Contra Aid Fundamentals: Exploring the Intricacies and the Issues

RICHARD SOBEL

As a foundation for understanding and evaluating the policies of the Reagan administration on funding the contra opposition to the Sandinista government in Nicaragua, this examination clarifies the basic factual background surrounding the provision of aid to the contras during the 1980s. In particular, the article identifies from public information how much aid the U.S. government, third countries, private donors, and arms sales provided to the contras. In addition, it indicates the periods during which outside funds sustained the contras when U.S. funding was unavailable. It also explains at what points during those periods funds to the contras may have conflicted with the legislative restrictions known as the Boland amendments.¹

Because the public record is often incomplete and the events are complex and open to differing interpretations, these answers are provisional. Since much of the information on nongovernmental aid is imprecise or contradictory, the article cannot fully clarify questions such as the exact amount of funds that reached the contras from arms sales to Iran or how much aid came from additional miscellaneous sources. Because the contras received less money than nongovernmental sources contributed as aid, each answer must distinguish between how much a particular source provided and how much the contras apparently obtained.

¹ While clarifying the basic issues about funding the contras, this article also identifies when shipments of arms to Iran occurred, the amounts of money they generated, and the diversion of profits to the contras. But it does not discuss the details of the contacts between the U.S. and Iran or the 1986–1987 Iran–contra scandal. For more details, see Daniel K. Inouye and Lee K. Hamilton, Report of the Congressional Committees Investigating the Iran–contra Affairs (With Minority Views), abridged version (New York: Times Books, 1988).

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A clear understanding of the factual background provides the basis for evaluating policies during the 1980s. The contra rebels were created in the early 1980s from the old Nicaraguan national guard and other opposition groups with U.S. financial and technical support. They sought to dislodge the Sandinista government that came to power in the 1979 revolution overthrowing the Somoza regime. Compared to other defense-related expenditures, U.S. government funding for the contras was modest in size. Although both private contributions from Americans and profits from arms sales to Iran received major publicity, only contributions from third countries were significant in helping to sustain the contras financially when U.S. government funding was unavailable. Though the second Boland amendment (Boland II), one of a series of legislative restrictions on U.S. aid to the contras, was in effect during periods when the contras were receiving non-U.S. government military aid, the applicability of the restrictions to some nongovernment funding depends on interpretations of the circumstances. While relatively modest, U.S. government funding of the contras contributed to the demise of the Sandinistas. In terms of policy goals and legitimacy, the controversy and scandal over extra-governmental contra aid made such funding a poor investment and a dubious means of attaining U.S. government aims.  

QUESTIONs ON SOURCES, AMOUNTS, AND TIMING OF FUNDING

The most straightforward question involves the amounts and sources of funding to the contras. How much aid did the United States government and other parties provide for the contras, and how much of that aid did the contras actually receive? The answer distinguishes between aid from the U.S. government, third countries, private donors, and arms sales to Iran.

More complex questions involve the timing of the funding and possible conflicts with the fundamental restrictions in the Boland amendments. When did the contras have funds and when did they lack financial support? For what periods did the U.S. government authorize aid? During what periods did the government provide the authorized funds? When during the authorization periods did funds run out? Were nongovernmental funds provided during periods when the Boland amendments were in effect, and did those funds conflict with the Boland restrictions?

U.S. Government Funding

How much aid did the U.S. government provide for the contras? Between 1981 and 1990 (fiscal years 1982–90), the U.S. government appropriated a total of

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$322 million for contra aid. About $142 million was for military purposes and $179 million for nonmilitary purposes. As Table 1 shows, for fiscal years 1982 through 1990, respectively, the U.S. government provided for the contras (FY82) $19 million (military), (FY83) $29 million (military), (FY84) $24 million (military), (FY85–86) $27 million (nonmilitary), (FY86) $13 million (nonmilitary), (FY87) $100 million ($70 military, $30 nonmilitary), (FY88) $32.9 million (nonmilitary), (FY89) $27 million (nonmilitary), and (FY90) $49.8 million (nonmilitary). The (FY85–86) $27 million and (FY87) $100 million were the most prominently debated contra aid measures. The contras apparently received all


4 The FY 1988 funds involved three different appropriations of $7.1 million, $8.1 million, and $17.1 million. See Serafino, “Contra Aid,” table 1.

5 The first two allocations (FY82, $19 million and FY83, $29 million) were classified expenditures reprogrammed from CIA or DOD funds and not directly voted on by the Congress for these purposes (Serafino, “Contra Aid,” table 1). All the other allocations were voted by the Congress, though not all were recorded votes. Prior to FY85, the contras received mainly military funds from the U.S. government. After FY85, the U.S. funds were all nonmilitary (“humanitarian”) except for $70 million of the $100 million in FY85–86. The contras may have gotten more than the $24 million limit in CIA funds in 1984 authorized in the 1983 legislation; see Joy Hackel and Daniel Seigel, In Contempt of Congress (Washington, DC: Institute for Policy Studies, 1987), 80–81. The $27 million humanitarian aid for 1985 could not be fully accounted for (Hackel and Seigel, In Contempt of Congress, 30–34), and part of it may have been spent for military purposes. The $13 million in FY86 was a classified expenditure for intelligence and communications which might have had military applications (Serafino, “Contra Aid,” table 1. See Serafino, “Contra Aid” and 10–14 here for authorization periods.)

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**TABLE 1**

**U.S. Assistance to the Anti-Sandinista Guerrillas**

**Approved by Congress Fiscal Years 1982–1989**

*(in millions of US$)*

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total</th>
<th>Nonlethal</th>
<th>Military</th>
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</thead>
<tbody>
<tr>
<td>1982</td>
<td>19.0</td>
<td>—</td>
<td>19.0</td>
</tr>
<tr>
<td>1983</td>
<td>29.0</td>
<td>—</td>
<td>29.0</td>
</tr>
<tr>
<td>1984</td>
<td>24.0</td>
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<tr>
<td>1985–86</td>
<td>27.0</td>
<td>27.0</td>
<td>—</td>
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<tr>
<td>1986</td>
<td>13.0</td>
<td>13.0</td>
<td>—</td>
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<tr>
<td>1987</td>
<td>100.0</td>
<td>30.0</td>
<td>70.0</td>
</tr>
<tr>
<td>1988</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oct. 1–Dec. 21</td>
<td>7.1</td>
<td>7.1</td>
<td>—</td>
</tr>
<tr>
<td>Dec. 22–Feb. 29</td>
<td>8.1</td>
<td>8.1</td>
<td>—</td>
</tr>
<tr>
<td>Apr. 1–Sept. 30</td>
<td>17.7</td>
<td>17.7</td>
<td>—</td>
</tr>
<tr>
<td>1989</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oct. 1–Mar. 30</td>
<td>27.0</td>
<td>27.0</td>
<td>—</td>
</tr>
<tr>
<td>1989–1990</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apr. 18–Feb. 28</td>
<td>49.75</td>
<td>49.75</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>321.65</td>
<td>179.65</td>
<td>142.0</td>
</tr>
</tbody>
</table>

Third Country Aid

How much assistance did third parties (third countries and private donors) provide for the contras, and how much of that aid did the contras receive? In total, third parties gave the contras about $54 million: third countries provided $44 million and private donors about $10 million. Among third countries, Saudi Arabia ("Country 2") was by far the largest donor. From June/July 1984 through about March 1986, Saudi Arabia provided $32 million in a series of donations.7 In late 1985 and early 1986, Taiwan ("Country 3") donated $2 million in "humanitarian" aid.8 In August 1986, the sultan of Brunei gave $10 million for "humanitarian" aid, but that money did not reach the contras, because the funds were deposited in the wrong Swiss bank account.9 Thus, during the 1984–1986 period, third countries10 gave $44 ($32, $2, $10) million for the contras, but the contras received at most $34 ($32, $2, $0) million.11

7 Inouye and Hamilton, Report, 55, 114–115.
8 Ibid., 54, 67.
11 Third countries also contributed in kind, particularly by providing arms for the contras. Argentina originally helped develop the contras in 1980–1982 (Inouye and Hamilton, Report, 38), but U.S. support of Britain in the spring 1982 Falklands/Malvinas war led to Argentina's stopping their help for the contras. Honduras may have supplied the contras from their own U.S.-provided arms. Israel provided the first two shipments of TOW missiles to Iran in August–September 1985 and the first shipment of HAWK missiles in November 1985. In effect, these were Israeli advances, since the TOW shipments were replenished by the United States in May 1986. See, for example, John Tower, The Tower Commission Report (New York: Times Books, 1987), 438–441. All but one of the HAWKS were returned.
**Private Donors**

From June 1985 through March 1986, private donors provided another $10 million. Only $4.5 million was spent on the contras, however. And only about $2.7 million of that actually reached the contras, since the remaining $1.8 million was paid for political advertising, lobbying, and other activities on the contras' behalf in the United States. In sum, third countries and private parties provided about $54 ($32, $2, $10, $10) million, of which the contras received about $36.5 ($32, $4.5) million.

**Arms Sales Diversions**

How much money did the diversion of profits (residuals) from U.S. arms sales to Iran during late 1985 to late 1986 produce for the contras, and how much of that did the contras receive? In the 25 November 1986 announcement of the diversions, former U.S. Attorney General Edwin Meese estimated that the residuals may have produced $10 to $30 million for the contras, but subsequent estimates were lower. In early 1987, the report of the Tower Commission, a group set up by President Ronald Reagan to investigate the National Security Council process and the Iran-contra scandal, suggested that the arms sales produced about $19.8 million for potential diversion. In late 1987, the joint congressional Iran-contra committee estimated that the last four of six arms sales produced $16.1 in profits. Of the $16.1 million from the arms sales, the contras only received about $3.8 million from November 1985 to November 1986.
Because of the complexity of the process, a chronological review of the arms shipments and payments helps to clarify the timing and the sums involved. There were six different shipments to Iran (seven counting separately two spring/summer 1986 shipments of parts). First, on 20 August 1985, Israel delivered ninety-six of its TOWs antitank missiles to Iran.18 Second, on 14 September 1985, Israel delivered another 408 of its TOWs to Iran.19 Third, on 25 November 1985, a CIA proprietary company delivered to Iran 18 (of a planned 120) Israeli HAWK antiaircraft missiles.20 Fourth, on 17 February 1986, and on 27 February 1986, respectively, the CIA proprietary company delivered 1000 (500 + 500) more TOWs (and picked up seventeen of eighteen HAWKS rejected by Iran as obsolete).21 Fifth, on 25 May 1986, and on 4 August 1986, the CIA delivered 240 HAWK spare parts.22 Finally, on 30/31 October 1986, the CIA proprietary delivered 500 more TOWs.23 In total, the six shipments provided 2004 TOWs, 18 HAWKs, and 240 HAWK parts.

How much profit did the arms sales produce, and how much did the contras receive? Relying mainly on congressional Iran-contra committee figures, but drawing on Tower Commission figures as needed,24 the profits can be estimated by comparing what Iran paid for the missiles with their U.S. dollar value. Since the policy of diverting residuals was not developed until early 1986, any profits from the first three shipments were not planned to be sent to the contras, while those from the last three were part of the program to aid the contras.

For the first two TOW shipments, the Tower Report estimated that Iran paid $1.2 million for the initial (S1) 100 (actually 96) TOWs, and $5 million for the next (S2) 408 TOWs, for a total cost of about $6.2 million.25 The 508 (504) (S1 + S2) TOWs had a U.S. value of about $2 million, so the profit was $4.2 ($6.2 – $2) million.26 (But that profit was not diverted to the contras and went instead to arms merchants.)27 Although Iran originally paid $5 million in No-

18 Ibid., 151.
19 Ibid., 151. On 4 May 1986, the U.S. replenished the 504 TOWs provided by Israel in August and September 1985. The 25 May 1986 delivery, accompanied by Robert McFarlane and Oliver North, supposedly included a cake and a Bible signed by Ronald Reagan; see Armstrong, The Chronology, 380.
20 Ibid., 164–65.
21 Ibid., 190, 192.
22 Ibid., 209, 216.
24 The Tower Committee provided figures for the first two sales, whose costs were not estimated by the congressional Iran–contra report. (The profits apparently went to the arms dealers.) Because the congressional report came out in 1988 after the Tower Report in 1987 and was based on extensive public and private hearings, its figures are considered more reliable.
26 Ibid., 52, 161–62.
27 These figures suggest sales prices of about $10–$12,000 per TOW. TOWs normally cost about $6000 each, which appears (ibid., 186) to be what their U.S. dollar value was. Apparently, North would have accepted older ones costing $3400 for delivery to the Iranians (Inouye and Hamilton, Report, 187–88).
November 1985 for the eighteen HAWKs (S3), there was no completed sale to produce any profit, because the Iranians returned seventeen of the missiles as unsatisfactory after test-firing one. However, because Israel advanced $1 million, of which only about $150,000 was spent on the abortive sale, and the rest was not returned, the third transaction produced $850,000, some of which was used for the contras.

The last three shipments (S4-S6), all in 1986, involved planned diversions. For the 1000 TOWs (S4) in February 1986, Iran paid about $10 million for missiles worth $4.5 million, producing at least a $5.5 million profit. (Tower figures: $10 million - $3.7 million = $6.3 million; 444-445). For the 240 HAWK parts (S5) in May and August 1986, Iran paid $15 million for $6.7 million worth of weapons, producing a $8.3 million profit. (Tower: $15 million - $6.5 million = $8.5 million; 446). For the last 500 TOWs (S6) in October 1986, Iran paid $3.6 million for $2.2 million worth of arms, producing a $1.4 million profit. (Tower: $7 million - $2 million = $5 million, 448). The total payments for the last three shipments (S4-S6) were $28.6 million ($10 million + $15 million + $3.6 million) [Tower: $32 million] for $13.4 million ($4.5 million + 6.7 million + $2.2 million) [Tower: $12.2] million worth of equipment.

These last three sales produced a profit of $15.2 million ($5.5 million + $8.3 million + $1.4 million). (Tower total: $19.8 million, 448). Combining the $850,000 residual from the (S3) HAWK transactions with the $15.2 million ($19.8 million) produces a total profit of about $16.1 million ($20.6 million). Adding the $4.2 million profit from the first two sales (S1 + S2) of 504 missiles produces a total profit of about $20.3 million (Tower: $24.8 million). Table 2 provides a summary of the sales and funds involved.

In short, the six shipments of arms to Iran produced as much as $25 million, at least $16.1 million of which could potentially be diverted for the contras. When the Iran arms sales operation was exposed and stopped in late 1986, however, less than a quarter of the $16.1 million in residuals had been spent on the contras: according to the congressional report, the contras only received about

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30 Ibid., 302.
31 Ibid., 302-304.
32 Ibid., 304.
33 Ibid., 302-304.
34 The congressional report estimates a total profit of $16.1 million (Inouye and Hamilton, *Report*, 238, 304), based on $15.2 million for the last three arms sales plus $850,000 for the third. The Tower Reports estimates $19.8 million profit from the last three arms sales, but it does not add in the profit from the first two ($4 million), or mention the $850,000 from the aborted third sale.
35 What the contras actually spent in any year on fighting the Sandinistas is also difficult to say. A 1 April 1985 memo from Oliver North to Robert McFarlane estimated that during the ten months between July 1984 and April 1985, a period when there was no U.S. funding, $17.1 million had been expended for military supplies and operations (Tower, *The Tower Commission Report*, 458). At that rate, the contras would have spent about $20 million for that year (see note 38).
TABLE 2
Residuals Generated from Arm Sales to Iran, 1985–1986

<table>
<thead>
<tr>
<th>Shipment/Date</th>
<th>Quantity and Type</th>
<th>Cost to Iran</th>
<th>Cost to U.S.</th>
<th>Residual (Iran–U.S.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1 8/20/85</td>
<td>96 TOWs</td>
<td>$1.2 m</td>
<td>$2 m</td>
<td>$4.2 m</td>
</tr>
<tr>
<td>S2 9/14/85</td>
<td>408 TOWs</td>
<td>$5 m</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>S3 11/25/85</td>
<td>18 HAWKs</td>
<td>$5 m</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>S4 2/17 &amp; 2/27/86</td>
<td>1000 TOWs</td>
<td>$(1 m)</td>
<td>$0.15 m</td>
<td>$0.85 m</td>
</tr>
<tr>
<td>S5 5/25 &amp; 8/4/86</td>
<td>240 HAWK parts</td>
<td>$15 m</td>
<td>$6.7 m</td>
<td>$8.3 m</td>
</tr>
<tr>
<td>S6 10/30–3/1/86</td>
<td>500 TOWs</td>
<td>$3.6 m</td>
<td>$2.2 m</td>
<td>$1.4 m</td>
</tr>
<tr>
<td>Total S4–S6</td>
<td></td>
<td>$28.6 m</td>
<td>$13.4 m</td>
<td>$15.2 m</td>
</tr>
<tr>
<td>Total S3–S6</td>
<td></td>
<td>$29.6 m</td>
<td>$13.5 m</td>
<td>$16.1 m</td>
</tr>
<tr>
<td>Total S1–S6</td>
<td></td>
<td>$35.8 m</td>
<td>$15.5 m</td>
<td>$20.3 m</td>
</tr>
</tbody>
</table>

m = millions of U.S. dollars.


$3.8 million of the $16.1 million in residuals. That figure is based on congressional Iran-contra Committee budget analysis that the so-called Enterprise, a funding mechanism set up to supply arms to the contras, spent $7.2 million on contra arms during the diversion period of November 1985 to November 1986. Private and third country donations produced $3.4 million of the $7.2 million for the contras. The committee concluded that the other $3.8 million ($7.2 – $3.4 million) came from the $16.1 million of diverted Iranian arms sales profits.

36 Inouye and Hamilton, Report, 307, 438. In a 4 April 1986 memo, North estimated that “residual funds” from Iran arms sales total about $12 million (ibid., xxi; Armstrong, The Chronology, 327). Adolfo Calero originally claimed the contras only received $300,000–500,000 in 1986 (ibid., 595), but later mentioned $18 million in arms (ibid., 652); Alfonso Robelo claimed the contras got $7.5 million from the arms sale during the congressional ban period (ibid., 625).

37 Ibid., chap. 21. The Enterprise, or Project Democracy, was a nominally private organization, but in reality an arm of the National Security Council staff for financing and conducting covert operations in Nicaragua (Inouye and Hamilton, Report, 63).

38 It is not clear how much money the contras needed to operate. The total for 1984 through 1986 alone ($83–97 million, or roughly $28–33 million per year) received was “nearly twice what they needed for the war effort” (Armstrong, The Chronology, 657). In April 1985, the 10,000 plus (ibid., 42) contras needed about half a million dollars a month to operate (Armstrong, The Chronology, 96) at their current levels, or roughly $6 million a year. Even at twice that rate ($12 million), the troops seemed amply funded, though equipment costs could easily have made up the difference. On the other hand, the complete exhaustion of the $24 million appropriated in FY83 in the six months between November 1983 and May 1984 suggested a rate of about $48 million per year.

39 Inouye and Hamilton, Report, 297.

40 Ibid., 293, 307, 436. Of the $12.3 million difference between the $16.1 million in residuals the arms sales produced and the $3.8 million received by the contras, $4.4 million was paid as commissions, $2.2 million for personal use, and $5.6 million remained in their bank account (and might have been spent on the contras if the diversion had not become public).
**TABLE 3**

**Amounts and Periods of U.S. and Private Aid to the Contras, 1983–88**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>US GOVERNMENT ($)</strong></td>
<td>($29) $24</td>
<td>($13) $27</td>
<td>($13) $100</td>
<td>($13) ($60)</td>
<td>($13) ($40)</td>
<td>($13) $32.9</td>
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<td><strong>No USG ($)</strong></td>
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<td><strong>Boland II Bans</strong></td>
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<td><strong>THIRD COUNTRIES</strong></td>
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<tr>
<td>Saudi Arabia</td>
<td>$8</td>
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<tr>
<td>Taiwan</td>
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<td></td>
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<tr>
<td>Brunei</td>
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<td></td>
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<td>$10 $10 $4.5</td>
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<td><strong>PRIVATE DONORS</strong></td>
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<tr>
<td>ARM SALES</td>
<td>$0.85</td>
<td>$5.58-8.38</td>
<td>$1.4</td>
<td>$1.4</td>
<td>$1.4</td>
<td>$3.6</td>
</tr>
</tbody>
</table>

Jfma... = January, February, etc.

( ) = Period of authorization.

--- = Period of expenditure.

$ = Aid in millions of U.S. dollars.

? = Unclear or unknown.

0 = No allocations for the year.

In full, third countries ($44 million), private donors ($10 million), and arm sales profits ($16–$25 million) produced about $70–80 million for the contras. But the contras only received net about $40 ($32, $4.5, $3.8) million. That $40 million, which the contras received from non–U.S. governmental sources during 1984 to 1986, was roughly equivalent to what Congress appropriated for FY85–86 in nonlethal funding ($27 million + $13 million).

**Timing and the Boland Amendments**

Regarding issues of timing and legal restrictions, when did the contras receive non–U.S. government aid, when did they lack it, and when did any of the aid occur during the periods of Boland amendment restrictions? Specifically, did the contras receive non–U.S. government aid in late-1984 to late-1985 to bridge the gap during the first period after U.S. government funds were exhausted (May 1984) and Boland II prohibited additional U.S. funding (14 October 1984–30

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41 Ibid., 52.
September 1985)? Did they get any covert or lethal aid during the late 1985 to 1986 period (19 November 1985–30 September 1986) when an extension of the central Boland amendment (Boland II) banned all but nonmilitary aid? Table 3 indicates the period of authorization for U.S. funds, the periods of the Boland bans, and the periods without funding.

In addition, did the contras receive any military funds to bridge a second gap period in mid-1986 between the end of the authorizations of the FY85–86 $27 million nonmilitary appropriation on 31 March 1986 (the classified $13 million began in December 1985) and the beginning of the FY87 $100 million on 18 October 1986?

The first bridge period without U.S. funds lasted about eighteen months between spring 1984 and fall 1985 (May 1984–December 1985). The FY84 authorization allocated in December 1983 was limited to $24 million, and though scheduled to expire on 30 September 1984, actually ran out by May or June of 1984; this was after an expedited attempt for a supplemental $21 million for the rest of FY84 failed in February 1984. Thus, the $24 million FY84 U.S. allocation to the contras ran out five months before the beginning of the FY 1985 Boland II ban of military funds for the contras began on 12 October 1984 (ending on 30 September 1985). No U.S. funds were authorized or available during the rest of 1984 after May and most of 1985 until the FY85–86 allocation of $27 million (authorized for 15 August 1985 through 31 March 1986 but delayed to the end of 1985 by a series of continuing resolutions) became available on 19 December 1985. At the same point, the additional classified $13 million (PL 99-169) was allocated for communications and training for FY86 (ending

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42 There were actually several Boland amendments and other passed (or proposed) Boland-like restriction on aid from 1982 to 1986 (Inouye and Hamilton, Report, 343–44). The first Boland amendment (passed on 12 December 1982) prohibited use of funds from December 1982–October 1983 for overthrowing the Sandinista government. In 1983 those restrictions continued and the law limited FY84 aid to $24 million to prevent CIA supplements (Serafino, “Contra Aid,” 1). In October 1984, the second Boland amendment (Boland II) cut off all aid by restricting DOD and CIA “or any other . . . entity” of the U.S. Government from “supporting . . . military operations in Nicaragua” (Inouye and Hamilton, Report, 414) or from providing lethal aid (14 October 1984–30 September 1985, extended to 19 November 1985). But the law allowed the administration to seek release of $14 million in funding in February 1985. The $27 million in nonlethal aid authorized in 15 August 1985 modified the ban from all funding to only military. The renewal of Boland II on 19 November 1985 extended the ban on military aid until late 1986 (19 November 1985–30 September 1986). However, it allowed State Department solicitation of third country “humanitarian” aid. In short, military aid was restricted from December 1982 to September 1984, and banned from October 1984 to November 1986 under various Boland-like restrictions. Nonmilitary aid was banned only from October 1984 to August 1985.


44 Inouye and Hamilton, Report, 48; Armstrong et al., The Chronology, 56.

45 Before the June 1985 authorization of $27 million, there was no “humanitarian only” (that is, solely nonmilitary or “nonlethal”) aid, since all the previous aid was available for military purposes. Moreover, the use of the word “humanitarian” in this context is questionable since humanitarian aid typically means aid to noncombatants.

30 September 1986, though perhaps extending beyond). Thus, for the eighteen
months from June 1984 to December 1985, the contras had no U.S. funding,
military or nonmilitary. From December 1985 to June 1986 they received only
nonmilitary ($27 million + $13 million in U.S. aid).

In addition, for the six months during the second bridge period from June
1986, when that $27 million ran out, until November 1986, when the $100
million began to flow, the contras again had no U.S. funds, military or nonmili-
tary. In summary, before (June 1984–September 1984), during (October 1984–
September 1985), and after (October 1985–November 1986) the period of the
initial Boland ban (October 1984 to September 1985), the contras were without
U.S. allocated military funds for a total of over a year and a half during the two

The contras, however, were not without military funds during the two and
a half years from May 1984 to November 1986, when U.S. funds ran out or
were restricted by the Boland II ban to nonmilitary aid. The contras received
military funds from third countries and third parties during most of that first
bridge period (June 1984–November 1985). Third country support began in
mid-1984, half a year before the FY 1985 Boland ban started in October 1984.
From July 1984 to March 1986, during most of the first unfunded bridge period,
Saudi Arabia contributed $32 million—$8 million at $1 million a month from
July 1984 to February 1985 and $24 million at $2 million per month from March
1985 to about March 1986. This helped to sustain the contras militarily through
most of the two and a half year period (June 1984–November 1986) without
U.S. military funding.

Beginning in early 1985 and continuing into 1986, the private contributors
network organized in mid-1984 and connected to the National Endowment for
the Preservation of Liberty and the Enterprise also raised about $10 million for
the contras. Of that $10 million, about $4.5 million was spent for contra-related
activities. But only about $2.7 million went for military aid, since about $1.8
million was spent in the United States on lobbying and publicity for the contras.
The solicitation of private funds continued into 1986.

47 The first $60 million of the $100 million was appropriated on 18 October 1986, and the last $40
million was appropriated in March 1987. Part of the $27 million, whose authorization ended 31 March
1986, continued to be spent after March since it was already in the pipeline. It was supplemented by
the $13 million authorized in December 1985 until 30 September 1986, which ran out by summer
1986.

48 In July 1986, following the exhaustion of the $27 million for FY 85 spring, the contras supposedly
went $2.5 million in debt (Tower, The Tower Commission Report, 341). During that period from July
until October 1986, when $60 million of the $100 million was disbursed, the contras received only
part of $2.7 million in private donations and $3.8 million in arms sales diversions, and no third country
donations.

49 Inouye and Hamilton, Report, 55.
50 Ibid., 55.
51 Ibid., 88, 91, 97.
ARMS SALES PROFITS AND THIRD-PARTY DONATIONS DURING PERIODS OF NO U.S. FUNDS

The Iranian arms sales profits also provided some funds for the contras when U.S. aid was stopped. However, none of the $4 million in profit produced by the first two sales (S1 and S2) of August and September 1985, which fell toward the end of the June 1984 to December 1985 period when there were no U.S. funds, went to the contras. The $850,000 produced by the third transaction (S3) in November 1985 did go to the contras slightly before the $27 million and $13 million in nonmilitary aid began to flow in December 1985.52

Thus, from December 1985 to June 1986, U.S. aid for the contras consisted of only those combined $40 million nonmilitary funds; and between July and November 1986, again no U.S. funds were available for contra aid. The first planned diversion of arms profits—as opposed to the unplanned $850,000 residual (S3)—took place with the fourth arms sale (S4) in February 1986,53 which produced $5.5 million in profits. The fifth arms sales (S5) in middle to late summer 1986 produced $8.3 million54 in profit (after the $27 million and $13 million ran out in summer 1986). Thus at least $13.8 ($5.5 + $8.3) million of the residuals from the mid-1986 arms sales (S4 and S5) was available for contra military supplies during the June through October 1986 bridge period, when no U.S. aid was available. On 30 October 1986, the first $60 million of the FY87 $100 million in ($70 million) military and ($30 million) nonmilitary aid voted in summer 1986 was allocated (and supplemented by $40 million in March 1987). A month later on 25 November 1986, the last shipment (S6) of 500 TOWs produced $1.4 million in profit, some of which probably went for the contras.55

In short, the third country funds, private donations, and arms sales profits were needed to sustain the contras during the periods after U.S. government funds ran out in May–June 1984. In particular, the contras needed outside money, especially for military supplies, during the periods of the Boland bans (October 1984–October 1986). When the contras lacked U.S. funds, third countries, private donors, and arms sales provided them.

In sum, during June 1984 to December 1985, when there were no U.S. provided funds, there was $24 million of the $32 million Saudi donation that produced a significant amount for contra arms. During the December 1985 to October 1986 period, when the contras had only nonmilitary U.S. funds, the last $6 million in Saudi donations, the $2.7 million in private funding, and $3.8

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52 Ibid., 159, 234, 302.
53 Though the $850,000 in November 1985 was apparently spent on the contras, the idea of purposely diverting arms sales profits for the contras was evidently not suggested until late 1985 or early 1986 (Inouye and Hamilton, Report, 117–19, 124, 178, 234–35).
54 Ibid., 302–304.
55 Out of the total $16–20 million profits from S3–S6, the $3.8 million that went to the contras constitutes less than a quarter of the potential funds.
million in arm sales residuals provided additional funds for military purposes ($12.5 million).

Moreover, some humanitarian U.S. funds may have served military purposes. From December 1985 through June 1986, within the October 1984 through October 1986 period of the Boland II bans, part of $27 million in nonmilitary U.S. funds was unaccounted for and may have been spent for military supplies. The $13 million was also spent for quasi-military, intelligence, and communication purposes. By July 1986, after the Saudi contributions had ended, however, only part of the $2.7 million in private donations and $3.8 million from arms profits were still available, and the contras supposedly went $2.5 million in debt. In short, until late 1986, the third-country aid, arms sales profits, third-party donations, and possibly inappropriately spent U.S. funds provided some military funds after the U.S. government allocations ran out in spring 1984.

In total, from 1981 to 1990, about $400 million in military and nonmilitary funds was allocated ($322 million) or raised ($70–80 million) for the contras, of which about $360 million reached them. While a considerable sum, it is relatively small compared to the roughly $1 billion in U.S. military aid and $2 billion in United States economic aid during the same period to the nearby government of El Salvador. By comparison, during 1986 alone, Soviet bloc aid to Nicaragua was roughly $580 million. The $400 million in aid to the contras was only about five times the $75 million in aid the Carter administration approved for the Sandinistas in 1980 ($60 million was provided before the Reagan administration cut it off). Less than half a billion dollars is not much for the United States; but it is a significant amount when directed against Nicaragua with a gross domestic product of about $2.6 billion.

**Donations and Diversions during the Boland Ban**

Did the third party (third country and private donor) funding that occurred during periods of Boland restrictions conflict with the Boland bans? The answer depends both on whether funding occurred within the ban periods and whether the restrictions were applicable to the specific types of funding. Boland II banned all U.S.-related aid from 12 October 1984 to 30 September 1985, and all military aid from 1 October 1985 to 18 October 1986. Some of the nongovernmental funding (for example, from Saudi Arabia in June 1984) occurred before Boland II started in October 1984, and thus could not have initially conflicted with Boland II. The

FY85–86 allocations of $27 million and $13 million in nonmilitary aid were approved (15 August 1985 and 18 December 1985, respectively) during the period of the Boland II ban (through 30 September 1986), but their authorization modified the ban to permit nonmilitary funding. Most of the nongovernmental funding, however, including third country (June 1984–March 1986), private donor (May 1985–November 1986), and arms sales profits (November 1985–November 1986) occurred after Boland II began in October 1984 and before its extension expired in October 1986.

Thus, third party funding and arms sales occurred during periods of the Boland ban. But did they conflict with restrictions of the Boland amendments? Beyond timing, identifying violations of the Boland ban also involves legal and political questions. The key issue is whether the ambiguously worded ban was applicable to third party funds and funds diverted from the arms sales. The Boland II amendment only restricted funds available or handled by any U.S. government “entity . . . involved in intelligence activities.” Therefore, third party funds given directly to the contras or to a private organization for the contras did not per se conflict with the Boland restrictions. The money that private organizations raised in 1985–1986, and the Saudi contributions of $32 million in 1984–1986 supposedly did not go to the U.S. government but went directly to the contras.

The initial solicitations of Saudi donations in May 1984 and some of the private donations occurred before Boland II took effect in October 1984; moreover, a December 1985 amendment to Boland II specifically permitted administration solicitation of third countries for humanitarian aid, for which the sultan of Brunei contributed $10 million, which may have been intended for military purposes. Had the Brunei solicitations actually been for humanitarian aid and involved no quid pro quo, they would have been legal.

When personnel paid by the U.S. government solicited third country or private funds for military purposes or handled privately contributed funds during the ban period, however, these actions conflicted with Boland restrictions and other laws. The arms sales diversion of funds beginning with the November 1985 residual of $850,000 from the third shipment, moreover, occurred during the Boland ban period (October 1984–October 1986) and was partially handled by the CIA and coordinated by U.S. government personnel on the National Security Council (NSC) staff. Because these funds were collected and managed by the NSC staff and thus were “available” to government intelligence agencies (and the NSC was involved in intelligence activity), they conflicted with the Boland

63 Ibid., 48–49, 54–55. On two occasions, Robert McFarlane explained to the Saudi ambassador to the United States that the contras needed funds, for which the Saudis contributed $32 million. McFarlane claimed these were not solicited but provided as gifts.
64 Ibid., 315.
65 Ibid., 344.
ban. As violations of appropriation restrictions, however, they were not criminal actions per se.66

The Majority and Minority Congressional Iran-Contra Committee reports differ, however, in their interpretation of whether the Boland ban necessarily prohibited solicitation or handling of funds available to the U.S. government, and in their constitutional interpretations of the procedures or laws. The majority held that the rule of law,67 the principle of government accountability, the power of the purse, and specific statutes required that any money solicited or spent by U.S. government entities or officials must be appropriated by the Congress.68 In this view, governmentally-related funding mechanisms circumventing official procedures are unconstitutional and thus illegal.69 Since the private funds were solicited by government personnel and the diverted funds were controlled by and thus available to the CIA or NSC, under the majority logic, they were restricted under Boland II.

The minority report, however, claimed that the president's foreign relations powers permitted such activities, including solicitation of third-party military funds.70 Even if laws like Boland II prohibited such actions, those restrictions were unconstitutional and thus void because the president has the constitutional right to communicate with the third parties to urge them to make military contributions to U.S. allies.71 The diversions themselves, moreover, would have been legal in this view, if they had followed proper procedures and been sanctioned by a presidential finding, an authorization under the Hughes-Ryan Act of 1974, which permitted properly approved covert activities deemed to be in the national interest.72

The diversions, however, did not follow proper procedures. They were apparently not approved by the president, since he claimed not to have known about them.73 The November 1985 arms sales (but not the diversions of profits) were retroactively approved by presidential finding in December 1985, and the 1986 sales were prospectively approved by a January 1986 finding.74 Since, however, the president approved only the arms sales and not the diversions, the minority claim of constitutional protection is moot.75 In short, the diversions were illegal under Boland II even in the minority logic.

Under the majority logic, the Boland II ban prohibited any solicitation by government officials and the use of arms profits diverted under NSC guidance

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66 Ibid., 356, 414.
67 Ibid., 397.
68 Ibid., 348–349.
69 Ibid., 350.
70 Ibid., 371ff.
71 Ibid., 391.
74 Ibid., 436.
75 Ibid., 383, 438.
between October 1984 and November 1985. It also prohibited solicitations of military aid through November 1986, because the requests and diversions involved monies collected by government personnel or available to an entity of the U.S. government. Under the minority logic, however, the third-party and third-country private funding of military operations were not per se restricted by the Boland ban, because private citizens can donate funds and the president had the foreign policy powers to solicit such funds.\(^7^6\)

In sum, third-party contributions and arms sales diversions did occur during the Boland II ban and sustained the contras when they had no U.S. funds.\(^7^7\) Third-country funding provided a significant amount of military aid ($34 million) for the contras. Private donations ($2.7 million) and diverted arms sales profits ($3.8 million) provided little ($6.5 million) for military supplies. Though the third-country donations to the contras started before the Boland restrictions began, the ban did prohibit the solicitation of most private donations, military contributions by third countries, and diversions of arms sales profits because U.S. government personnel were involved in the requests or implementation.

**Policy Questions**

To this point, the analysis has clarified the details of contra funding and the Boland bans in order to provide a basis on which to evaluate the policy itself. The rest of the article explores the debate about U.S. policy on funding the contras and suggests provisional answers. Did funding the contras, both by congressionally appropriated U.S. aid and outside funds, advance U.S. interests? Were the administration's attempts to find extragovernmental or extralegal monies when U.S. government funds were not available worth the efforts? In short, were the benefits of the policy of supporting the contras worth the costs?

The answers to these questions depend, in large part, on whether or not one agrees with the Reagan administration's approach to dealing with Nicaragua. While both the Reagan policy and the pattern of U.S. interventions have been widely questioned,\(^7^8\) this analysis begins by examining Reagan policies on their own terms as administration attempts to achieve its goals. It then compares the administration approval to potential alternatives. It also looks at some of the wider implications for democratic governance of the administration's approach.

From the Reagan administration's point of view, U.S. government funding of the contras and related pressures pursued four important policy aims:\(^7^9\) to prevent Sandinista support of the antigovernment rebels in El Salvador; to pres-

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\(^7^6\) Other laws (for example, the Anti-Deficiency Act, Arms Export Act, Neutrality Acts), including restrictions on tax-exempt donations for nonhumanitarian purposes (Inouye and Hamilton, Report, 349–352, 381) affected the legality of the private and third country funding.

\(^7^7\) Inouye and Hamilton, Report, 383.


\(^7^9\) Serafino, "Contra Aid," 6–7.
sure the Sandinistas to democratize their policies and pluralize their economy; to force the Sandinistas to negotiate security arrangements satisfactory to the United States and the rest of Central America; and perhaps to overthrow the Sandinista regime.80

The contra aid policies were relatively successful in pursuing these goals. The policies helped to cut off Sandinista funding of the rebels in El Salvador. They also helped to prevent the Sandinistas from consolidating power and sustaining popular support,81 and forced the Sandinistas to negotiate with the opposition. They also kept the Sandinistas from expanding into the rest of Central America and negotiating a Central American peace agreement, though the Sandinista army did at one point cross over into Honduras in March 1988. Ultimately, though ineffective militarily, aid to the contras contributed to the Sandinista's electoral defeat in 1990. Thus, from the perspective of the Reagan administration, the contra aid policy attained its goals and was wise and effective.

At a relatively low cost to the U.S. government of less than a third of a billion dollars ($322 million),82 the Reagan administration sustained the contras for nearly a decade. A moderate level of third-country donations ($34 million) and a small amount of third party solicitation and arms sales profits ($6.5 million) filled in during the two bridge periods in 1984–1985 and early to late 1986, respectively, when U.S. government support was not available. Despite all the political controversy, from the administration's perspective, the governmental funding and third party support were relatively inexpensive and worth the expense.

**REFLECTIONS**

Overall, from the Reagan point of view, the public and private aid to the contras, especially third-country assistance, was cost-effective and necessary to maintain the contra forces when U.S. funds were cut off. Yet these approaches were controversial, of questionable wisdom even from the administration's perspective, and at least in part illegal. The diversion of a small amount of arm sales profits (about $3.8 million of $16.1 million profits from $40 million in sales) was particularly controversial and provided relatively little support (about 1 percent of $400 million) for the contras. Though the timing of private funding and arms sales diversions may have been crucial to the survival of the contras, the benefits were probably not worth the political costs to the Reagan administration, its domestic agenda, and its place in history. The diversions ultimately brought guilt and shame upon the Reagan administration and some of its high officials.

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81 Arnson, *Crossroads*, 73; Serafino, “Contra Aid.”
82 Serafino, “Contra Aid,” 17.
The contras were a proxy force under the Reagan Doctrine of helping others fight anticommunist battles that also served U.S. government interests. Fighting wars through proxies is an ancient part of great power struggles and often substitutes for open warfare between superpowers. In general, a democracy should fight its wars with its own soldiers, but using surrogates may be less dangerous than risking superpower confrontations.

While a superpower democracy does not always fight its own battles, it needs to take direct responsibility for funding those fights. The privatization of both foreign policy funding and wars runs contrary to fundamental principles of democratic governance and sovereignty, particularly the rule of law and the power of the purse. Extragovernmental funding, even if not illegal, corrodes democratic legitimacy. The executive cannot decide to finance wars without congressional approval. Moreover, the powers the U.S. Constitution vests in the Congress to decide to fight wars, and the responsibility to carry out the conflict through the armed forces directed by the president, cannot be in executive hands only, because the separation of powers must provide a check on potentially irresponsible actions. In order to sustain the validity of the democratic safeguards, the Congress must be able to end the fighting by cutting off the funding, and the executive must be faithfully bound by such restrictions. The use of private funds for public purposes and, particularly, the privatization of foreign policy funding distort the structure of authorization and appropriation in a democracy.

Moreover, a country should not fight voluntary wars for which it cannot pay. Having others pay for and fight a nation's battles, even through surrogates, distorts basic principles of democratic accountability, which requires a nation to decide to take upon itself the required sacrifice and bear the burden as a nation. Even if most of the outside funding were legal, as the administration and the minority report propose, such mechanisms of support and implementation stray beyond democratic accountability, because they take actions that the people and their elected representatives do not directly support. By soliciting others for funds, the administration was potentially undermining its own prerogatives in the policy-making process.

Furthermore, legal or not, the propriety of government officials soliciting third party or private funds is questionable and fundamentally inappropriate. The...
Reagan administration was subverting its own legitimacy and sovereign power by pursuing private funding of U.S. initiatives. Moreover, as former Secretary of State George Shultz noted about the Gulf War, it was sad to see the United States having to seek funds from other countries "with hat in hand" to pay for U.S. military efforts.87

Privatization of funding also reduces public scrutiny and the debate over policy necessary in a democracy for good public policy. Open discussion itself might have scuttled the policy, which is in part why the administration sought to hide its actions. A democracy cannot give up its principles of accountability and full, open debate and stay democratic.88

**Policy Alternatives**

Could an alternative policy have accomplished the same goal of bringing democracy to Nicaragua without creating the antagonisms and scandal of the contra funding approaches? Again, one's partisan position affects the evaluation of the goals and approach of any U.S. policy that might have sought to influence the internal politics of Nicaragua. And the question of whether the United States should have intervened at all in Nicaraguan politics should not be lost in evaluating more peaceful ways of attaining the Reagan administration's policy goals.89

Supporters of administration policy may argue that had the Sandinistas not faced the contras while receiving support from Soviet and other Eastern bloc countries, the Sandinistas might have more easily imposed their will on the Nicaraguan people and supported other insurgent forces in Central America. Moreover, the Sandinistas might have crushed their opposition earlier if the contras had not received outside U.S. or private funding. But even supporters of the administration policy recognize that before initiating the contra war, the United States had already successfully encouraged the Sandinistas to curtail support for the Salvadoran rebels; here their success derived from the stick of the suspension of U.S. economic assistance in 1981 with the carrot of its renewal rather than from armed force.90

The administration might have accomplished its goal of democratizing Nicaragua without sustaining a proxy fighting force. Lacking the justification of the contras as a perceived threat, the Sandinistas might have had more difficulty imposing restrictions on the political opposition. In particular, without the state of emergency decreed in 1985 to fight the contras, the Sandinistas might have faced internal political opposition strong enough to force the Nicaraguan government into earlier elections or a political turnover. The United States might have

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88 Inouye and Hamilton, Report, 188; see also U.S. House, Congress and Foreign Policy, 1988.
89 Arnson, Crossroads, 187, 216, 221.
90 Ibid., 50, 73.
better provided support to develop political challenges to the Sandinistas than funded armed insurrection. With the collapse of communism in Eastern Europe and the ensuing economic and political problems in the Soviet Union, moreover, the Sandinistas would have come under other external and internal pressures, as did the nearby Salvadoran guerrillas. Without the state of emergency or the Soviet financial and military support justified by the existence of the contras, the Sandinistas might not have lasted to 1990. Perhaps, too, such internal opposition might have helped democratize and liberalize Nicaraguan political and economic policies.91

CONCLUSION

In clarifying the amounts and timing of the funding for the contras, this article provides the basis for a clearer understanding of the contra aid policy by both citizens and policy makers alike. In identifying the periods of Boland restrictions, and the differing majority and minority interpretations, it explains possible conflicts between nongovernmental funding mechanisms and the Boland bans. It evaluates contra aid policy on the Reagan administration’s terms of cost-effectiveness, but also questions the merits of such funding in a democracy. Support of the contras may have been cost-effective on an economic basis, but it was costly in political terms and in lost legitimacy for the administration that promoted them. An alternative policy to assure democratization in Nicaragua might have been more successful.

A brief review of contra aid funding cannot answer all the factual and policy questions. Moreover, evidence alone cannot answer normative questions, such as whether Reagan administration contra policy was wise. The examination of the policy approaches that the Reagan administration took regarding Nicaragua and the contras should continue to probe the implications and the alternatives. But a clearer understanding of the background to contra funding approaches informs the debate necessary in a democracy to evaluate the validity and wisdom of these controversial issues during the central U.S. intervention of the 1980s.*


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