



February 2, 2015

Analysis of the President's FY16 International Affairs Budget Request

Right Direction in Reversing Cuts: Yet with Global Crises, Funding Challenges Remain

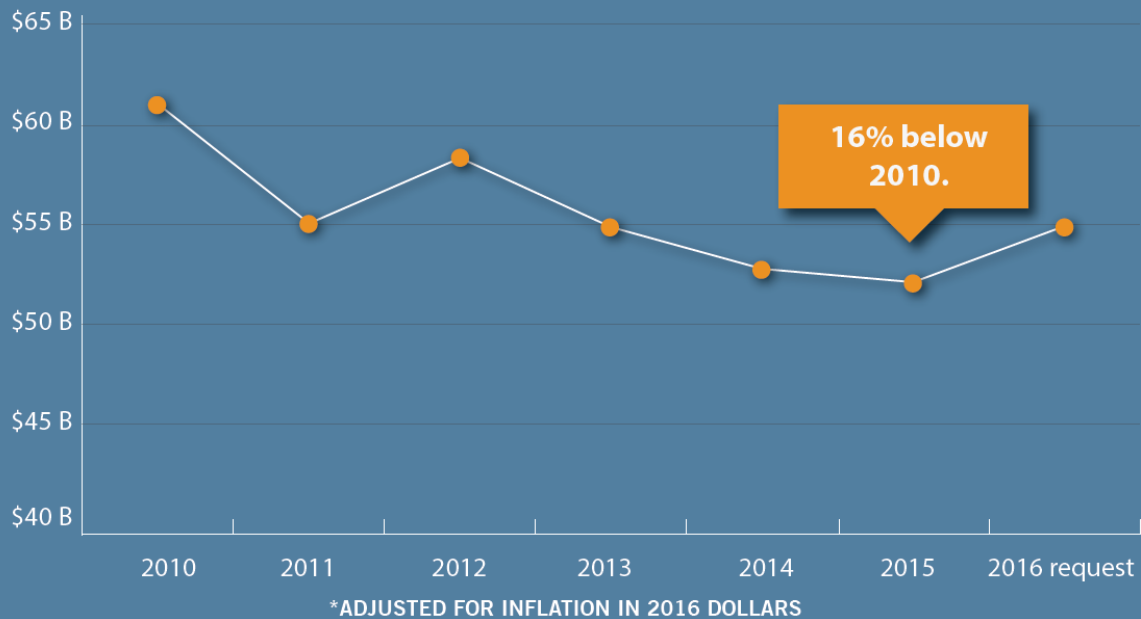
The Administration's release today of its \$1.091 trillion FY16 discretionary budget request marks the start of what will be a highly contentious battle this year with Congress over competing spending priorities and how to deal with the return of sequestration cuts to discretionary spending. A key issue of debate is how to deal with the reimposition of sequestration's automatic cuts to discretionary spending and whether to maintain the cuts to defense and non-defense programs. How this will be resolved this year as the budget and appropriations process gets underway on Capitol Hill looms large.

The way the Administration's FY16 request deals with sequestration is by replacing it with alternative budget savings and revenue increases, thereby increasing discretionary spending by \$75 billion above the sequester caps —with defense spending up \$38 billion and non-defense discretionary spending (NDD) up \$37 billion. Congress is certain to reject this formulation.

For the International Affairs Budget, the President is requesting **\$54.8 billion for FY16: \$47.8 billion in base funds and \$7 billion in funding for Overseas Contingency Operations (OCO)**. This is 7.7% more than current spending, not including the \$2.5 billion in FY15 emergency funding to combat Ebola in West Africa. This increase is largely the same as most other non-defense discretionary accounts.

THE INTERNATIONAL AFFAIRS BUDGET

RIGHT DIRECTION: YET WITH GLOBAL CRISES, CONCERNS REMAIN

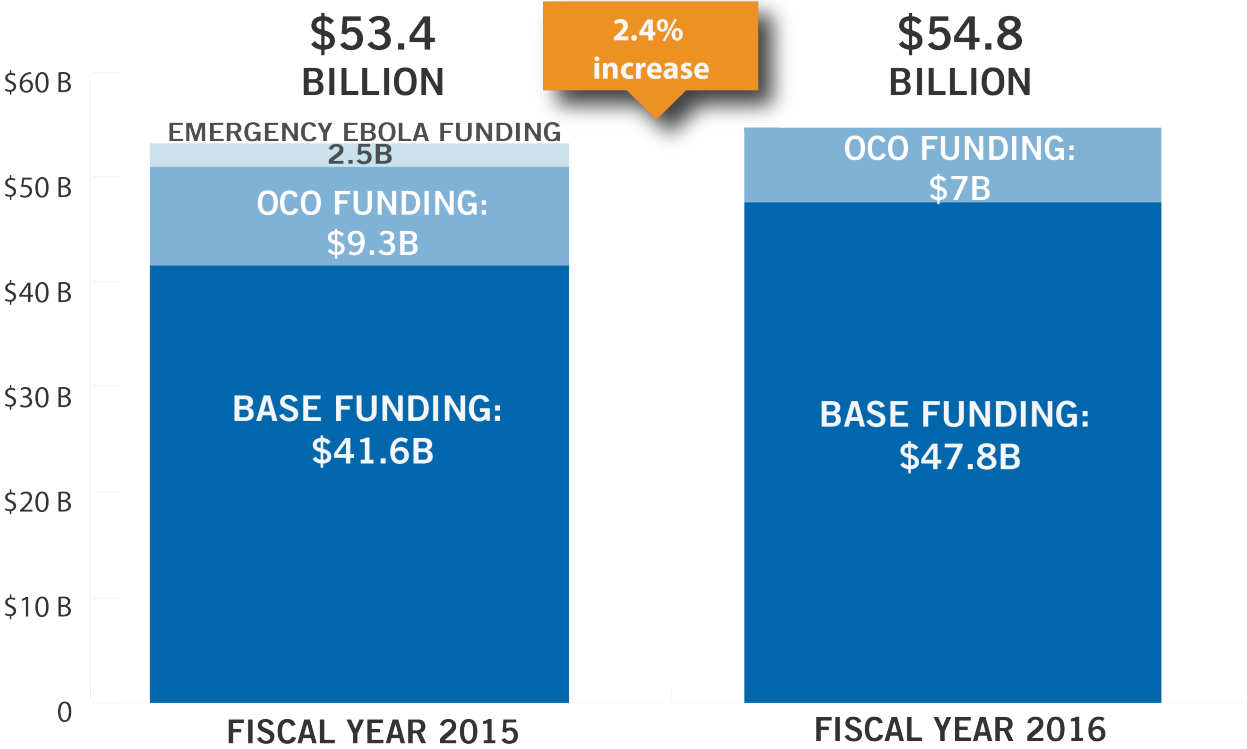


One of the most significant elements of this year's request is the urgently needed reversal of cuts to non-war related programs, or base funding. The request includes an increase of \$6.1 billion (14.7%) for base funding, critical to reversing the dramatic 16% cut to base programs just in the past five years. Building back base funding is a high priority, as funding through the Overseas Contingency Operations (OCO) account is projected to continue to decline over the next few years.

Apart from the strong funding for base programs, the total request level for International Affairs is a modest increase at a time of significant demands on many programs overseas.

The overall FY16 request compared to this year's total spending (including OCO and the Ebola supplemental), would **only provide 2.4% in additional overall resources for international affairs programs**. This spending level likely falls short of what will be needed to contend with a host of crises and threats worldwide, particularly given the concerning reductions in humanitarian, global health, and democracy programs. Funding, whether provided through robust

base, OCO or emergency supplemental (as was provided recently to combat Ebola) could all be necessary in order to ensure that development and diplomacy programs truly have the resources needed to address both the challenges and the opportunities of our ever increasingly interconnected world.



The USGLC issued a [press release](#) earlier today that applauded the Administration for beginning to restore cuts to base funding, boosting investments in economic capacity building and export promotion, and continuing to prioritize effectiveness and innovation. However, the statement cited concerns about the overall funding level likely being insufficient to meet the demands of the many crises affecting the world.

Quick Takeaways of FY16 Request

Important Reversal of Base Cuts, But Total Funding May Fall Short

This year’s International Affairs Budget request contains strong funding that is urgently needed to reverse the deep cuts to non-war programs (known as base funding) in recent years. With the \$2.5 billion cuts to base programs that occurred in the final FY15 “cromnibus,” base accounts are now 16% below FY10 levels. Building back base funding is critical not only for FY16 but also for the future, as funding through the Overseas Contingency Operations (OCO) account will

continue to decline. At the same time, the 2.4% increase in total resources for international affairs programs is likely to be insufficient to meet the array of demands on these programs.

War Funding – OCO – Dramatic Decrease

Building back base funding is an especially high priority as spending through the Overseas Contingency Operations (OCO) account is projected to continue to decline over the next few years and end by the end of 2020. The FY16 budget proposes sharp reductions for both Defense and International Affairs OCO accounts. DOD's level falls 20% compared to current spending, while International Affairs drops by 24%. Since the OCO peak in FY08, total Defense and International Affairs OCO funding has fallen from \$187 billion to \$58 billion in the FY16 request, a decline of 69%.

In this year's request, the Administration notes its intention to fully transition Defense and International Affairs OCO spending by moving funds (starting in FY17), that are not related to war operations or emergency needs from OCO to base. In the coming weeks, OMB will provide details of how this transition will take place, which OCO costs should be moved to base funding, and how Defense and International Affairs will budget for the uncertainty of future unforeseen crises and emergencies. The White House notes that such a transition will not be possible if sequester-level spending caps continue.

Focus on Key Security Challenges and Global Hotspots

There is no mistaking the tumultuous nature of the world today -- with crises such as Ebola, Ukraine, ISIL, Nigeria and Yemen – and the budget request prioritizes resources to tackle many of these hotspots and overall security challenges. A few key examples include \$3.5 billion for Syria and ISIS-related security programs, including \$1.6 billion for humanitarian relief programs; increased resources (\$513 million – nearly six times the level in FY14) requested for Ukraine-related programs; and more than double the aid (compared to FY14) requested for Central America and Mexico to address the root causes that prompt children and others to migrate to the United States.

Concerning Reductions: Humanitarian, Global Health, Democracy

While many programs receive flat or small increases in funding, the reductions proposed for humanitarian assistance, global health and democracy accounts are concerning. 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 three years,

there may be sufficient carry-forward resources available. However, this is premised that there are no new disasters and the costs of current crises don't spiral out of control. Also in question will be the reductions proposed for some Global Health programs. The Administration's \$8.2 billion request for Global Health is 3.2% below current levels and makes cuts to more than half of the programs within the account. While it is difficult to assess the full dimension of the budget request in support of Democracy programs, funding for the National Endowment for Democracy is down 23%.

A Robust Investment in Exports and Economic Development

Recognizing the critical importance of American global engagement to our own economic interests, the FY16 request proposes substantial increases for agencies that promote U.S. trade, investment, and opportunities for the private sector. For example, the Export-Import Bank operations budget increases 20%, Overseas Private Investment Corporation's (OPIC) grows by nearly one-third, and the Trade and Development Agency (USTDA) increases by 23%. Additionally, USAID's Development Credit Authority is provided an increase for the first time in five years.

Reforms and Effectiveness

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 FY16 request continues down this path of investing in State Department and USAID operating expenses, as well as a substantial – 39% -- growth for the Millennium Challenge Corporation, an agency that has been on the forefront of innovation, transparency, and learning for a decade. The Administration is also asking for greater flexibility in delivering humanitarian food aid. With the imminent departure of USAID Administrator Shah, the FY16 request signals that reforms and effectiveness will remain a high priority for the Administration.

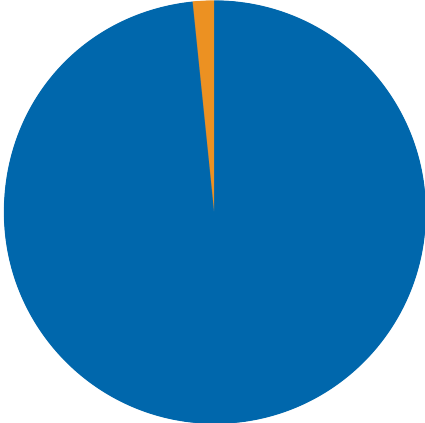
Included in this Update

- 1. Highlights of 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 FY16 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 FY16 International Affairs request will be released by the Administration at the end of February. Wherever possible, budget comparisons in this update are based on the FY16 request relative to current FY15 enacted appropriations for both base and OCO accounts. In some cases, however, especially concerning country and regional funding levels, the Administration has not yet determined FY15 allocations. In those instances, comparisons are between the FY16 request and FY14 actual amounts and are clearly noted.

The international affairs budget is just 1% of the total federal budget.



01 | Highlights of Increases and Decreases

With the FY16 International Affairs Budget request growing modestly, there are a number of accounts that receive increases. At the same time, although fewer in number, there are several accounts that decrease from FY15 levels. Significant account shifts are included in the chart below, while a comprehensive list can be found in an account-by-account comparison [here](#).

Selected FY15 Increases	
State Department Ops	Int'l Peacekeeping (all accts)
▲ 10.1% (\$791 million)	▲ 32.1% (\$832 million)
USAID Operating Expenses	USAID Capital Investment
▲ 17.2% (\$209million)	▲ 55.4% (\$72million)
Development Assistance	Economic Support Fund
▲ 19.7% (\$493 million)	▲ 29.3% (\$1,388 million)
Peace Corps	Millennium Challenge Corp
▲ 8% (\$30 million)	▲ 39.0% (\$350 million)
Non-Proliferation/Terrorism	International Monetary Fund
▲ 45.8% (\$314 million)	▲ \$62m (\$0 in FY15)
Global Environment Facility	Strategic Climate Fund
▲ 23.2% (\$31 million)	▲ 20.0% (\$10 million)
Green Climate Fund	Multilateral Debt Relief
▲ 150m (\$0 in FY15)	▲ \$125m (\$0 in FY15)
Global Ag. Food Security	Asian Development Fund
▲ \$43m (\$0 in FY15)	▲ 58.2% (\$61 million)
OPIC Administration	Trade & Development Ag
▲ 33.1% (\$21 million)	▲ 22.8% (\$14 million)

Selected FY15 Decreases	
Natl Endowment/Democracy	Global Health Programs
▼ 23.3% (-\$32 million)	▼ 3.2% (-\$273 million)
Intl Disaster Assistance	Migration & Refugees
▼ 8.1% (-\$154 million)	▼ 19.8% (-\$605 million)
Intl Narcotics/Law Enforcement	Intl Orgs & Programs
▼ 7.9% (-\$102 million)	▼ 8.5% (-\$29 million)
Food Aid (PL480)	
▼ 4.5% (-\$66 million)	

02 | Notable Program and Policy Issues

Protecting U.S. Security in a Turbulent World

As the world exploded in 2014 with multiple security threats and emergencies, maintaining adequate resources to address them became a serious challenge. The President proposed numerous changes to the pending FY15 budget proposal throughout the year regarding the crisis in Ukraine, the emergence of ISIL that exacerbated the on-going civil war in Syria, the surge of Central American unaccompanied minors, the Ebola epidemic, and expanding peacekeeping demands globally.

The FY16 request appears to address these global emergencies with robust funding increases in several cases, at least compared with FY14. What is not clear, however, is how the request compares with resource allocation plans for this year (FY15), an exercise that has not been completed. Therefore, comparisons with the eventual allocations for FY15 will be a far better measure to assess the degree to which the U.S. has sufficient resources to manage current crises and others that may eventually emerge in the coming year. Below are some specific highlights.

Countering ISIL and Managing the Crises in Syria and Iraq

The FY16 request includes a total of \$3.5 billion to counter ISIL, strengthen the moderate Syrian opposition, and bolster regional neighbors' capabilities to withstand threats to their security, roughly 13% more than FY14. Most of the increase is for additional support to the moderate Syrian opposition, which grows to \$255 million. This compares with \$330 million provided to these opposition forces since the civil war began in 2011, although no breakdown by year is available. Excluding humanitarian programs, Iraq — which had been on a “glide path” of declining U.S. assistance — will receive about the same as in FY14. Aid to Lebanon grows by 27% above FY14.

Bolstering Ukraine

Building on steps that began in 2014 to stabilize the Ukrainian economy and counter more recent Russian aggression, the \$513 million FY16 request for Ukraine is nearly six times more than the U.S. provided in FY14. Aid to Moldova will more than double compared with FY14 while Georgia's assistance package is one-third higher, all aiming to strengthen security, economic reforms, and democratic efforts of these countries.

Focusing on Root Causes of Central American Migration

In further response to the surge of unaccompanied minors from Central America flowing across the U.S. southwest border in 2014, the FY16 request proposes a significant new package - \$1.14 billion for Central America and Mexico, more than double the amounts provided in FY14. The aid package is intended to support a new "U.S. Strategy for Engagement in Central America." Support for El Salvador, Guatemala, and Honduras will grow to \$508 million, more than four times levels in FY14. These investments will prioritize efforts to reduce poverty, counter corruption, and enhance security. In FY14, only 1.5% of total U.S. assistance went to Central America and Mexico.

Countering Terrorism, Violent Extremism, and Related Crisis Response

In a 2014 speech at West Point, the President called for the creation of a \$5 billion Counterterrorism Partnerships Response Fund as a joint Defense and State Department effort to fight terrorism, with \$1 billion slated for civilian side, largely going to train moderate Syrian opposition forces. Since Congress did not act on the proposal, the Administration is again asking for resources, but at reduced funding levels. The FY16 request seeks \$390 million for the State Department portion of the Fund and separately, as noted above, \$255 million for moderate Syrian forces. The \$390 million proposal will focus on capacity-building efforts with partners in the Middle East, North Africa and the Sahel, South and Central Asia, and elsewhere in support of U.S. national security and that of our allies.

Peacekeeping: Additional Resources for Resolving Conflict

With demands for global peacekeeping operations continuing to surge in hotspots such as Liberia, Darfur, South Sudan, and Central African Republic, the State Department seeks \$2.9 billion for assessed contributions to U.N. peacekeeping operations, a 38% increase compared with FY15. The FY16 package consists of \$2.55 billion for on-going PKO operations and \$380 million for unmet FY15 assessments. Similar to a request made last year, the State Department also is requesting \$150 million for a Peace Operations Response Mechanism, a tool that could be drawn upon for unanticipated peacekeeping missions that emerge between budget cycles.

PEACEKEEPING HIGHLIGHTS

	FY15 ENACTED	FY16 REQUEST	CHANGE
UN Peacekeeping	\$2.12 billion	\$2.93 billion	▲ 38%
Non-UN Peacekeeping	\$474 million	\$495 million	▲ 4%
Peace Ops Response	\$0 million	\$150 million	N/A
TOTAL	\$2.59 billion	\$3.56 billion	▲ 37%

Humanitarian Aid: Demands Rising, Resources Declining

Last year for the first time in the 53-year history of the Agency, USAID had four disaster response teams deployed globally. Not only have the number of emergencies grown, but operations are more complex as responders attempt to reach victims located in war zones. For these reasons, the reductions proposed by the Administration for a range of humanitarian programs is certain to raise deep concerns, including from Congress, which is calling for expansion, not a reduction in U.S. resources to respond to these human tragedies. The \$5.64 billion FY16 request for the four primary disaster relief and refugee accounts represents 13% less than allocated this year. (Including the \$1.4 billion FY15 emergency funding from humanitarian accounts for Ebola would make the decline for FY16 significantly larger). Especially hard hit are refugee programs that would fall 20% below current amounts.

The Administration believes that with an estimated \$515 million in excess funds from this year, the FY16 request will be able to meet projected demands for next year. Yet, even with these excess amounts, total resources in FY16 will fall about 6% below levels of the past two years. Should the trends of recent years continue, it is doubtful that the requested budget will be adequate.

HUMANITARIAN FUNDING

	FY15 ENACTED	FY16 REQUEST	CHANGE
Disaster Aid	\$1.9 billion	\$1.74 billion	▼ 8%
Refugees	\$3.06 billion	\$2.45 billion	▼ 20%
Emergency Refugees	\$50 million	\$50 million	Flat
Food Aid	\$1.47 billion	\$1.4 billion	▼ 4.5%
TOTAL	\$6.47 billion	\$5.64 billion	▼ 13%

Afghanistan and Pakistan Commitments

Overall, the FY16 request proposes about \$3.39 billion to cover diplomatic operations and foreign assistance costs in Afghanistan (\$2.48 billion) and Pakistan (\$917 million). As our military operations continue to draw down, the FY16 proposal for Afghanistan foreign assistance is 28% higher than FY14, although once FY15 allocations are decided the FY16 figure may turn out not to be such a sizable year-over-year increase. Yet, the FY16 request is 63% less than was provided in FY10. The increase compared to FY14 largely reflects the fact that Congress cut Afghan funding deeply that year, noting the existence of a substantial pipeline of resources from prior-year appropriations. For Pakistan, the FY16 request proposes \$804 million in foreign assistance, a 10% cut from FY14. This level is less than half the amount provided five years ago, continuing downward “glide-path” of the past several years.

Presidential Initiatives: Reinvesting in Current Priorities

Early in President Obama’s first term, the White House launched three cornerstone initiatives that remain priorities of U.S. foreign aid efforts: Feed the Future, Global Health, and Global Climate Change. The FY16 budget request presents a somewhat mixed picture and proposes no new initiatives that rise to the level of these three signature efforts.

Feed the Future

The bilateral component of the FY16 request for Feed the Future, funded through USAID, is flat from FY14 and most likely will be similarly flat from 2015 when those figures are released. The multilateral component of the request, funded through the Treasury Department and comprising U.S. contributions to the Global Agriculture and Food Security Program (GAFSP), grows by \$43 million. The U.S. pledge to GAFSP is limited to committing \$1 dollar for every \$2 dollars provided by other donors, up to a total of \$475 million. Because contributions from other donors have lagged, no funding was needed for GAFSP in FY15. The \$43 million in this year's request is sufficient to match the \$86 million in new commitments that have since been made by other donors.

Global Health

Cuts proposed for the Global Health portion of the FY16 budget are likely to raise significant concerns and opposition from various quarters. While still representing one of the largest components of the FY16 budget (14.9%), the Administration's \$8.18 billion request reduces Global Health spending by 3.2% with cuts to about half of the elements that fall within health accounts.

The largest reduction comes for the Global Fund to Fight AIDS, TB, and Malaria, the multilateral arm of PEPFAR, falling 18% below the current level and one-third less than in FY14. In the most recent Global Fund pledging conference covering FY14-FY16, the Obama Administration committed to provide \$1 for every \$2 transferred by other donors, up to a total of \$5 billion over three years. The U.S. pared back its contribution in FY15 to \$1.35 billion based on projected global pledges and contributions, and reduced its contribution further in the FY16 request to \$1.107 billion based on confirmed pledges and contributions. The Global Fund, however, anticipates additional pledges and contributions in the current replenishment cycle.

As shown below, other parts of Global Health would decline in FY16, including those for TB, vulnerable children, nutrition, neglected tropical diseases, and global health security. Bilateral PEPFAR and the USAID HIV/AIDS program remain flat compared with FY15, while funding for malaria and family planning grow by modest amounts. Although bilateral PEPFAR remains at the FY15 level, the request includes \$300 million for a new PEPFAR Impact Fund. PEPFAR will draw from the Fund to reward countries that are taking steps to realign their own HIV/AIDS budgets to focus on the highest-burden areas in their countries.

USAID has placed increasing importance on ending preventable child and maternal deaths in recent years, a priority that continues in the FY16 budget with a 7.7% increase for maternal and child health. The major driver in a higher maternal and child health funding level is the recent U.S. pledge of \$1 billion to the GAVI Alliance over four years to support new vaccines. The \$235 million GAVI request is 17% higher than provided in FY15.

GLOBAL HEALTH FUNDING

	FY15 ENACTED	FY16 REQUEST	CHANGE
Bilateral PEPFAR	\$4.32 billion	\$4.32 billion	Flat
Global Fund	\$1.35 billion	\$1.11 billion	▼ 18.0%
HIV/AIDS (USAID)	\$330 million	\$330 million	Flat
Malaria	\$670 million	\$674 million	▲ 0.6%
Tuberculosis	\$236 million	\$191 million	▼ 19.1%
Maternal/Child Hlth	\$715 million	\$770 million	▲ 7.7%
Vulnerable Children	\$22 million	\$14.5 million	▼ 34.1%
Nutrition	\$115 million	\$101 million	▼ 12.2%
Family Planning	\$524 million	\$538 million	▲ 2.7%
Neg. Tropical Dis	\$100 million	\$86.5 million	▼ 8.7%
Glob Health Security	\$72.5 million	\$50 million	▼ 31.0%
TOTAL GLOBAL HEALTH	\$8.45 billion	\$8.18 billion	▼ 3.2%

Global Climate Change

Consistent with the President's State of the Union commitment last month to address climate change, the FY16 request includes nearly \$1.3 billion for the Global Climate Change Initiatives (GCCII). This represents a 55% increase from FY14 and will likely be similarly higher than FY15 once those allocations have been decided.

The FY16 increase is largely focused on a new multilateral climate finance mechanism, the Green Climate Fund (GCF), for which \$500 million is proposed—split between the State Department (\$350 million) and the Treasury Department (\$150 million). The President announced a \$3 billion pledge to the GCF in November 2014. Presently, total pledges to the Fund, from the U.S. and other donors, exceed \$10 billion. Given the size of GCF request and significant policy differences between the White House and some in Congress, this proposal is likely to receive close scrutiny on Capitol Hill.

Advancing Economic Prosperity at Home and Abroad

A key theme in the FY16 International Affairs request is the priority placed on programs that promote global economic growth through expanding trade and private investment, prioritize building economic capacity, and facilitate opportunities for American businesses to participate in those efforts. Budgets for the Overseas Private Investment Corporation (OPIC), the Export-Import Bank, the U.S. Trade and Development Agency (USTDA), and USAID's Development Credit Authority each receive boosts in their capacity to advance American economic interests and expand the private sector globally.

OPIC

Funding for OPIC's operations budget in FY16 grows by one-third and will support \$3.6 billion in loans, risk insurance, and loan guarantees. Over its thirty-seven year history, OPIC has been a self-sustaining, self-funded entity and expects to return over \$260 million to U.S. government coffers next year. The FY16 request will support several key U.S. foreign policy priorities including financing for Power Africa focus countries and the Administration's partnership with Asia for sustainable power and energy infrastructure projects in the region.

Export-Import Bank

The Ex-Im Bank requests \$134 million for operation costs, up 9% from current levels. The Bank estimates that its credits will support nearly \$28 billion in lending activity next year, efforts that will return more than \$875 million to the U.S. Treasury. Like OPIC, the Ex-Im is self-sustaining and an important U.S. tool in supporting and maintaining American jobs.

U.S. Trade and Development Agency (USTDA)

The FY16 budget request for USTDA receives a strong increase, 23% higher than current levels, with a proposed \$73.7 million appropriation. In FY14, USTDA estimates that its activities led to \$5.8 billion in exports and generated \$76 in American sales abroad for every \$1 in program funds. According to USTDA, the \$13.7 million budget increase for next year will potentially generate an additional \$1 billion in American exports.

USAID's Development Credit Authority (DCA)

USAID proposes \$9.2 billion for the operational costs of its Development Credit Authority, up 13% from this year. DCA credits are available to support a wide variety of USAID development investments, including those in agriculture, health, climate change mitigation, and transactions related to Power Africa. In its 16-year history, DCA has mobilized over \$3.7 billion in local private financing.

Commitments to Innovations and Reforms

With budgets failing to keep up with global demands, the need to spend smarter on international affairs programs has never been greater. Efficiency improvements have been made across many international affairs agencies, including the MCC and USAID. The Administration's request also includes another attempt to reform food aid to allow more beneficiaries to be reached at the same cost.

Millennium Challenge Corporation

The FY16 budget request proposes \$1.25 billion for the MCC, a \$351 million (39%) increase from this year. This would provide the MCC with its first significant boost since FY10, and it would allow the Corporation to develop its first ever compact with South Asia (Nepal) and prepare for compacts with the Philippines and Mongolia.

The MCC is widely acknowledged and recognized for the extent to which partner countries are selected based on performance indicators, its rigorous monitoring and evaluation system, and the emphasis on transparency and the use of data for tracking project results and impact.

In its FY16 request, the MCC is also seeking legislative authority for “concurrent” compacts, allowing it to maintain two compacts with a country at the same time. This would allow the MCC to more effectively pursue a regional approach, leverage economies of scale, and potentially achieve higher rates of return.

USAID Global Development Lab

The FY16 request proposes a total of \$165 million for the Global Development Lab, a 43% increase from FY14 levels. Some of the tools developed by the Lab, which is intended to increase the application of science, technology and innovation to U.S. development programs, were used to help battle the Ebola outbreak in West Africa. Other areas where the Lab has contributed to overall USAID efforts to improve aid effectiveness include: driving down costs and, at the same time, scale up in areas such as preventing mother-to-newborn HIV transmission, expanding access to safe drinking water and electricity, reducing newborn deaths, and improving urban sanitation.

Food Aid Reform

The FY16 request proposes \$1.4 billion, 4.5% less than current levels, for the Food for Peace (P.L.480/Title II) program. But for the third year in a row, the request also proposes a reform, which, if enacted, would improve the program’s effectiveness. The Administration proposed a dramatic reform of the program in its FY14 request that would have permitted up to 45% of its funding to be used flexibly, including the purchase of commodities located near the places of need and as cash assistance. While Congress rejected this proposal, it did adopt a more modest approach that USAID estimates will allow U.S. food aid to reach some 800,000 additional beneficiaries with the same level of funding.

In an attempt to make further progress, the Administration submitted a more modest proposal last year, limiting to 25% the share of the program’s funding that could be used flexibly. Congress did not act on that request and for FY16 the Administration seeks the same flexibility which USAID estimates would, at the same cost, allow it to reach approximately two million more emergency beneficiaries annually.

Africa: Following Through on Presidential Commitments

During the President's trip to Africa in June 2013 and at the U.S.-Africa Leaders Summit in August 2014, the White House issued a number of commitments to promote partnerships, democratic governance, and economic growth across the continent. The FY16 request builds on these initiatives with resources of \$268 million, 160% higher than provided in FY14. The package focuses on five areas:

- **Power Africa** (\$76.7 million): backs State Department and USAID support for the \$7 billion initiative, primarily financed by OPIC, Export-Import Bank, and the MCC, to bring increased access to reliable, affordable, and sustainable power across Africa.
- **Trade in Africa** (\$47.2 million): supports an expansion of trade within Africa and with the United States and global markets, including the creation of trade and investment hubs in three African countries.
- **African Peacekeeping Rapid Response Partnership** (\$110 million): funds the second year of a U.S. effort to strengthen the capacity of African militaries to deploy peacekeepers to global hot spots.
- **Security Governance Initiative** (\$24.1 million): in collaboration with DOD, aims to improve security sector governance and capacity in six African nations.
- **Young African Leaders Initiative** (\$10 million): brings 1,000 (by FY16) young African leaders annually for six weeks of training and internships at businesses and public institutions across the United States.

Sustaining Civilian Capacity

The FY16 request increases funding aimed at rebuilding the civilian capacity at both the State Department and USAID and maintains the agencies' focus on achieving greater accountability, transparency, and results for our foreign assistance programs.

State Department

The State Department budget for Diplomatic and Consular Programs, which funds personnel, infrastructure support and operations costs, receives more than a 10% increase in the FY16 request. This will cover higher funding for a wide variety of costs associated with maintaining the U.S. diplomatic presence abroad, including both people costs, and security-related activities. In terms of personnel, the request would cover increases in pay and other benefits and seek a very modest number of new hires—including 39 new U.S. direct hire positions (12 Foreign Service and 27 Civil Service). In addition, the FY16 request pursues a number of efficiency savings to offset the impact of both domestic and overseas inflation, and supports improved financial transparency and accountability.

The State Department's FY16 request includes some \$3.4 billion in its operations budget for Worldwide Security Protection, an increase of nearly 9%. It also proposes \$2.22 billion for Embassy Security, Construction and Maintenance. Although this is a slight (-4%) decline from FY15, the reduction is entirely due to lower OCO funding requirements. More importantly, the request includes funding for the construction of up to five new secure facilities. This funding level is consistent with the Benghazi Accountability Review Board's (ARB's) recommendations made after the Benghazi Consulate attack of September 2012. The request also proposes funding to begin construction of the Foreign Affairs Security Training Center, a consolidated facility to train Diplomatic Security agents and other foreign affairs staff.

USAID

The Administration proposes a 17% increase in the USAID Operating Expenses budget in FY16. The higher request is needed in part to compensate for decreases in non-appropriated funding sources, such as carryover, recoveries, reimbursements, and trust funds that support operations. The proposed plus-up will also allow the agency to continue to implement its ambitious "USAID Forward" reforms. Begun at the start of the Obama Administration, this initiative is aimed at strengthening the Agency's evaluation and learning capabilities, building capacity in partnership countries so they are better equipped to manage their own development needs, and making USAID more transparent and

accountable. In addition, the proposed increase will allow USAID to some cost growth in other areas such as salaries, overseas and Washington operations, security, IT and other support activities.

International Financial Institutions: Another Try at IMF Reform

Once again, the Administration seeks appropriations and authorization language for the International Monetary Fund (IMF) that would allow the U.S. to approve a set of reforms at the Fund. The reforms, negotiated in 2010, adjust financial accounting and allow for IMF governance to be modernized to better reflect the economic weights of member countries, while preserving U.S. leadership and veto power. The reforms cannot take effect until Congress approves the measure, which has yet to happen.

In total, the FY16 request for multilateral development banks and voluntary contributions to international organizations totals \$3.13 billion, almost 13% more than provided this year. But, as in past years, the funding picture is mixed among the over 40 organizations and institutions that comprise these programs:

- Voluntary contributions to international organizations fall by about 8% in the request, with much of that reduction due to a cut (-21%) to the U.N. Development Program. Contributions to UNICEF and the U.N. Population Fund are held flat.
- Overall, funding for international financial institutions increases by nearly 16% with the largest growth set for the new Green Climate Fund (\$150 million) and contributions to a debt relief initiative of the World Bank's International Development Association and the African Development Fund (\$111 million), which received no funding in 2015.

03 | Snapshot of Country and Regional Funding

As in previous years, the FY16 budget request includes funding levels for each country and region. However, since decisions on how FY15 funds will be allocated by country have not yet been made, it is not possible to compare FY16 proposals with current levels. Therefore, comparisons below in this snapshot are made against FY14 amounts.

Africa

For FY16, Africa receives \$6.8 billion (excluding food aid), 5.5% higher than FY14 allocations. Aid to several African countries will grow compared with FY14 largely due to higher PEPFAR, Development Assistance and ESF levels: Cote d'Ivoire, Democratic Republic of Congo, Kenya, Guinea, Sierra Leone, Somalia, and South Africa. Conversely, assistance to Nigeria will decline because of PEPFAR reductions while aid to Rwanda will decline due to cuts in Development Aid.

East Asia/Pacific

Building on the Administration's Asia-Pacific rebalance, assistance to countries in the region grows by nearly 10% in FY16 to \$846 million. Programs in Indonesia (+36%), Laos (+33%) and Vietnam (+19%) show the highest gains. Mongolia aid declines following the closure of USAID's mission.

Europe and Eurasia

Following seven years of declining assistance to Europe and Eurasia, the crisis in Ukraine has reversed this trend with \$953 million requested for FY16, 81% higher than in FY14. The growth proposed for FY16, however, is heavily concentrated in three countries: Ukraine, Moldova, and Georgia. For the other ten nations supported with U.S. assistance, each receives about the same as in FY14 or are scheduled for small cuts.

Middle East and North Africa

The Middle East continues as the largest regional recipient of U.S. assistance in FY16 \$7.3 billion requested, up 4% from FY14 amounts. Nearly all of the higher level is due to countering ISIL and supporting the moderate Syrian opposition and rising aid levels for Lebanon (+27%), Tunisia (+133%), Libya (more than double) and Yemen (more than double). Aid to Israel, at \$3.1 billion, is the same as in FY14 and FY15. Amounts proposed for Egypt, Jordan, and Iraq would fall slightly compared with FY14.

South and Central Asia

Aid levels for South and Central Asia are \$2.86 billion for FY16, a 9% increase compared with FY14. As noted above, the growth for Afghanistan (+28%) is the main reason for the increase. Aid to Pakistan falls by 10%. Assistance for Bangladesh and the Kyrgyz Republic will grow somewhat while aid to India and Tajikistan declines slightly.

Latin America

Aside from Europe and Eurasia, assistance to countries in the Western Hemisphere, at \$1.99 billion, grows the largest compared to other parts of the world – 35% higher than FY14. All of the increase, as previously noted, is the result of a more than doubling of assistance to Central America. Amounts for Colombia (-13%) and Haiti decline.

04 | What's Ahead

Administration officials will begin testifying before Congress this week on the President's FY16 Budget request, with OMB Director Shaun Donovan testifying before the Senate Budget Committee tomorrow and before the House Budget Committee on Wednesday. Both the House and Senate will move expeditiously on their own FY16 budget resolutions, each of which will set out far different priorities than the Administration's request. The House and Senate are expected to move the budget resolutions through each chamber by the end of March.

05 | Additional Information and Resources

- [President's FY16 Budget](#)
- [FY16 Department of State, Foreign-Operations Congressional Budget Justification](#)
- [FY16 Department of State and USAID Factsheet](#)

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

- [Account-By-Account Details](#)