March 4, 2014

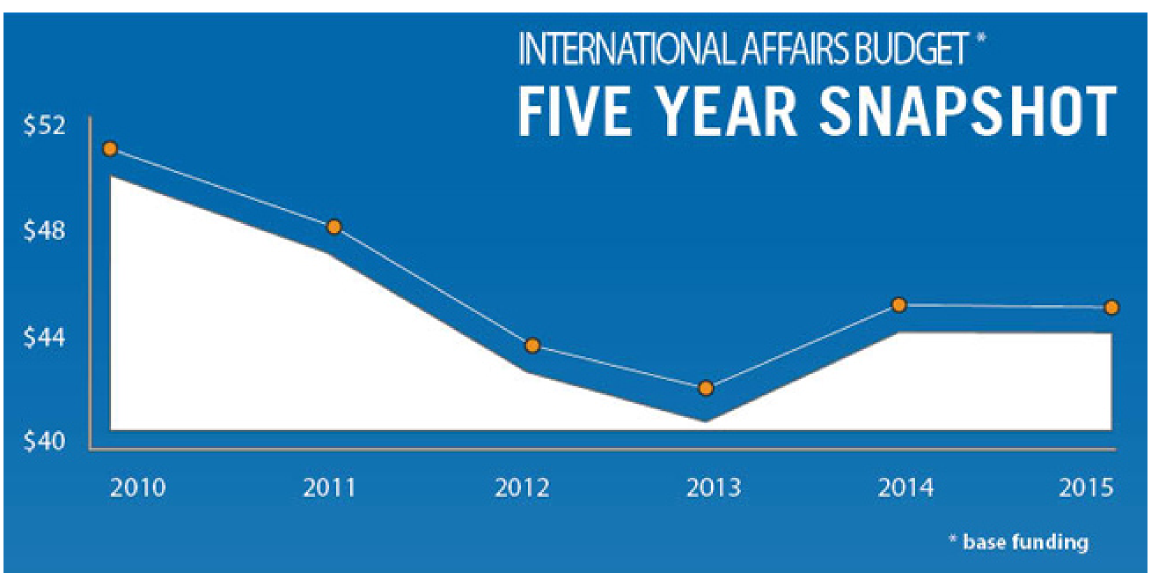
Analysis of the President's FY15 International Affairs Budget Request

Budget Request Shows Solid Support for America's Global Engagement

But Some Concerns About Meeting Humanitarian and Global Health Needs

The Administration's release today of its $1.014 trillion FY15 budget request comes less than three months after the adoption of a FY14-15 budget agreement forged by Senator Patty Murray (D-WA) and Representative Paul Ryan (R-WI) in December. Given that under this agreement the FY15 spending caps allow for virtually no growth in discretionary spending, **the Administration's FY15 request for International Affairs is strong overall and makes an important statement of support in protecting America's global engagement.** This is particularly important and welcomed given the disproportionate cuts these programs have received over the past few years.

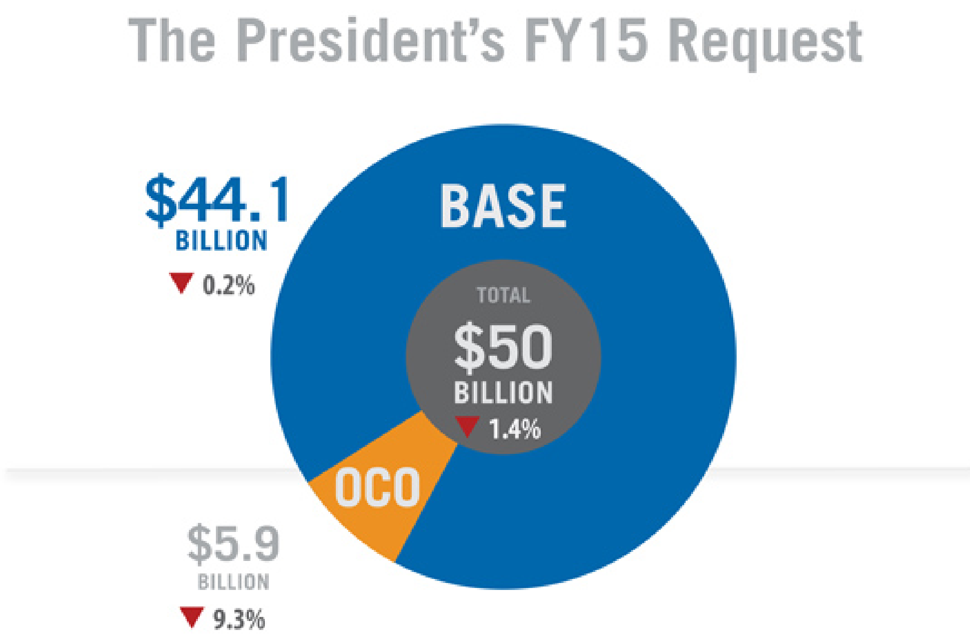
International Affairs Budget Funding Trends



In addition to protecting the base programs from cuts, the request also broadens the Overseas Contingency Operations (OCO) funding so it can be used beyond the Frontline States to address other global hotspots. Specifically, the Administration's **$50 billion International Affairs Budget request** -- $44.1 billion for base programs and $5.9 billion for Overseas Contingency Operations (OCO) -- is nearly identical to the total amount enacted for FY14. Compared with current FY14 funding, **this is flat (- 0.2%) for base programs, and when combined with the OCO programs, is just 1% below current funding.**

At the same time, the request includes some concerning reductions, particularly in humanitarian and global health programs that could make it difficult to meet growing demands in these areas. **The USGLC applauded the overall request in our press release as a strong protection of America's global engagement, while also expressing concerns about these specific reductions.**

International Affairs Budget Snapshot



Quick Takeaways of FY15 Request

Solid Base and Expanded OCO

This year's International Affairs Budget request contains strong funding for base programs that continues to reverse the deep and disproportionate cuts seen in recent years. Prior to the adoption of the FY14 omnibus bill, base programs had been cut 19% since FY10. The omnibus started to reverse this slide, boosting base funding by 6%, and the FY15 request maintains those levels. Building base funding is critical not only for FY15 but also for the future, as funding through the Overseas Contingency Operations (OCO) account will continue to decline as the U.S. downsizes its presence in Afghanistan, Pakistan, and Iraq. Also noteworthy is the increase in the OCO request level (from $3.8 billion in last year's request to $5.9 billion this year) and, as part of that, an expansion of the OCO request beyond the Frontline States to allow funding for Syria and some peacekeeping operations.

Grappling with the Hotspots

The budget attempts to respond to the tumultuous nature of the world today with crises in Central African Republic, Syria, South Sudan, and Ukraine placing growing pressure on limited resources. The request includes $1.3 billion for Syria-related security programs, including $155 million for Syrian opposition groups. Beyond Syria, the request also includes $225 million in the Middle East/North Africa region in the aftermath of the Arab Spring for economic development, democracy, and security services. In addition, the budget request includes a significant boost for Peacekeeping efforts, including inclusion of a new $150 million Peacekeeping fund to ensure contingency funding in emerging hotspots.

Concerning Reductions

While the overall budget request is strong, the reductions proposed for a variety of humanitarian assistance and global health accounts is a real concern. Given the current situation surrounding Syria, with millions of its citizens having fled into other countries, cuts to refugee services may hamstring our ability to sufficiently respond. The Administration believes that thanks to significant humanitarian aid increases provided by Congress the past two years, there may be sufficient carry-forward resources available that will be adequate to meet the demands of emergency relief efforts. However, this is premised on two important assumptions: that there are no new disasters and the costs of current crises don't spiral out of control. Also of great concern are the reductions proposed for many Global Health programs. The Administration's $8.05 billion request for Global Health is 4.6% below current levels and makes cuts to nearly every program within the account. The largest reduction comes from the Global Fund to Fight AIDS, TB, and Malaria, the multilateral arm of PEPFAR.

President's New Initiative: Impact on International Affairs?

In addition to the $1.014 trillion FY15 request, the Administration is proposing an additional $56 billion in discretionary spending that would be offset through a series of revenue increases and mandatory spending cuts. This ***Opportunity, Growth, and Security Initiative*** is equally divided between defense and non-defense programs with a focus across the government on areas such as research, manufacturing and education. Given that the Initiative would be paid for by a contentious mix of spending cuts and revenue increases, its fate is highly questionable and is expected to be met with tremendous skepticism on Capitol Hill.

It includes plus-ups for several International Affairs Budget accounts, some with specific amounts proposed and others with no funding level assigned, as noted below:

- Millennium Challenge Corporation -- $350 million
- Contribution to the Global Fund to Fight AIDS, TB, and Malaria -- $300 million
- Global Agriculture and Food Security Program -- $80 million
- Board for International Broadcasting
- Maternal and Child Health
- Food Security
- USAID Global Development Lab -- $151.3 million

Included in this Update

1. Highlights of Notable Increases and Decreases
2. Notable Policy and Program Issues
3. Snapshot of Country and Regional Funding
4. What's Ahead
5. Additional Information and Resources
6. Account-by-Account Detail of the FY15 Request

About this Update

The USGLC will continue to update this analysis as additional information becomes available in the coming weeks. More detailed background information on the FY15 request will be released by the Administration the week of March 10. Wherever possible, budget comparisons in this update are based on the FY15 request relative to current FY14 enacted appropriations for both base and OCO accounts. In particular, the Administration has not yet determined country and regional allocations of foreign assistance for FY14. Consequently, some comparisons between the two fiscal years cannot be made at this point but will become available in the coming weeks.

01 | Highlights of Increases and Decreases Compared

While the total International Affairs Budget request remains essentially flat compared with FY14, there are several notable increases and decreases at the individual account level reflecting new realities and priorities. Significant account shifts are included in the boxes below while a comprehensive list can be found in an account-by-account comparison here.

Selected FY15 Increases
State Department Ops
▲ 10.5% ($362 million)
Contribution to Int'l Orgs.
▲ 13.2% ($177 million)
Int'l Peacekeeping (all accts)
▲ 36.5% ($804 million)
USAID Operating Expenses
▲ 21.4% ($244 million)
Development Assistance
▲ 4.5% ($113 million)
Transition Initiatives
▲ 17.4% ($10 million)
Economic Support Fund
▲ 10.6% ($488 million)
Millennium Challenge Corporation
▲ 11.36% ($102 million)
International Monetary Fund
▲ $16m ($0 in FY14)
Clean Technology Fund
▲ 9.0% ($17 million)
Strategic Climate Fund
▲ 26.7% ($13 million)
African Development Fund
▲ 18.2% ($32 million)

Export-Import Bank Admin & IG
▲ 10.7% ($13 million)
Overseas Private Investment Corp
▲ 7.6% ($7 million)
Trade and Development Agency
▲ 22.9% ($13 million)

Selected FY15 Decreases
Embassy Security
▼ 14.8% (-$397 million)
National Endowment for Democracy
▼ 23.3% (-$32 million)
Global Health Programs
▼ 4.6% (-$389 million)
International Disaster Assistance
▼ 27.8% (-$501 million)
Migration & Refugee Assistance
▼ 33.1% (-$1.012 billion)
International Narcotics/Law Enforce
▼ 17.2% (-$232 million)
Non-Proliferation, Anti-Terrorism
▼ 13.6% (-$95 million)
International Orgs & Programs
▼ 11.8% (-$41 million)
Global Ag & Food Security Program
▼ 100% (-$133 million)

02 | Notable Program and Policy Issues

Overseas Contingency Operations (OCO): A Welcome Expansion of Scope

The FY15 proposal makes an important turn from the OCO requests of the past three years in several dimensions. First, the $5.9 billion request is far higher than last year's request of $3.8 billion. Second, the request is only 9.3% less than FY14 enacted, rather than the over 50% cut proposed a year ago. Moreover, the FY15 request designates about a quarter, or $1.57 billion of OCO for non-Frontline States requirements. For the past three years, the Administration had narrowly defined OCO as a response only to the temporary and extraordinary funding demands for U.S. diplomatic and assistance efforts in the Frontline States of Afghanistan, Pakistan, and Iraq.

The largest component of the non-Af/Pak/Iraq portion of OCO will be $1.235 billion in Syrian assistance, including about $135 million for the Syrian opposition or to support a transition government should a peace deal be brokered. The revised OCO scope also offers flexible tools, including a $150 million Peacekeeping Response Mechanism, available for unanticipated peacekeeping demands, and $20 million for Middle East/North Africa contingency needs.

This is a welcome revision by the Administration and aligns with Congressional views of how OCO funds should be used. For the past three years, Congress has insisted on a larger OCO account that addressed other emergencies beyond just the Frontline States. This also served to free-up resources in the base budget for other important, on-going International programs.

The expansion of OCO has been especially critical in augmenting humanitarian relief resources for Syria and elsewhere. However, the FY15 OCO request falls $1.1 billion below what was enacted this year for disaster and refugee assistance. This is a significant shortfall. Had the Administration flat-funded OCO at $6.5 billion rather than $5.9 billion, more than half of this shortfall in humanitarian funding could have been made up.

Frontline States: Plans for Scaling Down Continue

U.S. resources for both diplomatic and foreign assistance activities in Afghanistan, Pakistan, and Iraq have consumed a significant share of International Affairs resources, totaling nearly 20% of the entire FY12 foreign policy budget. Since then, Af/Pak/Iraq has been dramatically reduced, now making up about 10% of the FY15 International budget. In total the Administration requests $5.1 billion (base appropriations and OCO) for the Frontlines States. Within this, State Department operations would grow by 12% ($214 million) under the FY15 request with levels increasing in both Iraq and Afghanistan (7% and 4%, respectively), while falling in Pakistan by nearly one-half (-44%).

On the foreign assistance side of Frontline States spending, it is likely that the nearly $2.5 billion request will be higher than FY14 enacted, especially for Afghanistan, although without FY14 country allocations in place at this time, there is no precise way to compare. In the FY14 Omnibus

Appropriation, Congress cut the request for Afghanistan by half to about $1 billion, noting that there was a substantial pipeline available from prior year spending measures. For FY15, the Administration seeks $1.43 billion in foreign aid for Afghanistan, an amount that is likely to be substantially more than the FY14 allocation but far less than $2.1 billion the President proposed a year ago.

Middle East/North Africa: Supporting Transitions and Reforms

With tremendous turbulence over the past few years throughout the Middle East and North Africa, the Administration sought approval in each of the past two years for a new account intended to address regional needs: the Middle East and North Africa Incentive Fund (MENA-IF). Congress rejected the creation of this account, instead opting to include funding across an array of programs underpinning a response to the "Arab Spring."

For FY15, the Administration moves away from the MENA-IF model but continues to prioritize transition and reform programs in the region totaling $1.575 billion for these purposes. The overwhelming share – $1.3 billion – targets **Syria**-related needs, including $1.1 billion for victims of the civil war both in and around Syria. An additional $155 million is spread over the Economic Support Fund (ESF), International Narcotics and Law Enforcement (INCLE), and Non-Proliferation, Antiterrorism, and Demining accounts as contingency funding to support either Syrian opposition forces or, in the event of a political transition, the early stages of reconstruction and recovery efforts.

Beyond Syria, the FY15 request provides $225 million under ESF to serve as a catalyst for job creation, good governance, and strengthened security services within the region. This is similar to the aims of the MENA-IF proposed the past two years but, according to the Administration, the justification will be much more country-specific and better defined than in past requests. The final $50 million component in support of Middle East/North Africa transitions and reforms are pockets of contingency resources within the Transition Initiatives, INCLE, and Complex Crisis Fund accounts.

The FY15 request proposes to reduce aid to **Egypt** slightly – from $1.550 billion requested for FY14 (excluding debt relief) to $1.5 billion for FY15. The cut would come out of economic assistance, leaving the military component at the traditional $1.3 billion level. **Israel** would receive $3.1 billion in military support, the same as FY14. Another key ally in the region – **Jordan** – would get a total package of $671 million, including $300 million for military assistance, the same as designated by Congress for FY14.

Peacekeeping: Scaling Resources and Enhancing Flexibility

A major increase in this year's request is in the area of peacekeeping resources, totaling $3 billion – 36.5% higher than current amounts. The United States supports global peacekeeping efforts through two International Affairs accounts: Contributions to International Peacekeeping Activities

(CIPA), the channel for U.N. mandated actions; and Peacekeeping Operations (PKO), the account for non-U.N. efforts.

The actual increase in the total Peacekeeping request is less than 36.5% because the FY14 omnibus did not include funding for Mali and it kept in place a cap on U.S. contributions. Consequently, this request includes that funding in order to get the U.S. out of arrears and to address the shortfalls for missions in Mali, Abyei, Golan, and South Sudan. Accounting for these FY'14 shortfalls, the actual increase over last year is 18%.

The request further includes the addition of the Peacekeeping Response Mechanism, a $150 million proposal that would be available to draw upon for unanticipated peacekeeping missions that fall between budget cycles. The need for such a contingency account was highlighted last year when additional costs for an operation in Mali arose that could not be met without siphoning off funds from other peacekeeping activities.

The PKO account declines due to the Administration preference to fund the U.N. Support Office for African Union Mission in Somalia out of the CIPA account ($165 million proposed for FY15). Major additions requested for FY15 include $340 million for the U.N. Mission in Southern Sudan (12% increase) and $390 million for U.N. operations in Mali, more than 50% higher than current funding.

Peacekeeping Highlights

	FY14 ENACTED	FY15 REQUEST	CHANGE
TOTAL	**$2.19 billion**	**$3.0 billion**	▲ **36.5%**
CIPA	$1.75 billion	$2.52 billion	▲ 44.0%
PKO	$436 million	$336 million	▼ 22.9%
PKO Response	$0 million	$150 million	N/A

Presidential Initiatives

Early in President Obama's first term, the White House announced several Presidential initiatives, including Feed the Future (FtF) and Global Climate Change (GCCI), and last year added Power Africa. Funding requested for FY15 presents a somewhat mixed picture.

Feed the Future

Since the Initiative was launched following the 2009 G8 Summit, Feed the Future has included two components: (1) bilateral food security, agriculture, and nutrition programs led by USAID and (2) multilateral aid managed at the Treasury Department for contributions to the Global Agriculture and Food Security Program (GAFSP). The FY15 bilateral request is up – $1 billion – about 5% higher than FY13 and most likely slightly more than what the Administration will allocate for FY14 although that decision has not yet been made.

For the multilateral part of FtF, it is likely that funding will drop entirely with nothing requested in the FY15 base budget. The FY14 Omnibus provided the final payment of the previous multiyear $475 million U.S. pledge to GAFSP. In October 2012, then-Secretary of the Treasury Geithner announced that for a subsequent GAFSP replenishment the United States would contribute $1 for every $2 provided by other donors. Many expected American support to GAFSP would continue, at least at some level. While there is nothing in the base budget, the White House includes $80 million for GAFSP in the Opportunity, Growth, and Security Initiative.

Global Climate Change

There has been much interest of what, if anything, would be in the budget around climate change given the priority the President and Secretary of State are placing on the issue. But in terms of resources, there appears to be little new money. GCCI funding from all accounts and all agencies is flat for FY15 compared with FY13, with a budget request of $839 million. Within that total, bilateral State/USAID Adaptation programs will grow by 4% and Clean Energy by 35%, while Sustainable Landscapes decline by 7%. For multilateral programs managed by the Treasury Department, the request includes $400 million for the Clean Technology Fund, the Strategic Climate Fund and the Global Environment Facility, up by 3% over FY14.

Power Africa

While visiting Africa in June 2013, President Obama announced a new, ambitious initiative to add more than 10,000 megawatts of cleaner, more efficient electricity generation capacity, increasing access to more than 20 million new households and commercial operations. With strong partnership with the private sector, the Administration selected six countries – Ethiopia, Ghana, Kenya, Liberia, Nigeria, and Tanzania – as the target group of the initiative and committed $7 billion in financial support over five years. Most of the funding will come in the form of investment financing, insurance, and loan guarantees that require little in the way of direct appropriations. Six U.S. government agencies are supporting Power Africa.

While it is likely that significant amounts of funding in the FY15 request will support Power Africa, the only specific allocation at this point is a USAID proposal to provide $77 million for technical assistance, risk mitigation to facilitate private sector energy transactions, and support governments with regulatory reforms. This will complete USAID's $285 million, multi-year commitment to Power Africa. Several of the other agencies – MCC, USTDA, OPIC, and the Export-Import Bank – are expected to utilize FY15 resources supporting Power Africa but no specific amounts are identified. Each receives increases in their overall budget for FY15. The African Development Foundation also participates in Power Africa.

Global Health

The Global Health portion of the FY15 budget request, with cuts proposed, is certain to be one that raises significant concerns and opposition from various quarters. For more than a decade, the Global Health account has been one of the fastest growing portions of the International Affairs Budget. In FY03, the year before President Bush launched the Presidential Emergency Plan for AIDS Relief (PEPFAR), the Global Health budget stood at $1.8 billion and represented 5.4% of International Affairs spending. Over a decade later, the FY14 Global Health appropriation is $8.4 billion, accounting for 16.5% of the International Affairs Budget.

For FY15, however, the Administration's $8.05 billion request reduces Global Health spending by 4.6% with cuts to nearly all health-related interventions within the account. The largest reduction comes for the Global Fund to Fight AIDS, TB, and Malaria, the multilateral arm of PEPFAR, cutting 18% below the current level with a request of $1.35 billion. In the most recent Global Fund pledging conference covering FY14-FY16, the U.S. committed to provide $1 for every $2 transferred by other donors, up to a total of $5 billion over three years. Reaching the $5 billion target would require an average of $1.65 billion annually, the amount appropriated in FY14. But Administration officials note that total pledges have not yet reached a level where U.S. matching contributions could reach $5 billion. If additional contributions come from other donors, the Administration maintains the U.S. gap could be made up in the FY16 budget. They also note that the Opportunity, Growth, and Security Initiative includes an additional $300 million for the Global Fund. However, given the significant uncertainty surrounding the Initiative, it is doubtful those funds would become available in FY15.

As shown below, other parts of Global Health would decline in FY15, including those for TB, maternal and child health, vulnerable children, nutrition, neglected tropical diseases, and pandemic influenza. Bilateral PEPFAR and USAID HIV/AIDS program remain at current levels compared with FY14, while funding for malaria and family planning grow by small amounts. Within the maternal and child health element, a proposed $200 million U.S. contribution to the GAVI Alliance to support the introduction of new vaccines represents a 14% increase over FY14. The Opportunity, Growth, and Security Initiative also includes maternal and child health among the many programs that could receive additional resources, but there is no specific dollar figure assigned to exactly what that might be.

Global Health Request

	FY14 OMNIBUS	FY15 REQUEST	CHANGE
TOTAL	**$8.44 billion**	**$8.05 billion**	**▼4.6%**
Bilateral PEPFAR	$4.02 billion	$4.02 billion	Flat
Global Fund	$1.65 billion	$1.35 billion	▼18.2%
HIV/AIDS (USAID)	$330 million	$330 million	Flat
Malaria	$665 million	$674 million	▲1.4%
Tuberculosis	$236 million	$191 million	▼19.1%
Maternal/Child Health	$705 million	$695 million	▼1.4%
Vulnerable Children	$22 million	$15 million	▼31.8%
Nutrition	$115 million	$101 million	▼18.2%
Family Planning	$524 million	$538 million	▲2.7%
NTDs	$100 million	$87 million	▼13.0%
Pandemic Influenza	$73 million	$50 million	▼31.5%

Note: State Department and USAID Global Health Accounts only. Additional funds for some Global Health programs are included in other accounts.

Strengthening Civilian Capacity, Advancing Reforms

A consistent theme throughout the past decade has been the importance of rebuilding civilian capacity both at the State Department and USAID, while driving towards greater accountability, transparency, and results in our foreign assistance programs. The FY15 request continues down this path of investing in State Department and USAID operating expenses and a further push to reform how the United States delivers food assistance.

State Department

The State Department proposes a sizable – 10.5% – increase for the Diplomatic and Consular Programs account in FY15, resources that support the people, infrastructure, and programs that underpin American diplomacy. Additional resources largely focus on Economic Statecraft, the Asia Rebalance, and Cyber Security. For Economic Statecraft, nearly half of the 53 new State Department hires proposed for FY15 will bolster Department efforts to highlight the advantages America offers as a locale for business and investment. The Energy Bureau will grow by 11 positions in order to focus more on alternative and renewable energy and power generation markets.

The FY15 request further strengthens Department efforts to enhance diplomatic security and to fully implement the Accountability Review Board (ARB) recommendations that were issued in the wake of the Benghazi Consulate attack in 2012. The $3.1 billion request for Worldwide Security Protection represents a 12.6% increase over current levels. Although diplomatic security resources falling under the Embassy Security, Construction, and Maintenance account decline by 14.8%, the cut is largely the result of implementing the Capital Security Cost Sharing initiative as proposed by the ARB. Under this initiative, some diplomatic security expenses that the Department had covered in the past will be shared by defense and law enforcement agencies.

USAID Operations

For FY15, USAID requests a robust 21.4% appropriation increase for its Operating Expenses (OE). Combined with non-appropriated funds available to the Agency, USAID would have about $1.55 billion for administrative operations next year, an important increase above total resources available in FY14.

The increase proposed for FY15 comes on the heels of an 11% cut in USAID's OE account for FY14. Normally, such a severe cutback would have impacted all aspects of agency operations, including possible furloughs of staff. However, due to unusual circumstances, USAID had $335 million from other sources, mostly carry-over funds from prior years. As a result, USAID's OE account totaled about $1.475 billion from all sources, just slightly below what the Agency had assumed in its request for FY14. Nevertheless, Congress further stipulated in the FY14 Omnibus that USAID could carry-over only $159 million into FY15, making it imperative for the Agency to seek a significant increase for next year or otherwise face the erosion of years of rebuilding staff and capacity.

One of the top priorities for these additional resources will be hiring staff that has been lost to attrition for the past couple of years and return to the Development Leadership Initiative (DLI) target of about 1,850 Foreign Service Officers. The DLI, an effort to double USAID FSOs, began during the later years of the Bush Administration and continues under President Obama. The increase planned for next year will further enable USAID to continue an ambitious menu of reforms – "USAID Forward" – that are aimed at strengthening the Agency's evaluation and learning capabilities, building capacity in partner countries so they are better equipped to manage their own development needs, making USAID more transparent and accountable.

Food Aid: Building on FY14 Reforms

For FY15, the Administration seeks to build on several reforms achieved last year in modernizing and making more efficient U.S. food assistance programs, commonly known as the Food for Peace Program or P.L.480/Title II. Although Congress did not support the entire reform package proposed in 2013, through the Agriculture Appropriations and the Farm Bill, modest changes were made and USAID estimates the United States will be able to reach an additional 800,000 beneficiaries without more funding.

The major thrust of further reforms recommended for FY15 is to increase to 25% the amount for Food for Peace funds that can be used for cash-based food aid. Coupled with other recently enacted reforms, U.S. food aid programs will be able to purchase more commodities closer to where they are needed or provide victims of disasters and conflict with cash vouchers, improvements that will speed up delivery and reduce costs of purchasing and shipping food from the United States. Unlike a year ago, however, the FY15 budget does not propose to shift PL480 funding out of the Agriculture Appropriations bill to State/Foreign Operations.

Supporting these reforms is a $1.4 billion request for PL480, a reduction of 4.5% from current amounts. Should Congress agree to the proposed reforms, however, some of this gap in funding levels would be reduced due to increases for cash-based food aid and accompanying decreased transportation costs. The Administration further seeks $185 million for the McGovern-Dole International Food for Education program, the same level as provided in FY14.

Humanitarian Assistance: Significant Cuts Following Two Strong Years of Funding

The Administration's FY15 request for the range of U.S. humanitarian aid programs is almost certain to receive strong push-back from advocates calling for an expansion, not retrenchment, of emergency relief resources and from Congressional champions who have pushed up humanitarian spending each of the past two years. Across all humanitarian relief accounts, the $4.8 billion FY15 request is nearly $1.6 billion less than current levels, a 25% reduction. USAID's International Disaster Assistance and State's Migration and Refugee Assistance accounts are especially hard hit, with the latter cut by one-third.

The request comes at a time when the number and dimension of human tragedies caused by natural disasters and conflicts have exploded. Just in the last year, as several major emergencies continued, the world confronted new humanitarian crises in the Philippines, South Sudan, and the Central African Republic. The U.N. is calling the Syrian crisis the largest short-onset humanitarian emergency ever with 11.7 million people affected. Since FY12, the U.S. has provided $1.7 billion in humanitarian relief to victims of the Syrian civil war even while the emergency continues to escalate.

The Administration notes that due to robust appropriations for FY13 and FY14, there is likely to be (based on current estimates) a large carry-forward amount that will be available in FY15 and augment the request for next year. (Humanitarian programs have no fiscal year limitation on their availability.) Officials say that even with reduced appropriations for FY15, the carry-forward balance will make total humanitarian relief resources roughly the same as the three-year annual average, FY13-FY15. This assumes, however, that we will not see other major emergencies arise over the next year and that demands from current humanitarian relief efforts will not escalate out of proportion to existing and planned funding levels.

Humanitarian Aid Request

	FY14 ENACTED	FY15 REQUEST	CHANGE
TOTAL	**$6.38 billion**	**$4.8 billion**	**▼24.8%**
Disaster Aid (IDA)	$1.8 billion	$1.3 billion	▼27.8%
Refugees (MRA)	$3.06 billion	$2.05 billion	▼33.1%
Emergency Refugees	$50 million	$50 million	Flat
Food Aid (PL480)	$1.47 billion	$1.4 billion	▼4.5%

Innovation: Hallmarks of Two Agencies

Especially in times of constrained budgets, the importance of searching for new, creative, and innovative ways to expand impact and achieve greater results is all the more important. The FY15 request for both the MCC and USAID include elements aspiring to look forward and apply inventive tools for making the best use of their scarce resources.

Millennium Challenge Corporation: Innovative Initiatives with Increased Resources

For the first time since FY12, the Administration seeks increased funding for the MCC: $1 billion for FY15, 11.4% higher than current levels. With these resources, the Corporation plans to fund compacts currently under development for Liberia, Morocco, Niger, and Tanzania.

But beyond funding of these four compacts, the MCC plans to launch in FY15 a series of innovative activities that take the Corporation back to its original roots of being the creative, experimental U.S. aid agency that promotes economic growth and poverty reduction, working through good-performing partner countries. New and continuing MCC initiatives for FY15 include:

- Transparency enhancements – MCC, since its inception, has been a model for transparent and metrics-based systems and in 2013 was recognized as #1 in the Aid Transparency Index, outpacing 66 other foreign aid agencies around the world. The FY15 request would continue MCC's commitment and investments in transparency.

- An outcome-based payment approach – MCC is exploring creative financing mechanisms for new compacts that will connect payments more directly to development results. Options under review include pay-for-performance and cash-on-delivery approaches.
- Member of the Power Africa team – As part of the President's government-wide Power Africa initiative, MCC will provide up to $1 billion of the U.S. $7 billion pledge over five years to bring 10,000 megawatts of additional power to 20 million households and businesses in six target countries.

Beyond the base $1 billion request, MCC also receives $350 million within the Opportunity, Growth, and Security Initiative. With these additional resources, MCC would seek to increase opportunities for U.S. businesses involved in Power Africa by creating incentives for reform in some compacts and adding activities that had shown promise through the Corporation's rigorous constraints-to-growth analysis but for which there were insufficient resources. The Corporation would also be able to expand its support for the Power Africa initiative with higher amounts for Ghana, Liberia, and Tanzania.

USAID Global Development Lab

Over the past several years, USAID has been moving ahead with a number of new and innovative approaches to tackle some of the most difficult global development challenges. By drawing on science and technology and private sector expertise, the Agency has found ways to drive down the cost of selected interventions while at the same time scaling up in areas such as preventing mother-to-newborn HIV transmission, giving millions access to safe water, reducing newborn deaths, fighting corruption, and expanding access to electricity. USAID's Grand Challenges, Development Innovations Ventures, Higher Education Solutions Network, and LAUNCH are examples of activities put in place in recent years.

In 2014, USAID has merged its Office of Science and Technology and Innovation Development Alliances to form the new U.S. Global Development Lab with plans to scale up what it believes are breakthrough solutions that are faster and cheaper. USAID proposes a budget of $151 million in FY15 for the Lab, a nearly 50% increase over levels available in FY13. The Opportunity, Growth, and Security Initiative also includes the Global Development Lab among the many programs that could receive additional resources but there is no specific dollar figure assigned to exactly what that might be.

Promoting Economic Prosperity at Home and Abroad

Three accounts within the International Affairs Budget that combine the policy goals of promoting global economic growth through expanding trade and private investment and facilitating opportunities for American businesses to participate in these efforts will expand in FY15. The budget proposes increases that will enable these agencies to scale-up activities that support the role of the private sector in global development and that participate in the President's Power Africa initiative.

Overseas Private Investment Corporation

For FY15, the budget boosts OPIC's administrative expenses and credit subsidies by 7.6% to $97 million. For thirty-six years, OPIC has been a self-sustaining, self-funded entity backing U.S. investors with guarantees, political risk insurance, and private equity investment funds. Each year, OPIC returns money to the Treasury; in FY15 it estimates that $203 million will flow back to U.S.

government coffers. With these resources, OPIC will be positioned to support up to $4.2 billion in loans, insurance, and loan guarantees next year. The FY15 request will support several key U.S. foreign policy priorities including a five-year pledge to provide up to $1.5 billion in financing for the six Power Africa focus countries.

U.S. Export-Import Bank

The Ex-Im Bank requests $133 million for administrative expenses, including a small carry-over from FY14, up about 10% from current levels. The Bank estimates that its credits will support $37.6 billion in lending activity next year, activities that will generate over $1.15 billion in receipts and return more than $1 billion to the U.S. Treasury. Like OPIC, the Ex-Im Bank is self-sustaining and an important U.S. tool in supporting and maintaining American jobs.

U.S. Trade and Development Agency

While the smallest of the three agencies, USTDA once again receives a strong increase, nearly 23% higher than current levels, with a proposed $68 million appropriation. USTDA's mission is to link American businesses with export opportunities by financing project planning, pilot projects, and reverse trade missions that promote economic growth programs in partner countries. In FY13, USTDA estimates that its activities led to $3 billion in exports and generated $73 in American sales abroad for every $1 in program funds. Increased resources will permit the Agency to expand in several areas including participation in the President's Power Africa initiative, more investments in clean energy development projects globally, and private investments supporting the Administration's re-balance to the Asia-Pacific region.

Multilateral Programs: Mixed but with an Important IMF Request

Overall, the FY15 budget proposes $2.87 billion for voluntary U.S. contributions to international organizations and payments to a variety of international financial institutions, nearly 5% less than the current year. But within this array of over 40 organizations and institutions the picture is uneven, with some budgets going up and others declining.

- Voluntary contributions fall 12% in the FY15 budget request with the bulk of the reductions coming in transfers to the U.N. Development Program (-22%) and UNICEF (-11%). Contributions to the U.N. Population Fund increase slightly to $35.3 million.
- Most reductions to international financial institutions are the result of no funding requested for the Global Agriculture and Food Security Program and the absence in FY15 of a $50 million planned transfer this year from the Economic Support Fund account to Multilateral Trust Funds.
- Payments to the World Bank's International Development Association are down nearly 5%. The FY15 request represents the first tranche of a new three-year IDA replenishment.
- Largest increases in FY15 for international financial institutions are for the African Development Fund (+11%), the Clean Technology Fund (+9%) and the Strategic Climate Fund (+25%).

Of particular importance, the Treasury Department seeks Congressional authorization and a $16 million appropriation for the International Monetary Fund that will allow the U.S. to approve a set of

IMF quota and governance reforms. These reforms will modernize the IMF to better reflect IMF member country economic weights in the global economy while still retaining strong U.S. leadership and veto power. These provisions, negotiated in 2010, cannot take effect until the U.S. agrees. The Administration sought congressional approval unsuccessfully twice before and in January, during the final days of negotiations over the FY14 Omnibus spending measure, the White House made the IMF request one of the most important outstanding policy priorities. One challenge is likely to be that the Administration seeks $16 million to back the quota reforms and last year the Congressional Budget Office scored the request as costing $315 million. Republicans are split, with some members in the House raising concerns that the financial risk is even greater, while those in the Senate are supporting the Administration's position.

The IMF will also play a central role in any international assistance package that is provided to **Ukraine**. An IMF mission is currently in Kiev working on an assistance package with Ukrainian officials, and the Administration is working with Congress and the Government of Ukraine to provide $1 billion in loan guarantees.

04 | Snapshot of Country and Regional Funding

As with past budget requests, the FY15 proposal includes funding for each country and region. However, decisions over how to allocate recently enacted FY14 appropriations have not yet been made and will not likely be released for several weeks or months. Below is a brief snapshot of FY15 country and regional funding trends, showing comparisons with the most recent available data, typically FY13.

Africa

For FY15, Africa, excluding food aid, receives $6.72 billion, slightly less than the $6.76 billion allocated in FY13. Aid to several African countries will grow compared with FY13, largely due to PEPFAR and other global health program increases: Cameroon, Democratic Republic of Congo, Kenya, Swaziland, and Tanzania. Conversely, assistance to Rwanda and South Africa will decline because of PEPFAR reductions. Overall assistance to Liberia and Zambia will also fall.

East Asia/Pacific

With a concerted effort to expand the U.S. presence in the region, assistance to countries in East Asia and the Pacific will increase by 9% in FY15, although the $811 million requested remains the smallest regional allocation with the exception of Europe/Eurasia. Programs in Burma, Indonesia, Laos, and the Philippines will grow as will State Department regional activities.

Europe and Eurasia

Continuing the trend of recent years, U.S. assistance to Europe and Eurasia will decline in FY15 to $492 million, 18% less than in FY13. With the exception of Ukraine, every aid program for every country in the region will fall at least to some degree. Ukraine will receive a slight increase in health assistance. Following the recent turmoil and change of government in Ukraine, a more robust U.S. aid package may be forthcoming but will draw on FY13 OCO resources and not from the FY15 request.

Middle East and North Africa

While the Middle East continues to be the largest recipient of U.S. assistance in FY15, the $7 billion request is 3% less than FY13 amounts. Some of this is due to a special aid package for Jordan in FY13 that is not part of the $671 million request for FY15. Assistance to Syria and Tunisia will increase in

FY15 while programs in Egypt, Iraq, Lebanon, and Yemen will drop. Aid to Israel is $3.1 billion in FY15, the same as the FY14 Omnibus Appropriation directive.

South and Central Asia

The region receiving the largest reduction in FY15 is South and Central Asia. The $2.96 billion request is 26% below FY13 amounts. Cuts in aid to Afghanistan account for about 70% of the regional reduction, although, as mentioned previously, the FY15 request for Afghanistan is likely to be higher than FY14 amounts due to Congressional reductions for this year. Aid for most other countries in the region, including Pakistan, is also less than in FY14 U.S. assistance to India, however, grows by 10% due to a near doubling of support for clean energy programs.

Latin America

Assistance to countries in the Western Hemisphere, at $1.33 billion, decline by 21% relative to FY13. The largest cuts are for Colombia, Haiti (due to large pipeline), and Mexico while economic assistance to Brazil and Ecuador is nearly or entirely phased out. With the expulsion of the USAID mission by the Bolivian government, no U.S. assistance is proposed for FY15.

05 | What's Ahead

Administration officials will begin testifying before Congress tomorrow on the President's FY15 request and Secretary Kerry is scheduled to testify next week. While the Senate will forgo action on an FY15 budget resolution, the House will likely move a competing budget resolution that, while adhering to the FY15 cap, will set out far different priorities than the Administration's request. Budget Committee Chairman Ryan is expected to mark up that FY15 budget as early as late March, then move that to the floor of the House prior to the mid-April recess. Then the all-important appropriations process will get underway quickly, as both House and Senate Chairs Rogers and Mikulski are hoping to move all 12 appropriations bills through their Committees by the end of June.

06 | Additional Information and Resources

- **President's FY15 Budget**
- **Funding Highlights of FY15 International Affairs Budget Request**
- **FY15 Executive Budget Summary – Function 150 and other International Programs**
- **FY15 International Affairs Budget Fact Sheet**

07 | Account-by-Account Details of the FY15 International Affairs Budget Request

- **Account-By-Account Details (.xls)**