

CRS Report for Congress

U.S. Foreign Assistance to Latin America and the Caribbean: FY2006-FY2008

December 28, 2007

Connie Veillette, Mark P. Sullivan,
Clare Ribando Seelke, and Colleen W. Cook
Foreign Affairs, Defense, and Trade Division



Prepared for Members and
Committees of Congress

U.S. Foreign Assistance to Latin America and the Caribbean: FY2006-FY2008

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 5.8% of the worldwide FY2007 aid budget, including both bilateral and multilateral assistance. Amounts requested for the regular FY2008 budget would increase this ratio to 6.1%, and to 7.2% if Congress approves supplemental funds for a new counternarcotics initiative in Mexico and Central America. Three countries — Honduras, Nicaragua, and El Salvador — have signed compacts for Millennium Challenge Account (MCA) funds worth a combined \$851 million. 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 the FY2008 regular budget, the Administration has requested \$1.57 billion in assistance to Latin America and the Caribbean, the largest portion of which would be allocated to the Andean region, or \$823.8 million. Mexico and Central America are slated to receive \$220.4 million in regular funds, plus \$550 million in supplemental counternarcotics funds. The Caribbean would receive \$365.5 million. Brazil and the Southern Cone of South America are to receive an estimated \$18.5 million.

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. Counternarcotics programs seek to assist countries to reduce drug production, interdict trafficking, and promote alternative crop development. Military assistance provides grants to nations for the purchase of U.S. defense equipment, services, and training.

The annual State Department, Foreign Operations, and Related Programs Appropriations bills are the vehicles by which Congress provides funding for foreign assistance programs. Congress will likely continue to take interest in a number of related issues, including the level of aid, the effectiveness of counternarcotics assistance, and how best to address the spread of HIV/AIDS, and address poverty in the region. This report will be updated as country level funding figures for FY2008 become available.

Contents

Introduction	1
Historical Trends	2
Assistance by Subregion	5
Andean Region	6
Andean Counterdrug Initiative	7
Mexico and Central America	7
Mexico	7
Central America	9
Caribbean	11
Haiti	13
Cuba	14
Brazil and Southern Cone	15
Regional Programs	16
Issues for Congress	16
Effectiveness of Programs	16
Aid Reform	17
Article 98 Agreements	19
HIV/AIDS in the Caribbean and Central America	19
Millennium Challenge Corporation	20
Narcotics	22
Interregional Aviation Support	22
Appendix A. U.S. Assistance to Latin America, FY2006-FY2008, by Subregion, Country, and Account	23
Appendix B. Types of Assistance	31
Economic Assistance	31
Child Survival and Health	31
Development Assistance	31
Transition Initiatives (TI)	32
Economic Support Funds	32
P.L. 480 Title II Food Aid	32
Migration and Refugee Assistance (MRA)	32
Peace Corps	32
Inter-American Foundation (IAF)	32
Millennium Challenge Account (MCA)	32
Global HIV/AIDS Initiative	33
Counternarcotics Assistance	33
International Narcotics and Law Enforcement (INL)	33
Andean Counterdrug Initiative (ACI)	33
Military and Anti-Terrorism Assistance	34
Foreign Military Financing	34
International Military Education and Training	34
Anti-Terrorism Assistance (ATA)	34
Multilateral Economic Assistance	35

Inter-American Development Bank	35
Organization of American States (OAS)	35
Other Types of Foreign Assistance	35
Highly-Indebted Poor Countries (HIPC) Initiative	35
Democracy Fund	36

List of Figures

Figure 1. U.S. Foreign Assistance to Latin America and the Caribbean, FY1946 to FY2007(in billions constant 2007 dollars)	3
Figure 2. U.S. Assistance, Selected Sectors FY2000 to FY2007 (millions constant 2007 dollars)	5
Figure 3. Percentage Share of Total Aid to Latin America and the Caribbean, by Subregion, FY2007	6

List of Tables

Table 1. U.S. Assistance to Latin America and Caribbean, Major Assistance Accounts, FY2000 to FY2008	4
Table 2. Supplemental Funding Request for Mérida Initiative, FY2008	9
Table 3. Millennium Challenge Corporation, Compacts and Threshold Grants in Latin America	21

U.S. Foreign Assistance to Latin America and the Caribbean: FY2006-FY2008

Introduction

The United States has maintained foreign aid programs in Latin America and the Caribbean since the 1940s, although funding levels were minimal until the early 1960s. U.S. objectives have varied over the years. Recent programs are meant to address poverty, health, economic growth, counternarcotics, and trade capacity building. The region is considered important to U.S. interests as countries of Latin America and the Caribbean are important trading partners, sources of immigration to the United States, and production centers and transit points for illegal narcotics. Environmental concerns are also prominent, particularly in the Amazon basin.

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. Globally, the U.S. Agency for International Development (USAID) identifies five challenges to which U.S. assistance programs are designed to respond: promoting transformational development;¹ strengthening 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.

A foreign aid reform initiative, begun in 2006, categorizes countries in one of five categories: transforming; developing; sustaining partners; rebuilding; and restrictive. These categories, representing common development challenges, are linked to strategic objectives, promoting: peace and security; governing justly and democratically; investing in people; economic growth; and humanitarian assistance. (See section below for more details on the effects of aid reform in Latin America.)

This report tracks foreign aid funding levels to Latin America and the Caribbean over the last three years. The annual State Department, Foreign Operations, and

¹ USAID defines transformational development as “development that does more than raise 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.

Related Programs Appropriations bills are the vehicles by which Congress funds foreign assistance programs. Congress completed action on FY2008 funding in a Consolidated Appropriations Act, Division J (H.R. 2764) passed the week of December 17, 2007. Congress will likely continue to take interest in a number of related issues, including the level of aid, the effectiveness of counternarcotics assistance, and how best to address the spread of HIV/AIDS, and address poverty in the region. This report will be updated as country specific aid levels for FY2008 become available.

Abbreviations	
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
GHAH	Global HIV/AIDS
IDFA	Initiative 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
PL 480	Food for Peace aid
PMI	President's Malaria Initiative
TI	Transition Initiatives

Historical Trends

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.

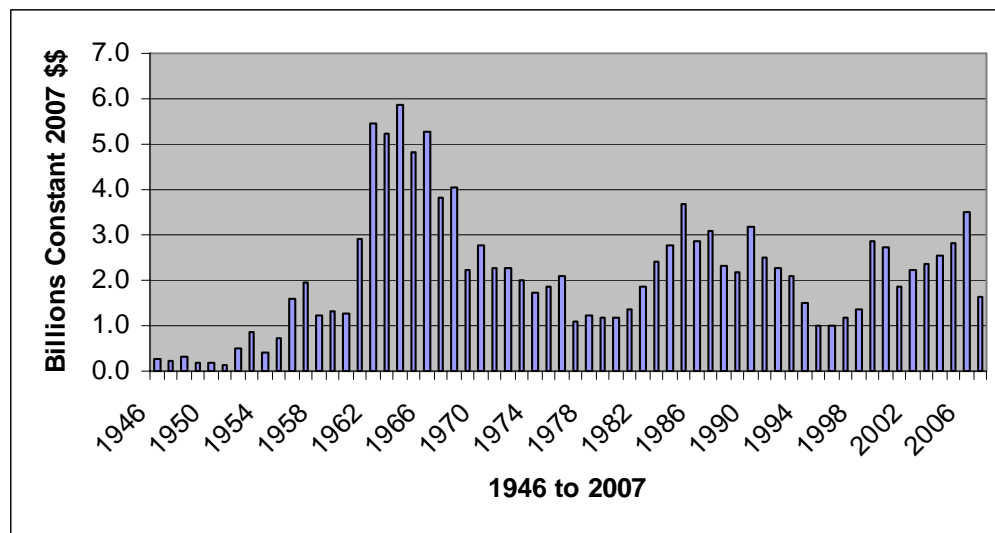
In the aftermath of the 1989 U.S. military intervention in Panama, and the 1990 electoral defeat of the Sandinista government in Nicaragua, U.S. assistance to these two countries increased substantially. Countries in Central America have resolved a number of their political problems since the 1980s, 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 for a time. Since 2000, U.S. assistance has focused on support for counternarcotics activities, largely in the Andean region.

Figure 1 indicates trends in U.S. assistance since 1946 in real terms (adjusted for inflation). U.S. assistance has not returned to levels attained during the Alliance for Progress in the 1960s. The annual average since 1990 is approximately half of what it was in the 1960s. During the 1990s, the regional annual average aid level was approximately \$1.9 billion; since 2000, it has averaged \$2.4 billion, largely a reflection of increases in counternarcotics resources directed at the Andean region. The FY2008 request of \$1.6 billion in the regular budget² represents a decrease in the average since 2000, but is consistent with levels since FY2006. When including an additional \$550 million in counternarcotics funds for Mexico and Central America requested as part of the supplemental budget, the FY2008 request is \$2.1 billion, an increase from the previous year.

Some countries are benefitting from two new presidential 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 prevention and treatment programs. El Salvador, Nicaragua, and Honduras have signed Millennium Challenge Corporation (MCC) compacts that total \$846 million over five years. In addition, Guyana and Paraguay are receiving MCC Threshold grants to help prepare them for possible compacts.

**Figure 1. U.S. Foreign Assistance to Latin America and the Caribbean, FY1946 to FY2007
(in billions constant 2007 dollars)**



Source: USAID, *U.S. Overseas Loans and Grants and Assistance from International Organizations*; U.S. State Department, *Congressional Budget Justification, FY2008*; and CRS calculations.

Note: Figures include annual disbursements of Millennium Challenge Corporation compacts that have been signed with El Salvador, Nicaragua, and Honduras, and assistance provided by the Department of Defense.

² The \$1.6 billion figure does not include some food assistance that will likely raise the total. Food assistance is contingent on need, and allocations take place later in the budget process.

Since 2000, the region has seen an increase in assistance for counternarcotics, military training, and HIV/AIDS programs. Other accounts have seen steady decreases. **Table 1** tracks funding since FY2000 for major assistance accounts with figures adjusted for inflation. **Figure 2** represents funding trends of major sectors over the same period.

In the last eight years (FY2000-FY2007), the United States has funded counternarcotics programs totaling \$6.7 billion, or roughly \$841 million per year. By contrast, counternarcotics funding during the 1990s averaged \$134 million per year. The FY2008 regular request of \$493.3 million, together with a \$550 million supplemental request for Mexico and Central America, amounts to \$1.04 billion, surpassing the annual average since 2000.

Table 1. U.S. Assistance to Latin America and Caribbean, Major Assistance Accounts, FY2000 to FY2008
(millions constant 2008 U.S. dollars)

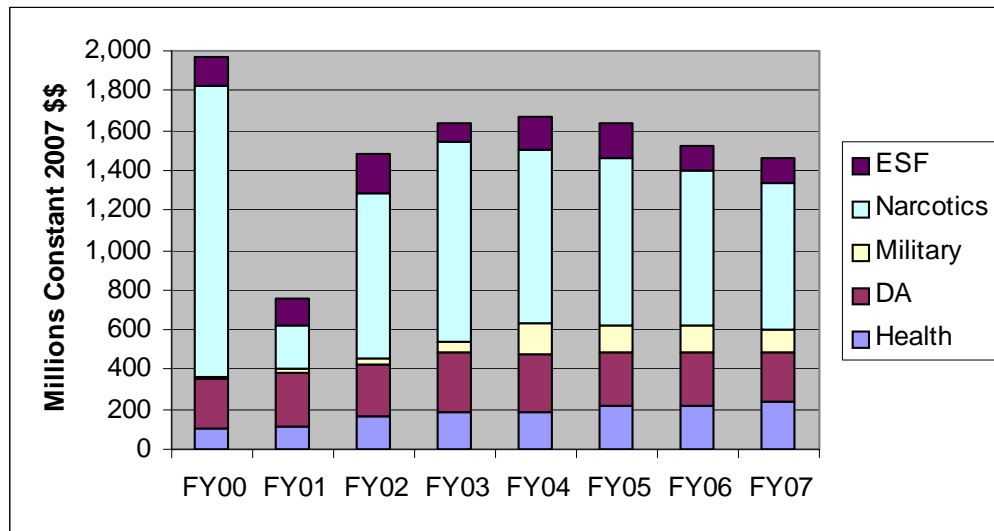
Account	FY00 Actual	FY01 Actual	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Estimate	FY08 Request
CSH	98.6	117.8	170.1	187.8	168.2	157.1	147.5	142.3	107.8
DA	251.3	269.1	258.6	299.7	292.5	268.6	274.7	246.1	197.1
ESF	152.0	143.4	195.6	96.7	167.0	177.1	126.2	127.4	363.7
INL	20.4	27.4	74.3	30.3	48.3	52.4	66.5	58.8	50.5
ACI	1,434.1	184.6	757.6	968.9	827.2	787.9	727.2	721.5	442.8
MRA	20.1	16.2	16.1	23.5	24.1	25.9	26.5	22.6	21.0
GHAI	—	—	—	—	20.3	63.9	68.4	95.0	104.3
IMET	12.1	12.9	15.0	16.3	15.0	14.3	13.5	12.4	12.0
FMF	4.3	6.0	13.7	38.2	134.1	117.6	115.2	105.5	82.8
NADR	8.4	9.4	35.0	6.0	9.3	11.8	14.3	15.7	11.3

Source: Congressional Budget Justification, Foreign Operations, Summary Tables, Fiscal Years 2002-FY2008. Figures for FY2008 do not include a \$550 million supplemental request for counternarcotics activities in Mexico (\$500 million) and Central America (\$50 million).

Assistance for health programs since 2000 has increased from a low of nearly \$99 million in FY2000 to a high of \$237 million in FY2007, for an annual average of \$179.6 million. A large proportion of the increase can be attributed to assistance to two countries — Guyana and Haiti — as PEPFAR focus countries. HIV/AIDS funding accounted for \$95 million in FY2007 and a proposed \$104 million in FY2008.

Security assistance,³ on the other hand, has fluctuated since 2000, but has averaged \$161.9 million per year. The average during the 1990s was \$459.8 million. Military assistance, the total of Foreign Military Financing (FMF) and International Military Education and Training (IMET), has increased since 2000, largely a factor of increased FMF assistance to Colombia. Military assistance from 2000 to 2007 averaged \$80.8 million. During the 1990s, military assistance averaged \$96.7 million per year.⁴

**Figure 2. U.S. Assistance, Selected Sectors
FY2000 to FY2007
(millions constant 2007 dollars)**



Source: U.S. Department of State, *Congressional Budget Justifications* for years FY2003 to FY2008. Figures do not include Department of Defense assistance, or Millennium Challenge Corporation grants. Narcotics includes ACI and INCLE accounts; Health includes CSH and GHAI accounts.

Assistance by Subregion

For FY2007, the largest portion of U.S. assistance occurs in the Andean region, a result of counternarcotics programs focused on Colombia. The Andean region's share of the total Western Hemisphere aid budget is currently 52.9%. The second largest share (20.8%) goes to countries in the Caribbean where Haiti receives 2/3 of the subregion's share. Mexico and Central America receive 16.2% of the total with most funds for programs in Mexico, El Salvador, Guatemala, Honduras, and Nicaragua. Brazil and countries of the Southern Cone (Chile, Argentina, Uruguay, and Paraguay) receive 2% of the region's aid. The United States also maintains

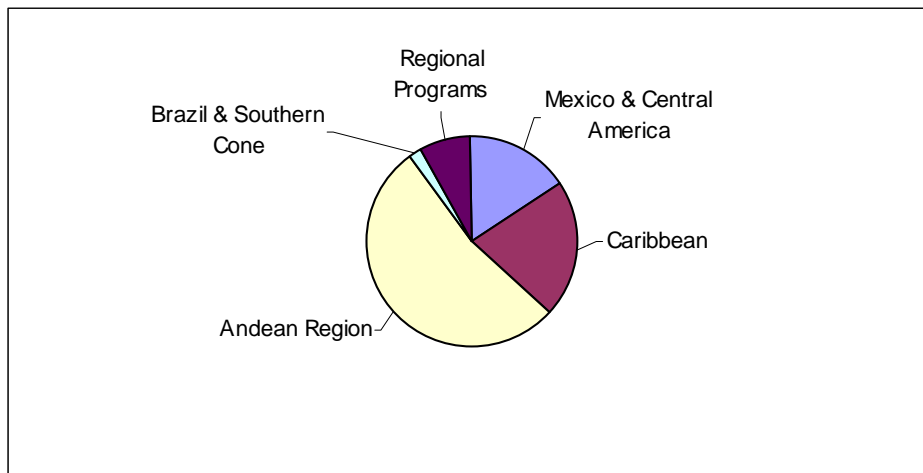
³ Security assistance is defined as including Economic Support Fund (ESF) and Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR) accounts. ESF is provided to countries of strategic importance, although the activities funded may be similar to development programs.

⁴ Figures for some years includes the Military Assistance Program (MAP), which was phased out in 2000 in favor of FMF grants.

programs of a regional nature, such as trade capacity building, and migration and refugee assistance, that receive 8% of the aid budget.

The ratio of assistance requested for FY2008 is similar to the previous year. The Andean region would receive 52.4% while Mexico and Central America would receive 14%. These figures could change substantially if Congress approves the budget request, and a \$550 million supplemental request for Mexico and Central America. If approved, assistance to the Andean region and the Mexico/Central America region would be comparable at 39% and 36% respectively.

Figure 3. Percentage Share of Total Aid to Latin America and the Caribbean, by Subregion, FY2007



Source: CRS calculations based on U.S. State Department and USAID budget documents.

Notes: The percentage share of each subregion may change for FY2008 if Congress approves a pending \$550 million supplemental request for Mexico and Central America. If that occurs, the Andean region's share would decrease from its current 53% to approximately 39% of the budget, while the share for Mexico and Central America would increase from 16.2% to 36.3%.

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 area 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 since 2000, when Congress approved a \$1.3 billion package in support of Plan Colombia. The United States had supported counternarcotics programs in the Andes previously, but at far lower levels of funding than the current Andean Counterdrug Initiative (ACI). Concerns with the influence of the populist Venezuelan leader President Hugo Chávez has also driven aid policy in the region.

The Andean region also receives assistance for economic development and health programs. Bolivia and Peru are major recipients of Development Assistance, Child Survival and Health funds, and food assistance. Ecuador and Peru receive

sizeable amounts of Economic Support Funds. The Peace Corps maintains programs in Bolivia, Ecuador, Panama, and Peru.

Andean Counterdrug Initiative. The Andean Counterdrug Initiative (ACI) is the centerpiece of U.S. counternarcotics assistance to the region. The program supports counternarcotics efforts in the three cocaine producing countries — Bolivia, Colombia, and Peru — as well as neighboring drug transit countries. The countries considered a part of ACI are: Bolivia, Brazil, Colombia, Ecuador, Panama, and Peru. Colombia receives the majority of ACI funding. Venezuela was previously considered part of ACI, but the Administration did not request any ACI funds for Venezuela in its FY2008 budget request. ACI currently supports a combination of enforcement and alternative development efforts which aim to reduce the flow of drugs into the United States and increase government stability in ACI countries. Enforcement programs include drug crop eradication and interdiction of drug shipments. Alternative development funds support economic development programs in coca growing regions, including infrastructure development and marketing and technical support for alternative crops. The FY2008 budget shifts support of alternative development programs from the ACI account to the ESF account.

FY2006 funding for ACI was \$727.2 million, and an estimated \$721.5 million for FY2007. The FY2008 request is for \$442.8 million, a 39% decrease from FY2006 levels. This cut is largely due to the transfer of alternative development funds to the ESF account, though aid levels to Ecuador and Peru would be lower in FY2008. Since the program's inception in 2000, the United States has allocated more than \$6 billion for the effort.

For more information, see CRS Report RL32250, *Colombia: Issues for Congress*, by Colleen Cook; CRS Report RL32580, *Bolivia: Political and Economic Conditions and Relations with the United States*, by Clare Ribando Seelke; CRS Report RS22715, *Peru: Political Situation, Economic Conditions, and U.S. Relations*, by Miranda Louise Jasper and Clare Ribando Seelke; and CRS Report RL32488, *Venezuela: Political Conditions and U.S. Policy*, by Mark Sullivan.

Mexico and Central America

Because of proximity and lingering issues of poverty, Mexico and the isthmus of Central America are sources of immigration, often illegal, to the United States. The area is also considered a key transit zone for the flow of narcotics from its own production centers, and from South America. All the nations are trading partners, Mexico, under NAFTA, and the countries of Central America, under the U.S. — Dominican Republic — Central America Free Trade Agreement (CAFTA — DR). Environmental concerns are also prominent especially along the shared border with Mexico.

Mexico. Although U.S.-Mexico cooperation on counternarcotics, law enforcement, and trade has improved significantly in the last decade, Mexico, a middle income country, is not a major recipient of U.S. foreign assistance. U.S. assistance to Mexico may increase significantly in the near-term if Congress approves

a new counternarcotics initiative (the Merida Initiative). An initial installment of \$500 million was requested as part of the FY2008 emergency supplemental.

Foreign aid allocations to Mexico are typically between \$60 million and \$70 million. In FY2006, \$68 million in aid was allocated and an estimated \$67 million was spent in FY2007. The majority of U.S. assistance to Mexico is for international narcotics and law enforcement programs. In FY2006 nearly \$39 million, or 58%, of aid was through the INCLE account. An estimated \$37 million was spent on narcotics and law enforcement programs in FY2007. In FY2006 some \$27 million was spent on CSH, DA, and ESF programs in Mexico. That figure appears to have remained constant in FY2007, with an estimated \$27 million allocated for CSH, DA, and ESF programs.

The Administration's FY2008 regular budget request cuts aid to Mexico by 30% from FY2007 funding levels. The most significant cuts are in the Development Assistance (DA), and International Narcotics Control and Law Enforcement (INCLE) accounts. No funding is requested for DA in 2008, and INCLE programs — which fund counternarcotics and rule of law programs — are cut by \$12 million. The Administration maintains that these cuts are justified because Mexico is the 13th-largest economy in the world. However, in October 2007, the Administration announced a new multi-year, counternarcotics initiative for Mexico and Central America.

Mérida Initiative. On October 22, 2007, the United States and Mexico issued a joint statement announcing a multi-year plan for \$1.4 billion in U.S. assistance to Mexico and Central America to combat drug trafficking and other criminal organizations. The Administration requested \$500 million for Mexico and \$50 million for Central America in the FY2008 supplemental appropriations request. The joint statement highlights current efforts of both countries, including Mexico's 24% increase in security spending in 2007. The stated objective of the Mérida Initiative is "to maximize the effectiveness of our efforts to fight criminal organizations — so as to disrupt drug-trafficking (including precursor chemicals); weapons trafficking, illicit financial activities and currency smuggling, and human trafficking."⁵

All of the proposed FY2008 funding for the Mérida Initiative is through the INCLE account, administered by the Department of State's Bureau of International Narcotics and Law Enforcement Affairs. The proposed \$500 million in funding for Mexico is largely in the form of equipment and training, providing helicopters, surveillance aircraft, scanners, training, and information technology improvements for Mexican federal law enforcement and intelligence agencies.

The Central American portion of the Mérida Initiative includes \$50 million in initial funding to bolster the capacity of Central American governments to inspect and interdict drugs, goods, arms and people and to support the regional anti-gang strategy discussed at the July 2007 Central American Integration System (SICA) Summit. At that meeting, the United States pledged support to strengthen regional

⁵ U.S. Department of State and Government of Mexico, "Joint Statement on the Mérida Initiative," October 22, 2007.

security coordination and to fund community action programs engaged in gang prevention and rehabilitation activities. Assistant Secretary of State for Western Hemisphere Affairs Thomas Shannon recently indicated the State Department's intent that the \$50 million for Central America is slated to receive as part of the Merida Initiative will be followed by a larger, multi-year aid package for that region. Central American officials have said that they may need between \$600 and \$800 million to fund the increased law enforcement and equipment that would be necessary to implement a comprehensive regional security strategy.⁶

Table 2. Supplemental Funding Request for Mérida Initiative, FY2008
(millions U.S. dollars)

	Mexico	Central America
Counternarcotics, Counterterrorism & Border Security	306.3	16.6
Public Security and Law Enforcement	56.1	25.7
Institution Building and Rule of Law	100.6	7.7
Program Support	37.0	—
Total	500.0	50.0

Source: U.S. Department of State.

Central America. Central America is a region composed of seven small countries with limited 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. 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. Trade ties between Central America and the United States have expanded since the implementation of the U.S.-Dominican Republic-Central America Free Trade Agreement (CAFTA-DR).

The Central America Regional program, for which Congress provided \$16.8 million in FY2006 and an estimated \$7.7 million in FY2007, has focused on fostering regional trade integration, including funds to ensure that countries enforce labor and environmental laws as required by CAFTA-DR. The FY2008

⁶ “U.S. Offers Funds to Fight Central America Gangs,” *Washington Post*, July 18, 2007; U.S. Department of State Press Release, “Briefing on Mexico, Central America Security Cooperation Package-Assistant Secretary Shannon Discusses Security Cooperation Initiative,” October 23, 2007.

Administration request for regional programs in Central America is for \$10.7 million, including \$5 million to support ongoing government efforts to streamline and harmonize customs regulations. Regional funding will also support cross-border efforts to combat HIV/AIDS in Guatemala, El Salvador, Nicaragua, Belize, Costa Rica, and Panama. The latter three countries only receive HIV/AIDS assistance through the regional program.

In addition to trade, environmental issues, and HIV/AIDS, Administration officials and Members of Congress have expressed ongoing concerns about another transnational problem facing Central America: organized crime and gang violence. The House-passed version of the FY2008 State, Foreign Operations, and Related Agencies Appropriations bill (H.R. 2764; H.Rept. 110-197) would provide \$8 million to the State Department to combat crime and youth gangs, an increase of \$3 million from the Administration's request. In Central America, that funding would support a regional anti-gang initiative aimed at prevention, police training, and judicial reform, as well as bilateral anti-gang efforts in specific countries, particularly El Salvador, Guatemala, and Honduras.

The major recipients of U.S. bilateral foreign assistance in Central America include El Salvador, Guatemala, Honduras, and Nicaragua. These four countries received \$204 million in total assistance from the United States in FY2006, but only an estimated \$173.6 million in FY2007. The FY2008 request for El Salvador, Guatemala, Honduras and Nicaragua was for an estimated \$155.5 million.⁷

The bulk of U.S. bilateral assistance to Central America is provided through the Development Assistance (DA), Economic Support Fund (ESF) and Child Survival and Health (CSH) accounts. DA is provided to El Salvador, Guatemala, Honduras, Nicaragua, and Panama, totaling \$77.6 million in FY2006, but falling to \$59.5 million in FY2007. The FY2008 request for DA for Central America was for \$49.4 million, a 17% decline from the previous year. Panama is not slated to receive DA assistance. In FY2006, a total of \$9.8 million in ESF funds went to Guatemala, Nicaragua, and Panama. In FY2007, an estimated \$8 million in ESF funds went to El Salvador, Guatemala, and Nicaragua. The FY2008 request included some \$10 million in ESF funds, but all of those funds were requested for Guatemala. El Salvador, Guatemala, Honduras, and Nicaragua continue to receive between \$7 million and \$12 million in CSH funds each fiscal year, which are used to support 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.

Three Central American nations — Honduras, Nicaragua, and El Salvador — also receive economic assistance through the Millennium Challenge Corporation (MCC), totaling \$851 million. Although Millennium Challenge funds were supposed to be in addition to, not a substitute for, traditional aid programs, all three countries experienced cuts in either (or both) of their DA and CSH funds from FY2006 levels

⁷ These figures include Peace Corps allocations and food assistance provided through P.L. 480 Title II.

in FY2007. Aid cuts have continued in the FY2008 request. Aid has decreased since FY2006 by 43% to El Salvador, 19% to Honduras, and 35% to Nicaragua.

In addition to economic assistance, the United States provides military assistance to some of the governments of Central America. International Military Education and Training (IMET) funding provides training to both civilian and military leaders in all 5 Central American countries. El Salvador, Honduras, Nicaragua and Panama have also received Foreign Military Financing (FMF) funding in recent years. 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) and the FY2007 Continuing Resolution (H.J.Res. 20/P.L. 109-289, as amended by P.L. 110-5) maintained a prohibition on FMF funding to Guatemala. The Guatemalan government's recent approval of the establishment of an International Commission Against Impunity in Guatemala (CICIG) prompted the U.S. House and Senate to approve Foreign Military Financing for Guatemala in FY2008, pending Department of State certification that certain human rights conditions have been met.

El Salvador is the only country in Latin America that still has troops in Iraq. It is also home to one of the three counternarcotics Cooperative Security Locations (CSLs), formerly known as Forward Operating Locations (FOLs), in the region, and a new International Law Enforcement Academy (ILEA). The FY2006 provision of \$9.9 million in Foreign Military Financing for El Salvador was substantially higher than the \$1.5 million allocated in FY2005. El Salvador received an estimated \$7.2 million in FMF in FY2007. It is the only country in Central America slated to receive FMF funds in FY2008.

For more information, see CRS Report RL32724, *Mexico-U.S. Relations: Issues for Congress*, by Colleen Cook; CRS Report RL34215, *Mexico's Drug Cartels*, by Colleen Cook; CRS Report RL30981, *Panama: Political and Economic Conditions and U.S. Relations*, by Mark P. Sullivan and Nelson Olhero; CRS Report RS21655, *El Salvador: Political and Economic Conditions and Relations with the United States*, by Clare Ribando Seelke and Miranda Jasper; CRS Report RL34027, *Honduran-U.S. Relations*, by Mark P. Sullivan and Nelson Olhero; CRS Report RS22727, *Guatemala: 2007 Elections and Issues for Congress*, by Colleen W. Cook and Miranda Jasper; and CRS Report RL31870, *The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by J.F. Hornbeck.

Caribbean

With some 42 million people encompassing 16 independent countries and 13 overseas territories, the Caribbean is a diverse region that includes some of the hemisphere's richest and poorest nations. In addition to 13 island countries, 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.

From FY2000 through FY2007, U.S. aid to the Caribbean region totaled about \$1.9 billion, with increases reflecting 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 Haiti following the departure of President Jean-Bertrand Aristide from power. 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. Overall assistance to the Caribbean amounted to \$308 million in FY2006, and an estimated \$337 million in FY2007.

For FY2008, the Bush Administration requested almost \$366 million in assistance for the Caribbean, with about 61% for Haiti, almost 13% for Cuba democracy programs, almost 10% for the Dominican Republic, and just over 7% for Guyana. The Caribbean regional program would be funded at \$9.3 million, while Eastern Caribbean nations would also receive about \$3.2 million for a Peace Corps program, \$0.6 million for International Military and Training (IMET) assistance, \$0.5 million in counternarcotics assistance, and \$0.5 million in anti-terrorism assistance (ATA). While in past years, Caribbean nations have received some Foreign Military Financing (FMF) — for example, almost \$4 million in FY2006 — the Administration did not request any FMF for Caribbean nations in FY2008. Funding for the Third Border Initiative would decline, and has been subsumed into a Western Hemisphere Regional Program, with at least \$1.750 million identified for the TBI in the State Department's FY2008 Congressional Budget Justification for Foreign Operations.

Over the past several years, several Caribbean nations have become eligible for Millennium Challenge Account (MCA) assistance, but none has yet to be selected for the program, which provides assistance to countries with strong records of performance in the areas of governance, economic policy, and investment in people. Although Haiti and Guyana have been candidate countries potentially eligible for MCA funds since FY2004 (because of low per capita income levels), neither country

has been approved to participate in the program because they have not met MCA performance criteria. Guyana has been designated as an MCA “threshold” country since FY2005, and in June 2007 was slated to receive \$7.2 million in assistance (from FY2005 MCA funds) to help the country improve its fiscal policy so that it may become eligible for regular MCA funding. For FY2006 and FY2007, the per capita income level for MCA-eligibility increased, and as a result, in addition to Guyana and Haiti, three other Caribbean countries — the Dominican Republic, Jamaica, and Suriname — became potentially eligible for MCA funding but ultimately were not approved for participation.

Haiti. Haiti, the poorest country in the Western Hemisphere, has long been one of the top recipients of U.S. foreign aid in Latin America. Total assistance to Haiti, including food aid, increased from about \$72 million in FY2003 to an estimated \$214.9 million in FY2007. Some of the recent increases in assistance to Haiti have supported U.S. and international efforts to restore security and functioning democratic institutions in the country following the February 2004 ouster of embattled former President John-Bertrand Aristide. U.S. assistance has also supported the ongoing efforts of the U.N. Stabilization Mission in Haiti (MINUSTAH), which assumed authority in June of 2004. The United States funds programs to help the Haitian government combat urban crime, counter drug trafficking, and address trafficking in persons. 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. Haiti continues to receive assistance for basic healthcare, education, environmental conservation, and sanitation programs.

Haiti also receives significant amounts of food assistance through P.L. 480 Title II, which is aimed at helping improve household nutrition for vulnerable groups. Haiti received \$36 million in P.L. 480 Title II food aid in FY2006 and an estimated \$32.5 million in food aid in FY2007. FY2008 food aid allocations by country have yet to be determined. An increasing percentage of U.S. assistance to Haiti is supporting efforts to increase trade and employment opportunities, particularly since the recent enactment of the Haitian Hemispheric Opportunity through Partnership Encouragement/HOPE Act of 2006, (Title V, P.L. 109-432).

The United States provided almost \$226 million in overall assistance for Haiti in FY2006, including \$20 million in supplemental assistance. Supplemental assistance provided \$2.5 million in Child Survival and Health funds and \$17.5 million in Economic Support Funds for police and judicial reform programs and job creation programs. In FY2007, U.S. assistance totaled an estimated \$214.9 million. The Administration’s FY2008 request was for almost \$223 million, including \$83 million to combat HIV/AIDS and \$25.5 million for an integrated conflict mitigation program to target urban crime.

The House-passed FY2008 State, Foreign Operations and Related Programs Appropriations bill, H.R. 2764, approved June 22, 2007, would fully fund most categories of assistance for Haiti, and would provide an additional \$10 million in Development Assistance and an additional \$2 million in Child Survival and Health assistance above the request. It also would provide \$1 million in Foreign Military Financing (FMF) funding, pursuant to the regular notification procedures discussed

below. The Senate Appropriations Committee report to the FY2008 foreign operations appropriations bill (H.R. 2764; S.Rept. 110-128) would provide \$73.4 million in Economic Support Funds (ESF) for Haiti, \$10 million above the Administration's request. Of that amount, no less than \$5 million would be made available for programs to improve case management and reduce pre-trial detention in the Haitian judicial system, and no less than \$5 million would be made available to support USAID's watershed reforestation program in Haiti. Congress has monitored aid to Haiti closely, and has established a number of conditions on this assistance over the years.

Cuba. Over the past several years, the United States has provided assistance, primarily through the U.S. Agency for International Development (USAID), but also through the National Endowment for Democracy (NED) — 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 has supported a variety of U.S.-based non-governmental organizations with the goals of promoting a rapid, peaceful transition to democracy, helping develop civil society, and building solidarity with Cuba's human rights activists.⁸ These efforts are largely funded through Economic Support Funds (ESF). Funding for such projects amounted to about \$5 million for each of FY2001 and FY2002, \$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), and \$8.9 million in FY2005. In FY2006, \$10.9 million in Cuba democracy funding was provided, including \$8.9 million in ESF and \$2 million in Development Assistance, while in FY2007, an estimated \$13.3 million in ESF for Cuba democracy programs is being provided, about \$4.3 million more than that originally requested.

In mid-November 2006, the Government Accountability Office (GAO) issued a report examining U.S. democracy assistance for Cuba from 1996-2005, and concluded that the U.S. program had significant problems and needed better management and oversight. According to GAO, internal controls, for both the awarding of Cuba program grants and oversight of grantees, "do not provide adequate assurance that the funds are being used properly and that grantees are in compliance with applicable law and regulations."⁹ Investigative news reports on the program maintained that high shipping costs and lax oversight have diminished its effectiveness.¹⁰

⁸ See USAID's Cuba program website: [http://www.usaid.gov/locations/latin_america_caribbean/country/cuba/].

⁹ U.S. Government Accountability Office, U.S. Democracy Assistance for Cuba Needs Better Management and Oversight, GAO-07-147, November 2006.

¹⁰ Oscar Corral, "Federal Program to Help Democracy in Cuba Falls Short of Mark," *Miami Herald*, November 14, 2006, and "Is U.S. Aid Reaching Castro Foes?" *Miami Herald*, November 15, 2006.

For FY2008, the Administration requested \$45.7 million in ESF for democracy assistance for Cuba, more than four times the amount provided in FY2006 and more than five times the amount requested in FY2007. According to the State Department's FY2008 Congressional Budget Justification (CBJ), the increase in assistance is to fulfill the recommendations of the July 2006 report of the Commission for Assistance to a Free Cuba to provide support for Cuban civil society, expand international awareness, break the regime's information blockade, and continue support for a democratic transition. That report recommended \$80 million over two years for a variety of measures to hasten Cuba's transition to democracy, and not less than \$20 million annually thereafter for Cuba democracy programs.

Both the House and Senate-passed versions of the FY2008 State, Foreign Operations, and Related Agencies Appropriations Act, H.R. 2764, would fully fund the Administration's request for \$45.7 million in ESF for Cuba democracy programs. While the House and Senate agreed on democracy funding for Cuba, each body had different provision regarding funding for counternarcotics cooperation with Cuba. The House version would prohibit such funding, while the while the Senate version would provide \$1 million.

NED funding for Cuba has steadily increased over the past several years: \$765,000 in FY2001, \$841,000 in FY2002, \$1.14 million in FY2003, and \$1.15 million in FY2004. For FY2005, NED funded 17 Cuba projects with \$2.4 million. For FY2006, NED funded 13 projects with almost \$1.5 million, including \$0.4 million from State Department ESF.

For more information, see CRS Report RL34157, *Caribbean-U.S. Relations: Issues in the 110th Congress*, by Mark P. Sullivan; CRS Report RL32001, *AIDS in the Caribbean and Central America*, by Mark P. Sullivan; CRS Report RL33819 *Cuba: Issues for the 110th Congress*, by Mark P. Sullivan; and CRS Report RL32294, *Haiti: Developments and U.S. Policy Since 1991 and Current Congressional Concerns*, by Maureen Taft-Morales and Clare Ribando Seelke.

Brazil and 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 received \$31.2 million in FY2006, an estimated \$33.7 million in FY2007, and a request of \$18.5 million for FY2008. The 45% reduction from the previous year is largely due to reductions in assistance to Brazil, from nearly \$16 million in FY2007 to \$3.7 million in FY2008.

Of the two top recipients in the area, Brazil receives Development Assistance (which is proposed to be phased out in FY2008), and Child Survival and Health programs. Paraguay receives Development Assistance, Child Survival and Health, and Economic Support Fund programs. (ESF is also planned to end in FY2008 for Paraguay.) The Peace Corps maintains a program in Paraguay.

Brazil receives some ACI funding because it is a drug transit country, though it does not produce illicit drugs. Brazil borders the three cocaine producing nations

of Colombia, Bolivia, and Peru, and is a transit point for drug shipments to North America and Europe. ACI funding in Brazil has focused on increasing the country's capacity to interdict drug shipments. Other assistance has centered on generating sustainable economic growth and addressing extensive poverty and social inequality issues. Nearly one-third of Brazilians live below the international poverty line.¹¹ 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 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. Assistance to Paraguay would fall 20% from FY2007, from \$23.4 million to \$9.7 million in FY2008. Argentina, Chile, and Uruguay receive small sums of assistance for military training and anti-terrorism programs.

For more information, see CRS Report RL33456, *Brazil-U.S. Relations*, by Clare Ribando Seelke.

Regional Programs

The United States also maintains programs that have a regional scope. These funds are not attributed to any one country and often are focused on issues of a transnational nature, such as trade, migration, biodiversity, and anti-terrorism. Including two regional funds (Latin America and Caribbean Regional, and Western Hemisphere Regional), and the portion of the Migration and Refugee account allocated for Latin America, funding in FY2007 amounted to \$110 million, and a requested \$88 million for FY2008.

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. Some studies have suggested a marked lack of progress in reducing global poverty, and question the correlation between levels of development assistance and program success.¹² Others

¹¹ Defined as less than \$2 per day by the World Bank.

¹² Paul Collier and David Dollar, "Aid Allocation and Poverty Reduction," The World Bank, January 1999; *Foreign Assistance in Focus: Emerging Trends*, InterAction, November 2003; (continued...)

argue that U.S. assistance, as currently structured, does not contribute as much to sustainable economic growth as does trade.¹³ 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.¹⁴

Aid Reform

In response to the evolution of an aid program that has been criticized for being fragmented, uncoordinated, incoherent, and opaque, Secretary of State Rice began a reform effort in January 2006. She created a new position and a new bureau to coordinate aid. The changes were made in the context of achieving the Administration's development initiatives. To that end, she created a new State Department position, Director of Foreign Assistance (DFA), and a new Bureau of Foreign Assistance (F). The DFA serves concurrently as Administrator of USAID. It is argued that the dual-hatted nature of the position, along with a rank equivalent to Deputy Secretary, allows for the better coordination of aid programs.

The DFA has authority over assistance programs managed by the State Department and USAID, and provides guidance for foreign assistance delivered through other government agencies. While the FY2008 foreign operations budget request was written under his direction, the DFA has had very little input, except informally, over the aid provided by other agencies and departments, that according to one USAID document now totals more than 50 government entities.¹⁵

In 2006, the DFA presented a new Strategic Framework for Foreign Assistance¹⁶ that links aid programs to U.S. strategic objectives. Countries are grouped into five

¹² (...continued)

and William Easterly, "The Failure of Development," *Financial Times*, July 3, 2001.

¹³ Evan Osborne, "Rethinking Foreign Aid," *Cato Journal*, fall 2002.

¹⁴ *Foreign Assistance in Focus: Emerging Trends*, InterAction, November 2003.

¹⁵ See "USAID-US Government Coordination," at [http://www.usaid.gov/policy/coordination/us_gov_coordination.html].

¹⁶ The Strategic Framework is available at [<http://state.gov/f/reform/>].

categories representing common development challenges. *Rebuilding* countries are those 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. *Developing* countries are those 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 to receive U.S. assistance except for humanitarian purposes. 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. Countries are expected to graduate from one category to another, and then eventually from aid entirely.

The following are country categories with corresponding countries in Latin America and the Caribbean:

- Rebuilding: Colombia and Haiti.
- Transforming: Bolivia, Brazil, El Salvador, Honduras, Nicaragua, and Uruguay.
- Sustaining Partner: Argentina, Bahamas, Belize, Chile, Costa Rica, Eastern Caribbean, Mexico, Panama, and Trinidad and Tobago.
- Developing: Dominican Republic, Ecuador, Guatemala, Guyana, Jamaica, Paraguay, Peru, and Suriname.
- Restrictive: the State Department does not provide a list of restrictive countries, although the *FY2008 Foreign Operations Congressional Budget Justification* lists certain countries with no categorization, including Cuba and Venezuela.

Each category represents common development challenges around which aid programs are to be designed, and linked to strategic objectives. Those objectives include peace and security; governing justly and democratically; investing in people; economic growth; and humanitarian assistance. Countries in each category may receive assistance under several or all objectives.

The initial reception to the Framework and the DFA position within the development community is mixed. Some observers hail the effort as a timely and necessary attempt to provide some coherence to a growing number of assistance programs. These analysts see the effort as a good first step to address a fragmented assistance structure. They also argue, however, that the reform does not go far enough in addressing the weakened state of technical expertise at USAID in the context of decreasing operating budgets. USAID staff numbers have been cut in half since the early 1980s as most development activities are carried out by private contractors and the non-governmental organization community, with many observers remarking that instead of development experts, the agency now has contract

managers. Others criticize the new Framework for being insufficiently ambitious. They contend that unless the DFA has authority over all U.S. assistance programs, the serious problem of lack of coordination and coherence will not be solved.

For more information, see CRS Report RL34243, *Foreign Aid Reform: Issues for Congress and Policy Options*, by Connie Veillette.

Article 98 Agreements

During 2006, the Administration and Congress began to reassess some aspects of U.S. policy towards the International Criminal Court (ICC) because of unintended negative effects of that policy on relations with some ICC member countries, especially in Latin America. In Congress, support for aid restrictions on foreign aid to ICC member countries that have not agreed to sign Article 98 agreements exempting U.S. citizens from the court's jurisdiction has diminished. The FY2007 Defense Authorization Act (H.R. 5122/P.L. 109-364), which President Bush signed into law on October 17, 2006, modifies the American Servicemember's Protection Act or ASPA (P.L. 107-206, title II) to end the ban on International Military Education and Training (IMET) assistance to affected countries. Restrictions on Foreign Military Financing (FMF) and Economic Support Funds (ESF) remain in place.

The Nethercutt Amendment to the FY2006 Foreign Operations Appropriations Act (H.R. 3057/P.L. 109-102) prohibited some economic assistance to the governments of ICC member countries that do not have Article 98 agreements in place. On November 28, 2006, pursuant to section 574 of P.L. 109-102, President Bush waived Nethercutt restrictions on FY2006 Economic Support Funds (ESF) to 14 countries worldwide, including Bolivia, Costa Rica, Ecuador, Mexico, Paraguay, and Peru. Nethercutt aid restrictions continued in the FY2007 Continuing Appropriations Resolution (P.L. 109-289, as amended) and in the FY2008 Foreign Operations Appropriation bill (H.R. 2764).

For more information, see CRS Report RL33337, *Article 98 Agreements and Sanctions on U.S. Foreign Aid to Latin America*, by Clare Ribando Seelke.

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 in several countries, and continued increases in HIV infection rates threaten future development prospects. In contrast to other parts of Latin America, the mode of HIV 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 countries with the highest prevalence or infection rates are Belize, the Bahamas, Guyana, Haiti, and Trinidad and Tobago, with rates between 2% and 4%; and Barbados, the Dominican Republic, Honduras, Jamaica, and Suriname, with rates between 1% and 2%. 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). Many countries in the region have national HIV/AIDS programs that are supported through these efforts.

U.S.-government funding for HIV/AIDS in the Caribbean and Central America has increased significantly in recent years. Aid to the 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 region for HIV/AIDS increased to \$47 million in FY2004, \$83 million in FY2005, \$93 million in FY2006, and an estimated \$118 million in FY2007. For FY2008, the Administration requested almost \$132 million in HIV assistance for the Caribbean and Central America. This included \$83 million for Haiti and \$21 million for Guyana from the GHAI account and the balance for non-focus countries and programs in Central America and the Caribbean through the Child Survival and Health (CSH) account.

Some Members of Congress want to expand the list of focus countries. In the 110th Congress, H.R. 848 (Fortuño), introduced February 6, 2007, would add 14 Caribbean countries to the list of focus countries targeted for increased HIV/AIDS assistance. The additional countries are Antigua and Barbuda, Barbados, the Bahamas, Belize, Dominica, Grenada, Jamaica, Montserrat, St. Kitts and Nevis, St. Vincent and the Grenadines, St. Lucia, Suriname, Trinidad and Tobago, and the Dominican Republic.

For more information, see CRS Report RL33485, <i>U.S. International HIV/AIDS, Tuberculosis, and Malaria Spending: FY2004-FY2008</i> , by Tiaji Salaam-Blyther, and CRS Report RL32001 <i>AIDS in the Caribbean and Central America</i> , by Mark P. Sullivan.

Millennium Challenge Corporation

The Millennium Challenge Account, administered by the Millennium Challenge Corporation, differs from traditional aid 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 on a global scale, but that some country level funding could be affected in order to avoid duplication and enhance coordination. Funding for DA and some health

programs under CSH have declined. Development Assistance¹⁷ in Latin America is proposed for FY2008 at 28% less than in FY2006. CSH would also decline by 27%. The countries most affected by these proposed cuts are in Central America — three of which have signed MCC compacts (Nicaragua, Honduras, and El Salvador).

The MCA initiative is limited to countries with per capita incomes below \$2,935. 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 could 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. Countries that demonstrate a commitment to meeting the MCA eligibility requirements can qualify for “threshold assistance.”

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 to strengthen property rights, construct roads, and improve rural business productivity and profitability. In November 2006, El Salvador signed a \$461 million compact aimed at stimulating economic growth in the country's impoverished northern border region. Both Guyana and Paraguay are receiving threshold aid to prepare them for compacts.

Table 3. Millennium Challenge Corporation, Compacts and Threshold Grants in Latin America
(millions U.S. dollars)

Country	Date Signed	Amount/Duration
El Salvador — Compact	2006	\$460.95 million/5 years
Honduras — Compact	2005	\$215 million/5 years
Nicaragua — Compact	2005	\$175 million/5 years
Guyana — Threshold	2007	\$6.7 million/2 years
Paraguay — Threshold	2006	\$34.65 million/2 years

Source: Millennium Challenge Corporation website, [<http://www.mcc.gov>].

For more information, see CRS Report RL32427, *Millennium Challenge Account* by Curt Tarnoff.

¹⁷ Part of the decline in DA can be attributed to the FY2008 budget proposal to transfer some DA-funded activities to ESF. Consequently, ESF increases from \$126 million in FY2006 to \$364 million in FY2008.

Narcotics

Counternarcotics assistance is one of the largest components of U.S. assistance to Latin America, with one-third of the FY2008 budget request targeted for such assistance. The Andean Counterdrug Initiative (ACI) is the single largest component of U.S. counternarcotics assistance to the region. Other funds are provided through the International Narcotics Control and Law Enforcement (INCLE) account. ACI and INCLE funding are used to prevent drug trafficking, including limiting the involvement of terrorist organizations and organized criminal groups in the drug trade. Funding also aims to increase the capacity of Latin American law enforcement agencies to combat these threats and reduce corruption. INCLE funds also support drug education and demand reduction programs throughout the region. These funds are administered by the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL). A new plan focused on Mexico, the Mérida Initiative, would further increase U.S. counternarcotics activities in the hemisphere.

In FY2006, the United States provided \$63.5 million in INCLE funding to Latin America. An estimated \$57.3 million in INCLE aid was provided in FY2007. In FY2006 and FY2007 bilateral INCLE assistance was provided to the Bahamas, Guatemala, Haiti, Jamaica, and Mexico. Mexico received the majority of bilateral INCLE assistance both years; receiving \$39.6 million in FY2006 and an estimated \$36.7 million in FY2007. The Administration requested just \$50.5 million in INCLE funding for FY2008. The decline in funding is largely due to cuts in bilateral assistance to Mexico and Haiti. Mexico would receive \$27.8 million in the regular FY2008 budget. The Administration maintains this cut in bilateral assistance is justified because Mexico is the 13th-largest economy in the world. However, the Mérida Initiative would increase counternarcotics aid to Mexico more than 10-fold over FY2006 levels. Haiti would receive \$9 million in FY2008, down from \$17.5 million in FY2006 and an estimated \$14.9 million in FY2008.

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 counternarcotics aviation needs in Colombia, Peru, and Bolivia in Latin America. This program also supports aerial eradication programs in Colombia. Funds in this program are not limited to Latin America and include support of counternarcotics aviation programs in Afghanistan and border security operations in Pakistan. In FY2006, \$62.9 million was spent on interregional aviation support programs globally. The request for FY2008 is \$60.1 million.

Appendix A. U.S. Assistance to Latin America, FY2006-FY2008, by Subregion, Country, and Account

(in millions current U.S. dollars)

Subregion, Country, Account	FY2006 Actual	FY2007 Estimate	FY2008 Request
Mexico and Central America	301.84	262.84	770.40
Mexico	68.56	67.22	547.01
Development Assistance	11.36	12.28	—
Child Survival & Health	3.99	3.72	2.50
Economic Support Fund	11.39	11.35	14.00
International Military Education & Training	0.01	0.05	0.39
International Narcotics Control & Law Enforce	39.60	36.68	527.82 ^a
Nonproliferation, Anti-terrorism, Demining	0.63	1.30	0.42
Peace Corps	1.58	1.84	1.88
Costa Rica	1.79	2.24	2.07
Child Survival & Health	—	0.24	—
International Military Education & Training	—	0.05	0.19
Peace Corps	1.79	1.95	1.88
El Salvador	47.94	35.20	27.52
Development Assistance	24.17	13.06	11.48
Child Survival & Health	8.14	8.43	6.00
Economic Support Fund	—	2.00	—
Foreign Military Financing	9.90	7.23	4.80
International Military Education & Training	1.78	1.75	1.68
International Narcotics Control & Law Enforce.	—	—	0.80
Nonproliferation, Anti-terrorism, Demining	0.42	—	0.11
PL480	0.86	0.00	0.00
Peace Corps	2.67	2.73	2.65
Guatemala	54.32	53.70	53.40
Development Assistance	10.50	18.22	7.50
Child Survival & Health	12.04	14.01	12.50
Economic Support Fund	5.45	3.00	10.00
International Military Education & Training	0.49	0.47	0.50

Subregion, Country, Account	FY2006 Actual	FY2007 Estimate	FY2008 Request
International Narcotics Control & Law Enforce.	2.48	2.20	5.30
PL480	19.52	12.00	14.00
Peace Corps	3.84	3.80	3.60
Honduras	52.62	45.90	42.51
Development Assistance	20.60	14.79	16.73
Child Survival & Health	13.14	12.03	10.60
Foreign Military Financing	0.89	0.68	—
International Military Education & Training	1.22	1.23	0.88
International Narcotics Control & Law Enforce.	—	—	0.75
Nonproliferation, Anti-terrorism, Demining	0.32	0.63	—
PL480	13.11	12.72	10.00
Peace Corps	3.34	3.82	3.55
Nicaragua	50.24	38.77	32.09
Development Assistance	22.17	13.00	13.70
Child Survival & Health	7.70	7.74	7.50
Economic Support Fund	3.37	3.00	—
Foreign Military Financing	0.59	0.50	—
International Military Education & Training	0.74	0.57	0.50
International Narcotics Control & Law Enforce.	—	—	1.60
Nonproliferation, Anti-terrorism, Demining	0.01	—	0.08
PL480	13.01	11.27	6.00
Peace Corps	2.65	2.69	2.71
Panama	10.52	12.14	5.10
Development Assistance	0.20	3.18	—
Child Survival & Health	—	0.46	—
Economic Support Fund	0.99	—	—
Andean Counterdrug Initiative	4.46	4.00	1.00
Foreign Military Financing	0.99	0.78	—
International Military Education & Training	0.89	0.62	0.19
Nonproliferation, Anti-terrorism, Demining	0.18	0.12	1.10
Peace Corps	2.81	2.98	2.81

Subregion, Country, Account	FY2006 Actual	FY2007 Estimate	FY2008 Request
Central America Regional	16.84	7.67	60.70
Development Assistance	10.67	6.00	6.70
Child Survival & Health	6.17	1.67	4.00
International Narcotics Control & Law Enforce	—	—	50.00 ^b
Caribbean	328.19	337.41	365.51
Bahamas	1.75	0.84	1.20
Foreign Military Financing	0.10	0.08	—
International Military Education & Training	0.40	0.22	0.20
International Narcotics Control & Law Enforce.	0.50	0.50	0.50
Nonproliferation, Anti-terrorism, Demining	0.75	0.04	0.50
Barbados	0.00	0.04	0.00
Nonproliferation, Anti-terrorism, Demining	—	0.04	—
Belize	2.35	3.25	2.49
Development Assistance	—	—	0.20
Child Survival & Health	—	0.49	—
Foreign Military Financing	0.20	0.18	—
International Military Education & Training	0.29	0.34	0.17
Peace Corps	1.86	2.24	2.12
Cuba	10.89	13.30	45.70
Development Assistance	1.98	—	—
Economic Support Fund	8.91	13.30	45.70
Dominican Republic	27.84	35.67	34.65
Development Assistance	7.84	16.01	11.10
Child Survival & Health	12.72	11.89	7.50
Economic Support Fund	0.84	2.00	10.00
Foreign Military Financing	0.94	0.73	—
International Military Education & Training	1.33	1.04	0.98
International Narcotics Control & Law Enforce.	—	—	1.15
Nonproliferation, Anti-terrorism, Demining	1.29	0.50	0.50
Peace Corps	2.88	3.50	3.42

Subregion, Country, Account	FY2006 Actual	FY2007 Estimate	FY2008 Request
Guyana	23.94	31.28	27.34
Development Assistance	3.92	4.00	4.31
Global HIV/AIDS Initiative	18.00	25.31	21.30
Foreign Military Financing	0.10	0.08	—
International Military Education & Training	0.31	0.31	0.25
International Narcotics Control & Law Enforce.	—	—	0.10
Peace Corps	1.61	1.58	1.38
Haiti	225.53	214.87	222.90
Development Assistance	29.70	29.70	14.81
Child Survival & Health	22.30	19.80	18.00
Global HIV/AIDS Initiative	47.30	67.29	83.00
Economic Support Fund	67.00	49.50	63.39
Foreign Military Financing	0.99	0.99	—
International Military Education & Training	0.21	0.22	0.20
International Narcotics Control & Law Enforce.	17.50	14.85	9.00
Transition Initiatives	4.57	na	na
PL480	35.96	32.52	34.50
Jamaica	17.78	14.92	13.66
Development Assistance	7.82	7.39	7.39
Child Survival & Health	4.47	2.81	1.22
Foreign Military Financing	0.59	0.50	—
International Military Education & Training	0.91	0.72	0.75
International Narcotics Control & Law Enforce.	0.99	0.90	1.01
Nonproliferation, Anti-terrorism, Demining	0.11	0.30	0.51
Peace Corps	2.89	2.30	2.78
Suriname	1.78	2.09	1.98
Development Assistance	—	—	0.20
Foreign Military Financing	0.10	0.08	—
International Military Education & Training	0.20	0.14	0.15
Nonproliferation, Anti-terrorism, Demining	0.10	0.36	—
Peace Corps	1.38	1.51	1.63

Subregion, Country, Account	FY2006 Actual	FY2007 Estimate	FY2008 Request
Trinidad and Tobago	0.23	1.31	1.48
International Military Education & Training	—	0.05	0.09
International Narcotics Control & Law Enforce.	—	—	0.50
Nonproliferation, Anti-terrorism, Demining	0.23	1.26	0.89
Eastern Caribbean Regional	4.77	5.00	4.80
Foreign Military Financing	0.91	0.99	—
International Military Education & Training	0.70	0.73	0.63
International Narcotics Control & Law Enforce.	—	—	0.50
Nonproliferation, Anti-terrorism, Demining	—	—	0.50
Peace Corps	3.16	3.28	3.17
Caribbean Regional	11.33	14.84	9.31
Development Assistance	4.89	8.20	4.31
Child Survival & Health	6.44	6.64	5.00
Andean Region	884.06	858.14	823.78
Bolivia	136.91	125.16	114.58
Development Assistance	10.09	14.70	39.00
Child Survival & Health	17.23	16.89	11.50
Economic Support Fund	5.94	4.50	17.00
Andean Counterdrug Initiative	79.20	66.00	30.00
Foreign Military Financing	—	0.03	—
International Military Education & Training	—	0.05	0.19
International Narcotics Control & Law Enforce.	—	—	0.60
Nonproliferation, Anti-terrorism, Demining	—	—	0.43
Transition Initiatives	5.37	na	na
PL480	15.95	20.00	13.00
Peace Corps	3.13	2.99	2.86
Colombia	564.00	556.07	589.71
Economic Support Fund	—	—	139.50
Andean Counterdrug Initiative	464.78	465.00	366.97
Foreign Military Financing	89.10	85.50	78.00
International Military Education & Training	1.67	1.61	1.50
Nonproliferation, Anti-terrorism, Demining	5.48	3.96	3.74

Subregion, Country, Account	FY2006 Actual	FY2007 Estimate	FY2008 Request
PL480	2.97	0.00	0.00
Ecuador	32.81	35.13	23.44
Development Assistance	6.58	8.14	7.01
Child Survival & Health	—	2.00	—
Economic Support Fund	3.27	4.50	6.00
Andean Counterdrug Initiative	19.80	17.30	7.00
Foreign Military Financing	—	0.03	—
International Military Education & Training	—	0.05	0.19
International Narcotics Control & Law Enforce.	—	—	0.20
Nonproliferation, Anti-terrorism, Demining	—	0.05	0.18
Peace Corps	3.16	3.06	2.86
Peru	144.43	139.11	93.00
Development Assistance	9.37	11.00	11.22
Child Survival & Health	14.21	12.74	12.00
Economic Support Fund	2.77	3.00	30.00
Andean Counterdrug Initiative	106.92	103.17	36.84
Foreign Military Financing	—	0.03	—
International Military Education & Training	—	0.03	—
Nonproliferation, Anti-terrorism, Demining	0.21	0.33	0.11
PL480	8.25	5.90	0.00
Peace Corps	2.70	2.91	2.83
Venezuela	5.91	2.67	3.05
Development Assistance	—	—	3.00
Economic Support Fund	—	1.63	—
Andean Counterdrug Initiative	2.23	1.00	—
International Military Education & Training	—	0.04	0.05
Transition Initiatives	3.68	na	na
Brazil and Southern Cone	31.16	33.74	18.53
Brazil	13.57	15.99	3.72
Development Assistance	2.90	8.00	—
Child Survival & Health	3.61	3.20	2.00
Andean Counterdrug Initiative	5.94	4.00	1.00
International Military Education & Training	—	0.05	0.19

Subregion, Country, Account	FY2006 Actual	FY2007 Estimate	FY2008 Request
Nonproliferation, Anti-terrorism, Demining	1.12	0.74	0.53
Argentina	1.63	1.89	2.03
Foreign Military Financing	—	0.40	—
International Military Education & Training	1.08	1.09	0.95
International Narcotics Control & Law Enforce.	—	—	0.31
Nonproliferation, Anti-terrorism, Demining	0.55	0.40	0.77
Chile	1.71	1.44	1.35
Foreign Military Financing	0.59	0.50	—
International Military Education & Training	0.65	0.66	0.60
International Narcotics Control & Law Enforce.	—	—	0.10
Nonproliferation, Anti-terrorism, Demining	0.47	0.28	0.65
Paraguay	12.76	12.37	9.74
Development Assistance	4.39	4.13	4.70
Child Survival & Health	2.88	3.10	1.30
Economic Support Fund	1.98	1.50	—
International Military Education & Training	—	0.05	0.20
International Narcotics Control & Law Enforce.	—	—	0.28
Nonproliferation, Anti-terrorism, Demining	1.01	0.54	0.27
Peace Corps	2.50	3.05	2.99
Uruguay	0.00	0.05	0.19
International Military Education & Training	—	0.05	0.19
South American Regional	1.49	2.00	1.50
Development Assistance	1.49	2.00	1.50
Latin America & Caribbean Regional	80.06	57.15	38.40
Development Assistance	71.74	46.17	32.20
Child Survival & Health	8.32	10.98	6.20
Western Hemisphere Regional	32.96	31.30	28.15
Economic Support Fund	26.07	24.95	28.15
Foreign Military Financing	3.96	4.00	—
International Narcotics Control & Law Enforce.	2.48	2.20	—
Nonproliferation, Anti-terrorism, Demining	0.45	0.15	—

Subregion, Country, Account	FY2006 Actual	FY2007 Estimate	FY2008 Request
Migration & Refugee Assistance	25.34	21.96	21.00
Inter American Foundation	19.31	19.30	19.00
Inter American Development Bank	3.40	1.70	36.50
Latin America and Caribbean Total	1,706.32	1,623.54	2,121.27

- a. Includes \$500 million requested for Mexico as part of the FY2008 emergency supplemental request.
- b. Includes \$50 million requested for Central America as part of the FY2008 emergency supplemental request.

Subregion	FY2006	FY2007	FY2008
Mexico and Central America (% of total LAC aid)	17.7%	16.2%	36.3%
Caribbean (% of total LAC aid)	19.2%	20.8%	17.0%
Andean Region (% of total LAC aid)	51.8%	52.9%	38.8%
Brazil and Southern Cone (% of total LAC aid)	1.8%	2.1%	0.9%
Regional Funds (% of total LAC aid)	9.5%	8.0%	7.0%
Latin America and Caribbean (% of all U.S. aid)	6.8%	5.8%	7.2%

Source: U.S. Department of State and USAID budget documents, FY2006-FY2008, and CRS calculations.

Notes: Figures include supplemental funds and PL480 food assistance. Food assistance for FY2008 has not yet been allocated. The total could increase when allocations are made.

Appendix B. 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) and the Department of State. 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.¹⁸ While hemispheric security is addressed by programs funded through counternarcotics and military accounts, most 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. 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. 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

¹⁸ 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.

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 largest beneficiary of funding is Haiti. The program supports stabilization, reform and post-conflict reconstruction programs in fragile states, and is designed to provide short-term programming to spur a country's progress to stability.

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.

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.

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.

Migration and Refugee Assistance (MRA). This program supports refugee relief activities, and in some cases, helps resettle refugees. Most of MRA funds have been 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. Latin America Peace Corps programs include countries in the Eastern Caribbean region and Central America, the Dominican Republic, Guyana, 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.

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. This

assistance is administered by the Millennium Challenge Corporation (MCC), in cooperation with USAID.

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. 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.

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.

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, and aviation programs in Afghanistan.

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, and Peru, with the lion's share of funding allocated for programs in Colombia. Venezuela had been included since 2000, but is slated to receive no ACI funds in FY2008. 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.

Military and Anti-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. 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.

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.

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.

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 (IDB), 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.

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. 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. OAS Development Assistance Programs focus on Summit of the Americas mandates pertaining to economic prosperity, social well being, and environmental health.¹⁹ The OAS Demining Program (AICMA) works to ensure that the Western Hemisphere is cleared of all land mine devices. The OAS also monitors the disarmament and demobilization of Colombian armed groups through its Mission to Support the Peace Process in Colombia.

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. Latin American beneficiaries of the HIPC initiative include Bolivia, Guyana, Honduras, and Nicaragua. Total costs of the HIPC initiative are estimated at \$51 billion

¹⁹ 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.

(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.

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.