



PRESIDENT BUSH'S FY2009 BUDGET REQUEST February 4, 2008

On February 4, President Bush sent his FY2009 budget request to Congress. In total, the FY2009 request includes \$39.5b for International Affairs (the 150 Account) which is \$3.1b more than the total appropriated in FY2008 or an 8.5% increase. (For the purposes of this analysis, FY2008 spending levels include both the base appropriation and emergency supplemental included in the Omnibus spending measure) The request for International Affairs is one of, if not the largest increase proposed in the overall FY2009 budget. While Function 150 would grow by 8.5%, all non-security programs (excluding Defense, Homeland Security and International Affairs) would increase by only 1.3%. At the same time, the FY2009 150 proposal departs from the pattern of recent years where increases have been concentrated in a few, high priority activities such as the Millennium Challenge Corporation, Global HIV/AIDS, and assistance to Iraq, Afghanistan, and other Global War on Terror elements. Instead, the increases in this year's request are distributed across the budget with significant increases and cuts to a variety of accounts.

The total request includes approximately \$20.3b for the accounts that most directly impact the lives of poor people around the world, a total increase of \$1.36b over the FY2008 total. This proposed increase would represent a 7% increase over the total appropriated in FY2008; proposed increases for poverty-focused development assistance make up 44% of the total increases in the 150 Account. The remainder of the increase to the 150 Account (those accounts that ONE does not track as part of poverty-focused development assistance) increased by \$1.75b primarily due to increases for military assistance, aid to Iraq, the Merida Initiative (an anti-crime program for Mexico and Central America), embassy security and a Civilian Stabilization rapid response corps.

The \$1.36b increase in poverty-focused development assistance in the Foreign Operations Account is comprised of some increases to core accounts:

- + a net \$63m increase for global HIV/AIDS, TB and malaria¹
- + a \$681m increase for the Millennium Challenge Account
- + \$400m for a new International Clean Technology Fund
- + a \$335m increase for IDA
- + a \$116m increase for USAID operating expenses and an \$84m increase for USAID capital investment fund
- + a 111m increase for debt cancellation
- + a \$284m increase for the Economic Support Fund
- + \$15m increase DA

However these increases are tempered by cuts to the following accounts:

- A \$251m cut to Child Survival—within this overall cut is a \$77m cut for child and maternal health, a net \$74m cut for infectious diseases and a \$90m cut for family planning
- A \$131m cut to International Disaster and Famine funding
- A \$258m cut to refugee assistance
- A \$163m cut for the Democracy Fund

Global HIV/AIDS, TB and Malaria: The President's budget request, including funds proposed in the International Affairs, HHS, and other accounts, includes a total of \$6.4b for global HIV/AIDS, TB, and malaria, a net increase of \$59m over FY2008 levels². The Administration tracks the global HIV/AIDS funding separately from the bilateral malaria funding. In FY2009, the President has requested \$6.0b for global HIV/AIDS, TB and financing for the Global Fund (\$21m more than appropriated in FY2008) and \$394m for bilateral malaria programs (\$38m more than appropriated in FY2008). This year's request includes a \$500m request for the Global Fund—the highest request from the Administration to date but this figure is \$340m less than the amount appropriated by Congress in FY2008. In essence, the difference between the FY2008 Global Fund appropriation and the FY2009 request level for the Global Fund is transferred to the Global AIDS Initiative line item and channeled into the "New Compact Fund" line item.

¹ The net \$63m increase does not include funds from Labor-HHS; If Labor-HHS funds are included as they are in the overview of funding below, the net increase is \$59m.

² The total level of \$6.4b is comprised of \$5.61b in Foreign Operations and \$791m in Labor-HHS.



- **15 Focus countries and centrally managed programs:** The total requested for programming in the 15 focus countries is exactly the same as the amount appropriated in FY2008 (\$3.4b); there is a slight increase in the total tracked by the ONE campaign for centrally managed programs, technical support and strategic information and evaluation. ONE estimates that a total of \$3.9b will be available for the 15 countries and for support of centrally managed efforts which is an increase of only \$16m over FY2008. In Foreign Operations, there is a total request of \$4.8b for the Global AIDS Initiative (GAI): \$200m of this total is for the Global Fund and \$3.4b is available for activities in the 15 focus countries and centrally managed programs. Another \$58m will be transferred to the 15 focus countries from CDC as well, making the total available \$3.9b. GAI will also fund a \$35m contribution to UNAIDS.
- **Global Fund to Fight AIDS, TB and Malaria:** The President requested \$500m for the Global Fund to Fight AIDS, TB and Malaria. This request is the largest by the Administration yet is still \$340m less than was appropriated in FY2008. The President’s request includes a \$200m request as part of the GAI line item and \$300m in the Labor-HHS bill. The requested amount is \$1.15b less than the \$1.65b estimated to be an equitable U.S. share of the 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. However, with the addition of the New Compact Fund this year, the level increased to \$1.6b in FY2009—a \$343m increase over FY2008. The New Compact Fund is the largest growth area in the GAI line item. It is intended to result in compacts between the U.S. and host countries in the fight against HIV/AIDS, linking U.S. resources to increases from the host as well as improved host policies that will foster an effective response. This increase is tempered by a cut to bilateral TB funding from the \$152m appropriated in FY2008 to only \$85m in the President’s request.
- **Bilateral Malaria:** The President’s request in FY2009 includes a total of \$394m for bilateral malaria programs, \$385m of which is requested in Foreign Operations and \$8.7m of which is requested through CDC in the Labor-HHS bill. \$300m of this total will be directed to the new President’s Malaria Initiative and \$94m of the total will be directed to existing ongoing activities. This represents a \$38m increase over FY2008 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 (In Foreign Operations and Labor-HHS)			
<i>(In USD mns)</i>	FY2008	FY2009 Req	Change
15 focus countries and centrally managed programs	\$3.867b	\$3.882b	\$15m increase
Global Fund to Fight AIDS, TB and Malaria	\$840m	\$500m	\$340m cut
Bilateral HIV/AIDS, TB and Research	\$1.275b	\$1.621b	\$346m increase
Subtotal HIV/AIDS, TB and Research	\$5.982b	\$6.003b	\$21m increase
Bilateral Malaria	\$356m	\$394m	\$38m increase
Total	\$6.338b	\$6.397b	\$59m increase

Millennium Challenge Account (MCA): In FY2009, the President requested \$2.225b for the Millennium Challenge Account. This total represents an increase of \$681m over the FY2008 level and while this request is lower than in years past, it is believed to be the amount necessary for the MCA to provide financing for those eligible country compacts that may be approved within FY2009. The funding request also allows funding for the threshold program (for countries that just miss full qualification and need assistance addressing those indicators on which they have not passed).

³ Global Fund estimates a total resource need of \$5b for FY2009. 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.



For MCC compact countries, the FY2009 picture is mixed. For several compact countries, including Honduras, El Salvador, Nicaragua, and Mozambique, each will receive increased support through traditional economic aid channels as well as sizable disbursements from the MCC. Others, including Armenia, Benin, Ghana, Madagascar, Mali, and Tanzania, will see regular economic programs decline as MCC compact disbursements grow. 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.

Multilateral Contributions: The FY2009 budget includes net increases of \$753m for multilateral development banks and institutions focused in two places—a new International Clean Energy Fund and the World Bank’s International Development Association (IDA). In total, IDA receives a \$335m increase over its FY2008 level (for a total of \$1.277b) which ensures the U.S. is on track to fulfill its three year negotiated commitment through the IDA-15 replenishment. The increase also directs \$42m towards arrears (though ONE estimates that the U.S. owes approximately \$496m in arrears to IDA in total). The request also includes a \$21m increase for the African Development Fund in compliance with the recently negotiated replenishment for AfDF11. The FY2009 request of \$156m is the first of a three-year pledge of \$468.2m to the AfDF.

The President also requests \$400m to a new International Clean Energy Fund which is intended to help developing countries afford the cost of deploying clean technology and therefore help reduce greenhouse gas emissions. The budget notes that this request is the “first installment of a three-year \$2 billion commitment” for this fund. For now we are counting this line item as part of poverty-focused development assistance but need further detail on the recipients and programs to issue a final decision as to whether it should be included in this set of accounts. Also of note, the President requested a \$41m increase for the Asian Development Bank and a \$39m cut for international organizations and programs, a reduction that includes \$3.5 million less for UNICEF and \$22 million less for UNDP.

USAID Operations: The Administration requested a \$116m increase to USAID operating expenses to reinvigorate staffing and increase training, including the hiring of 300 new Foreign Service Officers. (Operating expenses have only increased \$83m since 2003 while poverty-focused development assistance has increased by more than \$7b over that time). They also requested an \$84m increase to the USAID capital investment fund which provides the information technological and communications support necessary for existing and new staff.

Debt Cancellation: The President requested \$141m for debt restructuring in FY2009, a \$111m increase over the \$30m appropriated in FY2008. \$121m of this total is for bilateral debt cancellation, which ONE anticipates will be directed to countries such as Liberia and Congo.

Development Assistance: The development assistance account includes funding for education, clean water, agriculture and trade capacity building. The FY2009 budget request includes a net increase of \$15m for development assistance. Basic education programs, which are largely but not entirely funded through the DA account, receive \$625 million across all Foreign Operations accounts in the FY2009 budget request, a \$75 million cut from the \$700 million provided in FY2008 but an increase over past requests from the Administration.

Economic Support Fund: ESF funding for poverty-focused development assistance (ie excluding Iraq and cash transfers) would increase by \$284m under the President’s proposed budget, with some of the largest increases scheduled for Congo, Liberia, Somalia, and Sudan.

The FY2009 request again proposes aid for most countries from the Rebuilding/Restrictive aid category to be drawn from the ESF account. Unlike last year, however, the budget does not propose a large shift of DA resources estimated for FY2008 to the ESF account in FY2009. DA remains relatively flat for FY2009 with significant increases proposed for a number of countries. DA allocations in FY2008 for fragile or failing states, however, are transferred to the ESF account, including those for DRC, Liberia (other than education), Somalia, Sudan, Afghanistan, Pakistan, and Haiti.

Child Survival and Health Fund: The FY2009 budget request includes a net cut of \$251m for the child survival and health fund. Within this total cut is a \$77m cut for child and maternal health, a \$74m cut for infectious diseases, a \$5m



cut for vulnerable children, a \$5m cut for bilateral HIV/AIDS programs and a \$90m cut for family planning and reproductive health. Within infectious diseases, bilateral funding for malaria would increase by \$38m and funding for other and neglected tropical diseases would increase by \$20m but funding for TB would be cut by \$67m and funding for the Avian Flu would be cut by \$64m.

International Disaster and Famine and Refugee Assistance: In FY2008, these accounts were boosted through the emergency supplemental that was passed at the same time as the FY2008 baseline. If we were to only compare the President’s proposed FY2009 budget with the FY2008 baseline, the FY2009 request would only represent a \$20m cut to international disaster and famine and a \$58m cut to refugee assistance. However, Congress had increased funding to these two areas through the emergency supplemental and therefore, in comparing the FY2009 request to the FY2008 total, international disaster and famine is reduced by \$131m and refugee assistance is cut by \$258m.

Democracy Fund: The President’s budget request for FY2009 includes no funding for the Democracy Fund which Congress funded at \$163m in FY2008. Funds provided for the National Endowment for Democracy (NED), State Department’s Human Rights and Democracy Fund (HRDF), and other democracy/governance activities that made up the Democracy Fund in FY2008 are funded within other accounts in the FY2009 request. On the whole, activities otherwise funded under the Democracy Fund are not eliminated but in rather relocated. Some accounts (NED and the HRDF for example) were trimmed.

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

Other Core Accounts Receiving Increases:	Other Core Accounts Receiving Cuts:
<ul style="list-style-type: none"> • <i>Peace Corps</i>—\$13m increase over FY2008 • <i>USAID Inspector General</i>—\$3m increase over FY2008 	<ul style="list-style-type: none"> • <i>Transition Initiatives</i>—\$5m less than in FY2008 • <i>InterAmerican Foundation</i>—\$1m less than in FY2008 • <i>Global Environmental Facility</i>—\$1m less than FY2008 • <i>Trade and Development Agency</i>—\$1m less than FY2008 • <i>Eastern Europe/Baltic States (SEED)</i>—\$18m less than FY2008 • <i>FSA</i>—\$51m less than in FY2008

GLOBAL DISTRIBUTION OF ASSISTANCE

Bilateral Africa Assistance: U.S. bilateral aid to Africa channeled through the four major economic accounts of Child Survival and Health, Development Assistance, Economic Support Fund, and Global HIV/AIDS Initiative totals \$4.87 billion in the FY2009 budget, a slight increase -- \$94 million or 2% -- over levels estimated for FY2008. Amounts within the CSH and DA accounts decrease while ESF resources for Africa rise significantly, mainly due to increases for DRC, Liberia, Sudan, Somalia, and Zimbabwe.

For Latin America, assistance provided through the core economic aid accounts (CSH, DA, and ESF) decline in FY2009 by \$35 million, or 4.5%. The region also receives large amounts of aid through counter-narcotics and law enforcement programs, both of which increase significantly in the FY2009 budget. The major new program is the Merida Initiative, a \$500 million activity aimed at fighting crime in Mexico and addressing gang-related problems in Central America. The Administration also seeks \$550 million in the pending FY2008 supplemental for the Initiative.



TRACKING THE NUMBERS

	FY2007		FY2008		FY2009 Req	
	For Ops	Other	For Ops	Other	For Ops	Other
HIV/AIDS, TB and Malaria	\$4209m	\$603m	\$5545m	\$794m	\$5608m	\$791m
<i>Of which 15 countries</i>	\$2789m	\$59m	\$3809m	\$58m	\$3825m	\$58m
<i>Of which Global Fund</i>	\$625m	\$99m	\$546m	\$295m	\$200m	\$300m
<i>Of which bilateral AIDS and TB</i>	\$547m	\$436m	\$843m	\$432m	\$1198m	\$424m
<i>Of which bilateral malaria</i>	\$248m	\$9m	\$347m	\$9m	\$385m	\$9m
Millennium Challenge	\$1752m		\$1544m		\$2225m	
Non-AIDS/TB or Malaria Child Survival and Health	\$797m		\$983m		\$767m	
Development Assistance	\$1509m		\$1624m		\$1639m	
Debt Cancellation	\$64m		\$30m		\$141m	
Multilateral Institutions	\$1569m		\$1595m		\$2348m	
<i>Of which IDA</i>	\$941m		\$942m		\$1277m	
<i>Of which African Development Fund</i>	\$134m		\$135m		\$156m	
<i>Of which Intl Clean Tech Fund</i>					\$400m	
International Disaster and Famine	\$361m		\$429m		\$298m	
Refugee Assistance	\$888m		\$1067m		\$809m	
Poverty-Focused ESF	\$1683m		\$2411m		\$2695m	
Other Core Accounts	\$2198m	\$1644m	\$2093m	\$1646m	\$2107m	\$1691m
Subtotal	\$15.030b	\$2.247b	\$17.350b	\$2.440b	\$18.637b	\$2.482b
Total	\$17.3b		\$19.8b		\$21.1b	