May 31, 2017

FY2018 Foreign Aid Budget Request: Impact on USAID

If enacted, the Trump Administration's FY2018 foreign aid request would have a deep impact on current program recipients, sectors, and operations of the U.S. Agency for International Development (USAID), the leading humanitarian and development arm of the U.S. government.

Agency Funding Levels

The USAID budget is made up of 14 appropriations accounts—10 supporting aid programs and 4 supporting agency administration. Seven program accounts are "fully-owned" by the agency, but three—State's Global Health (HIV-AIDS), Economic Support Fund (ESF), and the Assistance for Europe, Eurasia & Central Asia (AEECA) accounts—are "shared" with other agencies, with USAID receiving between 60% and 94% of funding from these accounts in any given year. This makes any calculation of its real functioning budget somewhat imprecise—if only USAID's portion of these accounts is counted, the agency's budget is likely $2-$4 billion less than the $25 billion FY2017 level, which includes both fully and partially managed accounts.

The FY2018 proposal would severely cut the USAID budget however it is defined. Total program and administrative funding would be cut by 39% from FY2017 levels (counting the Security Assistance supplemental appropriations approved in December 2016, P.L. 114-254). Total program funding, including shared accounts, would be decreased by about 41%—the shared accounts would be cut by only 12%, but USAID's core, solely managed program budget would be cut by nearly 67%.

Administrative Accounts

Relative to the program cuts, the agency's administrative budget would be reduced by a comparatively light 13% from FY2017 levels. However, personnel levels are expected to fall by 16% overall among U.S. direct hires between now and the end of FY2018. The number of Foreign Service Officers will decline by 9% and civil service by 25%. Both are expected to fall as a result of the current hiring freeze and attrition.

Diminished personnel levels, as well as cuts to key functional bureaus that support agency programs, raise concerns regarding the ability of the agency to maintain technical expertise in key development sectors. The Policy, Planning and Learning Bureau, which leads strategic thinking and evaluation practices for the agency, would be reduced by 44% from FY2016 levels, the most recent year data available for bureaus and sectors. The agency's agriculture back-stop, the Bureau for Food Security, would be cut by nearly 71% and its Economic Growth, Education, and Environment Bureau's budget would be decreased by about 38%. The Global Development Lab, perhaps the most prominent legacy of former Administrator Rajiv Shah, which promotes the application of science and technology to development problems, would be cut by 85%.

Program Funding Accounts

All of USAID's appropriations program accounts would be cut under the FY2018 proposal. Two issues are particularly noteworthy:

First, the FY2018 request would zero fund the P.L.480 Title II Food for Peace program within the Agriculture appropriations and support food aid entirely through the International Disaster Assistance (IDA) account instead. P.L.480 restrictions that limit the proportion of funding that can be used for cash purchases of food commodities in local markets would not apply. Commodities purchased abroad would not be subject to cargo preferences requiring use of U.S. shippers to deliver half of food aid.

Second, the Development Assistance (DA), ESF, AEECA, Democracy Fund, and International Organizations and Programs (IO&P) accounts would be eliminated and replaced by an Economic Support and Development Fund (ESDF). The ESDF is described in the FY2018 State, Foreign Operations Congressional Budget Justification as supporting "those countries and programs that are most critical to U.S. national security and strategic objectives." The Administration provides no measure to distinguish recipients of the new ESDF from those countries expected to no longer receive DA or ESF. While the Administration would likely argue that assistance should be provided foremost to countries of strategic significance to U.S. interests, many observers contend that eliminating dozens of recipients is a short-sighted strategy. In their view, it ignores the potential for every low-income country to become a focus of terrorism, disease, and political instability if their problems are not addressed before they get out of hand. Further, many note that foreign assistance is often an entryway for collaboration with foreign government ministries that diplomatic approaches lack.

It is not clear under what specific legal authorities the ESDF would operate. State Department officials indicated they have no plan to offer draft legislation to establish the ESDF in law, saying it would be regulated by the authorities that currently apply to all five of the accounts it would absorb. As ESF and DA have discrete authorities within the Foreign Assistance Act of 1961 (P.L. 87-195, as amended), Congress may wish to clarify the parameters of a new aid account.

Aid Recipients

Thirty-seven countries that received DA, ESF, or AEECA in FY2016 would no longer receive funding through these accounts or the proposed ESDF. Assistance to 18 of these countries was under $5 million, but a number of larger programs would be eliminated, including Mozambique ($43 million in FY2016), Zambia ($39 million), Cambodia ($43 million), India ($27 million), and Sri Lanka ($38 million). Budget documents do not discuss possible USAID mission closures.

Aid Sectors

Large-scale program funding cuts would translate into decreased funding for specific development assistance sectors. USAID's humanitarian programs—International Disaster Assistance and P.L.480 food aid—would be cut collectively by 58% from FY2017 levels, with P.L.480 eliminated entirely. The agency's solely managed Global Health program would be cut by 51%. Together, health and humanitarian sectors would, however, likely continue to represent about two-thirds of USAID sector funding. With regard to sectors mostly funded from the DA and ESF accounts, basic education would be cut by 53%, higher education by 46%, biodiversity by 76%, microenterprise by 63%, water and sanitation by 41%, and democracy and governance by 31%—all from FY2016 levels.

Table 1. USAID Fully and Partially Managed Program and Administration Appropriations

(in current $ millions)

	FY2016	FY2017 est.	FY2018 req.	% change FY17-FY18 req.
USAID Program (Fully and Partially Managed) TOTAL	**21,579.5**	**23,548.4**	**14,018.9**	**-40.5%**
Core Programs (Fully Managed by USAID):	**10,431.0**	**12,294.6**	**4,105.7**	**-66.6%**
—Global Health Programs—GH-USAID	2,980.8	3,054.9	1,505.5	-50.7%
—Development Assistance (DA)	2,781.0	2,995.5	0.0	-100%
—International Disaster Assistance (IDA)	2,794.2	4,126.3	2,508.2	-39.2%
—Transition Initiatives (TI)	67.0	122.8	92.0	-25.1%
—Complex Crises Fund (CCF)	30.0	30.0	0.0	-100%
—Development Credit Authority (DCA) Subsidy [Possible Transfer from other Accounts]	[40.0]	[50.0]	[60.0]	20%
—P.L. 480 Food for Peace Title II (USDA Appropriations)[a]	1,716.0	1,900.0	0.0	-100%
—Democracy Fund (allocation to USAID)	62.0	65.1	0.0	-100%
Shared Programs (Partially Managed by USAID):	**11,148.5**	**11,253.8**	**9,913.1**	**-11.9%**
—Global Health Programs—GH-State Dept.	5,670.0	5,670.0	4,975.0	-12.2%
—Economic Support Fund (ESF)	4,493.8	4,681.5	0.0	-100.0%
—Economic Support and Development Fund (ESDF)[b]	—	—	4,938.1	—[b]
—Assistance for Europe, Eurasia & Central Asia (AEECA)	984.7	902.3	0.0	-100%
USAID Administration TOTAL:	**1,535.3**	**1,643.3**	**1,420.9**	**-13.5%**
USAID Operating Expenses	1,292.9	1,363.2	1,182.3	-13.3%
USAID Capital Investment Fund	168.3	200.0	158.0	-21.0%
Development Credit Authority Administration	8.1	10.0	9.1	-9.0%
USAID Inspector General	66.0	70.1	71.5	2.0%
TOTAL: USAID Program (Fully and Partially Managed) & Administration	**23,114.8**	**25,191.7**	**15,439.8**	**-38.7%**

Source: Department of State Budget Documents and CRS Calculations.

Notes: Totals include Overseas Contingency Operations (OCO) and transfers. FY2017 appropriations include additional funds provided in the Security Assistance Appropriations Act, 2017 (P.L. 114-254, Division B): USAID OE: $5million; CIF: $25 million; IG: $2.5 million; IDA: $616.1 million; TI: $50.2 million; ESF: $1,030.5 million; and AEECA: $157 million.

a. P.L.480, Title II, managed by USAID, is funded in the Agriculture Appropriations legislation. Other USAID accounts are appropriated in the State, Foreign Operations, and Related Programs Appropriations legislation.

b. ESDF, proposed for FY2018, combines DA, ESF, Democracy Fund (including State portion: $145.4 million), Assistance for Europe, Eurasia, & Central Asia (AEECA) and IO&P accounts. These totaled $9,063.1 million in FY2017. ESDF, therefore, represents a 45.5% cut from the FY2017 level.

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