



# **International Affairs Budget Proposal Slightly Down: Growing Concern Over U.S. Ability to Keep Pace with Global Challenges**

Analysis of the Administration's FY17  
International Affairs Budget Request

February 9, 2016

# Introduction

The FY17 budget request, released today, is a byproduct of the broader two-year budget deal reached by Congress and the Administration late last year. The good news is that the two-year deal prevented draconian cuts which would have taken place under sequestration and allowed for much-needed relief in funding for International Affairs and other discretionary programs in FY16. However, in FY17 and in keeping with the deal, the Administration's proposal for overall discretionary spending in FY17 is essentially flat from current levels.

Reflecting this constrained budget, the request includes **\$54.1 billion** total for the International Affairs Budget, **approximately \$400 million (1%) below this year's level**, and is again made up of two funding streams:

- **\$39.3 billion in base funding**, which includes funding for long-term programs that make up the core of our development and diplomacy programs overseas. Since FY10, this portion of the International Affairs Budget has shrunk by 30% .
- **\$14.9 billion in Overseas Contingency Operations (OCO) funding**, which includes funding for emergencies and temporary programs such as programs to combat ISIS or respond to humanitarian disasters. In the last six years, the OCO portion of the budget has nearly tripled in size and now includes a significant number of programs that have historically been funded through the base budget.

Because the FY17 request is the second year of the two-year budget deal, the proposal is similar to last year's decision to depend heavily on OCO funding for a significant portion of the International Affairs Budget.

It is also important to note, in response to the emerging concern over the Zika virus, the Administration announced earlier this week that it would request \$1.8 billion in emergency funding for a government-wide effort to respond to this threat, both here at home and abroad. While the bulk of the funding would go to the Department of Health and Human Services, the State Department and USAID would receive \$376 million of the request.

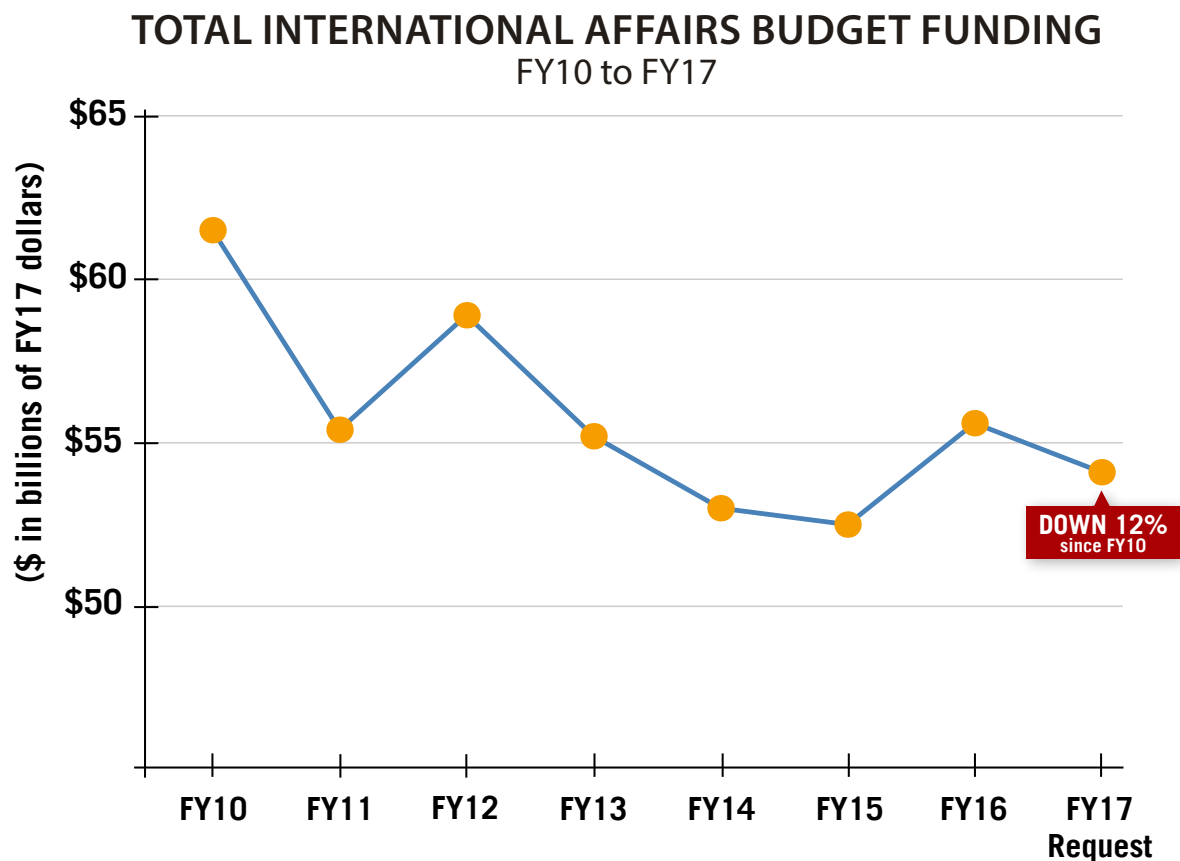
**Given the increasingly complex world we are facing, the downward trajectory of the International Affairs Budget exposes the danger our nation faces by not keeping pace with the growing global challenges. We urge Congress to support no less than the Administration's requested funding level for the International Affairs Budget.**

# Here are nine things you need to know about the FY17 budget request for International Affairs:

## 1. As World Crises Grow, Funding to Meet Challenges Does Not Keep Pace

While the two-year budget deal provided necessary relief for International programs as compared to the prospects of sequestration, the overall International Affairs Budget proposal is still down 1% from current levels. Since FY10, the first year the Administration began including OCO funding, International Affairs programs have been cut 12%.

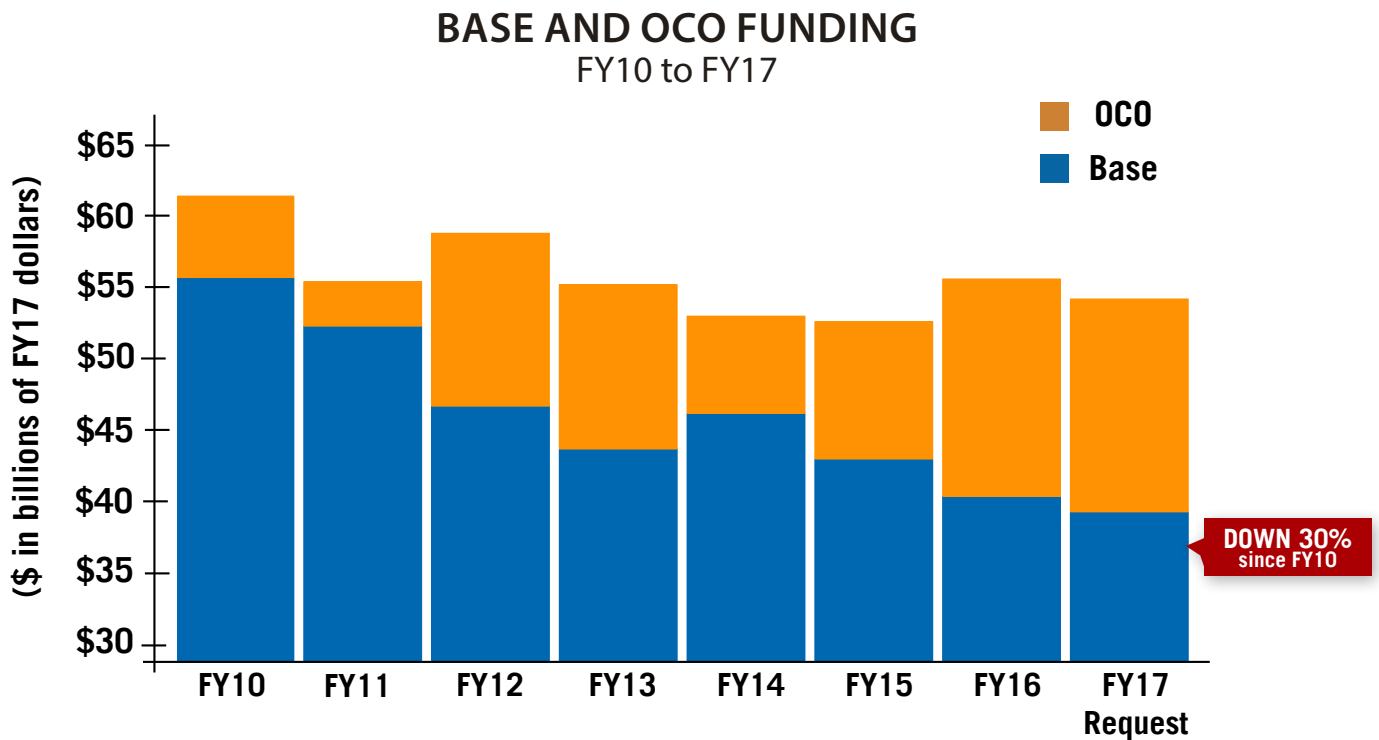
Given the growing crises and increasing complexities the United States is facing around the world—from ISIS, the Syrian refugee crisis, and a historic number of displaced people; Russia’s aggression in Eastern Europe; an increasingly competitive China; growing concern over pandemics like the Zika virus; and unexpected natural disasters—the downward funding trend is very concerning.



## 2. Growing Dependence on “Wartime” Funding is Dangerous for Long-Term

The two-year budget deal reached last year increased the OCO budget by some 60% over the FY15 level. This helped provide significant relief from the devastating cuts that would have occurred under sequestration. That’s good news. However, this growth in OCO has also made the International Affairs Budget dangerously dependent on a funding mechanism that

is intended to cover only temporary, generally war-related, programs. Since FY10, OCO has increased from 9% to nearly one-third (28%) of total International Affairs spending. Even more concerning, base funding has been cut by 30% over that same period.

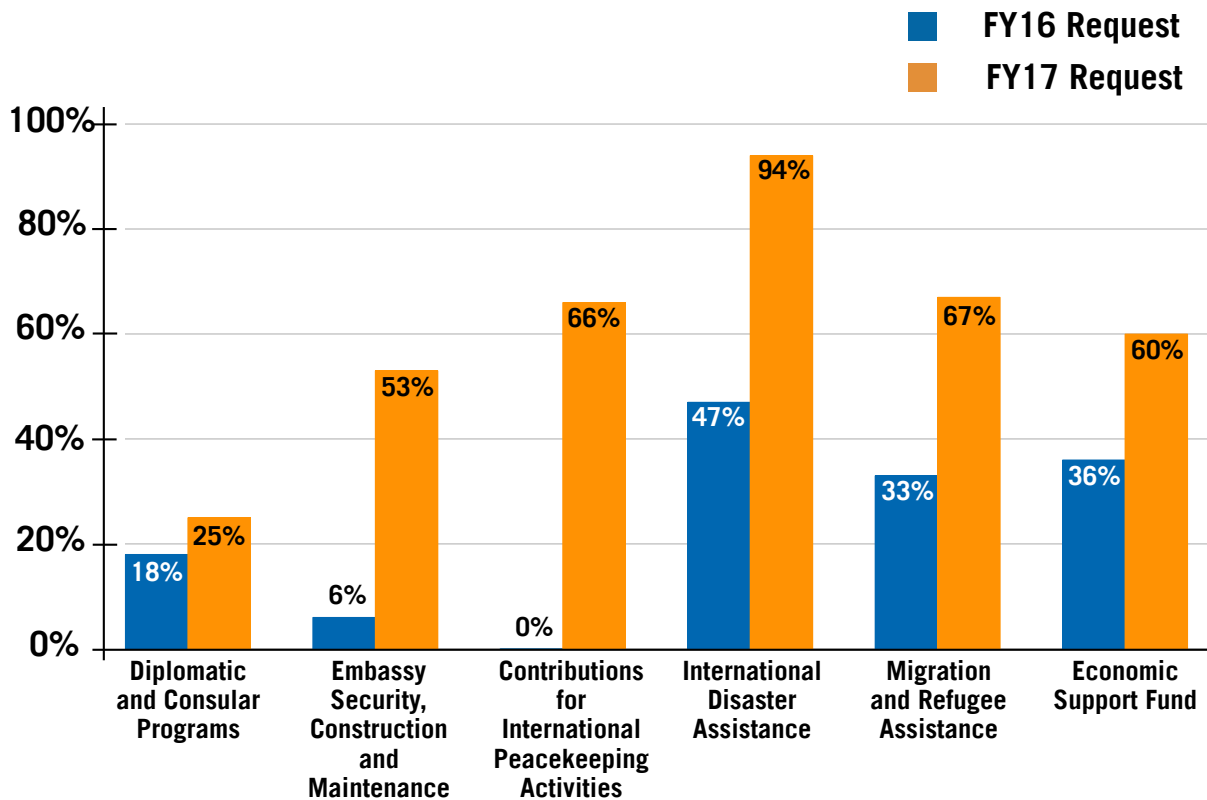


### 3. Dependence on OCO Not Only Deep, But Broad

The greater dependence on OCO also means that a broad range of programs and accounts that are designed to meet long-term commitments (and historically funded in the base budget) now receive a significant share of their funding through a temporary funding mechanism. The flexibility agreed to by Congress and the Administration in the budget deal to transfer programs from base to OCO is best exemplified by our assistance package to Jordan, one of our most enduring and long-term strategic allies. The Administration’s request shifts nearly 100% of U.S. assistance for Jordan to OCO, up from just 35% in FY15.

Given the strain on discretionary spending writ large, the ability for policymakers to shift programs into OCO has provided a critical “relief valve” to maintain U.S. engagement overseas. While this is very helpful in the short-term, Congress and the Administration must address this trend to significantly strengthen long-term resources to advance our national security and America’s leadership in the world.

## BREAKDOWN: SHARE OF OCO IN ADMINISTRATION'S REQUEST FOR KEY ACCOUNTS FY16 and FY17



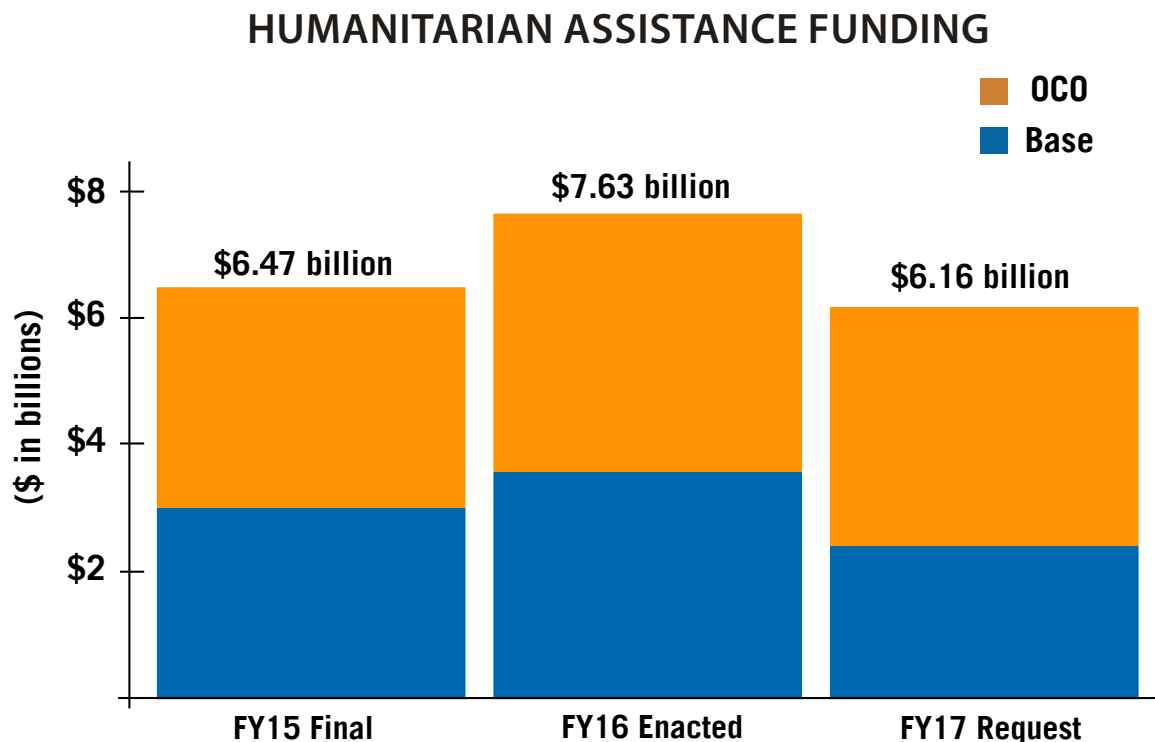
#### 4. Administration Prioritizes Countering ISIS and Other Global Hotspots

The FY17 request once again prioritizes responding to conflicts and hotspots around the world, particularly the campaign against ISIS in Syria and Iraq and the enormous humanitarian crisis that has resulted. The request includes \$4 billion, 19% more than in FY15, to counter the terrorist group, strengthen the opposition, bolster the capabilities of partners in the region, and provide relief to the millions of people who have been displaced in and outside of Syria. Of the \$4 billion proposed for this effort, roughly half is for Humanitarian Assistance.

The request also includes \$187 million to counter violent extremism in places like Nigeria and Somalia through both economic and security assistance and \$80 million for the Counterterrorism Partnerships Fund (CTPF) to expand the resources available for counterterrorism capacity-building efforts around the world. Finally, the Administration's request continues to place a high priority on countering Russian aggression by requesting \$951 million—more than a 25% increase—to bolster bilateral and regional programs in Ukraine, Georgia, Moldova, and countries in Central Asia.

## 5. After Major Increase in FY16, Humanitarian Assistance Funding Sees Cut

The unprecedented turmoil across the globe has led to a historic number of displaced people—60 million—in need of support, and to that end, the FY16 Omnibus bill included a significant increase in funding for Humanitarian Assistance. By contrast, the FY17 request proposes to cut Humanitarian Assistance by \$1.5 billion (19%) to \$6.2 billion. This funding would be focused on responding to the four level-3 humanitarian crises (the highest designation)—in Syria, Iraq, South Sudan, and Yemen—all of which require substantial assistance to save lives.



Perhaps no other part of the International Affairs Budget has experienced a more dramatic surge in demand over the past five years, and the request will certainly draw questions on whether there is adequate funding. According to Administration officials, the need to strike a balance between emergency response and the development programs that can reduce future humanitarian needs—and the significant increase in FY16—resulted in the decrease in this year’s very tight budget environment. However, if the recent trends in the numbers of displaced people continue, the request could prove inadequate.

## 6. Emergency Funding for Zika Underscores Need to Respond to Infectious Diseases

In response to the growing threat posed by the Zika virus and the already strained International Affairs Budget, the Administration requested \$376 million in emergency funding for USAID (\$335 million) and State (\$41 million) and the flexibility to use remaining Ebola funding (appropriated in FY15) to combat the virus. This is part of a broader government-wide \$1.8 billion request and would not count against the budget caps or be included in OCO.

## **7. Administration Starts New Push to Fight Malaria in Global Health Account**

The FY17 request reflects the President's State of the Union promise to combat malaria when he said: *"Right now, we're on track to end the scourge of HIV/AIDS. That's within our grasp. And we have the chance to accomplish the same thing with malaria—something I'll be pushing this Congress to fund this year."* The budget proposes to increase malaria-related funding by \$200 million, or 30% above current levels, in an effort to more quickly eradicate the disease. Approximately \$71 million of this additional funding would be new money within the Global Health Programs account and \$129 million would come from the remaining Ebola emergency funding (appropriated in FY15).

Although there are fluctuations in specific programs, the request for Global Health Programs increased slightly to \$8.6 billion in FY17 with a focus on creating an AIDS-free generation, ending preventable child and maternal deaths, and protecting communities from infectious diseases.

## **8. International Economic Tools a Priority, Again**

The FY17 request pluses up funding for a range of different agencies and programs focused on creating an enabling environment for economic growth and U.S. trade, exports, and investments. The proposal includes \$1 billion for the Millennium Challenge Corporation (MCC), an 11% increase above current levels—which will allow the organization to move forward with three additional compacts and two additional threshold programs.

Additionally, the Overseas Private Investment Corporation's (OPIC) budget grows by nearly one-third, while funding for the U.S. Trade and Development Agency (USTDA) is increased by 35%. The request also includes a 24% increase for USAID's Credit Development Authority. The increases will help leverage private financing for development, promote market-based economies overseas, and expand U.S. exports, trade, and jobs here at home.

## **9. Sustaining and Improving Our Civilian Capacity Remain Critical**

With the growing pressures of increased regional conflict, maintaining operations and personnel capacity remains an essential priority. The FY17 request includes \$11 billion (6% increase) to support America's global diplomatic presence, including \$8.7 billion to cover State personnel costs and \$2.4 billion for the construction and maintenance of diplomatic facilities. The bulk of the rather lean increase will go to enhanced security for U.S. personnel and overseas facilities, including those in conflict zones. As in the past, International Affairs agencies like the State Department, USAID, and MCC continue to pursue a broad range of reforms that enhance the effectiveness of programs and civilian capacity—a priority Policymakers should continue to pursue.

## Included in this Analysis

- I. Highlights of Funding Increases and Decreases
- II. Other Notable Policy and Program Issues
- III. Snapshot of Country and Regional Funding
- IV. What's Ahead
- V. Additional Information and Resources
- VI. Account-by-Account Details

## About this Analysis

Wherever possible, budget comparisons in this analysis are based on the FY17 request relative to FY16 enacted appropriations for both base and OCO accounts. In some cases, however, especially regarding country and regional funding levels, the Administration has not yet determined FY16 allocations. In those instances, comparisons are between the FY17 request and FY15 actual amounts and are clearly noted.



# I. Highlights of Funding Increases and Decreases

Selected FY17 Increases	
<b>State Department Ops</b>	<b>Embassy Security &amp; Maintenance</b>
▲ 6.0% (\$488 million)	▲ 6.1% (\$135 million)
<b>USAID Operating Expenses</b>	<b>USAID Capital Investment</b>
▲ 9.5% (\$122 million)	▲ 18.8% (\$32 million)
<b>Global Health Programs</b>	<b>Development Assistance</b>
▲ 1% (\$73 million)	▲ 6.4% (\$179 million)
<b>Economic Support Fund</b>	<b>U.S. Institute for Peace</b>
▲ 41.3% (\$1.8 billion)	▲ 7.3% (\$3 million)
<b>Millennium Challenge Corporation</b>	<b>Trade &amp; Development Agency</b>
▲ 11.0% (\$99 million)	▲ 34.5% (\$21 million)
<b>International Trade Commission</b>	<b>Transition Initiatives</b>
▲ 4.5% (\$4 million)	▲ 15.8% (\$11 million)
<b>Treasury Technical Assistance</b>	<b>African Development Fund</b>
▲ 42.6% (\$10 million)	▲ 22.0% (\$39 million)
<b>Intl Development Association</b>	<b>OPIC Administration</b>
▲ 15.6% (\$187 million)	▲ 40.2% (\$25 million)
<b>North American Development Bank</b>	
▲ 350% (\$35 million)	

Selected FY17 Decreases	
<b>Natl Endowment for Democracy</b>	<b>International Disaster Assistance</b>
▼ 39.1% (-\$67 million)	▼ 30.0% (-\$837 million)
<b>Migration &amp; Refugees</b>	<b>Intl Narcotics/Law Enforcement</b>
▼ 8.7% (-\$267 million)	▼ 6.1% (-\$73 million)
<b>Non-Proliferation/Terrorism</b>	<b>Intl Peacekeeping (all accounts)</b>
▼ 24.5% (-\$217 million)	▼ 6.2% (-\$191 million)
<b>Intl Organizations &amp; Programs</b>	<b>Clean Technology Fund</b>
▼ 1.8% (-\$6 million)	▼ 100% (-\$171 million)
<b>Strategic Climate Fund</b>	<b>Food Aid (PL480)</b>
▼ 100% (-\$60 million)	▼ 21.3% (-\$366 million)

## II. Other Notable Program and Policy Issues

### Protecting U.S. Security in a Turbulent World

To confront the growing challenges facing the United States—from ISIS and the Syrian refugee crisis, to Russia’s continued aggression in Eastern Europe, and numerous other complex challenges—the Administration’s FY17 request continues last year’s trend of more distinct programs aimed at protecting U.S. security and interests abroad and includes significantly more money than what was provided in FY15. It will be important to monitor how Congress reacts to these security components both broadly—given the vitriol among some Members to the President’s handling of foreign policy—and to the individual pieces of each, namely the cut in Humanitarian Assistance proposed in the request.

## **Countering ISIS and Managing the Crises in Syria and Iraq**

As noted earlier in the analysis, countering ISIS and managing the crises in Syria and Iraq is a major focus of the FY17 request. The Administration proposes to spend a total of \$4 billion on this effort in FY17, 19% more than in FY15. This includes:

- \$239 million to help achieve a political solution in Syria and counter extremist threats.
- Bilateral assistance to Jordan (\$1 billion), Iraq (\$510 million) and Lebanon (\$234 million) to support long-term development, help implement needed reforms, and respond to the ongoing crisis in the region. Iraq received the largest increase, including \$260 million to support a \$1 billion sovereign loan guarantee to help stabilize the country's economy.
- The remainder of the \$4 billion requested for FY17 is primarily for Humanitarian Assistance to help partners and allies in the region provide life-saving support to the 6.5 million internally displaced persons and 4.6 million refugees living outside Syria.

## **Countering Terrorism, Violent Extremism, and Related Crisis Response**

For the past two years, the Administration has requested funding for a Counterterrorism Partnerships Fund (CTPF) to expand the resources available for counterterrorism capacity-building efforts around the world. This year's request is for \$80 million, 60% more than provided in FY15. This State Department program is designed to complement the Defense Department's (DOD) own CTPF efforts, focusing on those interventions that DOD cannot readily conduct under its authorities, such as justice sector reforms and capacity building. The budget also proposes \$187 million to support efforts to counter violent extremism in Sub-Saharan Africa and elsewhere.

## **Reassuring Friends and Allies in Europe and Eurasia**

In keeping with the priority placed on countering Russian aggression by the Administration and complementing a significant military component in the DOD budget request, the International Affairs request proposes \$952 million to strengthen the capacity of Ukraine and other countries in Europe and Eurasia through economic reform, democracy, and good governance programs. After receiving three loan guarantees in recent years, the Administration did not request another one for Ukraine, but that aside, funding for bilateral programs is up more than 25% for the region. After Ukraine, the largest recipients of U.S. foreign assistance in the region are Georgia and Moldova.

Interestingly, although the Administration states that this funding is needed not only to help counter Russia but also to provide "support for enduring commitments and non-crisis programming," most of the funding is requested through the OCO account, which as noted earlier, is a dangerous trend that will impact our ability to confront long-term challenges if not addressed by policymakers.

## **Afghanistan and Pakistan Commitments**

The Administration's proposed FY17 budget includes \$3.4 billion for diplomatic operations and foreign assistance programs in Afghanistan (\$2.5 billion) and Pakistan (\$860 million). In both cases, the level of foreign assistance requested marks a substantial reduction from the funding provided in the early years of the Administration.

The request for foreign assistance in Afghanistan (\$1.25 billion)—for programs related to health, education, democracy, and good governance—has been reduced 50% since FY11 and the height of the “surge” in that country, but continues to keep the United States on track to meet the funding commitment agreed to at the 2012 Tokyo conference. For Pakistan, the FY17 request includes \$742 million in foreign assistance funding (an 8% reduction from FY15) for programs related to economic growth, agriculture, countering violent extremism, and education.

## **Central America**

Last year the Administration proposed roughly doubling foreign assistance to Central America to address the root causes of undocumented migration from the region. The \$1 billion request—and the Administration's strategy to deploy the resources—was controversial on Capitol Hill but in the end the FY16 Omnibus bill provided roughly \$750 million for the region. Building on that progress, the FY17 proposal once again includes \$1 billion for Central America, including \$751 million for State/USAID and \$250 million provided by OPIC and other agencies. The funding would support programs aimed at promoting economic growth and good governance, as well as enhancing security.

## **Peacekeeping: Steady funding, Continued High Demand**

Reflecting the continuing global demand for peacekeeping, the Administration is proposing a total of \$3 billion for peacekeeping operations in FY17. This request includes \$2.4 billion for the U.S. assessed contribution to UN peacekeeping operations, which are currently being conducted in more than a dozen countries including the Democratic Republic of the Congo, South Sudan, Darfur, and Mali.

The Administration has again requested funding (\$150 million) for a new account, the Mechanism for Peace Operations Response, which would provide flexibility to cover the cost of unexpected peacekeeping operations that may come up during the course of the year. Congress has rejected other similar proposals many times in recent years and will likely continue to look upon this with skepticism.

## PEACEKEEPING HIGHLIGHTS

	FY15 FINAL	FY16 ENACTED	FY17 REQUEST	CHANGE FROM FY16
UN Peacekeeping	\$2.12 billion	\$2.46 billion	\$2.4 billion	▼ 3%
Non-UN Peacekeeping	\$474 million	\$601 million	\$475 million	▼ 21%
Peace Ops Response	\$0	\$0	\$150 million	N/A
<b>TOTAL</b>	<b>\$2.59 billion</b>	<b>\$3.06 billion</b>	<b>\$3.02 billion</b>	<b>▼ 1%</b>

### Democracy, Human Rights and Governance

For FY17 the Administration again prioritizes democracy and human rights by proposing to spend \$2.7 billion (an 18% increase from FY16) on various programs aimed at promoting democratic societies around the world; however, under the proposal the Administration proposes a 39% cut to the National Endowment for Democracy. The Administration argues that this funding level would provide enough funding to maintain programs but also encourage the agency to raise revenue from other sources. Overall, the Administration's proposal will focus on a variety of programs aimed at protecting human rights, combatting corruption, improving government accountability, and empowering democratic forces. The Middle East and North Africa, Sub-Saharan Africa, and European and Central Asian countries facing Russian aggression are the biggest beneficiaries of this funding.

### Humanitarian Aid: Major Cut, Increased Demand

As noted earlier, the FY17 request includes \$6.2 billion for Humanitarian Assistance, \$1.5 billion (19%) less than provided for this year. The Administration argues that the cut is less dramatic than it might appear to be because of the dramatic increase (\$1.2 billion) the account received in FY16. But when compared to FY15, the request still represents a 5% decline. According to the Administration, the level requested—coupled with the funding from FY16—allows them to balance the demands of Humanitarian Assistance against other priorities. However, given the 60 million displaced persons in the world today, should recent trends continue, the level of funding for Humanitarian Assistance in the request could prove inadequate.

This will be a key account to monitor as the budget process unfolds and will likely be closely examined by Congress.

## HUMANITARIAN FUNDING

	FY15 FINAL	FY16 ENACTED	FY17 REQUEST	CHANGE FROM FY16
Disaster Aid	\$1.90 billion	\$2.79 billion	\$1.96 billion	▼ 30%
Refugees	\$3.06 billion	\$3.07 billion	\$2.80 billion	▼ 9%
Emergency Refugees	\$50 million	\$50 million	\$50 million	Flat
Food Aid	\$1.47 billion	\$1.72 billion	\$1.35 billion	▼ 21%
<b>TOTAL</b>	<b>\$6.47 billion</b>	<b>\$7.63 billion</b>	<b>\$6.16 billion</b>	<b>▼ 19%</b>

## Presidential Priorities: Sustaining and Growing Commitments

Presidential initiatives in food security, global health, energy, and climate change remain a key priority in the FY17 budget request, but the constrained budget environment created mixed results for these programs.

### Global Health, Including Combating Malaria

The Administration's FY17 request proposes a small (1%) increase in the overall global health budget, compared to this year's level. As noted above, the request boosts funding to combat malaria by some \$200 million (including \$71 million in new funding and \$129 million in remaining Ebola emergency funding).

Funding to prevent and treat HIV/AIDS is held flat, and includes \$5.67 billion for the State Department's bilateral program, \$1.35 billion for the Global Fund, and \$330 million for USAID's HIV/AIDS program.

For the remaining global health programs, the funding picture is mixed. The request:

- Increases Maternal and Child Health to \$815 million, a 9% increase. This includes \$275 million for Gavi, the Vaccine Alliance, in line with the Administration's four-year \$1 billion pledge, and \$52 million for polio eradication, the same level provided this year.
- Proposes \$544 million for family planning in bilateral global health.

- Cuts funding for vulnerable children, neglected tropical diseases and tuberculosis. For these programs, the Administration has generally brought the amounts down to the levels included in its FY16 request.
- Reduces funding for nutrition programs, although the funding level remains above the amount requested for these programs in FY16.

**GLOBAL HEALTH FUNDING**

	<b>FY15 FINAL</b>	<b>FY16 ENACTED</b>	<b>FY17 REQUEST</b>	<b>CHANGE FROM FY16</b>
Bilateral PEPFAR	\$4.32 billion	\$4.32 billion	\$4.32 billion	Flat
Global Fund	\$1.35 billion	\$1.35 billion	\$1.35 billion	Flat
HIV/AIDS (USAID)	\$330 million	\$330 million	\$330 million	Flat
Malaria	\$670 million	\$674 million	\$745 million	▲ 11%
Tuberculosis	\$236 million	\$236 million	\$191 million	▼ 19%
Maternal/Child Health	\$715 million	\$750 million	\$815 million	▲ 9%
Vulnerable Children	\$22 million	\$22 million	\$15 million	▼ 34%
Nutrition	\$115 million	\$125 million	\$109 million	▼ 13%
Family Planning	\$528 million	\$524 million	\$544 million	▼ 4%
NTDs	\$100 million	\$100 million	\$87 million	▼ 14%
Global Health Security	\$73 million	\$73 million	\$73 million	Flat
<b>TOTAL</b>	<b>\$8.46 billion</b>	<b>\$8.50 billion</b>	<b>\$8.58 billion</b>	<b>▲ 1%</b>

### **Power Africa and Other Africa Initiatives**

Having gained increasing momentum over the last year, the FY17 request for Power Africa grew by 169% compared to FY15, to \$300 million. The initiative—a key Administration priority—launched in 2013 seeks to double the number of people in Sub-Saharan Africa with access to electricity through partnerships with the private sector and other governments. The request includes \$291 million funded through State/USAID and \$9 million provided through OPIC for the program.

In addition to Power Africa, the Administration's FY17 request also continues to support a broad range of other programs aimed at improving security and economic growth on the continent. This includes \$10 million, the same as FY15, for the Young African Leaders Initiative (YALI), which brings young African men and women to the U.S. for a six-week academic and mentoring program.

### **Feed the Future**

Feed the Future continues to be a high priority for the Administration but the constrained budget environment has led to flat funding for the bilateral commitment. The request maintains funding at \$978 million for State/USAID programs, the same amount provided in FY15 and requested in FY16. The multilateral component—the U.S. contribution to the Global Agriculture and Food Security program (GAFSP)—is funded at \$23 million in the request, which is a \$20 million (47%) reduction from the FY16 level. The Administration believes the request will still allow them to meet the 2:1 matching mandate that only allows the U.S. to contribute \$2 for every \$1 contributed by other donors to GAFSP.

### **Global Climate Change**

Reflecting the President's commitment to addressing climate change, as previewed in his State of the Union Address and the agreement reached at the Paris Climate Change Conference in December, the FY17 request includes \$1.3 billion for the Global Climate Change Initiative (GCCII). This represents a 62% increase from FY15. Though the Administration has not yet completed allocating resources for FY16, the increase compared to this year's level is almost certainly less substantial. A key part of the request is \$750 million for the Green Climate Fund (GCF), including \$500 million to be funded through State/USAID and \$250 million through Treasury. The President pledged \$3 billion to the Fund in November 2014 and pledges to the GCF from the U.S. and other donors currently exceed \$10 billion. Given the size of the GCF request and significant policy differences between the White House and Congress, this proposal is likely to receive close scrutiny on Capitol Hill.



## Advancing Economic Security at Home and Abroad

The International Affairs Budget supports a broad range of agencies that foster economic growth in developing countries, leverage private financing for development, and expand U.S. exports, trade, and investments around the world. Budgets for the Millennium Challenge Corporation (MCC), Overseas Private Investment Corporation (OPIC), the Export-Import (Ex-Im) Bank, the U.S. Trade and Development Agency (USTDA), and USAID's Credit Development Agency (DCA) are all increased in the Administration's request ensuring that the government's effort to help create an enabling environment for economic growth continues into FY17.

### Millennium Challenge Corporation (MCC)

As mentioned above, the Administration's request proposes \$1 billion for the MCC in FY17, a \$99 million (11%) increase from current levels, which would allow the Corporation to move ahead with compacts with Lesotho, Nepal, and the Philippines, as well as threshold programs in Sri Lanka and Togo. The MCC continues to prioritize a rigorous monitoring and evaluation system and an emphasis on transparency and the use of data for tracking projects, results, and impact. As it did last year, the MCC is 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 and achieve both economies of scale and potentially higher rates of return.

### Overseas Private Investment Corporation (OPIC)

Under the Administration's proposed FY17 budget, funding for OPIC's operations would increase by 30%, allowing it to support \$4.8 billion in loans, risk insurance, and loan guarantees. The funding would also allow the agency to play a significant role in Power Africa and U.S. engagement in Central America. The Administration projects that OPIC, as a self-funded entity, will continue to run a positive balance—returning \$341 million to the Treasury's coffers in FY17.

### Export-Import Bank (Ex-Im)

After a contentious battle on Capitol Hill last year that resulted in a new four-year reauthorization, the request includes a 3% increase in funding for the Ex-Im Bank in FY17. The Bank supports the U.S. export sector through various types of financing, including loan, loan guarantee, and insurance programs. Like OPIC, the Ex-Im Bank is projected to take in far more in collections than losses in FY17.

### U.S. Trade and Development Agency (USTDA)

The Administration proposes \$81 million for the U.S. Trade and Development Agency in FY17, a \$21 million (35%) increase from FY16. The agency plans to continue to focus on energy, transportation, and information technology sectors, and—like OPIC—to support initiatives such as Power Africa and U.S. engagement in Central America.

### **USAID's Development Credit Authority (DCA)**

The FY17 request includes \$10 million for DCA operations, a 24% increase from current levels. In 17 years and through the use of loan guarantees, the DCA has mobilized \$4.3 billion in local private financing to help development efforts in numerous sectors, including farming, health care, education, and infrastructure over the past 17 years.

## **Commitments to Innovations and Reforms**

Building on the bipartisan legacy of recent Administrations, efforts to strengthen the effectiveness of International Affairs programs continue across many agencies, including the MCC and USAID. In the FY17 request, the Administration also continues—as it has for the past several years—to propose reforms to the food aid program to improve effectiveness. Finally, while the funding level for “USAID Forward” is not yet available, the program continues to be a priority within the agency.

### **USAID Global Development Lab**

The FY17 request includes \$170 million for the Global Development Lab to support USAID's efforts to increase the application of science, technology, innovation, and partnerships in its development programs, a \$5 million increase above the FY16 request. Over the past few years, the Lab has been an important part of USAID's work to improve its effectiveness in areas ranging from the expanded use of e-payments and information technology to combating the Ebola outbreak in West Africa.

### **Food Aid Reform**

After receiving a significant increase in the FY16 Omnibus bill, the Administration's request for Food for Peace (P.L. 480/Title II) is \$1.35 billion, 21% below the FY16 enacted level. Additionally, for the fourth year in a row, the request proposes reform measures to improve the program's effectiveness. Congress rejected a proposal submitted by the Administration in FY14 that would have permitted up to 45% of its funding to be used flexibly, including the local purchase of commodities and cash assistance. Over the past two years and again this year, the Administration has proposed a more modest reform, limiting to 25% the share of the program's funding that could be used flexibly. According to USAID, implementing this change would allow the program to reach 2 million more emergency beneficiaries annually.

## Sustaining Civilian Capacity

The Administration's FY17 request proposes to increase funding for several core accounts that fund both the U.S. diplomatic presence around the world and the management component of U.S. foreign assistance programs. These accounts are also the focus of efforts to achieve cost savings and other efficiencies, as well as greater transparency in the International Affairs Budget.

### State Department

The State Department budget for Diplomatic and Consular Programs, which funds personnel, infrastructure support and operations costs, would receive \$8.7 billion in FY17 under the Administration's request, 6% more than current levels. Most of this increase will cover the costs associated with growing diplomatic security requirements, including the Worldwide Security Protection program that funds security technology, cybersecurity, and high threat protection. The remainder of the increase would cover inflation and growth in salaries, facilities operations, and other costs. The FY17 request also pursues a number of efficiency savings, as well as improvements in monitoring and evaluation and strategic planning.

The request also includes \$2.4 billion for Embassy Security Construction and Maintenance, \$135 million (6%) more than provided in FY16. This increase is entirely due to growth in the Worldwide Security Upgrade program, which funds construction-related improvements to U.S. embassies and other diplomatic facilities around the world. When combined with cost-sharing contributions from other agencies and other reimbursements, the request would provide \$2.2 billion for up to five new construction projects.

### USAID

The Administration proposes a \$122 million (10%) increase in USAID's Operating Expenses for a total of \$1.4 billion in the FY17 request to fund the costs associated with implementation of a wide range of foreign assistance programs. The requested increase is needed in part to compensate for projected decreases in non-appropriated funds, such as carryover balances and reimbursements. According to USAID, the plus-up is also needed to pay for "mandatory and necessary" increases in the cost of ongoing operations, as well as salaries and benefits.

In addition, the requested increase will support the agency's ongoing effort to implement its ambitious "USAID Forward" reforms. Begun in the early days 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.

## International Financial Institutions: Flat Funding, Unmet Need

The FY17 request includes \$2.3 billion for the Department of Treasury's international programs, essentially flat from this year's level. The bulk of this funding (\$1.6 billion) is needed to fully meet annual replenishment commitments to the World Bank's International Development Association, the African Development Fund, and the Asian Development Fund. As noted earlier, several top Administration initiatives, including Feed the Future and the Global Climate Change Initiative, are funded in part through contributions to International Financial Institutions (IFIs), such as the Global Agriculture and Food Security Program. Although the request fully funds a number of key commitments, it falls well short of meeting all of its obligations with unmet commitments to IFIs now approaching \$1.6 billion. The disconnect between U.S. commitments and contributions erodes American influence in these organizations and reduces our ability to shape IFIs' policy priorities or push for reforms.

The Administration's request proposes \$333 million for voluntary contributions to international organizations, a cut of 2% from this year's level. Among the largest recipients of this funding are UNICEF (\$132 million), the United Nations Development Program (\$60 million), and the UN Population Fund (\$35 million).

## III. Snapshot of Country and Regional Funding

As in previous years, the FY17 budget request specifies funding levels for each country and region. However, since decisions on how FY16 funds will be allocated by country have not yet been finalized, it is not yet possible to compare FY17 proposals with current levels. Therefore, comparisons in this snapshot are made against FY15 amounts.

### Africa

Africa remains among the largest recipients of U.S. foreign assistance, second only to the Middle East and North Africa, in terms of the level of funding provided. For FY17, the Administration's budget proposes \$6.9 billion for the region, excluding funding for Title II Food Aid. This is \$89 million (1%) below the level provided in FY15. The largest component of the funding is for the President's Emergency Plan for AIDS Relief (PEPFAR) and other global health programs. Feed the Future, Power Africa, and other initiatives make up the bulk of our programs in the region. The top recipients of U.S. foreign assistance in Africa include Kenya, Nigeria, Tanzania, Ethiopia, Uganda, Zambia, and Mozambique.

In addition to Power Africa and YALI (noted earlier), the FY17 request continues to support a number of other initiatives, including:

- **Trade in Africa** (\$75 million): supports efforts to expand trade both within Africa and with the United States and global markets.
- **African Peacekeeping Rapid Response Partnership** (\$110 million): funds initiatives to improve the capacity of African militaries to rapidly deploy peacekeepers in crisis situations.
- **Security Governance Initiative** (\$83 million): supports programs to improve security sector institutions in six target countries.
- **Other:** includes \$15 million to develop crisis management capacity through the Early Warning and Response Partnerships in Africa program and \$3 million for the African Union Rapid Deployment Capability, which provides equipment and training to support the African Standby Force.

### East Asia/Pacific

The FY17 request supports the Administration's long-term commitment to "rebalance" to the Asia/Pacific region. Compared to other parts of the world, foreign assistance levels in the region remain relatively modest. However, the trend in funding to the region has continued upward for the past several years. Under the request, foreign assistance provided to the Asia/Pacific region would reach \$873 million in FY17, an increase of \$93 million (12%) compared to FY15. Among the countries receiving the largest increases are Vietnam, Indonesia, and Burma.

### Europe and Eurasia

The request includes \$787 million in foreign assistance funding for Europe and Eurasia, a \$32 million (4%) increase from FY15. The funding demonstrates the continued U.S. commitment to the region, and particularly to support Euro-Atlantic integration and reassure friends and allies in the face of Russian aggression. The top recipients consist of Ukraine, Georgia, and Moldova.

### Middle East and North Africa

As in the past, the Middle East continues to be the largest recipient of U.S. foreign assistance funding. For FY17, the Administration proposes \$7.3 billion for the region, \$607 million (9%) more than provided in FY15. Israel, Egypt and Jordan continue to receive the largest portion of the aid, accounting for 76% of the total. However, the programs associated with countering ISIS and bolstering our allies on the frontlines of the crisis received much of the funding associated with that 9% increase.

### South and Central Asia

The FY17 request includes \$2.6 billion for foreign assistance to South and Central Asia, representing a \$110 million (4%) increase. Some 77% of that funding is allocated to Afghanistan and Pakistan. But most of the additional funding provided since FY15 has been directed to other countries in the region, including Sri Lanka for democracy building efforts and Nepal to support its post-earthquake recovery.

### Western Hemisphere

The Administration's request proposes \$1.7 billion in foreign assistance funding for Latin America, up \$155 million (10%) from FY15. Among the countries receiving the largest amounts of assistance are Colombia, Haiti, and Mexico. Most of the growth in funding, however, has been allocated to Central America and been focused on addressing the underlying factors that have led to increases in undocumented migration to the United States.

## IV. What's Ahead

Criticism of the FY17 budget request has already begun on Capitol Hill but while the Administration's proposal may not gain traction, House and Senate leadership have expressed a strong desire to return to regular order when it comes to approving spending bills. In light of this goal, it is likely that the budget and appropriations process will move at a quicker pace than in previous years. **House Budget Committee Chairman Tom Price (R-GA)** has indicated that the Committee will release its budget proposal the last week of February and while it remains unclear if the Senate will take up a similar resolution, the Senate Budget Committee could release its proposal in March. Regardless of whether Congress passes a budget resolution, the topline spending level agreed to in last year's budget deal will guide appropriators as they determine funding levels for each individual spending bill.

The Appropriations Committees in both Chambers will begin the process of drafting and approving spending bills in April and continue through the summer. Given the brevity of the legislative calendar, it is still unlikely that all 12 spending bills will make it through Congress before the start of the new fiscal year. However, the State-Foreign Operations (SFOPS) appropriations bill, which funds 96% of the International Affairs budget, could be considered on the House floor in June or July.

## V. Additional Information and Resources

- President's FY17 Budget:  
<https://www.gpo.gov/fdsys/pkg/BUDGET-2017-BUD/pdf/BUDGET-2017-BUD.pdf>
- FY17 Department of State, Foreign-Operations Congressional Budget Justification:  
<http://www.state.gov/documents/organization/252179.pdf>
- FY17 Department of State and USAID Factsheet:  
<http://www.state.gov/r/pa/prs/ps/2016/02/252213.htm>

## VI. Account-by-Account Details

- Download the Account-by-Account Details:  
<http://usglc.org/fy17-account-details>