

# CRS Report for Congress

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## **U.S. Foreign Assistance to Latin America and the Caribbean**

**Updated March 16, 2006**

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# U.S. Foreign Assistance to Latin America and the Caribbean

## Summary

Trends in U.S. assistance to the Latin America and Caribbean region generally reflect the trends and rationales for U.S. foreign aid programs globally. Aid to the region increased during the 1960s with the Alliance for Progress and during the 1980s with aid to Central America. Since 2000, aid levels have increased, especially in the Andean region as the focus has shifted from Cold War issues to counternarcotics and security assistance. Current aid levels to Latin America and the Caribbean comprise about 11.8% of the worldwide FY2006 bilateral aid budget. Amounts requested for FY2007 would reduce this ratio to 10.6%. Two countries — Honduras and Nicaragua — have signed compacts for Millennium Challenge Account (MCA) funds. Aid levels to the region could increase further as more countries become eligible for MCA. Both Haiti and Guyana are focus countries for the President's Emergency Plan for AIDS Relief (PEPFAR).

For FY2006, U.S. assistance to Latin America and the Caribbean is estimated at \$1.68 billion, the largest portion of which is allocated to the Andean region — \$919 million. Mexico and Central America are slated to receive \$292 million, while the Caribbean would receive \$307 million. Brazil and the Southern Cone of South America are to receive an estimated \$36 million. The United States also maintains programs of a regional nature that total an estimated \$133 million in FY2006.

Aid programs are designed to achieve a variety of goals, from poverty reduction to economic growth. Child Survival and Health (CSH) funds focus on combating infectious diseases and promoting child and maternal health. Development Assistance (DA) promotes sustainable economic growth in key areas such as trade, agriculture, education, the environment, and democracy. The Economic Support Fund (ESF) assists countries of strategic importance to the United States, and funds programs relating to justice sector reforms, local governance, anti-corruption, and respect for human rights. P.L. 480 food assistance is provided to countries facing emergency situations, such as natural disasters. Counternarcotics programs seek to assist countries to reduce drug production, interdict trafficking, and promote alternative crop development. Foreign Military Financing (FMF) provides grants to nations for the purchase of U.S. defense equipment, services and training.

The annual Foreign Operations Appropriations bills are the vehicles by which Congress provides funding for foreign assistance programs. The FY2006 Foreign Operations Appropriations Act (P.L. 109-102) provided \$20.9 billion for the foreign assistance budget worldwide. In the second session of the 109<sup>th</sup> Congress, Members of Congress will likely continue to be interested in a number of related issues, including the general effectiveness of foreign aid programs, and how best to address the HIV/AIDS problem and poverty issues. Congress may also debate the U.S. role in fighting narcotics trafficking and illegally armed groups in Colombia and stabilizing the situation in Haiti. This report will be updated as events warrant.

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# U.S. Foreign Assistance to Latin America and the Caribbean

## Introduction

Trends in U.S. foreign assistance to Latin America generally reflect the trends and rationales for U.S. foreign aid programs globally. U.S. assistance spiked in the 1960s during President Kennedy's Alliance for Progress, reflecting an interest in preventing the spread of Soviet and Cuban influence in the region, and recognizing poverty as one possible root cause of popular discord. In the 1980s, the U.S. focus shifted to the Central American isthmus where leftist insurgencies were challenging friendly governments, and where a leftist movement in Nicaragua had taken control of government through armed combat. Substantial amounts of U.S. assistance were provided to support Central American governments and the U.S.-backed Contras seeking to overthrow the Sandinista government in Nicaragua.

In the aftermath of the 1989 U.S. military intervention in Panama, and the 1990 electoral defeat of the Sandinista government in Nicaragua, U.S. assistance to these two countries increased substantially. Central America resolved many of its political problems since the 1980s, although it is still one of the least developed areas in the hemisphere. With the dissolution of the Soviet Union in 1991, U.S. concerns about spreading communist influence lessened, and so too did levels of U.S. assistance. Since 2000, U.S. assistance has focused on support for counter-narcotics activities, largely in the Andean region.

**Figure 1** indicates trends in U.S. assistance since 1960 in 2007 constant U.S. dollars. U.S. assistance has not reached levels attained during the Alliance for Progress. The annual average since 1990 is approximately half of what it was in the 1960s. The amounts requested for FY2007 represent the lowest level in more than four decades. Some countries are benefitting from two new Presidential foreign aid initiatives. Haiti and Guyana — identified as focus countries by the President's Emergency Plan for AIDS Relief (PEPFAR) — have received increased assistance for HIV/AIDS programs. Nicaragua and Honduras have signed Millennium Challenge Compacts.

U.S. support for development is identified by President Bush as one of the three pillars, with defense and diplomacy, of the National Security Strategy, developed after the terrorist attacks of September 11, 2001. The U.S. Agency for International Development (USAID) identifies five challenges to which U.S. assistance programs are designed to respond: promoting transformational development;<sup>1</sup> strengthening

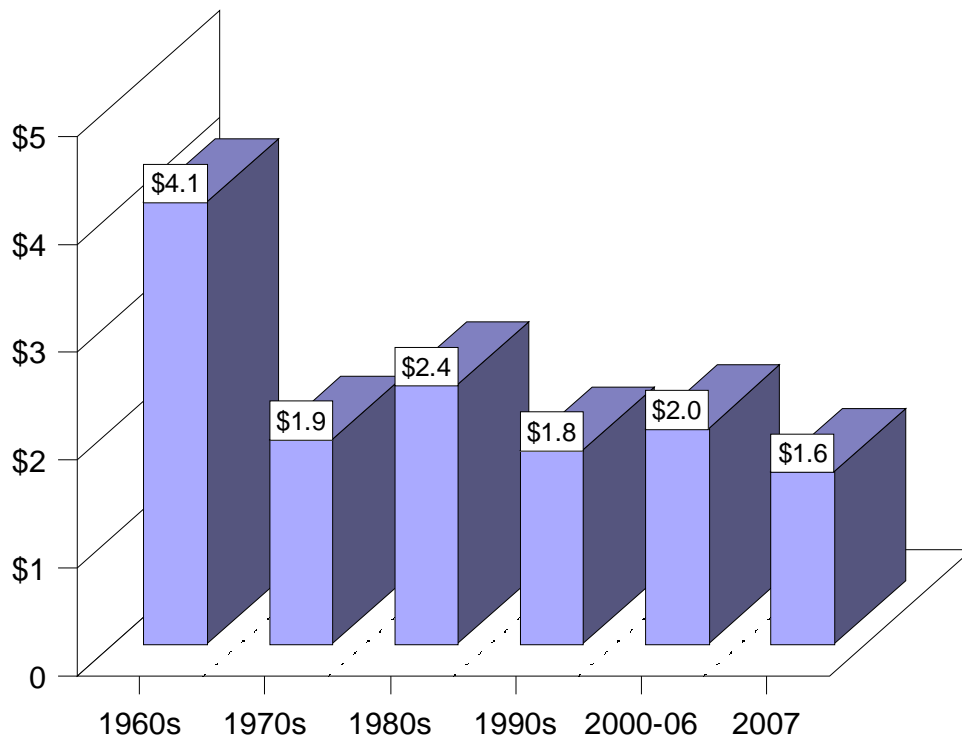
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<sup>1</sup> USAID defines transformational development as “development that does more than raise  
(continued...) ”

fragile states; providing humanitarian relief; supporting U.S. geostrategic interests; and mitigating global and transnational ills. USAID identifies the main security threats to the United States as the confluence of terrorism and the proliferation of weapons of mass destruction, and global criminal networks. The focus has shifted to strengthening the institutions of weak states, rather than on just economic growth, because weak states are seen as permissive environments for terrorist and criminal activities.

**Figure 1. U.S. Foreign Assistance to Latin America and Caribbean Annual Average, 1960 to 2007**

(in constant 2007 billions of U.S. dollars)



**Source:** U.S. Agency for International Development, U.S. Overseas Loans and Grants (Greenbook), Latin America and the Caribbean, U.S. Department of State, Congressional Budget Justification, Summary Tables, FY2006 and FY2007.

With regard to Latin America and the Caribbean, U.S. assistance levels requested for FY2007 show a marked decrease compared to the annual average from FY2000 to FY2006, although it represents just a 3% decrease from FY2006 appropriated levels. The largest decrease occurs in the Development Assistance

<sup>1</sup> (...continued)

living standards and reduce poverty. It also transforms countries, through far-reaching, fundamental changes in institutions of governance, human capacity, and economic structure that enable a country to sustain further economic and social progress without depending on foreign aid.” *U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century*, January 2004.

account, which sustains a 28% reduction. The largest increase is for Economic Support Funds (up 26%) and the Global HIV/AIDS Initiative (up 35%). The Child Survival and Health account would be cut by 9%. When compared to other regions of the world, Latin America has received between 9.5% and nearly 12% annually since FY2002. In addition to traditional economic and military assistance, two countries — Nicaragua and Honduras — have signed compacts with the Millennium Challenge Corporation (MCC) worth \$175 million and \$215 million respectively over five years. These two countries would also see the largest cuts in Development Assistance in the FY2007 budget request.

**Table 1. U.S. Foreign Assistance, Western Hemisphere  
FY2004-FY2007**  
(millions current U.S. \$)

Account	FY2004 Actual	FY2005 Actual	FY2006 Estimate	FY2007 Request	% (+/-) FY06- FY07
CSH	150.0	144.6	140.9	128.0	- 9%
DA	260.8	247.2	254.4	181.9	- 28%
ESF	148.9	163.0	120.8	152.1	26%
INL	47.4	48.2	60.9	54.8	- 10%
ACI	737.6	725.2	727.2	721.5	- 1%
MRA	21.5	23.8	24.3	22.0	- 9%
GHAI	18.1	58.8	65.3	88.0	35%
IMET	13.4	13.2	13.4	12.6	- 6%
FMF	119.6	108.2	111.7	105.3	- 6%
<b>Total</b>	1,517.3	1,532.2	1,518.9	1,466.2	- 3%
MCC Compact	390.0				

**Source:** Congressional Budget Justification, Foreign Operations, Summary Tables, Fiscal Years 2004-FY2007.

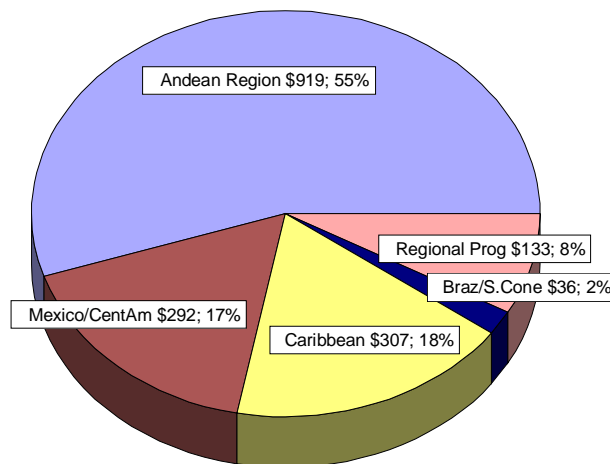
In Congress, the annual Foreign Operations Appropriations bills have been the vehicles by which Congress provides funding for, and exercises oversight of foreign assistance programs. Congress has not enacted a comprehensive foreign assistance authorization bill since 1985. For FY2006, Congress provided \$20.9 billion out of the President's \$22.8 billion international affairs request in the FY2006 Foreign Operations Appropriations Act (P.L. 109-102). Increases in the FY2006 budget request were due mainly to the new Millennium Challenge Account (MCA) and the Global HIV/AIDS Initiative. The MCA, that was unveiled in 2002 and became operational in 2004, links U.S. assistance with good governance and measures of

performance of recipient nations. The MCA program, if fully funded, represents one of the few marked increases in U.S. foreign assistance since the Marshall Plan after World War II, and the Alliance for Progress in Latin America during the 1960s.

## Assistance by Subregion

For FY2006, U.S. assistance to Latin America and the Caribbean is estimated at about \$1.68 billion. This does not include two Millennium Challenge Compacts with Honduras and Nicaragua that were signed in 2005. The largest portion, \$919 million, is allocated to the Andean countries of Bolivia, Colombia, Peru, Ecuador, and Venezuela, and represents 55% of regional assistance. Another \$292 million, or 17%, is allocated to Mexico and Central America, while the Caribbean would receive \$307 million, or 18%. Brazil and the Southern Cone of South America would receive an estimated \$36 million, or 2%. The United States also maintains aid programs of a regional nature, such as trade capacity building, and migration and refugee assistance, that total an estimated \$133 million, or 8%, in FY2006.

**Figure 2. U.S. Assistance to Latin America by Subregion, FY2006**  
(millions of U.S. dollars)



For FY2007, the President's budget request totals \$1.63 billion for the region. This includes \$927 million for the Andean region; \$278 million for Mexico and Central America; \$321 million for the Caribbean; \$35 million for Brazil and the Southern Cone; and \$95 million for regional programs. According to the FY2007 budget request, the Andes would receive 56% of the regional total. The largest decreases occur in Development Assistance and Child Survival and Health for Central America, but the isthmus would benefit from increased Economic Support Funds, largely for trade support for CAFTA countries, and Trade Capacity Building programs.



## South America

The largest recipients of U.S. foreign assistance in South America are the Andean nations of Colombia, Bolivia, and Peru, where most of the world's cocaine originates. These nations receive funding from the Andean Counterdrug Initiative (ACI), military assistance such as Foreign Military Financing (FMF) and International Military Education and Training (IMET), as well as bilateral economic assistance in the form of Development Assistance, Child Survival and Health, and Economic Support Funds. The Andean countries of Venezuela and Ecuador, and the non-Andean nations of Brazil and Panama also receive ACI funds but to a smaller degree than Colombia, Bolivia and Peru. U.S. assistance to Argentina, Brazil, Chile, Uruguay, and Paraguay amounts to \$36 million in FY2006; the FY2007 request is \$35 million.<sup>2</sup> By contrast, U.S. assistance to the Andean region totals \$919 million in FY2006, and \$927 million requested for FY2007.

**The Andean Region.** The area is generally known for its rugged terrain, from Peru's Pacific coastline to the Andes mountain range that traverses Peru, Bolivia, Colombia and Ecuador, to Amazonian basin regions marked by tropical rainforests. The region has large indigenous communities, high levels of poverty, and a history of political unrest. U.S. assistance to the Andean region has focused on narcotics trafficking since 2000, when Congress approved \$1.3 billion in support of Plan Colombia. The United States had supported counternarcotics issues in the Andes prior to 2000, but the levels of funding were far less.

Funding for the Andean Counterdrug Initiative (ACI) amounted to \$727.2 million in FY2006. The FY2007 request is \$721.5 million. The region also receives economic assistance funds. Bolivia and Peru are major recipients of Development Assistance, Child Survival and Health Funds, and food aid. Ecuador and Peru receive sizeable amounts of Economic Support Funds. The Peace Corps maintains programs in Bolivia, Ecuador, Panama, and Peru. While Colombia is a major recipient of ACI funds, it does not receive any economic assistance, although portions of ACI funds are transferred to USAID for alternative development and institution-building programs.

**Figure 3. The Andean Region**



Source: Map Resources. Adapted by CRS. (K.Yancey 5/20/04)

<sup>2</sup> Brazil receives assistance from the Andean Counterdrug Initiative because it shares a 1,000 mile border with Colombia even though Brazil is not considered an Andean country. This included \$5.94 million in FY2006, and a requested \$4 million for FY2007.

***Andean Counterdrug Initiative.*** The Andean Counterdrug Initiative (ACI) is the centerpiece of U.S. policy toward Colombia and the Andean region. It seeks to curb narcotics production and trafficking, and to promote democracy and economic development, which it is believed will strengthen regional security. Colombia, Peru, and Bolivia produce virtually all of the world's cocaine, and Colombia has been a source of increasing amounts of high quality heroin destined for the United States. The two leftist guerrilla organizations and a rightist paramilitary organization operating in Colombia profit from the drug trade. All three — the Revolutionary Armed Forces of Colombia (FARC), the National Liberation Army (ELN), and the United Self-Defense Forces of Colombia (AUC) — have been designated foreign terrorist organizations by the State Department. The FARC and AUC have also been designated as Significant Foreign Narcotics Traffickers under the Foreign Narcotics Kingpin Designation Act (P.L. 106-120).

The United States has made a significant commitment of funds and material support to help the region fight drug trafficking. Congress passed legislation providing \$1.3 billion in assistance for FY2000 (P.L. 106-246), and has provided a total of \$5 billion from FY2000 through FY2006 in ACI funds. Since 2002, Congress has granted expanded authority to use counternarcotics funds for a unified campaign to fight both drug trafficking and terrorist organizations in Colombia. ACI funding for FY2006 is estimated at \$727.2 million. Most of the ACI request is for programs in Colombia (\$465 million) where 80% of the world's cocaine is produced. Peru (\$107 million) and Bolivia (\$79 million) are also major recipients. Ecuador is allocated to receive \$20 million in FY2006 funds, Brazil \$6 million, Venezuela \$2 million, and Panama \$4 million. The region would receive an estimated \$91 million in FY2006 in Foreign Military Financing (FMF) funds, most of which are allocated for Colombia.

For FY2007, the Administration proposes spending a total of \$721.5 million, with Colombia receiving the same amount as in the previous year and neighboring countries receiving cuts. Bolivia would receive \$66 million, Peru \$98.5 million, Brazil \$4 million, Ecuador \$17.3 million, Venezuela \$1 million, and Panama \$4 million. According to State Department officials, the Air Bridge Denial Program, that is operational only in Colombia, would be funded out of the Colombia allocation. For a second year, the Administration is requesting funds for a Critical Flight Safety Program to upgrade and refurbish aging aircraft used for eradication programs.

For more information, see CRS Report RL33253, *Andean Counterdrug Initiative (ACI) and Related Funding Programs: FY2006 Assistance*, by Connie Veillette; CRS Report RL32250, *Colombia: Issues for Congress*, by Connie Veillette; and CRS Report RL32774, *Plan Colombia: A Progress Report*, by Connie Veillette.

**Table 2. U.S. Foreign Assistance to the Andean Region  
FY2006 Estimates and FY2007 Funding Request**  
(\$ in millions)

Country	DA	CSH	ESF	PL 480	IMET	ACI	FMF	Other	Total
Bolivia									
FY2006	10.09	16.47	5.94	15.70	.79	79.20	.99	3.13	132.31
FY2007 Req.	10.00	14.69	6.00	24.00	.05	66.00	.03	3.08	123.85
Colombia									
FY2006	—	—	—	—	1.68	464.78	89.10	5.81	561.37
FY2007 Req.	—	—	—	—	1.68	465.00	90.00	3.84	560.52
Ecuador									
FY2006	6.58	—	2.97	—	.05	19.80	.50	3.36	33.26
FY2007 Req.	5.64	2.00	6.00	—	.05	17.30	.03	3.08	34.10
Peru									
FY2006	9.44	14.21	2.97	9.00	.05	106.92	.20	3.02	145.81
FY2007 Req.	9.00	12.74	4.00	13.00	.05	98.50	.03	2.82	140.14
Venezuela									
FY2006	—	—	—	—	—	2.23	—	—	2.23
FY2007 Req.	—	—	1.50	—	.05	1.00	—	—	2.55
Air Bridge*									
FY2006	—	—	—	—	—	13.86	—	—	13.86
FY2007 Req.	—	—	—	—	—	—	—	—	0.00
Critical Flight Safety									
FY2006	—	—	—	—	—	29.97	—	—	29.97
FY2007 Req.	—	—	—	—	—	65.70	—	—	65.70
Total - FY2006	26.11	30.68	11.88	24.70	2.57	716.76	90.79	15.32	918.81
Total - FY2007	24.64	29.43	17.50	37.00	1.88	713.50	90.09	12.82	926.86

**Source:** Figures are drawn from U.S. Department of State, Congressional Budget Justification, Summary Tables, Fiscal Year 2007. Updated by CRS, February 27, 2006.

**Note:** ACI totals exclude \$5.94 million (FY2006) and \$4 million (FY2007) for Brazil and \$4.46 million (FY2006) and \$4 million (FY2007) for Panama. Both receive ACI funding because they share borders with Colombia, although neither is considered an Andean nation. "Other" includes Non-proliferation, Anti-terrorism, De-mining and Related Programs (NADR) and Peace Corps.

\* Because the Air Bridge Denial (ABD) program is only operational in Colombia, the FY2007 budget requests includes funding for ABD in the Colombia allocation.

DA - Development Assistance  
 CSH - Child Survival and Health  
 ESF - Economic Support Funds  
 PL 480 - emergency food aid  
 IMET - International Military Education and Training  
 ACI - Andean Counterdrug Initiative  
 FMF - Foreign Military Financing

**Brazil and The Southern Cone.** The countries of Brazil, Argentina, Chile, Paraguay, and Uruguay are considered middle- income countries and therefore receive lower levels of assistance. The area is estimated to receive nearly \$36 million in FY2006, while \$35 million is requested for FY2007. Most of this funding goes to Brazil for Development Assistance and Child Survival and Health, and Paraguay

for Development Assistance, Child Survival and Health, and Economic Support Funds. The Peace Corps maintains a program in Paraguay. As mentioned earlier, Brazil receives ACI funding because it shares a long border with Colombia. The focus in Brazil is on generating sustainable economic growth and addressing extensive poverty and social inequality. Nearly one-third of Brazilians live below the international poverty line.<sup>3</sup> With regard to health issues, nearly 60% of all HIV/AIDS cases in South America are in Brazil, while the country also ranks high in malaria and tuberculosis cases. Another area of focus is environmental degradation, particularly in the Amazon region, where deforestation is a problem. Paraguay, the region's second largest recipient of aid, has suffered multiple years of stagnant growth and a large external debt. U.S. programs focus on economic growth, reproductive health, the environment, and democracy.

**Figure 4. South America**



Source: Map Resources. Adapted by CRS. (K.Yancey 4/20/04)

<sup>3</sup> The World Bank defines the international poverty line as U.S. \$1 and \$2 per day in 1993 Purchasing Power Parity (PPP), which adjusts for differences in the price of goods and services between countries. The \$1 per day level is generally used for the least developed countries, such as in Africa, while the \$2 per day level is used for middle income countries such as in Latin America.

**Table 3. U.S. Foreign Assistance to Brazil & the Southern Cone  
FY2006 Estimates and FY2007 Request**  
(\$ in millions)

Country	DA	CSH	ESF	ACI	FMF	IMET	Other	Total
Argentina								
FY2006	—	—	—	—	.05	1.09	.77	1.91
FY2007 Req.	—	—	—	—	.04	1.14	.25	1.43
Brazil								
FY2006 <sup>a</sup>	8.01	3.07	—	5.94	—	.05	1.05	18.12
FY2007 Req.	8.00	5.99	—	4.00	—	.05	.99	19.03
Chile								
FY2006	—	—	—	—	.59	.64	.47	1.70
FY2007 Req.	—	—	—	—	.50	.69	.20	1.39
Paraguay								
FY2006	4.39	2.88	1.98	—	—	.05	3.01	12.31
FY2007 Req.	4.13	2.11	2.00	—	—	.05	2.97	11.26
Uruguay								
FY2006	—	—	—	—	—	.05	—	0.05
FY2007 Req.	—	—	—	—	—	.05	—	0.05
S. Am. Reg.								
FY2006	1.49	—	—	—	—	—	—	1.49
FY2007 Req.	2.00	—	—	—	—	—	—	2.00
Total - 2006	13.89	5.95	1.98	5.94	0.64	1.88	5.30	35.58
Total - 2007	14.13	8.10	2.00	4.00	0.54	1.98	4.41	35.16

**Source:** Figures are drawn from Congressional Budget Justification, Foreign Operations, Summary Tables, Fiscal Year 2006 U.S. Department of State. Table updated, March 10, 2006. "Other" includes Non-proliferation, Anti-terrorism, De-mining and Related Programs (NADR) and Peace Corps.

a. Brazil receives ACI funding because it shares a 1,000 mile border with Colombia, although it is not considered an Andean nation.

**Figure 5. Mexico and Central America**

Source: Map Resources. Adapted by CRS. (K.Yancey 4/18/04)

## Mexico and Central America

**Mexico.** Although Mexico has a stronger bilateral relationship with the United States than any other country in Latin America, it is a middle-income nation that has not been a traditional recipient of U.S. foreign assistance. With the entry into force of the North American Free Trade Agreement (NAFTA) in 1994, Mexico became the United States' second largest trading partner in 1999. Burgeoning trade ties coincided with the election of new administrations in both countries in 2000 and promises of greater U.S.-Mexico cooperation in the areas of counter-narcotics, immigration, law enforcement, and trade.

Foreign aid allocations to Mexico totaled only \$31 million in FY2001, but rose to a high of nearly \$74 million in FY2005. Total aid to Mexico decreased slightly in FY2006 to \$69 million and the Administration has requested \$63 million for FY2007. The higher total assistance figures have been primarily the result of large increases in counter-narcotics (INL) funding, used since 2001 to improve Mexico's interdiction capacity, surveillance, and intelligence capabilities. INL funding rose from only \$12 million in FY2003 to close to \$40 million in FY2005 and have remained level since that time. Mexico usually receives a small amount of International Military Education and Training (IMET) funds for military training, as well as economic assistance to promote growth, accountable governance and rule of law, infectious disease prevention and control, and educational exchange and scholarships. For FY2006, Mexico was slated to receive \$30 million in counter-narcotics funding, and Congress provided \$40 million. The FY2007 request in counter-narcotics funding is \$39 million. The Administration also requested about \$15 million in DA, CSH, and Peace Corps funding.

In October 2005, Mexico ratified its membership of the International Criminal Court. Mexico does not have a Bilateral Immunity (Article 98) Agreement exempting U.S. military personnel from the jurisdiction of the ICC and thus became

subject to a suspension of IMET funds under the ASPA and of ESF funds under the Nethercutt Amendment. Mexico received \$1.3 million in IMET funding in FY2005, but was slated to receive only \$50,000 in IMET funds in FY2006. Mexico could lose that IMET funding in FY2006 and the FY2007 IMET request of \$45,000. In addition, Mexico was to have received FMF funding for the first time in FY2006 totaling \$2.5 million, but that funding was frozen after the ICC ratification and was not included in the FY2007 budget request. Mexico could also potentially lose \$9 million in ESF funds in FY2006 and FY2007.

**Central America.** Central America is a region comprised of seven small countries with limited populations and economic resources. Although Panama and Belize are on the Central American isthmus and receive small amounts of U.S. aid, their distinctive histories distinguish them from the five core countries — Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica — generally referred to as “Central America.” Belize is considered a Caribbean nation because of its history and linkages with the English-speaking Caribbean. Panama has a history of extensive economic linkages with the United States because of the Panama Canal. Among the five core Central American countries, Costa Rica enjoys a long history of stable democracy and a per capita income that is 10 times greater than that of Nicaragua. The other four countries, although posting significant democratic and economic improvements in the 1990s, are still recovering from decades of civil war and trying to confront high levels of poverty and violent crime. Despite these differences, each of the countries in Central America is highly dependent on trade with the United States, and that trade is likely to increase significantly with implementation of the U.S.-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA).

In order to assist with implementation of DR-CAFTA, the FY2005 Consolidated Appropriations Act (P.L. 108-447) included \$20 million for trade capacity building. In FY2006, Congress set aside \$40 million for trade capacity building, \$20 million ESF and \$20 million in DA funds. In addition, the Central America Regional program, for which Congress provided an estimated \$12 million in FY2006 and the Administration requested \$18.7 million for FY2007, has focused on fostering regional trade integration, democracy programs, immigration issues, organized crime (including gangs), and drug trafficking. The FY2006 Consolidated Appropriations Act (P.L. 109-102) provided that CSH and DA funding for Central America should not be less than what was provided in FY2005.

The major recipients of U.S. foreign assistance in Central America include El Salvador, Guatemala, Honduras, and Nicaragua. These nations receive Development Assistance (DA) to fund economic growth, justice sector reform, and other democracy programs. FY2007 funding for the five core Central American countries would decline by 9% from FY2006, with the largest cuts occurring in Development Assistance. The Central American countries received an estimated \$90.6 million in FY2006, but the Administration has requested only \$66.2 million for FY2007. Some of that funding would be shifted to the Economic Support Fund (ESF) account for trade capacity building that was included in Development Assistance in previous years. In FY2006, ESF funds were slated for Guatemala, Nicaragua, and Panama, totaling an estimated \$8.8 million. The FY2007 Administration request includes ESF funds for El Salvador, Guatemala, and Nicaragua totaling an estimated \$26 million. All four countries (El Salvador, Guatemala, Honduras and Nicaragua) continue to

receive between \$7 million and \$12 million in Child Survival and Health (CSH) funds, which are especially focused on the prevention and treatment of HIV/AIDS and other infectious diseases. Possessing high levels of poverty and unsustainable levels of foreign debt, Honduras and Nicaragua have additionally qualified for debt-relief under the Highly Indebted Poor Country (HIPC) initiative.

In 2004, Nicaragua and Honduras were selected as countries eligible to receive grants from the new Millennium Challenge Corporation. In June 2005, Honduras signed a five-year, \$215 million Compact with the MCC to promote rural development and road construction. In July 2005, Nicaragua signed a five-year, \$175 million Compact with MCC to strengthen property rights, construct roads, and improve rural business productivity and profitability. El Salvador became eligible to receive MCA funds in FY2006. While Millennium Challenge funds were supposed to be in addition to, not a substitute for, traditional aid programs, all three countries that have either signed, or been deemed eligible for MCC Compacts, would have their DA and CSH funds cut under the FY2007 request.

Finally, the United States provides small amounts of IMET funding to all countries in Central America so that both civilian and military leaders can participate in professional training programs. El Salvador, Honduras, Nicaragua and Panama also receive Foreign Military Financing (FMF) funding. On March 24, 2005, the United States announced that it was releasing \$3.2 million of Military Assistance Program (MAP) funds, a program later supplanted by the FMF program, to Guatemala that had been withheld since 1990 because of human rights concerns. However, the FY2006 Foreign Operations Appropriations Act (P.L. 109-102) maintained a prohibition on FMF funding to Guatemala. El Salvador is the only country in Latin America that has sent troops to Iraq. It is also home to one of the three counter-narcotics Cooperative Security Locations (CSLs), formerly known as Forward Operating Locations (FOLs), in the region, and a new International Law Enforcement Academy (ILEA). The FY2006 estimated provision of \$9.9 million in Foreign Military Financing for El Salvador was substantially higher than the \$1.5 million allocated in FY2005. The FY2007 Administration request for FMF for El Salvador is \$5.5 million. Costa Rica is the only country in Central America that may be subject to sanctions on military aid and ESF funds in FY2006 for failing to conclude and Article 98 agreement with the United States.

For more information, see CRS Report RL32724, *Mexico-U.S. Relations: Issues for the 109<sup>th</sup> Congress*, by K. Larry Storrs; CRS Report RL30981, *Panama: Political and Economic Conditions and U.S. Relations*, by Mark Sullivan; CRS Report RS21655, *El Salvador: Political and Economic Conditions and Relations with the United States*, by Clare Ribando; CRS Report RS21103, *Honduras: Political and Economic Situation and U.S. Relations*, by Mark Sullivan; CRS Report RL32124, *Guatemala: Political Conditions, Elections and Human Rights*, by Maureen Taft-Morales; and CRS Report RS21943, *Costa Rica: Background and U.S. Relations*, by Connie Veillette.



**Table 4. Mexico and the Central America FY2006 Funding Estimates and FY2007 Funding Request**

(\$ in millions)

Country	DA	CSH	ESF	PL 480	INL	INCLE	FMF	Other	Total
Mexico									
FY2006	14.08	3.99	9.01	—	.05	39.60	—	2.13	68.86
FY2007 Req.	9.28	3.72	9.00	—	.05	39.00	—	1.84	62.89
Costa Rica									
FY2006	—	—	—	—	.05	—	—	1.79	1.84
FY2007 Req.	—	—	—	—	.05	—	—	1.84	1.89
El Salvador									
FY2006	22.51	8.14	—	—	1.78	—	9.90	2.79	45.12
FY2007 Req.	7.56	7.35	10.0	—	1.83	—	5.50	2.86	35.10
Guatemala									
FY2006	9.70	12.04	4.46	21.61	.40	2.48	—	3.84	54.53
FY2007 Req.	7.52	10.84	13.00	18.50	.49	2.20	—	3.80	56.35
Honduras									
FY2006	18.82	13.14	—	10.39	1.09	—	.89	3.34	47.67
FY2007 Req.	13.29	12.17	—	16.00	1.29	—	.68	3.34	46.77
Nicaragua									
FY2006	20.84	7.70	3.37	11.73	.59	—	.59	2.65	47.47
FY2007 Req.	12.99	6.66	3.00	12.50	.59	—	.50	2.58	38.82
Panama									
FY2006 <sup>a</sup>	4.34	—	.99	—	.79	4.46	.99	3.31	14.88
FY2007 Req.	3.18	—	—	—	.65	4.00	.78	3.14	11.75
Central America Regional									
FY2006	5.88	6.04	—	—	—	—	—	—	11.92
FY2007 Req.	13.00	5.70	—	—	—	—	—	—	18.70
Total - FY2006	96.17	51.05	17.83	43.73	4.75	46.54	12.37	19.85	292.29
Total - FY2007	66.82	46.44	35.00	47.00	4.95	45.20	7.46	19.40	272.27

**Source:** Figures are drawn from Congressional Budget Justification, Foreign Operations, Summary Tables, Fiscal Year 2007, U.S. Department of State. Table updated by CRS, March 2, 2006.

- a. International Narcotics and Law Enforcement (INL) funding for Panama is from the Andean Counterdrug Initiative account. Panama shares a border with Colombia, although it is not considered an Andean nation.

## Caribbean

With some 35 million people and 16 independent nations sharing an African ethnic heritage, the Caribbean is a diverse region that includes some of the hemisphere's richest and poorest nations. In addition to the 13 island nations, the Caribbean region also includes two countries located on the northern coast of South America, Guyana and Suriname, and one country, Belize, located in Central America, that historically and culturally share similar backgrounds with the Caribbean.

The United States has provided considerable amounts of foreign assistance to the Caribbean over the past 25 years. U.S. assistance to the region in the 1980s amounted to about \$3.2 billion, with most concentrated in Jamaica, the Dominican Republic, and Haiti. An aid program for the Eastern Caribbean also provided considerable assistance, especially in the aftermath of the 1983 U.S.-led military intervention in Grenada. In the 1990s, U.S. assistance to Caribbean nations declined to about \$2 billion, or an annual average of \$205 million. Haiti was the largest recipient of assistance during this period, receiving about \$1.1 billion in assistance or 54% of the total. Jamaica was the second largest U.S. aid recipient in the 1990s, receiving about \$507 million, almost 25% of the total, while the Dominican Republic received about \$352 million, about 17% of the total. Eastern Caribbean nations received about \$178 million in assistance, almost 9% of the total. The bulk of U.S. assistance was economic assistance, including Development Assistance, Economic Support Funds, and P.L. 480 food aid. Military assistance to the region amounted to less than \$60 million during the 1990s.

Since FY2000, U.S. aid to the Caribbean region (including FY2006 aid estimates) has amounted to almost \$1.6 billion, because of increased HIV/AIDS assistance to the region (especially to Guyana and Haiti), disaster and reconstruction assistance in the aftermath of several hurricanes and tropical storms in 2004, and increased support for the interim government in Haiti following the departure of President Jean-Bertrand Aristide from power. Haiti accounted for some 51% of assistance to the Caribbean region during this period. As in the 1990s, the bulk of assistance to the region consisted of economic assistance. With regard to hurricane disaster assistance, Congress appropriated \$100 million in October 2004 in emergency assistance for Caribbean nations (P.L. 108-324), with \$42 million for Grenada, \$38 million for Haiti, \$18 million for Jamaica, and \$2 million for other countries affected by the storms.

For FY2007, the Administration has requested about \$321 million in assistance for the Caribbean, with about \$198 million or almost 62% of the total for Haiti, \$35 million for the Dominican Republic, \$31 million for Guyana, and almost \$17 million for Jamaica. Assistance to the small nations of the Eastern Caribbean (Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines) is provided through USAID's Caribbean Regional program, which also funds some region-wide projects; for FY2007, the Administration requested \$11.6 million for the program. The Eastern Caribbean would also receive about \$1.5 million in military assistance and \$3.2 million to support a Peace Corps presence. The request of \$3 million for the "Third Border Initiative" (TBI) would fund regional projects for the 14-nation Caribbean Community (CARICOM) plus the Dominican Republic that focus on improving travel and border security in the region, disaster preparedness, and greater business competitiveness. A request of \$4 million for Operation Enduring Friendship, a military assistance program, would support efforts to increase maritime security in the Dominican Republic, Honduras, Panama, the Bahamas, and Jamaica.

Looking ahead to future years, several Caribbean nations are potential recipients for Millennium Challenge Account (MCA) assistance, an initiative to target foreign assistance to countries with strong records of performance in the areas of governance, economic policy, and investment in people. While Haiti and Guyana were potentially

eligible for MCA funds in FY2004 (because their per capita income was below \$1,415) neither country was approved to participate. Guyana was designated a MCA threshold country for FY2005 and FY2006, and could be approved in future years for MCA funding, but Haiti would likely have difficulty meeting MCA criteria. In FY2006, the per capita income level for MCA-eligibility increased to \$3,255 or below, and as a result, three additional Caribbean countries — the Dominican Republic, Jamaica, and Suriname — could become eligible for MCA funding.

For more information, see CRS Report RL32160, *Caribbean Region: Issues in U.S. Relations*, by Mark Sullivan, and CRS Report RL32001, *AIDS in the Caribbean and Central America*, by Mark Sullivan.

**Cuba.** Over the past several years, the United States has provided assistance to increase the flow of information on democracy, human rights, and free enterprise to Communist Cuba. The assistance has been part of the U.S. strategy of supporting the Cuban people while at the same time isolating the government of Fidel Castro through economic sanctions. USAID's Cuba program supports a variety of U.S.-based nongovernmental organizations to promote rapid, peaceful transition to democracy, help develop civil society, and build solidarity with Cuba's human rights activists. These efforts are largely funded through Economic Support Funds (ESF), but in FY2006 also included some Development Assistance funds. Funding for such projects amounted to \$6 million in FY2003, \$21.4 million in FY2004 (because of re-programmed ESF assistance to fund the democracy-building recommendations of the Commission to Provide Assistance for a Free Cuba), \$9 million in FY2005, and an estimated \$10.9 million in FY2006.

The FY2007 request is for \$9 million in ESF for Cuba. According to the request, ESF funds will be used to implement the recommendations of the Commission for Assistance to a Free Cuba. The goals of the assistance are to augment current activities in support of the Cuban people, to "undermine the survival strategies of the Castro regime," and "to contribute to conditions that will help the Cuban people hasten the dictatorships' end." ESF will also continue to support USAID-administered programs with democracy and human rights groups. Key groups targeted for assistance include women, Afro-Cubans, and youth as well as libraries, labor organizations, human rights groups, and other independent non-governmental organizations in Cuba.

U.S. democratization assistance for Cuba is also provided through the National Endowment for Democracy (NED), which traditionally has been funded in State Department appropriations bills. NED-funded Cuba projects amounted to \$1.1 million for each of FY2003 and FY2004. For FY2005, NED funded 17 Cuba projects with \$2.4 million. This included grants to support a variety of undertakings, such as assistance to Cuba's independent libraries; the promotion of general human rights, labor rights, and women's rights; and support for the work of the Varela Project and National Dialogue that emphasize a peaceful democratic transition.

For more information, see CRS Report RL32730, *Cuba: Issues for the 109<sup>th</sup> Congress*, by Mark Sullivan.

**Haiti.** Following a period of political discord and violence, President Jean-Bertrand Aristide resigned under disputed circumstances in February 2004, and an interim government was established. The United Nations authorized an international force, mainly composed of U.S. Marines, and French and Canadian police and military forces, to help restore order. This was subsequently replaced by a U.N. peacekeeping force, the U.N. Stabilization Mission in Haiti (MINUSTAH) beginning in June 2004, with the objective of securing a stable and secure environment and advancing the rule of law. After being postponed several times because of political instability and technical problems, new elections were ultimately held February 7, 2006. Former president Rene Preval was declared the winner after several days of protests by his supporters when it appeared that a run-off election would be necessary. U.S. foreign aid to Haiti increased significantly in support of the interim Haitian government. Assistance increased from about \$72 million in FY2003 to \$132 million in FY2004, and \$183 million in FY2005. Because Haiti is a focus country under the President's Emergency Plan for AIDS Relief (PEPFAR), it has benefitted from increased assistance to combat HIV/AIDS under the Global HIV/AIDS Initiative (GHAI) account.

The FY2006 Foreign Operations Appropriations Act (P.L. 109-102) provided Haiti with a total of \$194 million in assistance, largely in CSH, ESF, DA, and counternarcotics funds. It also received \$47.3 million for HIV/AIDS programs. For FY2007, the Administration requested \$198 million in assistance for Haiti, including \$63 million in GHAI funding, \$50 million in ESF, \$34.5 million in food aid, \$23 million in Development Assistance, \$15 million in Child Survival and Health assistance, and \$10 million in International Narcotics Control and Law Enforcement funding.

For more information, see CRS Report RL32294, *Haiti: Developments and U.S. Policy Since 1991 and Current Congressional Concerns*, by Maureen Taft-Morales.

**Table 5. U.S. Foreign Assistance to the Caribbean FY2006  
Estimates and FY2007 Requests**  
(\$ in millions)

Country	DA	CSH	GHA1	ESF	PL 480	IMET	INL	FMF	Other	Total
Bahamas										
FY2006	—	—	—	—	—	.39	.50	.10	1.53	2.52
FY2007 Req.	—	—	—	—	—	.23	.50	.08	—	0.81
Belize										
FY2006	—	—	—	—	—	.20	—	.20	1.86	2.26
FY2007 Req.	—	—	—	—	—	.25	—	.18	1.87	2.30
Cuba										
FY2006	1.98	—	—	8.91	—	—	—	—	—	10.89
FY2007 Req.	—	—	—	9.00	—	—	—	—	—	9.00
Dominican Republic										
FY2006	7.07	12.72	—	1.98	—	1.29	—	.94	3.12	27.12
FY2007 Req.	6.01	11.34	—	12.00	—	1.09	—	.73	3.85	35.02
Guyana										
FY2006	3.96	—	18.00	—	—	.30	—	.10	1.61	23.97
FY2007 Req.	4.00	—	25.00	—	—	.32	—	.08	1.61	31.01
Haiti										
FY2006	29.70	19.80	47.30	49.50	31.48	.21	14.85	.99	.55	194.38
FY2007 Req.	23.14	15.81	63.00	50.00	34.50	.25	10.00	.78	.56	198.04
Jamaica										
FY2006	9.58	4.47	—	—	—	.89	.99	.59	2.95	19.47
FY2007 Req.	7.39	2.81	—	—	—	.75	.90	.50	4.27	16.62
Suriname										
FY2006	—	—	—	—	—	.15	—	.10	1.38	1.63
FY2007 Req.	—	—	—	—	—	.15	—	.08	1.47	1.70
Trinidad & Tobago										
FY2006 <sup>a</sup>	—	—	—	—	—	.05	—	—	.98	1.03
FY2007 Req.	—	—	—	—	—	.05	—	—	2.85	2.90
Third Border Initiative										
FY2006	—	—	—	2.97	—	—	—	—	—	2.97
FY2007 Req.	—	—	—	3.00	—	—	—	—	—	3.00
Operation Enduring Friendship										
FY2006	—	—	—	—	—	—	—	3.96	—	3.96
FY2007 Req.	—	—	—	—	—	—	—	4.00	—	4.00
Caribbean Region										
FY2006	4.89	6.44	—	—	—	—	—	—	—	11.33
FY2007 Req.	6.00	5.64	—	—	—	—	—	—	—	11.64
Eastern Caribbean										
FY2006	—	—	—	—	—	.76	—	.89	3.16	4.81
FY2007 Req.	—	—	—	—	—	.77	—	.78	3.23	4.78
Total - FY2006	57.18	43.43	65.30	63.36	31.48	4.24	16.34	8.76	17.14	307.23
Total - FY2007	46.54	35.60	88.00	74.00	34.50	3.86	11.40	7.21	19.71	320.82

**Source:** Figures are drawn from U.S. Department of State Congressional Budget Justification, Summary Tables, Fiscal Year 2007. Table updated by CRS, February 28, 2006. Operation Enduring Friendship includes activities in Panama.

## Regional Programs

The United States also provides assistance for programs that have a regional scope. The Latin America and Caribbean (LAC) program is the largest regional program and provides Child Survival and Health, Development Assistance, and Economic Support Funds for a number of purposes, such as justice and health-related programs. Funds are used to strengthen democratic institutions and processes, improve education and health, and protect biodiversity and support new environmental technologies. Anti-Terrorism funding for the Western Hemisphere focuses mainly on Colombia, and the tri-border region of Argentina, Brazil and Paraguay. INCLE funding is also provided to the region centering on drug transit zones in Central America and the Caribbean.

**Table 6. Western Hemisphere Regional Programs:  
FY2006 Estimates and FY2007 Request**  
(\$ in millions)

Program	Funding level
Anti-Corruption (ESF)	
FY2006	0.99
FY2007	—
Latin America/Caribbean Regional	
FY2006	70.82
FY2007	38.20
Latin America Regional (INCLE)	
FY2006	2.48
FY2007	—
Migration/Refugee Assistance	
FY2006	24.34
FY2007	21.98
OAS Demining	
FY2006	1.74
FY2007	1.80
OAS Development Assistance	
FY2006	4.70
FY2007	5.23
OAS Fund for Strengthening Democracy	
FY2006	2.48
FY2007	2.50
Summit of the Americas Support	
FY2006	2.97
FY2007	2.00
Trade Capacity	
FY2006	19.80
FY2007	20.00
Western Hemisphere Regional (NADR)	
FY2006	2.65
FY2007	1.49
Caribbean/Central America Regional	
FY2006	—
FY2007	1.70

Program	Funding level
Anti-Terrorism	
FY2006	12.30
FY2007	11.90
Total - FY2006	145.27
Total - FY2007	106.80

**Source:** Figures are drawn from U.S. Department of State Congressional Budget Justification, Summary Tables, Fiscal Year 2007. Table updated by CRS, February 28, 2006.

## Additional Issues for Congress

### Effectiveness of Programs

Congressional debate on foreign aid issues has often focused on whether it is effective in reducing poverty, and promoting U.S. interests abroad. Critics argue that aid is often wasted on countries that do not responsibly use the assistance to promote the welfare of their citizens. Others argue that programs are often ill-designed in relation to their goals. Proponents of foreign aid argue that development is a long term process that must be consistently implemented to see results. Recent studies have noted a marked lack of progress in reducing global poverty, and question the correlation between levels of development assistance and program success.<sup>4</sup> Others argue that U.S. assistance, as currently structured, does not contribute as much to sustainable economic growth as does trade.<sup>5</sup> One of the reasons suggested to explain this perceived lack of success is that aid programs often have objectives other than pure development, such as national security, environmental or human rights considerations. Another reason often pointed to is the nature and extent of corruption in societies that have little history of transparency.

The newly created Millennium Challenge Account (MCA) seeks to address some of these concerns, in the view of the Bush Administration. The MCA links assistance to recipients' performance on a number of good governance and sound economic policy criteria. (See discussion below.) Proponents of the MCA view it as a way to reform foreign aid programs by rewarding good performers and by focusing on the objectives of poverty reduction, with limited consideration of strategic or political objectives. Critics raise concerns that by creating new aid programs, including the HIV/AIDS initiative, which coexist with traditional aid programs, there is a fragmentation of resources, and potentially a lack of coordination among the various entities administering the programs.<sup>6</sup>

Secretary Rice's announcement of a newly created position — Director of Foreign Assistance — that will be held concurrently by the USAID Administrator,

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<sup>4</sup> Paul Collier and David Dollar, "Aid Allocation and Poverty Reduction," The World Bank, January 1999; *Foreign Assistance in Focus: Emerging Trends*, InterAction, November 2003; and William Easterly, "The Failure of Development," *Financial Times*, July 3, 2001.

<sup>5</sup> Evan Osborne, "Rethinking Foreign Aid," *Cato Journal*, fall 2002.

<sup>6</sup> *Foreign Assistance in Focus: Emerging Trends*, InterAction, November 2003.

was unveiled as a way to better coordinate aid programs government-wide. There has been much debate as to whether this reorganization of foreign aid will be effective, and some observers believe it is not ambitious enough, advocating a complete restructuring of foreign aid accounts. Any such reform would require legislation. It is possible that further reforms could be proposed for FY2008.

For more information, see CRS Report 98-916, *Foreign Aid: An Introductory Overview of U.S. Programs and Policy*, by Curt Tarnoff and Larry Nowels.

## **Article 98 Agreements**

A further concern of policymakers has centered on current U.S. policy opposing the application of jurisdiction of the International Criminal Court to U.S. citizens. Countries who have not agreed to sign so-called Article 98 agreements with the United States are subject to a cutoff of U.S. military assistance, comprising Foreign Military Financing, and International Military Education and Training funds. (Such agreements, referring to Article 98 of the Rome Treaty on the International Criminal Court, prevent the ICC from proceeding with a request for the surrender of U.S. personnel present in the country.) These agreements are required under the American Services Members Protection Act of 2002, that was incorporated as Title II of H.R. 4775, the FY2002 Supplemental Appropriations Act (P.L. 107-206). Section 574 of both the FY2005 and FY2006 Foreign Operations Appropriation acts extends the provision of law to include Economic Support Funds. The President may waive the law if it is in the national interest. Colombia, the major recipient of military assistance in Latin America, has signed an agreement. Others that have not, such as Bolivia, Brazil, Costa Rica, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela, could see their assistance withheld.

## **HIV/AIDS in the Caribbean and Central America**

The AIDS epidemic in the Caribbean and Central America has begun to have negative consequences for economic and social development, and continued increases in infection rates threaten future development prospects. In contrast to other parts of Latin America, the mode of transmission in several Caribbean and Central American countries has been primarily through heterosexual contact, making the disease difficult to contain because it affects the general population. The Caribbean countries with the highest prevalence or infection rates are Haiti, with a rate over 3%; the Bahamas, Guyana, and Trinidad and Tobago, with rates over 2%; and Barbados, Belize, the Dominican Republic, Jamaica, and Suriname, with rates over 1%. In Central America, Honduras has the highest prevalence rate of 1.8%, while Guatemala has a rate over 1%.

The response to the AIDS epidemic in the Caribbean and Central America has involved a mix of support by governments in the region, bilateral donors (such as the United States, Canada, and European nations), regional and multilateral organizations, and nongovernmental organizations (NGOs). The World Bank, the Inter-American Development Bank, and the Global Fund to Fight AIDS, Tuberculosis, and Malaria have funded numerous HIV/AIDS projects in the



Caribbean and Central America. Many countries in the region have national AIDS programs that are supported through these efforts.

USAID has been the lead U.S. agency fighting the epidemic abroad since 1986. USAID's funding for HIV/AIDS in Central America and the Caribbean region rose from \$11.2 million in FY2000 to \$33.8 million in FY2003. Because of the inclusion of Guyana and Haiti as focus countries in the President's Emergency Plan for AIDS Relief (PEPFAR), funded largely through the Global HIV/AIDS Initiative (GHAI) account, U.S. assistance to the Caribbean and Central America for HIV/AIDS increased to \$47 million in FY2004, \$82 million in FY2005, and an estimated \$87.8 million in FY2006. For FY2007, the Administration requested \$88 million in GHAI funding for Guyana (\$25 million) and Haiti (\$63 million). There is further assistance provided for non-focus countries and programs in Central America and the Caribbean funded through the Child Survival and Health account. In FY2006, assistance to these non-focus countries in the Caribbean and Central America amounted to almost \$23 million. It is possible that at least this much will be allocated in FY2007, which could bring the total funding level for these countries to \$111 million.

Some Members of Congress want to expand the list of focus countries to include 14 additional Caribbean countries. In the 109<sup>th</sup> Congress, S. 600, the Foreign Affairs Authorization Act, FY2006 and FY2007, contains a provision (Section 2516) that would add 14 Caribbean countries to the list of focus countries targeted for increased HIV/AIDS assistance. In other action, the 109<sup>th</sup> Congress approved H.R. 1409 (P.L. 109-95), which authorizes assistance for orphans and other vulnerable children in developing countries, including in the Caribbean. Pending legislative initiatives in the second session include: H.R. 164, which would provide for the establishment of pediatric centers in developing countries, including Guyana, to provide treatment and care for children with HIV/AIDS; and S. 350 and H.R. 945, which would provide assistance to combat infectious diseases in Haiti, including HIV/AIDS.

For more information, see CRS Report RS21181, *HIV/AIDS International Programs: Appropriations, FY2003-FY2006*, by Tiaji Salaam-Blyther; CRS Report RL31712, *The Global Fund to Fight AIDS, Tuberculosis and Malaria: Background and Current Issues*, by Raymond W. Copson and Tiaji Salaam; and CRS Report RL32001, *AIDS in the Caribbean and Central America*, by Mark Sullivan.

## Millennium Challenge Account

The MCA initiative differs from traditional USAID programs in a number of respects, and could have implications for the future of assistance programs in general. First, funding is linked to performance and results. Second, the conceptualization of development projects rests with the countries themselves and their national development strategies, with the United States playing an advisory role. Third, MCA funds are intended to center exclusively on development goals without regard for other U.S. foreign policy and geostrategic objectives. While the international community and NGOs have been generally supportive of the initiative, some concerns have been expressed that funding for traditional assistance programs (DA and CSH) could end up being cut to accommodate the increased funding for MCA. The Administration has stated that it does not intend for the MCA to negatively affect

its other development programs. Despite that assertion, funding for DA and some health programs under CSH have declined. Development assistance in Latin America is proposed for FY2007 at 28% less than in FY2006. CSH would also decline by 9%. The countries most affected by these proposed cuts are in Central America—two of which have signed MCC compacts (Nicaragua and Honduras) and one that is eligible for the program (El Salvador).

When fully operational, the MCA initiative will be limited to countries with per capita incomes below \$2,935. But in the first two years (FY2004 and FY2005), countries with per capita incomes below \$1,415, and that can borrow from the World Bank's International Development Association (IDA) in FY2004, were eligible to compete for grants. Beginning in FY2006, low-middle income countries can participate, but they can only receive 24% of the amount appropriated for the MCA in that year. However, income level is not the only criteria for participation. Some countries may not receive funding if they do not meet certain criteria relating to political rights and civil liberties. Performance indicators fall into three general categories—ruling justly, investing in people, and economic freedom. Specific measurements of each category would be taken from the World Bank, the World Health Organization, and the Freedom House annual study on civil liberties and political freedom, among others. It is anticipated that the list of eligible countries could reach 115, although just 20 to 30 may ultimately qualify for MCA grants. Countries that demonstrate a commitment to meeting the MCA eligibility requirements can qualify for “threshold assistance.” Both Guyana and Paraguay were invited to participate in the threshold program in 2005. Paraguay has concluded an agreement for such assistance in the amount of \$37 million.

Congress has been involved in determining the criteria for country eligibility and performance indicators, and funding levels. Congress passed P.L. 108-199 (Division D) that created the Millennium Challenge Corporation (MCC), the entity charged with managing the initiative, and appropriated \$994 million for the first year, instead of the \$1.3 billion requested by the Administration. For FY2005 and FY2006, MCC funding was \$1.5 billion and \$1.7 billion; the FY2007 request is \$3 billion.

With regard to Latin America, countries that have per capita incomes of less than \$1,415 and that are IDA-eligible include Bolivia, Guyana, Haiti, Honduras, and Nicaragua. Of those candidate countries, Bolivia, Honduras and Nicaragua were deemed eligible to participate after the MCC board met to approve participants on May 6, 2004. In 2005, two agreements, called compacts, were signed with Honduras (\$215 million over five years) and Nicaragua (\$175 million over five years). Paraguay is a ‘threshold’ country that is eligible for assistance to help it participate in the process. Beyond FY2006, when eligible countries can have per capita incomes up to \$2,935, the following additional Latin American countries could have qualified: Brazil, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Jamaica, Peru, St Vincent and the Grenadines, and Suriname. In November 2005, the MCC named El Salvador as an eligible “lower middle income” country.

For more information, see CRS Report RL32427, *The Millennium Challenge Account: Implementation of a New Foreign Aid Initiative*, by Larry Nowels.

## Terrorism

In the aftermath of the September 2001 terrorist attacks on New York and Washington D.C., U.S. attention to terrorism in Latin America intensified, with an increase in bilateral and regional cooperation. The State Department, in its annual report on worldwide terrorism (*Country Reports on Terrorism*), highlights terrorist threats in Colombia, Peru, and the tri-border region of Argentina, Brazil, and Paraguay, which has been a regional hub for Hizballah and Hamas fund-raising activities. The State Department also has designated four terrorist groups (three in Colombia and one in Peru) as Foreign Terrorist Organizations, and Cuba has been listed as a state sponsor of terrorism since 1982.

Through the State Department, the United States has provided Anti-Terrorism Assistance (ATA) training and equipment to Latin American countries to help improve their capabilities in such areas as airport security management, hostage negotiations, bomb detection and deactivation, and countering terrorism financing. ATA financing is provided through the annual foreign operations appropriations measure under the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) account. For FY2005, \$7.9 million in ATA was provided for the Western Hemisphere, with \$5.1 million for training anti-kidnapping units in Colombia and \$0.5 million for the tri-border area of Brazil, Paraguay, and Argentina. For FY2006, an estimated \$12.3 million in ATA will be provided for the Western Hemisphere, with \$5.3 million for Colombia and \$1.5 million for the Bahamas. The FY2007 Western Hemisphere request is \$11.9 million, with \$3.1 million for Colombia, \$2.8 million for Trinidad and Tobago, and \$1.4 million for Jamaica.

In addition to ATA assistance, several Latin American countries would receive small amounts of assistance in FY2007 under NADR's Export Control and Related Border Security Assistance (EXBS) program. The program helps strengthen the countries' export and border control systems to prevent the proliferation of weapons of mass destruction, missile delivery systems, and conventional weapons. A total of \$865,000 is requested for Western Hemisphere NADR/EXBS funding in FY2007, including a regional program and specific assistance for Argentina, Brazil, Chile, and Panama. In past years, some Latin American nations also received assistance under the NADR's Counterterrorism Financing (CTF) program and the Small Arms/Light Weapons Destruction (SALW) program.

## Appendix. Types of Assistance

### Economic Assistance

Economic assistance is generally provided by the U.S. government directly to other foreign governments or to nongovernmental organizations working in those countries. Bilateral economic aid to Latin America is primarily administered by the U.S. Agency for International Development (USAID). USAID strives to use that assistance to alleviate poverty and to address critical transnational issues such as HIV/AIDS, the environment, and humanitarian relief. Bush Administration officials have maintained that U.S. policy towards Latin America is based on three broad objectives — strengthening democracy, encouraging development, and enhancing security.<sup>7</sup> While hemispheric security is addressed by programs funded through counternarcotics and military accounts, most transformational development programs aimed at fostering social, political, and economic progress are funded by the Child Survival and Health (CSH), Development Assistance (DA), and Economic Support Funds (ESF) accounts.

**Child Survival and Health.** CSH funds focus on combating infectious disease and promoting child and maternal health, family planning, and reproductive health. For FY2006, the Administration requested \$125.3 million for Latin America out of a total of \$1.25 billion in CSH funds globally. Congress provided nearly \$1.6 billion globally but did not earmark by region. The FY2006 request for Latin America reflected a 12.7% decrease from the FY2005 estimated allocation of \$143.5 million. Traditional CSH programs are being cut in favor of new initiatives such as the President's Emergency Plan for AIDS Relief (PEPFAR), a State Department administrated program currently targeting two Latin American countries, Haiti, and Guyana. For FY2006, the Administration estimates spending \$140.9 million in the Western Hemisphere. Its FY2007 request is \$128 million, a reduction of 9% from the previous year's estimate.

CSH funded HIV/AIDS programs focus on prevention, care, and treatment efforts, specifically targeting children affected by AIDS. They will be integrated into the overall policy framework and strategic "prevention-to-care continuum" espoused by PEPFAR. Child survival and maternal health programs strive to reduce the number of deaths in children under the age of five and save the lives of women in childbirth. Interventions used to reduce preventable child deaths include immunizations, pneumonia and diarrhea prevention and treatment, oral rehydration, safe birthing and prenatal care, nutrition, and breast-feeding initiatives. The final major component of CSH funds support expanded access to information and services concerning family planning and reproductive health.

**Development Assistance.** DA funds aim to achieve measurable improvements in key areas to foster sustainable economic growth: trade and investment, agriculture, education, environment, health, and democracy. The

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<sup>7</sup> U.S. Department of State, "Pursuit of Three Important Objectives in the Western Hemisphere," J. Curtis Struble, Acting Assistant Secretary of State, Bureau of Western Hemisphere Affairs. Remarks to the Senate Committee on Foreign Relations, April 2, 2003.

Administration requested \$223.8 million for Latin America out of a total FY2006 request of \$1.1 billion, an 8% decrease from the FY2005 estimated allocation of \$255.5 million. For FY2006, Congress appropriated \$1.524 billion for worldwide programs, but did not earmark DA funds by country or region. The Administration estimates spending \$254.4 million in FY2006 in the Western Hemisphere. Congress did include report language that Central American countries should receive no less than they did in FY2005 in CSH and DA funds. Congress also allocated \$20 million in DA funds for labor and environment capacity building programs for CAFTA-DR countries. For FY2007, the Administration requested \$181.9 million for Latin America, a 28% decrease from the previous year. Some of this decrease is made up in the ESF account for trade capacity building in Central America.

DA supports the Opportunity Alliance for Central America, which focuses on facilitating regional integration and helping the region's economies recover from recent natural disasters, declining coffee prices and drought. Specific trade capacity-building initiatives were undertaken prior to the negotiation of the Central American Free Trade Agreement (CAFTA). Agriculture programs seek to promote non-traditional agricultural exports and find agricultural niche markets for local producers. DA funds basic education programs to strengthen preschool, primary, and secondary education, as well as the Centers of Excellence in Teacher Training (CETT) Initiative in Latin America and the Caribbean. USAID manages five Presidential initiatives addressing various aspects of sustainable development. These initiatives focus on encouraging natural resource management, developing alternative energy sources, expanding clean water access, preventing illegal-logging, and minimizing greenhouse gas emissions. There are justice sector modernization programs underway in 12 countries in the region, as well as 15 anti-corruption programs throughout Latin America. DA democracy programs also seek to strengthen Latin American democracies by supporting elections, strengthening civil society, and protecting human rights.

**Transition Initiatives (TI).** For FY2006, the Administration requested funding for TI previously provided in the Development Assistance Account. The request for FY2006 was \$325 million, of which Haiti was to receive \$30 million. The program would support stabilization, reform and post-conflict reconstruction programs in fragile states. In FY2005, the State Department estimated spending \$25 million in Haiti, and \$8.9 million in FY2004. Congress did not fully fund the TI account, giving it \$40 million, and leaving other funds in the DA account. For FY2007, the Administration has requested \$50 million.

**Economic Support Funds.** Through the security-related ESF program, the United States provides economic aid to countries of strategic interest to U.S. foreign policy. Funding decisions are made by the State Department; programs are managed by USAID and the State Department. Although Israel and Egypt receive the majority of ESF aid, 11 Latin American countries have received some ESF funding in recent years, with Bolivia, Cuba, Ecuador, Mexico, and Peru among the largest recipients. The Administration estimates spending \$120.8 million in Latin America in FY2006. The request for FY2007 is \$152.1 million, with most increases for the Dominican Republic, Ecuador, El Salvador, and Guatemala for trade assistance.

ESF assistance in the Andean region, Mexico, and Central America is used to pursue justice sector reform, facilitate implementation of free trade agreements, improve local governance, fight corruption, and promote respect for human rights. The \$3 million requested for the Third Border Initiative, which began in FY2002, would enhance immigration, border security, rule of law, and disaster preparedness in the Caribbean. A \$9 million FY2007 request for Cuba would continue the Administration's efforts to support a transition to democracy there through information dissemination and support for dissidents and human rights activists.

For FY2006, Congress appropriated \$2.634 billion for ESF programs globally and earmarked \$116.4 million for Latin America and the Caribbean. It also directed that Haiti receive \$50 million, Guatemala \$5.5 million, Mexico \$11.5 million, Nicaragua \$1.9 million, and another \$20 million for trade capacity building programs in the CAFTA-DR countries. .

**P.L. 480 Title II Food Aid.** This account, funded through the annual Agriculture Appropriations bill, provides the funds for USAID to respond quickly to the food assistance needs of countries facing emergency situations. Food aid is targeted at vulnerable populations, especially those coping with, or recovering from, natural or manmade disasters, including prolonged civil strife. This assistance program is administered largely by U.S. private voluntary organizations and through the United Nation's World Food Program. For FY2005, the United States allocated an estimated \$108 million for P.L. 480 in Latin America, and the Administration estimates spending \$100 million in FY2006. For FY2007, the request is \$118.5 million. The largest recipients of food aid in Latin America include Bolivia, Guatemala, Haiti, Honduras, Nicaragua, and Peru.

**Migration and Refugee Assistance (MRA).** This program supports refugee relief activities, and in some cases, helps resettle refugees. FY2006 funding for MRA in Latin America is an estimated \$24.3 million. The Administration reduced its MRA request for FY2006 to \$22 million. Most of the funding will be used to help the more than 2 million internally displaced persons (IDPs) in Colombia and thousands of refugees outside of Colombia. The State Department partners with the International Committee of the Red Cross and the U.N. High Commission on Refugees to provide refugee assistance.

**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. Countries in Latin America with Peace Corps programs include countries in the Eastern Caribbean region and Central America, the Dominican Republic, Guyana, Haiti, Jamaica, Suriname, Mexico, Belize, Bolivia, Ecuador, Peru and Paraguay.

**Inter-American Foundation (IAF).** The IAF is a small federal agency that provides grants to non-profit and community-based programs in Latin America that promote entrepreneurship, self-reliance, and economic progress for the poor. The FY2006 estimated allocation for the IAF is 19.3 million, and the FY2007 request maintains level funding at \$19.3 million.

**Millennium Challenge Account (MCA).** The MCA is a Presidential initiative announced in 2002 that is intended to increase foreign assistance to

countries below a certain income threshold that are pursuing policies intended to promote democracy, social development, and sustainable economic growth. If fully funded, the MCA would increase foreign assistance beginning in FY2004 so that by FY2006 U.S. foreign aid would be \$5 billion higher than three years earlier. The FY2005 allocation for the MCA was \$1.488 billion. The Administration requested \$3 billion in FY2006, and Congress approved \$1.77 billion. For FY2007, the request is \$3 billion. This assistance is administered by the Millennium Challenge Corporation (MCC), in cooperation with USAID. In 2005, the MCC signed compacts with Nicaragua for \$175 million over five years, and with Honduras for \$215 million over five years. (For further information, see the discussion of the MCA in the “Additional Issues for Congress” section above.)

**Global HIV/AIDS Initiative.** In 2003, President Bush announced the President’s Emergency Plan for AIDS Relief (PEPFAR), a new initiative pledging \$15 billion over five years for the prevention and treatment of HIV/AIDS, tuberculosis (TB), and malaria. This includes \$10 billion in new funding of which \$1 billion would be for contributions to the Global Fund to Fight AIDS, Tuberculosis, and Malaria. The other \$5 billion would come from existing programs managed by other agencies such as USAID and the Department of Health and Human Services (HHS). The Global AIDS Initiative, which constitutes the bulk of PEPFAR funding, is a Department of State program currently concentrated on 12 African countries, as well as Haiti and Guyana. The 2005 funding level for Haiti was estimated at \$39.4 million, and for Guyana, at \$13.2 million. The FY2006 estimate provides \$47.3 million for Haiti, and \$18 million for Guyana. The FY2007 request includes \$ \$63 million for Haiti and \$25 million for Guyana. (For further information, see the discussion on HIV/AIDS in the “Additional Issues for Congress” section above.)

## **Counternarcotics Assistance**

**International Narcotics and Law Enforcement (INL).** INL funds bilateral, regional and global programs to assist foreign governments in strengthening their law enforcement capabilities, including the ability to destroy drug crops, disrupt drug production, and interdict drug trafficking. Its largest single program is the Andean Counterdrug Initiative. Its other programs focus on fighting money-laundering and terrorist financing, enhancing security along the U.S.-Mexican border, and fighting trafficking in persons, corruption, and cybercrimes. It also includes programs to strengthen the rule of law and to promote demand reduction. It provides some funding to the United Nations Office on Drugs and Crime to provide support for legal frameworks to prevent and combat organized crime, and the Organization of American States Drug Abuse Control Commission (CICAD) to strengthen national drug commissions and to support the Multilateral Evaluation Mechanism (MEM). MEM is the peer review system used to evaluate national anti-drug performance. INL’s current bilateral assistance to Latin America supports programs in the Bahamas, Guatemala, Haiti, Jamaica and Mexico.

FY2006 funding is an estimated \$61 million for Latin America., and \$54.8 million is requested for FY2007. Mexico would receive the most funding in FY2006 (\$40 million), and Haiti would receive the second highest allocation (\$15 million). Congress included language expressing concern about the rise in gang violence in

Central America and urged the Secretary of State to increase funds for gang-related programs.

***Interregional Aviation Support.*** INL manages the Interregional Aviation Support program that operates a fleet of 189 fixed- and rotary-wing aircraft supporting overflight drug crop imagery and aerial eradication programs in Colombia, Bolivia, and Peru, as well as border security operations in Pakistan. FY2006 funding is estimated at nearly \$62.9 million, of which approximately half is allocated for programs in the Andean region. The request for FY2007 is for \$65.5 million.

**Andean Counterdrug Initiative (ACI).** The core of U.S. counternarcotics programs in Latin America is the ACI. The three primary global producers of cocaine are Colombia, Peru and Bolivia. The objectives are to eliminate the cultivation and production of cocaine and opium, build Andean law enforcement infrastructure, arrest and prosecute traffickers, and seize their assets. The countries considered a part of the ACI include Bolivia, Brazil, Colombia, Ecuador, Panama, Peru and Venezuela, with the lion's share of funding allocated for programs in Colombia. Funds are divided between programs that support eradication and interdiction efforts, as well as those focused on alternative crop development and democratic institution building. On the interdiction side, this includes programs to train and support national police and military forces, to provide communications and intelligence systems, to support the maintenance and operations of host country aerial eradication aircraft, and to improve infrastructure related to counternarcotics activities. On the alternative development side, funds support economic development programs in coca growing areas, including infrastructure development, and marketing and technical support for alternative crops. It also includes assisting internally displaced persons, promoting the rule of law, and expanding judicial capabilities.

FY2006 funding for ACI was estimated at \$727 million, and \$721.2 million is requested for FY2007. In the past, Congress has approved the Administration's requests, but often places conditions on U.S. assistance. For FY2006, Congress changed the allocations slightly among countries and programs. (For further information, see the discussion of the ACI in the "South America" section above.)

## **Military and Terrorism Assistance**

Military assistance is provided by the State Department through the Foreign Military Financing (FMF) program and the International Military Education and Training program (IMET), although both are managed by the Defense Department. Additional funding is provided from the Department of Defense for both counternarcotics and military programs. Anti-terrorism assistance is provided through the State Department.

**Foreign Military Financing.** FMF provides grants to foreign nations to purchase U.S. defense equipment, services, and training. The program's objectives are to assist key allies to improve their defense capabilities, to strengthen military relationships between the United States and FMF recipients, and to promote the professionalism of military forces in friendly countries. In the Western Hemisphere,



a large portion of FMF is allocated for Colombia and the Andean region with the objective of supporting the efforts of those nations to establish and strengthen national authority in remote areas that have been controlled by leftist guerrilla organizations, rightist paramilitaries, and narcotics traffickers. A portion of FMF funding in Fiscal Years 2002 and 2003 went for infrastructure protection of oil pipelines in Colombia. The program also seeks to improve foreign military capabilities of countries that control land approaches to the United States and the Caribbean, which is referred to as the “third border.” FMF also provides equipment and training for countries in the region that participate in peacekeeping operations.

In FY2006, FMF funding for programs in Latin America amounted to \$111.7 million. The requested FY2007 amount is for \$105.3 million. For FY2006, Congress prohibited FMF to Guatemala, and required notification to Congress before any funds are allocated to Haiti.

**International Military Education and Training.** The IMET program provides training on a grant basis to students from allied and friendly nations. Its objectives are to improve defense capabilities, develop professional and personal relationships between U.S. and foreign militaries, and influence these forces in support of democratic governance. Training focuses on the manner in which military organizations function under civilian control, civil-military relations, military justice systems, military doctrine, strategic planning, and operational procedures. The largest IMET programs in Latin America are for Colombia, El Salvador, and Mexico. The IMET budget for Latin America in FY2006 was \$13.4 million; the FY2007 request is for \$12.6 million.

**Anti-Terrorism Assistance (ATA).** ATA is funded through the State Department’s Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR). Other programs funded by NADR include Nonproliferation, and Regional Stability and Humanitarian Assistance. The objectives of ATA are to build the political will and operational capacity of partner countries in the fight against global terrorism. The program provides training, equipment, and advice to foreign law enforcement organizations. In the Western Hemisphere, Colombia has received training and equipment for anti-kidnapping units. Funding has also been provided for an assessment of needs study for the tri-border region of Brazil, Paraguay, and Argentina. The State Department proposed using additional funds for training and for the investigation of terrorist networks. For FY2006, the Administration estimates spending \$17.9 million in the region; the FY2007 request is \$15.3 million. (For further information, see the discussion of terrorism in the “Additional Issues for Congress” section above.)

## **Multilateral Economic Assistance**

Latin American countries benefit from a number of multilateral sources of assistance, including the World Bank, the United Nations and the International Fund for Agricultural Development (IFAD). There are also regional organizations that provide various forms of assistance, which are discussed below.

**Inter-American Development Bank.** The United States is a major donor to the Inter-American Development Bank, the primary source of multilateral

financing for economic, social, and institutional development projects in Latin America and the Caribbean. The IDB makes near-market rate loans through its ordinary capital (OC) account and concessional loans to poor countries through its Fund for Special Operations (FSO). Another subsidiary of the IDB, the Inter-American Investment Corporation (IIC), makes loans and equity investments to promote the growth of private enterprises. Since 1993, the Enterprise for the Americas Multilateral Investment Fund (MIF), which is administered by IDB, has provided both grants and investments to businesses and nongovernmental organizations (NGOs) in Latin America that have demonstrated new ways to develop small enterprises, build worker skills, and strengthen environmental management. The FY2006 estimated U.S. contribution was \$1.7 million, while the FY2007 estimate is \$25 million. The FY2007 funding will be to replenish the Enterprise for the Americas Multilateral Investment Fund.

**Organization of American States (OAS).** The OAS is a regional organization of 35 countries in Latin America and the Caribbean that have pledged to promote democracy, advance human rights, preserve peace and security, pursue free trade, and tackle difficult problems caused by poverty, drugs, and corruption. The United States contributes roughly 59% of the regular budget of the OAS. For FY2005, the U.S. contribution to the OAS was \$55.7 million. Of the \$55.7 million, \$45.9 million was for the regular fund, and \$9.8 million was to pay tax reimbursements for U.S. employees of the OAS. The FY2006 request for the OAS was \$65.9 million. The increase was to cover the cost of taxes owed for U.S. employees that are likely to retire in the coming year.

The United States has also made substantial contributions to a few specific funds developed by the OAS through foreign operations appropriations. The OAS Fund for Strengthening Democracy supports OAS efforts to promote democracy and the Inter-American Democratic Charter throughout the region; the FY2006 U.S. contribution, and the FY2007 request, is \$2.5 million. OAS Development Assistance Programs focus on Summit of the Americas mandates pertaining to economic prosperity, social well being, and environmental health;<sup>8</sup> the FY2006 U.S. contribution was \$4.7 million, while the FY2007 request \$5.2 million. The OAS Demining Program (AICMA) works to ensure that the Western Hemisphere is cleared of all land mine devices; the FY2006 U.S. contribution was \$1.7 million, while the FY2006 request was for \$1.8 million.

## Other Types of Foreign Assistance

**Highly-Indebted Poor Countries (HIPC) Initiative.** The HIPC initiative was first launched in 1996 by the IMF and the World Bank to provide relief to extremely poor countries facing unsustainable amounts of foreign debt. The HIPC initiative encompasses 41 countries, mostly in Africa, but only those that have adopted sound fiscal policies and a poverty reduction plan may qualify. As of January 2004, 27 countries had qualified for at least preliminary debt reduction,

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<sup>8</sup> The bulk of these contributions support the Inter-American Council for Integral Development (FEMCIDI). FEMCIDI, financed by voluntary contributions from member states and other assets, contributes to national and multinational development projects.

although only 10 have received full HIPC relief. Latin American beneficiaries of the HIPC initiative include Bolivia, Guyana, Honduras, and Nicaragua. Total costs of the HIPC initiative are estimated at \$51 billion (nominal terms), roughly evenly divided between bilateral creditors like the United States and multilateral lenders such as the IMF and World Bank. Because only about 3% of the HIPC debt was owed to the United States, the U.S. financial commitment has been relatively small in relation to the cost to all creditors. In FY2005, funding for debt restructuring amounts to \$99.20 million. The FY2006 request totaled \$99.75 million, and Congress provided \$65 million. For FY2007, the Administration has requested \$182.8 million, with most of this funding going to cover the cost of completing bilateral debt reduction for the Democratic Republic of Congo.

**Trade Capacity Building.** For FY2006, Congress provided a total of \$522 million from various accounts, including DA and ESF to assist countries' abilities to improve their trading capacities. Congress directed that \$20 million in ESF and \$20 million in DA be used to assist the CAFTA-DR countries with labor and environmental issues. For FY2007, the Administration included these funds in the ESF request.

**Democracy Fund.** For FY2006, Congress created a new account and appropriated \$95 million for it. The program is to increase the effectiveness and oversight of programs that promote democracy, governance, human rights, an independent media, and the rule of law. The \$95 million provided is in addition to other bilateral assistance that promotes democracy. Congress also directed that \$3 million be provided for forensic assistance to Central and South America, and \$2 million be provided to the National Endowment for Democracy for programs in Venezuela