U.S. Foreign Assistance to Latin America and the Caribbean: Recent Trends and FY2013 Appropriations

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Summary

Geographic proximity has forged strong linkages between the United States and the nations of Latin America and the Caribbean, with critical U.S. interests in the region encompassing economic, political, and security concerns. U.S. policymakers have emphasized different strategic interests in the region at different times, from combating Soviet influence during the Cold War to advancing democracy and open markets since the 1990s. Current U.S. policy toward the region is designed to promote economic and social opportunity; ensure citizen security; strengthen effective democratic institutions; and secure a clean energy future. As part of broader efforts to advance these priorities, the United States provides Latin American and Caribbean nations with substantial amounts of foreign assistance. Congress – which authorizes and appropriates aid for the region, and engages in oversight of assistance programs – is currently considering the President's foreign aid request for FY2013. In recent years, the State Department, Foreign Operations, and Related Programs appropriations measure has been the primary legislative vehicle through which Congress reviews U.S. assistance and influences executive branch policy toward the region.

Trends in Assistance

Since 1946, the United States has provided over $148 billion (constant 2010 dollars) in assistance to the region. Funding levels have fluctuated over time, however, according to regional trends and U.S. policy initiatives. U.S. assistance to the region spiked during the 1960s under President Kennedy's Alliance for Progress, then declined in the 1970s before spiking again during the Central American conflicts of the 1980s. After another decline during the 1990s, assistance to the region remained on a generally upward trajectory through the first decade of this century, reaching its most recent peak in the aftermath of the 2010 earthquake in Haiti. Aid levels for the region have fallen in each of the past two fiscal years, however, as Congress has sought to trim the foreign aid budget.

FY2013 Obama Administration Request

The Obama Administration's FY2013 foreign aid budget request would continue the recent downward trend in assistance to Latin America and the Caribbean. The Administration has requested some $1.7 billion for the region to be provided through the State Department and the U.S. Agency for International Development (USAID). If Congress appropriates funding at the requested levels, Latin America and the Caribbean would receive nearly 9% less assistance than the region received in FY2012, and about 11% less than in FY2011. The proposed cuts are widespread, affecting nearly every foreign aid account. Colombia, Haiti, and Mexico would see some of the largest absolute dollar declines, but would remain the top three regional recipients, collectively accounting for some 55% of the aid to the region. Beyond the assistance provided through the State Department and USAID, many Latin American and Caribbean nations will continue to receive additional aid from agencies such as the Department of Defense, the Inter-American Foundation, the Millennium Challenge Corporation, and the Peace Corps.

Congressional Action

In May 2012, the House and Senate Committees on Appropriations marked up their annual appropriations bills for the State Department, Foreign Operations, and Related Programs (H.R. 5857 and S. 3241). Funding in the FY2013 House bill is 11.8% lower than the Administration's

request, and funding in the Senate bill is 4.7% lower than the Administration's request. It is unclear how much foreign assistance each of the nations of Latin America and the Caribbean would receive under the two bills, however, since appropriation levels for individual countries and programs are generally not specified in the legislation or accompanying reports. Nevertheless, both of the reports (H.Rept. 112-494 and S.Rept. 112-172) express concerns over conditions in the region and recommend assistance levels that are above the Administration's request for certain Latin American and Caribbean countries. As the legislation moves forward, Congress may consider issues such as how best to reconcile assistance priorities with budget constraints, improve inter-agency and donor coordination, and ensure the sustainability of U.S. assistance efforts.

Contents

Introduction 1
Trends in U.S. Assistance to Latin America and the Caribbean 2
Comparison to Other Regions of the World 3
Types of Assistance 4
Top Recipients 6
FY2013 Request for Latin America and the Caribbean 7
Mexico and Central America 9
Caribbean 13
Andean Region 17
Brazil and the Southern Cone 21
Regional and Centrally-Managed Programs 22
Other U.S. Agencies Providing Foreign Assistance 25
Department of Defense 25
Inter-American Foundation 27
Millennium Challenge Corporation 28
Peace Corps 30
Legislative Action on FY2013 Appropriations 30
Potential Issues for Congressional Consideration 32
Budget Priorities and Constraints 32
Inter-Agency and Donor Coordination 34
Political Will and Program Sustainability 36
Looking Ahead 38

Figures

Figure 1. U.S. Assistance to Latin America and the Caribbean, FY1946-2010 2
Figure 2. Regional Distribution of U.S. Assistance, FY2008 and FY2012 4
Figure 3. U.S. Assistance by Account, FY2008-FY2013 6
Figure 4. Sub-regional Distribution of the FY2013 Request 8
Figure 5. Map of Central America and the Caribbean 13
Figure 6. Map of South America 20

Tables

Table 1. U.S. Assistance to Latin America and the Caribbean by Account, FY2008 and FY2011-FY2013 5
Table 2. Top Recipients of U.S. Assistance, FY2008 and FY2011-FY2013 7
Table 3. U.S. Assistance to Mexico and Central America, FY2011-FY2013 10
Table 4. U.S. Assistance to the Caribbean, FY2011-FY2013 15

Table 5. U.S. Assistance to the Andean Region, FY2011-FY2013 18
Table 6. U.S. Assistance to Brazil and the Southern Cone, FY2011-FY2013 21
Table 7. U.S. Assistance Provided through Regional and Centrally-Managed Programs, FY2011-FY2013 25
Table A-1. U.S. Assistance by Country or Program and Account, FY2011 39
Table A-2. U.S. Assistance by Country or Program and Account, FY2012 Estimate 41
Table A-3. U.S. Assistance by Country or Program and Account, FY2013 Request 43

Appendixes

Appendix. U.S. Assistance by Country or Program and Account, FY2011-FY2013 39

Contacts

Author Contact Information 44

Introduction

Foreign assistance is one of the tools the United States has employed to advance U.S. interests in Latin America and the Caribbean, with the focus and funding levels of aid programs changing along with broader U.S. policy goals. Current aid programs reflect the diversity of the countries in the region. Some countries receive the full range of U.S. assistance as they continue to struggle with political, socio-economic, and security challenges. Others, which have made major strides in democratic governance and economic and social development, have largely outgrown U.S. assistance but continue to receive some support for new security challenges, such as strengthening citizen security and combating transnational organized crime. Although U.S. relations with the nations of Latin America and the Caribbean have increasingly become less defined by the provision of U.S. assistance as a result of this progress, foreign aid continues to play an important role in advancing U.S. policy in the region.

Congress authorizes and appropriates foreign assistance to the region, and conducts oversight of aid programs and the executive branch agencies charged with managing them. Current efforts to reduce budget deficits in the aftermath of the recent global financial crisis and U.S. recession have triggered closer examination of competing budget priorities. Congress has identified foreign assistance as a potential area for spending cuts, placing greater scrutiny on the efficiency and effectiveness of U.S. aid programs. Spending caps enacted as part of the Budget Control Act of 2011 (P.L. 112-25)[1] could place downward pressure on the aid budget for the foreseeable future.

This report is an overview of U.S. assistance to Latin America and the Caribbean. It briefly examines historical and recent trends in aid to the region. It then provides a detailed look at the Obama Administration's FY2013 request for State Department and USAID-related assistance to Latin America and the Caribbean, and describes support provided by other U.S. agencies in order to draw a more complete picture of U.S. assistance to the region. It also examines key Latin America and Caribbean funding provisions in the FY2013 foreign aid appropriations bills and potential issues Congress may consider as it debates the legislation and continues to carry out its oversight responsibilities.

Report Notes

Bilateral Assistance: Except where otherwise indicated, aid figures in this report refer only to bilateral assistance administered by the State Department and USAID. U.S. assistance programs in the region that are administered by the Department of Defense, the Inter-American Foundation, the Millennium Challenge Corporation, and the Peace Corps are discussed separately (see "Other U.S. Agencies Providing Foreign Assistance"). Some countries also receive assistance from multilateral organizations that the United States supports financially, such as the Organization of American States. Multilateral assistance is not discussed in this report.

Acronyms: In this report, the following acronyms correspond to foreign assistance accounts specified in annual appropriations legislation: DA=Development Assistance; ESF=Economic Support Fund; FMF=Foreign Military Financing; GHP=Global Health Programs; IMET=International Military Education and Training; INCLE=International Narcotics Control and Law Enforcement; MRA=Migration and Refugee Assistance; NADR=Nonproliferation Anti-terrorism, Demining, and Related programs; and P.L. 480=Food For Peace.

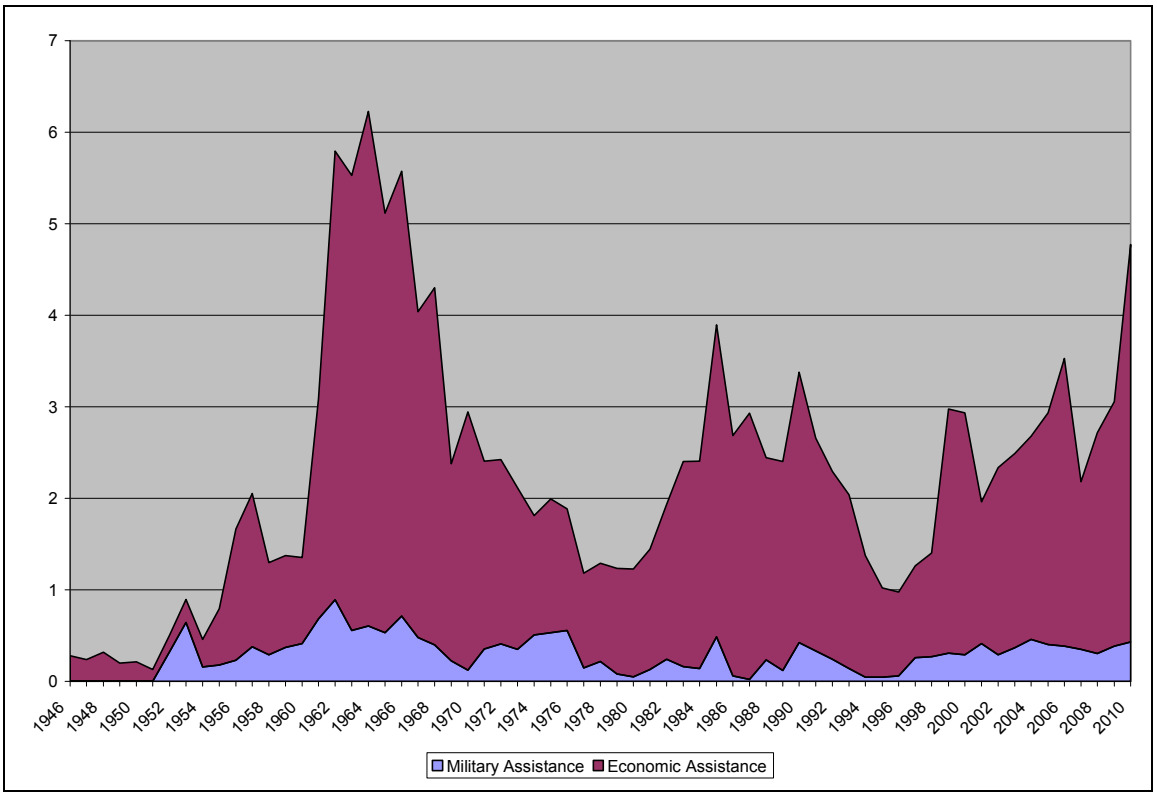
[1] For more information on the provisions of the Budget Control Act of 2011, see: CRS Report R41965, *The Budget Control Act of 2011*, by Bill Heniff Jr., Elizabeth Rybicki, and Shannon M. Mahan.

Trends in U.S. Assistance to Latin America and the Caribbean

The United States has long been a major contributor of foreign assistance to countries in Latin America and the Caribbean. U.S. assistance to the region spiked in the early 1960s following the introduction of President Kennedy's Alliance for Progress, an anti-poverty initiative that sought to counter Soviet and Cuban influence in the aftermath of Fidel Castro's 1959 seizure of power in Cuba. After a period of decline, U.S. assistance to the region increased again following the 1979 assumption of power by the leftist *Sandinistas* in Nicaragua. Throughout the 1980s, the United States provided considerable support to the *Contras*, who sought to overthrow the Sandinista government, as well as to Central American governments battling leftist insurgencies. U.S. aid flows declined in the mid-1990s following the dissolution of the Soviet Union, the end of the Central American civil conflicts, and the spread of electoral democracy throughout the region.

Figure 1. U.S. Assistance to Latin America and the Caribbean, FY1946-2010

(Obligations in billions of constant 2010 U.S. dollars)



Source: USAID, *U.S. Overseas Loans and Grants: Obligations and Loan Authorizations, July 1, 1945-September 30, 2010 (Greenbook),* April 2012.

Notes: Includes aid obligations from all U.S. government agencies.

U.S. foreign assistance to Latin America and the Caribbean began to increase once again in the late 1990s, and remained on a generally upward trajectory through the past decade. The higher levels of assistance were partially the result of increased spending on humanitarian and development assistance. In the aftermath of Hurricane Mitch in 1998, the United States provided

extensive humanitarian and reconstruction aid to several countries in Central America. The establishment of the President's Emergency Plan for AIDS Relief (PEPFAR) in 2003 and the Millennium Challenge Corporation (MCC) in 2004 provided a number of countries in the region with new sources of U.S. assistance. More recently, the Obama Administration has placed greater emphasis on fostering broad-based economic growth in the region, and (initially) requested higher levels of aid for development efforts. The United States also provided significant amounts of assistance to Haiti in the aftermath of its massive January 2010 earthquake. (See **Figure 1**.)

Nevertheless, the vast majority of the increase in U.S. aid though 2010 was directed toward counternarcotics and security programs. Beginning with President Clinton and the 106th Congress in FY2000, successive Administrations and Congresses have provided substantial amounts of foreign aid to Colombia and its Andean neighbors in support of "Plan Colombia"—a Colombian government initiative to combat drug trafficking, end its long-running internal armed conflict, and foster development. Spending on counternarcotics and security assistance received another boost in FY2008 when President Bush joined with his Mexican counterpart to announce the Mérida Initiative, a package of U.S. counterdrug and anticrime assistance for Mexico and Central America. In FY2010, the Obama Administration split the Central America portion of Mérida into a separate Central America Regional Security Initiative (CARSI) and created a similar program for the countries of the Caribbean known as the Caribbean Basin Security Initiative (CBSI).

After more than a decade of generally increasing aid levels, U.S. assistance to Latin America and the Caribbean has again begun to decline. U.S. aid to the region has decreased each year since FY2010, and would continue to do so under the Obama Administration's FY2013 request.

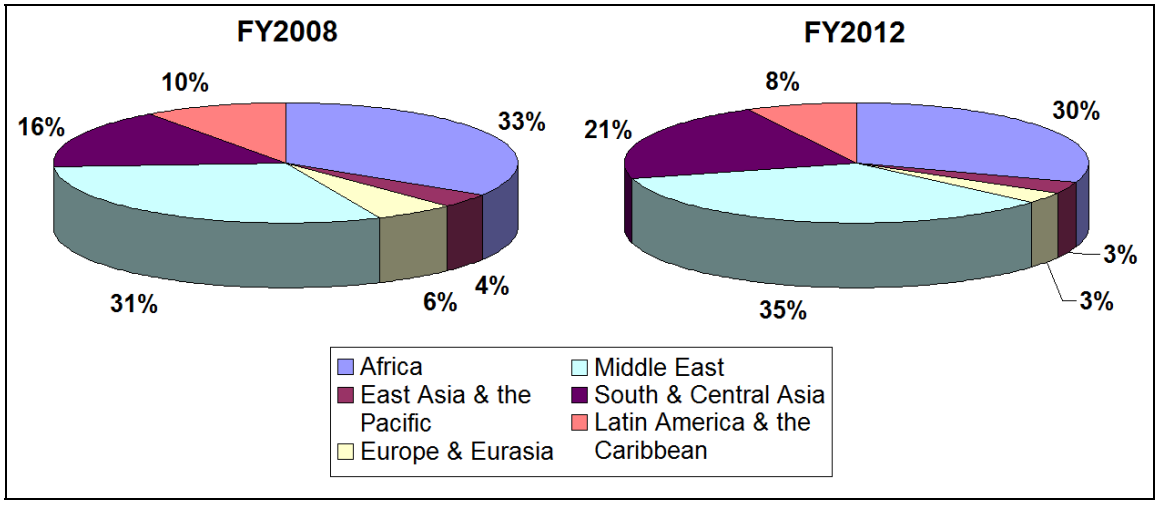
Comparison to Other Regions of the World[2]

As the absolute level of U.S. assistance to the countries of Latin America and the Caribbean has begun to decline, so too has the proportion of U.S. aid going to the region. Between FY2008 and FY2012, U.S. assistance to Latin America and the Caribbean fell from $2.1 billion to an estimated $1.8 billion, a 13% decrease. U.S. aid to East Asia and the Pacific and Europe and Eurasia also declined substantially; however, aid to South and Central Asia increased by 50%, aid to the Middle East increased 27%, and aid to Africa remained roughly unchanged during the same time period. These variations reflect changes in the world and shifting priorities in U.S. foreign policy. As economic growth and democratic governance have improved in many Latin American and former Soviet states in Eastern Europe, the United States has shifted its resources toward development efforts in Africa and countries of strategic importance to U.S. anti-terrorism operations, such as Afghanistan and Pakistan. As a result of these trends, U.S. assistance to Latin America and the Caribbean as a proportion of total U.S. foreign assistance dropped from 10% in FY2008 to under 8% in FY2012. (See **Figure 2**.)

[2] For more information on U.S. foreign assistance globally, see: CRS Report R40213, *Foreign Aid: An Introduction to U.S. Programs and Policy*, by Curt Tarnoff and Marian Leonardo Lawson.

Figure 2. Regional Distribution of U.S. Assistance, FY2008 and FY2012

(Percentage of total U.S. assistance)



Source: CRS calculations based on U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2010*, May 28, 2009; and *Congressional Budget Justification for Foreign Operations, Fiscal Year 2013*, March 9, 2012.

Notes: Based on appropriated levels. Figures include supplemental appropriations, Iraq and Afghanistan. The FY2008 appropriations figures are included as a point of comparison since the FY2008 budget was the last to be approved during the Bush Administration, and the last to be approved before the financial crisis.

Types of Assistance

U.S. foreign assistance to countries in Latin America and the Caribbean serves a variety of purposes. Since taking office, the Obama Administration has dedicated a greater proportion of aid to the region to development and humanitarian assistance programs. Development assistance, provided primarily through the Development Assistance (DA) and Global Health Programs (GHP) accounts, seeks to foster sustainable broad-based economic progress and social stability in developing nations. Such funding is often used for long-term projects in the areas of economic reform, democracy promotion, basic education, human health, and environmental protection. Humanitarian assistance is devoted largely to the immediate alleviation of humanitarian emergencies. This includes most food assistance provided through the Food for Peace (P.L. 480) account and assistance for refugees and internally displaced persons funded through the Migration and Refugee Assistance (MRA) account. USAID manages most development and humanitarian assistance programs; however, the State Department administers the MRA account and manages a portion of the global health account that mainly addresses HIV/AIDS (under the PEPFAR program).

Another significant portion of U.S. assistance to the region is provided through the Economic Support Fund (ESF) account. The primary purpose of ESF is promotion of special U.S. economic, political, or security interests. The account generally funds programs that are designed to promote political and economic stability, and in practice, ESF-funded programs are often indistinguishable from those funded through the development and humanitarian assistance accounts mentioned above. USAID manages ESF funds in conjunction with the State Department.

In addition to its support for economic, social, and political development efforts, the United States funds a number of security assistance programs in the region designed to address security

concerns. Funding provided through the International Narcotics Control and Law Enforcement (INCLE) account supports counternarcotics and civilian law enforcement efforts as well as projects designed to strengthen judicial institutions. U.S. assistance designed to counter global threats such as terrorism and proliferation of weapons of mass destruction is provided through the Nonproliferation, Anti-terrorism, De-mining, and Related programs (NADR) account. The United States also supports Latin American and Caribbean militaries by providing equipment and personnel training through the Foreign Military Financing (FMF) and International Military Education and Training (IMET) accounts. The State Department manages the INCLE and NADR accounts. It also administers the FMF and IMET accounts, which are implemented by the Department of Defense.[3]

Table 1. U.S. Assistance to Latin America and the Caribbean by Account, FY2008 and FY2011-FY2013

(Appropriations in millions of current U.S. dollars)

Account	FY2008 (Actual)	FY2011 (Actual)	FY2012 (Estimate)	FY2013 (Request)
DA	247.3	361.5	330.3	348.9
GHP (State)	145.0	203.3	189.4	175.2
GHP (USAID)	134.2	131.0	105.5	86.8
MRA	25.4	57.1	53.9	47.2
P.L. 480	138.4	95.0	48.0	40.0
ESF	554.2	435.1	466.5	434.2
INCLE	655.4	506.2	568.3	476.5
NADR	16.3	25.2	20.5	13.3
FMF	185.1	84.5	67.3	62.4
IMET	11.6	14.5	15.7	14.4
Total	2,112.9	1,913.3	1,865.3	1,699.0

Source: U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Years 2010 and 2013*.

Notes: The FY2008 appropriations figures are included as a point of comparison since the FY2008 budget was the last to be approved during the Bush Administration, and the last to be approved before the financial crisis.

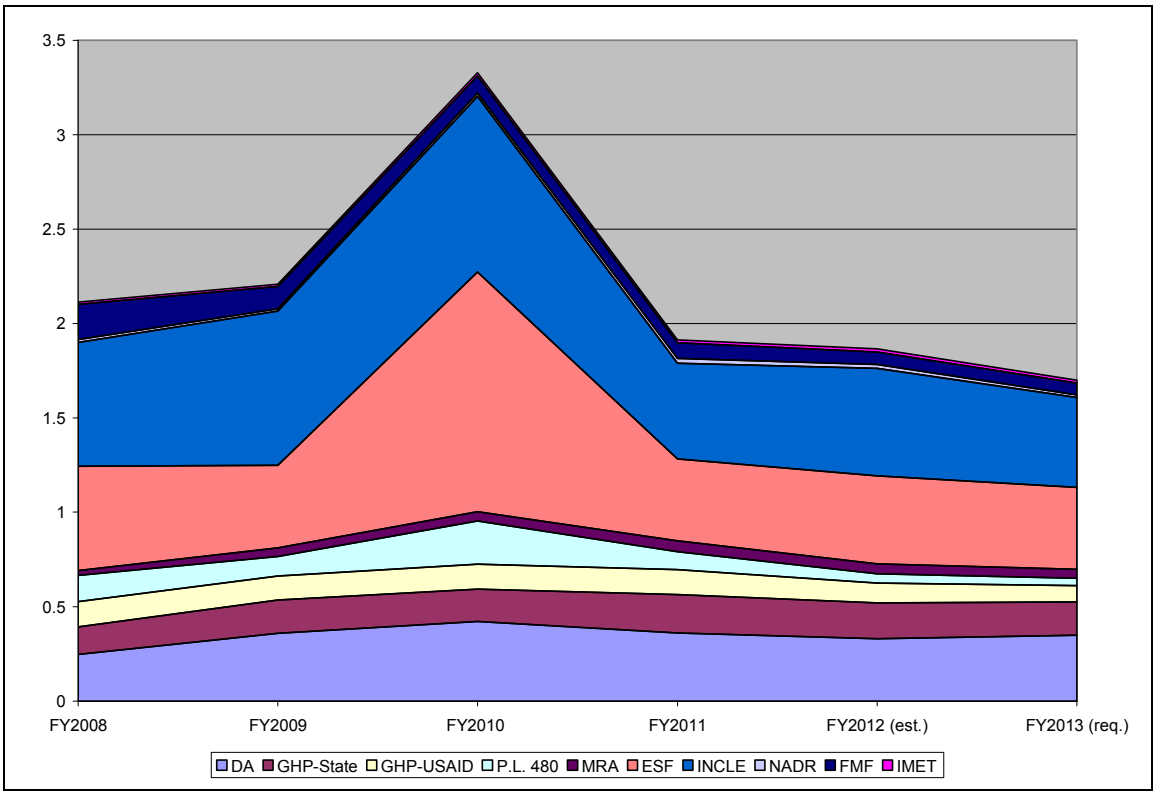
As total aid levels to the region have declined in recent years, Congress and the Administration have gradually shifted the balance of the remaining assistance toward development and humanitarian assistance and away from security assistance (see **Figure 3** below). In FY2012, nearly $727 million in U.S. aid to the countries of Latin America and the Caribbean is scheduled to go to aid accounts (DA, GHCS, MRA, and P.L. 480) designed to support development and humanitarian assistance programs. This represents nearly 39% of total U.S. bilateral assistance to the region, up from 33% in FY2008. Another $467 million, or 26% of total assistance, will be provided to the region through the ESF account to support U.S. strategic interests. As a proportion of aid, ESF remains roughly unchanged from 2008. The United States will also provide an estimated $672 million in FY2012 through aid accounts (INCLE, NADR, FMF, and IMET)

[3] Additional U.S. assistance provided by the Department of Defense is discussed below; see: "Department of Defense."

designed to support security efforts in Latin American and Caribbean countries. This represents approximately 36% of total U.S. bilateral assistance to the region, down from 41% in FY2008.

Figure 3. U.S. Assistance by Account, FY2008-FY2013

(Appropriations in billions of current U.S. dollars)



Source: U.S. Department of State, *Congressional Budget Justification for Foreign Operations,* Fiscal Years 2010-2013.

Notes: The increase in aid in FY2010 is mostly attributable to a large supplemental assistance package for Haiti in the aftermath of the January 2010 earthquake.

Top Recipients

Haiti, Colombia, and Mexico have been the top regional recipients of U.S. foreign aid in recent years. The United States has provided Haiti with high levels of aid for many years as a result of the country's significant development challenges. In the immediate aftermath of the massive earthquake that struck Haiti in January 2010, the United States provided the country with extensive humanitarian relief. Since then, U.S. assistance has focused on the establishment of long-term development in key sectors such as energy, infrastructure, basic services, and governance. As noted above, Colombia has received considerable levels of aid since FY2000 through "Plan Colombia." U.S. aid to Colombia has been on a downward trajectory in recent years, however, as the security situation in Colombia has improved, the country has begun taking on financial and operational responsibility for the programs, and the United States has shifted the emphasis of its assistance away from costly military equipment toward economic and social development efforts. U.S. assistance for Mexico is designed primarily to support the country's fight against transnational criminal organizations. As in Colombia, aid levels have declined somewhat as the focus of U.S. assistance has shifted away from the provision of security

equipment to rule of law programs. In FY2012, the United States is providing an estimated $357 million for Haiti, $383 million for Colombia, and $330 million for Mexico. Together, these countries will receive over 57% of all aid to the region (see **Table 2** below).

Table 2. Top Recipients of U.S. Assistance, FY2008 and FY2011-FY2013

(Appropriations in millions of current U.S. dollars)

Country	FY2008 (Actual)	FY2011 (Actual)	FY2012 (Estimate)	FY2013 (Request)
Haiti	378.0	380.3	357.2	340.0
Colombia	551.3	453.2	383.0	331.8
Mexico	405.9	178.1	330.1	269.5
Guatemala	62.9	110.2	95.2	93.6
Peru	91.0	96.6	83.6	73.7
Honduras	40.5	56.0	57.0	58.2

Source: U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Years 2010 and 2013*.

Notes: The FY2008 appropriations figures are included as a point of comparison since the FY2008 budget was the last to be approved during the Bush Administration, and the last to be approved before the financial crisis.

FY2013 Request for Latin America and the Caribbean[4]

The Obama Administration's FY2013 foreign aid budget request would continue the recent downward trend in assistance to Latin America and the Caribbean. The Administration has requested about $1.7 billion for the region. If Congress appropriates funding at the requested levels, Latin America and the Caribbean would receive nearly 9% less assistance than the region received in FY2012, and about 11% less than the region received in FY2011. In comparison, the Administration's budget request calls for a 0.1% increase over FY2012 levels for foreign operations worldwide. The proposed cuts for the region are widespread, with funding for every account—with the exception of Development Assistance—decreasing as compared to FY2012. Brazil, Venezuela, Argentina, and Guyana would see some of the largest cuts in percentage terms, while Colombia and Mexico would see the largest absolute declines in assistance. El Salvador, which was selected by the Administration for its "Partnership for Growth Initiative,"[5] is the only country in the region that would receive a substantial increase in aid.

Even as total aid to the region would decline, the Administration's request would continue the gradual shift in emphasis of U.S. aid to the region away from security assistance toward

[4] Information in this section is drawn from: U.S. Department of State, *FY2013 Congressional Budget Justification, Foreign Operations, Annex: Regional Perspectives*, April 2012.

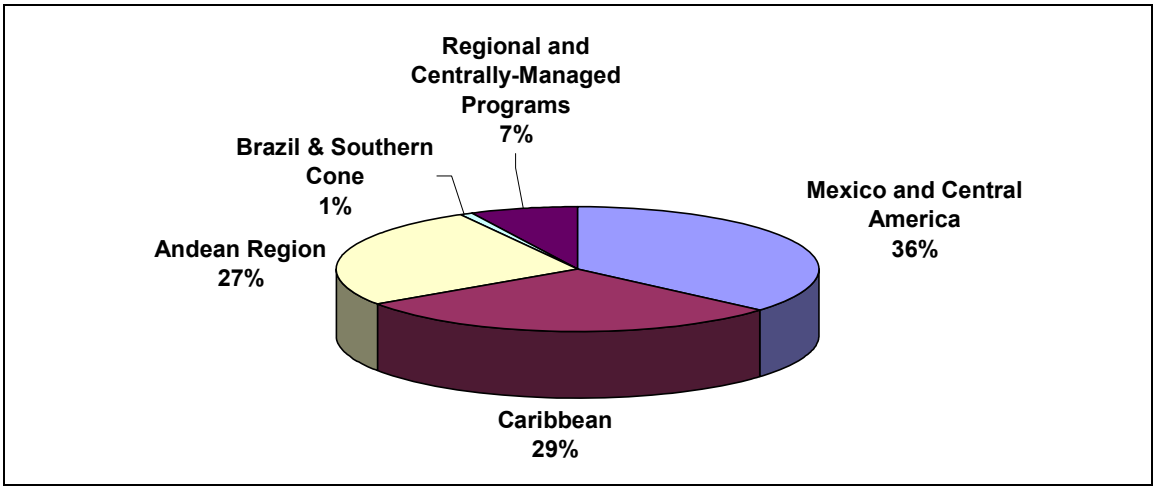
[5] The principles behind the Partnership for Growth Initiative are to (1) focus on broad-based economic growth; (2) select countries with demonstrated performance and political will; (3) use joint decision-making and prioritization of activities; (4) support catalytic policy change and institutional reform; (5) leverage U.S. government engagement for maximum impact; and (6) emphasize partnership and country ownership. The other countries selected for the initiative are Ghana, Philippines, and Tanzania.

development and humanitarian assistance. Taken together, accounts that provide development or humanitarian assistance would receive over $698 million, or 41% of the total aid request for the region in FY2013. Nevertheless, the request represents a 4% decrease in total funding for development and humanitarian assistance compared to FY2012, and a nearly 18% decrease compared to FY2011. The Obama Administration has also requested some $434 million to be provided to the region through the Economic Support Fund (ESF) account. This would be a 7% decline from FY2012, but roughly equal to the amount provided to Latin America and the Caribbean in FY2011. Funding for ESF represents 26% of the Administration's FY2013 request for the region. If Congress fully funds the request, $567 million, or 33% of U.S. aid, would go to accounts that provide security assistance. U.S. security assistance for Latin America and the Caribbean would decrease by about 16% compared to FY2012 and 10% compared to FY2011 (see **Table 1** above).

Looking at the distribution of assistance within the Western Hemisphere, 36% of the Administration's request is dedicated to Mexico and Central America. This sub-region has become a greater focus of U.S. aid once again as a result of deteriorating security situations in several of the countries and improving conditions elsewhere in the hemisphere. Another 29% of U.S. aid to the region would go to the Caribbean, while 27% would go to the Andean nations of South America. Brazil and the countries of the Southern Cone of South America, which are some of the most developed in the hemisphere, would receive just 1% of U.S. assistance for the region. The final 7% of the request is dedicated to regional programs and accounts that span more than one sub-region (See **Figure 4**).

Figure 4. Sub-regional Distribution of the FY2013 Request

(Percentage of total U.S. assistance to the hemisphere)



Source: U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2013*, March 9, 2012.

Notes: "Regional and Centrally-Managed Programs" include: Migration and Refugee Assistance, the USAID Latin America and Caribbean Regional program, the USAID South America Regional program, and the State Western Hemisphere Regional program—excluding the funds allocated to the Central America Regional Security Initiative (CARSI) and the Caribbean Basin Security Initiative (CBSI). The funds for CARSI, CBSI, and the USAID Central America Regional program are included in the figures of the corresponding sub-regions.

Mexico and Central America

Background. Taking into account obligations from all U.S. agencies, the United States provided Mexico and the countries of Central America[6] with foreign assistance worth $27.5 billion in constant 2010 U.S. dollars (or $18.9 billion in current, or non-inflation adjusted, dollars) between FY1980 and FY2010.[7] Over 91% of the aid provided was in the form of economic assistance, with the remainder in military assistance. El Salvador accounted for 33% of the U.S. assistance provided over the 31-year period, followed by Honduras (17%), Guatemala (13%), Mexico (11%), Costa Rica (10%), Nicaragua (9%), Panama (5%), and Belize (1%).

U.S. assistance to the sub-region has declined in each decade since the 1980s. As noted above, Central America was a major priority for U.S. foreign aid during the 1980s as the United States sought to combat Soviet influence and support allied governments fighting leftist insurgencies. The United States provided Mexico and Central America with $12.8 billion (constant 2010 U.S. dollars) in assistance over the course of the decade—43% of which went to El Salvador. Assistance declined considerably during the 1990s as the Cold War and civil conflicts came to an end. Although several countries in the sub-region received substantial amounts of U.S. assistance for reconstruction in the aftermath of Hurricane Mitch in 1998, total aid for the 1990s amounted to $7.6 billion in 2010 U.S. dollars, a 41% decline from the previous decade.

U.S. aid to Central America and Mexico declined again between FY2000 and FY2009 to about $5.9 billion in 2010 U.S. dollars. Despite the decline, several countries in the sub-region benefited from new aid initiatives. El Salvador, Honduras, and Nicaragua were awarded MCC compacts, and Mexico—which had not been a major recipient of U.S. assistance—began receiving large amounts of aid through the anticrime and counterdrug program known as the Mérida Initiative. In FY2010, Mexico and Central America received almost $1.3 billion (constant 2010 U.S. dollars) in U.S. assistance, 57% of which went to Mexico.

FY2013 Appropriations Request. Looking more recently at foreign aid appropriated for the State Department and USAID through the annual State Department and Foreign Operations appropriations measure, Mexico and the countries of Central America received $532.4 million current U.S. dollars in assistance in FY2011 and an estimated $664.4 million in FY2012. The Administration's FY2013 request for the sub-region is $619.8 million, a $44.6 million (7%) decrease from the FY2012 estimate (see **Table 3**).

Under the FY2013 request, **Mexico** would receive $269.5 million in U.S. assistance. This would be a $60.6 million (18%) decrease compared to the FY2012 estimate. Nevertheless, Mexico would still account for over 45% of aid to the sub-region as a result of substantial U.S. support for its efforts to combat transnational organized crime. According to Assistant Secretary of State for Western Hemisphere Affairs, Roberta Jacobson, the decline in U.S. assistance to Mexico is a

[6] For the purposes of this report, "Central America" includes all seven countries of the isthmus: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

[7] All U.S. aid statistics and percentages for FY1980-FY2010 are drawn from the "Green Book" maintained by USAID online, and include all U.S. economic and military assistance, using constant 2010 U.S. dollar amounts of obligated (committed) funds from all agencies. See: USAID, *U.S. Overseas Loans and Grants: Obligations and Loan Authorizations, July 1, 1945 - September 30, 2010*, available at: http://gbk.eads.usaidallnet.gov/index.html.

result of a shift in the Mérida Initiative from providing expensive pieces of security equipment, like helicopters, to providing less costly training and capacity building programs.[8]

Table 3. U.S. Assistance to Mexico and Central America, FY2011-FY2013

(Appropriations in millions of current U.S. dollars)

Country/Program	FY2011 (Actual)	FY2012 (Estimate)	FY2013 (Request)
Mexico	178.1	330.1	269.5
Belize	0.4	0.4	1.0
Costa Rica	0.7	0.7	1.8
El Salvador	29.8	28.2	41.8
Guatemala	110.2	95.2	93.6
Honduras	56.0	57.0	58.2
Nicaragua	24.1	13.0	13.1
Panama	3.0	2.8	3.7
USAID Central America Regional	28.6	32.1	29.7
CARSI	101.5	105.0[a]	107.5
Central America Subtotal	354.2	334.3	350.3
Total Mexico and Central America	532.4	664.4	619.8

Source: U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2013*, March 9, 2012.

Notes: CARSI is funded under the State Department's Western Hemisphere Regional program.

a. According to U.S. government officials, the Administration intends to reprogram some funds to increase CARSI assistance to $135 million in FY2012.

In FY2013, U.S. assistance would provide technology, training, and equipment to strengthen Mexico's law enforcement entities at the federal and state levels, and combat transnational criminal organizations. U.S. assistance would also support a variety of justice sector reform efforts, such as the ongoing transition from a written, inquisitorial system to an oral, adversarial system. Support for the Mexican military would include human rights training and equipment to improve intelligence and communications capabilities. Small amounts of aid would support partnerships with Mexican universities, institutional reforms designed to increase private sector competitiveness, and climate change mitigation efforts. Since FY2008, Congress has required the State Department to withhold 15% of FMF and INCLE assistance for Mexico until certain human rights conditions are met. [9]

[8] Roberta S. Jacobson, Assistant Secretary of State for Western Hemisphere Affairs, testimony before the U.S. Congress, House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, *Western Hemisphere Budget Review 2013: What Are U.S. Priorities?*, 112th Cong., 2nd sess., April 25, 2012.

[9] For more detailed information on Mexico and U.S. policy, see CRS Report RL32724, *Mexico: Issues for Congress*, by Clare Ribando Seelke and CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond* , by Clare Ribando Seelke and Kristin M. Finklea.

Like Mexico, the countries of the so-called "Northern Triangle" of Central America—Guatemala, Honduras, and El Salvador—face considerable challenges in combating transnational organized crime. As lower-middle-income developing economies, however, they have additional development problems to address and fewer resources with which to do so. Most security assistance for these countries is provided through the Central America Regional Security Initiative (CARSI), which is discussed below.

Guatemala would receive about $93.6 million in U.S. assistance under the FY2013 request, a $1.6 million decrease compared to the FY2012 estimate. Nearly 60% of the request is in Development Assistance, which would fund a wide variety of projects. These include efforts to build trade capacity, support environmental conservation, strengthen the education system, combat trafficking in persons, and promote the rule of law and good governance. Aid to improve food security and increase access to quality health care constitutes another 36% of the request for Guatemala. The final 4% of U.S. assistance requested for FY2013 would provide training and equipment to the security forces to improve their capabilities and control the borders. There have been conditions on U.S. assistance to the Guatemalan military since 2005, when a 15-year suspension of such aid was lifted. U.S. assistance would also continue to support the International Commission Against Impunity in Guatemala (CICIG by its Spanish acronym).[10]

Honduras would receive $58.2 million in U.S. assistance under the FY2013 request, a $1.2 million increase over FY2012. The vast majority of aid (84%) is requested under the DA account to support efforts to decentralize governance and improve service delivery, ensure transparency in the November 2012 primary elections, improve the quality of the education system, and implement a country-led food security strategy. Health assistance would support Honduras' national HIV/AIDS strategy and efforts to reform the national health system to improve quality and effectiveness. Training and equipment for the Honduran security forces would seek to improve civil-military relations and strengthen government control over remote areas of the country. For FY2012, the State Department is required to withhold 20% of the assistance for the Honduran security forces until certain human rights conditions are met.[11]

Under the FY2013 request, **El Salvador** would receive $41.8 million in U.S. assistance. This would be an increase of $13.6 million, or 48%, over the FY2012 estimate. El Salvador is one of four countries worldwide selected to participate in the Obama Administration's Partnership for Growth initiative, which seeks to foster sustained economic growth and development in top-performing low-income countries by analyzing constraints on growth and targeting assistance to overcome them. A July 2011 bi-national study identified crime and insecurity and a lack of competitiveness in the tradable sector as the two greatest constraints on growth in El Salvador.[12] About 93% of U.S. assistance for El Salvador in FY2013 was requested through the DA account. This funding would support the implementation of security and justice sector reforms as well as government and civil society efforts to reduce corruption and prevent crime. It would also support

[10] CICIG is a U.N.-backed entity that was established to support Guatemalan institutions in the identification, investigation, and prosecution of illegal security groups and clandestine organizations, some of which have been tied, directly or indirectly, to the Guatemalan state.

For more detailed information on Guatemala and U.S. policy, see CRS Report R42580, *Guatemala: Political, Security, and Socio-Economic Conditions and U.S. Relations*, by Maureen Taft-Morales.

[11] For more detailed information on Honduras and U.S. policy, see: CRS Report RL34027, *Honduran-U.S. Relations*, by Peter J. Meyer.

[12] U.S. Department of State, *Partnership for Growth: El Salvador Constraints Analysis*, July 19, 2011, available at: http://photos.state.gov/libraries/elsavador/92891/PFG/ES%20Constraints_Analysis.pdf.

efforts to strengthen the basic and higher education systems, and improve public administration and private sector competitiveness. Additional assistance would provide training and equipment to the Salvadoran security forces to strengthen their control over land and maritime borders and improve their counternarcotics and humanitarian relief capabilities.[13]

U.S. assistance to **Nicaragua** would increase by $110,000 under the FY2013 request, but would remain almost 46% lower than it was in FY2011. U.S. aid to the country has declined substantially in recent years as a result of difficult relations with President Daniel Ortega and concerns about the erosion of democratic governance. Almost 92% of the request for Nicaragua would be funded through the DA account. The majority of these funds would be directed toward democracy promotion projects, such as providing training and technical assistance to emerging democratic leaders, civil society groups, independent media, and local governments. Other DA funds would be used to promote market-oriented economic policies and improve resource management. Some U.S. assistance would be provided to the Nicaraguan military, which the State Department maintains has remained an independent, non-political force, and a strong counternarcotics partner.

The USAID Missions in **Belize** and **Costa Rica** closed in 1996, and the USAID Mission in **Panama** is expected to close in September 2012.[14] Nevertheless, these countries continue to receive small amounts of U.S. assistance. Together, they would receive $6.4 million under the FY2013 request, a $2.6 million (68%) increase over the FY2012 estimate. This assistance includes equipment and training for the countries' respective security forces that is designed to enhance their abilities to combat drug trafficking and other potential security threats. Belize, Costa Rica, and Panama also benefit from the regional programs discussed below.[15]

In addition to these bilateral country assistance programs, the FY2013 request includes $29.7 million for **USAID's Central America Regional program**. The regional program receives funding through the DA and GHP accounts, and supports Central American priorities. Nearly 55% of the assistance provided through the regional program would support programs to prevent HIV/AIDS transmission and provide care and treatment for those living with the disease in Central America. The regional program also supports trade capacity building efforts designed to improve Central American nations' abilities to take advantage of the opportunities offered by the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR).[16] Environmental initiatives, such as climate change mitigation and coastal and marine resource management projects, receive funding through the regional program as well.

The **Central America Regional Security Initiative (CARSI)** would receive $107.5 million under the FY2013 request. CARSI was originally created in FY2008 as part of the Mérida Initiative, but was reformulated as a separate program in FY2010. Congress appropriated $466.5 million for the initiative between FY2008 and FY2012, and U.S. officials assert that they intend

[13] For more detailed information on El Salvador and U.S. policy, see: CRS Report RS21655, *El Salvador: Political, Economic, and Social Conditions and U.S. Relations*, by Clare Ribando Seelke.

[14] Mark Feierstein, USAID Assistant Administrator for Latin America and the Caribbean, "A New Approach for a Changing Hemisphere," *USAID Frontlines*, March/April 2012.

[15] For more detailed information on Panama and U.S. policy, see: CRS Report RL30981, *Panama: Political and Economic Conditions and U.S. Relations*, by Mark P. Sullivan and Donald J. Marples.

[16] For more information on CAFTA-DR, see: CRS Report R42468, *The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA DR): Developments in Trade and Investment*, by J. F. Hornbeck.

to reprogram an additional $30 million for CARSI in FY2012.[17] CARSI funds a variety of activities designed to support U.S. and Central American security objectives. U.S. agencies provide partner nations with equipment, technical assistance, and training to improve narcotics interdiction and disrupt criminal networks that operate in the region as well as in the United States. CARSI also provides support for Central American law enforcement and justice sector institutions, identifying deficiencies and building their capacities to ensure the safety and security of the citizens of the region. Additionally, CARSI supports prevention efforts that seek to reduce drug demand and provide at-risk youth with educational, vocational, and recreational opportunities. CARSI is funded through the State Department's Western Hemisphere Regional program. Some CARSI assistance is provided to the nations of Central America bilaterally and some supports regional projects. It is unclear how much CARSI funding each nation receives since the State Department has not provided a public breakdown of CARSI funding by country.[18]

Figure 5. Map of Central America and the Caribbean

Source: CRS

Notes: Central America is pictured in light green and the Caribbean is pictured in dark green.

Caribbean

Background. From FY1980 through FY2010, the United States provided almost $14 billion in assistance in constant 2010 U.S. dollars (or about $10.4 billion in current or non-inflation adjusted dollars) to the Caribbean, a diverse region that includes some of the hemisphere's richest

[17] Remarks by senior government officials during a briefing about U.S. citizen security and counternarcotics efforts in Central America, June 15, 2012.

[18] For more information on CARSI, see: CRS Report R41731, *Central America Regional Security Initiative: Background and Policy Issues for Congress*, by Peter J. Meyer and Clare Ribando Seelke.

and poorest nations.[19] The overwhelming majority of aid, about 95%, was economic assistance, while the balance was military assistance. In the 1980s, aid to the region amounted to about $5.5 billion in 2010 U.S. dollars, with the majority going to Jamaica, the Dominican Republic, and Haiti. Aid to the region also included a significant program for Eastern Caribbean countries in the aftermath of the 1983 U.S.-led military intervention in Grenada. In the 1990s, U.S. assistance to the Caribbean declined to about $3 billion in 2010 dollars. In that decade, Haiti's share of U.S. aid to the Caribbean increased to about 46% of the total followed by Jamaica (22%) and the Dominican Republic (15%). From FY2000 through FY2009, U.S. assistance to the Caribbean increased to almost $3.9 billion in 2010 dollars, with assistance to Haiti accounting for 52% of the total, followed by the Dominican Republic (almost 13%), and Jamaica (10%). During this period, HIV/AIDS assistance to the region increased considerably, especially to Haiti and Guyana, two nations that were designated as focus countries under PEPFAR. The United States also provided significant assistance for hurricane recovery and reconstruction to several Caribbean countries, especially Grenada, Haiti, and Jamaica.

Aid to the region increased significantly in FY2010 to almost $1.7 billion (almost three times the $586 million obligated the previous year) in large part due to Haiti's devastating January 2010 earthquake that killed an estimated 316,000 people.[20] A new Caribbean Basin Security Initiative (CBSI), also begun in FY2010, increased assistance to most Caribbean countries to support efforts to reduce illicit trafficking, advance citizen security, and promote social justice.

FY2013 Appropriations Request. Looking more recently at foreign aid appropriated for the State Department and USAID through the annual State Department and Foreign Operations appropriations measure, U.S. assistance to the Caribbean amounted to $572 million current U.S. dollars in FY2011 and an estimated $522 million in FY2012. The Administration's FY2013 request is for almost $492 million, a decline of about $31 million or 5.9% from the previous year (see **Table 4**). Looking at FY2011 and FY2012 combined, Haiti continued to dominate U.S funding to the Caribbean, accounting for about two-thirds of all assistance. Comparatively smaller assistance programs were for the regional CBSI program, the Dominican Republic, Eastern Caribbean countries, and Cuba.

For FY2013, **Haiti** would account for the lion's share – over two-thirds – of U.S. assistance to the Caribbean. Support for Haiti's reconstruction will likely continue to be a major focus of U.S. assistance to the Caribbean over the next several years as the country rebuilds after the earthquake. Even before the disaster, efforts to alleviate Haiti's persistent poverty were a top congressional concern as were efforts to promote long-term stability and security, and strengthen democratic processes. The U.S. government's post-earthquake strategy focuses on four pillars: infrastructure and energy, food and economic security, health and other basic services, and governance and rule of law.

[19] The Caribbean includes some 13 island nations and 2 nations geographically located on the north coast of South America, Guyana and Suriname, that have characteristics more common of Caribbean nations and participate in Caribbean regional organizations. Located in Central America, English-speaking Belize also participates in Caribbean regional organizations, but is the beneficiary of regional U.S. assistance programs for Central America. Assistance to the country is therefore included in the section of this report covering Mexico and Central America. All U.S. aid statistics and percentages for FY1980-FY2010 are drawn from the "Green Book" maintained by USAID online, and include all U.S. economic and military assistance, using constant 2010 U.S. dollar amounts of obligated (committed) funds from all agencies. See: USAID, *U.S. Overseas Loans and Grants: Obligations and Loan Authorizations, July 1, 1945 - September 30, 2010*, available at: http://gbk.eads.usaidallnet.gov/index.html.

[20] USAID, "Haiti – Earthquake and Cholera, Fact Sheet #3, FY2012," December 12, 2011.

Overall management of the assistance program for Haiti is handled by Thomas C. Adams, appointed by Secretary of State Clinton in September 2010 as Special Coordinator for Haiti. USAID is the lead U.S. agency providing assistance to Haiti, and works closely with other U.S. agencies, the Haitian government, other bilateral donors, international organizations, and nongovernmental organizations (NGOs) to coordinate ongoing efforts. More than 1.5 million Haitians were living in tent camps in the aftermath of the earthquake. As of early 2012, about 550,000 people, or 36% of the original number, remained in displaced camps.[21] U.S. and international efforts have also focused on responding to a cholera outbreak that began in the fall of 2010 and killed almost 7,000 Haitians as of early 2012 with almost half a million people affected overall.[22] One of the general goals of U.S. assistance is to help stimulate economic growth and create opportunities outside the capital of Port-au-Prince.[23]

Table 4. U.S. Assistance to the Caribbean, FY2011-FY2013

(Appropriations in millions of current U.S. dollars)

Country/Program	FY2011 (Actual)	FY2012 (Estimate)	FY2013 (Request)
Bahamas	0.2	0.2	0.2
Barbados and Eastern Caribbean	32.3	34.2	35.2
Cuba	20.0	20.0	15.0
Dominican Republic	37.0	30.1	29.8
Guyana	16.9	10.8	7.0
Haiti	380.3	357.2	340.0
Jamaica	7.6	5.7	5.4
Suriname	0.3	0.2	0.2
Trinidad and Tobago	0.3	0.2	0.2
CBSI	77.4	64.0	59.0
Total	572.2	522.7	492.0

Source: U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2013*, March 9, 2012.

Notes: CBSI is funded under the State Department's Western Hemisphere Regional program.

Beyond Haiti, the FY2013 foreign aid request includes bilateral programs for the Bahamas, Barbados and Eastern Caribbean countries, Cuba, the Dominican Republic, Guyana, Jamaica, Suriname, and Trinidad and Tobago. U.S. assistance would support efforts to combat HIV/AIDS in most countries in the Caribbean, where HIV prevalence is estimated at about 1%, higher than in any other region outside of sub-Saharan Africa.[24] Small amounts of IMET would also support

[21] U.S. Department of State, Office of the Haiti Special Coordinator, "Shelter: Two Year Fast Facts on the U.S. Government's Work in Haiti," December 28, 2011.

[22] U.S. Department of State, Office of the Haiti Special Coordinator, "Cholera: Two Year Fast Facts on the U.S. Government's Work in Haiti," December 28, 2011.

[23] For more detailed information on Haiti and U.S. policy, see: CRS Report R42559, *Haiti Under President Martelly: Current Conditions and Congressional Concerns*, by Maureen Taft-Morales.

[24] UNAIDS, Joint United Nations Programme on HIV/AIDS, "Global Report, Fact Sheet, Caribbean," 2010, available at: http://www.unaids.org/documents/20101123_FS_carib_em_en.pdf.

the professionalization of security forces and civilian defense officials throughout the region and provide training for defense and maritime security forces. Among the largest of these Caribbean programs in the FY2013 request are the following:

- In the **Eastern Caribbean**, a $35.2 million program based out of Bridgetown, Barbados, would support assistance activities for Barbados and the six countries of the Organization of Eastern Caribbean States (OECS): Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Almost two-thirds of the aid would support HIV/AIDS programs in the Eastern Caribbean. The USAID Mission based out of Barbados would also manage HIV/AIDS programs in Guyana, Suriname, and Trinidad and Tobago. Development assistance would support efforts to improve juvenile justice systems, job opportunities for youth, and global climate change programs.
- In the **Dominican Republic**, over half of the $29.8 million FY2013 request would support global health activities focused on HIV/AIDS and maternal and child health, while Development Assistance would fund a variety of projects to strengthen government institutions and civil society, improve the quality of basic education, improve the competitiveness of small business, and protect the country's natural resources and fragile ecosystems.
- For **Cuba**, the Administration is requesting $15 million to continue to provide humanitarian assistance to political prisoners and their families, strengthen Cuba's independent civil society, and promote the flow of uncensored information to, and within, Cuba. From FY2009-FY2012, Congress had appropriated $20 million in each fiscal year for such assistance, although Congressional holds held up the provision of assistance for several months in 2010 and 2011 because of concerns about the effectiveness and conduct of the program. A USAID government subcontractor, Alan Gross, who had been distributing communications equipment to Jewish organizations in Cuba, has been imprisoned in Cuba since December 2009. Gross was convicted in March 2011 of taking "actions against the independence and territorial integrity of the state," and sentenced to 15 years in prison. U.S. officials and many Members of Congress have repeatedly called for Gross's unconditional release.[25]
- In **Guyana**, the FY2013 bilateral request is for almost $7 million, reflecting a downward trend in assistance over the past several years as the country's efforts to combat HIV/AIDS have improved, including access to HIV prevention, treatment, and care services for persons living with HIV/AIDS. USAID's Mission in Guyana will be closing for budgetary reasons so the FY2013 program for Guyana will be managed by USAID's Mission in Barbados.
- In **Jamaica**, the FY2013 bilateral request is for $5.4 million (roughly similar to that being provided in FY2012) with assistance designed to support basic education and efforts to adapt to the impact of global climate change. The country also would receive Caribbean regional HIV/AIDS assistance.

[25] For more detailed information on Cuba and U.S. policy, see: CRS Report R41617, *Cuba: Issues for the 112th Congress*, by Mark P. Sullivan.

In addition to these bilateral assistance programs, the FY2013 request includes $59 million for continuation of the **Caribbean Basin Security Initiative** that supports activities throughout the Caribbean to reduce illicit trafficking, advance public safety and security, and promote social justice. The Obama Administration developed the CBSI in 2009 and 2010 through a process of dialogue with Caribbean nations. Funding for the CBSI has amounted to $203 million since FY2010, with almost $62 million in FY2010, $77 million in FY2011, and an estimated $64 million in FY2012. Funding for the program is part of the State Department's Western Hemisphere Regional program, and has included assistance in the following five areas: maritime and aerial security cooperation; law enforcement capacity building; border/port security and firearms interdiction; justice sector reform; and crime prevention and at-risk youth.[26] Since the State Department does not present a breakdown of CBSI assistance by country in its annual congressional budget justification, it is difficult to determine the overall level of aid that a Caribbean country is receiving or is expected to receive. For a number of Caribbean nations, the level of U.S. assistance received under the CBSI likely surpasses regular bilateral aid levels.[27]

Andean Region

Background. From FY1980 through FY2010, the United States provided about $25 billion in assistance in constant 2010 U.S. dollars (or about $20 billion in current or non-inflation adjusted dollars) to the countries of the Andean region of South America – Bolivia, Colombia, Ecuador, Peru, and Venezuela (see **Figure 6**) – with about 82% of that in economic assistance and the balance in military aid. Colombia accounted for 45% of the assistance in the three-decade period, followed by Peru (26%), Bolivia (21%), Ecuador (8%), and Venezuela (almost 1%).[28] In the 1980s, assistance amounted to about $3.6 billion in 2010 U.S. dollars, with assistance to Peru accounting for about 42% of the total followed by aid to Bolivia (almost 29%), Ecuador (18%), and Colombia (10%). During this period, development and food assistance comprised the majority of aid to the region.

Since the 1990s, U.S. assistance to the Andean region has focused on narcotics-related assistance with the goal of reducing the flow of illicit drugs to the United States. In the 1990s, assistance increased to almost $6 billion in 2010 U.S. dollars, with aid to Peru accounting for 37% followed by aid to Bolivia (33%), Colombia (22%), and Ecuador (almost 6%). From FY2000 through FY2009, aid to the Andean region more than doubled from the previous decade to about $14.3 billion in 2010 dollars. Colombia accounted for the lion's share of assistance during this decade, almost $8.8 billion in 2010 dollars (61%), as the United States supported Plan Colombia with a focus on drug eradication and interdiction, alternative development, and support for the Colombian military in its struggle against leftist guerrillas and rightist paramilitaries. Peru and Bolivia also received significant amounts of aid, $2.5 billion and $2.1 billion respectively, although assistance to both countries declined annually during the second half of the decade. In FY2010, aid to the Andean region amounted to $1.2 billion, with Colombia accounting for almost 70% of the aid, followed by Peru, Bolivia, and Ecuador.

[26] U.S. Department of State, "The Caribbean Basin Security Initiative," Factsheet, November 2, 2011.

[27] For additional information, see the section on the CBSI in CRS Report R41215, *Latin America and the Caribbean: Illicit Drug Trafficking and U.S. Counterdrug Programs*.

[28] All U.S. aid statistics and percentages for FY1980-FY2010 are drawn from the "Green Book" maintained by USAID online, and include all U.S. economic and military assistance, using constant 2010 U.S. dollar amounts of obligated (committed) funds from all agencies. See: USAID, *U.S. Overseas Loans and Grants: Obligations and Loan Authorizations, July 1, 1945 - September 30, 2010*, available at: http://gbk.eads.usaidallnet.gov/index.html.

FY2013 Appropriations Request. Looking more recently at aid appropriated through the annual State Department and Foreign Operations measure, U.S. assistance to the Andean region in current U.S. dollars amounted to $621 million in FY2011 and an estimated $520 million in FY2012, while the FY2013 request is for $452 million (see **Table 5**). Looking at FY2011 and FY2012 combined, assistance to Colombia accounts for 73% of aid to the Andean region.

For the FY2013 request, assistance to the region would decrease about 13% compared to the FY2012 estimate, with Colombia accounting for about three-quarters of the decline in dollar terms. With the exception of Ecuador, which would receive an increase of about 7%, assistance to the other Andean countries would, compared to FY2012 estimates, decline as follows – Bolivia (21%), Colombia (13%), Peru (12%), and Venezuela (40%).

Table 5. U.S. Assistance to the Andean Region, FY2011-FY2013

(Appropriations in millions of current U.S. dollars)

Country	FY2011 (Actual)	FY2012 (Estimate)	FY2013 (Request)
Bolivia	41.9	28.3	22.2
Colombia	453.2	383.0	331.8
Ecuador	24.3	19.8	21.3
Peru	96.6	83.6	73.7
Venezuela	5.0	5.0	3.0
Total	621.0	519.7	452.0

Source: U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2013*, March 9, 2012.

The FY2013 request of $332 million for **Colombia** accounts for the majority, about 73%, of U.S. assistance that would go to the Andean region. The $51 million reduction in assistance from FY2012 is a reflection of progress that Colombia has made in improving its security situation and its ability to fund programs that had previously been funded by the United States. As noted by Assistant Secretary of State for International Narcotics and Law Enforcement Affairs William Brownfield, the decline in assistance from previous years is a sign of the evolution of U.S. assistance from once leading assistance efforts to "now supporting Colombia's sustainment and nationalization of those efforts."[29] According to the FY2013 request, the United States is supporting Colombia's National Consolidation Plan (NCP) that has the goal of re-establishing state control and legitimacy in areas previously dominated by illegally armed groups. The strategy employs a phased approach combining security, counternarcotics, and economic and social development initiatives. U.S. support for the NCP is through the Colombia Strategic Development Initiative (CSDI) that includes assistance in a variety of areas, including: drug eradication and interdiction; capacity building for the military, national police, and prosecutor units; alternative development programs; support for Colombian land restitution reforms; reparations for victims and vulnerable populations; and promoting respect for human rights and

[29] Ambassador William R. Brownfield, Assistant Secretary of State for International Narcotics and Law Enforcement Affairs, prepared statement for the U.S. Congress, House Committee on Appropriations, Subcommittee on State, Foreign Operations, and Related Programs, *Security Challenges in Latin America*, 112th Cong., 2nd sess., March 29, 2012, available at: http://appropriations.house.gov/UploadedFiles/HHRG-112-AP04-WState-WBrownfield-20120329.pdf.

the rule of law and protection of vulnerable citizens. Since 2002, Congress has tied a portion of U.S. assistance to the Colombian military to efforts by the Colombian military and government regarding human rights and severing ties with paramilitaries.[30]

As set forth by the State Department, the proposed $73.7 million assistance for **Peru** seeks to strengthen the country's democracy through increased social and economic inclusion, improved governance, and sound environmental stewardship. Almost two-thirds of the aid is from the Development Assistance account, and would fund a variety of projects, including alternative development programs, the provision of health and education services, decentralization of social services, reforms in basic education, conservation of natural resources, and poverty alleviation activities targeting rural areas. Almost one-third of the assistance is from the INCLE account, and would fund programs to increase drug eradication and interdiction capabilities, improve anti-money laundering efforts, strengthen the judicial system, and reduce rising drug use.[31]

The Administration's $22.2 million FY2013 request for **Bolivia** continues the downward trajectory of U.S. assistance over the past several years. U.S.-Bolivian relations have deteriorated since 2008, when the Bolivian government expelled the U.S. Ambassador and the Drug Enforcement Administration. Since then, President Bush and subsequently President Obama, have determined annually, pursuant to the narcotics certification process, that Bolivia has failed to meet its obligations under international narcotics agreements. At the same time, both Presidents waived sanctions so that U.S. bilateral assistance programs could continue. For the FY2013 request, aid would continue to fund health sector activities to reduce maternal and child mortality and increase the use of voluntary family planning and reproductive health services. Aid from the Development Assistance account would fund activities to strengthen the management capabilities of local government, support the protection of Bolivia's biodiversity, and to promote sustainable use of natural resources, goods, and services. Assistance from the INCLE account would provide limited support for counternarcotics efforts, including monitoring coca cultivation and interdicting drugs and precursor chemicals.

For **Ecuador**, a majority of the $21.3 million FY2013 request would come from the Development Assistance account and fund a variety of projects to support alternative development programs, local governments and the encouragement of citizen participation in democratic processes, broad-based economic development, and biodiversity conservation. Aid from the INCLE account would support counternarcotics operations by modernizing the capacity of police and military in interdiction, evidence collection, stronger port and maritime controls, and increased speed and professionalism in the prosecution of criminal cases (especially those related to drug trafficking, money laundering, and trafficking in persons).

With regard to **Venezuela**, the United States has traditionally only provided small amounts of assistance because of the country's oil wealth and relatively high per capita income level. In recent years, assistance has focused on democracy programs to nongovernmental organizations, including most recently $5 million in each of FY2011 and FY2012. The FY2013 request is for $3 million in democracy assistance, implemented by USAID. According to the State Department, the assistance seeks to promote broad participation in the democratic process by promoting good

[30] For more detailed information on Colombia and U.S. policy, see: CRS Report RL32250, *Colombia: Background, U.S. Relations, and Congressional Interest*, by June S. Beittel.

[31] For more detailed information on Peru and U.S. policy, see: CRS Report R42523, *Peru in Brief: Political and Economic Conditions and Relations with the United States*, by Maureen Taft-Morales.

governance, raising awareness about social issues, increasing confidence in the democratic process, and encouraging citizen participation.[32]

Figure 6. Map of South America

Source: CRS

Notes: The Andean region is pictured in light green; Brazil and the Southern Cone are pictured in dark green. Guyana and Suriname are traditionally considered part of the Caribbean while French Guiana is a French territory.

[32] For more detailed information on Venezuela and U.S. policy, see: CRS Report R40938, *Venezuela: Issues for Congress*, by Mark P. Sullivan.

Brazil and the Southern Cone

Background. Taking into account obligations from all U.S. agencies, the United States provided Brazil and the countries of the Southern Cone of South America—Argentina, Chile, Paraguay, and Uruguay—with foreign assistance worth $1.6 billion in constant 2010 U.S. dollars ($1.3 billion in current, or non-inflation adjusted, dollars) between FY1980 and FY2010.[33] Over 82% of the assistance provided was in the form of economic aid with the remainder in military aid. Brazil accounted for 36% of the assistance provided between FY1980 and FY2010, followed by Paraguay (29%), Chile (17%), Argentina (11%), and Uruguay (7%).

U.S. assistance to Brazil and the Southern Cone has increased in each decade since 1980. Aid was relatively limited during the 1980s as all five countries in the sub-region were ruled by dictatorships that engaged in varying levels of repression. Total assistance for the decade amounted to $254 million in 2010 U.S. dollars, nearly 99% of which was economic aid. U.S. assistance more than doubled to $523 million in 2010 U.S. dollars during the 1990s as each of the countries reestablished democratic governance. U.S. assistance to the sub-region increased again to $741 million in 2010 dollars between FY2000 and FY2009, and in FY2010, Brazil and the countries of the Southern cone received $109 million in U.S. aid.

FY2013 Appropriations Request. Through annual State Department and Foreign Operations appropriations legislation funding for the State Department and USAID, the United States provided Brazil and the countries of the Southern Cone with $33.3 million in current U.S. dollars in FY2011 and an estimated $23.9 million in FY2012. The Administration's FY2013 request for the sub-region is $14.4 million, a $9.4 million (40%) decrease from the FY2012 estimate. Brazil accounted for over 70% of the combined appropriations for the sub-region in FY2011 and FY2012. Although assistance to the country would decline by $11 million (65%) under the FY2013 request, it would still account for 43% of the sub-region total (see **Table 6**).

Table 6. U.S. Assistance to Brazil and the Southern Cone, FY2011-FY2013

(Appropriations in millions of current U.S. dollars)

Country	FY2011 (Actual)	FY2012 (Estimate)	FY2013 (Request)
Argentina	0.9	1.4	0.8
Brazil	23.3	17..2	6.2
Chile	1.3	1.2	1.1
Paraguay	6.8	3.7	5.9
Uruguay	1.0	0.5	0.5
Total	33.3	23.9	14.4

Source: U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2013*, March 9, 2012.

[33] All U.S. aid statistics and percentages for FY1980-FY2010 are drawn from the "Green Book" maintained by USAID online, and include all U.S. economic and military assistance, using constant 2010 U.S. dollar amounts of obligated (committed) funds from all agencies. See: USAID, *U.S. Overseas Loans and Grants: Obligations and Loan Authorizations, July 1, 1945 - September 30, 2010*, available at: http://gbk.eads.usaidallnet.gov/index.html.

Under the FY2013 request, **Brazil** would receive $6.2 million in U.S. assistance. Since Brazil is now the sixth largest economy in the world and is making major strides in reducing poverty, U.S. assistance to the country is transitioning from supporting development programs in Brazil to providing assistance designed to promote development in third countries. About one-third of FY2013 aid would be funded through the DA account and would be used to strengthen the Brazilian government's development agency (the Brazilian Cooperation Agency) and implement jointly-funded projects in other developing countries. Such projects would likely build on Brazil's expertise in agriculture, food security, and school feeding programs and focus on priority countries in sub-Saharan Africa and the Western Hemisphere. About 21% of the FY2013 request for Brazil would provide a final year of support for HIV/AIDS programs in the country. The balance of U.S. aid to Brazil (about 47% of the total) would support counternarcotics and other security efforts in the country, and increase cooperation and interoperability between Brazilian and U.S. military forces and law enforcement agencies.[34]

As the poorest nation in the Southern Cone, **Paraguay** would receive $5.9 million under the FY2013 request. Over 85% of the assistance for Paraguay would be funded through the DA account. This assistance is designed to improve justice sector and civil service transparency, strengthen the oversight capacity of civil society organizations, and help small farmers improve their productivity and obtain better access to markets. The remainder of U.S. assistance to Paraguay would be provided through the IMET, FMF and INCLE accounts to support security efforts. Training and equipment would be provided to the Paraguayan military to support its professional development and expeditionary capacity, and aid for Paraguay's counternarcotics unit would support demand reduction and drug detection operations.

Argentina, **Chile**, and **Uruguay**, which are considered upper-middle-income economies and have per capita incomes that are over three times higher than that of Paraguay, would continue to receive small amounts of U.S. assistance in FY2013. The three countries would receive a combined $2.3 million in U.S. aid. About $1.8 million in IMET would support efforts to modernize the three countries' military forces, increase their interoperability with U.S. forces, and improve their capacities to participate in international peacekeeping missions. Additionally, Argentina and Chile would each receive $270,000 in NADR funds to improve port security and export controls, and support other anti-terrorism and non-proliferation initiatives.[35]

Regional and Centrally-Managed Programs

There are four regional programs administered by the State Department and USAID that provide assistance to Latin America and the Caribbean: (1) the State Department's Western Hemisphere Regional program, which includes the CARSI program for Central America and the CBSI program for the Caribbean; (2) USAID's Central America Regional program; (3) USAID's Latin America and Caribbean Regional program; and (4) USAID's South America Regional program. Of these, USAID's Central America Regional program has already been discussed above as have the CARSI and CBSI programs (See the "Mexico and Central America" and "Caribbean" sections). This section focuses on the remaining regional programs that have not yet been examined as well as assistance to the region provided through State Department centrally-

[34] For more detailed information on Brazil and U.S. policy, see: CRS Report RL33456, *Brazil-U.S. Relations*, by Peter J. Meyer.

[35] For more detailed information on Chile and U.S. policy, see: CRS Report R40126, *Chile: Political and Economic Conditions and U.S. Relations*, by Peter J. Meyer.

managed programs: international humanitarian assistance funded through the Migration and Refugee Assistance (MRA) foreign aid account; and assistance focusing on efforts to counter transnational crime and drug trafficking funded through global programs of the INCLE account.

The **State Department's Western Hemisphere Regional program**, in addition to providing the majority of funding for CARSI and CBSI described above, funds hemisphere-wide initiatives to foster greater economic opportunity and social equity, promote clean energy security and mitigate the effects of global climate change, and support hemisphere-wide security-related assistance. The non-CARSI/CBSI portion of the Western Hemisphere Regional program, which includes funding from the ESF and NADR foreign aid accounts, has declined significantly in recent years, from $34.7 million in FY2011 to an estimated $21.9 million in FY2012, a 37% decline. The FY2013 request of $14.4 million continues the decline in non-CARSI/CBSI funding, with a 34% decline from FY2012.

Funding from the regional program has supported commitments related to U.S. participation in the Sixth Summit of the Americas held in Cartagena, Colombia, as well as hemisphere-wide antiterrorism assistance and efforts regarding counterterrorism finance, export controls, border security, and terrorist interdiction. Over the past several years, the regional program also has supported the two following policy initiatives:

Energy and Climate Partnership of the Americas (ECPA). At the April 2009 Summit of the Americas, President Obama invited Western Hemisphere governments to join together to deepen collaboration on energy security and climate change. To date, the ECPA involves some 40 initiatives, with the United States taking the lead on some, and others being led by Brazil, Canada, Chile, Costa Rica, Mexico, Peru, and Trinidad and Tobago. U.S. funding supports regional cooperation related to energy efficiency, renewable energy, cleaner fossil fuels, interconnectivity of electrical grids, reducing emissions from deforestation, and enhancing country-capacity for climate change adaptation. Regional organizations such as the Inter-American Development Bank (IDB), the Organization of American States (OAS), and the Latin American Energy Organization are also supporting the ECPA , as well as the World Bank, the private sector, civil society and academia.[36]

Pathways to Prosperity in the Americas. This initiative originally was launched in September 2008 under the Bush Administration to provide a forum to ensure that the benefits of trade are broadly shared and to expand cooperation on development issues. The partnership currently involves the United States and 14 other hemispheric nations – Belize, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, and Uruguay – along with the institutional support of the IDB, the OAS, and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL). The initiative promotes economic growth and opportunity, especially for marginalized groups such as indigenous peoples, women, and Afro-descendants.[37]

[36] See the website of the ECPA, available at: http://ecpamericas.org/. Also see: White House, "Energy and Climate Partnership of the Americas," March 21, 2011, available at: http://www.whitehouse.gov/sites/default/files/ecpa_factsheet.pdf.

[37] See the website of the Partnership, available at: http://pathways-caminos.org/Home/tabid/57/language/en-US/Default.aspx; also see: U.S. Department of State, "Pathways to Prosperity in the Americas, Fact Sheet," April 8, 2011, available at: http://www.state.gov/p/wha/rls/fs/2011/158760.htm.

USAID's Latin American and Caribbean Regional program consists largely of Development Assistance and smaller amounts of Global Health Programs assistance. Total funding for the regional program amounted to almost $53 million in FY2011 and almost $45 million is estimated for FY2012. The FY2013 request is for almost $46 million. Development Assistance funding supports efforts to prevent crime and violence, strengthen basic and higher education, and help countries take advantage of economic opportunities, facilitate food security strategies, and mitigate and adapt to global climate change. Health assistance complements efforts through bilateral assistance and uses regional approaches to improve access to health services for underserved groups. The health funding covers activities in four areas: maternal and child health, family planning and reproductive health, tuberculosis, and HIV/AIDS.

USAID's South America Regional program consists of Development Assistance and Global Health Programs assistance supporting economic growth, environmental, and health programs. Total funding for the regional program amounted to about $9.8 million in FY2011 and an estimated $14 million in FY2012. The FY2013 request is for $13.5 million. Development Assistance supports the Initiative for Conservation in the Andean Amazon (ICAA) that focuses on conserving biodiversity and combating deforestation and forest degradation in the Amazon basin.[38] The regional program also supports the Andean Trade Capacity Building Program that focuses on improving the ability of Andean countries to comply with international trade agreements, including those related to labor rights and the environment, and to increase private sector competitiveness. Health funding under the regional program supports the Amazon Malaria Initiative (AMI), begun in 2001, which assists seven South American countries – Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, and Suriname – in preventing and controlling malaria in the Amazon Basin.

As noted above, in addition to these regional programs, the State Department also provides assistance to the region through centrally-managed programs that generally are not reflected in so-called all-spigot or country/account summary tables issued by the State Department in its annual *Congressional Budget Justification*. For example, the State Department's Bureau of Population, Refugees, and Migration oversees all MRA funding worldwide. MRA assistance for Western Hemisphere countries amounted to $57 million in FY2011 and an estimated $54 million in FY2012. The FY2013 request is for $47.2 million, about a 12% decrease from FY2012. MRA assistance for Latin America supports protection and assistance for internally displaced persons (IDPs) in Colombia as well as Colombians seeking asylum and refugees in neighboring Ecuador, Venezuela, Panama, and Costa Rica. According to the State Department, the violence in Colombia has resulted in an estimated four million IDPs, refugees, and other persons of concern in Colombia and neighboring countries. MRA funding also supports regional programs of the Office of the United Nations High Commissioner for Refugees (UNHCR), the International Committee for the Red Cross (ICRC), and the International Organization for Migration (IOM) in the Caribbean region. This includes support for Haiti, where the ICRC is providing support for health care, water systems improvement, and monitoring of prison conditions.

Several other centrally-managed programs that provide INCLE assistance worldwide, including to Latin America, are administered by the State Department's Bureau of International Narcotics and Law Enforcement Affairs, although the State Department does not provide a regional or country breakdown of such assistance under these programs in its annual budget justification. The Interregional Aviation Support and the Critical Flight Safety Programs provide support services

[38] See the website of USAID's ICAA, available at: http://www.amazonia-andina.org/en.

for counternarcotics aviation programs involving fixed- and rotary-wing aircraft in several Latin American countries – Colombia, Bolivia, Guatemala, and Peru. INCLE funds also support an International Law Enforcement Academy in El Salvador and a Regional Training Center in Lima, Peru. A Central American Anti-Gang program focuses on investigative, legal and intelligence capacity, community policing, prevention, and prison management in Central America.

Table 7. U.S. Assistance Provided through Regional and Centrally-Managed Programs, FY2011-FY2013

(Appropriations in millions of current U.S. dollars)

Account/Program	FY2011 (Actual)	FY2012 (Estimate)	FY2013 (Request)
State Western Hemisphere Regional	213.6	190.9	180.9
[CARSI]	[101.5]	[105.0]	[107.5]
[CBSI]	[77.4]	[64.0]	[59.0]
USAID Central America Regional	28.6	32.1	29.7
USAID Latin America and Caribbean Regional	52.8	44.9	45.7
USAID South America Regional	9.8	14.0	13.5
Migration and Refugee Assistance	57.1	53.9	47.2
Total	361.9	335.7	317.0

Source: U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2013*, March 9, 2012.

Notes: Assistance figures in this table for CARSI, CBSI, and USAID's Central America Regional programs are also included in **Table 3** and **Table 4** covering assistance to Central America and the Caribbean, respectively.

Other U.S. Agencies Providing Foreign Assistance

There are a number of U.S. government agencies beyond the State Department and USAID that provide foreign assistance to the nations of Latin America and the Caribbean. For a variety of reasons, such as differences in appropriations and reporting timelines, these programs are discussed separately from those administered by the State Department and USAID. They include the Department of Defense, the Inter-American Foundation, the Millennium Challenge Corporation, and the Peace Corps.

Department of Defense

The Department of Defense (DOD) has provided assistance to foreign governments, militaries, and civilians for many years. In recognition of the agency's unique capabilities and resources, Congress has provided DOD with a number of legislative authorities to carry out foreign assistance efforts. Within Latin America and the Caribbean, DOD recently has provided humanitarian, counterdrug, and counterterrorism and stabilization assistance. Some of this assistance differs from traditional foreign aid as the principal purpose of the activities is to

support the institutional needs of DOD. Many humanitarian assistance programs, for example, are primarily designed as training opportunities for members of the U.S. armed forces. The two regional combatant commands responsible for DOD operations in the hemisphere are U.S. Northern Command (NORTHCOM), which includes Mexico and the Bahamas, and U.S. Southern Command (SOUTHCOM), which includes the rest of Latin America and the Caribbean. DOD assistance is funded through the annual Department of Defense appropriations legislation.

Congress has authorized DOD to engage in a variety of humanitarian assistance activities, transport humanitarian goods, and provide disaster relief and emergency response.[39] Under 10 USC Sec 2561, for example, Congress has authorized the Secretary of Defense to expend funds to transport humanitarian relief and for other humanitarian purposes. In FY2010, the most recent year for which data is available, DOD provided some $84 million in (Section 2561) humanitarian assistance through nearly 200 projects in at least 28 countries in the region. This assistance ranged from an alert warning system in Chile, to the provision of insecticide-treated nets in Brazil, to the renovation of health centers in Panama. Haiti was by far the largest regional recipient of such assistance, receiving $34.8 million in the aftermath of the massive January 2010 earthquake.[40]

Additionally, DOD assists partner countries in preparing for, and responding to, natural disasters and other humanitarian emergencies. Given its readily deployable resources, DOD is able to provide critical, time-sensitive support during humanitarian emergencies. Within 24 hours of the earthquake in Haiti, for example, SOUTHCOM had deployed an initial assessment team to the country consisting of military engineers, operational planners, and command and control and communication specialists. U.S. forces quickly restored air traffic control, enabled round the clock airfield operations, delivered humanitarian supplies, and provided security for the civilian population.[41] Although USAID is designated as the lead authority for disaster response, DOD is often the first U.S. agency to respond to humanitarian crises as a result of these capabilities.

Beyond its humanitarian assistance activities, DOD provides a broad range of counterdrug support to Latin American and Caribbean nations. While Congress (though the Foreign Assistance Act of 1961, as amended) has designated the State Department as the U.S. agency responsible for coordinating U.S. counterdrug assistance, it has granted independent counterdrug authorities to DOD. Under Section 1004 of the National Defense Authorization Act (NDAA) of 1991 (P.L. 101-510), as amended through FY2014, DOD is authorized to support foreign counterdrug efforts through training, transportation, reconnaissance, intelligence analysis, and infrastructure construction. Under Section 1033 of the NDAA of 1998 (P.L. 105-85), as amended through FY2013, DOD is also authorized to provide certain countries[42] with various types of nonlethal equipment to be used for counterdrug activities. In FY2010, the most recent year for which data is available, DOD provided the region with nearly $435 million in counterdrug assistance ($382 million under Section 1004 and $53 million under Section 1033). Colombia and

[39] See: 10 USC Secs 401, 402, 404, 407, 2557, and 2561.

[40] DOD, *Section 1209 and Section 1203(b) Report to Congress on Foreign-Assistance Related Programs for Fiscal Years 2008, 2009, and 2010*, April 2012.

[41] For more information on the response of DOD and other U.S. agencies to the Haitian earthquake, see: CRS Report R41023, *Haiti Earthquake: Crisis and Response*, by Rhoda Margesson and Maureen Taft-Morales.

[42] This includes 13 countries in Latin America and the Caribbean: Colombia and Peru (P.L. 105-85); Bolivia and Ecuador (P.L. 108-136); Belize, Guatemala, and Panama (P.L. 109-364); the Dominican Republic and Mexico (P.L. 110-181); El Salvador and Honduras (P.L. 110-417); and Jamaica and Nicaragua (P.L. 112-81).

Mexico, which received $129.4 million and $71.6 million, respectively, were the two largest recipients of DOD counterdrug assistance in the region.[43]

In recent years, some countries in the hemisphere have received additional DOD assistance for counterterrorism and stabilization activities. Under Section 1206 of the FY2006 NDAA (P.L. 109-163), as amended, Congress has authorized DOD to train and equip foreign military and maritime security forces for the purposes of (1) performing counterterrorism operations, and (2) supporting U.S. military and stability operations. Between FY2006 and FY2009, DOD provided $72.1 million in such assistance to 10 countries in the region. No Latin American or Caribbean nations received Section 1206 funding in FY2010.[44] Under Section 1207 of the FY2006 NDAA (P.L. 109-163), as amended, Congress authorized DOD to fund small-scale security and stabilization activities to be implemented abroad by the State Department and USAID. Between FY2006 and FY2010, DOD provided $67.5 million in such assistance to six countries in the region. Section 1207 authority expired at the end of FY2010.[45]

Inter-American Foundation[46]

The Inter-American Foundation (IAF) is a small independent U.S. foreign aid agency established by the Foreign Assistance Act of 1969 (P.L. 91-175; 22 USC Sec 290f) that provides grants for grassroots development to help poor communities in Latin America and the Caribbean. From FY1972, when the IAF first began making grants, through FY2011, the agency provided almost 5,000 grants worth $695 million to local and community-based groups in support of a variety of development projects. Some grants address basic nutrition, water, sanitation, or health care needs of poor or marginalized groups, while others help start or expand small businesses, create jobs, or develop skills or access to markets for local products. The grant recipients are expected to contribute their own resources or mobilize resources from other sources. These additional resources have amounted to about $1 billion since the agency's establishment, significantly exceeding the IAF contributions.

Each year, the IAF typically receives hundreds of grant proposals from grassroots organizations. In FY2011, it awarded 61 new grants and provided 33 supplements to existing grantees in the amount of $14.9 million in the following areas: agriculture/food production (35%); education/training (26%); enterprise development (21%); corporate social investment, cultural expression, and the environment (5% each); and health and legal assistance (5% each). Grant recipients were spread throughout the region, with 33% in the Andean region, 24% in Central

[43] DOD, April 2012, op.cit.

For more information on DOD counternarcotics in Latin America and the Caribbean, see the "DOD Counternarcotics Assistance Programs" section of CRS Report R41215, *Latin America and the Caribbean: Illicit Drug Trafficking and U.S. Counterdrug Programs*, coordinated by Clare Ribando Seelke.

[44] For more information on Section 1206 assistance and the projects funded in the region, see: CRS Report RS22855, *Security Assistance Reform: "Section 1206" Background and Issues for Congress*, by Nina M. Serafino.

[45] Fore more information on Section 1207 assistance and the projects funded in the region, see: CRS Report RS22871, *Department of Defense "Section 1207" Security and Stabilization Assistance: Background and Congressional Concerns, FY2006-FY2010*, by Nina M. Serafino.

[46] Information in this section is drawn from: U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2013*, March 9, 2012; IAF, *FY2013 Congressional Budget Justification* and *2011 Year in Review (Annual Report)*, available at: http://www.iaf.gov/; and Robert Kaplan, President of the IAF, testimony before the U.S. Congress, Senate Committee on Foreign Relations, Subcommittee on Western Hemisphere, Peace Corps and Global Narcotics Affairs, *U.S. Policy Toward Latin America*, 112th Cong., 1st sess., February 17, 2011.

America, 15% in the Southern Cone of South America, 13% in Brazil, 10% in the Caribbean, and 5% in Mexico. High priority grantees included women, children and youth, indigenous people, and African descendents. The IAF also has a fellowship program supporting doctoral students from universities in the United States to conduct research in Latin America and the Caribbean on a broad range of issues related to grassroots development. In FY2011, the IAF awarded 15 such fellowships.

Funding for the IAF amounted to $22.45 million in FY2011 and an estimated $22.5 million in FY2012. The Administration's FY2013 request is for $18.1 million, a nearly 20% decline from FY2012 appropriations. The Administration maintains that despite the cuts in requested funding, the agency will seek to maintain its current program level by partnering with other U.S. government agencies and the private sector as well as by reducing overhead costs. For FY2012, the Administration had requested $19.1 million for the IAF, maintaining that the cut was necessary to better prioritize scarce foreign assistance funding, but Congress ultimately appropriated $22.5 million, roughly similar to that provided in FY2011.

Beyond annual congressional appropriations, the IAF also receives additional annual funding from the Social Progress Trust Fund (SPTF) administered by the Inter-American Development Bank that consists of repayments for U.S. government loans to Latin American countries under the Alliance for Progress. The IAF received almost $4.7 million from the SPTF in FY2011, is receiving an estimated $7.5 million in FY2012, and will receive $4.2 million in FY2013. According to the IAF, SPTF funds will diminish significantly in future years as loans are reaching the end of their payment periods. In FY2017, SPTF funding will be reduced to about $3 million and will decline further to about $0.5 million or less beginning in FY2019.[47]

Millennium Challenge Corporation[48]

The Millennium Challenge Corporation (MCC) was established as an independent government entity in 2004 to provide economic assistance to developing nations that perform comparatively well on certain political, social, and economic indicators. Aid provided through the MCC differs from that provided through the State Department and USAID in several ways, including its use of a competitive selection process and a pledge to prevent U.S. strategic foreign policy objectives from influencing country selection. MCC awards compacts (grant agreements) of up to five years in length that are expected to have a measurable impact, as well as smaller threshold programs, which are designed to assist countries in addressing areas of weak performance in order to qualify for future compacts. To date, three Latin American and Caribbean countries—El Salvador, Honduras, and Nicaragua—have been awarded compacts, and three others—Guyana, Paraguay, and Peru—have been awarded threshold programs. Together, they have received $886.7 million in assistance, accounting for almost 9.5% of MCC funding worldwide.[49]

El Salvador signed a five-year, $461 million compact with the MCC in November 2006. The compact is designed to develop the country's northern border region, where more than half of the population lives in poverty. It includes a human development project to improve physical

[47] Information provided to CRS by the IAF, May 15, 2012.

[48] For more information on the MCC, see: CRS Report RL32427, *Millennium Challenge Corporation*, by Curt Tarnoff. More detailed compact and threshold program information is available at: http://www.mcc.gov/pages/countries/region/latin-america.

[49] CRS calculations based on MCC data available at: http://www.mcc.gov/pages/countries.

infrastructure such as water, sanitation, and electricity, and investments in human capital through education and training. It also includes a productive development project that supports small farmers and small and medium-sized businesses, and a connectivity project to construct and rehabilitate a major transportation artery and secondary roads. The compact is scheduled to be completed by September 2012. In December 2011, MCC announced that El Salvador is eligible to develop a proposal for a second compact.[50]

In June 2005, **Honduras** signed a five-year, $215 million economic growth compact. The compact had two components: a rural development project to provide farmers with skills to grow and market high-value crops, and a transportation project to improve roads and highways to link farmers and other businesses to ports and major production centers in Honduras. MCC decided to terminate[51] $10 million in unobligated funding for Honduras in the aftermath of the June 2009 ouster of President Manuel Zelaya, reducing the total funding for the compact to $205 million. Honduras completed the compact in September 2010, and MCC announced in January 2011 that it would not renew the compact as a result of Honduras' poor performance on corruption.[52] Nevertheless, MCC has declared Honduras eligible for a threshold program in FY2012 to address corruption and other barriers to economic growth.[53]

Nicaragua signed a five-year, $175 million compact with the MCC in July 2005. The compact focused on the western region of the country, which MCC identified as having the greatest potential for economic growth. It had three components: (1) a transportation project to connect regional markets by improving a primary road and two secondary roads; (2) a rural development project to increase farm productivity through support for farmers and rural businesses; and (3) a property regularization project to register land ownership. MCC suspended, and subsequently terminated, $61.5 million in funding for Nicaragua in the aftermath of the country's disputed November 2008 municipal elections. The decision reduced total funding for the compact to $113.5 million. The compact ended in May 2011.

As noted above, MCC has also awarded threshold programs to several countries in the hemisphere. **Guyana** signed a two-year, $6.7 million threshold program in July 2007. The program was designed to assist the country in improving its performance on MCC's fiscal policy indicator by supporting the implementation of a new tax system, strengthening the capacity of the finance ministry, and improving the parliament's oversight of the budget. **Paraguay** signed a two-year, $34.6 million program in May 2006, which concentrated on reducing corruption, impunity, and economic informality. In April 2009, MCC awarded Paraguay with $30.3 million for a second two-year program. The second stage of the threshold program is focused on reducing corruption in the law enforcement, customs, health care, and judicial sectors. **Peru** signed a two-year, $35.6 million threshold program in April 2009. It is designed to increase immunization rates and combat corruption.

[50] MCC, "Report on Selection of Eligible Countries for Fiscal Year 2012," December 15, 2011, available at: http://www.mcc.gov/documents/reports/report-2011001095901-fy12-eligible-countries.pdf.

[51] MCC funding can be suspended or terminated if the country receiving the assistance (1) engages in activities that are contrary to the national security interests of the United States, (2) engages in a pattern of actions inconsistent with MCC selection criteria, or (3) fails to adhere to its responsibilities under the compact.

[52] Honduras performs below the median for low-income countries on corruption, which is a "pass-fail" indicator for MCC compact eligibility.

[53] MCC, December 15, 2011, op. cit.

Peace Corps[54]

Since the Peace Corp's founding in 1961, almost 65,000 volunteers have served in Latin America and the Caribbean. At the end of FY2011, almost 2,600 volunteers, about 28% of Peace Corps volunteers worldwide, were assigned to 22 Latin American and Caribbean countries working on development projects in six areas: agriculture, business development, education, environment, health and HIV/AIDS, and youth development. Program funding for Latin America and the Caribbean amounted to almost $65 million in FY2011 and is estimated to be about $61 million in FY2012. For the FY2013 budget request, an estimated $60.2 million will be slated for programs in Latin America and the Caribbean.

Because of agency budget cuts, the total number of volunteers in the region is expected to decline to 2,250 at the end of FY2012 and to 1,800 by the end of FY2013. As a result, most countries in the region with Peace Corps volunteers will see reductions, with the exception of Colombia, where the Peace Corps reestablished a presence in 2010 after almost 30 years. The Peace Corps also has plans to close its programs in the Eastern Caribbean countries of Antigua and Barbuda and St. Kitts and Nevis in FY2012 and in Suriname in FY2013 as the result of the agency's Country Portfolio Review. All three of these countries are classified as upper-middle-income countries by the World Bank because of their relatively high per capita income levels.

At times, security concerns have resulted in the Peace Corps suspending operations in some Latin American and Caribbean countries. In 2005, the agency withdrew its volunteers from Haiti amid a spike in violence and has not returned, and in 2008 it pulled out of Bolivia amid growing instability there and a deterioration in relations with the United States. More recently, in January 2012, the Peace Corps pulled its volunteers out of Honduras because of high levels of violence and homicides – in December 2011, a volunteer was shot and wounded in the city of San Pedro Sula during a robbery attempt on a public bus.[55] In December 2011, the Peace Corps cancelled volunteer training classes for El Salvador and Guatemala, maintaining that the agency was enhancing operational support to volunteers in these two countries because of security concerns. Volunteer programs continue in both countries, however, and the Peace Corps intends to send new volunteers to El Salvador and Guatemala in 2013.

Legislative Action on FY2013 Appropriations

Appropriations Committees in both houses of Congress have marked up FY2013 appropriations bills for the Department of State, Foreign Operations, and Related Programs. The House Committee on Appropriations held a markup of its bill (H.R. 5857) on May 17, 2012, and reported it to the full House on May 25. It totals $48.3 billion, including $40.1 billion for the core State Department and Foreign Operations budget and $8.2 billion for Overseas Contingency Operations.[56] If enacted, total funding levels in FY2013 would be 9.6% lower than the FY2012

[54] Information in this section is drawn from: Peace Corps, *Congressional Budget Justification, FY2012 and FY2013*. For additional information on the Peace Corps, see: CRS Report RS21168, *The Peace Corps: Current Issues*, by Curt Tarnoff.

[55] Freddy Cuevas and Adriana Gomez Licon, "Peace Corps Withdraws from Honduras Amid Surging Violence, Claims of Rights Abuses," *Associated Press*, January 19, 2012; Peace Corps, "Peace Corps Reviews Operations in Honduras," Press Release, December 21, 2011.

[56] Since FY2012, the Administration has divided the international affairs budget request into two parts: the "core" (continued...)

estimate and 11.8% lower than the Obama Administration's FY2013 request. The Senate Committee on Appropriations marked up its bill (S. 3241) and reported it favorably to the full Senate on May 24. It totals $52.3 billion, including $50 billion for the core State Department and Foreign Operations budget and $2.3 billion for Overseas Contingency Operations. If enacted, total funding levels in FY2013 would be 2.3% lower than the FY2012 estimate and 4.7% lower than the Administration's request. The Obama Administration has called the House bill "unworkable" as it goes beyond the cuts agreed upon in the Budget Control Act of 2011 (P.L. 112-25).[57] The Administration also asserts that the House funding levels would "damage our national security and force America to face higher costs over the long term from unresolved conflicts, transnational crime, poverty, and other cross-border threats."[58]

It is unclear how much foreign assistance each of the nations of Latin America and the Caribbean would receive under the two bills since, for the most part, appropriations levels for individual countries and programs are not specified in the legislation or accompanying reports. Nevertheless, both of the reports express concerns over conditions in the region and note the Committees' intentions to provide assistance levels that are above the Administration's request to at least some Latin American and Caribbean nations. The House report (H.Rept. 112-494) states:

> Additionally, to address the immediate security needs in this hemisphere, the Committee recommendation restores reductions proposed in the request for key countries in Latin America. The Committee believes it is critical to continue robust support for counternarcotics and law enforcement efforts, as well as assistance for rule of law and judicial reform activities in Mexico, Colombia, Central America, and the Caribbean to fight drug trafficking and violent crime before it reaches the borders of the United States. The Security and stability of these neighbors directly affects the United States.

The Senate report (S.Rept. 112-172) also expresses concerns about the region and calls for additional U.S. aid:

> The Committee notes the daunting challenges facing many countries in Central and South America due to struggling economies and weak governmental institutions. In addition to funding levels for specific countries recommended under [the ESF heading], the Committee directs additional resources be made available above the budget request to strengthen democratic institutions, including professional and accountable police forces, and to address the causes of poverty in the region. Additional funds should also be provided under the DA and INCLE headings.

The Committee reports do stipulate specific funding levels under certain foreign aid accounts for some countries and programs. Although they differ in programmatic emphasis, both reports call for assistance above the requested levels for Colombia, Mexico, and Venezuela. For Colombia, the House report recommends ESF at the requested level, $10 million above the request in FMF, and $18.6 million above the request in INCLE to enable Colombia to provide training and technical assistance to partners in the region and around the world. In comparison, the Senate report recommends $20 million above the request in ESF for alternative development and

(...continued)

budget request reflecting "enduring" needs, and Overseas Contingency Operations, described as extraordinary, temporary costs in Iraq, Afghanistan, and Pakistan.

[57] For more information on the Budget Control Act, see: CRS Report R41965, *The Budget Control Act of 2011*, by Bill Heniff Jr., Elizabeth Rybicki, and Shannon M. Mahan.

[58] Victoria Nuland, Spokesperson, "Daily Press Briefing," U.S. Department of State, May 18, 2012.

institution building, the requested level of FMF, and $3 million above the request in INCLE. For Mexico, the House report recommends $10.35 million above the request in DA, the requested levels of ESF and FMF, and $49.5 million above the request in INCLE to support anti-crime and counternarcotics efforts along the U.S.-Mexican border. The Senate report recommends INCLE funding at the requested level and $10 million above the request in ESF to support additional economic development activities along the U.S.-Mexican border. The House report recommends restoring funding for democracy programs in Venezuela to the FY2012 level, which is $2 million above the request in ESF. The Senate report recommends $3 million above the request for the National Endowment for Democracy to be utilized in Venezuela.

The House and Senate differ in terms of other priorities. For CARSI, the House report recommends the requested level of ESF and $10 million above the request in INCLE. The House report also recommends the requested level of ESF and $9 million above the request in INCLE for CBSI. The Senate report, on the other hand, supports the requested levels for both regional security programs. While the House bill would provide $5 million above the request in ESF for democracy programs in Cuba, the Senate bill would cap funding for such programs at the requested level. Similarly, the Senate report recommends $10 million above the request in DA for conservation programs in the Brazilian Amazon while the House report makes no reference to such programs. In addition, the Senate bill would provide $5.4 million above the request for the Inter-American Foundation, while the House bill would fund the agency at the requested level.

Potential Issues for Congressional Consideration

Budget Priorities and Constraints

The Obama Administration maintains that its four priorities for U.S. policy toward Latin America and the Caribbean – promoting economic opportunity, ensuring citizen security, strengthening effective institutions for democratic governance, and securing a clean energy future[59] – guide its foreign aid budget request for the region. Of these, State Department officials emphasize that success in improving citizen security remains central to achieving other U.S. objectives in the region. Looking at the almost $1.7 billion request for the region, citizen security programs in Mexico, Colombia, Central America, and the Caribbean account for 45% of the total. The Administration argues that these programs emphasize an integrated and multilateral partnership to strengthen institutions that will build and sustain the rule of law, address the root causes of crime, and guarantee long-term public security.[60] In addition to these citizen security efforts, U.S. officials maintain that the FY2013 request also prioritizes assistance for Haiti, which would receive 20% of aid to the region, in order to support the country's earthquake recovery and other development efforts including sanitation and health services to prevent and treat cholera and other water-borne diseases.[61]

[59] For an overview of U.S. policy toward the region, see: CRS Report R42360, *Latin America and the Caribbean: U.S. Policy and Key Issues for Congress in 2012*, coordinated by Mark P. Sullivan.

[60] Kevin Whitaker, Acting Principal Deputy Assistant Secretary of State, prepared statement for the U.S. Congress, House Committee on Appropriations, Subcommittee on State, Foreign Operations, and Related Programs, *Security Challenges in Latin America*, 112th Cong., 2nd sess., March 29, 2012, available at: http://appropriations.house.gov/UploadedFiles/HHRG-112-AP04-WState-KWhitaker-20120329.pdf.

[61] Roberta S. Jacobson, Assistant Secretary of State for Western Hemisphere Affairs, prepared statement for the U.S. (continued...)

Another way to consider budget priorities toward the region is to look at the FY2013 request by program area as set forth in the State Department's *Congressional Budget Justification*. Assistance for "Peace and Security," which includes counternarcotics, counterterrorism, security sector reform, and transnational crime assistance accounts for 30% of aid to the region. The program area of "Governing Justly and Democratically" accounts for about 24% of aid to the region, and supports rule of law, human rights, good governance, and civil society projects. More traditional aid programs under the program area of "Investing in People," accounts for 23% of assistance, and includes health, education, and aid targeted for vulnerable populations. The program area of "Economic Growth" includes assistance for a varied array of projects on environment, agriculture, private sector competitiveness, infrastructure, and trade and investment, and accounts for about 20% of aid to the region.

As described above, the Administration's request is about 9% less than that being provided in FY2012. The request, according to USAID's Assistant Administrator for Latin America and the Caribbean Mark Feierstein, takes advantage of the favorable development trends in the region where "sound economic management has helped spur economic growth," and "greater access to education and innovative social programs have reduced poverty and narrowed income inequality."[62] Because of these positive trends, USAID has plans to close its mission in Panama this year, manage its programs for Guyana out of the regional Caribbean mission in Barbados, reduce aid to Colombia and Peru as these countries take over USAID-funded programs, and withdraw from some sectors in the region where countries have made progress or where partner governments, the private sector, or other donors are filling gaps.[63]

Some Members have expressed concerns about the Administration's 9% proposed decrease for Latin America and the Caribbean, questioning whether the resources requested are adequate to address U.S. interests in the region. There appears to be broad agreement between Congress and the Administration regarding the importance of maintaining assistance for citizen security and counter-narcotics efforts in Mexico, Colombia, Central America and the Caribbean. Some Members, however, have expressed concerns about declines in assistance for these programs. Assistance for Haiti's recovery also appears to be a point of consensus, although some Members have called for adequate monitoring to ensure transparency and accountability in the assistance program.[64]

On the other hand, some Members oppose portions of the Administration's proposed FY2013 funding for the region. For example, some Members on the House Committee on Foreign Affairs expressed opposition to the President's Global Climate Change Initiative, which includes $78

(...continued)

Congress, House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, *Western Hemisphere Budget Review 2013: What Are U.S. Priorities?*, 112th Cong., 2nd sess., April 25, 2012, available at: http://foreignaffairs.house.gov/112/HHRG-112-FA07-WState-JacobsonR-20120425.pdf.

[62] Mark Feierstein, USAID Assistant Administrator for Latin America and the Caribbean, prepared statement for the U.S. Congress, House Committee on Appropriations, Subcommittee on State, Foreign Operations, and Related Programs, *Security Challenges in Latin America*, 112th Cong., 2nd sess., March 29, 2012, available at: http://appropriations.house.gov/UploadedFiles/HHRG-112-AP04-WState-MFeierstein-20120329.pdf

[63] Ibid.

[64] See, for example: U.S. Congress, House Committee on Appropriations, Subcommittee on State, Foreign Operations, and Related Programs, *Security Challenges in Latin America*, 112th Cong., 2nd sess., March 29, 2012; and U.S. Congress, House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, *Western Hemisphere Budget Review 2013: What Are U.S. Priorities?*, 112th Cong., 2nd sess., April 25, 2012.

million for Latin American and Caribbean countries. At the same time, some Members also expressed opposition to increases in Development Assistance funding for Bolivia, Ecuador, and Nicaragua (totaling $6.1 million for all three countries), which have governments that they assert "continue to undermine U.S. interests in the region, while also disregarding the rule of law and the fundamental rights of their own citizens."[65] Some committee Members opposed cuts in democracy funding for Cuba and Venezuela, by $5 million and $2 million respectively, which they maintain "are vital to help democracy advocates."[66]

As noted above ("Legislative Action on FY2013 Appropriations"), House and Senate Appropriations Committees have marked up their versions of the FY2013 State Department, Foreign Operations, and Related Programs appropriations measure that respectively would reduce worldwide foreign aid funding by 11.8% and 4.7% from the Administration's FY2013 request. While it is unclear how much assistance to Latin America and the Caribbean would be cut under either scenario, the House version potentially would mean a significant reduction from the Administration's request. More information on House and Senate priorities will become known as the legislation progresses.

Broad questions for Members of Congress to examine when considering the FY2013 foreign aid appropriations request for Latin America and the Caribbean might include the following:

- Does the FY2013 request adequately reflect U.S. interests and objectives in the region and is the request balanced appropriately among these myriad interests and objectives?
- Are there specific metrics in place to evaluate effectiveness of the various assistance programs?
- What aid programs in the region have been most effective?
- Are there any aid programs that have been judged to be ineffective?
- What is the potential impact of the Administration's 9% proposed FY2013 aid cuts for Latin America on U.S. policy toward the region and U.S. bilateral relations?
- If additional cuts are to be made to foreign aid to the region in FY2013 beyond the Administration's request, which areas can be identified for reduction with the least harm to U.S. interests or objectives?

Inter-Agency and Donor Coordination[67]

As Congress seeks to maximize the impact of scarce foreign assistance funds, it may consider resource coordination, both among U.S. government agencies as well as with international donors. U.S. foreign assistance is currently fragmented among a variety of different government agencies. Although the State Department and USAID continue to manage the majority of assistance in Latin America and the Caribbean, DOD's role has grown and several other agencies

[65] "Lesser-Known Areas of Foreign Aid Budget Draw Attention of House GOP," *CQ Today Online*, April 13, 2012.

[66] Ibid.

[67] For a more detailed examination of donor coordination issues, see: CRS Report R41185, *Foreign Aid: International Donor Coordination of Development Assistance*, by Marian Leonardo Lawson.

also manage or implement aid programs. A February 2012 Government Accountability Office (GAO) report found that State, USAID, and DOD are not fully aware of each others' assistance efforts, and, consequently, the potential exists for unnecessary overlap. GAO maintains that while there are some initiatives underway to improve the situation, and ad hoc arrangements exist in certain cases, there is no formal framework for readily sharing information across the three agencies.[68] With better coordination, the various U.S. agencies providing assistance may be able to ensure that their efforts are complementary and thereby increase the potential impact of their programs.

Congress might also consider the advantages and disadvantages of closer coordination with other international donors. According to the Organisation for Economic Co-operation and Development (OECD), the nations of Latin America and the Caribbean received $10.7 billion in official development assistance[69] disbursements from the major international donors in 2010. The United States provided about $2.7 billion (25%) of the total while other major bilateral donors[70] provided $5.1 billion (48%) and multilateral organizations provided $2.8 billion (26%).[71] Some studies that have attempted to map the programs being carried out in the region by the various donors have found a lack of coordination, including programs that duplicate efforts or support conflicting goals.[72] Closer coordination could enable the various donors to ensure that their efforts are complementary, focus on specific countries or sectors, and thereby use their limited funds for foreign assistance more efficiently. Such coordination could be difficult, however, as it is unclear which country or organization might lead the effort and donors may disagree on the division of labor. Moreover, foreign assistance often has strategic objectives in addition to development goals. While donors may be able to carry out aid programs more efficiently by focusing on certain sectors or countries, doing so could negatively affect their strategic interests.

In recent years, the United States has begun working with countries in the region that have been successful in overcoming their domestic development challenges to provide assistance to third countries. The United States has signed trilateral cooperation agreements with Brazil, Chile, and Colombia,[73] which are designed to provide the U.S. government and its development partners with access to new solutions and expertise, and multiply the impact of that expertise by combining best practices with larger scale financial resources.[74] As noted above, some of the assistance that the Administration requested for Brazil in FY2013 would be used to strengthen the

[68] U.S. Government Accountability Office, *Humanitarian and Development Assistance: Project Evaluations and Better Information Sharing Needed to Manage the Military's Efforts*, GAO-12-359, February 2012, pp. 26-27, available at: http://gao.gov/assets/590/588334.pdf.

[69] The OECD defines official development assistance as "grants or loans to developing countries and to multilateral agencies which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms (if a loan, having a grant element of at least 25 per cent). In addition to financial flows, technical co-operation is included in aid. Grants, loans and credits for military purposes are excluded."

[70] The largest bilateral donors to the region included Spain ($1.27 billion), Germany ($913 million), Canada ($810 million), France ($665 million), and Norway ($434 million).

[71] "OECD International Development Statistics," as presented in the *OECD iLibrary*, May 2012, available at: http://www.oecd-ilibrary.org/.

[72] See, for example: Inter-American Development Bank (IDB) and Washington Office on Latin America (WOLA), *Mapeo de las Intervenciones de Seguridad Ciudadana en Centroamérica Financiadas por la Cooperación Internacional*, June 2011.

[73] USAID, "United States and Colombia Partner to Advance Development in Latin America," Press Release, June 1, 2012.

[74] P. Adriana Hayes, "In Development, Three Heads are Better than One," *USAID Frontlines*, March/April 2012.

Brazilian government's development agency and implement jointly-funded agriculture, food security, and school feeding programs in third countries. Similarly, the report (H.Rept. 112-494) accompanying the House FY2013 foreign aid appropriations bill recommends that $18.6 million be used to support Colombian government efforts to provide training and technical assistance to partners in the region and around the world that are facing counternarcotics and law enforcement challenges. Support for emerging donors, however, has potential benefits and drawbacks. Efforts such as these could build the capacities of U.S. partners to take on more responsibility for regional stability and development. Critics assert that providing assistance through foreign governments raises serious oversight concerns as doing so could potentially lead to U.S. funds being used to support activities that would otherwise be prohibited.[75]

Some questions Members of Congress might consider include:

- Are there agencies that have comparative advantages in providing certain types of assistance?
- Do the intended roles of the various U.S. agencies providing foreign assistance need to be clarified?
- Are additional mechanisms to encourage inter-agency coordination necessary?
- Are there certain types of assistance programs that the United States has a comparative advantage in providing?
- Are there countries or development sectors of lower strategic importance that other donors would be willing to support if the United States concentrated its efforts elsewhere?
- How might building the foreign assistance capacities of regional partners affect the short-term and long-term interests of the United States?
- Are there controls in place to ensure that U.S. funds provided through partner nations are used in accordance with U.S. law?

Political Will and Program Sustainability

When considering foreign assistance levels for Latin American and Caribbean nations, Congress might examine the issues of political will and program sustainability. According to the State Department's first Quadrennial Diplomacy and Development Review (QDDR), the United States should "assess and monitor host nations' political will to make the reforms necessary to make effective use of U.S. assistance to ensure our assistance is being targeted where it can have the most impact."[76] Unless partner nations are willing to implement complementary reforms and take ownership and sustain programs as aid is reduced and withdrawn, the results of U.S. assistance will likely be limited and short-lived.

The nations of Latin America and the Caribbean have a mixed record in terms of demonstrating political will and ensuring program sustainability. The Colombian government, which has

[75] See, for example: WOLA, "House Bill Proposes Military 'Training Laundering' through Colombia," May 21, 2012, available at: http://www.wola.org/commentary/house_bill_proposes_military_training_laundering_through_colombia.

[76] U.S. Department of State and USAID, *Leading through Civilian Power: The First Quadrennial Diplomacy and Development Review*, 2010, p.154, available at: http://www.state.gov/documents/organization/153108.pdf.

benefitted from high levels of U.S. assistance for more than a decade, has undertaken numerous reforms and raised revenue. As a result, the United States is able to carry out a managed transition of its assistance programs in the country in which aid is slowly reduced as Colombia takes over financial and technical responsibility.[77] Similarly, USAID is closing its mission in Panama, and closing out its voluntary family planning programs in a number of other Latin American countries because partner nations have developed the capacity to manage and fund the programs on their own.[78]

Despite these successes, numerous GAO reports over the past decade indicate that political will has often been lacking in the region, especially with regard to raising sufficient government revenue to sustain efforts initiated with U.S. support. A 2003 study of U.S. democracy programs in six Latin American nations found "cases in which U.S.-funded training programs, computer systems, and police equipment had languished for lack of resources after U.S. support ended."[79] Likewise, a 2010 study of counternarcotics programs found that several countries in the region were unable to use U.S.-provided boats for patrol or interdiction operations due to a lack of funding for fuel and maintenance.[80] Even MCC-funded projects, in which assistance is contingent on partner nation actions, have run into problems with program sustainability. A July 2011 study of the MCC compact in Honduras found that the lifespan of roads built to improve small farmers' access to markets may be relatively limited as the municipalities where they were constructed lack the equipment, expertise, and funding for road maintenance.[81]

As Members of Congress consider foreign aid appropriations for Latin American and Caribbean countries, they might consider questions such as:

- Does the country have the capacity to maintain the equipment that is to be provided?
- Is there a plan for the host country to eventually take on financial and operational responsibility for the assistance program?
- How much assistance will be necessary over what time frame in order to build the host nation's technical and financial capacity to sustain these efforts?
- Has the country demonstrated the political will to implement necessary reforms?
- Will U.S. assistance be complemented with host nation resources or through public-private partnerships?
- Should U.S. assistance be contingent upon host nation reforms or financing?

[77] Dr. Rajiv Shah, USAID Administrator, testimony before the U.S. Congress, Senate Committee on Foreign Relations, *International Development Priorities in the FY 2013 Budget*, 112th Cong., 2nd sess., March 6, 2012; and Jacobson testimony, April 2012, op.cit.

[78] Shah testimony, March 2012, op.cit.

[79] U.S. General Accounting Office, *U.S. Democracy Programs in Six Latin American Countries Have Yielded Modest Results*, GAO-03-358, March 2003, p. 4, available at: http://www.gao.gov/assets/160/157413.pdf.

[80] U.S. Government Accountability Office, *International Programs Face Significant Challenges Reducing the Supply of Illegal Drugs but Support Broad U.S. Foreign Policy Objectives*, GAO-10-921, July 21, 2010, p. 6, available at: http://www.gao.gov/assets/130/125042.pdf.

[81] U.S. Government Accountability Office, *Compacts in Cape Verde and Honduras Achieved Reduced Targets*, GAO-11-728, July 2011, p. 103, available at: http://www.gao.gov/assets/330/321708.pdf.

Looking Ahead

At this juncture it is uncertain if Congress will approve a stand alone FY2013 foreign aid appropriations measure, or whether such legislation will be rolled into an omnibus appropriations measure that combines several appropriations bills. With increasing frequency, Congress has included the language of appropriations bills that have not first received House or Senate floor action in omnibus appropriations measures. In these cases, the lack of floor action on the individual bills has reduced the opportunities for Members to consider and amend regular appropriations measures. For example, for FY2012 foreign aid appropriations, neither chamber approved individual State Department, Foreign Operations, and Related Programs appropriations bills before such appropriations were include in the Consolidated Appropriations Act, 2012 (P.L. 112-74). If similar action is taken for FY2013, it would continue the pattern of reduced opportunities for Members that are not on the Appropriations Committees to consider and debate foreign aid legislation, including assistance to Latin America and the Caribbean.

To date in the FY2013 foreign aid appropriations process, the Administration has requested a 9% reduction in foreign aid to Latin America and the Caribbean while House and Senate Appropriations Committees have approved bills that would likely further reduce U.S. assistance going to the region, although by how much is unclear. The House bill, H.R. 5857, would reduce the Administration's worldwide foreign aid request by almost 12% while the Senate bill, S. 3241, would reduce overall foreign aid by almost 5%. Potential automatic spending cuts stemming from the implementation of the Budget Control Act of 2011 (P.L. 112-25) could result in further cuts in worldwide foreign assistance, including aid to Latin America and the Caribbean. Further reductions in assistance to the region beyond the Administration's FY2013 request would force the Administration to make even more difficult choices about where to prioritize assistance and scale back some of its foreign aid programs in a critical neighboring region where the United States has extensive ties and diverse economic, political, and security interests.

Appendix. U.S. Assistance by Country or Program and Account, FY2011-FY2013

Table A-1. U.S. Assistance by Country or Program and Account, FY2011

(Appropriations in thousands of current U.S. dollars)

	DA	GHP (State)	GHP (USAID)	MRA	P.L. 480	ESF	INCLE	NADR	FMF	IMET	Total
Argentina	0	0	0	na	0	0	300	300	0	297	897
Bahamas	0	0	0	na	0	0	0	0	0	201	201
Barbados & Eastern Caribbean	11,231	14,550	5,750	na	0	0	0	0	0	806	806
Belize	0	20	0	na	0	0	0	0	200	190	390
Bolivia	10,350	0	16,367	na	0	0	15,000	0	0	198	15,198
Brazil	15,000	1,300	4,990	na	0	0	1,000	400	0	631	2,031
Chile	0	0	0	na	0	0	0	500	0	821	1321
Colombia	0	0	0	na	10,443	184,426	204,000	4,750	47,904	1,695	453,218
Costa Rica	0	0	0	na	0	0	0	0	349	394	743
Cuba	0	0	0	na	0	20,000	0	0	0	0	20,000
Dominican Republic	18,103	9,250	9,043	na	0	0	0	0	0	600	600
Ecuador	17,270	0	0	na	1,585	0	4,500	0	499	400	6,984
El Salvador	23,904	20	3,086	na	0	0	0	0	1,247	1,521	2,768
Guatemala	49,325	0	18,068	na	38,085	0	3,992	0	499	192	42,768
Guyana	3,000	13,525	0	na	0	0	0	0	0	386	386
Haiti	0	156,240	26,946	na	44,838	131,000	19,420	0	1,597	220	197,075
Honduras	42,266	1,000	10,988	na	0	0	0	0	998	765	1763
Jamaica	5,350	300	1,200	na	0	0	0	0	0	739	739
Mexico	25,000	0	3,455	na	0	18,000	117,000	5,700	7,984	1,006	149,690
Nicaragua	16,400	897	5,891	na	0	0	0	0	339	538	877
Panama	0	0	0	na	0	0	0	150	2,096	738	2,984
Paraguay	5,500	0	0	na	0	0	500	0	399	407	1306
Peru	49,789	50	9,123	na	0	0	31,500	2,000	3,500	619	37,619
Suriname	0	0	0	na	0	0	0	0	0	251	251
Trinidad & Tobago	0	0	0	na	0	0	0	0	0	253	253
Uruguay	0	0	0	na	0	0	0	0	399	590	989
Venezuela	0	0	0	na	0	5,000	0	0	0	0	5,000

	DA	GHP (State)	GHP (USAID)	MRA	P.L. 480	ESF	INCLE	NADR	FMF	IMET	Total
USAID Central America Regional	17,000	6,171	5,391	na	0	0	0	0	0	0	28,562
USAID South America Regional	4,530	0	5,289	na	0	0	0	0	0	0	9,819
USAID Latin America and Caribbean Regional	47,445	0	5,390	na	0	0	0	0	0	0	52,835
State Western Hemisphere Regional	0	0	0	na	0	76,704	109,008	11,400	16,467	0	213,579
[CARSI]	[0]	[0]	[0]	[na]	[0]	[30,000]	[71,508]	[0]	[0]	[0]	[101,508]
[CBSI]	[0]	[0]	[0]	[na]	[0]	[17,000]	[37,500]	[6,400]	[16,467]	[0]	[77,367]
Total	361,463	203,323	130,977	57,084	94,951	435,130	506,220	25,200	84,477	14,458	1,913,283

Source: U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2013*, March 9, 2012.

Notes: The MRA account is funded regionally. CARSI and CBSI are funded under the State Western Hemisphere Regional program.

Table A-2. U.S. Assistance by Country or Program and Account, FY2012 Estimate

(Estimated appropriations in thousands of current U.S. Dollars)

	DA	GHP (State)	GHP (USAID)	MRA	P.L. 480	ESF	INCLE	NADR	FMF	IMET	Total
Argentina	0	0	0	na	0	0	300	300	0	750	1,350
Bahamas	0	0	0	na	0	0	0	0	0	190	190
Barbados & Eastern Caribbean	11,640	14,850	6,950	na	0	0	0	0	0	800	34,240
Belize	0	0	0	na	0	0	0	0	200	190	390
Bolivia	6,500	0	14,100	na	0	0	7,500	0	0	230	28,330
Brazil	12,000	1,300	0	na	0	0	3,000	300	0	640	17,240
Chile	0	0	0	na	0	0	0	300	0	855	1,155
Colombia	0	0	0	na	0	179,000	160,600	4,750	37,000	1,665	383,015
Costa Rica	0	0	0	na	0	0	0	0	315	375	690
Cuba	0	0	0	na	0	20,000	0	0	0	0	20,000
Dominican Republic	12,300	9,250	7,750	na	0	0	0	0	0	810	30,110
Ecuador	14,000	0	0	na	0	0	4,500	500	450	380	19,830
El Salvador	23,904	0	0	na	0	2,000	0	0	1,250	1,050	28,204
Guatemala	46,325	0	17,600	na	25,000	0	5,000	0	500	760	95,185
Guyana	0	10,525	0	na	0	0	0	0	0	315	10,840
Haiti	0	141,240	25,000	na	23,000	148,281	19,420	0	0	220	357,161
Honduras	46,266	1,000	8,000	na	0	0	0	0	1,000	700	56,966
Jamaica	5,000	0	0	na	0	0	0	0	0	700	5,700
Mexico	33,350	0	1,000	na	0	33,260	248,500	5,380	7,000	1,635	330,125
Nicaragua	8,900	0	2,900	na	0	0	0	0	399	790	12,989
Panama	0	0	0	na	0	0	0	150	1,840	760	2,750
Paraguay	2,500	0	0	na	0	0	500	0	350	380	3,730
Peru	45,000	0	5,000	na	0	0	28,950	2,000	1,980	620	83,550
Suriname	0	0	0	na	0	0	0	0	0	240	240
Trinidad & Tobago	0	0	0	na	0	0	0	0	0	180	180
Uruguay	0	0	0	na	0	0	0	0	0	465	465
Venezuela	0	0	0	na	0	5,000	0	0	0	0	5,000
USAID Central America Regional	15,500	11,198	5,391	na	0	0	0	0	0	0	32,089

	DA	GHP (State)	GHP (USAID)	MRA	P.L. 480	ESF	INCLE	NADR	FMF	IMET	Total
USAID South America Regional	10,000	0	4,000	na	0	0	0	0	0	0	14,000
USAID Latin America and Caribbean Regional	37,100	0	7,800	na	0	0	0	0	0	0	44,900
State Western Hemisphere Regional	0	0	0	na	0	79,000	90,000	6,850	15,000	0	190,850
[CARSI]	[0]	[0]	[0]	[na]	[0]	[45,000]	[60,000]	[0]	[0]	[0]	[105,000][a]
[CBSI]	[0]	[0]	[0]	[na]	[0]	[17,000]	[30,000]	[2,000]	[15,000]	[0]	[64,000]
Total	330,285	189,363	105,491	53,855	48,000	466,541	568,270	20,530	67,284	15,700	1,865,319

Source: U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2013*, March 9, 2012.

Notes: The MRA account is funded regionally. CARSI and CBSI are funded under the State Western Hemisphere Regional program.

a. According to U.S. government officials, the Administration intends to reprogram some funds to increase CARSI assistance to $135 million in FY2012.

Table A-3. U.S. Assistance by Country or Program and Account, FY2013 Request

(Requested appropriations in thousands of current U.S. dollars)

	DA	GHP (State)	GHP (USAID)	MRA	P.L. 480	ESF	INCLE	NADR	FMF	IMET	Total
Argentina	0	0	0	na	0	0	0	270	0	544	814
Bahamas	0	0	0	na	0	0	0	0	0	180	180
Barbados & Eastern Caribbean	12,600	14,850	6,950	na	0	0	0	0	0	800	35,200
Belize	0	0	0	na	0	0	0	0	850	180	1,030
Bolivia	7,515	0	9,500	na	0	0	5,000	0	0	200	22,215
Brazil	2,000	1,300	0	na	0	0	2,000	270	0	625	6,195
Chile	0	0	0	na	0	0	0	270	0	810	1,080
Colombia	0	0	0	na	0	155,000	142,000	3,250	30,000	1,575	331,825
Costa Rica	0	0	0	na	0	0	0	0	1,402	350	1,752
Cuba	0	0	0	na	0	15,000	0	0	0	0	15,000
Dominican Republic	13,300	9,025	6,750	na	0	0	0	0	0	765	29,840
Ecuador	16,000	0	0	na	0	0	4,500	0	450	360	21,310
El Salvador	39,000	0	0	na	0	0	0	0	1,800	1,000	41,800
Guatemala	56,000	0	17,100	na	17,000	0	2,000	0	750	720	93,570
Guyana	0	6,681	0	na	0	0	0	0	0	300	6,981
Haiti	0	131,543	25,100	na	23,000	141,000	17,500	0	1,600	220	339,963
Honduras	49,000	1,000	4,500	na	0	0	0	0	3,000	650	58,150
Jamaica	5,000	0	0	na	0	0	0	0	0	398	5,398
Mexico	23,000	0	0	na	0	35,000	199,000	3,950	7,000	1,549	269,499
Nicaragua	12,000	0	0	na	0	0	0	0	399	700	13,099
Panama	0	0	0	na	0	0	0	135	2,800	720	3,655
Paraguay	5,000	0	0	na	0	0	150	0	350	360	5,860
Peru	47,300	0	0	na	0	0	23,300	500	1,980	585	73,665
Suriname	0	0	0	na	0	0	0	0	0	225	225
Trinidad & Tobago	0	0	0	na	0	0	0	0	0	180	180
Uruguay	0	0	0	na	0	0	0	0	0	450	450
Venezuela	0	0	0	na	0	3,000	0	0	0	0	3,000
USAID Central America Regional	13,500	10,820	5,391	na	0	0	0	0	0	0	29,711

	DA	GHP (State)	GHP (USAID)	MRA	P.L. 480	ESF	INCLE	NADR	FMF	IMET	Total
USAID South America Regional	9,500	0	4,000	na	0	0	0	0	0	0	13,500
USAID Latin America and Caribbean Regional	38,213	0	7,525	na	0	0	0	0	0	0	45,738
State Western Hemisphere Regional	0	0	0	na	0	85,200	81,000	4,685	10,000	0	180,885
[CARSI]	[0]	[0]	[0]	[na]	[0]	[47,500]	[60,000]	[0]	[0]	[0]	[107,500]
[CBSI]	[0]	[0]	[0]	[na]	[0]	[26,200]	[21,000]	[1,800]	[10,000]	[0]	[59,000]
Total	348,928	175,219	86,816	47,200	40,000	434,200	476,450	13,330	62,381	14,446	1,698,970

Source: U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Year 2013*, March 9, 2012.

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