



# The FY2014 State and Foreign Operations Budget Request

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## Summary

On April 10, 2013, the Obama Administration submitted to Congress its budget request for FY2014. The request for State, Foreign Operations, and Related Programs totals \$51.97 billion (2.7% below the FY2012 actual funding level of \$53.43 billion, including the Foreign Service Retirement and Disability Fund and before rescissions), of which \$3.81 billion is for Overseas Contingency Operations (OCO) funding (66% below FY2012 actual OCO funding of \$11.2 billion). Of the total request, \$16.87 billion is for State Department Operations and related agencies (a 6.3% decline from FY2012 funding) and \$35.1 billion is for Foreign Operations (a 0.9% decline from the FY2012 level).

Comparisons in this report will be with FY2012 actual funding levels, since the final FY2013 funding levels are not yet available and the Administration has yet to provide definitive guidance on how savings in the FY2013 Consolidated and Further Continuing Appropriations Act (P.L. 113-6) are to be credited in relation to the sequestration ordered on March 1, 2013. In addition, the FY2013 estimates do not include the additional across-the-board percentage rescission calculated by the Office of Management and Budget (OMB), as required by Section 3004 in Division G of P.L. 113-6, in order to meet the FY2013 spending limits of the Budget Control Act of 2011, as amended.

This report provides a brief overview of the FY2014 State Department, Foreign Operations and Related Programs funding request.

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## **FY2014 State-Foreign Operations Overview**

The Administration's FY2014 request of \$51.97 billion for State, Foreign Operations, and Related Programs represents about 1.4% of the total budget request for FY2014. It is 5.3% less than the FY2013 request and 12.9% less than the FY2012 request. (See **Table A-1** in the **Appendix**.)

The State Department and related agencies request of \$16.87 billion (including the mandatory Foreign Service Retirement and Disability Fund), represents a decline of 10.3% from the FY2012 requested level of \$18.8 billion. About \$35.1 billion is for foreign operations accounts, which is a 2.8% reduction from the FY2012 requested funding of \$36.1 billion (excluding related international commissions within the Commerce, Justice, Science appropriations). However, the FY2014 foreign operations request includes funding for Food for Peace programs that are currently funded through the Department of Agriculture appropriation. As a result, the FY2014 request for Agriculture programs within the 150 budget would decrease by 89%, from \$1.65 billion to \$185 million, from the FY2012 level. Excluding the shifted Food for Peace funds, the foreign operations request is about 5% lower than the FY2012 enacted level.

### **The Budget Control Act and State-Foreign Operations Appropriations**

Automatic spending reductions for FY2013, required by the Budget Control Act of 2011 (BCA, P.L. 112-25, amended by the American Taxpayer Relief Act of 2012, P.L. 112-240), will be met through sequestration at the program, project, and activity (PPA) level. This sequestration process is currently under way. The Office of Management and Budget (OMB) initially estimated foreign affairs sequestration to be about 5% of the FY2013 Department of State and Foreign Operations discretionary funding.<sup>1</sup> Section 3004 of the Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-6), requires an increase in rescissions if OMB estimates that additional rescissions are needed to avoid exceeding the BCA spending limits. OMB announced in an April 4, 2013, letter that an additional 0.032% across-the-board rescission for the security category, including State-Foreign Operations appropriations, is necessary. Later in April, OMB determined that \$719 million in funding credits are to be provided to the Department of State because some accounts were reduced below the required sequestration levels in the FY2013 full-year appropriation act (P.L. 113-6).

As determined by the BCA, for some Department of State, U.S. Agency for International Development (USAID), and foreign aid activities, sequestration and rescissions are applied at the account level, such as USAID Operating Expenses. For others, such as Development Assistance (DA), Foreign Military Financing (FMF), Economic Support Fund (ESF), and Global Health Programs (GHP), reductions are at the country allocation level. Overseas Contingency Operations (OCO) funds can be sequestered, but do not count toward spending caps. While final post-sequestration funding levels for FY2013 are yet to be determined, preliminary estimates are used in this report when available. According to the Administration, sequestration could cut as much as \$2.6 billion from the FY2013 Department of State and USAID funding levels. Reductions for

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<sup>1</sup> The Office of Management and Budget, *OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013*, March 1, 2013.

State operations and foreign assistance could be about \$850 million and about \$1.7 billion, respectively. The Administration states the FY2014 budget request did not assume sequestration. (For more detail, see CRS Report R42994, *The Budget Control Act, Sequestration, and the Foreign Affairs Budget: Background and Possible Impacts*, by Susan B. Epstein.)

## FY2014 State Operations Overview

The Administration has requested \$16.87 billion for the State Department and related agencies in FY2014. It includes \$12.18 billion for administration of foreign affairs accounts that include the mandatory Foreign Service Retirement and Disability Fund, a 6.3% decrease from the FY2012 actual funding level. A large portion of the decrease is attributable to a \$2.3 billion reduction in OCO Iraq operations funds as the U.S. presence and footprint in that country are reduced.

The Diplomatic and Consular Programs (D&CP) account, the operating account of the Department of State, would see a 21.9% decline from FY2012 in overall funding under the Administration's request. This is largely due to a \$3.1 billion decrease in requested OCO funding in that account; enduring D&CP would actually rise by 11%. The request for Embassy Security, Construction and Maintenance, the State Department's second-largest administrative account, calls for \$2.65 billion, a 60.6% increase from the FY2012 actual level, largely to provide for more secure facilities abroad. Among other large accounts, Contributions to International Organizations would rise by 8.6%, while funding for international broadcasting activities and funds for Educational and Cultural Exchange Programs would decline by 2.7% and 6.7%, respectively.

**Table 1. State Department & Related Programs: Total Funding and Select Accounts\***  
(in billions of current U.S. \$)

	FY2012 Actual	FY2014 Request	% change
Total, State & Related Programs	18.01	16.87	- 6.3
Diplomatic and Consular Programs	10.86	8.48	- 21.9
Embassy Security Construction and Maintenance	1.65	2.65	+ 60.6
Educational and Cultural Exchange Programs	0.60	0.56	- 6.7
Contributions to Int. Organizations/ Peacekeeping	3.38	3.67	+ 8.6
International Broadcasting	0.75	0.71	- 2.7

**Source:** Department of State, FY2014 Congressional Budget Justification Executive Summary.

\*Totals include mandatory funding for the Foreign Service Retirement and Disability Fund.

## State Operations Key Issues

### Diplomatic Security

The dangers to U.S. diplomats abroad have been underscored by a number of recent attacks on U.S. facilities and personnel. These include the death of the U.S. Ambassador and three other U.S. personnel in an attack in Benghazi, Libya, on September 11, 2012; attacks on U.S. embassies in Egypt, Sudan, Tunisia, and Yemen, on the same day; the bombing of U.S. Embassy Ankara on February 1, 2012; and the death of U.S. Foreign Service Officer Anne Smedinghoff in Afghanistan on April 6, 2013.<sup>2</sup> The protection of U.S. government employees and facilities abroad under Chief of Mission authority from terrorist, criminal, or technical attack is the responsibility of the Secretary of State.<sup>3</sup>

The Accountability Review Board on the Benghazi attack urged State to work with Congress to increase resources for diplomatic security and allow for more flexibility in the application of those resources. In December 2012, the Secretary of State presented an Increased Security Proposal to Congress, which requested authority to transfer \$1.3 billion in OCO funds previously appropriated for Iraq operations towards diplomatic security needs. Of that, \$553 million would be for additional Marine security guards worldwide, \$130 million for 151 new diplomatic security personnel and \$736 million for improved security at overseas facilities. While the transfer authority was not provided by the 112<sup>th</sup> Congress, Section 1707 of the Consolidated and Further Continuing Appropriations Act of 2013 (H.R. 933, P.L. 113-6) provided additional funding for diplomatic security (\$918 million for Worldwide Security Protection, to remain available until expended; and \$1.3 billion for Embassy Security, Construction, and Maintenance), while rescinding \$1.1 billion in unobligated balances from FY2012 OCO funds.

The Administration's FY2014 request seeks to sustain the initiatives launched under the FY2013 Increased Security Proposal, including expansion of the Bureau of Diplomatic Security and further growth in the number of Marine Security Guard detachments deployed to diplomatic facilities. The request seeks \$2.2 billion for construction of new secure diplomatic facilities, a combination of enduring funding, OCO funding, and other agency contributions. The request for Embassy Security, Construction and Maintenance of \$2.65 billion (including OCO) represents a 60.6% increase from the FY2012 actual level. Within this account, Worldwide Security Upgrades funding (for bricks and mortar security needs, including construction of secure new embassy compounds) would grow by 108% to \$1.61 billion, while Ongoing Operations would increase by 18%. Worldwide Security Protection funds (for security programs including a worldwide guard force), under Diplomatic and Consular Programs, would rise by 37%, to \$2.18 billion.

### Management and Human Resources of the Department of State

Many observers suggest that the Department of State chronically faces significant personnel shortfalls, a situation worsened in recent years by a growing number of overseas positions to fill.

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<sup>2</sup> For more information on issues pertaining to diplomatic security, see CRS Report R42834, *Securing U.S. Diplomatic Facilities and Personnel Abroad: Background and Policy Issues*, by Alex Tiersky and Susan B. Epstein.

<sup>3</sup> As designated under the Omnibus Diplomatic Security and Antiterrorism Act of 1986, as amended, 22 U.S.C. §4801 et seq., P.L. 99-399.

The ranks of mid-level Foreign Service officers (FSOs) are particularly thin, forcing junior personnel to serve in assignments meant for personnel of higher rank.<sup>4</sup> In the past few years, to address this deficiency as well as the need to better train its employees, the State Department increased hiring under its Human Resources Initiative, growing the FS by approximately 18%; however, hiring slowed significantly in FY2011-FY2012 due to budget constraints.

The Administration's FY2014 request seeks to grow its Human Resources account (under Diplomatic & Consular Programs) by 5% over its FY2012 level, to a total of \$2.60 billion. While the Administration's FY2014 request indicates that it plans 186 new positions at the Department of State altogether, 151 of these would be funded by consular fees and devoted to meeting increasing visa demand. The remaining 35 new positions (30 Foreign Service, 5 Civil Service) for which State seeks appropriated funding would be focused on the high priorities of the "re-balance" to Asia, and to staffing the Secretary's Office of the Coordinator for Cyber Issues. As a point of comparison, the State Department requested appropriated funding for 121 new positions in its FY2013 request, and for 133 in its FY2012 request.

Among its initiatives to address workforce needs, the department seeks \$81.4 million in FY2014 funding to provide an overseas comparability pay (OCP) adjustment intended to bring the base pay of Foreign Service personnel posted overseas to levels comparable to their Foreign Service colleagues serving in Washington, DC, who receive locality pay. OCP advocates argue that the discrepancy affects morale and retention of FSOs and acts as a financial disincentive to serve overseas, including by its cumulative impact on retirement pay. The requested funding would provide a third and final tranche of OCP adjustment; two-thirds of the gap was addressed through prior year funding. The department's similar FY2013 request for OCP adjustment was not supported by appropriators.

## **Expeditionary Diplomacy and Key Regional Initiatives**

### *Reduced Resources for the Frontline States<sup>5</sup>*

State Operations resources for the frontline states of Iraq, Afghanistan, and Pakistan, would all decrease under the Administration's FY2014 budget request.

In Iraq, the Department of State became the lead agency for all U.S. programs after the departure of U.S. military forces in late 2011. An initially ambitious presence has been dramatically curtailed in the last year, due to a number of factors including resource constraints and what some observers suggest were overly ambitious initial plans and Iraq's intent to assert its independence from U.S. tutelage. It also reduces further the department's footprint by closing the Erbil Diplomatic Support Center (to be replaced by a new consulate) and handing over other sites to the Iraqi government, thereby reducing sustainment and security contract costs. Including foreign assistance, the Administration requests \$1.18 billion for its activities in Iraq, including \$0.65 billion in Ongoing Operations OCO funding. The request is \$2.4 billion lower than the FY2012 actual level.

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<sup>4</sup> U.S. Government Accountability Office, *Department of State: Foreign Service Midlevel Staffing Gaps Persist Despite Significant Increases in Hiring*, GAO-12-721, June 2012, p. 1, <http://www.gao.gov/assets/600/591595.pdf>.

<sup>5</sup> Department of State, Office of Resource Planning and Budget Information, April 15, 2013.

The U.S. presence in Afghanistan is also evolving as the international combat mission is slated to end in 2014. The President's overall budget request for Afghanistan is \$3.1 billion, including \$2.2 billion in assistance and \$0.9 billion to support decreasing numbers of civilian personnel under the State Department presence in Kabul and in four key regions. Ongoing Operations OCO funding under the request would decrease by \$0.71 billion from FY2012 levels, although Worldwide Security Protection (WSP) OCO funding would increase to \$0.37 billion, a jump of 96%.

Funds requested for Pakistan, including foreign assistance, total \$1.3 billion. OCO funding for Ongoing Operations (\$0.04 billion) and WSP (\$0.02 billion) both decrease under the FY2014 proposal, by 61% and 50%, respectively.

### *The "Rebalancing" to Asia*

In the fall of 2011, the Obama Administration announced its intent to expand and intensify the already significant U.S. role in the Asia-Pacific, particularly in Southeast and South Asia. Goals underpinning this "rebalancing"—or "pivot"—to Asia include tapping into the economic dynamism of the region and influencing the development of the Asia-Pacific's norms and rules, particularly as China's regional influence grows. To this end, the Administration has, among other actions, announced new military deployments to and partnerships with Australia, Singapore, and the Philippines; joined the East Asia Summit; and secured progress in negotiations with 10 other nations to form a Trans-Pacific Strategic Economic Partnership (TPP) free trade agreement.

With some critics suggesting that the "rebalancing" has, to date, been overly focused on military deployments and initiatives, the FY2014 request emphasizes the State Department's role in resourcing the re-balancing to Asia. In addition to a 7% increase in foreign assistance to the region, the department seeks 29 new positions (of which 22 are Foreign Service) with the intention of deploying additional Economic and Political/Military officers at key posts across Asia. The request seeks \$1.2 billion overall for Asia and the Pacific, including \$0.77 billion in assistance and \$0.42 billion for operations in support of initiatives such as new facilities in China, Laos, Papua New Guinea, and Burma. Still, the requested 4.4% increase in FY2014 enduring State Operations funding for the East Asia and Pacific Bureau from FY2012 is smaller than proposed increases for the Africa Bureau at +9.4% and the Near East Bureau without Iraq at +11.8%.

## **FY2014 Foreign Operations Overview**

The Foreign Operations budget funds most traditional foreign aid programs, with the exception of food aid, including bilateral economic aid, multilateral aid, security assistance, and export promotion programs. Funding for U.S. Agency for International Development (USAID) operations is also part of the foreign operations budget. The FY2014 request of \$35.095 billion for these programs would be about a 1% decrease from the FY2012 enacted appropriation. However, this total includes funding for food aid programs that are not currently funded through foreign operations accounts. Excluding the roughly \$1.5 billion in food aid shifted to these accounts, the FY2014 foreign operations request is about 5% below the FY2012 funding. Breaking the request down by appropriations title shows proposed shifts in foreign assistance programming at the broad level (**Table 3**):



- Bilateral Economic Assistance, including funding for independent agencies, makes up about 64.5% of the FY2014 foreign assistance request. Bilateral aid would increase by 2.6% over FY2012 levels, largely as a result of the proposed shift of food aid out of the agriculture bill and into bilateral assistance accounts. The \$580 million requested for a new Middle East and North Africa Incentive Fund also contributes to the increase, though it would be balanced by a \$688 million cut to the Economic Support Fund account.
- Security assistance accounts for about 24% of the proposed foreign aid budget, with proposed funding at 12.6% less than the FY2012 enacted level. Almost every security assistance account would be reduced compared to FY2012 totals. However, all the accounts would see an increase in enduring funds, reflecting an Administration effort to shift security assistance away from OCO to frontline states and into enduring activities.
- Multilateral aid makes up about 9% of the foreign aid budget request, and would increase by about 8% over FY2012-enacted levels. Increases are spread over many accounts.

**Table 2. Foreign Aid by Appropriations Title, FY2012 Actual and FY2014 Request**  
(in millions)

	<b>FY2012 Actual</b>	<b>FY2014 Request</b>	<b>% change</b>
USAID Administration	1,528.00	1,571.34	+2.8%
Bilateral Economic Aid	22,194.80	22,770.04	+2.6%
Security Assistance	9,749.58	8,524.38	-12.6%
Multilateral Aid	2,966.29	3,196.44	+7.8%
Export Promotion, net	(1,015.43)	(967.14)	+4.8%
Total Foreign Operations*	35,423.24	35,095.45	-0.9%
+ Food Aid from Ag bill	1,650.00	185.13	-88.8%
<b>Total Foreign Aid Request:</b>	<b>37,073.24</b>	<b>35,280.56</b>	<b>-4.8%</b>

**Source:** FY2014 International Affairs Budget, Executive Summary; CRS calculations.

**Notes:** FY12 data does not reflect rescissions. Independent agencies and Treasury Department accounts under Bilateral Economic Assistance. Does not include the International Trade Commission and the Foreign Claims Settlement Commission, which were included in the Foreign Operations total in FY2014 budget request materials.

\*Totals do not include funding for related international commissions within Commerce, Justice, Science appropriations.

Many of the top 10 recipients of foreign assistance would be the same under the FY2014 request as in FY2012 (**Table 4**). The list is dominated by strategic allies in the Middle East and Southeast Asia, as well as top global health program recipients in Africa. Israel would continue to be the top U.S. aid recipient, at \$3.1 billion, a \$25 million increase over FY2012 funding. Afghanistan would again rank second among recipients, though with a slightly smaller allocation compared to FY2012. Iraq would drop out of the top five, with elimination of the Police Development

Program driving a 55% funding cut, while Nigeria would move up to number five with a proposed allocation of \$693 million, or 7% more than actual FY2012 funding. Together, the top 10 recipients would account for about 37% of total bilateral economic and security assistance funds in the FY2014 budget proposal.

**Table 3. Top 10 Recipients of U.S. Foreign Assistance, FY2012 Actual and FY2014 Request**

(in millions)

FY2012 Actual		FY2014 Req. Est.	
1. Israel	\$3,075	1. Israel	\$3,100
2. Afghanistan	\$2,286	2. Afghanistan	\$2,200
3. Pakistan	\$1,821	3. Egypt	\$1,600
4. Egypt	\$1,556	4. Pakistan	\$1,200
5. Iraq	\$1,270	5. Nigeria	\$693
6. Jordan	\$776	6. Jordan	\$671
7. Ethiopia	\$707	7. Iraq	\$573
8. Nigeria	\$647	8. Kenya	\$564
9. South Sudan	\$620	9. Tanzania	\$553
10. South Africa	\$542	10. Uganda	\$456

**Source:** FY2014 data from the Executive Summary, International Affairs Budget, FY2014. FY2012 data is calculated from data provided in FY2014 budget materials provided by the State Department as well as <http://www.foreignassistance.gov>.

**Note:** FY2013 estimates are not included because country-level funding data is not yet available.

## Foreign Operations Key Issues

### Support for Middle East and North Africa Transitions

Political transitions and unrest in the Middle East and North Africa may have significant implications for U.S. national security goals, including protecting global oil supplies, enhancing intelligence/military cooperation, ensuring military access and force projection, and promoting Arab-Israeli peace. The rise of new leaders in the region represents both risks and opportunities, as the Administration and lawmakers consider how to respond in a manner that best promotes U.S. strategic interests and democratic values.

Last year, the Administration requested an appropriation of \$770 million (of which \$700 million was new funding) to create a new Middle East North Africa Incentive Fund (MENA IF) that would provide flexible resources to meet diverse and rapidly evolving needs in the region. Congress neither authorized nor appropriated any MENA IF funding in FY2013 continuing resolutions. In the 112<sup>th</sup> Congress, House and Senate Foreign Operations Appropriations bills differed over MENA IF. A Senate bill would have funded it at \$1 billion while a corresponding House measure would not fund it at all, proposing instead \$200 million for Middle East response

spending. Some lawmakers have expressed significant reservations about the broad spending authorities sought by the Administration's MENA-IF proposal as well as assisting some entities that would be likely candidates for MENA IF assistance.

For FY2014, the Administration has again requested funding for a MENA IF. The request calls for \$580 million, of which \$105 million would be for the existing Middle East Partnership Initiative and USAID Middle East Regional Office. The Administration request does not specify how the funds would be allocated, but explains that they would be used to cover interventions such as "support to Syrian opposition, humanitarian assistance, Enterprise Funds, and loan guarantees" that are already being funded in the region through reallocations of existing funds, "at great opportunity cost." The MENA IF, the Administration asserts, would increase flexibility and transparency with respect to these activities, and "begin to address the imbalance between our security and economic assistance in the region."

## **Overseas Contingency Operations**

Since FY2012, the Administration's budget has distinguished between "core" international affairs funding and funding to support "overseas contingency operations" (OCO), described in budget documents as "extraordinary, but temporary, costs of the Department of State and USAID in Iraq, Afghanistan, and Pakistan."<sup>6</sup> Congress has adopted this approach, but has defined OCO more broadly. In each of the last two years, Congress has appropriated more OCO funding than requested, and for a broader range of countries and activities. In FY2012, Congress increased foreign operations funds designated as OCO by 52% over the requested level, including funds for Somalia, Yemen, and Kenya. The FY2013 full-year CR included unrequested OCO funds for disaster assistance and migration and refugees assistance, without language restricting it by country.

For FY2014, the Administration continues with its approach, requesting \$2.308 billion in foreign operations OCO funds for Iraq, Afghanistan, and Pakistan. This represents a 65% decline from the FY2012 OCO appropriation and a 40% reduction from the FY2013 OCO request. The downward trend in foreign aid designated as OCO reflects significantly scaled down programming in Iraq and Pakistan, countered by a slight increase, over FY2012 funding, in Afghanistan:

- **Iraq.** Termination of the Iraq Police Development Program, once the largest U.S. assistance program in Iraq, is the justification for a sharp decline in foreign aid OCO to Iraq, from \$1,270 million in FY2012 to \$500 million in the FY2014 request. The requested FY2014 OCO funds would support democratic institutions and civil society, promote economic reform, protect vulnerable populations, and develop security institutions.
- **Afghanistan.** While the Administration has requested more OCO aid money to Afghanistan in FY2014 (\$1,445 million) than it did in FY2012 or FY2013, the request is 33% below the FY2012 actual OCO funding. The request would support a broad range of activities and is intended to uphold U.S. commitments made at the 2012 Tokyo Conference on Afghanistan.

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<sup>6</sup> From Executive Budget Summary, Function 150 & Other International Programs, Fiscal Year 2014, p.97.

- Pakistan.** The FY2014 request includes \$281.2 million for OCO aid to Pakistan, a sharp drop from the requests and enacted funding in prior years. The drop reflects the elimination of the Pakistan Counterinsurgency Capability Fund (for which significant prior year funding is still available). Civilian assistance programs would be funded near prior-year levels.

**Table 5** compares requested and enacted foreign operations OCO from FY2012, the FY2013 request, and the FY2014 request.

**Table 4. Overseas Contingency Operations Funding in Foreign Operations Accounts, FY2012, FY2013 Request, and FY2014 Request**

(in millions of current U.S. \$)

	FY2012 Req.	FY2012 Actual	FY2013 Req.	FY2014 Req.
Foreign Operations OCO, total	4,316.60	6,573.80	3,882.87	2,308.20
Iraq	2,000.00	1,170.50	1,750.00	500.00
Afghanistan	1,216.60	2,162.80	1,237.87	1,445.00
Pakistan	1,100.00	1,610.10	800.00	281.20
Other	0.00	1,630.50	95.00	0.00
As % of total Foreign Ops funding	10.73%	18.25%	10.76%	6.57%

**Source:** FY2012 and FY2013 Congressional Budget Justifications, Regional Annex; FY2014 Budget Request.

**Note:** n.a. = not available. FY2013 country-level funding data is not yet available.

## Food Aid Reform

The International Affairs budget has supported international food assistance for decades, primarily through the Food for Peace (donated U.S. agricultural commodities) and Food for Education (school feeding and maternal, infant and child nutrition) programs. Unlike most foreign assistance, these programs have been authorized in farm bills and received appropriations through the Agriculture appropriations bill. In FY2012 and FY2013, appropriations to these two programs totaled more than \$1.6 billion annually.

Development professionals have long raised concerns about the efficiency and effectiveness of U.S. food assistance, which is subject to several restrictions. With some exceptions, Food for Peace commodities must be bought from U.S. producers and shipped on U.S. vessels. In recent years, the U.S. Department of Agriculture operated a pilot project to evaluate local and regional procurement of food aid commodities, while USAID carried out cash-based food security assistance (local and regional purchase, cash vouchers, cash transfers) through the International Disaster Assistance program (up to \$300 million). While most U.S. food aid is used to provide emergency humanitarian relief, some food aid commodities are provided to U.S. nongovernmental organizations to be sold (“monetized”) on local or regional markets and the proceeds used for development programs related to hunger and nutrition. Critics contend that U.S. procurement and shipping requirements, together with monetization practices, make food aid highly inefficient and ineffective.

In the FY2014 budget, the Administration requests \$1.821 billion for international food aid in three accounts. Under the food aid reform, the Administration proposes to shift \$1.1 billion of Food for Peace funds to the International Disaster and Famine Assistance account for emergency food response. In FY2014, 55% of this funding, about \$600 million, would still be used to procure and ship U.S. produced commodities. Together with \$300 million of IDA funds for cash-based food security programs, total emergency food aid would be \$1.4 billion in FY2014. The Administration's budget also proposes to shift \$250 million to Development Assistance (DA) for a Community Development and Resilience Fund (CDRF). Feed the Future funding of \$80 million would be used to augment the CDRF, making its total \$330 million. The CDRF would effectively replace the current \$400 million "safe box" for nonemergency development food aid provided in the 2008 farm bill. Presumably, U.S. NGOs that currently carry out food aid programs would participate in these CDRF programs. The Administration maintains that by removing cost inefficiencies of the Food for Peace program, such as monetization, the same level of nonemergency program activity would be supported and more people would be reached. Finally, the Administration's budget proposes to create a new Emergency Food Assistance Contingency Fund (\$75 million) to provide emergency food assistance for unexpected and urgent food needs.

## **Humanitarian Assistance**

Humanitarian assistance is intended to save lives and meet basic human needs in the wake of natural disasters and conflicts. In FY2012, humanitarian assistance funding totaled \$4.563 billion. The FY2013 full-year continuing resolution increased funding over the FY2012 level for two key humanitarian assistance accounts. International Disaster & Famine Assistance (IDA) increased from \$1.095 billion to an estimated \$1.55 billion, with the increased funds designated as OCO. The Migration and Refugee Assistance (MRA) account increased from \$1.975 billion to \$2.740 billion, also with OCO funds. In addition, the Administration transferred previously appropriated OCO funds for the Pakistan Counterinsurgency Capability Fund to the MRA account to respond to the crisis in Syria.

The Administration's FY2014 budget includes \$4.131 billion for humanitarian assistance accounts, including \$1.761 billion for MRA, \$2.045 billion for IDA, \$0.25 billion for Emergency Refugee and Migration Assistance (of which \$0.20 billion is specifically for Syria), and \$0.075 billion for a new Emergency Food Assistance Contingency Fund. Of the IDA funds, \$0.629 billion are allocated to USAID's Office of Foreign Disaster Assistance to respond to natural disaster, civil strife, food security, and displaced populations. The remaining \$1.416 billion is designated for Food for Peace activities currently funded through the Agriculture appropriation (see Food Aid above). In total, the humanitarian assistance request is about 9% below the FY2012 enacted level, but this is due in part to \$0.25 billion in food aid being moved to the Development Assistance account.

## **Ongoing Administration Initiatives**

The Obama Administration introduced three major foreign assistance initiatives in 2009 and 2010—the Global Health Initiative, the Food Security Initiative (Feed the Future), and the Global Climate Change Initiative—which continue to be priorities in the FY2014 budget request.

- **Global Health Initiative.** The request includes \$8.315 billion for global health programs, a 2% increase over the FY2012 funding level. Of this amount, \$1.65 billion is for the Global Fund, a 27% increase from FY2012. Several programs

would see mostly modest increases over FY2012 funding: Malaria (+3%), Maternal and Child Health (+12%), Family Planning and Reproductive Health (+1%). Others would see significant cuts: Tuberculosis (-19%), Pandemic Influenza (-19%), Neglected Tropical Diseases (-4%), USAID HIV/AIDS (-6%). The Administration asserts that the requested funding will allow the continuation and scale-up of HIV/AIDS prevention, care, and treatment activities and meet pledged commitments to multilateral efforts.

- **Food Security Initiative.** Feed the Future (FtF) is the Administration's food security initiative, designed to support long-term country-led agricultural growth and nutrition plans. For FY2014, the Administration has requested \$1.191 billion for Feed the Future, a 9% increase over the FY2012 funding. The Administration's pledge of \$3.5 billion for food security assistance, made at the L'Aquila G-8 summit in 2009, has been exceeded. For FY2014, increased funding would be channeled to economic resilience activities in regions of Africa facing chronic food insecurity.
- **Global Climate Change Initiative (GCCCI).** The GCCCI would see a 2% decrease from FY2012 funding (including a \$100 million transfer from ESF) with the Administration's FY2014 request of \$0.837 billion. Within that total, bilateral clean energy funding would increase by 7% and adaptation programs by 1%, while sustainable landscapes funding would be reduced by 10%. Total U.S. contributions to World Bank climate accounts would decrease by 6% if the \$100 million ESF transfer to these funds is calculated into the FY2012 funding total.<sup>7</sup> With FY2013 funds, the United States has met the specific international climate change commitments which initially drove the initiative.

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<sup>7</sup> These accounts include the Clean Technology Fund, Strategic Climate Fund, and Global Environment Fund (GEF), but only about half of GEF funding related to climate change and is included in the GCCCI funding calculation.

## Appendix. State, Foreign Operations and Related Accounts Appropriations, FY2012-FY2014 Request, by Account

**Table A-1. State, Foreign Operations and Related Accounts Appropriations, FY2012 Enacted, FY2013 CR Enacted, FY2013 CR Net Sequestration, and the FY2014 Request, by Account**

(in millions of current U.S. \$)

	<b>FY2012 Actual (of which is OCO)</b>	<b>FY2013 Enacted (of which is OCO)</b>	<b>FY2013 Full- year CR estimate (net sequestration &amp; rescissions<sup>a</sup>)</b>	<b>FY2014 Request (of which is OCO)</b>
<b>STATE OPERATIONS &amp; Related</b>	<b>18,009.31 (4,627.46)</b>	<b>18,292.64 (4,680.20)</b>	<b>17,393.26 (4,436.60)</b>	<b>16,870.93 (1,499.14)</b>
<b>Administration of Foreign Affairs</b>	<b>13,562.25 (4,513.35)</b>	<b>13,673.73 (4,566.10)</b>	<b>12,999.70 (4,340.4)</b>	<b>12,183.34 (1,499.14)</b>
Diplomatic and Consular Programs	10,864.24 (4,306.36)	9,739.78 (3,210.65)	9,211.20 (2,991.20)	8,481.85 (1,199.49)
<i>Worldwide Security Protection</i>	<i>1,591.20</i>	<i>2,273.44</i>	<i>2,193.40</i>	<i>2,182.13</i>
Capital Investment Fund	59.38	59.38	56.40	76.90
Embassy Security Construction & Maintenance	1,652.70 (115.70)	2,898.82 (1,272.20)	2,819.30 (1,270.60)	2,649.35 (250.00)
<i>Worldwide Security Upgrades</i>	<i>775.00</i>	<i>1,949.90</i>	<i>1,910.70</i>	<i>1,614.00</i>
Conflict Stabilization Operations	30.32 (8.50)	30.32 (8.50)	8.10 (8.10)	45.20
Office of the Inspector General	129.09 (67.18)	121.05 (59.15)	114.60 (55.80)	119.06 (49.65)
Educational and Cultural Exchange Programs	598.80 (15.60)	598.80 (15.60)	568.50 (14.80)	562.66
Representation Allowances	8.03	7.30	6.90	7.68
Protection of Foreign Missions and Officials	27.75	27.00	25.60	28.20
Emergencies in Diplomatic, Consular Affairs	9.07	9.30	8.80	9.65
Repatriation Loans Program	1.67	1.45	1.40	1.70
American Institute in Taiwan	21.78	21.11	20.00	36.22
International Chancery Center	0.52	0.52	–	5.97
Foreign Service Retirement and Disability (mandatory)	158.90	158.90	158.90	158.90

	<b>FY2012 Actual (of which is OCO)</b>	<b>FY2013 Enacted (of which is OCO)</b>	<b>FY2013 Full- year CR estimate (net sequestration &amp; rescissions<sup>a</sup>)</b>	<b>FY2014 Request (of which is OCO)</b>
<b>International Organizations</b>	<b>3,379.18 (101.30)</b>	<b>3,557.50 (101.30)</b>	<b>3,386.40 (96.20)</b>	<b>3,668.11</b>
Contributions to International Organizations	1,551.00 (101.30)	1,551.00 (101.30)	1,472.50 (96.20)	1,573.45
Contributions to Int'l Peacekeeping Activities	1,828.18	2,006.50	1,913.90	2,094.66
<b>Related Programs</b>	<b>153.18</b>	<b>153.18</b>	<b>145.46</b>	<b>131.75</b>
The Asia Foundation	17.00	17.00	16.10	17.00
Center Middle East-West Dialogue	0.84	0.84	0.80	0.09
Eisenhower Exchange Fellowship	0.50	0.50	0.50	0.40
Israeli Arab Scholarship Program	0.38	0.38	0.36	0.01
East-West Center	16.70	16.70	15.90	10.80
National Endowment Democracy	117.76	117.76	111.80	103.45
<b>International Commissions</b>	<b>124.17</b>	<b>117.71</b>	<b>111.20</b>	<b>120.96</b>
Int'l Boundary /Water Commission	76.18	71.17	67.20	77.02
American Sections	11.69	11.92	11.30	12.50
<i>Int'l Joint Commission</i>	<i>7.01</i>	–	–	7.66
<i>Int'l Boundary Commission</i>	<i>2.28</i>	–	–	2.45
<i>Border Environment Coop. Commission</i>	<i>2.40</i>	–	–	2.39
Int'l Fisheries Commission	36.30	34.62	32.70	31.44
<b>Broadcasting Board of Governors</b>	<b>751.53 (4.40)</b>	<b>751.53 (4.40)</b>	<b>713.50</b>	<b>731.08</b>
International Broadcasting Operations	744.50 (4.40)	744.50 (4.40)	n.a.	722.58
Capital Improvements	7.03	7.03	n.a.	8.50
<b>U.S. Institute of Peace</b>	<b>39.00 (8.41)</b>	<b>38.99 (8.40)</b>	<b>37.00</b>	<b>35.69</b>
<b>FOREIGN OPERATIONS</b>	<b>35,423.24 (6,575.33)</b>	<b>36,059.37 (7,642.28)</b>	<b>34,492.67 (7,302.10)</b>	<b>35,095.45 (2,308.20)</b>
<b>U.S. Agency for International Development</b>	<b>1,528.00 (259.50)</b>	<b>1,528.00 (259.50)</b>	<b>1,450.8 (246.6)</b>	<b>1,571.34 (71.00)</b>
USAID Operating Expenses	1,347.30 (255.00)	1,347.30 (255.00)	1,279.30 (242.30)	1,399.20 (71.00)
USAID Capital Investment Fund	129.70	129.70	123.10	117.94
USAID Inspector General	51.00 (4.50)	51.00 (4.50)	48.40 (4.30)	54.20



	FY2012 Actual (of which is OCO)	FY2013 Enacted (of which is OCO)	FY2013 Full- year CR estimate (net sequestration & rescissions <sup>a</sup> )	FY2014 Request (of which is OCO)
<b>Bilateral Economic Assistance</b>	<b>20,830.10</b> <b>(3,834.52)</b>	<b>21,719.32</b> <b>(5,083.96)</b>	<b>20,774.27</b> <b>(4,925.10)</b>	<b>21,427.83</b> <b>(1,382.20)</b>
Global Health Programs	8,172.66	8,476.45	8,062.84	8,315.00
Development Assistance	2,519.95	2,833.40	2,701.90	2,837.81
International Disaster Assistance	1,095.00 (270.00)	1,599.66 (774.66)	1,550.40 (767.20)	2,045.00
Emergency Food Aid Contingency	–	–	–	75.00
Transition Initiatives	93.70 (43.55)	56.69 (6.55)	53.80 (6.20)	57.60
Complex Crisis Fund	50.00 (40.00)	40.00 (30.00)	38.00 (28.50)	40.00
Development Credit Authority– Subsidy	[40.00]	[40.00]	n.a.	[40.00]
Development Credit Authority– Admin.	8.30	8.30	7.90	8.20
Economic Support Fund	6,146.70 (3,151.96)	5,763.90 (3,119.90)	5,520.80 (2,981.80)	5,458.25 (1,382.20)
Democracy Fund	114.77	114.77	109.00	–
Assistance for Europe, Eurasia and Central Asia	626.72	0.00	0.00	–
Migration and Refugee Assistance	1,975.10 (329.00)	2,798.95 (1,152.85)	2,703.83 (1,141.40)	1,760.96
Emergency Migration and Refugee Assist.	27.20	27.20	25.80	250.00
Middle East & North Africa Incentive Fund	–	0.00	–	580.00
<b>Independent Agencies</b>	<b>1,325.70</b>	<b>1,325.70</b>	<b>1,258.60</b>	<b>1,319.10</b>
Peace Corps	375.00	375.00	356.00	378.80
Millennium Challenge Corporation	898.20	898.20	852.70	898.20
Inter-American Foundation	22.50	22.50	21.40	18.10
African Development Foundation	30.00	30.00	28.50	24.00
<b>Department of Treasury</b>	<b>39.00</b> <b>(1.55)</b>	<b>39.00</b> <b>(1.55)</b>	<b>37.00</b>	<b>23.50</b>
Treasury Technical Assistance	27.00 (1.55)	27.00 (1.55)	n.a.	23.50
Debt Restructuring	12.00	12.00	n.a.	–
<b>International Security Assistance</b>	<b>9,749.58</b> <b>(2,479.76)</b>	<b>9,567.09</b> <b>(2,297.27)</b>	<b>9,074.6</b> <b>(2,130.4)</b>	<b>8,524.38</b> <b>(855.00)</b>

	FY2012 Actual (of which is OCO)	FY2013 Enacted (of which is OCO)	FY2013 Full- year CR estimate (net sequestration & rescissions <sup>a</sup> )	FY2014 Request (of which is OCO)
Int'l Narcotics Control and Law Enforcement	1,635.71 (574.60)	2,004.71 (943.61)	1,941.80 (934.40)	1,473.73 (344.00)
Nonproliferation, Antiterrorism, Demining and Related Programs	711.27 (121.16)	710.77 (120.66)	674.90 (114.60)	616.13
Peacekeeping Operations	509.82 (207.00)	383.82 (81.00)	364.40 (77.00)	347.00
Int'l Military Education and Training	105.79	105.79	100.40	105.57
Foreign Military Financing	6,312.00 (1,102.00)	6,312.00 (1,102.00)	5,993.10 (1,046.90)	5,956.96 (511.00)
Pakistan Counterinsurgency Capability Fund	452.00 (452.00)	0.00	0.00	–
Global Security Contingency Fund	23.00 (23.00)	50.00 (50.00)	–	25.00
<b>Multilateral Economic Assist</b>	<b>2,966.29</b>	<b>2,788.26</b>	<b>2,810.40</b>	<b>3,196.44</b>
Int'l Organizations and Programs	343.91	348.71	331.10	320.65
Global Environment Facility	89.82 <sup>b</sup>	129.40	n.a.	143.75
Int'l Clean Technology Fund	184.63 <sup>c</sup>	184.63	n.a.	215.70
Strategic Climate Fund	49.90 <sup>d</sup>	49.90	n.a.	68.00
Int'l Bank for Recon. and Development	117.36	186.96	n.a.	186.96
Int'l Development Association	1,325.00	1,358.50	n.a.	1,358.50
Inter-American Development Bank	75.00	111.15	n.a.	102.02
Inter-American Investment Corp	4.67	0.00	n.a.	–
Enterprise for the Americas—MIF	25.00	15.00	n.a.	6.30
Asian Development Fund	100.00	100.00	n.a.	115.25
Asian Development Bank	106.59	106.59	n.a.	106.59
African Development Bank	32.42	32.42	n.a.	32.42
African Development Fund	172.50	0.00	n.a.	195.00
Multilateral Debt Relief Initiative	174.50	0.00	n.a.	175.30
Int'l Fund for Ag Development	30.00	30.00	n.a.	30.00
Global Ag and Food Security	135.00	135.00	n.a.	135.00
Middle East North Africa Transition Fund				5.00
<b>Export and Investment Assistance</b>	<b>-1,015.43</b>	<b>-908.00</b>	<b>-913.00</b>	<b>-967.14</b>
Export-Import Bank	-799.70	-754.00	-753.70	-831.60

	<b>FY2012 Actual (of which is OCO)</b>	<b>FY2013 Enacted (of which is OCO)</b>	<b>FY2013 Full- year CR estimate (net sequestration &amp; rescissions<sup>a</sup>)</b>	<b>FY2014 Request (of which is OCO)</b>
Overseas Private Investment Corporation	-265.73	-204.00	-206.80	-198.20
Trade and Development Agency	50.00	50.00	47.50	62.66
<b>TOTAL State &amp; Foreign Ops</b>	<b>53,432.55 (11,202.79)</b>	<b>54,352.01 (12,322.48)</b>	<b>51,885.93 (11,738.70)</b>	<b>51,966.38 (3,807.34)</b>
Title VII. General Provisions (Rescissions)	(513.70)	(1,109.70)	n.a.	n.a.
<b>Total, net of rescissions</b>	<b>52,918.85</b>	<b>53,293.51 (11,212.78)</b>	<b>51,885.93 (11,738.70)</b>	<b>51,966.38 (3,807.34)</b>

**Source:** Executive Budget Summary, Function 150 & Other International Programs, Fiscal Year 2014.

**Notes:** State Department total includes the mandatory Foreign Service Retirement and Disability Fund. Negative numbers reflect net revenues from receipts/offsetting collections. Lower negative numbers result in a need to increase the appropriation. MIF = Multilateral Investment Fund. n.a. = not available.

- a. These numbers, provided by the Department of State, April 12, 2013, are preliminary estimates and not the final FY2013 funding levels.
- b. Does not reflect a \$30 million transfer from ESF in FY2012.
- c. Does not reflect a \$45 million transfer from ESF in FY2012.
- d. Does not reflect a \$25 million transfer from ESF in FY2012.

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