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1775 Massachusetts Avenue, NW Washington, DC 20036-2188
Tel: 202-797-6000 Fax: 202-797-6004
www.brookings.edu

THE ADMINISTRATION'S BUDGET FOR GLOBAL POVERTY AND HIV/AIDS: HOW DO THE NUMBERS STACK UP?¹

Lael Brainard²

Updated February 24, 2003

Much is at stake as key players in the fight against global poverty scrutinize the Administration's budget for fiscal year 2004. The President has promised major increases in funding for the fight against global poverty — through its Millennium Challenge Account — and HIV/AIDS. This short analysis examines how the Administration's proposed funding compares with recent funding levels, using a range of possible "baselines." It also examines how the Administration's proposed funding levels for the Millennium Challenge Account and HIV/AIDS compare with the levels announced when the proposals were first put forward. The primary focus of this analysis is on the fiscal 2004 levels, but it also examines the levels proposed for future years.

In short, this analysis finds that while the Administration would provide significant budget increases for global poverty and HIV/AIDS, and deserves credit for its heightened responsiveness to these critical challenges, the budget proposals nonetheless fall short of the Administration's promises. The proposed level of funding for the Millennium Challenge Account for 2004 is 20 percent below the Administration's own illustrative level of last summer. (Further, in what OMB officials have indicated privately is an error, the budget proposes only \$1.35 billion for fiscal 2006, about one-fourth of the \$5 billion annual level the Administration promised).

With regard to HIV/AIDS, the Administration budget includes \$450 million for its new Global AIDS Initiative in 2004 and \$300 million for Mother to Child Transmission. These proposals are important and welcome. However, the Administration's claims of a \$1 billion increase in FY04 and a \$10 billion cumulative increase are relative to an unrealistically low baseline. A more realistic baseline suggests the net increase for fiscal 2004 is closer to \$576 million, and the cumulative 5-year increase would likewise be lower.

¹ This is based on a preliminary analysis of the budget and is subject to revision.

² The author wishes to thank Isaac Shapiro, Senior Fellow, Center on Budget and Policy Priorities, for helpful suggestions.

FOREIGN ASSISTANCE SPENDING

The Administration has requested a substantial increase in foreign assistance spending for fiscal 2004 – up 10 percent over fiscal 2003 appropriations. (All numbers are in nominal terms.)

Comparing the fiscal 2004 request with actual fiscal 2003 appropriations in Table 1 below, the biggest gains in absolute terms are:

➤ Millennium Challenge Account	\$1,300 million
➤ Global AIDs Initiative	450
➤ Debt Relief	395
Of which:	
Heavily Indebted Poor Countries (HIPC) Trust Fund	75
Democratic Republic of Congo	300
Tropical Forest Conservation Act	20
➤ Economic Support Fund	270
➤ Security Assistance	190

The biggest decreases are:³

➤ Child Survival and Health	\$ 340 million
➤ Assistance for Independent States of the Former Soviet Union and Eastern European Democracy	270

³ The FY04 budget requests no appropriations for the Export-Import Bank loan subsidy account, a decrease of \$541 million relative to the amount appropriated for FY03. However, this decline in new funding reflects an unusually large level of carry-over funding from the previous year, which remains available for obligation in FY04. As a result, we ignored this change.

Table 1: Foreign Assistance Programs FY04 Budget Request

Type of Assistance	FY01 Actual	FY02 Actual	FY03 Request	FY03 Appropriations	FY04 Request	Change FY04 over FY03
	\$ Billions	\$ Billions	\$ Billions	\$ Billions	\$ Billions	Percent
TOTAL	16.63	19.92	18.50	18.50	20.27	9.6%
Development Aid	5.11	5.39	5.83	6.05	7.23	19.5%
Bilateral Development Assistance (DA)	1.27	1.18	1.37	1.39	1.35	-2.9%
Child Survival and Health (CSH)	1.05	1.47	1.47	1.84	1.50	-18.5%
<i>DA & CSH</i>	<i>2.32</i>	<i>2.65</i>	<i>2.84</i>	<i>3.23</i>	<i>2.85</i>	<i>-11.8%</i>
Global AIDs Initiative	0.00	0.00	0.00	0.00	0.45	N/A
<i>CSH + AIDs</i>	<i>1.05</i>	<i>1.47</i>	<i>1.47</i>	<i>1.84</i>	<i>1.95</i>	<i>6.0%</i>
Millennium Challenge Account (MCA)	0.00	0.00	0.00	0.00	1.30	N/A
Food Aid for Development*	0.42	0.48	0.59	0.60	0.59	-1.7%
Multilateral Development Programs	1.14	1.17	1.44	1.30	1.56	20.0%
US Export, Investment Programs, Peace Corps and Development Foundations	1.23	1.09	0.96	0.92	0.48	-47.8%
Politically Allocated Economic Assistance	4.45	6.43	5.05	4.77	4.97	4.2%
Economic Support Fund (ESF)	2.32	3.29	2.49	2.27	2.54	11.9%
Support for Eastern European Democracy (SEED)	0.68	0.62	0.50	0.53	0.44	-17.0%
Assistance for the Independent States of the Former Soviet Union (FSA/NIS)	0.81	0.96	0.76	0.76	0.58	-23.7%
International Narcotics Control & Law Enforcement & Andean Counternarcotics Initiative (INCLE & ACI)	0.33	1.03	0.93	0.90	1.02	13.3%
Nonproliferation, Anti-Terrorism, Demining & Related Programs (NADR)	0.31	0.53	0.37	0.31	0.39	25.8%
Humanitarian Assistance	1.42	1.71	1.59	1.68	1.59	-5.4%
Migration and Refugee Assistance (MRA)	0.70	0.81	0.71	0.79	0.76	-3.8%
International Disaster Assistance	0.30	0.42	0.29	0.29	0.24	-17.2%
Emergency Food Aid	0.42	0.48	0.59	0.60	0.59	-1.7%
Security Assistance	4.60	5.32	5.02	4.94	5.15	4.3%
Foreign Military Financing (FMF)	3.57	4.05	4.11	4.07	4.41	8.4%
International Military Education & Training (IMET)	0.06	0.07	0.08	0.08	0.09	12.5%
Peacekeeping Operations and International Peacekeeping	0.97	1.20	0.83	0.79	0.65	-17.7%
International Organizations and Programs	1.05	1.07	1.20	1.06	1.33	25.5%

Source: Department of State Tables.

* Food Aid for development and Emergency Food Aid are each estimated to be one half of total P.L. 480 Title II funding.

THE MILLENNIUM CHALLENGE ACCOUNT: LOWER THAN EXPECTED

The fiscal 2004 request contains \$1.3 billion in new funding for the President's bilateral development assistance initiative, the Millennium Challenge Account (MCA). By recent standards, this is an extremely large single-year increase in bilateral development assistance.

It nonetheless falls short relative to the Administration's previous statements. In Monterrey, Mexico, the President committed to a 50 percent increase in assistance to developing countries, resulting in a \$5 billion annual increase by fiscal 2006. Administration officials issued an important further clarification that the new assistance would total \$10 billion cumulatively in the three years 2004 to 2006. Subsequently, in June 2002, the White House issued an update showing "illustrative funding levels" for the Millennium Challenge Account of \$1.7 billion in fiscal year 2003, \$3.3 billion in 2004, and \$5 billion in 2006.

As shown in Table 2, the fiscal 2004 request of \$1.3 billion is more than 20 percent below the illustrative funding level, which puts a greater burden on the following two years to achieve the remaining \$8.7 billion cumulative increase. Further confusing matters, the Administration published budget projections for fiscal years 2004 through 2008 that remain below \$1.5 billion annually and cumulatively total only \$4 billion. OMB officials have indicated privately that these numbers will be corrected in an errata statement (it has not yet been corrected, although more than two weeks have passed since the error was pointed out).

Table 2: Millennium Challenge Account: FY04 Projections for FY04-FY08

\$ Millions	FY04	FY05	FY06	FY07	FY08	3-Year Total
Administration Illustrative Levels	\$1,666	\$3,333	\$5,000			\$10,000
FY04 Request						
Budget Authority	1,300	1,324*	1,351*	1,381*	1,416*	3,975
Outlays	650	1,052*	1,333*	1,361*	1,393*	3,035

* Administration sources indicate these figures are errors and should be corrected.

Source: Office of Management and Budget Analytical Perspectives, Tables 25-1 and 25-2, p. 482-3 and 502-3; White House Fact Sheet, "Millennium Challenge Account Update," June 3, 2002

<http://www.fas.usda.gov/icd/summit/WH%20MCA%20Fact%20Sheet%206-3-02.pdf>

GLOBAL HIV/AIDS

In the State of the Union address, President Bush announced major increases in funding for HIV/AIDS prevention and treatment: "I ask the Congress to commit \$15 billion over the next five years, including nearly \$10 billion in new money, to turn the tide against AIDS in the most afflicted nations of Africa and the Caribbean." A White House fact sheet provides further details: "The \$15 billion in funding for this initiative virtually triples the U.S. commitment to international AIDS assistance. Funding will begin with \$2 billion in FY04, and ramp up thereafter. The \$15 billion includes \$1 billion for the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria, conditioned on the Fund showing results."

Table 3: Global HIV/AIDS Funding, FY 04, \$ Millions

Program	Agency/ Program	FY02 Projected	FY03 Request	FY03 Appropriations	FY04 Request
Bilateral Development & Child Survival	AID	395.0	500.0	491.5	*605.0
Economic Assistance	AID ESF	40.0	40.0	38.5	40.0
Global AIDS Initiative	AID	0.0	0.0	0.0	450.0
Global Fund to Fight AIDS, Tuberculosis, & Malaria		200.0	200.0	350.0	200.0
<i>of which:</i>	<i>AID CSH</i>	<i>**50.0</i>	<i>100.0</i>	<i>250.0</i>	<i>100.0</i>
	<i>NIH</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
	<i>AID Additional</i>	<i>25.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
	<i>HHS Additional</i>	<i>25.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Mother to Child Transmission		0.0	200.0	100.0	300.0
<i>of which:</i>	<i>AID CSH</i>	<i>0.0</i>	<i>100.0</i>	<i>100.0</i>	<i>150.0</i>
	<i>CDC</i>	<i>0.0</i>	<i>100.0</i>	<i>0.0</i>	<i>150.0</i>
CDC Global AIDS Program	CDC	143.8	143.8	***183.7	144.0
Additional CDC		0.0	0.0	0.0	10.0
Research****		199.0	233.0	233.0	261.0
<i>of which:</i>	<i>NIH</i>	<i>188.0</i>	<i>222.0</i>	<i>222.0</i>	<i>250.0</i>
	<i>CDC</i>	<i>11.0</i>	<i>11.0</i>	<i>11.0</i>	<i>11.0</i>
Foreign Military Financing****	State	0.0	2.0	2.0	0.0
DOD HIV/AIDS Education African Armed Forces Prevention	DOD	14.0	0.0	0.0	0.0
DOL AIDS in the Workplace Initiative	DOL	8.5	0.0	10.0	0.0
Section 416b Food Aid	USDA	25.0	0.0	25.0	0.0
TOTAL		1025.3	1318.8	1433.7	2010.0

Notes: *Includes \$105 million from CSH funds designated for TB and Malaria. ** This includes \$40 million from CSH HIV/AIDS funding and \$10 million from CSH funds designated for "other infectious diseases."*** While the conference bill does not earmark CDC funding for MTCT, the conference report indicates that conferees consider the MTCT initiative important. **** This money is not earmarked. It represents an NIH estimate of spending on HIV/AIDS research.

This is how the fiscal 2004 request stacks up:

- Table 3 shows that the Administration’s fiscal 2004 request of \$2.010 billion is an increase of nearly \$700 million relative to its own fiscal 2003 request. But the increase is a smaller \$576 million relative to actual appropriations for fiscal 2003.
- Table 1 clarifies that for the combined total of the Global AIDs Initiative and the Child Survival and Health (CSH) account (which includes the bulk of HIV/AIDs assistance in the fiscal 2003 appropriation), the Administration’s request for fiscal 2004 shows a net increase of just \$110 million relative to the actual amount appropriated for fiscal 2003. This is because the Administration’s increase of \$450 million for the Global AIDs initiative is offset by a \$340 million shortfall in the CSH request relative to the fiscal 2003 appropriation. Together, the decline in CSH funds shown in Table 1 and the expanded call on those funds for HIV/AIDs shown in Table 3, make clear that the Administration’s fiscal 2004 request requires cuts in other child survival and health programs.

Table 4: Global AIDs Initiative: FY04 Projections for FY04-FY08

\$ Millions	FY04 Request	FY05	FY06	FY07	FY08	5-Year Total FY04-FY08
Budget Authority	\$450	\$1,250	\$1,800	\$2,400	\$2,600	\$8,500
Outlays	68	413	985	1,578	2,138	5,182

On future funding, the Administration’s commitment to increase funding by \$10 billion over the next five years to a cumulative total of \$15 billion assumes an unrealistically low baseline of roughly \$1.04 billion (or \$5.2 billion over five years):

- The fiscal 2003 appropriation implies a baseline of over \$1.4 billion, or roughly \$7.2 billion over five years--substantially above the Administration’s assumption--and a correspondingly lower increase over five years.
- Even the Administration’s own fiscal 2003 request of \$1.318 billion is substantially *above* the Administration assumed baseline.
- The Administration’s \$10 billion increase over 5 years is comprised of:
 - Global AIDs Initiative \$8.5 billion
 - Mother to Child Transmission 0.5
 - Global Fund to Fight AIDs, Tuberculosis, & Malaria 1.0
- Since the Administration’s fiscal 2003 request included \$200 million for the Global Fund, and the Global Fund budget projections remain flat at \$200 million per year through fiscal 2008, it is surprising the Administration counts the Global Fund contribution in the projected \$10 billion increase rather than in the baseline. It is also worth noting that the fiscal 2003 appropriation provides a substantially greater \$350 million contribution to the Global Fund.