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Report RL34276

*FY2008 Emergency Supplemental Appropriations for
International Affairs*

Susan B. Epstein, Rhoda Margesson, and Curt Tarnoff, Foreign Affairs, Defense, and Trade Division

April 22, 2008

Abstract. On December 26, 2007, the President signed into law the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-161; hereafter referred to as the "Act") providing funding for most government operations for which regular FY2008 appropriations bills - 11 in all - had not been enacted. The measure also included \$2.385 billion in emergency international affairs spending in addition to emergency funds for military operations in Iraq and Afghanistan.

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CRS Report for Congress

FY2008 Emergency Supplemental Appropriations for International Affairs

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Susan B. Epstein, Rhoda Margesson, and Curt Tarnoff
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Prepared for Members and
Committees of Congress

FY2008 Emergency Supplemental Appropriations for International Affairs

Summary

Congress approved an FY2008 Consolidated Appropriations Act (H.R. 2764) during the week of December 17, 2007, that included some emergency supplemental funding for international affairs requested by the White House. The President signed the spending measure on December 26 (P.L. 110-161). The White House had submitted emergency supplemental requests to Congress for military operations in Iraq and Afghanistan, and international affairs programs totaling \$196.5 billion. The request was made in two installments — an estimate of additional expenses was sent to Congress with the FY2008 regular budget request in February 2007, and a second amended request was made on October 22, 2007. Of the total, \$6.897 billion consisted of international affairs spending, relating to State Department operations and foreign assistance programs, and included \$350 million in Agriculture Department food aid appropriations. This report analyzes the international affairs portion of the request and tracks related legislative activity.

On February 6, 2007, the Administration sent to Congress its regular FY2008 budget that included \$35.1 billion for international affairs. At the same time, the President sent Congress a separate FY2008 emergency supplemental request of \$3.301 billion for international affairs. On October 22, 2007, the Administration amended its supplemental request with \$3.596 billion in additional spending. While the largest portion of the total request was for State Department operations and foreign assistance in Iraq and Afghanistan, it also included sizeable requests for programs in Mexico, the West Bank and Gaza, North Korea, Sudan, and Pakistan.

The Bush Administration has increasingly requested supplemental funds for international affairs budgets. Some budget experts and others have criticized the Administration for relying too heavily on supplementals, saying that many items have become routine, particularly relating to Iraq and Afghanistan, and should be incorporated into the regular appropriations cycle. The Administration counters that given the nature of rapidly changing overseas events and unforeseen emergencies, it is necessary to make supplemental requests for what it asserts are unexpected and non-recurring expenses.

Some congressional leaders have said that an additional supplemental bill may be considered later in 2008. In the meantime, nearly \$2.4 billion in international affairs funding requested in the supplemental was included in an omnibus FY2008 appropriations bill. H.R. 2764, the State, Foreign Operations, and Related Programs Appropriation bill, was the vehicle used to accommodate 11 outstanding appropriations measures for both regular FY2008 and supplemental funding. The omnibus also included supplemental funding for military operations. For further information, see CRS Report RL34278 *FY2008 Supplemental Appropriations for Global War on Terror Military Operations, International Affairs, and Other Purposes*.

This report will not be updated.

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FY2008 Emergency Supplemental Appropriations for International Affairs

Recent Developments

In February 2008, when the Administration sent its FY2009 budget request to Congress, the Department of State also provided its estimates of the FY2008 emergency supplemental funds, by account. Some funds differ from that in the legislation because the department allocated some supplementals into the regular base funding when less than requested in the regular budget was received. The State Department's estimates of pending FY2008 supplemental funds are also related to instances where Congress directed certain uses for the supplementals that were not part of the State Department's supplemental request.

On December 26, 2007, the President signed into law the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-161; hereafter referred to as the "Act") providing funding for most government operations for which regular FY2008 appropriations bills — 11 in all — had not been enacted. The measure also included \$2.385 billion in emergency international affairs spending in addition to emergency funds for military operations in Iraq and Afghanistan.

Background

H.R. 2764, the State, Foreign Operations, and Related Programs Act for FY2008, was the vehicle used for the omnibus bill because it had been previously approved by both the House and Senate. The House passed the amended version on December 17, 2007. The Senate took up the House-passed bill the following day and added an additional \$40 billion in emergency military spending for operations in Iraq and Afghanistan in addition to the \$31 billion provided by the House that was restricted to operations in Afghanistan. The House then approved the final version on December 19. International affairs programs comprise Division J of the omnibus bill and include both regular and supplemental appropriations. In order to meet budget targets, appropriations in Division J are subject to a 0.81 across-the-board cut. The reduction does not affect emergency supplemental funds.

Supplemental funds for international affairs in the Act total \$2.385 billion for both State Department operations (\$1.262 billion) and Foreign Operations (\$1.123 billion). The Act also provides supplemental military funding for operations in Afghanistan and Iraq. For more information on all the provisions of the Act, see CRS Report RL34278 *FY2008 Supplemental Appropriations for Global War on Terror Military Operations, International Affairs, and Other Purposes*.

Supplemental funds for **State Department** accounts include:

- \$781.6 million for Diplomatic and Consular Programs — \$575.0 million for operations and \$206.6 million for worldwide security protection;
- \$468.0 million for Contributions to International Peacekeeping for activities in Darfur; and
- \$12.0 million for International Broadcasting.

Supplemental funds for **Foreign Operations** accounts include:

- \$115 million for Global Health & Child Survival;
- \$110 million for International Disaster Assistance;
- \$20.8 million for USAID Operating Expenses for Iraq;
- \$542.6 million for Economic Support Fund;
- \$200 million for Migration and Refugee Assistance;
- \$100 million for Foreign Military Financing; and
- \$35 million for Peacekeeping Operations.

Approximately \$4.5 billion of the President's emergency request remains outstanding. (Note that the Department of State estimates that \$5.4 billion of the President's emergency request remains outstanding because of using supplemental funds to fill unmet needs in the regular FY2008 appropriation and because some supplemental funds were directed by Congress for certain uses not requested by the Administration.) Congressional leaders have stated that an additional supplemental measure could be considered in the spring of 2008. Remaining items include additional sums for foreign aid activities in Iraq and Afghanistan, and a major new counter-narcotics initiative in Mexico and Central America. For State Department operations, outstanding items include additional funds for Diplomatic and Consular Programs security upgrades, and Contributions to International Peacekeeping Activities.

International Affairs Emergency Supplemental Request

On February 6, 2007, the Administration sent to Congress its regular FY2008 budget that included \$35.1 billion for international affairs. At the same time, the President sent Congress an FY2008 emergency supplemental request of \$3.301 billion for international affairs. On October 22, 2007, the Administration amended its supplemental request with \$3.596 billion in additional spending. The total FY2008 emergency supplemental request for international affairs spending amounts to \$6.897 billion. While the largest portion of the total request is for State Department operations and foreign assistance in Iraq and Afghanistan, it also includes sizeable requests for programs in Mexico, the West Bank and Gaza, North Korea, Sudan, and Pakistan.

The State Department estimated emergency supplemental funding needs of \$3.220 billion for Diplomatic and Consular Programs (DCP) in Iraq and Afghanistan,

Worldwide Security Upgrades in Afghanistan, staff housing in Afghanistan, Contributions to International Organizations, and Contributions to International Peacekeeping Activities (CIPA) for Darfur. Two-thirds (\$2.1 billion) of the State Department request was for Diplomatic and Consular Program funding for Iraq Operations. Foreign Operations comprise \$3.678 billion, including \$350 million for P.L. 480 food assistance. Nearly half of the total foreign operations package was allocated for assistance in Iraq and Afghanistan.

The Bush Administration has increasingly requested emergency supplemental funds for international affairs budgets. Some budget experts and others have criticized the Administration for relying too heavily on supplementals, and that some items, particularly relating to Iraq and Afghanistan, have become routine and should be incorporated into the regular appropriations cycle. The Administration counters that given the nature of rapidly changing overseas events and unforeseen emergencies, it is necessary to make emergency supplemental requests for what it claims are unexpected and non-recurring expenses.

State Department Operations¹

In February 2007, the original FY2008 State Department portion of the emergency supplemental request consisted of \$1.882 billion for Diplomatic and Consular Programs, all for operations in Iraq, and \$53 million for Contributions to International Organizations (CIO). The Administration amended this supplemental, adding nearly \$1.3 billion: \$401.4 million for Diplomatic and Consular Programs (DCP), \$160 million for Embassy Security, Construction, and Maintenance (ESCM), and \$723.6 million for Contributions for International Peacekeeping Activities (CIPA). Total emergency funds requested for FY2008 for the State Department's Administration of Foreign Affairs equal \$3.220 billion in addition to the regular budget request of \$7.317 billion for the Administration of Foreign Affairs (**Table 1**).

The Mission in Iraq consists of about 1,000 direct-hire Americans representing 12 U.S. government agencies.² For the Diplomatic and Consular Programs account, the Department requested a total of \$2.283 billion, of which \$2.120.6 billion was for emergency needs in Iraq. In addition, \$402.6 million of carryover funds were available, for a total of \$2.523 billion for Iraq operations. Of this sum, \$978.7 million would pay for security needs, such as local guards (\$151.6 million), compound guards (\$164.0 million), regional security (\$167.3 million), personal security details (\$301.4 million), armored vehicles (\$41.2 million), physical and technical security, such as vehicle barriers and bomb detective dogs (\$8.7 million), equipment, such as bullet proof vests, ammunition, and masks (\$6.4 million), other support, such as special agents traveling to Iraq and counterterrorism training (\$28.1 million), and overhead cover protection to bolster rooftops (\$110.0 million). Another \$907.1 million would go toward Provincial Reconstruction Teams (PRTs), paying salaries (\$187.6 million), operations (\$63.8 million), living accommodations and medical support (\$72.1 million), information technology (\$60.3 million), vehicles

¹ Prepared by Susan B. Epstein, Specialist in Foreign Policy.

² For more information, see CRS Report RS21867, *U.S. Embassy in Iraq*, by Susan B. Epstein.

(\$3.3 million), security (\$516.8 million) and leases of space in Baghdad (\$3.2 million).

The Administration also sought \$162.4 million for worldwide security upgrades in Afghanistan. Of this amount, \$80 million would pay for securing facilities, including overhead (roof) protection; \$38 million would be for high threat protection teams and support for the election process; \$36.5 million would fund unbudgeted security costs for other agencies; and \$7.9 million would buy fully armored vehicles for the embassy and PRTs. Other expenses covered by the FY2008 emergency supplemental request for the Department of State included \$160 million for U.S. staff housing in Afghanistan under the Embassy Security, Construction, and Maintenance account, \$53 million for U.S. assessments for U.N. activities related to combat terrorism, and \$723.6 million for U.S. Contributions for International Peacekeeping activities in Darfur.

Table 1. FY2008 Emergency Supplemental State Department
(millions of U.S. dollars)

| Activity | Regular Request FY2008 | Total FY2008 Supp. Request | Final Supp. H.R. 2764 PL110-161 | State Dept FY08 Supp Allocation ^a | State Dept Pending FY08 Supp Request |
|--|----------------------------|----------------------------|---------------------------------|--|--------------------------------------|
| Total State Operations | 7,317.1^b | 3,219.6 | 1,261.6 | 965.0 | 2,254.6 |
| Diplomatic & Consular | 4,942.7 | 2,283.0 | 781.6 | 575.0 | 1,708.0 |
| Programs Iraq Operations | — | (2,120.6) | (575.0) | (575.0) | (1,545.6) |
| Worldwide Security Protection | (964.8) | (162.4) | (206.6) | (0.0) | (162.4) |
| Embassy Security, Construction & Maintenance | 1,599.4 ^c | 160.0 | — | 0.0 | 160.0 |
| Contributions to International Organizations | 1,354.4 | 53.0 | — | 0.0 | 53.0 |
| Contributions to International Peacekeeping | 1,107.0 | 723.6 | 468.0 | 390.0 | 333.6 |
| Broadcasting | 668.2 | — | 12.0 | 12.0 | — |
| Total | 9,003.5 | 3,219.6 | 1,261.6 | 977.0 | 2,254.6 |

a. These numbers differ from those in P.L. 110-161 because the Department of State applied some of the supplemental funding to FY2008 base funds or because, in some cases, Congress provided supplementals for activities not requested by the Administration.

b. Includes other funds not listed in this table.

c. Includes worldwide security upgrade funds for embassies.

Congressional Action on State Department Operations. Congress provided both regular funding and supplemental funding for the Department of State and the Broadcasting Board of Governors (BBG) in Division J of the Consolidated Appropriation Act (P.L. 110-161). The enacted law contains \$1.262 billion in supplemental funds for the Department of State — \$781.6 million for State's Diplomatic and Consular Programs (D&CP) and \$468.0 million for U.S.

Contributions to International Peacekeeping (CIPA). In both accounts, the emergency supplemental amounts are significantly less than what the Administration had requested. Of the \$781.6 million for D&CP, \$575.0 million is specified for Iraq operations and \$206.6 million is for worldwide security protection (WSP). According to State Department officials, the Department applied the \$206 million to the FY2008 base request, resulting in \$162.4 million to be still pending for WSP in Afghanistan. The appropriation does not require any specific allocation for the CIPA emergency supplemental funds, although the measure states that “not less than \$550.4 million be used to establish a new United Nations/African Union hybrid peacekeeping mission to Darfur (UNAMID).” According to Department of State officials, \$390 million is allocated for Darfur and \$78 million for FY2008 U.N. Peacekeeping funds. Still pending is \$333.6 million for Darfur, according to Department sources.

Emergency supplemental funds for the BBG total \$12.0 million in the consolidated appropriation. No funds for international broadcasting were requested in the Administration’s emergency supplemental request. While the provision lists general funding allocations for BBG, no requirements for specific allocation of the supplemental funds is mentioned.

Foreign Operations³

The Foreign Operations portion, totaling \$3.678 billion, of the supplemental request was sent to Congress in two tranches. A \$1.367 billion request accompanied the President’s budget on February 6, 2007. An amended request for \$2.311 billion, including P.L. 480 food aid, was sent to Congress on October 22nd. Approximately one-third of the request was made up of \$2.217 billion in Economic Support Funds (ESF) for Iraq (\$797 million), Afghanistan (\$834 million), West Bank and Gaza (\$350 million), North Korea (\$106 million), Sudan (\$70 million) and Pakistan (\$60 million). (See **Table 2** for full request.)

Anti-narcotics emergency supplemental funding for FY2008 totaled a requested \$734 million, the largest portion allocated for Mexico and Central America (\$550 million). Migration and Refugee Assistance (MRA) totaled \$230 million, mainly for Iraqi and Palestinian refugees. International Disaster and Famine Assistance (IDFA), totaling \$80 million, would fund programs in Iraq to assist internally displaced persons (IDPs). The request also includes \$5 million for the Afghanistan Presidential Protection Service from the Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR) account. A \$350 million request for P.L. 480 food aid would support programs in the Horn of Africa, Kenya, Sudan, and a \$30 million contingency fund to anticipate future needs elsewhere.

Congressional Action on Foreign Operations. Congress approved \$1.123 billion in emergency supplemental funds for foreign operations in the omnibus bill in addition to regular FY2008 funding. In many instances, the amounts approved for emergency funds are less than that requested, making it difficult to ascertain what parts of the request will be funded. For example, the White House

³ Prepared by Connie Veillette, Specialist in Foreign Assistance.

had requested approximately \$2.2 billion in ESF funds for six recipients, but the legislation is not explicit, in every instance, as to where these funds should be directed, presumably leaving some discretion to the Administration. Supplemental funds approved by Congress include

- \$115 million for Global Health & Child Survival (no CSH funds were requested);
- \$110 million for International Disaster Assistance (\$80 million had been requested for activities in Iraq);
- \$20.8 million for USAID Operating Expenses (\$61.8 million was requested for operations in Iraq and Afghanistan);
- \$542.6 million for Economic Support Fund (\$2.2 billion had been requested for Iraq Afghanistan, the West Bank and Gaza, Pakistan, North Korea, and Sudan);
- \$200 million for Migration and Refugee Assistance for Iraqi refugees and Palestinian refugees in Lebanon, and the West Bank and Gaza (\$230 million was requested);
- \$100 million for Foreign Military Financing (no FMF funds were requested); and
- \$35 million for Peacekeeping Operations (no PKO funds were requested).

No supplemental funds were provided for counter-narcotics programs requested for Mexico and Central America, and the West Bank and Gaza.

Table 2. FY2008 Foreign Operations Emergency Supplemental
(millions of U.S. dollars)

| Country/Account | FY2008 Regular Request | Total Supp. Request | Final ^b Supp HR2764 PL110-161 | FY08 Supp Allocation | Pending FY08 Supp Request |
|--|----------------------------|---------------------|--|----------------------|---------------------------|
| Afghanistan | 1,067.1^a | 839.0 | na | — | 839.0 |
| ESF | 693.0 | 834.0 | | | |
| NADR | 21.7 | 5.0 | | | |
| USAID Operating Expenses | — | (16.0) | | | |
| Iraq | 391.8^a | 956.0 | na | — | 956.0 |
| ESF | 298.0 | 797.0 | | | |
| INCLE | 75.8 | 159.0 | | | |
| Mexico — Central America Initiative | 220.4^a | 550.0 | 0.0 | — | 550.0 |
| INCLE | 31.7 | 550.0 | | | |
| West Bank/Gaza | 77.0^a | 375.0 | na | 155.0 | 220.0 |
| INCLE | 3.5 | 25.0 | | — | |
| ESF | 63.5 | 350.0 | | 155.0 | |
| Pakistan | 785.0^a | 60.0 | na | — | 60.0 |
| ESF | 382.9 | 60.0 | | | |
| North Korea | 2.0 | 106.0 | na | 53.0 | 53.0 |
| ESF | 2.0 | 106.0 | | 53.0 | 53.0 |
| Sudan | 679.2^a | 70.0 | na | — | 70.0 |
| ESF | 245.9 | 70.0 | | | 70.0 |
| Horn of Africa/Kenya | — | (110.0) | | — | (110.0) |
| PL480 | 7.0 | (110.0) | 0.0 | | |
| Southern Africa | — | (135.0) | | — | (135.0) |
| PL480 | — | (135.0) | 0.0 | | |
| Migration/refugee | 773.5 | 230.0 | 200.0 | 200.0 | 30.0 |
| Intern'l Disaster Assist. | 297.3 | 80.0 | 80.0 | 80.0 | — |
| PL480 | 1,219.4 | 350.0 | 0.0 | — | 350.0 |
| USAID Operating Expenses | 609.0 | 61.8 | na | 20.8 | 41.0 |
| Total | 6,121.7 | 3,677.8 | 1,123.4 | 508.8 | 3,169.0 |

Notes: Figures do not include State Department Operations. **Acronyms:** ESF-Economic Support Fund; INCLE-International Narcotics Control and Law Enforcement; IDFA-International Disaster and Famine Assistance; MRA-Migration and Refugee Assistance; NADR-Nonproliferation, Anti-terrorism, Demining, and Related Programs; and PL480-Food for Peace; USAID-U.S. Agency for International Development.

- a. Country totals include other accounts for which supplemental funds were not requested.
b. Some supplemental funds were not designated in the Joint Explanatory Statement accompanying H.R. 2764 with regard to destination, and are marked as “na.”

Iraq Reconstruction Assistance⁴

Until the passage of the omnibus FY2008 appropriations bill, nearly \$42 billion in U.S. funds had been appropriated to support all facets of Iraq reconstruction. Almost all this funding was appropriated in annual supplemental legislation. For FY2008, the Administration made no request for security assistance in its regular Defense budget proposal, but asked for roughly \$392 million under State and Foreign Operations appropriations. In both the June 2007-approved House and September 2007-approved Senate versions of the FY2008 State and Foreign Operations legislation (H.R. 2764), Congress rejected the Administration request for Iraq. Therefore, funding for Iraq reconstruction in FY2008 was expected to come almost entirely from an emergency supplemental measure.

Administration Supplemental Request for Iraq Reconstruction. The Administration's FY2008 emergency supplemental appropriations request, revised on October 22, 2007, included \$4.9 billion in funding for Iraq reconstruction. Reconstruction aid has two main components — security aid funded with Department of Defense (DOD) appropriations and political/economic/social sector assistance funded with State and Foreign Operations appropriations.

The request for DOD reconstruction appropriations totaled about \$3.7 billion. It would chiefly fund the training and equipping of Iraqi troops under the Iraq Security Forces Fund (ISFF) and reconstruction grants provided under the Commander's Emergency Response Program (CERP). The CERP allows military commanders to support a wide variety of economic activities at the local level, from renovating health clinics to digging wells to painting schools, provided in the form of small grants. CERP also funds some infrastructure efforts no longer supported with other U.S. assistance, such as repair or provision of electric generators and construction of sewer systems. Commanders are able to identify needs and dispense aid with few bureaucratic encumbrances. More recently, the CERP has paid salaries to the so-called Sons of Iraq (formerly known as the Concerned Local Citizens), mostly Sunnis who are joining with U.S. forces to provide security.

The October budget revision added a \$100 million request to the DOD-funded Iraq Freedom Fund account for the Task Force to Improve Business and Stability Operations in Iraq. The Task Force, funded at \$50 million under the previous supplemental appropriations legislation, seeks to stimulate the economy and create employment for Iraqi citizens by rehabilitating some of the roughly 200 state-owned enterprises that comprised a large portion of the Iraqi economy prior to the U.S. occupation. News reports have suggested some difficulty with the program, resulting from the lack of electricity, the insecure environment, and a lack of enthusiasm from U.S. companies that had been expected to invest in the facilities, among other reasons.⁵

⁴ Prepared by Curt Tarnoff, Specialist in Foreign Affairs. For more detailed discussion of the U.S. program of assistance to Iraq, see CRS Report RL31833, *Iraq: Reconstruction Assistance*, by Curt Tarnoff.

⁵ "U.S. Falters in Bid to Boost Iraqi Business," *Washington Post*, August 24, 2007; "In Iraq, (continued...)"

Under the State and Foreign Operations appropriations budget, the FY2008 emergency supplemental request would direct \$1.2 billion toward Iraq — \$797 million in the Economic Support Fund (ESF), \$159 million in the International Narcotics and Law Enforcement (INCLE), and \$195 million in the Migration and Refugee Assistance (MRA), and \$80 million in the International Disaster and Famine Assistance (IDFA) accounts. ESF is the primary source of funding for the assistance provided by the Provincial Reconstruction Teams (PRTs), which have grown under the surge to 31, including 13 newly established ePRTs (embedded PRTs) embedded with U.S. combat battalions and concentrated mostly in Baghdad and Anbar province. The ePRTs are intended to help stabilize areas secured by U.S. and Iraqi forces by supporting local small-scale, employment-generating, economic projects, using ESF-funded community development grants, job training and micro-loan programs, among other activities. PRTs also utilize ESF to increase the capacities of local government officials to spend Iraqi-owned capital funds allocated by the Iraqi government for infrastructure programs. At the national level, ESF supports Ministerial capacity development, agriculture and private sector reform, and the strengthening of democratization efforts.

The October budget revision added another \$25 million to the ESF supplemental request and proposed authorization language to allow the Administration to establish a new Iraq enterprise fund based on the model created for east Europe and the former Soviet Union. Enterprise funds are U.S. government-funded private sector-run bodies that primarily provide loans or equity investments to small and medium business. In the former communist countries, enterprise funds also encouraged growth of the private sector, including support for mortgage lending markets and establishment of private equity funds. The most successful example, the Polish Fund, made many profitable investments, helping companies grow that otherwise were unable to obtain financial support in the period just after the fall of communism. Some of the funds, however, have been much less successful, either by taking on poor investment risks, or unable to locate promising businesses because of the poor business climate or competition from other private sector funding sources. Some observers question the usefulness of the funds because their ostensible development purpose seems often to conflict with pressures for economic profit.

The INCLE account largely would support rule of law and corrections programs. The Administration request was expected to fund prison construction, something that Congress has sometimes cut from previous requests. The request was also intended to extend judicial reform and anticorruption efforts to the provinces. The MRA request would address the continuing refugee crisis in the region; an estimated 2.0 million Iraqis have fled the country and another 2.2 million have been displaced due to sectarian violence and instability. The IDA program would provide medical care, food, shelter and other relief to refugees and displaced people.

FY2008 emergency funds were also requested for operational costs (not included in the reconstruction aid total) for staffing and administering reconstruction programs: \$679 million for PRT and \$45.8 million for USAID operations.

⁵ (...continued)

One Man's Mission Impossible," *CNN Money.com*, September 4, 2007.

Congressional Action on Iraq Reconstruction in FY2008 Consolidated Appropriations. In its consideration of the regular and supplemental requests for Iraq reconstruction, Congress treated the two facets of reconstruction — security and economic — quite differently. On the one hand, Congress did provide a substantial part — \$1.9 billion — of the Administration's \$3.7 billion Defense appropriations supplemental request for security reconstruction aid. It appropriated half of the request for the Iraq Security Forces Fund and nearly half of the request for the CERP.

On the other hand, with a few discrete exceptions — all involving humanitarian programs — Congress, in section 699K of Division J (the State and Foreign Operations part of the omnibus appropriations), specifically rejected almost all regular or supplemental economic assistance to Iraq, providing only about \$250 million. It approved efforts to fund humanitarian demining (\$16 million, drawing on regular NADR funds), assist refugees and internally displaced persons (drawing on supplemental MRA funds), and offer disaster relief (drawing on supplemental IDFA funds), and it provided \$5 million for the Marla Ruzicka War Victims Fund, and \$10 million for the rescue of Iraqi scholars (drawing on regular ESF funds, but the latter reportedly not yet allocated).

In the end, Congress appropriated 24% of the total International Affairs budget supplemental request for Iraq reconstruction, which, with FY2008 regular and DOD emergency appropriations brings Iraq reconstruction funding since 2003 to \$44.8 billion. However, until the 2nd tranche of the supplemental is considered, U.S. funding for PRT operations and programs and a wide range of other programs designed to support the surge and enhance the capacity of the Iraqi government to address its own needs will have to rely on available FY2007 funds.

Pending FY2008 Supplemental. The Administration is seeking the remainder of its emergency Iraq reconstruction aid request — about \$1 billion in unenacted Foreign Operations appropriations and \$2 billion in unenacted Defense appropriations — when the second tranche is deliberated in spring 2008.

**Table 3. FY2008 Emergency Supplemental Appropriations
for Iraq Reconstruction**
(millions of U.S. dollars)

| International Affairs (Budget Function 150 Accounts) | | | |
|---|-----------------------------------|---|-------------------------------------|
| | Administration Request | H.R. 2764 (PL110-161) Emergency Allocation | Pending FY2008 Supp. |
| Economic Support Fund (ESF) | 797.0 | 5.0 | 797.0 |
| International Narcotics Control and Law Enforcement (INCLE) | 159.0 | 0.0 | 159.0 |
| Migration and Refugee Assistance (MRA) | 195.0 | 149.5 ^c | 30.0 |
| International Disaster Assistance (IDA) | 80.0 | 80.0 ^d | — |
| TOTAL 150 Account | 1,231.0 | 234.5 | 986.0 |
| Department of Defense (Budget Function 050 Accounts) | | | |
| Iraq Security Forces Fund (ISFF) | 3,000.0 | 1,500.0 | 1,500.0 |
| Commander's Emergency Response Program (CERP) | 609.7 ^a | 370.0 ^f | 359.7 ^e |
| Iraq Freedom Fund (for Task Force to Improve Business) | 100.0 | — | 100.0 |
| TOTAL 050 Account | 3,709.7 | 1,870.0 | 1,959.7 |
| GRAND TOTAL 150 & 050 | 4,940.0^b | 2,104.5 | 2,945.7^b |

Sources: Department of State and DOD FY2008 Congressional Budget Justifications; H.R. 2764.

- a. The total CERP request of \$1,219.4 million is for both Iraq and Afghanistan. The amount included here assumes that at least half will be used in Iraq.
- b. Not included are requests of \$45.8 million in USAID Iraq operational expenses (OE) and \$679 million for PRT OE. H.R. 2764 provided USAID with \$20.8 million in OE.
- c. H.R. 2764 provides \$200 million for MRA account (total account request was \$230 million). Table shows amount allocated to date for Iraq.
- d. H.R. 2764 provides \$110 million for Iraq and other countries affected by disasters. Total IDFA account request was \$80 million. Table shows amount allocated to date.
- e. The total unenacted FY2008 CERP request of \$719.4 million is for both Iraq and Afghanistan. The amount included here assumes that at least half of the request is for Iraq.
- f. Congress appropriated up to \$500 million for the CERP. According to the SIGIR, Iraq has been allocated \$370 million as of end January 2008.

Afghanistan⁶

Background. Afghanistan's political transition was completed with the convening of a parliament in December 2005, but in 2006 insurgent threats to

⁶ Prepared by Rhoda Margesson, Specialist in International Humanitarian Policy, and Kenneth Katzman, Specialist in Middle Eastern Affairs.

Afghanistan's government escalated to the point that some experts began questioning the success of U.S. stabilization efforts. In the political process, a new constitution was adopted in January 2004, successful presidential elections were held on October 9, 2004, and parliamentary elections took place on September 18, 2005. The parliament has become an arena for factions that have fought each other for nearly three decades to debate and peacefully resolve differences. Afghan citizens have started to enjoy new personal freedoms, particularly in the northern and western regions of the country, that were forbidden under the Taliban. Women are beginning to participate in economic and political life, including as ministers, provincial governors, and senior levels of the new parliament. The next elections are planned for 2009.

The insurgency, led by remnants of the former Taliban regime, escalated in 2006, after several years in which it appeared the Taliban was mostly defeated. U.S. and NATO military commanders have had recent successes in counter-insurgency operations, but the Taliban continues to present a considerable threat to peace and security in parts of Afghanistan. Slow reconstruction, corruption, and the failure to extend Afghan government authority into rural areas and provinces, particularly in the south and east, have contributed to the Taliban resurgence. Political leadership in the more stable northern part of the country have registered concerns about distribution of reconstruction funding. In addition, narcotics trafficking is resisting counter-measures, and independent militias remain throughout the country, although many have been disarmed. The Afghan government and U.S. officials have said that some Taliban commanders are operating across the border from Pakistan, putting them outside the reach of U.S./NATO forces in Afghanistan. In 2007, the Administration unveiled the Reconstruction Opportunity Zones (ROZ) in Afghanistan and the border regions with Pakistan, an initiative to stimulate economic activity in underdeveloped, isolated regions.

The United States and partner stabilization measures focus on strengthening the central government and its security forces and on promoting reconstruction while combating the renewed insurgent challenge. As part of this effort, the international community has been running PRTs to secure reconstruction. Despite these efforts, weak provincial governance is seen as a key obstacle to a democratic Afghanistan and continues to pose a threat to reconstruction and stabilization efforts.

The FY2008 original and amended emergency supplemental request. The Administration requested \$339 million in ESF for Afghanistan reconstruction assistance in the FY2008 emergency supplemental in February 2007. Other parts of the supplement request for Afghanistan included increases in embassy operations and security. The Administration amended the FY2008 supplemental request in October 2007 for a total request of \$839 million for reconstruction, which included several provisions intended to continue U.S. efforts to stabilize Afghanistan and continue economic reconstruction efforts.⁷

⁷ Funding figures obtained from the *FY2008 Revised Emergency Proposal* dated October 22, 2007; the proposed *Budget for Fiscal Year 2008* ("Additional 2007 and 2008 Proposals") submitted in February 2007; and the *Supplemental Appropriations Justification* (continued...)

The FY2008 Consolidated Appropriations Act funded most government operations for which regular FY2008 appropriations bills — 11 in all — had not been enacted. Although emergency funds for military operations in Afghanistan were appropriated as part of the bridge supplemental in the Consolidated Appropriations Act (\$1.753 million), the supplemental request of \$839 for reconstruction was not appropriated.

Key elements of the FY2008 emergency supplemental requests include funding for the ESF. In addition to the \$339 million for ESF in the initial supplemental request, the amended supplemental included additional funding for democratic governance and reconstruction efforts to continue security and development strategy that would be allocated as follows:

- \$275 million to strengthen provincial governance and responsiveness to the Afghan people. Funding would support a wide range of programs, preparation activities for the 2009 election and ongoing programs, such as the National Solidarity Program (\$40 million), the Afghanistan Reconstruction Fund (\$25 million), and the Provincial Governance Fund (\$50 million);
- \$50 million as part of an effort to invest in basic social services, such as health and education, particularly in rural areas; and
- \$170 million for economic growth and infrastructure, including the development of power sector projects (\$115 million); road projects (\$50 million) focused on those segments that are of strategic military importance and provide key connections between the central and provincial government capitals; and funding to support Reconstruction Opportunity Zones (\$5 million) in designated economically isolated areas and to create employment alternatives.

In addition to ESF funding, the request includes:

- \$5 million in Non-proliferation, Anti-terrorism, Demining and Related Programs (NADR) to support the Afghan leadership through the Presidential Protection Service.

⁷ (...continued)

Table 4. Afghanistan Reconstruction Assistance, FY2008
(millions of U.S. dollars)

| Activity (appropriation account) | Total FY2008 Supp Request | Final Supp H.R. 2764 PL110-161 | Pending FY2008 Supp Request |
|--|------------------------------|--------------------------------------|--------------------------------|
| Infrastructure aid (ESF) | 834.0 | — | 834.0 |
| Nonproliferation (NADR) | 5.0 | — | 5.0 |
| Total | 839.0 | — | 839.0 |

Source: FY2008-FY2009 budget materials.

Notes: Data in this table reflect ongoing and FY2008 proposed funding for programs the same as or similar to those requested in the FY2007 supplemental. The **total** line does not represent total aid or mission operations for Afghanistan. Excluded from this table is proposed funding requested for FBI operations in Afghanistan.

Acronyms: ESF-Economic Support Fund, NADR-Nonproliferation, Anti-terrorism, Demining, and Related Programs.

Pakistan⁸

The Federally Administered Tribal Areas (FATA) are considered strategically important to combating terrorism while continued terrorist and militant activities in the frontier region remain a threat to the United States and its interests in Afghanistan. The Government of Pakistan has developed a FATA Sustainable Development Plan to be implemented over 10 years. In support of this plan, the State Department and the U.S. Agency for International Development have put forward a five-year \$750 million development assistance strategy for the frontier region (a pledge of \$150 million per year) that complements the Government of Pakistan's plan.⁹ The U.S. objectives are to improve economic and social conditions in the FATA in order to address the region's use by terrorists and militants. Programs would include governance, health and education services, and economic development, such as agricultural productivity, infrastructure rehabilitation, credit, and vocational training.

On November 3, 2007, President Musharraf imposed emergency rule and suspended Pakistan's constitution. In light of these events, the Administration announced a review of U.S. assistance. However, no action was taken in 2007, and in February 2008, Pakistan held what was reported to be a reasonably credible national election that seated a new civilian government. On April 9, 2008, Secretary of State Condoleezza Rice determined that a democratically elected government had taken office in Pakistan on March 25, 2008, which permitted the removal of coup-related sanctions on Pakistan and the resumption of assistance.

⁸ Prepared by Rhoda Margesson, Specialist in International Humanitarian Policy.

⁹ For more detail on Pakistan, see CRS Report RL33498, *Pakistan-U.S. Relations*, by K. Alan Kronstadt.

The FY2008 original and amended supplemental request. The Administration did not request funding for Pakistan in its original FY2008 emergency supplemental request in February 2007. In the FY2008 regular budget, the President asked for \$90 million for the frontier region development plan, which left a gap of \$60 million in the overall U.S. pledge of \$150 million. The FY2008 amended supplemental request for \$60 million for ESF would address this funding gap and meet the full pledge as follows: Investment in governance and planning (\$13 million); health and education programs (\$15 million); and local economic development (\$32 million). The \$60 million emergency supplemental request is in addition to the regular appropriations from various accounts in the FY2008 budget.

Sudan¹⁰

No funding was requested for Sudan in the original FY2008 emergency supplemental in February 2007. The Administration sought a total of \$868.6 million in the amended emergency supplemental for Sudan, most of which was for humanitarian and peacekeeping support in the Darfur region. Under the Consolidated Appropriations Act, Sudan received \$334.8 million in the regular FY2008 budget and also \$468 for the African Union/United Nations Hybrid Operation in Darfur (UNAMID) peacekeeping mission.

FY2008 additional emergency supplemental request. Major elements of the FY2008 amended emergency supplemental included the following:

- A \$70 million request in ESF for Sudan to support upcoming national elections that are to take place before July 2009, as determined in the 2005 Comprehensive Peace Agreement between north and south Sudan. The assistance will focus on strengthening political parties, drafting the electoral law, supporting an electoral commission, promoting civic education, and supporting election-related institutions and processes. The United Nations estimates that the elections could cost nearly \$400 million because of the logistical hurdles in conducting elections in a post-conflict environment. \$70 million remains in the pending FY2008 emergency supplemental; and
- \$723.6 million in support of the African Union/United Nations Hybrid Operation in Darfur (UNAMID) in the amended FY2008 supplemental. In the Consolidated Appropriations, \$468 million was appropriated; \$333.6 remains in the pending FY2008 emergency supplemental.

¹⁰ Prepared by Rhoda Margesson, Specialist in International Humanitarian Policy.

Table 5. Sudan Emergency Supplemental, FY2008
(millions of U.S. dollars)

| Activity (appropriation account) | FY2008 Supp Request Total | Final ^a Supp H.R. 2764 PL110-161 | Pending FY2008 Supp Request |
|-------------------------------------|------------------------------------|--|-----------------------------------|
| UNAMID (CIPA) | 723.6 | 468.0 | 333.6 |
| Economic Support Fund (ESF) | 70.0 | — | 70.0 |
| Total | \$868.6 | | \$403.6 |

Source: FY2008- FY2009 budget materials.

Notes: The **Total** line does not represent total aid or mission operations for Sudan.

Acronyms: CIPA-Contributions to International Peacekeeping Activities; ESF-Economic Support Fund.

Mexico and Central America¹¹

The emergency supplemental request included \$550 million to meet the first installment of a reportedly \$1 billion-plus anti-narcotics package for the Mexico and Central America Security Initiative. Composed entirely of funds from the International Narcotics Control and Law Enforcement Account (INCLE), the initiative is to address criminal gang and drug trafficking activities and to support improved justice systems and rule of law programs. Mexico would see \$500 million of the initial package for border security technology and transport for law enforcement and to improve judicial and prison systems. Countries in Central America would receive \$50 million to improve border security, deter the smuggling of drugs, arms, and persons, and improve the justice sector and gang prevention programs. Regular funding for Mexico totaled \$65.4 million in FY2007 and a requested \$45.1 million in FY2008. The countries of Central America received \$134.8 million in FY2007 and are proposed to receive \$146.5 million in FY2008. Congress did not include this request in the FY2008 omnibus act.

West Bank and Gaza¹²

The FY2008 emergency supplemental request included \$375 million to support the Palestinian Authority (PA) government. The focus is on rule of law, economic growth, and governance issues. The supplemental request was in addition to \$77 million requested in the regular FY2008 budget and comes after a new PA government was formed without Hamas control. Consisting largely of ESF funds,

¹¹ Prepared by Connie Veillette, Specialist in Foreign Assistance. For more information, see CRS Report RL34215, *Mexico's Drug Cartels*, and CRS Report RL32724, *Mexico-U.S. Relations: Issues for Congress*, both by Colleen W. Cook.

¹² For more information, see CRS Report RL34074, *The Palestinian Territories: Background and U.S. Relations*, and CRS Report RS22370, *U.S. Foreign Assistance to the Palestinians*, both by Paul Morro.

\$40 million is to address governance issues, \$20 million would improve health care services, \$130 million is to support job creation, infrastructure, trade and investment, and agriculture programs, and \$150 million would consist of budget support in the form of a cash transfer. An additional \$25 million in INCLE funds would be used to train and equip the Presidential Guards and National Security Force, and \$35 million in MRA funds would be for Palestinian refugees in the West Bank and Gaza and in refugee camps in Lebanon.

Congress included \$542.6 million in emergency ESF and allocated \$155 million of those funds to the West bank and Gaza. No emergency INCLE funds were provided. A total of \$200 million in emergency MRA was provided; the request was \$230 million, which included \$35 million for the West Bank and Gaza.

North Korea¹³

The Administration proposed \$106 million in ESF funds for North Korea as a result of commitments made as part of the Six Party Talks. In February 2007, North Korea agreed to shut down and eventually abandon the Yongbyon nuclear facility, to allow International Atomic Energy Agency monitors back in the country and to disable all existing nuclear facilities. In return, the United States and other Six Party Talks members (South Korea, China, Russia and Japan) agreed to provide 1 million metric tons of heavy fuel oil, or the equivalent in other assistance, as North Korea meets its commitments. The U.S. share is one-quarter of the 1 million metric tons, or equivalent assistance. The total cost for the U.S. commitment is \$131 million. The President authorized \$25 million in FY2007 supplemental funds, leaving \$106 million that would be provided with the FY2008 supplemental funding.

The omnibus bill provided \$53 million in ESF funds for North Korea but does not designate them as emergency.

Other Humanitarian Assistance¹⁴

Although proposed aid packages for specific countries anticipate and identify some humanitarian needs, the Administration also seeks funding for what it describes as unmet or unforeseen humanitarian needs, including \$350 million in additional P.L. 480 - Title II assistance to meet emergency food needs in the Darfur region of Sudan and eastern Chad and elsewhere worldwide, including places such as southern Africa, and the Horn of Africa and Kenya.

In addition, the Administration's original request asked for \$230 million for Migration and Refugee Assistance (MRA) for anticipated and unanticipated refugee and migration emergencies, of which \$195 million was requested for humanitarian assistance to Iraqi refugees. This was an increase of \$160 million for Iraqi refugees; \$35 million was requested in the earlier version of the FY2008 emergency

¹³ For more information, see CRS Report RL33590, *North Korea's Nuclear Weapons Development and Diplomacy*, by Larry A. Niksch.

¹⁴ Prepared by Rhoda Margesson, Specialist in International Humanitarian Policy.

supplemental request. In addition, \$35 million was requested for the emergency needs of Palestinian refugees in Gaza and West Bank, and for Palestinian refugee camps in Lebanon. \$200 million was appropriated for MRA in the Consolidated Appropriations Act, of which \$195 was allocated for Iraqi refugees. \$30 million (of the original \$230 million request) remains as part of the pending FY2008 supplemental request for assistance to Iraqi refugees.

Appendix A. FY2008 Emergency Supplemental Request, State Department and Foreign Operations

(millions of U.S. dollars)

| Account | FY2008 Base Request | FY2008 Total Supp Funds Requested | FY08 Supp Funds enacted in P.L. 110-161 | State Dept FY08 Supp Estimate | State Dept. Pending FY08 Supp estimates |
|--|---------------------|-----------------------------------|---|-------------------------------|---|
| State Department | | | | | |
| Diplomatic & Consular Programs | 4,942.7 | 2,283.0 | 781.6 | 575.0 | 1,708.0 |
| Embassy Security, Construction, Maintenance | 792.5 | 160.0 | — | — | 160.0 |
| Contributions to International Organizations | 1,354.4 | 53.0 | — | — | 53.0 |
| Contributions to International Peacekeeping | 1,107.0 | 723.6 | 468.0 | 390.0 | 333.6 |
| Board for International Broadcasting | 618.8 | — | 12.0 | 12.0 | — |
| Total, State Department | 8,196.6 | 3,219.6 | 1,261.6 | 977.0 | 2,254.6 |

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| Account | FY2008 Base Request | FY2008 Total Supp Funds Requested | FY08 Consolidated Supp Funds | State Dept. FY08 Base Estimate | State Dept FY08 Supp. Allocations |
|---|---------------------|-----------------------------------|------------------------------|--------------------------------|-----------------------------------|
| Foreign Operations | | | | | |
| Economic Support Fund | 3,319.6 | 2,217.0 | 542.6 | 208.0 | 2,009.0 |
| International Narcotics Control/Law Enforcement | 634.6 | 734.0 | — | — | 734.0 |
| Nonproliferation, Anti-Terrorism, Demining | 464.0 | 5.0 | — | — | 5.0 |
| Migration and Refugee Assistance | 773.5 | 230.0 | 200.0 | 200.0 | 30.0 |
| International Disaster Assistance ^a | 297.3 | 80.0 | 110.0 | 80.0 | — |
| USAID Operating Expenses | 609.0 | 61.8 | 20.8 | 20.8 | 41.0 |
| Global Health/Child Survival | — | — | 115.0 | — | — |
| Foreign Military Financing | — | — | 100.0 | — | — |
| Peacekeeping Operations | — | — | 35.0 | — | — |
| Total, Foreign Operations | 6,098.0 | 3,327.8 | 1,123.4 | 508.8 | 2,819.0 |
| Total, State and Foreign Operations | 14,294.6 | 6,547.4 | 2,385.0 | 1,485.8 | 5,073.6 |
| P.L. 480 Food Aid | 1,319.4 | 350.0 | — | — | 350.0 |

Notes: State Dept. FY2008 supplemental estimates do not match levels in the FY2008 consolidated funds because some supplemental appropriations were moved into FY2008 regular accounts and some funds provided by Congress were for uses other than what State Dept had requested. Table does not include all accounts in the State Department, Foreign Operations, and Related Programs appropriations bills. Accounts listed above are those for which emergency supplemental funds are requested.

a. The International Disaster Assistance account was previously called International Disaster and Famine Assistance.