

PRESIDENT BUSH'S FY2008 BUDGET REQUEST February 5, 2008

On February 5, President Bush sent his FY2008 budget request to Congress. In total, the FY2008 request includes \$36.19b for International Affairs (the 150 Account) which is \$3.54b over FY2007 or an 11% increase. This total includes approximately \$19.81b for the accounts that most directly impact the lives of poor people around the world, a total increase of \$2.4b over the FY2007 Continuing Resolution (C.R.) total. This increase is comprised of:

- + a \$968m increase for global HIV/AIDS, TB and malaria
- + a \$1.25b increase for the Millennium Challenge Account
- + a net increase of approximately \$200m for other core accounts which serve as the backbone of U.S. development assistance. However, within this net increase, there is a major redistribution of how development assistance is being channeled to countries which makes detailed analysis at this time difficult.¹

Global HIV/AIDS, TB and Malaria: The President's budget request includes a total of \$5.78b for global HIV/AIDS, TB, and malaria, a net increase of \$968m over FY2007 C.R. levels². The increase is largely the result of large increases in the President's Emergency Plan for AIDS Relief focused on 15 countries and the President's Malaria Initiative tempered by a cut to the Global Fund level (compared to the final amount in the FY2007 C.R.):

- **15 Focus countries and centrally managed programs:** The FY2008 request includes \$4.15b for the Global AIDS Initiative (GAI). DATA estimates that a total of \$4.13b will be available for the 15 countries and for support of centrally managed efforts: From GAI, \$3.6b will be available for activities in the 15 focus countries and another \$59m will be transferred to the 15 focus countries from CDC as well. GAI will also fund \$362m for centrally managed programs, \$61m for technical oversight and management, and \$36m for "strategic information". There will also be a \$27m contribution to UNAIDS, and \$50m will be transferred for non-focus country activities. The FY2008 GAI total reflects approximately \$1.3b more than is pending in the FY2007 C.R.
- **Global Fund to Fight AIDS, TB and Malaria:** The President requested \$300m for the Global Fund, \$424m less than was appropriated in FY2007. This year's request places the entire \$300m in the Labor-HHS bill and requests no funding for the Global Fund in the Foreign Operations Bill. The total is approximately \$1.1b less than the \$1.4b calculated as the U.S. share of the Global Fund's needs for the year.³
- **Bilateral HIV/AIDS, TB and Research Programs:** Ongoing bilateral HIV/AIDS programs for non-focus countries as well as bilateral TB programs and research initiatives have largely been flat-funded since PEPFAR was launched. The FY2008 request includes \$948m for these programs, reflecting a \$32m cut from the FY2007 level.
- **Bilateral Malaria:** The President's request in FY2008 includes a total of \$397m for bilateral malaria programs, \$285m of which will be directed to the new President's Malaria Initiative and \$112m of which will be directed to existing ongoing activities (\$388m is in Foreign Operations and \$8.9m in Labor-HHS). This represents a \$140m increase over FY2007 and should enable the program to expand from seven focus countries to a total of fifteen.

U.S. Appropriations for Global HIV/AIDS, TB and Malaria			
<i>(In USD mns)</i>	FY2007	FY2008 Req	Change
15 focus countries and centrally managed programs	\$2847.26	\$4132.26	<i>\$1285m increase</i>
Global Fund to Fight AIDS, TB and Malaria	\$724.00	\$300.00	<i>\$424m cut</i>
Bilateral HIV/AIDS, TB and Research	\$981.091	\$948.14	<i>\$32m cut</i>
Subtotal HIV/AIDS, TB and Research	\$4552.35	\$5380.40	<i>\$828m increase</i>
Bilateral Malaria	\$256.91	\$396.91	<i>\$140m increase</i>
Total	\$4809.26	\$5777.31	<i>\$968m increase</i>

¹ This year, DATA has introduced an expanded list of accounts in its assessment of "key accounts". We have tracked those accounts that, once disbursed, are counted as official development assistance (ODA) by the DAC but have excluded those which do not ultimately target poverty alleviation. For a full list of the accounts DATA tracks, please see the attached chart.

² The total level of \$5.78b is comprised of \$4.97b in Foreign Operations and \$803m in Labor-HHS.

³ The Global Fund estimates a total resource need of \$4.2b for FY2008. This total includes funding for renewals of grants reaching phase 2 of implementation extension of some grants beyond phase 2 and funding for one new round of grants. The U.S. equitable share based on GNI is roughly 33% of the total.



Millennium Challenge Account (MCA): In FY2008, the President again requested \$3b as he did in FY2006 and FY2007. This total represents an increase of \$1.25b over the FY2007 C.R. (the FY2007 spending level was determined through the Continuing Resolution to remain at the final FY2006 spending level). In order for the MCA to achieve its goals, it must be robustly funded so that all qualified countries with technically sound compact proposals can be financed to the level that will enable the sort of meaningful change envisioned in the design of the MCA.

DATA's initial analysis of the budget reveals a concerning trend amongst MCC countries: all nine of the eleven countries that maintain USAID programs and have signed MCC compacts have received net cuts in other development assistance totaling \$107m as compared to their FY2006 levels. Because sector allocations are not yet available it is unclear as to whether these net cuts are covered through the MCC compacts or whether they will result in countries scaling up certain sector activities under the MCC such as economic growth while cutting in other important sectors such as education and water.

Other Key Development Accounts: Other key development accounts include the majority of programs that channel development assistance to the poorest countries such as Child Survival and Health, Development Assistance, Debt Restructuring, the World Bank's International Development Association, the Peace Corps, Disaster Assistance, Refugee Assistance, among other programs. As previously noted, DATA has undertaken an extensive analysis of the U.S. budget to identify all accounts that ultimately are tracked as official development assistance ("ODA") by the OECD. Not all of those accounts that qualify as ODA are tracked by DATA as some are less focused on achieving poverty-alleviation.

As HIV/AIDS initiatives and the MCA have grown, other core programs have been held relatively flat or have only grown by small increments. In the FY2008 request, there is a net increase to these accounts of approximately \$200m however this net increase is the result of a CUT to the more traditional development accounts such as Development Assistance and Child Survival buoyed by an increase to more strategic accounts such as the Economic Support Fund (ESF). Not all of the details are clear yet due to the fact that the FY2008 budget introduces a new structure and therefore the net impact on core development activities will not be revealed until full details of the request are released in the Congressional Budget Justification (expected February 12, 2007). Some of the major changes affecting this year's budget include:

Transfers of funds to ESF and Impact on Development Assistance (DA): Under the new structure at State Department and USAID, entire country budgets for certain 'categories' of countries will be housed within the same budget line. For example, this means that all countries classified as "rebuilding or restrictive" countries will have their entire budgets housed within ESF rather than through various accounts. Afghanistan and Sudan for example received \$244m in Development Assistance in FY2006 but in FY2008, all of their funding will now come under ESF because these countries are being categorized as more political and strategic in nature. However, the activities that were previously funded under DA, such as education and agricultural programs, will to a large extent continue using ESF funds. Because of these shifts and because there is not yet a full set of country sector allocations available for the FY2008 budget, it is difficult to determine how much of the apparent \$468m cut (31%) to DA is simply the transfer of funds for the same purposes to a new category (ESF) and how much could reflect a cut/increase to core DA programs.

Child Survival and Health breakdown: Excluding AIDS, TB and malaria programs that are funded as part of Child Survival and Health (and are detailed above), there is a net cut to Child Survival of \$12m in FY2008 compared to the FY2007 C.R. This relatively small cut masks a shift from programs such as child and maternal health (down \$10m) and reproductive health (down \$70m) into strategic priorities such as fighting the Avian Flu which received almost \$100m more than in FY2007.

ESF breakdown: For DATA's new accounting purposes, we are only including the portions of ESF that qualify as ODA (those that are administered for similar purposes as DA and CSH for example). We further exclude those portions that are given through cash transfers to strategic partners through strategic agreements, as these funds are less focused on poverty-alleviation. Details of the country sector allocations under the FY2008 ESF request are not yet available and therefore the figures used in this document reflect estimates—they will be revised as information



becomes available. There are also no FY2007 country allocations available at this time as the C.R. has not been finalized.

Multilateral Institutions—The FY2008 budget includes net increases of \$219m for multilateral development banks and institutions such as the World Bank, Inter-American Development Bank, and the African Development Fund. Notably, the request includes \$175m to cover past arrears to these institutions, \$150m of which is owed to the World Bank International Development Association (IDA). In total, IDA receives a \$119m increase over its FY2007 level which importantly will cover the U.S. commitment to the historic 100% multilateral debt relief initiative (MDRI). Other institutions receiving increases include the Inter-American Development Bank (\$34m increase), the Asian Development Bank (\$35m increase), the African Development Fund (\$7m increase) and the International Fund for Agricultural Development (\$3m increase). There is also a cut to International Organizations and Programs of \$37m primarily due to a cut in funding for the UNDP.

Humanitarian/Disaster Funding—The FY2008 budget request reflects a shift away from funding for emergency/contingency fund accounts with cuts to refugee assistance, disaster and famine aid, flat funding for food aid and no request for the conflict response fund. After several years in which these accounts have been drawn on and supplemented, this request may result in the U.S. needing a significant supplemental budget for these line items in FY2008.

Of note, some of the other winners and losers include:

Core Accounts Receiving Increases:	Core Accounts Receiving Cuts:
<ul style="list-style-type: none"> • Debt Restructuring—\$143m increase over FY2007 primarily to cover costs of U.S. debt cancellation for the Democratic Republic of Congo. This increase does not necessarily reflect a regular increase to development assistance but rather a one time payment to complete commitments through the debt cancellation initiative. • Peace Corps—\$15m increase over FY2007 • International Development Association (IDA)—\$119m increase over FY2007 • Inter-American Development Bank—\$34m increase over FY2007 • African Development Foundation—\$7m increase over FY2007 • Asian Development Bank—\$35m increase over FY2007 • Multilateral Investment Fund—\$27m increase over FY2007 • Global Environmental Facility—\$28m increase over FY2007 • USAID Capital Investment Fund—\$57m increase over FY2007 	<ul style="list-style-type: none"> • Non-AIDS, TB or Malaria Child Survival and Health Accounts—The net is only \$12m less than in FY2007 but there are critical cuts to certain line items including a \$10m cut to Child Survival Maternal Health and a \$69m cut to reproductive health programs. These cuts are further exacerbated when total funding from all accounts is compared. • Development Assistance—\$468m less than in FY2007 • Refugee Assistance—\$59m cut from FY2007 • Disaster and Famine Aid—\$64m less than in FY2007 though \$50m of this is accounted for in a transfer to ESF so the total cut is actually \$14m • International Organizations and Programs—\$37m less than in FY2007 • Transition Initiatives—\$3m less than in FY2007 • USAID operating expenses—\$15m less than in FY2007 • FSA—\$100m less than in FY2007 • Democracy Fund—\$94m less than in FY2007 (though some may be transferred to ESF)

Tracking the Numbers

	FY2006		FY2007		FY2008 Req	
	For Ops	Other	For Ops	Other	For Ops	Other
HIV/AIDS, TB and Malaria	\$2792m	\$604m	\$4207m	\$593m	\$4973m	\$803m
<i>Of which bilateral</i>	\$2544m	\$505m	\$3582m	\$494m	\$4973m	\$503m
<i>Of which Global Fund</i>	\$248m	\$99m	\$625m	\$99m	\$0	\$300m
Millennium Challenge	\$1752m		\$1752m		\$3000m	
Other Key Accounts	\$9201m	\$2051m	\$9061m	\$1766m	\$9244m	\$1784m
Subtotal	\$13.75b	\$2.66b	\$15.02b	\$2.36b	\$17.22b	\$2.59b
Total	\$16.40b		\$17.38b		\$19.81b	



LIST OF ACCOUNTS INCLUDED IN THIS ANALYSIS:

HIV/AIDS, TB and Malaria

- HIV/AIDS, TB and Malaria funding through Child Survival and Health, including the Global Fund in years when applicable and the President’s Malaria initiative
- HIV/AIDS, TB and Malaria funding through the ESF
- Global AIDS Initiative
- HIV/AIDS, TB and Malaria funding through Labor-HHS, including the Global Fund

Millennium Challenge Account

Other Core Accounts

DATA has expanded its list of accounts included as “other core accounts”. For all of these accounts, DATA only counts the portions that would qualify as ODA under international definitions. The chart below shows those accounts that have historically been included and those that have been recently added:

Previously Counted in DATA Key Accounts	Added under expanded analysis
<ul style="list-style-type: none"> • Child Survival and Health (non AIDS, TB and Malaria portions) • Development Assistance • Int’l Disaster Assistance & Famine Fund • Migration/Refugee Assistance • Emergency Refugee & Migration • InterAmerican Investment Corp • Multilateral Investment • Peace Corps • Transition Initiatives • Inter-American Foundation • African Development Foundation • Debt Restructuring • Global Environmental Facility • IDA • MIGA • Inter-American Development Bank • Asian Development Bank • African Development Bank • African Development Fund • EBRD • International Fund for Ag Development • International Organizations & Programs 	<ul style="list-style-type: none"> • US Trade and Development Agency • Development Credit Authority • USAID Operating Expenses • USAID Inspector General • USAID Capital Investment Fund • Assistance for Eastern Europe and the Baltic States (SEED) • Assistance for the Independent States of the Former Soviet Union • Department of Treasury – Technical Assistance • Democracy Fund • ESF – minus Cash Transfers and Iraq • Andean Counterdrug Initiative – Only alternative development funding is included • Department of HHS - CDC Measles/Polio and Domestic Refugee Resettlement • Department of Agriculture – Food for Progress & Bill Emerson Trust • Department of State – Contributions to International Organizations (CIO) • P.L. 480 Title II – Food for Peace and McGovern-Dole • Department of Defense – only the humanitarian assistance ie natural disaster relief • Department of Labor - ODA