U.S. GLOBAL LEADERSHIP COALITION

STRIKE THREE: Once Again International Affairs Programs Slashed, Out of Step with Today's Global Realities

USGLC's Analysis of the Administration's FY20 International Affairs Budget Request

March 11, 2019

Introduction

In an increasingly turbulent world characterized by emerging hotspots and great power competition, the Administration released its FY20 budget request today that calls for dangerous and disproportionate cuts to **nearly a quarter of America's global footprint**. For the third year in a row, the budget prioritizes defense spending, while keeping the Administration's promise to reduce spending for non-defense agencies. And once again, the State Department, USAID, and other development agencies are targeted for one of the most disproportionate cuts.

The FY20 request proposes to reduce funding for the International Affairs Budget by 24% compared to the FY19 enacted level. While this is movement in the right direction compared to previous calls to cut 30% or more, thanks to Secretary of State Mike Pompeo's efforts, this slight increase of 1.7% from the Administration's FY19 request still remains far below the $56.1 billion Congress provided in its final FY19 spending package and is out of step with today's global realities.

Specifically, the Administration's FY20 request **includes a total of $42.7 billion in base funding** for the International Affairs Budget. Similar to last year's request, the budget **includes no Overseas Contingency Operations (OCO) funding for international affairs programs** while at the same time proposing a substantial increase in OCO resources for the Department of Defense. It is important to note that Congress provided $8 billion in OCO, accounting for 14% of the total International Affairs Budget, in FY19. To maintain FY19 funding levels for development and diplomacy in FY20, Congress will need to ensure that any decrease to OCO is offset by an equivalent increase to the base budget.

Congressional Response

For the past two years, Members of Congress on both sides of the aisle have viewed the Administration's proposals to slash international affairs spending as "dead on arrival" and have taken decisive action to enact strong funding levels for these critical programs. Before it was even released, the FY20 budget request has already been met with bipartisan opposition in the new Congress – from the Freedom Caucus to the Progressive Caucus.

Combatant Commanders Speak Out

Yesterday, **more than a dozen former Commanders from all six of our nation's regional combatant commands** – the Middle East, Latin America, Europe, Africa, the Pacific, and North America – released a statement urging Congress to continue to protect resources for America's International Affairs Budget, asserting that "Doing so is critical to keeping our nation safe and prosperous." These retired military leaders join America's current combatant commanders who have testified before Congress in recent days on the strategic importance of the State Department, USAID, and other development agencies as key partners around the world to protect U.S. interests and values. Their voices add to a powerful chorus of influential business, faith, and military leaders who have spoken out over the past two years in support of strong resources for our nation's civilian development and diplomacy tools.

The consequences of these proposed cuts to America's security and economic interests, and our values, could not be more clear – whether it is combating violence and instability, competing against China and other rivals, responding to the largest number of displaced people in human history, or fighting the second largest Ebola outbreak ever. The USGLC released a statement **urging Congress to reject, for a third time, the Administration's proposal and fund the International Affairs Budget at $60 billion in FY20 to keep pace with today's growing global challenges**.

Key Takeaways

Below are seven key takeaways from the Administration's FY20 International Affairs Budget request.

1. Budget Proposal Undermines Civilian National Security Tools

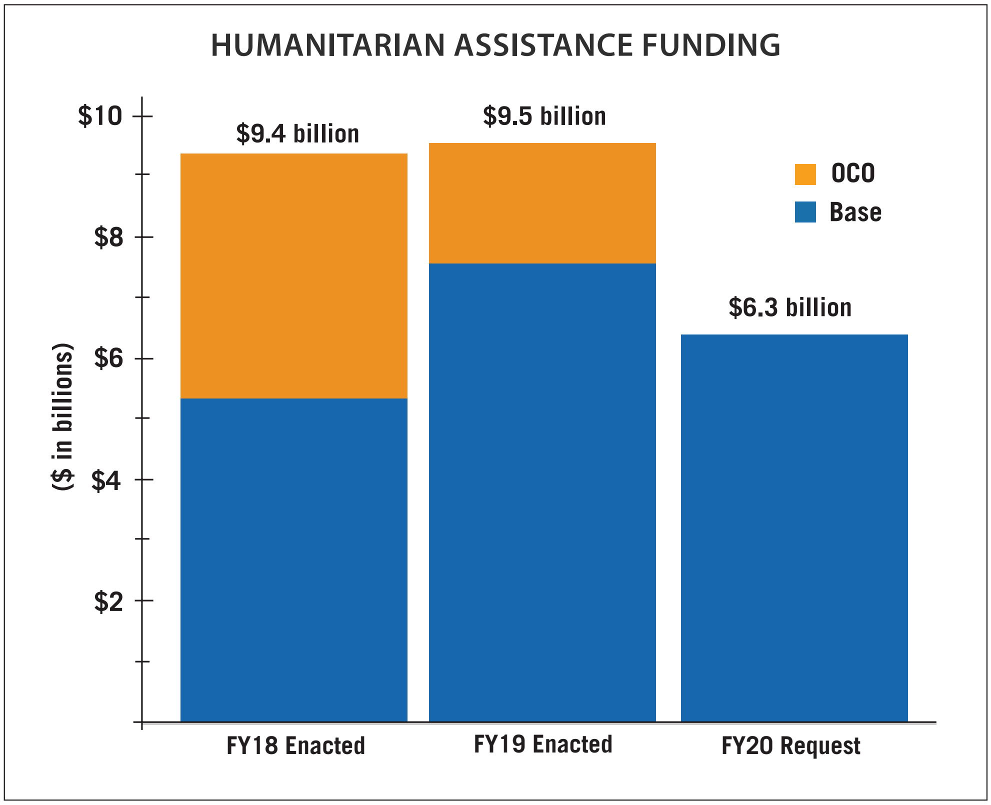
Despite growing global threats, for three consecutive years the Administration's budget requests have not resourced the full arsenal of America's national security tools. The proposed 5% increase to military spending above the FY19 enacted level stands in stark contrast to the proposed 24% cut to development and diplomacy, and breaks with the longstanding bipartisan consensus around the need to strengthen resources for both military and civilian tools. Additionally, the Administration's use of Overseas Contingency Operations (OCO) funding to achieve this defense spending increase – while zeroing out international affairs OCO despite the clear need for greater civilian resources – will likely draw scrutiny from Capitol Hill.

2. Great Power Competition Drives Budget Priorities

Reflecting the goals outlined in the State Department and USAID's Joint Strategic Plan released in February 2018, the FY20 budget once again prioritizes America's economic prosperity and aspires to "renew America's competitive advantage." To achieve this goal, the budget prioritizes several programs and strategies to counter Chinese and Russian influence and expand U.S. exports, trade, and investment opportunities – including $1.2 billion to support the Administration's Indo-Pacific Strategy, $50 million for the new Prosper Africa initiative to bolster U.S.-African trade and investment opportunities, and funding to mobilize private sector capital in the new Development Finance Corporation. While many of these initiatives have garnered bipartisan support on Capitol Hill, expect questions about the sufficiency of requested resources to meet intended goals.

3. Reform Proposals Single Out Humanitarian Assistance

Reflecting a long-standing debate about reducing duplication in humanitarian functions, the budget's proposal to consolidate the four existing humanitarian assistance accounts is certain to attract pushback from Capitol Hill and questions from stakeholders. Specifically, the request consolidates Migration and Refugee Assistance (MRA), International Disaster Assistance (IDA), Emergency Refugee and Migration Assistance (ERMA), and Title II, P.L. 480 Food for Peace into a new International Humanitarian Assistance (IHA) account administered by USAID and under the foreign policy direction of the Secretary of State. Additionally, and despite today's unprecedented humanitarian challenges, the merger is accompanied by a dramatic 34% cut to overall funding for humanitarian assistance compared to FY19 enacted levels. Additional details below.



4. Greater Emphasis on Burden-Sharing and Flexibility

With proposed cuts to overall non-defense discretionary spending well below FY19 enacted levels, the budget relies on increased burden-sharing between the U.S. government and its foreign government and private sector partners as well as new flexibility in how the Administration allocates limited funds to address emerging or unanticipated global challenges and opportunities. When it comes to burden-sharing, initiatives such as the consolidated International Humanitarian Assistance (IHA) account, a proposed new structure for the Global Fund Pledge, and USAID's Domestic Resources Mobilization (DRM) program focus on the need to leverage funds from others including foreign partners, developing countries, and the private sector. Efforts to increase flexibility include a new $175 million Diplomatic Progress Fund to respond to diplomatic breakthroughs and the inclusion of $500 million in transfer authority to "support a democratic transition" in Venezuela and "respond to related needs in the region."

5. Women's Economic Empowerment Front and Center

Following the successful launch of the Administration's Women's Global Development and Prosperity Initiative (W-GDP) led by Ivanka Trump, the FY20 budget includes $100 million for a new fund focused on empowering women economically around the world. This request builds on the initial $50 million investment of unobligated FY18 USAID funds to ensure women have equal access to economic resources. While this emphasis on global women's empowerment has strong bipartisan support on Capitol Hill, Members will likely raise concerns about how overall cuts to the State Department and USAID will hurt women in the developing world.

6. Given Sizable Overall Cuts, Winners and Losers

With yet another steep cut to the topline, nearly every program and account in the International Affairs Budget would see its funding reduced compared to FY19 enacted levels. While some of the proposed cuts mirror those included in the Administration's previous two budget requests, there are some differences worth noting that provide insight into how the Administration's priorities have shifted over the past year.

Examples of programs where resources were added compared to the FY19 request include:

- The Indo-Pacific region receives a staggering 90% increase in funding in the FY20 request compared to the FY19 request.
- Funding to counter Russian influence in Europe and Eurasia is increased by 17% in the FY20 request compared to the FY19 request.
- The Transition Initiatives account sees a 29% increase in the FY20 request compared to the FY19 request.

Examples of programs where resources were cut compared to the FY19 request include:

- The U.S. contribution to the Global Environment Facility (GEF), which was cut by 51% in the FY19 request, is zeroed out in the FY20 request.
- U.S. contributions to UN peacekeeping operations are cut by 27% in the FY20 request compared to 13% in the FY19 request.
- Funding for international family planning sees a 61% cut in the FY20 request compared to 50% in the FY19 request.

7. Core Operating Budgets for the State Department and USAID Reduced

Under the Administration's proposal, the State Department and USAID's main operating accounts – which fund America's diplomatic presence around the world and the management, monitoring, and evaluation of U.S. foreign assistance – would see 8% and 7% cuts respectively, compared to FY19 enacted levels. Despite the cuts, both agencies were able to restore some staffing reductions proposed in the FY19 request – although it's not clear whether this would return staffing to levels required by Congress in the final FY19 spending package. The budget also proposes to reduce funding for diplomatic (8%) and embassy (23%) security – areas where Congress has repeatedly reinstated funding.

Included in this Analysis

I. Notable Programs and Policy Issues

II. Snapshot of Regional and Country Funding

III. What's Ahead

IV. Additional Information and Resources

V. Account-by-Account Details

About this Analysis

Wherever possible, this analysis compares figures in the FY20 request to FY19 enacted appropriations. However, in some cases – particularly involving country and regional funding levels – the Administration has not yet determined FY19 allocations. In those instances, comparisons are made between the FY20 request and FY18 actual levels.

It is also important to note that in many cases, the comparisons in this analysis may differ from those provided by the Administration in its budget documents, because in most cases the budget documents compare the FY20 request with the FY19 request and FY18 actual levels, rather than FY19 enacted levels.

I. Notable Programs and Policy Issues

Protecting America's National Security Amid Growing Global Threats

The global threats facing America today cannot be solved by military power alone, which is why bipartisan national security strategies since 9/11 have recognized the need for a whole-of-government approach that includes both military and civilian tools. The Administration's FY20 budget request seeks to advance U.S. national security interests through investments in development and diplomacy, but for the third year in a row reduces funding for critical accounts and to key regions around the world where there are important security challenges. Similar to the past two years, Congress is likely to reject proposed cuts and restore funding in these key areas.

Indo-Pacific: High Priority for Administration. The Indo-Pacific region receives $1.2 billion in the FY20 request – $161 million or 11% below the FY18 actual level (but as noted in Takeaway #6, a 90% increase over what was requested for FY19). According to the Administration, resources for the region will implement the U.S. Indo-Pacific Strategy, which is intended to "strengthen the international rules-based system and protect the political and economic sovereignty of all Indo-Pacific nations." The request also supports efforts to counter Chinese actions in the South China Sea, work with allies on North Korean denuclearization, and create new trade and investment opportunities for U.S. businesses.

Europe and Eurasia: Funding to Counter Russia Down by Half. The FY20 budget provides $584 million in aid for Europe, Eurasia, and Central Asia – less than half ($672 million) of the FY18 actual level (but as noted in Takeaway #6, a 17% increase over the FY19 request). According to the Administration, resources will focus on improving cybersecurity, anti-corruption, civil society, and economic reforms to cultivate stronger and more stable allies against vulnerabilities from Russian aggression.

Western Hemisphere: Cut Nearly a Third. The Administration's FY20 request includes $1.2 billion to counter human trafficking, drugs, and money; combat illegal immigration and transnational crime; and promote security, good governance, and economic growth – primarily in Latin America. This is $503 million (30%) below the FY18 actual level. The U.S. Strategy for Central America ($445 million) and Mexico ($79 million) receives a significant portion of this funding. Aid to Colombia, the largest single recipient of assistance ($344 million) in the region, would support counternarcotic efforts and reestablish state control in strategic areas. With America's – and the world's – attention focused on Venezuela, the request includes $17.5 million to support democracy and respond to the regional crisis as well as $500 million in transfer authority (noted in Takeaway #4).

International Security Assistance: Moderate Cuts and Policy Changes. The FY20 budget provides $7.4 billion for security assistance programs, $1.7 billion (19%) less than the FY19 enacted level. Foreign Military Financing (FMF), by far the largest security assistance program, is cut by $821 million (13%). The largest beneficiaries of FMF are:

- **Israel**, which would continue to receive $3.3 billion consistent with the Memorandum of Understanding (MOU) covering FY19-FY28.
- **Egypt**, which would receive $1.3 billion, similar to past enacted levels.
- **Jordan**, which would receive $350 million, consistent with the MOU covering FY18-FY22.
- Other countries that would receive significant FMF funding in the request include **Lebanon, the Philippines, Tunisia, Vietnam, and Colombia**.

The Administration once again includes a proposal to restructure the FMF program into loans and loan guarantees, as well as grants – a proposal Congress has consistently rejected. The FY20 budget seeks a total of $8 billion in loan guarantee authority for FMF, although the Administration's request does not identify whether countries would receive grants, loans, or loan guarantees.

All other international security accounts would be cut significantly compared to FY19 enacted levels, including International Narcotics Control and Law Enforcement (INCLE) by $552 million (37%), Nonproliferation, Anti-Terrorism and Demining (NADR) by $157 million (18%), and International Military Education and Training (IMET) by $11 million (10%).

Peacekeeping: Deep Cuts Despite Growing Demand. The Administration is proposing a total of $1.43 billion for peacekeeping operations in FY20. This represents a deep $612 million (30%) cut from the FY19 enacted level and resembles past proposals from the Administration. The total includes $1.14 billion for the Contributions to International Peacekeeping Activities (CIPA) account, which helps fund ongoing UN peacekeeping operations in more than a dozen countries — $415 million (27%) below the FY19 enacted level.

The Administration recommends implementing cuts to the CIPA account in part by reducing U.S. assessed contributions to UN peacekeeping missions. Although the negotiated U.S. rate is set at 28% of overall UN peacekeeping costs, the Administration has reduced America's contribution to 25%, consistent with a legislative cap, which has resulted in troop-contributing countries not being fully reimbursed for their deployments. In addition, and as a result, the United States has accumulated arrears – now amounting to almost $750 million – and the UN's ability to sufficiently cover peacekeeping costs is at risk.

The FY20 request also includes $291 million, a $197 million or 40% decrease from the FY19 enacted level, for the Peacekeeping Operations (PKO) account – which covers the cost of non-UN peacekeeping operations. Part of this reduction reflects the fact that the Administration has requested certain funding ($76 million) for the African Union mission in Somalia through the CIPA account rather than the PKO account (where it has previously been funded).

PEACEKEEPING FUNDING

	FY18 Enacted	FY19 Enacted	FY20 Request	Change from FY19
UN Operations (CIPA)	$1.38 billion	$1.55 billion	$1.14 billion	-27%
Non-UN Ops (PKO)	$538 million	$489 million	$291 million	-40%
Total	**$1.92 billion**	**$2.04 billion**	**$1.43 billion**	**-30%**

Religious and Ethnic Minorities (REM): Funding Prioritized. The FY20 request includes $150 million to support Religious and Ethnic Minorities (REM). This funding would be used to support persecuted groups recovering from the devastation and disruption caused by ISIS, Al Qaeda, and other terrorist organizations in the Middle East and elsewhere.

United States Institute of Peace (USIP): Another Deep Cut. The FY20 request provides $19 million for the United States Institute of Peace (USIP), less than half the $39 million Congress provided in FY19.

Promoting U.S. Economic Interests at Home and Abroad

The International Affairs Budget supports numerous agencies that encourage sustainable economic growth in developing countries and expand U.S. export, trade, and investment opportunities around the world. While the Administration's FY20 budget recognizes the value of these agencies in addressing development challenges and supporting American businesses and jobs, the funding picture is mixed. As it has done for the past two years, Congress is expected to reject Administration proposals that would reduce or eliminate funding to these agencies – while looking more favorably on the budget's investment in standing up the new Development Finance Corporation authorized last year.

Development Finance Corporation (DFC): New Resources. This new institution, which will become operational on October 1, modernizes and strengthens America's development finance toolkit with a larger portfolio, expanded authorities, and enhanced transparency. The FY20 request includes $50 million for the DFC and an additional $100 million for administrative and other operating expenses. The Administration projects the DFC's loans and other activities to generate more revenue than is needed to cover its expenses, estimating a net profit of $125 million.

U.S. Trade and Development Agency (USTDA): Up for Elimination. For the third year in a row, the Administration is seeking to eliminate USTDA, and the FY20 request once again includes $12 million for the agency to "conduct an orderly closeout." USTDA funds pilot projects and other activities where U.S. goods and services fit the needs of the agency's partners in emerging economies around the world. The agency estimates that it generates over $104 in U.S. exports for every dollar programmed.

Millennium Challenge Corporation (MCC): Modest Cut. The FY20 request proposes $800 million for the MCC, a $105 million (12%) decrease from FY19 enacted levels. According to the Administration, the proposed funding level would allow the agency to support new compacts with Timor-Leste, Lesotho, Kosovo, and Burkina Faso, as well as new threshold programs with Ethiopia and Solomon Islands.

Export-Import Bank (Ex-Im Bank): Slight Decrease. The FY20 request provides $101 million for Ex-Im Bank operations, a $15 million (13%) cut from the FY19 enacted level. Like the DFC, the Ex-Im Bank is self-funding. For FY20, the Administration projects the Bank's net collections to be $613 million – overwhelmingly exceeding the Bank's operational costs.

Promoting American Values on the Global Stage

America's leadership in humanitarian assistance and global development showcases the best of our country's values and ideals: compassion, a belief in human dignity, and a generosity to provide a hand up – not a handout. The Administration's FY20 budget notes the importance of U.S. leadership in these areas, but at the same time proposes deep cuts to many U.S. programs that provide life-saving global health, development, and humanitarian assistance around the world. Given long-standing bipartisan support for these programs, Congress is expected to once again reject these proposed reductions in funding.

Development and Economic Assistance: Consolidated with Steep Cuts. For a third time, the Administration proposes to consolidate all State Department and USAID assistance currently provided through four separate accounts – Development Assistance (DA), Assistance to Europe, Eurasia and Central Asia (AEECA), Democracy Fund, and the Economic Support Fund (ESF) – into a new Economic Support and Development Fund (ESDF) led by the State Department. The proposed merger is accompanied by a severe $2.5 billion (32%) cut to overall development and economic assistance.

Within this account, the Administration includes $175 million for a new Diplomatic Progress Fund (see Takeaway #4) and $100 million for Domestic Resource Mobilization (DRM) programs, which support developing countries in generating their own revenues and improving self-reliance. Additionally, the request includes $492 million for Food Security, less than half of the $1 billion provided by Congress in FY19.

Women's Global Development and Prosperity Initiative (W-GDP)
Within the ESDF account, the Administration is also requesting $100 million for the recently launched W-GDP (discussed in Takeaway #5). According to the Administration, funding will be focused in three key areas – increasing education and skills training, promoting women entrepreneurs, and reducing gender-related barriers to women's full participation in the global economy.

DEVELOPMENT AND ECONOMIC ASSISTANCE FUNDING

	FY18 Enacted	FY19 Enacted	FY20 Request	Change from FY19
Economic Support and Development Fund (ESDF)	$0	$0	$5.23 billion	NA
Development Assistance (DA)	$3 billion	$3 billion	$0	-100%
Economic Support Fund (ESF)	$3.97 billion	$3.72 billion	$0	-100%
Assist. for Europe, Eurasia, & Central Asia (AEECA)	$750 million	$760 million	$0	-100%
Democracy Fund	$216 million	$227 million	$0	-100%
Millennium Challenge Corporation (MCC)	$905 million	$905 million	$800 million	-12%
Peace Corps	$410 million	$411 million	$396 million	-3%

Humanitarian Assistance: Consolidation and a Deep Cut. The FY20 request includes a proposal to merge almost all humanitarian-related funding into a single new International Humanitarian Assistance (IHA) account administered by USAID and overseen by both the USAID Administrator and the Secretary of State. At the same time, the request also makes deep cuts to overall humanitarian assistance funding (discussed in Takeaway #3).

The only exceptions to the proposed consolidation would be those portions of the Migration and Refugee Assistance (MRA) account that support refugee admissions to the U.S. and fund administrative expenses and assistance to migrants to Israel – with responsibility for those functions remaining in the Bureau of Population, Refugees, and Migration (PRM) at the State Department.

The Administration argues this consolidation will “establish a strong, unified voice to extract optimal efficiency and effectiveness” from humanitarian assistance programs while inducing “other donors to do their fair share.” However, the proposal is likely to encounter resistance on Capitol Hill. The recently enacted FY19 spending package prohibits appropriated funds from being used to “downsize, downgrade, consolidate, close, move, or relocate” PRM and requires that all funds appropriated for MRA be administered by PRM.

HUMANITARIAN ASSISTANCE FUNDING

	FY18 Enacted	FY19 Enacted	FY20 Request	Change from FY19
International Humanitarian Assistance (IHA)	$0	$0	$5.97 billion	NA
Disaster Assistance (IDA)	$4.29 billion	$4.39 billion	$0	-100%
Refugees (MRA)	$3.36 billion	$3.43 billion	$365 million	-89%
Emergency Refugees (ERMA)	$1 million	$1 million	$0	-100%
Title II, P.L. 480 Food for Peace	$1.72 billion	$1.72 billion	$0	-100%
Total	**$9.36 billion**	**$9.53 billion**	**$6.3 billion**	**-34%**

Global Health: Substantial Cuts to Most Programs. The FY20 request includes $6.34 billion for Global Health programs, a $2.5 billion (28%) reduction from the FY19 enacted level. Within this account, the request includes $4.3 billion for programs to treat global HIV/AIDS – $1.74 billion (29%) below the FY19 enacted level. According to the Administration, this funding level – when coupled with available prior-year funding – is sufficient to support epidemic control in the 13 priority countries designated in its PEPFAR Strategy and “maintain all current patients” on antiretroviral treatment. In line with previous requests, the Administration again proposes to eliminate USAID funding for HIV/AIDS in FY20.

Global Fund Pledge

The total FY20 request for HIV/AIDs funding includes $958 million for the U.S. contribution to the Global Fund, a $392 million (29%) cut from FY19 enacted levels. In the last Global Fund replenishment, the U.S. committed up to $4.3 billion over a 3-year period, matching $1 for every $2 from other donors. For the upcoming three-year replenishment cycle, the FY20 budget proposes to instead leverage $3 from other donors for every $1 from the U.S. – up to a maximum of $3.3 billion (or an average of $1.1 billion annually). This ceiling for U.S. contributions would support a maximum pledging goal of $13.2 billion for all donor contributions, which is less than the Global Fund’s recently announced $14 billion target.

The Administration argues this funding level will “reinforce U.S. leadership while encouraging greater burden sharing from other donors.” However, bipartisan Members of Congress are already on record calling for an increased U.S. pledge to the Global Fund for the upcoming replenishment cycle and will likely have concerns with this request.

Additionally, nearly all other major global health programs receive significant cuts. Specifically, the request:

- Cuts funding for Maternal and Child Health by $215 million (26%) compared to the FY19 enacted level. Within the account, the request includes $250 million for Gavi, the Vaccine Alliance, $40 million (14%) less than what Congress provided in FY19.
- Provides $90 million for Global Health Security programs in FY20, a $10 million (10%) cut from the FY19 enacted level.
- Reduces funding for Tuberculosis ($41 million), Neglected Tropical Diseases (NTDs) ($28 million), and Nutrition ($66 million), and eliminates funding for Vulnerable Children.
- Funds International Family Planning at $237 million, $371 million (61%) less than Congress provided in FY19 and consistent with the Administration's Protecting Life in Global Health Assistance policy.
- Cuts Malaria funding by $81 million (11%) compared to the FY19 enacted level.
- Includes $23 million for polio, a $36 million (61%) decrease from the FY19 enacted level.

GLOBAL HEALTH FUNDING*

	FY18 Enacted	FY19 Enacted	FY20 Request	Change from FY19
Bilateral PEPFAR	$4.32 billion	$4.37 billion	$3.35 billion	-23%
Global Fund	$1.35 billion	$1.35 billion	$958 million	-29%
USAID HIV/AIDS	$330 million	$330 million	$0	-100%
Malaria	$755 million	$755 million	$674 million	-11%
Tuberculosis	$261 million	$302 million	$261 million	-14%
Maternal/Child Health	$830 million	$835 million	$620 million	-26%
Vulnerable Children	$23 million	$24 million	$0	-100%
Nutrition	$125 million	$145 million	$79 million	-46%
Family Planning	$608 million	$608 million	$237 million	-61%
NTDs	$100 million	$103 million	$75 million	-27%
Global Health Security	$73 million	$100 million	$90 million	-10%
Total	**$8.69 billion**	**$8.84 billion**	**$6.34 billion**	**-28%**

**State Department and USAID Global Health accounts only, except for family planning*

Environmental Programs: Deep Cuts and Eliminations. The FY20 budget includes $81 million for biodiversity initiatives and $33 million to counter poaching and animal trafficking – cuts of $204 million (72%) and $58 million (64%), respectively compared to the FY19 enacted levels. Similar to previous requests, the Administration includes no funding for the Green Climate Fund (GCF). For the first time, the Administration also requests no funding for the Global Environmental Facility (GEF), which Congress funded at $140 million in FY19. According to the Administration, the FY19 enacted level for the GEF will be sufficient to cover both FY19 and FY20 U.S. contributions.

Democracy Programs: The Administration's request includes $1.4 billion for cross-cutting programs that support democracy, human rights, and governance, a $1 billion (42%) decrease from FY19 enacted levels. The request also reduces funding for the National Endowment for Democracy to $67 million, or $113 million (63%) less than the FY19 enacted level. Cuts of this magnitude could raise concerns about the U.S. commitment to democracy promotion, especially for those allies facing Russian and Chinese influence.

Educational and Cultural Exchange (ECE): The FY20 budget includes $310 million for ECE programs – $391 million (56%) less than the FY19 enacted level. The Fulbright program and other academic exchanges would be cut by $200 million (61%), while professional and cultural exchanges would be reduced by $148 million (67%) compared to FY19 enacted levels.

Reform, Modernization, and Reorganization

The Administration's FY20 request builds on the reform and modernization proposals from the State Department, USAID, and other agencies announced last year.

State Department Reforms

The FY20 request includes several reform processes at the State Department, and notably does not refer to the 'Impact Initiative' – the State Department's key reform initiative in the FY19 budget request. However, the substance of the proposals in the FY20 request align with several Impact Initiative proposals.

- **Modernizing Communications:** The FY20 request proposes merging the State Department's Bureau of Public Affairs (PA) and Bureau of International Information Programs (IIP) into a new Global Public Affairs Bureau (GPA) aimed at modernizing the Department's communications operations. The budget request shifts $100 million in funding from PA and IIP to create the GPA.
- **Strengthening Cybersecurity and IT Initiatives:** The FY20 request provides $311 million for the State Department's IT Central Fund to continue to improve capacity for interagency collaboration and new cybersecurity enhancements.

USAID Transformation

The FY20 request proposes a more "field oriented, functionally-aligned" USAID and largely falls in line with ongoing USAID Transformation efforts. Principle reforms include:

- **Advancing the Journey to Self-Reliance:** USAID will continue to prioritize country self-reliance and will place an increased emphasis on private sector investment to tackle development challenges. USAID will also develop new partnerships with countries that have demonstrated what it considers advanced self-reliance, beginning with pilot partnerships with Albania and Jamaica.

- **Optimizing Programming through Reorganization:** USAID is in the process of undergoing a structural reorganization designed to increase the agency's efficiency and utilize resources more effectively, including a proposal to centralize food and non-food disaster aid in a single bureau.

Crosscutting Consolidations
Several crosscutting agency reforms are also proposed, which the Administration argues will eliminate duplication while consolidating and optimizing programming accordingly. These include operationalizing the new Development Finance Corporation (DFC) and unifying the State Department and USAID's humanitarian assistance accounts (for more details, page 9).

Additionally, the FY20 budget proposes merging the U.S. African Development Foundation (ADF) and the Inter-American Foundation (IAF) into the Africa and Latin America Bureaus at USAID, respectively, to consolidate small grants functions and assistance. The budget proposes $8 million for the agencies to conduct an orderly shutdown. Notably, identical proposals to eliminate these independent agencies were rejected by Congress in FY18 and FY19.

Impact on Civilian Capacity

As mentioned in Takeaway #7, the FY20 budget request proposes cuts to the State Department and USAID's core operating accounts at a time when agencies are pursuing significant reform and modernization efforts. While generally less severe than what has been proposed for other parts of the International Affairs Budget, these reductions could undermine America's ability to effectively advance our global interests. Congress has consistently expressed concern about staffing levels at the State Department and USAID and included specific end-strength levels in its FY19 spending package, but it is unclear whether the proposals in the FY20 budget would comply with these requirements.

Diplomatic Programs (DP): Slightly Reduced. The request would fund the State Department's DP account – which covers personnel, infrastructure support, and operations costs – at $8.4 billion, an 8% ($754 million) cut compared to the FY19 enacted level. This funding level is sufficient to support a workforce consistent with FY18 "hiring target levels" – reversing course on an 8% staffing reduction proposed in the FY19 request. It also includes $3.8 billion for the account's Worldwide Security Protection (WSP) program, $316 million (8%) below the FY19 enacted level. The Administration argues that this level will effectively secure overseas diplomatic posts and uses the partial suspension of operations in Iraq as one justification for the decrease.

Embassy Security Construction and Maintenance (ESCM): Moderate Cuts. The FY20 request provides $1.6 billion for the State Department's ESCM account, $343 million (17%) below the FY19 enacted level. The account's Worldwide Security Upgrade program would see a cut of $282 million (23%) from the FY19 enacted level. The Administration argues that the funding level will nevertheless be sufficient to cover the State Department's share of the $2.2 billion in annual funding needed to construct new secure embassies and other facilities.

Operating Expenses (OE): Some Cuts. The FY20 request includes $1.3 billion for USAID's OE account, which covers the costs of implementation, monitoring, and evaluation for the wide range of foreign assistance programs that USAID administers. This represents a $98 million (7%) cut from the FY19 enacted level. According to the Administration, even with this reduction, USAID will be able to fund 40 additional civil service positions.

America’s Engagement with Multilateral Institutions

The Administration’s FY20 budget once again proposes steep reductions to U.S. commitments to multilateral institutions. If enacted, the U.S. would likely face arrears for certain institutions and lose an important platform of influence on the global stage, which could have long-term consequences.

International Financial Institutions (IFIs): Essentially Flat. The FY20 request includes $1.5 billion for Treasury International programs, flat with the FY19 enacted level. Much of this funding would go towards meeting the annual replenishment commitments of the World Bank’s International Development Association, the African Development Fund, and other IFIs, and $207 million would go to the World Bank’s International Bank for Reconstruction and Development.

Contributions to International Organizations (CIO): UN Again Faces Big Cuts. The FY20 request includes $1 billion for assessed Contributions to International Organizations (CIO), a $347 million (25%) cut from the FY19 enacted level. This account funds U.S. contributions to over 40 international organizations – including the UN and many UN-affiliated agencies – where U.S. participation is the result of a ratified treaty or convention that commits the U.S. and other member countries to pay assessed dues. Although significant savings were achieved in the UN’s 2018 and 2019 budgets in part due to U.S. pressure, deep reductions included in the Administration’s FY20 request would lead to the accumulation of significant arrears.

International Organizations and Programs (IO&P): Account Eliminated, Certain Contributions Shifted. For the third year in a row, the Administration proposes to zero out funding for the IO&P account, which provides for America’s voluntary contributions to a wide variety of UN-affiliated and other institutions. The request notes, however, that a limited number of entities funded by this account would instead be supported through the new ESDF account in FY20.

Agencies Slated for Elimination

For the third straight year, the Administration proposes to eliminate several agencies that help promote U.S. economic, security, and humanitarian interests at home and abroad – despite Congress’ repeated rejection of these proposals. In most cases, the FY20 request includes some funding to allow for the orderly closure of the agency, or as a cushion to help it transition to other sources of funding.

- The East-West Center
- The Asia Foundation
- The Inter-American Foundation
- The U.S. African Development Foundation
- The U.S. Trade and Development Agency

II. Snapshot of Country and Regional Funding

As in past years, the FY20 budget request specifies funding levels for each country and region. It is important to note that comparisons in this section are to FY18 actual levels since the Administration has not yet determined FY19 allocations.

Africa: The FY20 request includes $4.9 billion for programs in Africa, $3.6 billion (42%) less than FY18 actual levels. The largest component of this funding remains the President's Emergency Plan for AIDS Relief (PEPFAR) and other global health programs. The request also highlights Africa's significant economic potential and includes $50 million for the Administration's new Prosper Africa initiative to increase two-way trade, open new markets for U.S. businesses, and ensure American competitiveness abroad. Other key priorities in Africa include countering terrorist threats, expanding electrical access through Power Africa, bolstering food security, and assisting fragile states. The top recipients of U.S. foreign assistance in Africa include Nigeria, Kenya, Ethiopia, the DRC, Somalia, Mali, South Sudan, and Niger.

Indo-Pacific: The Administration requests $1.2 billion in FY20 to "promote a free, open, and secure Indo-Pacific region" and support the U.S. Indo-Pacific Strategy (see page 6 for more detail). As previously noted, this is $161 million (11%) below the FY18 actual level. Countries in the region receiving the most assistance include the Philippines, Vietnam, Indonesia, Burma, and Bangladesh, where funding is in part directed towards communities affected by the Rohingya crisis.

Europe and Eurasia: The request includes $495 million in assistance for Europe and Eurasia, a significant $580 million (54%) cut from the FY18 actual level. As previously noted, this funding is intended to foster resilience against Russian aggression, cultivate stronger allies, support greater integration into Western institutions, and enhance cybersecurity. Top recipients include Ukraine, Georgia, and Moldova.

Middle East and North Africa: For FY20, the Administration proposes $6.6 billion for the Middle East and North Africa, $856 million (12%) less than the FY18 actual level. The region remains the largest recipient of U.S. foreign assistance funding compared to other parts of the world – with assistance to Israel, Egypt, and Jordan accounting for 90% of the total request. Much of the funding to the region is focused on key Administration priorities including countering Iran, aiding persecuted religious minorities, confronting terrorist organizations, and strengthening security partnerships.

South and Central Asia: The FY20 request includes $1.2 billion in assistance to South and Central Asia, representing a $296 million (20%) cut from FY18 actual levels. Priorities include countering terrorism, supporting economic growth, strengthening governance, and helping meet education and health needs in the region. About half of this funding would support efforts to reach and sustain a political settlement in Afghanistan, in line with the Administration's priority of reaching a peace deal and drawing down U.S. engagement. Other recipients in the region include Uzbekistan and Tajikistan. Of note, funding for Pakistan is reduced significantly and limited to supporting core U.S. national security and economic interests.

Western Hemisphere: The Administration's FY20 request proposes $1.2 billion in funding for Central and South America, a $503 million (30%) cut from FY18 actual levels. As previously mentioned, this funding is largely focused on Central America ($445 million) and Mexico ($79 million). Additional programs include efforts to strengthen police capacity, improve food security, promote economic growth and human rights, combat drug trafficking – especially in Colombia and Peru – and address the crisis in Venezuela.

III. What's Ahead

Over the past two years, proposals by the Administration to slash funding for America's development and diplomacy tools have fallen on deaf ears in Congress. This year, Congress is once again expected to assert its constitutionally mandated power of the purse to set its own spending priorities when it comes to the International Affairs Budget.

The House and Senate Budget Committees have begun work on their FY20 budget resolutions, with **House Budget Committee Chairman John Yarmuth (D-KY)** stating that he hopes to have a resolution ready for consideration on the House floor in early April. **Senate Budget Committee Chairman Mike Enzi (R-WY)** intends to move forward with a Senate resolution later this month, but in a divided Congress finding agreement on a joint budget resolution will be difficult.

The House and Senate Appropriations Committees have started holding hearings on FY20 spending and are expected to begin drafting individual appropriations bills – including the State-Foreign Operations bill, which funds the vast majority of the International Affairs Budget – in short order. **House Majority Leader Steny Hoyer (D-MD)** has said that House Democrats intend to devote the month of June to passing all 12 House appropriations bills on the floor – an ambitious goal given that the FY20 budget and appropriations process is already a month behind schedule due to the shutdown earlier this year.

Ultimately, a new bipartisan budget deal that lifts the discretionary spending caps and establishes new topline spending levels will be needed before Congress can finalize FY20 spending. Without an agreement to raise these spending caps, defense and non-defense programs would see overall cuts of 11% and 9%, respectively. While Members on both sides of the aisle acknowledge the need for a new budget deal, competing priorities could make it difficult for lawmakers to reach an agreement before the fiscal year ends on October 1. As budget deal negotiations ramp up, it will be critical that the non-defense discretionary spending cap be increased to ensure sufficient funding for the International Affairs Budget in FY20.

IV. Additional Information and Resources

OMB Budget Charts and Material

- https://www.whitehouse.gov/wp-content/uploads/2019/03/budget-fy2020.pdf
- https://www.whitehouse.gov/wp-content/uploads/2019/03/FY20-Fact-Sheet_National-Security_FINAL.pdf

State Department Budget and Material

- https://www.state.gov/s/d/rm/rls/ebs/2020/pdf/index.htm
- https://www.state.gov/documents/organization/290302.pdf

USAID Budget and Material

- https://www.usaid.gov/results-and-data/budget-spending
- https://www.usaid.gov/sites/default/files/documents/1868/FY_2020_CBJ.pdf

V. Account-by-Account Details

Download the Account-by-Account Details:

- https://www.usglc.org/media/2019/03/FY20-Account-by-Account-Summary.xlsx