



Development Assistance Priorities in the FY2008 State/Foreign Operations Appropriations Bill April, 2007

DATA (Debt, AIDS, Trade, Africa) cares deeply about combating extreme poverty and disease on the continent of Africa, and since 2002 has worked with the U.S. Congress to achieve sustained funding increases for proven and effective foreign assistance programs. Fiscal Year 2008 will be another critical year for continuing and expanding progress in the fight against AIDS and other infectious diseases, promoting poverty reduction, and encouraging economic growth on the African continent.

With these goals in mind, DATA urges the Appropriations Committees to provide a State/Foreign Operations 302b allocation at or above the Senate-passed budget level for the 150 Account of \$39.8 billion. DATA also urges House and Senate Appropriators to provide significant funding increases for vital foreign assistance programs within the State/Foreign Operations allocation, as outlined below.

Global HIV/AIDS, TB and Malaria

Built on bipartisan Congressional initiatives, President Bush announced the creation of the **President's Emergency Plan for AIDS Relief (PEPFAR)**, a five year, \$15 billion initiative to combating HIV/AIDS in an effort to reach 2 million people with life saving antiretroviral treatment, prevent 7 million new infections and care for 10 million in need. The majority of new resources are focused on 15 of the hardest-hit countries in Africa and the Caribbean. Congress added one in Asia.¹ PEPFAR is the umbrella program under which all U.S. global HIV/AIDS and TB efforts, bilateral and multilateral, are funded and executed. While most of the new funding is directed through bilateral programs in the focus countries, the initiative maintains existing bilateral HIV/AIDS and TB programs in 108 other countries, as well as research efforts. PEPFAR also includes the U.S. government's annual contributions to the Global Fund to Fight AIDS, TB and Malaria, an independent multilateral mechanism that provides pooled resources to technically sound country-owned proposals and operates in a total of 136 countries. Prior to the announcement of the President's Malaria Initiative in 2005, bilateral malaria programs were also included under PEPFAR.

Funding to date: In FY2004, Congress approved \$2.4b in global HIV/AIDS, TB and malaria spending, an increase of 50% over the FY2003 level of \$1.6b. In his FY2005 budget, President Bush requested a total of \$2.8b for global HIV/AIDS, and the Congress agreed to appropriate that same level with some minor changes in the sub-account allocations. In FY2006, President Bush requested \$3.2b for global HIV/AIDS, which the Congress increased by \$200m for a total appropriation of \$3.4b. In FY2007, the President requested \$4.03b for global HIV/AIDS. In the FY2007 Continuing Resolution (CR), global HIV/AIDS received \$4.81b. For FY2008, the President has requested a total of \$5.78b for global HIV/AIDS, TB, Malaria and Research, a net increase of \$970m over FY2007 C.R. levels².

DATA supports:

15 Focus Countries (total funding of \$4.13b, an increase of \$1.3b) – 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. DATA believes this requested funding is critical to reaching the Congressional and Presidential targets of placing 2 million persons on treatment, preventing 7 million cases of HIV/AIDS, and caring for 10 million HIV/AIDS victims by the end of 2008. At the end of 2006, PEPFAR had supported antiretroviral (ARV) treatment for approximately 822,000 people. According to the Office of the Global AIDS Coordinator, the initiative is putting an average of 50,000 additional people on ARV treatment per month. Based on this scale-up timeline, PEPFAR will provide treatment to an additional 1.2 million persons during FY2007 and FY2008, meaning that PEPFAR will meet its 5-year goal of placing 2 million persons on treatment in the 15 focus countries. But this rapid scale up in treatment will require Congress to fund the President's FY2008 PEPFAR request so that the program can

¹ The 15 focus countries are: Botswana, Cote d'Ivoire, Ethiopia, Guyana, Haiti, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Zambia and Vietnam.

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



expand its reach in focus countries to rural areas and to harder-to-reach populations. Providing services to these populations requires stepped up investments in infrastructure and health systems in order for the capacity of indigenous health sectors to keep up with the demand for services.

Global Fund (total funding of \$1.3b, an increase of \$576m) – The President requested \$300m for the Global Fund, \$424m less than was appropriated in FY2007. This is also \$1b less than a one-third share of the Fund’s anticipated resource needs. The Fund estimates a total resource need of \$3.9b for FY2008. This total includes approximately \$2.4b in funding for renewals of good-performing programs (both Phase 2 and Phase 3 grants), and \$1.5b in new grants. A one-third share is \$1.3b, which DATA supports. Based on public statements and pledges, the Fund expects other donors could match on a 2:1 basis this level from the United States.

Non-focus Bilateral HIV/AIDS, TB and Research Programs (total funding \$981m, no cuts) – 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 \$35m cut from the FY2007 level. Because DATA does not have technical expertise in these programs, we advocate that the cut to these programs be at least fully restored.

Malaria (total funding \$397m, increase of \$140m) – On June 30, 2005, President Bush announced the President’s Malaria Initiative (PMI), a new commitment to spend an additional \$1.2 billion between 2005 and 2010 and cut malaria related deaths by 50% in 15 focus countries in Africa. PMI reached almost 6 million people with services, supplies and life saving medicines in FY2006 and plans to reach an additional 30 million Africans with medicines, sprays and bed nets by expanding into four new focus countries in FY2007. The President’s request in FY2008 includes a total of \$397m for bilateral malaria programs, \$285m of which will be directed to PMI 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 which we believe is necessary and is necessary for the program to expand from seven focus countries to a total of fifteen in FY2008 and to reach its goal of cutting malaria related deaths by half.

DATA supports a total FY2008 appropriation for global HIV/AIDS, TB and malaria of \$6.8b, a \$2b increase over FY2007 C.R. spending levels

U.S. Appropriations for Global HIV/AIDS, TB and Malaria			
<i>(In USD mns)</i>	FY07 C.R.	POTUS FY08 Request	DATA FY 08 Request
15 focus countries and centrally managed programs	\$2847.26	\$4132.26	\$4132.26
Global Fund to Fight AIDS, TB and Malaria	\$724.00	\$300.00	\$1300.00
Bilateral HIV/AIDS, TB and Research	\$981.10	\$948.14	\$981.10
<i>Subtotal HIV/AIDS, TB and Research</i>	<i>\$4552.35</i>	<i>\$5380.40</i>	<i>\$6413.36</i>
Bilateral Malaria	\$256.91	\$396.91	\$396.91
Total	\$4809.26	\$5777.31	\$6810.27

The Millennium Challenge Account

The Millennium Challenge Account (MCA) was created in 2003 as a new foreign assistance initiative supporting those developing democracies that have demonstrated progress toward democracy, economic freedom, human rights, and the rule of law. The MCA’s work is based upon the idea that aid programs are most effective when they reinforce good governance, the rule of law, economic freedom and investments in people. To achieve this goal, the MCA is focused specifically on supporting programs that reduce poverty by fueling sustainable economic growth through market-based investments in areas such as agriculture, education, private sector development, health and capacity building. An



important feature of the MCA is the countries themselves are responsible for identifying the greatest barriers to their own development and proposing solutions.

Funding to date: DATA has long-supported robust funding for the MCA. Inadequate funding levels will have a deleterious impact on the MCA's ability to support transformative change in the countries where it operates, requiring the agency either to fund relatively small projects or to fund only a select few of the qualified countries (reducing the incentive for qualified, threshold and non-qualified countries to pursue funding through the MCA). Funding allocations for the MCA in FY2004-FY2007 were \$1b, \$1.5b, \$1.75b, and \$1.75b respectively – all below the President's requests.

How much funding is required this year? In FY2008, the President requested \$3b for the MCA, as he did in FY2006 and FY2007. This total represents an increase of \$1.25b over the FY2007 C.R. level of \$1.75b (the FY2007 spending level was determined through the Continuing Resolution to remain at the final FY2006 spending level). The MCA plans to sign an additional 9 compacts during FY2007 and FY2008.³ The Millennium Challenge Corporation (MCC) currently has an unobligated balance of \$2.6b; when added to the \$3b requested in FY2008, there will be a total of \$5.6b in unobligated funds.

DATA has made an assessment of the compacts that are reasonably expected to be approved, as well as an estimated size, based on historical trends, knowledge of individual countries and conversations with experts. We estimate that \$4.86b will be required in FY2007 and FY2008 to fully fund expected compacts, threshold programs and MCC administration costs. These obligations break down as follows:

1. \$1.93b for FY2007, which will cover three compacts in Mozambique, Morocco, and Lesotho, as well as \$250m in Threshold programs and \$170m in MCC administration costs.
2. \$2.93b for FY2008, which will cover six compacts in Mongolia, Tanzania, Namibia, Burkina Faso, Senegal and Moldova, as well as \$150m for threshold programs and \$200m for MCC administration costs.

This \$4.86b would require an appropriation of \$2.26b in FY08, combined with the current unobligated funds of \$2.6b.

Therefore, DATA's total FY2008 request for the MCA is \$2.26b, a \$510m increase over FY2007.

Other Key Accounts and Initiatives

In addition to the new HIV/AIDS, malaria and MCA initiatives, the State/Foreign Operations appropriations bill provides funding for education, clean water, debt relief, and child and maternal health for the poorest people of the world through a variety of key programs, referred to as the core accounts. As HIV/AIDS initiatives and the MCA have grown, other core programs have been held relatively flat or have only grown by small increments. The President requested a total of \$11.71b for Other Key Accounts in FY2008, reflecting a \$100m cut to the FY2007 level.

Debt Restructuring (total funding \$207m, and increase of \$143m) – DATA supports the President's FY2008 request for Debt Restructuring which is primarily to cover costs of U.S. debt cancellation for the Democratic Republic of Congo, which has long qualified for U.S. bilateral debt cancellation but hasn't been delivered due to lack of funding.

World Bank's International Development Association (IDA) (total funding \$1.06b, an increase of \$119m increase) – DATA supports the President's FY2008 request for IDA. This increase is critical to fulfilling the U.S. international obligation to provide 100% multilateral debt cancellation to the poorest countries. The historic 2005 debt agreement requires all donors to pay a share of the loss in reflows to IDA from the poor countries. Each donor agreed to cover a share of this "bankruptcy," which will eventually free 40 of the poorest countries from billions of dollars in

³ 11 Compacts have been signed to date with Madagascar, Honduras, Cape Verde, Nicaragua, Georgia, Armenia, Benin, Vanuatu, Mali, El Salvador and Ghana.



debt. So far, 22 countries have received full debt cancellation, resulting in an average of \$2b a year debt service savings.

While DATA does not directly focus on the Child Survival and DA accounts, we recommend that Congress restore funding to the following accounts for a total of \$146m:

Non-AIDS, TB or Malaria Child Survival and Health Accounts - The FY2008 request includes \$785m for these accounts, \$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.

Development Assistance - The FY2008 request includes a large migration of funds from the Development Assistance account to ESF. Once this transfer of funds is accounted for, basic education and water and sanitation in Africa receive a cut of \$55m and \$12m respectively. DATA advocates that Congress restore funding for these sectors in Africa through the Development Assistance account for a total of \$67m.

Tracking the Key Accounts Numbers for FY2006-FY2008

	FY2006		FY2007		FY2008 Req	
	For Ops	Other	For Ops	Other	For Ops	Other
HIV/AIDS, TB and Malaria	\$2792m	\$606m	\$4207m	\$603m	\$5,274m	\$503m
<i>Of which bilateral</i>	<i>\$2544m</i>	<i>\$507m</i>	<i>\$3582m</i>	<i>\$504m</i>	<i>\$4,974m</i>	<i>\$503m</i>
<i>Of which Global Fund</i>	<i>\$248m</i>	<i>\$99m</i>	<i>\$625m</i>	<i>\$99m</i>	<i>\$300</i>	<i>\$0m</i>
Millennium Challenge	\$1752m		\$1752m		\$3,000m	
Other Key Accounts	\$9206m	\$2584m	\$9064m	\$2655m	\$9,063m	\$2655m
Subtotal	\$13.75b	\$3.19b	\$15.02b	\$3.26b	\$17.34b	\$3.16b
Total	\$16.94b		\$18.28b		\$20.49b	

Proposed New Investments

Education – At present there are 77 million primary age children out of school worldwide; 38 million of these children live in Africa. A number of African countries have demonstrated a strong commitment to mobilizing the political and financial resources needed to provide free and compulsory primary education by 2015. 17 African countries have created credible and achievable education plans that have been endorsed by the Fast Track Initiative (FTI), which was created in 2002 as the mechanism that channels bilateral education funding to countries whose plans have been technically vetted and endorsed. These 17 countries cover an estimated 14 million out-of-school primary-age children. In 2007, nine more African countries are expected to receive endorsement and in 2008 another eight countries will likely be endorsed, collectively covering 94% of Africa’s out-of-school population. The financing gap for African FTI countries is projected to increase to nearly \$1 billion by the end of 2007 and grow to \$2.5 billion by the end of 2008.

DATA is requesting an additional \$500m in FY2008 for primary education in Africa. This amount would cover a U.S. equitable share (\$330m) of the \$1 billion financing gap for the 17 FTI endorsed African countries and funding for the nine African countries that are expected to be endorsed by the end of 2007. By providing this increase in education funding, the U.S. will also be able to direct more resources to international organizations to ensure that children in post-conflict countries and/or countries with weak institutions have the opportunity to attend school.

For more details on funding requirements for FTI countries in Africa, see DATA’s brief: “FTI in Africa.” Available online: http://www.data.org/pdf/DATA_FTIn%20in%20Africa.pdf



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 that we believe provide poverty-focused development assistance, and from which we would not want to see reductions in order to pay for increases elsewhere. 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 i.e. natural disaster relief • Department of Labor - ODA