

KEY QUESTIONS

the big six

4 = \$

How is the US' ODA budget structured?

The US federal budget is divided into budget 'functions', which include all spending on a particular issue across departments or agencies and can include funding lines from multiple appropriations bills. The US does not have a dedicated ODA budget, but most development-related spending sits in Function 150 (referred to as the International Affairs Budget). Function 150 comprises both ODA-related and non-ODA funding, such as funding for operating embassies, military assistance, and promotion of US exports. In FY2018, the final budget for Function 150 was approved for US\$55.9 billion.

The vast majority of funding (around 97%) included under Function 150 comes from the State-Foreign Operations (SFOPs) appropriations bill. The remainder comes primarily from the agricultural appropriations bill for food security and food assistance funding. In FY2017, the SFOPs was enacted at around US\$58 billion, while the FY2018 omnibus bill reduces funding to SFOPs programs by US\$3.4 billion to US\$54 billion. The SFOPs bill is divided into 'titles', each covering a different budget envelope (see Table 2). The money in these envelopes is mainly managed by the State Department and the US Agency for International Development (USAID), but not exclusively. Relevant titles related to global development include:

- **Title I: State, Broadcasting & Related Agencies** largely funds the management and running of the State Department. It also contributes to the US' assessed contributions to 44 international organizations, including the UN's regular budget and its specialized agencies.
- **Title III: Bilateral Economic Assistance** covers much of the US' foreign assistance and development activities, accounting for about half of the entire SFOPs. By far the largest share goes to global health (32% in FY2017). This includes most of US support to combat HIV/AIDS and other infectious diseases, maternal and child health, and health systems strengthening, as well as the US' contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria. Programs funded under this envelope are jointly managed by the State Department and USAID. Funding under the 'Development Assistance (DA)' envelope goes broadly to foster economic progress and social stability in partner countries. It is the most flexible account managed by USAID in terms of applying money at the country level. The 'Economic Support Fund (ESF)', generally managed by the State Department, has a more specific function: to provide assistance to

allies and countries in transition to democracy, support the Middle East peace process, and finance economic stabilization programs. USAID, with overall foreign policy guidance from the State Department, implements most ESF-funded programs. Funding for independent agencies party to US foreign assistance and development, like the Millennium Challenge Corporation (MCC) or the Peace Corps, also fall under Title III.

- **Title IV: Multilateral Assistance** includes money for US voluntary contributions for various multilateral organizations, including to the World Bank and global environmental funds.

Beyond titles, US foreign assistance is divided into two types: enduring funds and Overseas Contingency Operations (OCO) (See Table 2). Enduring funds are meant to cover all base functions within US development cooperation, while OCO funds were originally for emergency support to activities related to the 'Global War on Terror'. They are managed by the Department of Defense (DOD) and the State Department. Recently, however, they have been used for base budget activities of the DOD and the State Department.

Almost one-third of the International Affairs Budget is currently funded through OCO, including operations related to the response and prevention of crises, including armed conflict, and man-made and natural disasters. OCO funds are not subject to the same procedural limits on discretionary funding in congressional budget resolutions as regular foreign assistance but are appropriated simultaneously with it. For some budget lines, OCO funds comprise the primary source of funding (see question four: 'How is the US' ODA budget structured?'). In FY2017, OCO stood at US\$20.8 billion, while in the February budget deal and the FY2018 congressional appropriations, OCO are funded at US\$12 billion for FY2018 – a US\$8.8 billion cut, and one reason why FY2018 Function 150 is lower than FY2017 levels. It is possible that OCO funds will decrease even more for FY2019 since the budget deal reduces OCO funding for international affairs in FY2019 further to US\$8 billion. This means that, to ensure adequate funding, more money will have to be allocated to the base budget.

Table 2 features the breakdown between enduring and OCO funding for the SFOPs for FY2017 as enacted, the latest year for which a detailed breakdown is available (as of March 2018).

President Trump's SFOPs FY2019 budget request proposes around a 30% cut below FY2017 levels when including OCO. It reduces, merges, and eliminates several budget lines, especially under Titles III, IV, and V in the SFOPs bill. Similar to a proposal ultimately rejected by Congress for FY2018, the president's FY2019 request merges economic and development assistance, streamlining four accounts, including the Economic Support Fund (ESF) and Development Assistance (DA), with the stated aim of increasing efficiency and focus. Due to Congress' decision-making power, previous strong bipartisan opposition to the president's FY2018 proposed budget cuts, and the increase in non-defense discretionary spending in the February 2018 budget bill, it is likely that Congress will not enact the president's proposal for FY2019. With the FY2018 budget finalized, Congress has started the

FY2019 budget and appropriations process. FY2019 hearings are already underway, and the House and Senate Appropriations committees will negotiate the spending levels for each appropriations bill, including SFOPs. Once these allocations are determined, Congress' relevant committee will draft and negotiate (mark-up) their respective FY2019 spending bills. This process should end September 30, 2018; however, due to the political realities in the US and that 2018 is an election year, it is more likely that the Congress will pass another Continuing Resolution to extend current levels through elections in November 2018 and bundle spending bills into an omnibus bill thereafter (see question five: 'What are important decision-making opportunities in the US' annual budget process?').

Table 2. State-Foreign Operations Appropriations overview

US\$ millions	FY2016 (total)	FY2017 (enacted)		
		Enduring	OCO (w. suppl.)	Total
Title I. State, Broadcasting & Related Agencies	16,458	11,218	6,869	18,087
International Organizations	3,907	1,816	1,451	3,267
Other	12,551	9,402	5,418	14,820
Title II. Admin of Foreign Assistance (USAID)	1,517	1,447	185	1,632
Title III. Bilateral Economic Assistance	24,124	16,139	10,773	26,912
Global Health Programs (GHP), State & USAID	8,503	8,725	-	8,725
GHP (State)	5,670	5,670	-	5,670
GHP (USAID)	2,833	3,055	-	3,055
Development Assistance	2,781	2,995	-	2,995
International Disaster Assistance (IDA)	2,794	498	3,929	4,427
Economic Support Fund	4,302	1,042	3,640	4,682
Democracy Fund	151	211	-	211
Assistance for Europe, Eurasia and Central Asia	985	292	611	902
Migration & Refugee Assistance	3,066	913	2,446	3,359
Emergency Refugee & Migration	50	10	40	50
Independent agencies	1,364	1,368	-	1,368
Department of Treasury	24	30	-	30
Other	104	55	107	162
Title IV. International Security Assistance	8,831	6,422	2,958	9,380
Title V. Multilateral Assistance	2,629	2,110	-	2,110
World Bank: GEF	168	147	-	147
Green Climate Fund	-	-	-	-
World Bank IDA	1,197	1,197	-	1,197
World Bank IBRD	187	6	-	6
IFAD	32	30	-	30
GAFFSP	43	23	-	23
International Organizations & Programs	339	339	-	339
Other	660	368	-	368
Title VI. Export Assistance	-696	-590	-	590
Total	52,863	36,745	20,785	57,530

Source: Congressional Research Service, State, Foreign Operations and Related Programs: FY2017 Budget and Appropriations (2016) and House of Representatives, 115th Congress, 1st Session, State, Foreign Operations, and Related Programs Appropriations Bill, 2018