Administration's Detailed FY18 Budget Request Similar to Skinny Budget

Proposal Would Make America Less Safe by Slashing International Affairs Budget

Analysis of the Administration's FY18 International Affairs Budget Request

May 23, 2017

Introduction

Two months after the release of its "skinny" budget, the Administration released the full details of its FY18 budget proposal today. While most policymakers view this proposal as "dead on arrival", the detailed budget offers a window into the policies and priorities of the new Administration as it prepares for what could be a tumultuous negotiation over discretionary spending caps. This analysis seeks to examine those priorities in the context of funding for America's development and diplomacy programs.

Consistent with the "skinny" budget, the detailed budget takes a hacksaw to the International Affairs Budget, cutting it by 32% compared to FY17. A cut of this magnitude would strip back development and diplomacy programs, long-recognized as critical tools of our national security, to funding levels not seen since 9/11 (inflation adjusted).

The budget establishes topline spending levels for Defense and Non-Defense Discretionary (NDD) accounts, which include a $54 million increase for Defense and a cut to the NDD budget of the same amount. While the proposed cut reduces spending for almost every agency (excluding the Departments of Defense, Veterans Affairs and Homeland Security), the International Affairs Budget, along with the Environmental Protection Agency, receives the most disproportionate cut.

The request includes a total of $40.1 billion for the International Affairs Budget and splits funding between base funding and Overseas Contingency Operations (OCO) funding.

- The proposal includes $28 billion in base funding, a 27% cut compared to FY17. Base funding is generally used for long-term, enduring development and diplomacy programs.
- The proposal also includes $12 billion in OCO funding, 42% below FY17. The Administration proposes using the OCO account for programs that prevent, address, or assist in recovery from humanitarian or natural disasters. OCO would also fund certain State and USAID operations activities.

While this budget request may not go far, the Administration's opening salvo could set the stage for a much bigger negotiation this summer and fall as the House and Senate Budget Committees work to set the topline discretionary spending level for the federal government (known as the 302(a) allocation). This decision will be key along with the all-important, critical decision made by the Appropriations Committees on spending allocations for each spending bill (known as the 302(b) allocation).

A powerful chorus of military, faith, and business leaders, and bipartisan Members of Congress continue to oppose these deep and disproportionate cuts to our civilian national security and foreign policy agencies. Just yesterday, more than 225 U.S. business leaders voiced their support for the International Affairs Budget in a letter to Secretary Tillerson, noting that "strategic investments in diplomacy and development make America safer and more prosperous." This came on the heels of strong letters from retired military and faith leaders to Congressional leadership urging support for these programs.

Given today's global threats from ISIS to looming famines to global health pandemics, American leadership around the world is needed now more than ever. USGLC urges Congress to reject these cuts and work through the budget and appropriations processes to maintain current funding levels for the International Affairs Budget.

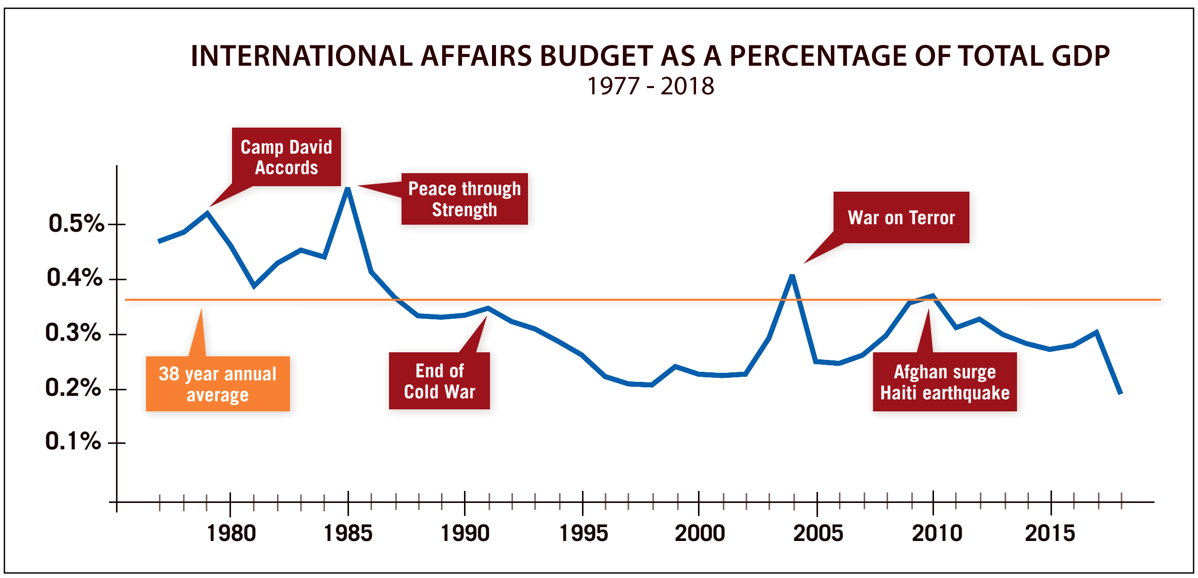
Key Takeaways

Below are nine key takeaways from the Administration's FY18 request for international affairs. Here's what you need to know:

1) Total International Affairs Budget: Cut is Deep and Disproportionate

As foreshadowed in the "skinny" budget, the International Affairs Budget takes the largest and most disproportionate cuts in the Non-Defense Discretionary budget in the Administration's proposal. With a $54 billion cut to Non-Defense Discretionary spending compared to FY17, the budget proposes to cut all discretionary agencies except Defense, Veterans Affairs, and Homeland Security; however, the International Affairs Budget receives a devastating 32% cut, taking funding back to levels not seen since 9/11 (inflation adjusted).

Additionally, as a percentage of GDP, funding for the International Affairs Budget would drop to its lowest level since World War II. Under President Ronald Reagan's "peace through strength" policy, funding for these programs reached nearly 0.6% of GDP and has since fluctuated depending on the global security environment. If enacted, this budget request would cut the International Affairs Budget to approximately 0.2% of GDP while America faces growing and complex challenges overseas.



2) Administration Priorities: Protecting National Security and Asserting U.S. Leadership

In rolling out the detailed budget, the Administration notes its priority is to "bolster national security, assert U.S. leadership and influence, and advance our economic interests across the globe" by prioritizing programs that defeat ISIS and counter other global threats.

While the budget proposes cuts to almost every program in the International Affairs Budget compared to current levels, there are a few notable protected exceptions: assistance to key allies like Israel and Jordan is maintained, and Foreign Military Financing assistance to Egypt is also maintained. Additionally, the Administration provides Gavi, the Vaccine Alliance, with $290 million, fulfilling the U.S. commitment of $1 billion over four years.

3) Development Assistance: Shifted, Consolidated, or Slashed?

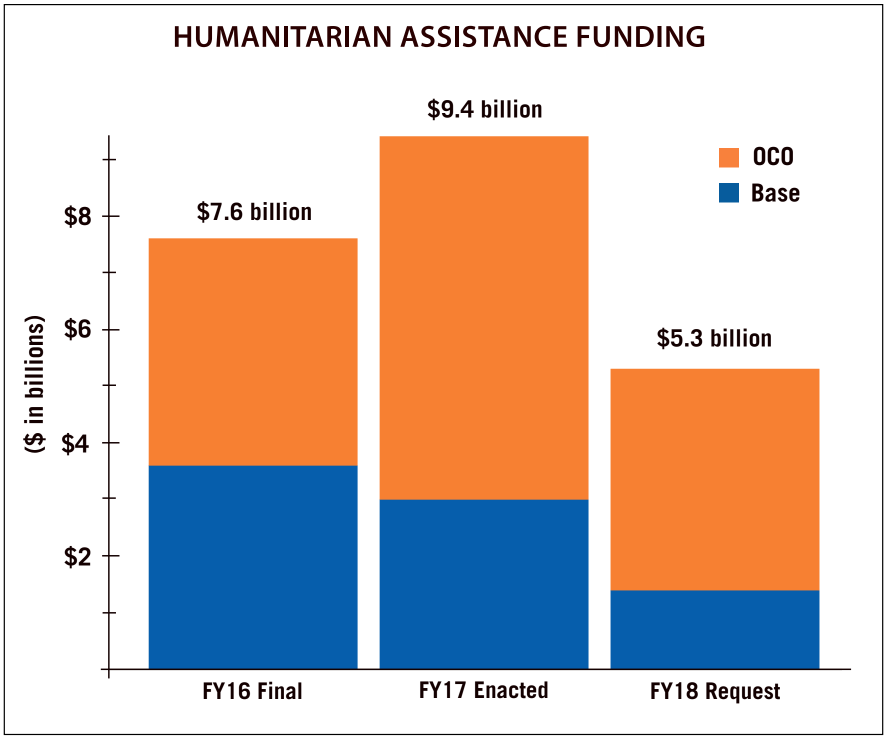
The changes made to the Development Assistance (DA) account are certain to attract significant attention on Capitol Hill. The Administration's request consolidates this account with the Economic Support Fund (ESF) account, which is overseen by the State Department and is traditionally focused on providing assistance to strategic partners. The DA account, currently overseen by USAID, has traditionally focused on long-term development efforts such as water and sanitation, and agricultural development for low-income countries. In its proposal, the Administration zeroes out DA, renames the new account the Economic Support and Development Fund (ESDF), and identifies the State Department as the lead. The Administration argues this consolidation increases efficiency since the two accounts are often considered as one when determining funding levels for certain programs in countries around the world.

In addition to the consolidation of these two accounts, the new Economic Support and Development Fund is cut by a staggering 44% compared to FY17 and assistance to 37 countries under this account is zeroed out. Cuts of this severity could mark a significant downgrading of development assistance as a tool for facilitating economic growth in low-income countries and advancing U.S. interests and goals around the world. With such strong support for the Development Assistance account on Capitol Hill this proposal will certain draw pushback from both sides of the aisle.

4) Humanitarian Assistance Slashed As Crises Grow and Needs Multiply

The Administration's FY18 request proposes to cut overall funding for humanitarian assistance by $4.2 billion (44%). Despite growing humanitarian challenges around the world—including looming famines in four countries and 65 million displaced people around the world, the Administration believes this level of funding (and the significant carryover of funds from previous years) will allow the U.S. to maintain its leadership role in addressing humanitarian emergencies while also pushing other donors to do more to assist in response efforts.

Additionally, the Title II, PL 480 Food for Peace program is zeroed out and shifted into the International Disaster Assistance (IDA) account. The Administration argues this will allow for more flexibility in the U.S. response to food emergencies and provide $100-$150 million in cost efficiencies.



5) Global Health Funding, Long a Bipartisan Priority, Cut by Over a Quarter

The budget proposes to cut overall Global Health funding by $2.2 billion (-26%), despite broad support for the account from both Republican and Democratic Administrations and Members of Congress. With a cut of this magnitude, almost every global health program sees at least a small cut in funding compared to current levels, with some programs taking enormous cuts or eliminated completely. Interestingly, the Administration seeks to redirect approximately $323 million in Ebola funding to malaria and global health security. See below for additional details on global health funding.

6) Account Reorganization Could Foreshadow Executive Order Reorganization Effort

With the internal review process outlined in the Executive Order on Reorganization well under way at the State Department and USAID, the Administration does not presuppose any reorganization as part of the budget proposal. However, the consolidation of certain accounts could foreshadow some of the proposals to emerge as part of this process. The FY18 request includes four major consolidations that may be met with skepticism on Capitol Hill:

- Development Assistance and the Economic Support Funds are consolidated and renamed the Economic Support and Development Fund;
- The Emergency Refugee and Migration Account (ERMA) is zeroed out and shifted into the Migration and Refugee Account (MRA);
- Title II, Food for Peace is zeroed out and shifted into the International Disaster Assistance Account (IDA); and
- USAID HIV/AIDS is zeroed out and shifted into State HIV/AIDS.

7) Lowering the Flag: Many Missions and In-Country Programs Zeroed Out

In addition to the 37 countries that will lose economic and development assistance, the budget proposes closing USAID missions in nine countries. While the nine missions zeroed out in the budget are not scheduled for imminent closure due to the availability of current and previous years funding, severely cutting back on programs in countries could hobble our ability to coordinate international development efforts on the ground and provide an opening for other countries like China and Russia to exert additional influence.

8) Promoting Economic Interests in Asia a Priority, but Several Programs on the Chopping Block

In addition to bolstering security interests in the region, the Administration's budget request places a priority on promoting U.S. economic interests in Asia through engagement with APEC, ASEAN, and trading partners to reduce barriers to trade and markets in the region. However, several agencies and programs within the International Affairs Budget that promote economic development take a steep cut in the proposal, including the Overseas Private Investment Corporation (OPIC) and the U.S. Trade and Development Agency (USTDA), both of which the Administration has identified for elimination.

9) Operating Budgets for the State Department and USAID on the Chopping Block

America's diplomatic presence around the world would shrink by at least 8% under the budget proposal. The request includes $8.3 billion to cover State Department personnel and related costs and $1.1 billion for the construction and maintenance of diplomatic facilities, both priorities for the Administration. However, USAID's operating expenses are funded at $1.2 billion, a 13% cut from current levels. According to the Administration, this cut reflects the assumption that with the proposed major decreases to international development across-the-board costs to implement programs would also be reduced. It could, however, also have a negative impact on the agency's internal capacity for monitoring and evaluation of foreign assistance programs.

Included in this Analysis

I. Notable Policy and Program Issues

II. Snapshot of Country and Regional Funding

III. What's Ahead

IV. Additional Information and Resources

V. Account-by-Account Details

About this Analysis

Wherever possible, budget comparisons in this analysis compare the FY18 request to the FY17 enacted appropriations for both base and OCO accounts. In some cases, however, and especially regarding country and regional funding levels, the Administration has not yet determined FY17 allocations. In those instances, comparisons are made between the FY18 request and FY16 actual amounts and are clearly noted. **It is also important to note that in some cases, the comparisons in this analysis may differ from those provided by the Administration in its budget documents, because in those cases the documents compare the FY18 request with the last FY17 Continuing Resolution (CR), rather than the total enacted FY17 level.**

I. Notable Program and Policy Issues

Addressing the Growing National Security Challenges across the Globe

As highlighted in the "skinny" budget, the Administration has placed a priority on combatting ISIS and other national security threats. While total funding for these programs is down compared to current levels, the Administration's proposal for the International Affairs Budget is complementary to the broader DOD-led strategy to counter ISIS. Countering Russia and working with partners in the Western Hemisphere to stop the transit of people and illegal goods across the U.S. border are also priorities of the Administration.

Combating ISIS and Other Terrorist Organizations: The Administration's FY18 request identifies $3.6 billion in funding to support efforts to defeat ISIS and other terrorist organizations. This total includes economic and security assistance provided to a range of key countries through the OCO account, but excludes humanitarian assistance and programs funded through the base budget, such as traditional military training programs. Compared to FY16, the most recent year for which country allocations have been finalized, the request amounts to a $964 million (21%) decline.

The Administration argues that major increases in bilateral economic and security assistance included in the $4.3 billion counter-ISIS spending package that passed in December 2016 ensure that sufficient resources will be available for these efforts, even with the proposed FY18 cuts. The Administration's counter-ISIS strategy includes four components:

- **Defeating ISIS at the Core:** Provides a total of $538 million focused on the conflict in Iraq and Syria, $43 million (7%) less than in FY16.
- **Defeating Offshoots of ISIS:** Includes $193 million for Libya, Yemen and West African nations, $23 million (14%) more than last year.
- **Enhancing Stability in Neighboring Countries:** Requests a total of $1.15 billion for Jordan ($1 billion), Lebanon ($101 million) and Tunisia ($53 million)—overall, $472 million (29%) less than provided in FY16. Funding is intended to mitigate issues associated with hosting Syrian refugees in Jordan and Lebanon and to foster Tunisia's democratic transition.
- **Defeating Emerging ISIS Affiliates and Other Terrorist Threats:** includes assistance to a broad group of countries facing significant challenges from terrorist organizations, including Afghanistan, Pakistan, Somalia, and Mali. Altogether, the request includes $1.7 billion for programs aimed at countering terrorist threats, $474 million (22%) less than in FY16. The largest recipients include Afghanistan ($782 million), Pakistan ($330 million) and Somalia ($177 million).

Deterring Illegal Migration and Combating Transnational Crime: The Administration's request proposes $1.1 billion to counter illegal migration and combat transnational crime in the Western Hemisphere, $614 million (36%) less than in FY16. The request includes $460 million for Central America to advance institutional reform, address development challenges, and combat organized crime and gang violence. The request also includes assistance to Mexico focused on combating transnational criminal organizations that traffic in narcotics and other illicit goods, strengthening migration and border control, and reforming the criminal justice system. As in other areas, the Administration argues that increased funding for Central America in FY16 and FY17 has created a pipeline of resources that will mitigate the impact of the proposed deep reductions in FY18.

Countering Russian Aggression: The FY18 request includes $527 million to strengthen the capacity of Ukraine and other countries in Europe and Eurasia to counter Russian aggression and influence through economic reform, democracy, and good governance programs. The request represents a $761 million (59%) reduction from FY16. The depth of this decline is partly due to the absence of a loan guarantee for Ukraine, the third and last of which was provided in FY16 at a cost of $290 million. After Ukraine, the largest recipients of U.S. foreign assistance in the region are Georgia and Moldova.

International Security Assistance: Significant Cuts and Policy Changes: Overall the Administration's request provides $7.1 billion for security assistance programs in FY18, $2.3 billion (24%) less than in FY17. Under the request, Foreign Military Financing (FMF) is cut by $1.2 billion (19%). Israel, Egypt, Jordan, and Pakistan remain the largest recipients of FMF assistance.

Due to the level of cut, the Administration proposes to significantly restructure the FMF program. Specifically, it proposes to maintain FMF as a grant program for key partners:

- Israel and Egypt would continue to be funded through grants, and at the same levels as in the recent past ($3.1 billion for Israel and $1.3 billion for Egypt).
- Jordan and Pakistan would also continue to be funded through grants, but at somewhat lower levels.

Taken together, the funding for these four countries would account for all but $200 million of the FY18 FMF request. The remaining funding would be used for a combination of grants and loans for remaining FMF recipients. Decisions regarding the mix of grants and loans to be provided to particular countries have yet to be made.

Additionally, with the exception of the small military education and training (IMET) program, which would receive a $10 million (9%) cut, all of the other international security accounts would be cut significantly from FY17 levels. Funding for International Narcotics Control and Law Enforcement (INCLE) would be cut $437 million (33%), non-UN peacekeeping operations by $358 million (54%), and Nonproliferation, Anti-Terrorism and Demining (NADR) by $292 million (30%). The fact that some of these accounts received significant increases in FY17 compared to FY16 could mitigate the severity of the proposed cuts.

Peacekeeping: Deep Cuts, Continued High Demand: The Administration is proposing a total of $1.5 billion for peacekeeping operations in FY18. This includes $1.2 billion for the Contributions to International Peacekeeping Activities (CIPA) account, which helps fund UN peacekeeping operations currently being conducted in more than a dozen countries. This represents a $711 million (37%) cut from current levels.

Notably, the FY17 Omnibus already cut funding by $553 million (22%) compared to FY16, and reinstituted a 25% legislative cap on peacekeeping assessments, instead of the negotiated rate of 28%. As a result of that reduction, the U.S. was already projected to fall short of its peacekeeping obligations, likely leading to arrears for the first time since 2009. The Administration's FY18 request poses a far greater threat to the viability of the UN's ongoing peacekeeping operations and could substantially deepen and extend our accumulation of arrears.

The Administration acknowledges that such deep cuts to CIPA funding will require dramatically reducing overall UN peacekeeping costs, significantly reducing U.S. contributions, or a combination of both approaches. As such, it plans to negotiate with the UN for a U.S. assessed contribution that is at or below the 25% statutory cap, and to seek agreements with the UN Security Council to reduce or end mandates for peacekeeping missions and reduce the level of resources committed to peacekeeping operations.

Additionally, the FY18 request includes $301 million for the Peacekeeping Operations (PKO) account, which covers the cost of non-UN peacekeeping operations, as well as efforts to improve the capacity of other countries to conduct peacekeeping operations. This would be a $358 million (59%) cut from FY17 levels.

PEACEKEEPING FUNDING

	FY16 ENACTED	FY17 ENACTED	FY18 REQUEST	CHANGE FROM FY17
UN Operations (CIPA)	$2.46 billion	$1.91 billion	$1.2 billion	▼ 37%
Non-UN Ops (PKO)	$601 million	$659 million	$301 million	▼ 54%
Response Mechanism	$0	$0	$0	N/A
TOTAL	$3.06 billion	$2.57 billion	$1.5 billion	▼ 42%

Ensuring Economic Security at Home and Abroad

The International Affairs Budget supports a broad range of agencies that foster economic growth in developing countries and expand U.S. exports, trade, and investments around the world. Consistent with its initial "skinny" budget released in March, the Administration's FY18 budget request moves to phase out two of these agencies:

- **Overseas Private Investment Corporation (OPIC):** This agency provides financing to companies that invest in developing countries. Its activities help U.S. companies gain footholds in emerging markets, facilitating growth both at home and abroad. Notably, OPIC is a self-funded institution—its offsetting collections typically exceed its administrative costs. Even if the agency were to shutdown, it is projected to return some $306 million to the Treasury next year. The request includes $61 million for OPIC administrative expenses for FY18 to allow it to manage its current portfolio and start shutting down its operations.

- **U.S. Trade and Development Agency (USTDA):** The Administration's budget calls for the elimination of USTDA, but includes $12 million for the agency to conduct an orderly closeout. The agency funds project preparation, pilot projects and other activities where there is a high likelihood that U.S. goods and services can match the needs of the agency's overseas partners. On average, USTDA estimates that it generates over $74 in U.S. exports for every dollar programmed.

The FY18 request continues to fund, at various levels, three other agencies and accounts with a business, export, and investment focus.

- **Millennium Challenge Corporation (MCC):** As mentioned previously in the analysis, the Administration's request proposes $800 million for the MCC in FY18, a $105 million (12%) decrease from current levels. If enacted, this would represent the lowest funding level for the agency since its creation. The request states that this funding would allow the agency to fund new compacts with Mongolia, Senegal and Sri Lanka. 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.

- **Export-Import Bank (Ex-Im):** The Ex-Im Bank supports the U.S. export sector through various types of financing, including loans, loan guarantees, and insurance programs. Although the President had been critical of the Bank during the campaign, he has since signaled his support. The request includes $101 million in operations funding, $15 million (13%) less than in FY17. Like OPIC, the Ex-Im Bank is self-funding and brings in more each year than it costs to operate its programs. For FY18, the Administration projects the bank's collections will exceed program costs by $652 million.

- **USAID's Development Credit Authority (DCA):** The FY18 request includes $9 million for DCA operations, a 9% decrease from current levels. This program has helped mobilize private financing for development efforts in numerous sectors, including farming, health care, education, and infrastructure. Notably, over the past 18 years, DCA has issued some $4.3 billion in loan guarantees and experienced net defaults equivalent to only half a million dollars.

Projecting American Values

Many of America's long-standing global health, development, and humanitarian programs receive dramatic reductions in the FY18 budget proposal. Like other aspects of the budget request, it is likely that Members of Congress on both sides of the aisle will look skeptically upon these proposed cuts and shifts in funding.

Development and Economic Assistance: Consolidated and Cut Sharply: The FY18 request would merge all 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). The State Department, as opposed to USAID, would be the lead for ESDF. In addition to the consolidation, the Administration proposes to cut funding for this new account by $3.9 billion (44%) compared to the levels the four accounts received in FY17.

Although development programs would still be funded with the same authority that currently exists through this new consolidated account, the Administration expects strategic considerations could play a role in determining how funding in this account is allocated. This approach is more in line with the State Department-managed ESF account, which provides economic assistance to Afghanistan, Ukraine, Jordan, Pakistan, and Egypt.

This account consolidation and deep reduction in funding represents a dramatic departure from past budgets, and may mark a significant downgrading of development assistance as a tool both for facilitating economic growth and other advances in poor countries, as well as for furthering U.S. interests and goals. By eliminating funding for DA, USAID's key development account, the proposal is also likely to raise questions about the future of that agency—which has traditionally been the lead for development programs.

The request assumes approximately $500 million for agricultural development, approximately half of what Congress approved last year. The FY18 request also includes reductions for other development-related accounts including the Millennium Challenge Corporation (MCC) and USAID Operating Expenses (both of which are discussed in other sections of this report). Funding for the Peace Corps would be cut $12 million (3%).

DEVELOPMENT AND ECONOMIC ASSISTANCE FUNDING

	FY16 FINAL	FY17 ENACTED	FY18 REQUEST	CHANGE FROM FY17
Economic Support and Development Fund	N/A	N/A	$4.94 billion	N/A
Development Assistance (DA)	$2.78 billion	$3.0 billion	$0	▼ 100%
Economic Support Fund (ESF)	$4.3 billion	$4.68 billion	$0	▼ 100%
Assist. for Europe, Eurasia, & Central Asia (AEECA)	$930 million	$902 million	$0	▼ 100%

DEVELOPMENT AND ECONOMIC ASSISTANCE FUNDING (CONT.)

Democracy Fund	$151 million	$211 million	$0	▼ 100%
Millennium Challenge Corporation (MCC)	$901 million	$905 million	$800 million	▼ 12%
Peace Corps	$410 million	$410 million	$398 million	▼ 3%

Humanitarian Assistance: After an Increase in FY17, a Major Cut: The budget would cut funding for humanitarian assistance by $4.2 billion (44%) compared to FY17, arguing that these accounts will have significant carryover resources in FY18 due to the lateness and size of the FY17 Omnibus Appropriations Act, as well as significant transfer authority—both of which could mitigate the impact of the cuts to humanitarian assistance included in the request.

Given the number of looming famines, wars, and other humanitarian crises around the world, it may be risky to assume significant resources will carry over from FY17 into FY18. Further, with the significant cuts proposed to other foreign assistance accounts, it may be equally difficult and unwise to use transfer authority to offset this deep cut in humanitarian assistance funding.

The request also would eliminate the Title II, PL 480 Food for Peace program, which involves the use of U.S.-flagged vessels to ship U.S.-produced food aid to countries in need. Instead, all emergency food aid would be funded through the International Disaster Assistance (IDA) account, relying on vouchers and local procurement. Similar to previous Administrations, the Administration argues that this approach will be more cost-effective.

Even if significant efficiencies could be achieved with this change, it is difficult to see how the Administration's request for IDA, which would be cut by $1.9 billion (43%), can offset the total elimination of the Title II, PL480 program, which is funded at $1.6 billion this year.

As it had previously announced in March, the Administration proposes eliminating the Presidentially-directed, Emergency Refugee and Migration Assistance (ERMA) account. Under the request, the Migration and Refugee Assistance (MRA) account would be cut by $613 million (18%). This includes sufficient funding to support a refugee admissions ceiling of 50,000 refugees, plus 10,000 Special Immigrant Visas.

HUMANITARIAN ASSISTANCE FUNDING

	FY16 FINAL	FY17 ENACTED	FY18 REQUEST	CHANGE FROM FY17
Disaster Aid (IDA)	$2.79 billion	$4.43 billion	$2.51 billion	▼ 43%
Refugees (MRA)	$3.06 billion	$3.36 billion	$2.75 billion	▼ 18%
Emergency Refugees (ERMA)	$50 million	$50 million	$0	▼ 100%
Title II, PL 480 Food for Peace	$1.72 billion	$1.6 billion	$0	▼ 100%
TOTAL	$7.6 billion	$9.4 billion	$5.3 billion	▼ 44%

Global Health: Major Cuts to Most Areas: The Administration's FY18 request provides $6.48 billion for Global Health funding, $2.2 billion (26%) below this year's level. Very few areas of Global Health would escape significant reductions, but notably, international family planning assistance has been eliminated in the request.

Programs to treat HIV/AIDS are funded at $4.98 billion, $1 billion (17%) below FY17. This includes $3.85 billion for the State Department's bilateral program, down $470 million (11%), and $1.13 billion for the Global Fund (down 17%). The request eliminates USAID funding for HIV/AIDS, which received $330 million in FY17. According to the Administration, the bilateral funding level for HIV/AIDS in FY18 will be sufficient to continue to work toward epidemic control in 12 priority countries, and will maintain the current number of people on antiretroviral treatment in the remaining 24 countries receiving aid. Additionally, the Administration argues that the contribution to the Global Fund will still allow the U.S. government to meet its commitment to provide one dollar for every two dollars provided by other donors, although the current agreement between the Fund and the U.S. states that the agency has until the end of the replenishment (FY19) to meet the matching requirement.

For other global health programs, the funding picture is mixed. The budget bumps up a few programs but cuts funding for most. Specifically, the request:

- Cuts funding for Maternal and Child Health to $750 million, an 8% decrease. Within this account, however, Gavi, the Vaccine Alliance, receives $290 million, a $15 million (5%) increase, which the Administration believes puts it on track to meet our four-year, $1 billion pledge.
- Cuts funding for Malaria by 44%, but proposes to redirect $250 million of remaining FY15 Ebola balances to the program. If approved, this additional funding would bring the total back to the FY16 level for the initiative, but would still leave it $81 million (11%) short of the FY17 level.

- Zeros out funding for Global Health Security, but as with Malaria, proposes redirecting $73 million in remaining Ebola balances to this program in FY18—bringing it back up to FY16 levels, but still leaving it $70 million (49%) below the FY17 enacted level.
- Makes major reductions to funding for Tuberculosis ($63 million), Neglected Tropical Diseases ($25 million), and Nutrition ($47 million), and eliminates funding for Vulnerable Children and Family Planning.
- The Administration's request for polio programs is unclear.

GLOBAL HEALTH FUNDING*

	FY16 FINAL	FY17 ENACTED	FY18 REQUEST	CHANGE FROM FY17
Bilateral PEPFAR	$4.32 billion	$4.32 billion	$3.85 billion	▼ 11%
Global Fund	$1.35 billion	$1.35 billion	$1.125 billion	▼ 17%
USAID HIV/AIDS	$330 million	$330 million	$0	▼ 100%
Malaria	$674 million	$755 million	$424 million	▼ 44%
Tuberculosis	$236 million	$241 million	$178 million	▼ 26%
Maternal/Child Health	$750 million	$815 million	$750 million	▼ 8%
Vulnerable Children	$22 million	$23 million	$0	▼ 100%
Nutrition	$125 million	$125 million	$79 million	▼ 37%
Family Planning	$608 million	$608 million	$0	▼ 100%
NTDs	$100 million	$100 million	$75 million	▼ 25%
Global Health Security	$218 million	$143 million	$0	▼ 100%
TOTAL	$8.65 billion	$8.72 billion	$6.48 billion	▼ 26%

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

Educational and Cultural Exchange: The FY18 request provides $285 million for Educational and Cultural Exchanges (ECE), $349 million (55%) less than in FY17. The Administration argues that it is "streamlining" the account to better focus on programs that can deliver direct and tangible benefits to the U.S. However, the proposed budget makes deep cuts in almost all ECE programs. Even the Fulbright Program would be cut by 47% from FY16 levels, while some other programs would be cut far more deeply—like the citizen exchange program, which would be slashed by 58%.

Democracy Programs: The Administration's request includes $1.6 billion for democracy, human rights and governance programs, $715 million (31%) less than was provided in FY16. These programs are designed to promote effective and accountable institutions, help develop peaceful and democratic political processes, and demonstrate U.S. leadership in support of basic freedoms and human rights.

Consolidating Programs and Other Reforms

The Administration's request does not pre-suppose outcomes from the efficiency review process currently underway at the State Department and USAID. Over the course of the next several months, the State Department will continue to conduct online and in-person interviews with employees as part of the effort to respond to a March Executive Order mandating agencies make recommendations to reform, reorganize, and/or find efficiencies in programs throughout the federal government.

The proposal does, however, identify programs it deems duplicative and proposes eliminating or consolidating those programs to create efficiency. Among the major consolidations identified are:

- **Consolidating the Development Assistance and Economic Support Funds Accounts into a New Economic Support and Development Fund.** According to the Administration, these accounts and the Assistance to Europe, Eurasia, and Central Asia are interchangeable in advancing and funding development and economic assistance programs. However, there is significant skepticism in regard to this consolidation, including how this move could diminish long-term development strategy and programs in the face of shorter-term diplomatic and political objectives.
- **Zero Out and Shift the Emergency Refugee and Migration Account (ERMA) into the Migration and Refugee Assistance (MRA) Account.** Citing duplication, the Administration proposes eliminating funding for the ERMA account and focuses migration and refugee assistance in the MRA account.
- **Zeroing Out and Shifting Title II, Food for Peace Programs into the International Disaster Assistance (IDA) Account.** As previous Administrations have done, the Administration argues for shifting emergency food aid programs from Title II, Food for Peace to the IDA account. This shift would potentially allow for more flexible, cash-based food aid.

- **Mission and Program Closures around the World.** With a severely constrained budget, the Administration has identified nine countries where funding for foreign assistance programs is zeroed out in FY18. Most notably, the proposal zeroes out assistance to Cuba (roughly $20 million). Development and economic assistance itself is zeroed out in more than 35 missions, effectively lowering the development flag in countries around the world.

Finally, with a strong focus on countering-ISIS and protecting national security in the budget proposal, there are significant efforts to ensure better coordination between the State Department and the Department of Defense, including the establishment of a new State-DOD Security Sector Assistance Steering Committee. The Joint Committee is charged with optimizing agency resources, priorities, and partnerships through better coordination and communication between departments.

Impact on Civilian Capacity

The FY18 budget request proposes cuts to several accounts that fund the U.S. diplomatic presence around the world and the management component of U.S. foreign assistance programs, including monitoring and evaluation. While generally less deep than what has been proposed for other parts of the International Affairs Budget, the cuts are significant.

State Department: Under the request, the State Department's Diplomatic and Consular Affairs (D&CP) account, which funds personnel, infrastructure support and operations costs, would be funded at $8.3 billion, $1.4 billion (14%) below the FY17 enacted level. The proposal assumes a reduction in staffing of about 8% by the end of FY18, to be accomplished through both attrition and some targeted buyouts. As noted in the Key Takeaways section, the Administration's budget proposal does not presuppose decisions related to the efficiency review process, but additional efforts to reshape and downsize the Foreign Service and Civil Service workforce at the State Department are under consideration through that process as well.

The request includes about $3.8 billion for the account's Worldwide Security Program (WSP). While this represents a 19% reduction from FY17, the FY17 level was very high by historical standards ($1.2 billion above FY16). The Administration argues that the combination of FY17 funding and the FY18 request is sufficient to support expanded diplomatic security operations through the end of next year.

Finally, the request also includes $1.14 billion for Embassy Security Construction and Maintenance (ESCM), $1.9 billion (62%) less than provided in FY17. The account's Worldwide Security Upgrade program would be cut even more steeply, by approximately 84%. However, here too, the Administration argues that major increases provided in the FY17 budget creates a significant pipeline of funding, and makes the proposed reductions permissible.

USAID: The Administration's FY18 request includes $1.2 billion for USAID's Operating Expenses account, which covers costs associated with the implementation of a wide range of foreign assistance programs and the monitoring and evaluation of those programs. This represents a $179 million (13%) cut from FY17. Similar to the State Department, the request assumes that, the size of USAID's workforce would decline by about 8% by the end of FY18 through attrition. Again, as is the case with the State Department, there could be additional decisions made on the staffing of USAID through the efficiency review process.

U.S. Engagement with Multilateral Institutions

The budget recommends significant cuts to U.S. commitments to multilateral institutions, potentially leading to long-term negative impacts and the U.S. losing its "seat at the table," as we would undoubtedly go into arrears in certain institutions.

International Financial Institutions: Significant Cuts for Agencies and Programs: The budget proposes $1.5 billion for Treasury International programs, $295 million (16%) below current levels. Most of the funding included in the request is needed to meet the annual replenishment commitments of the World Bank's International Development Association, the African Development Fund and other International Financial Institutions (IFIs). Notably, the request would eliminate all contributions to the Green Climate Fund, which is intended to help countries address climate change and had been a major priority of the Obama Administration. The FY17 Omnibus already zeroed out money for the Fund for this year.

Contributions to International Organizations: Big Cuts to the UN: The Administration's request includes $996 million for assessed Contributions to International Organizations (CIO), a $363 million (27%) cut from current levels. This account funds the U.S. share of contributions to over 40 international organizations, including the UN and many UN-affiliated agencies. In nearly all cases, U.S. participation in these organizations is the result of ratification of a treaty or convention that commits the U.S. and other member countries to pay an assessed contribution. As such, reductions of this magnitude could greatly undercut American leadership within these organizations, as well as within the broader international community. Cuts would also result in the accumulation of significant arrears.

International Organizations and Programs: Account Eliminated, Certain Contributions Shifted: The proposed budget also eliminates funding for the International Organizations and Programs account, which covers the cost of voluntary contributions to a wide variety of UN-affiliated and other agencies, and received $339 million in FY17. The Administration has identified only four agencies currently funded through this account that would continue to be supported in FY18, through the use of funding from other accounts:

- The Internet Governance Forum;
- The UN Human Rights Commission;
- The Montreal Protocol; and
- The UN Office for the Coordination for Humanitarian Assistance.

The first three of these could be funded out of the new Economic Support and Development Fund and the last from the Migration and Refugee Assistance account. Notably, the Administration does not provide for voluntary contributions to UNICEF and funding for the World Food Program is not specified.

II. Snapshot of Country and Regional Funding

As in previous years, the FY18 budget request specifies funding levels for each country and region. However, since decisions on how FY17 funds will be allocated by country have not yet been finalized, we are unable to compare FY18 proposals with current levels. Therefore, comparisons in this snapshot are made against FY16 amounts.

Africa: The FY18 request includes $5.2 billion for programs in Africa, $2.8 billion (35%) less than provided in FY16. The largest component of this funding remains the President's Emergency Plan for AIDS Relief (PEPFAR) and other global health programs. Other key priorities include countering ISIS, especially in Mali, Nigeria and Somalia, and assisting fragile states – including the Democratic Republic of Congo and South Sudan. The top recipients of U.S. foreign assistance in Africa include Kenya, Tanzania, Uganda, Zambia, Nigeria, South Africa, and Mozambique.

East Asia and the Pacific: The Administration is proposing $393 million for assistance to East Asia and the Pacific in FY18, $339 million (46%) below the FY16 level. Compared to other parts of the world, foreign assistance levels in this region remain relatively modest. Priorities funded in the request include improving partner security capabilities, which range from maritime capacities to defense against cyberattacks and countering transnational crime. The countries receiving the most assistance include Indonesia, Vietnam, the Philippines, and Burma.

Europe and Eurasia: The request includes $451 million in foreign assistance funding for Europe and Eurasia, a $676 million (60%) cut from FY16. The funding is intended help build more resilient allies, reduce vulnerabilities to Russian aggression, and support greater Euro-Atlantic integration. The top recipients consist of Ukraine, Georgia, and Moldova.

Middle East and North Africa: As in the past, the Middle East and North Africa region continues to be the largest recipient of U.S. foreign assistance funding compared to other parts of the world. For FY18, the Administration proposes $6.6 billion for the region, $851 million (11%) less than provided in FY16. Israel, Egypt and Jordan continue to receive the largest portion, accounting for 86% of the total. As in the recent past, much of the funding to the region is also focused on countering ISIS and helping to end the conflicts in Syria and Iraq.

South and Central Asia: The FY18 request includes $1.4 billion in foreign assistance to South and Central Asia, representing a $606 million (30%) cut from FY16. Nearly 80% of this funding is allocated to Afghanistan and Pakistan. Other recipients in the region include Bangladesh, Nepal, India, Tajikistan, and the Kyrgyz Republic.

Western Hemisphere: The Administration's request proposes $1.1 billion in funding for Central and South America, a $614 million (36%) cut from FY16. This funding is largely focused on programs to help deter illegal migration and illicit trafficking, and includes efforts to address corruption, security, and developmental challenges. Among the countries receiving the largest share of assistance are Colombia, Haiti, and Mexico.

III. What's Ahead

Since the release of the "skinny" budget in March, a growing chorus of military, faith, and business leaders and lawmakers on both sides of the aisle have rejected deep and disproportionate cuts to the International Affairs Budget. Senator Lindsey Graham (R-SC) has called the cuts "dead on arrival" and members from the House Freedom Caucus to the House Progressive Caucus have also opposed the cuts as inconsistent with America's leadership role in the world and dangerous to our national security.

Congress will have an opportunity to put these words into action very soon. With the full budget released and FY17 wrapped up, House and Senate Appropriations Committees will start holding FY18 budget hearings on the Administration's proposal and drafting their spending bills in short order. Only a few months of legislative session are left before the start of FY18, however, leaving little room for regular order, i.e. Congress voting on all twelve appropriations bills on the floor.

House and Senate Budget Committees are also expected to make topline spending decisions in the next several weeks to help guide the appropriations process.

IV. Additional Information and Resources

OMB Budget Charts and Material

- https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf
- https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/budget.pdf
- https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/msar.pdf
- https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/sta.pdf

State Department Budget and Material

- https://www.state.gov/s/d/rm/rls/ebs/2018/pdf/index.htm
- https://www.state.gov/r/pa/pl/2017/271029.htm
- https://www.state.gov/r/pa/prs/ps/2017/05/271052.htm
- https://www.state.gov/documents/organization/271013.pdf
- https://www.state.gov/documents/organization/271014.pdf

USAID Budget and Material

- https://www.usaid.gov/sites/default/files/documents/1869/USAIDFY2018BudgetFactsheet.pdf
- https://www.usaid.gov/results-and-data/budget-spending
- https://www.usaid.gov/news-information/fact-sheets/fy-2018-development-and-humanitarian-assistance-budget

Other Agency Budget and Material

- https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/agr.pdf
- https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/tre.pdf
- https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/lab.pdf

V. Account-by-Account Details

Download the Account-by-Account Details:

- http://www.usglc.org/downloads/2017/05/Function-150-Account-by-Account-Details-FY18-Request.xlsx