



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 9, 2003

### **S. 1161**

### **Foreign Assistance Authorization Act, Fiscal Year 2004**

*As reported by the Senate Committee on Foreign Relations on May 29, 2003*

#### **SUMMARY**

S. 1161 would authorize bilateral economic and security assistance programs for fiscal year 2004 and multiyear contributions to the International Development Association, the African Development Fund, and the Asian Development Fund. CBO estimates that implementing the bill would cost \$5.8 billion in 2004 and \$16.2 billion over the 2004-2008 period, assuming appropriation of the necessary funds. The bill also contains several provisions that would affect direct spending. CBO estimates that enacting those provisions would increase direct spending by \$25 million over the 2006-2008 period.

S. 1161 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 1161 is shown in the following table. The estimate assumes that the bill will be enacted late in fiscal year 2003, that the amounts authorized for 2004 and 2005 will be appropriated near the start of each fiscal year, and that outlays, except as otherwise noted, will follow historical spending patterns for existing programs. The costs of this legislation fall within budget functions 150 (international affairs) and 050 (national defense).

	By Fiscal Year, in Millions of Dollars					
	2003	2004	2005	2006	2007	2008
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
Spending Under Current Law for Foreign Assistance						
Estimated Authorization Level <sup>a, b</sup>	21,875	3,320	3,000	3,000	3,000	3,000
Estimated Outlays	18,257	13,275	6,577	4,980	3,896	3,447
Proposed Changes						
Estimated Authorization Level	0	15,555	1,363	16	16	16
Estimated Outlays	0	5,802	5,445	2,745	1,709	550
Spending Under S. 1161 for Foreign Assistance						
Estimated Authorization Level <sup>a, b</sup>	21,875	18,875	4,363	3,016	3,016	3,016
Estimated Outlays	18,257	19,077	12,022	7,725	5,605	3,997
<b>CHANGES IN DIRECT SPENDING</b>						
Estimated Budget Authority	0	*	*	5	10	10
Estimated Outlays	0	*	*	5	10	10

Note: \* = Less than \$500,000.

- a. The 2003 level is the amount appropriated for programs authorized by the bill (including \$7.4 billion in appropriations in Public Law 108-11, the Emergency Wartime Supplemental Appropriations Act, 2003).
- b. The estimated authorization levels for 2004 through 2008 include \$3 billion each year for HIV/AIDS programs as authorized in Public Law 108-225, the U.S. Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003. In addition, the estimated authorization level for 2004 includes \$300 million for debt relief under the Heavily Indebted Poor Countries Initiative as authorized by Public Law 106-113, an act making consolidated appropriations for the fiscal year ending September 30, 2000, and for other purposes; and \$20 million for debt restructuring under Public Law 107-26, the Tropical Forest Conservation Act.

## BASIS OF ESTIMATE

S. 1161 would be the first comprehensive foreign assistance authorization act since the mid-1980s. It would authorize several new assistance programs and would also authorize funding for most existing ones. In addition, the bill contains two provisions that would affect direct spending, but CBO estimates that their effects would be relatively small.

## **Spending Subject to Appropriation**

CBO estimates that implementing S. 1161 would cost \$16.2 billion over the 2004-2008 period, assuming appropriation of the authorized amounts. The bill would specifically authorize appropriations of \$14 billion for bilateral economic and security assistance programs in fiscal 2004 and would authorize such sums as may be necessary for a number of other programs and activities. Assuming that the latter are funded at the amounts requested in the President's budget request for fiscal year 2004, CBO estimates the authorizations for these provisions would total \$0.3 billion in 2004. The bill also would specifically authorize multiyear contributions to the International Development Association, the African Development Fund, and the Asian Development Fund totaling \$3.6 billion over the 2003-2005 period, where CBO estimates that about \$1.2 billion would be provided in 2004 and just over \$1.3 billion would be provided in 2005. (The Congress appropriated \$1.0 billion in 2003 for those activities.)

**Famine Assistance.** Section 109 would authorize a new program to provide assistance for famine prevention and relief and would authorize the appropriation of such sums as may be necessary for this program for fiscal year 2004. For the purpose of this estimate, CBO assumes the appropriation of \$200 million for this program as requested in the President's budget for fiscal year 2004. We also assume the program would consist of a mix of food-aid and slower-spending activities to prevent famines and that outlays associated with this program would occur at a somewhat slower rate than other food-aid programs.

**Complex Foreign Contingencies.** Section 121 would authorize a new Complex Foreign Crises Contingency Fund for the purpose of providing support for peace and humanitarian intervention operations and for the purpose of preventing or responding to foreign territorial disputes, armed ethnic or civil conflicts that pose threats to regional or international peace, and acts of mass killings or genocide. The bill would authorize the appropriation of such sums as may be necessary for this purpose for fiscal year 2004. For the purpose of the estimate, CBO assumes the appropriation of \$100 million for this program as requested in the President's budget for fiscal year 2004. CBO assumes that the fund would be used for a mix of fast and slower spending activities with a spending pattern similar to the Economic Support Fund.

**Multilateral Development Bank Authorizations.** The bill would authorize the United States to contribute to the replenishment of the resources of the Asian Development Fund, the International Development Association, and the African Development Fund. Member countries negotiate replenishment agreements for the multilateral development banks and their associated funds that typically cover a number of years. The current replenishment agreements for the three funds cover multiyear periods ending in 2005. The authorizations

contained in the bill for these replenishments would be provided without fiscal year limitation. Over \$1.0 billion of the authorized amounts were provided in Public Law 108-7, the Consolidated Appropriation Resolution, 2003, and the estimate includes those appropriations in the figures for “Spending Under Current Law” shown in the table above. For the purpose of the estimate, CBO assumes the authorized amounts will be provided over a three-year period as follows:

- Section 141 would authorize the appropriation of \$412 million for the seventh replenishment of the Asian Development Fund, of which \$97 million was provided in 2003. The estimate assumes the appropriation of \$152 million in 2004, as requested in the President’s budget for fiscal year 2004, and the appropriation of the remaining \$123 million in 2005.
- Section 142 would authorize the appropriation of \$2,850 million for the 13th replenishment of the International Development Association, of which \$844 million was provided in 2003. The estimate assumes the appropriation of \$950 million in 2004, as requested in the President’s budget for fiscal year 2004, and the appropriation of the remaining \$1,056 million in 2005.
- Section 143 would authorize the appropriation of \$354 million for the ninth replenishment of the African Development Fund, of which \$107 million was provided in 2003. The estimate assumes the appropriation of \$118 million in 2004, as requested in the President’s budget for fiscal year 2004, and the appropriation of the remaining \$129 million in 2005.

**Iraq Relief and Reconstruction.** For 2003, the bill would authorize the appropriation of the \$2,475 million in supplemental funding for Iraq relief and reconstruction as provided in Public Law 108-11, the Emergency Wartime Supplemental Appropriations Act, 2003. Because the funding has been enacted into law, the estimate includes that appropriation in the figures for “Spending Under Current Law” presented above.

**Special Debt Relief for the Poorest.** Section 222 would authorize the President to reduce the U.S. bilateral debt of low-income countries as part of multilateral debt-relief agreements. The authority provided in this legislation would be the same as that contained in general provisions of annual appropriations acts for nearly a decade. The authority would be limited to amounts provided in advance in an appropriation act, however, the bill does not authorize the appropriation of any funds. CBO estimates no additional costs from implementing this provision because most of the U.S.-held bilateral debt of the world’s poorest countries has been, or will be, forgiven under existing authorities, in particular, the Heavily Indebted Poor Countries (HIPC) Initiative whose authority extends through 2004. The President has

requested an appropriation of \$300 million in 2004 for the cost of forgiving bilateral debts under HIPC.

The U.S. government still holds the debt of some of the world's poorest countries, such as Afghanistan, Sudan, Somalia, or Liberia. At some point after 2004, these countries, or other poor countries, may meet the minimum requirements for multilateral debt relief, however, CBO cannot estimate when or if that may occur. CBO estimates that implementing this authority might result in between \$250 million and \$350 million in spending after 2004, assuming appropriation of the necessary amounts, but we cannot estimate the timing.

**Radiological Terrorism Threat Reduction.** Title III would authorize assistance to reduce the threat from certain radioactive materials. In particular, it would authorize assistance to discover, inventory, recover, and provide secure storage for the radioactive material; to develop national response plans to the hazards posed by radioactive material; and to train first responders to those hazards. The bill would earmark \$15 million from the amount authorized elsewhere in the bill for Nonproliferation, Antiterrorism, Demining, and Related Assistance (NADR) to fund these activities.

**Global Pathogen Surveillance.** Title IV would authorize a program of global pathogen surveillance to assist in the monitoring and response to bioterrorism and outbreaks of infectious disease. Specifically, it would authorize the Secretary of State to establish fellowships and training courses for health personnel in developing countries; to provide assistance for developing countries to purchase and maintain laboratory equipment, information technology, and communications equipment; to assign public health personnel to U.S. overseas missions and international organizations; to expand of U.S. government laboratories abroad; and to establish and expand epidemiology training programs and regional health networks in developing countries. The bill would earmark \$35 million from the amount authorized for NADR to fund these activities.

**Middle East Foundation.** Section 225 would authorize the Secretary to designate a nonprofit organization as the Middle East Foundation and to fund the organization through grants. The provision also requires the Foundation to report to the Congress on its activities by January 31, 2005, and every year thereafter, thereby establishing a long-term relationship between the Department of State and the Foundation. While the provision is silent on the level of funding for the Foundation, the committee report for the bill recommends initial funding of \$15 million in 2004. CBO assumes the grants in 2004 totaling that amount would come from funds otherwise authorized and that the funding would continue over the 2005-2008 period at that rate adjusted for inflation, assuming the appropriation of the necessary funds.

**Miscellaneous Provisions.** The bill contains the following provisions that could impact spending subject to appropriation; however, CBO estimates that their net costs in 2004 would not be significant:

- Section 224 would authorize appropriations for land-mine clearance in Afghanistan. CBO assumes the activity would be funded from amounts authorized for NADR.
- The bill contains numerous reporting requirements whose preparation could increase the Department of State's costs by as much as \$1 million combined, assuming the appropriation of the necessary funds.

### **Direct Spending**

S. 1161 contains two provisions that would affect direct spending and a provision that would extend the availability of appropriations for voluntary contributions to international organizations.

Section 208 would extend for five years the President's authority to transfer to Israel obsolete or surplus defense articles in the U.S. War Reserve Stockpile for Allies (USWRSA) in Israel in return for concessions to be negotiated by the Secretary of Defense. The concessions may include cash, services, waiver of charges otherwise payable by the United States, or other items of value. Since articles may be transferred by sale under current law, CBO estimates that the authority provided by the section could be used to negotiate noncash concessions thereby lowering offsetting receipts to the Department of Defense (DoD).

According to DoD, much of the materiel in the USWRSA in Israel was used in the recent Iraq conflict and the department is conducting a new inventory to determine what stocks remain. DoD also indicates that the existing authority has not been used for Israel in the past, though similar authority has been used for the stockpile in Korea. Given the current status of the USWRSA in Israel, CBO estimates the authority would not be used in 2004 and probably not in 2005. If the authority provided in section 208 were used to the same extent as that for the stockpile in Korea, CBO estimates forgone receipts would total between \$5 million and \$10 million a year over the 2006-2008 period.

Section 207 would authorize the President to waive the requirement that a foreign government pay to the United States the net proceeds from the sale of any military equipment it has received from the United States on a grant basis. CBO estimates the forgone receipts would not be significant.

Section 106 would provide permanent authority to extend for one year the availability of annual appropriations for voluntary contributions to international organizations. CBO estimates the section would have no effect on outlays. Under most conditions, CBO would score such language as a reappropriation in 2004 except that similar language is contained in the foreign operations title of Public Law 108-7, the Consolidated Appropriation Resolution, 2003. Under current law, the fiscal year funds for 2003 covered by the proposed legislation are available for obligation through September 30, 2004. CBO also expects that the effect of the provision on future appropriations would be limited by general provisions of annual appropriations acts.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 1161 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect state, local, or tribal governments.

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