(millions of current U.S. dollars)

Strategic Objective	FY2006	FY2008	% Change
Core:			
Investing in People	4,957.4	6,954.3	40.3%
Economic Growth	2,826.2	2,370.3	-16.1%
Humanitarian Assistance	1,814.1	2,124.3	17.1%
Subtotal	9,597.7	11,448.9	19.3%
Non-Core:			
Peace & Security	6,817.1	6,879.1	0.9%
Governing Justly & Democratically	1,233.2	1,448.0	17.4%
Subtotal	8,050.3	8,327.1	3.4%

Source: U.S. Department of State, Congressional Budget Justification Foreign Operations, and CRS calculations.

Note: The Administration does not use the terms core versus non-core that are commonly used by the development community. [The objectives listed here in each category fund programs from accounts that are identified (as in Table 5) as corresponding to poverty and health-focused programs versus security.] This table does not include funding for the Millennium Challenge Corporation that would total \$3 billion in FY2008.

Sector Distribution. Over the years, Congress has expressed interest in various aid sectors, such as education, democracy, human rights, trade, maternal and child health, family planning and reproductive health, agriculture and environment. **Table 7** provides the funding levels for many of these sectors for FY2006 and the FY2008 request. Some sectors are cut significantly, as listed below, while others receive sizeable increases. Increases in health-related programs, up nearly 50%, occur largely in HIV/AIDS, malaria, and avian flu programs. Two sub-sectors — maternal and child health, and family planning and reproductive health — see hefty decreases. Funds in the Peace and Security objective are targeted for increases, particularly for counter-terrorism and rule of law programs.

Table 7. Selected Sector Funding, FY2006 and FY2008
(millions of current U.S. dollars)

Sector	FY2006	FY2008 Request	% Change
Good Governance	354.22	507.39	43.2%
Human Rights	90.32	81.98	-9.2%
Maternal and Child Health	738.85	608.53	-17.6%
Family Planning/Reproductive Health	429.82	332.29	-22.7%
Basic Education	520.80	535.30	2.8%
Trade and Investment	408.74	238.58	-41.6%
Agriculture	561.99	498.72	-11.3%
Environment	292.11	248.73	-14.9%
Counter-terrorism	157.05	185.27	18.0%
Rule of Law	210.73	317.28	50.6%

Source: U.S. Department of State Foreign Operations Congressional Budget Justification, FY2008, and CRS calculations.

Presidential Initiatives. The Bush Administration has made several pledges for multi-year increases in foreign aid that affect the FY2008 budget. Two initiatives focus on health issues — HIV/AIDS and malaria — while another promises to double assistance to Africa. The Millennium Challenge Corporation, launched in 2004, administers performance-based aid to countries showing a strong commitment to sound economic policies and good governance.

HIV/AIDS. In launching this five-year initiative in 2003, the President pledged to provide a total of \$15 billion by FY2008. With the \$4.15 billion request in Global HIV/AIDS Initiative (GHA) funds, \$346 million in CSH, and a \$300 million contribution to the Global Fund from the Department of Health and Human Services, total funding over the five year period would meet the pledge. On May 30, 2007,

President Bush announced a follow-on plan to provide a total of \$30 billion through FY2013.

Malaria. The President announced an increased focus on malaria in 2006, pledging that the United States would spend an additional \$1.2 billion over a five-year period (FY2006-FY2010). Congress appropriated \$122 million in FY2006 and \$248 million in FY2007. The President's request for FY2008 is \$388 million, keeping the pledge on target.

Africa. Prior to the 2005 G-8 Summit, the Administration announced that it would double U.S. assistance to Africa by 2010. The FY2008 request keeps the doubling pledge on track. Excluding Millennium Challenge compacts, bilateral assistance to the region would increase by 53% in 2008, largely driven by HIV/AIDS funds.

MCC. In announcing the creation of the new independent Millennium Challenge Corporation, the President pledged \$5 billion annual funding by FY2006. In fact, requests have never topped \$3 billion a year, which is also the amount requested for FY2008. Congress has consistently cut the MCC request with some Members expressing concern that the program was slow to get started, and has not disbursed much of its existing funding.

HIV/AIDS and Tuberculosis Funding. Increased levels of funding for HIV/AIDS and TB programs drive the overall increase in the foreign aid budget. Funded through a number of accounts, the largest share is managed by the State Department's Office of the Global HIV/AIDS Coordinator for PEPFAR-focus countries. Other AIDS funding is provided through the Child Survival and Health, ESF, SEED, and FSA accounts. Other funds are provided in the Departments of Labor, Health and Human Services, and Education appropriations bills for the Centers for Disease Control and Prevention, National Institutes of Health, and the Department of Health and Human Services (HHS).

In previous budget requests, the Administration proposed making a contribution to the Global Fund for HIV/AIDS, Malaria, and TB from three accounts: the Global HIV/AIDS Initiative; Child Survival and Health; and the Department of Health and Human Services. The Administration's requests have totaled \$300 million each year, shared equally among the three sources. This year, the Administration proposes making the \$300 million contribution entirely from HHS. In previous years, Congress has provided increased resources for the Global Fund beyond that requested by the Administration, providing it with \$544.5 million in FY2006 and \$625 million in FY2007. (These figures do not include the HHS portion of the contribution that has ranged between \$99 million in fiscal years 2003, 2005, 2006, and 2007, and \$149 million in FY2004.)

This year's budget request includes a substantial increase for the Global HIV/AIDS Initiative (GHAI), the account that funds the 15 focus countries under the PEPFAR initiative. Funding for GHAI would reach \$4.15 billion, up from \$3.25 billion in FY2007. The CSH account would fund most other HIV/AIDS programs in non-focus countries at about \$314 million. Funds to address tuberculosis would

total \$89.9, with most of the funds coming from the CSH account. Total foreign operations funding for AIDS and TB programs would top \$4.5 billion.¹⁸

MCC Compacts and Other Aid Accounts. When first announced in 2002, the initiative was portrayed as being in addition to, not a substitute for, existing U.S. aid programs. This portrayal led to the expectation that a country that signed a Compact would not see funding for other programs decrease. As the program got up and running in 2004, and in subsequent fiscal years, a stronger argument can be made that Compact countries are seeing cuts in other types of aid programs. With the FY2008 budget request, the correlation between MCC and other types of assistance became more apparent with Administration officials stating the aid coordination process included linkages between the two aid sources. In addition, officials said that the promise made at the time of MCC's creation of it being additive in nature did not apply at the country level, but rather to overall U.S. foreign assistance funding levels.

The new budgeting process created by State's F bureau sought to coordinate all foreign aid programs within State, USAID, and some related independent agencies, including MCC. Of the eleven compact countries, all but Vanuatu have seen cuts in other aid programs since FY2006. It should be noted, however, that Armenia and Georgia were already scheduled for reduced assistance as FSA (Assistance for the Independent States of the Former Soviet Union) countries are eventually graduated from aid. **Table 8** provides compact countries and their levels of assistance for the last four years. USAID also provides assistance to help countries become eligible for the MCC program.¹⁹

Table 8. Compact Countries, U.S. Assistance, FY2005-FY2008
(millions of current U.S. dollars)

Country	MCC Compact	FY2005	FY2006	FY2007 Request ^a	FY2008 Request
Armenia	\$236 million over 5 years	85.47	76.31	58.14	40.78
Benin	\$307 million over 5 years	17.14	16.73	12.01	14.01
Cape Verde	\$110 million over 5 years	1.85	7.01	1.95	2.42
El Salvador	\$461 million over 5 years	40.39	47.78	35.09	27.51
Georgia	\$295 million over 5 years	107.32	87.39	75.84	66.42
Ghana	\$547 million over 5 years	40.77	72.10	37.92	44.29

¹⁸ For more information, see CRS Report RL33485 *U.S. International HIV/AIDS, Tuberculosis, and Malaria Spending: FY2004-FY2008*.

¹⁹ For more information, see CRS Report RL32427 *Millennium Challenge Account*.

Country	MCC Compact	FY2005	FY2006	FY2007 Request ^a	FY2008 Request
Honduras	\$215 million over 5 years	40.15	53.11	30.76	42.51
Madagascar	\$110 million over 4 years	25.24	40.67	22.01	35.66
Mali	\$461 million over 4 years	42.25	42.48	37.70	32.88
Nicaragua	\$175 million over 5 years	42.71	50.18	26.33	32.01
Vanuatu	\$66 million over 5 years	2.34	2.22	2.35	2.31

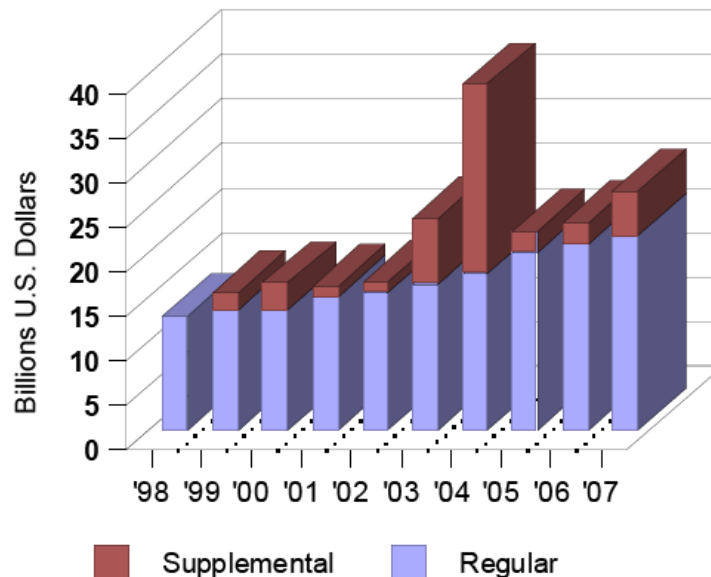
Source: Millennium Challenge Corporation ([www.mcc.gov]); U.S. Department of State Summary Tables, Congressional Budget Justifications, FY2008 and FY2007.

a. Estimates for FY2007 have not been finalized. Figures used here reflect requested amounts.

Use of Supplementals. Supplemental resources for Foreign Operations programs, which in FY2004 exceeded regular Foreign Operations funding, have become a significant channel of funds for U.S. international activities, especially those related to reconstruction efforts in Iraq and Afghanistan. Supplemental appropriations bills have often been used as vehicles to provide additional funding to respond to unanticipated emergencies or natural disasters. There has been some criticism that the Administration has relied too heavily on supplementals and that some items, particularly relating to Iraq, should be incorporated into the regular appropriations cycle. The Administration counters that given the nature of rapidly changing overseas events and unforeseen emergencies, it is necessary to make supplemental requests for unexpected and non-recurring expenses. **Figure 3** shows the growing reliance on Foreign Operations supplementals. A supplemental request for FY2007 totaled \$5.99 billion, including \$350 million in P.L. 480 food aid.²⁰ Congress approved a FY2007 supplemental bill (H.R. 2206) that was signed by the President on May 25 providing \$6.146 billion in international affairs spending, including \$460 million in international food assistance.

²⁰ For more information, on the FY2007 Supplemental, see CRS Report RL33900 *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*.

Figure 3. Supplemental Funding for Foreign Operations



Source: CRS calculations based on enacted appropriations measures.

Note: Figures are in current U.S. dollars. All figures include regular and supplemental appropriations with the exception of FY2008.

FY2008 Emergency Request. With the FY2008 regular budget, the Administration also presented Congress with an FY2008 GWOT emergency request. The FY2008 GWOT request is not described as a supplemental by the Administration, but designates the spending as emergency. It is unclear whether Congress will consider this request as part of the FY2008 regular budget, or separately as an emergency supplemental measure. The package includes a total of \$3.301 billion: \$1.367 billion for foreign operations and \$1.935 billion for State Department operations. Foreign aid programs would receive \$1.11 billion for Iraq (\$772 million) and Afghanistan (\$339 million) in ESF funds for reconstruction and stability programs. Iraq would also receive \$159 million in International Narcotics Control and Law Enforcement funds for human rights, anti-corruption and rule of law programs.

The total also includes a \$35 million request to assist Iraqi refugees in neighboring countries and conflict-affected populations in Iraq. Operating expenses for USAID would total \$61.8 million for operations in Iraq and Afghanistan.

Iraq and Afghanistan Share of Total Aid Budget. Including both base budgets and supplemental appropriations, the share of U.S. bilateral foreign assistance going to Iraq and Afghanistan has increased sharply since FY2002. Foreign aid to Afghanistan mushroomed from \$590 million in FY2003 to \$1.799 billion the next year. Assistance to Iraq consisted of small sums to support Iraqi opposition groups in the early 2000s, but picked up precipitously in FY2004, and then fell to \$1.6 billion in FY2006 and roughly \$4 billion in FY2007. **Table 9** tracks

funding to both countries from FY2002 through FY2008 and includes both regular budgets and supplemental funds. Amounts for FY2008 represent requested amounts.

FY2007 regular and supplemental funding for Iraq and Afghanistan together comprises about 15% of total foreign aid spending. The share of the FY2008 budget would be about 14%.

Table 9. Funding for Iraq and Afghanistan, FY2002-FY2008
(millions of current U.S. dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Iraq	25.0	2,890.0	17,849.5	27.7	1,635.8	2,291.6	1,322.8
Afghan	686.1	589.6	1,798.7	2,674.1	920.3	1,721.8	1,406.1

Source: U.S. Department of State, Foreign Operations Congressional Budget Justifications, FY2004 through FY2008, and CRS calculations.

Notes: FY2007 estimates are preliminary numbers provided by the State Department. For more information on U.S. assistance to Iraq, see CRS Report RL31833 *Iraq: Reconstruction Assistance*, by Curt Tarnoff.

Congressional Action

Budget Resolution

The annual budget resolution is non-binding legislation that expresses Congressional intent with regard to broad spending issues, and provides guidance to the Appropriations Committees on spending limits. The Appropriations Committees use the budget resolution to arrive at discretionary allocations (called 302b allocations) for each of the spending panel's subcommittees which act as spending ceilings for each bill.

On March 23, 2007, the Senate passed the FY2008 Budget Resolution (S.Con.Res. 21) that included \$39.8 billion in international affairs spending authority. This amount includes \$1.2 billion more than the President's request, as well as his request for \$3.3 billion in emergency funds for Iraq and Afghanistan. The Senate Budget Committee had reported out the budget resolution with a cut to the request. During floor consideration, the Senate approved an amendment to restore \$2.2 billion to the foreign affairs budget. The House passed its version of the FY2008 Budget Resolution (H.Con.Res. 99) on March 29, providing \$35.3 billion for international affairs. This is \$1.2 billion less than the President's request.

The House and Senate approved the conference report on May 17, 2007 in which the lower house figure for international affairs was adopted. The overall budget sets a total discretionary figure of \$954 billion from which allocations will be derived that will guide the Appropriations Committees in writing the FY2008 spending measures. The House and Senate Appropriations Subcommittees on State,

Foreign Operations and Related Agencies have held hearings on the FY2008 budget, but neither have yet marked up a bill. House and Senate Appropriations Committee chairmen have announced their intentions to have bills completed by July 4. The State, Foreign Operations bill is tentatively set expected to move in June.

Appendix A. Acronyms

Funding Accounts:

ACI	Andean Counterdrug Initiative
CSH	Child Survival and Health
DA	Development Assistance
DF	Democracy Fund
ERMA	Emergency Refugee and Migration Assistance
ESF	Economic Support Fund
FMF	Foreign Military Financing
FSA	Freedom Support Act — Assistance to the Independent States of the Former Soviet Union
GHAJ	Global HIV/AIDS Initiative
IDFA	International Disaster and Famine Assistance
IMET	International Military Education and Training
INCLE	International Narcotics Control and Law Enforcement
MCC	Millennium Challenge Corporation
MRA	Migration and Refugee Assistance
NADR	Non-proliferation, Anti-Terrorism, Demining, and Related Programs
PEPFAR	President's Emergency Plan For AIDS Relief
PKO	Peacekeeping Operations
PL 480	Food aid
PMI	President's Malaria Initiative
SEED	Support for Eastern European Democracy Act — Assistance for Eastern Europe and the Baltic States
TI	Transition Initiatives

Other:

DFA	Director of Foreign Assistance
AFR	Africa
EAP	East Asia and Pacific
EUR	Europe and Eurasia
LAC	Latin America and Caribbean
NE	Near East
SCA	South and Central Asia
USAID	U.S. Agency for International Development

Appendix B. Foreign Aid Country Categories

Rebuilding: Countries in or emerging from internal or external conflict.

Afghanistan	Lebanon
Colombia	Liberia
Cote d'Ivoire	Nepal
Democratic Republic of the Congo	Sierra Leone
Haiti	Somalia
Iraq	Sudan
Kosovo	

Transforming: Low or lower-middle income, meeting performance criteria.

Benin	Mali
Bolivia	Mongolia
Brazil	Mozambique
Bulgaria	Namibia
East Timor	Nicaragua
El Salvador	Philippines
Gambia	Samoa
Ghana	Sri Lanka
Honduras	Tanzania
India	Thailand
Lesotho	Uruguay
Madagascar	Vanuatu

Sustaining Partnership: Upper-middle income; aid sustains partnerships.

Argentina	Marshall Islands
Bahamas	Mauritius
Bahrain	Mexico
Belize	Oman
Botswana	Panama

Chile	Poland
Costa Rica	Portugal
Croatia	Qatar
Cyprus	Russia
Czech Republic	Saudi Arabia
Eastern Caribbean	Seychelles
Equatorial Guinea	Singapore
Estonia	Slovakia
Gabon	Slovenia
Greece	South Africa
Hungary	Taiwan
Ireland	Trinidad & Tobago
Israel	Turkey
Kuwait	United Arab Emirates
Latvia	

Developing: Low or lower-middle income, not yet meeting performance criteria.

Albania	Laos
Algeria	Macedonia
Angola	Malawi
Armenia	Maldives
Azerbaijan	Mauritania
Bangladesh	Moldova
Bosnia and Herzegovina	Montenegro
Burkina Faso	Morocco
Burundi	Niger
Cambodia	Nigeria
Cameroon	Pakistan
Cape Verde	Papua New Guinea
Central African Republic	Paraguay

Chad	Peru
Comoros	Republic of the Congo
Djibouti	Romania
Dominican Republic	Senegal
Ecuador	Serbia
Egypt	Solomon Islands
Ethiopia	Suriname
Fiji	Swaziland
Georgia	Tajikistan
Guatemala	Togo
Guinea	Tonga
Guinea-Bissau	Tunisia
Guyana	Turkmenistan
Indonesia	Uganda
Jamaica	Ukraine
Jordan	Uzbekistan
Kazakhstan	Vietnam
Kenya	Yemen
Kyrgyz Republic	Zambia

Restrictive: Significant freedom and human rights issues.

The State Department does not provide a list of restrictive countries. The list is determined by those countries that have restrictions on the receipt of U.S. assistance either by statute or Secretarial determination. Such countries could include Cuba, North Korea, Iran, Syria and Sudan.

Appendix C. State Department and Related Agencies Appropriations

(millions of current dollars)

	FY2006 Actual ^a	FY2007 Estimate	FY2007 Supp.	FY2008 Request	FY2008 Emergency	FY2008 House	FY2008 Senate	FY2008 Final
State Department								
Diplomatic & Consular Program	5,692.3	4,314.0	870.7	4,942.7	1,881.6			
Public Diplomacy	(334.7)	(329.7)	(20.0)	(358.9)	0.0			
Worldwide Security Upgrades	(730.8)	(766.0)	(96.5)	(964.8)	0.0			
Ed & cultural exchange prog. (U.S. Information Agency)	431.3	445.3	20.0	486.4	0.0			
Office of Inspector General	30.9	30.0	36.5	32.5	0.0			
Representation allowances	8.2	8.2	0.0	8.2	0.0			
Protection of foreign missions & officials	9.3	9.3	0.0	18.0	0.0			
Embassy security/constr/maintenance	591.1	593.0	0.0	792.5	0.0			
Worldwide security upgrades	898.6	897.0	0.0	806.9	0.0			
Emergency-diplomatic & consular services	43.9	4.9	0.0	19.0	0.0			
Repatriation loans	1.3	1.3	0.0	1.3	0.0			
Payment American Inst. Taiwan	19.5	15.8	0.0	16.4	0.0			
Foreign Service Retirement Fund	131.7	125.0	0.0	122.5	0.0			
Capital Investment Fund	58.1	58.1	0.0	70.7	0.0			
Centralized Information Tech Modernization	68.5	0.0	0.0	0.0	0.0			
Total, Administration of Foreign Affairs	7,984.7	6,501.9	927.2	7,317.1	1,881.6			

CRS-32

	FY2006 Actual^a	FY2007 Estimate	FY2007 Supp.	FY2008 Request	FY2008 Emergency	FY2008 House	FY2008 Senate	FY2008 Final
International Organ. & Conf.								
Contributions to international organizations	1,151.3	1,151.3	50.0	1,354.4	53.0			
Contributions to international peacekeeping	1,152.1	1,135.3	283.0	1,107.0	0.0			
Total International Organ. & Conf.	2,303.4	2,286.6	333.0	2,461.4	53.0			
Total International Commissions	66.5	67.0	0.0	133.5	0.0			
Related Appropriations								
Int'l Cntr for Middle East-West Dialogue-Trust	4.9	0.0	0.0	0.0	0.0			
Int'l Cntr for Middle East-West Dialogue Program	0.7	0.9	0.0	0.9	0.0			
Asia Foundation	13.8	13.8	0.0	10.0	0.0			
National Endowment for Democracy	74.0	74.0	0.0	80.0	0.0			
East-West Center	19.0	19.0	0.0	10.0	0.0			
Eisenhower Exchange	0.5	0.5	0.0	0.5	0.0			
Israeli Arab Scholarship	0.4	0.4	0.0	0.4	0.0			
Total Related Appropriations	113.3	108.6	0.0	101.8	0.0			
Total State Department	10,467.9	8,964.1	1,260.2	10,013.8	1,934.6			
International Broadcasting								
Capital Improvements	10.8	8.0	0.0	10.7	0.0			
Broadcasting Operations	668.3	602.4	10.0	618.8	0.0			
Broadcasting to Cuba	0.0	33.6	0.0	38.7	0.0			

CRS-33

	FY2006 Actual^a	FY2007 Estimate	FY2007 Supp.	FY2008 Request	FY2008 Emergency	FY2008 House	FY2008 Senate	FY2008 Final
Total International Broadcasting	679.6	644.0	10.0	668.2	0.0			
TOTAL State & Broadcasting	11,147.5	9,608.1	1,270.2	10,682.0	1,934.6			

a. FY2006 estimates include FY2006 supplemental funding (P.L. 109-234) and reflect a 0.28% rescission within Sec. 638, P.L. 109-234 and a 1.0% across-the-board rescission.

Appendix D. Foreign Operations Appropriations

(millions of current dollars)

	FY2006 Actual ^a	FY2007 Estimate	FY2007 Supp	FY2008 Request	FY2008 Emergency	FY2008 House	FY2008 Senate	FY2008 Final
Export-Import Bank (net)	97.5	55.0	0.0	1.0	0.0			
Overseas Private Investment Corporation (net)	(161.1)	(196.0)	0.0	(159.5)	0.0			
Trade & Development Agency	50.4	50.3	0.0	50.4	0.0			
Subtotal, Export Aid	(13.2)	(90.7)	0.0	(108.1)	0.0			
Child Survival & Health	1,652.2	1,718.2	161.0	1,564.3	0.0			
Development Assistance	1,525.3	1,508.8	0.0	1,041.2	0.0			
International Disaster & Famine Assistance	579.0	361.4	165.0	297.3	0.0			
Transition Initiatives	39.6	39.6	0.0	37.2	0.0			
Development Credit Authority	7.9	8.4	0.0	7.4	0.0			
Development Credit Authority Subsidy	(21.0)	0.0	0.0	(21.0)	0.0			
USAID Operating Expenses	724.7	623.7	8.7	609.0	61.8			
USAID Capital Investment Fund	69.3	69.3	0.0	126.0	0.0			
USAID Inspector General	35.6	35.6	3.5	38.0	0.0			
Economic Support Fund	4,293.7	2,455.0	2,624.3	3,319.6	1,111.0			
Iraqi Relief & Reconstruction Fund ^b	5.0	0.0	0.0	0.0	0.0			
International Fund for Ireland	13.4	13.4	0.0	0.0 ^c	0.0			
Eastern Europe & Baltic States (SEED)	357.4	273.9	214.0	289.3	0.0			
Independent States Former Soviet Union (FSA)	508.9	452.0	0.0	351.6	0.0			

CRS-35

	FY2006 Actual^a	FY2007 Estimate	FY2007 Supp	FY2008 Request	FY2008 Emergency	FY2008 House	FY2008 Senate	FY2008 Final
Inter-American Foundation	19.3	19.3	0.0	19.0	0.0			
African Development Foundation	22.8	22.8	0.0	30.0	0.0			
Peace Corps	319.9	318.8	0.0	333.5	0.0			
Millennium Challenge Corporation	1,752.3	1,752.3	0.0	3,000.0	0.0			
Global HIV/AIDS Initiative	1,975.1	3,246.5	0.0	4,150.0	0.0			
Democracy Fund	116.6	94.1	260.0	0.0	0.0			
International Narcotics Control & Law Enforcement	580.1	472.4	252.0	634.6	159.0			
Andean Counterdrug Initiative	727.2	721.5	0.0	442.8	0.0			
Migration & Refugee Assistance	858.8	832.9	130.5	773.5	35.0			
Emergency Refugee & Migration Assistance Fund	29.7	55.0	55.0	55.0	0.0			
Nonproliferation, Anti-Terrorism, Demining	406.0	406.0	57.5	464.0	0.0			
Conflict Response Fund	0.0	0.0	0.0	0.0	0.0			
Treasury Department Technical Assistance	32.8	19.8	2.8	24.8	0.0			
Debt Restructuring	64.4	64.4	0.0	207.3	0.0			
Subtotal, Bilateral Economic Assistance	16,696.0	15,585.1	3,934.3	17,794.4	1,366.8			
International Military Education & Training	85.9	85.9	0.0	89.5	0.0			
Foreign Military Financing	4,464.9	4,550.8	265.0	4,536.0	0.0			
Peacekeeping Operations	351.3	223.3	230.0	221.2	0.0			
Subtotal, Military Assistance	4,902.1	4,860.0	495.0	4,846.7	0.0			

CRS-36

	FY2006 Actual^a	FY2007 Estimate	FY2007 Supp	FY2008 Request	FY2008 Emergency	FY2008 House	FY2008 Senate	FY2008 Final
World Bank: Global Environment Facility	79.2	79.2	0.0	106.8	0.0			
World Bank: Int'l. Development Association	940.5	940.5	0.0	1,060.0	0.0			
World Bank: Multilateral Investment Guarantee Fund	1.3	0.0	0.0	1.1	0.0			
IADB: Enterprise for Americas MIF	1.7	1.7	0.0	29.2	0.0			
IADB: Inter-American Investment Corporation	1.7	0.0	0.0	7.3	0.0			
Asian Development Bank: Asian Development Fund	99.0	99.0	0.0	133.9	0.0			
African Development Bank	3.6	3.6	0.0	2.0	0.0			
African Development Fund	134.3	134.3	0.0	140.6	0.0			
European Bank for Reconstruction & Development	1.0	0.0	0.0	0.0	0.0			
International Fund for Agricultural Development	14.9	14.9	0.0	18.1	0.0			
International Organizations & Programs	326.2	326.2	0.0	289.4	0.0			
Subtotal, Multilateral Assistance	1,603.4	1,599.4	0.0	1,788.4	0.0			
Rescissions - ESF	(47.0)	(200.0)	(13.0)	0.0	0.0			
Rescission - PKO	0.0	(7.0)	0.0	0.0	0.0			
Foreign Service Retirement & Disability Fund (mandatory)	42.0	38.7	0.0	36.4	0.0			
Foreign Operations Total	23,183.3	21,785.5	4,416.3	24,357.8	1,366.8			
Related Independent Agencies								
Comm for Preservation/Heritage Abroad	0.5	0.5	0.0	0.5	0.0			
Comm Int'l Religious Freedom	3.0	3.0	0.0	3.0	0.0			
Comm Sec and Cooperation in Europe	2.0	2.0	0.0	2.0	0.0			

CRS-37

	FY2006 Actual^a	FY2007 Estimate	FY2007 Supp	FY2008 Request	FY2008 Emergency	FY2008 House	FY2008 Senate	FY2008 Final
Cong-Exec Comm People's Republic of China	7.0	6.0	0.0	5.0	0.0			
HELP Commission	0.0	0.0	0.0	—	0.0			
US-China Economic & Security Review Comm	3.0	3.0	0.0	4.0	0.0			
US Senate Interparliamentary Groups	—	—	0.0	—	0.0			
US Institute of Peace	22.1	22.1	0.0	30.0	0.0			
State & Broadcasting Total	11,147.5	9,608.1	1,270.2	10,682.0	1,934.6			
State Dept, Foreign Ops & Related Agencies Total	34,368.4	31,430.2	5,686.5	35,084.3	3,301.4			
P.L.480 Food Aid ^b	1,489.0	1,215.0	460.0	1,219.4	0.0			

Source: U.S. Department of State budget documents; House and Senate Appropriations Committees; and CRS calculations.

a. Includes regular and supplemental appropriations.

b. Funds for Iraq reconstruction were drawn from a separate Iraqi Relief and Reconstruction Fund (IRRF) prior to FY2007, after which assistance has come from traditional aid accounts.

c. A \$1 million level is included in ESF for Ireland.

d. P.L. 480 is appropriated in the Agriculture Appropriations measure. Figure includes \$10 million for the Emerson Humanitarian Trust