

COUNCIL *on* FOREIGN RELATIONS

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Debate over the FY 2011 Federal budget has heightened in the Senate, as the Budget Committee voted on April 23, 2010 to cut foreign assistance spending by \$4 billion – a seven percent reduction in the already frugal White House proposed budget. (In other words, Account 150 of the Federal budget would be reduced by \$4 billion, below the Obama administration request.) Senate Budget Committee Chair Kent Conrad (D- ND) hailed his committee’s vote for its fiscal discipline, noting, “It freezes non-security discretionary spending for three years and enforces those levels with spending caps. It cuts discretionary spending by \$4 billion below the President’s requested levels.”

Nearly all “non-security discretionary” funds in the U.S. International Affairs Budget are directed at *programs for poor countries and strategic partner nations, specifically targeting health, food, climate change, education, public diplomacy and economic development efforts*: The elements of what is often termed “Smart Power” or Joseph Nye’s “soft power”. The Budget Committee cut does not stipulate which of these programs will feel the axe, or how acutely they may be hurt.

There are constraints that prevent cutting other parts of the Account 150 budget. The Office of Management and Budget (OMB) stipulated that nearly \$800 million of the Account 150 budget is essentially untouchable State Department support of embassies and consuls, requiring at least 60 Senate votes to overturn. Assuming Senators are unlikely to vote on-the-record for partial shut-downs of American embassies and consulates, this further constrains where cuts can be made in order to achieve the Budget Committee’s \$4 billion target.

Further complicating matters, Senator Conrad exercised his power as chair of the Budget Committee to Mark-Up Account 150 funds specifically to address strategic goals:

“The President has also requested an additional \$4.5 billion for 2010 to help fund the civilian component of ongoing operations. The Chairman’s Mark recognizes the importance of this civilian effort to our current wars, which require significant civilian expertise to achieve our strategic objectives. The Chairman’s Mark, therefore, preserves the increase requested due to our current wars, as well as the supplemental funding. Additionally, the Chairman’s Mark also funds an increase of \$1.2 billion for our nation’s allies, including Israel, as part of the Middle East peace process. Given our severely constrained fiscal environment, the Chairman’s Mark focuses on those capabilities crucial to our current wars and the Middle East and increases international affairs funding to \$54.8 billion for 2011.”

Consider this Round One: there are numerous stages of budget debate ahead inside the Senate, and of course the parallel process in the House could yield a wildly different outcome, resulting in bicameral negotiations. Nevertheless, Conrad's admonishments offer a sharp warning to advocates of global health and development funding: *There are no guarantees for the FY 2011 budget, even from the Democrats and traditionally supportive Republicans.*

Democrat John Kerry, chair of the Senate Foreign Affairs Committee, decried the Budget Committee cut, this week issuing Senate Bill 2971, "To authorize certain authorities by the Department of State, and for other purposes." The Bill offers no specific budget numbers, but states:

**TITLE VI—AUTHORIZATION OF
APPROPRIATIONS**

SEC. 601. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated, for each of the fiscal years 2010 and 2011, such sums as may be necessary to carry out this Act.

The White House has proposed FY 2011 funding commitments for foreign assistance totaling \$58.8 billion (including supplemental requests), for an overall 15.6 percent increase over FY 2010 enacted levels. Most of the requested increase is for Iraq/Afghanistan/Pakistan nonmilitary programs. Less than a quarter of the [foreign assistance budget request](#) (\$14.6 billion of \$58.8 billion, or 24.9 percent) is for "Global Challenges," which include the Global Health Initiative (\$8.5 billion or 14.5 percent of the request), Global Hunger and Food Security (\$1.2 billion or 2.1 percent), Climate Change (\$600 million or 1 percent), Global Engagement (\$100 million 0.17 percent), and humanitarian assistance (\$4.2 billion or 7.2 percent, excluding Haiti).

In general, health and development experts have expressed disappointment with the Obama budget request, finding the sums asked for such things as child health and HIV treatment woefully inadequate. As cut back by the Senate Budget Committee, the Account 150 International Affairs Budget drew angry protests from members of Congress, health and development advocates, the White House, and State Department.

*As the battle over the International Affairs budget deepens, remember this: **The following comments address the "Global Challenges" budget which represents a small fraction of the foreign assistance request – about 25 percent, or 0.38 percent of the \$3.8 trillion FY 2011 Federal Budget request.***

Two questions regarding Account 150 and Obama administration plans for global health, food security, and development schemes are considered below:

1. Are the strategic and structural plans forwarded by the Executive Branch sound and workable?
2. Are the requested funding lines appropriate?

Background:

The Obama administration restructuring of foreign assistance, and the White House FY 2011 budget requests, should be viewed as the culmination of an extraordinary process of revitalized commitment and specific re-envisioning of global health, African affairs, food security, and humanitarian relief. Credit is due to the prior Bush administration, which focused attention and substantial resources on health

(PEPFAR, PMI), development (MCC), and general African affairs. These innovations enjoyed strong bipartisan support for fiscal years 2003-09.

At the close of the Clinton administration, FY 2000 spending in foreign assistance totaled approximately \$23.5 billion, just \$724.5 million of which was earmarked for HIV, malaria, tuberculosis, and world health. Eight years later, at the close of the Bush administration, FY 2008 foreign assistance spending totaled \$36.4 billion, with \$6.5 billion of that directed to global health efforts. In the health arena the United States' share of total health aid grew from 34 percent in 1990, to 51 percent in 2007. The greatest increase was in funding for HIV/AIDS related programs, accounting for 64 percent of USG global health spending in FY 2010.

Some of the FY 2011 funding requests are annual components of longer term schemes, such as the Global Health Initiative (GHI), which aims to spend \$63 billion between FY 2010 to FY 2016. Senator Kerry's Senate Bill 2971 would specifically support the Global Health Initiative:

“It is the sense of Congress that—(1) the Global Health Initiative presents an opportunity to build upon current successes and to promote further advances in global health, in accordance with the Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008; and (2) in order to promote effective coordination and management in the field of global health, a fulltime country level coordinator with management experience should head the interagency country team for United States missions in each Global Health Initiative Plus country.

“(b) REPORT.—Not later than 2 years after the date of the enactment of this Act, the President shall submit a report to the appropriate congressional committees that describes the implementation of the Global Health Initiative, including— (1) an assessment of the progress made toward— (A) implementing a woman- and girl-centered approach; (B) increasing the impact of health programs through strategic coordination and integration; (C) leveraging and strengthening relationships with key multilateral organizations, global health partnerships, and private sector investors; (D) encouraging country ownership and investment in country-led plans; (E) building sustainable health systems; (F) making improvements in metrics, monitoring, and evaluation; and (G) promoting research and innovation;

“(2) a detailed description of Global Health Initiative programs and practices in each of the Global Health Initiative Plus countries;

“(3) an aggregated assessment of progress made toward the declared targets of the Global Health Initiative; and

“(4) a discussion of metrics to be used to measure progress toward achievement of objectives in the areas of—(A) HIV/AIDS; (B) tuberculosis; (C) malaria; (D) maternal health; (E) child health; (F) nutrition; (G) family planning; (H) neglected tropical diseases; and (I) health system strengthening.”

The Obama administration is simultaneously instituting sweeping reforms of every aspect of U.S. foreign assistance, with the overall goals of improving performance and accountability, leveraging partnerships with recipient governments in both planning and execution of all programs, improving cooperation across the USG in all overseas nonmilitary affairs, and promoting the “Three D’s”: diplomacy, defense, and

development. Members of the House and Senate may reasonably ask whether the reorganization underway inside the State Department, U.S. Agency for International Development (USAID) and numerous other USG agencies will result in greater efficiency, strategic planning, accountability, and – most importantly -- lives saved or improved in poor countries. As the processes are still unfolding (Quadrennial Diplomacy and Development Review, or QDDR, inside the State Department; Presidential Special Directive in the National Security Council, implementation of the Global Health Initiative), this is an opportune moment for Congress to scrutinize Executive Branch intentions and budget requests.

Advocates for specific overseas programs will, of course, inform the members that White House funding requests are inadequate. In some cases members of the Senate or House may agree, and line-increase specific expenditures. Conversely, some members may agree with Senator Conrad that foreign assistance spending requests are too high, given the Federal debt and deficit levels, and aspire to line-cut the White House budget requests. All of these considerations will be addressed below.

The Obama administration seeks to maintain strong commitment to overseas assistance and global health, but amid significant strategic and structural shifts that seek to accomplish these goals:

- Deliver more “bang for the buck” by reducing USG redundancies, enhancing cross-agency cooperation, demanding meaningful accountability, and minimizing middle-man overhead and payments;
- Align foreign assistance closely with larger foreign policy objectives, particularly in Afghanistan, Pakistan, Iraq and other contested regions;
- Decrease U.S. provision of emergency food support in favor of longer term commitments to agricultural development, food security, and country food self-reliance;
- Work more closely with, and demand more participation and accountability from, recipient country governments;
- Decrease disease or issue-specific initiatives in favor of broader, “lift all boats” approaches towards health and development.

As members consider the White House FY 2011 budget request, and scrutinize the outcomes of the QDDR, PSD, and GHI processes, five key **QUESTIONS** are likely to arise, and merit attention in hearings or memos to relevant agencies or the White House. These are:

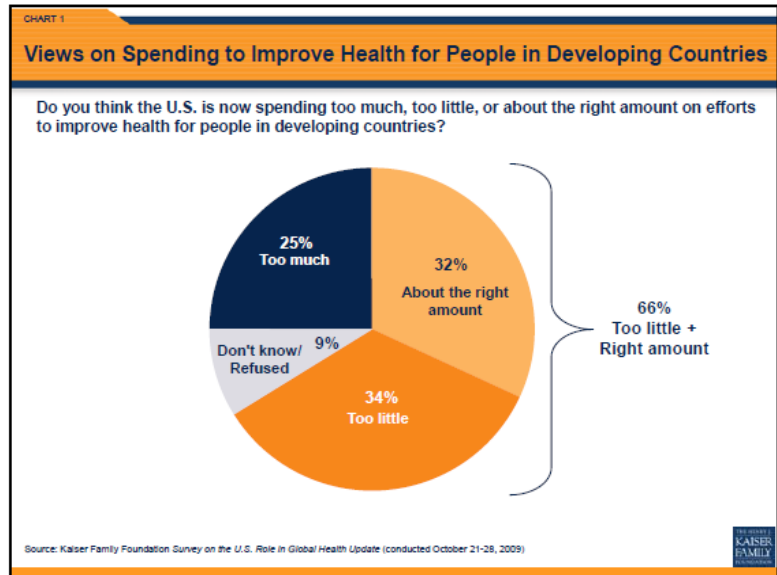
QUESTION #1: What do the American taxpayers and voters want the U.S. government to do, vis-à-vis foreign assistance?

In multiple surveys conducted by many organizations over the last decade, Americans consistently display confusion regarding our nation’s role in foreign aid. Without exception, polls indicate Americans believe that 15 to 20 percent of the federal budget is spent on overseas health, development, humanitarian, and anti-poverty programs – a **two orders-of-magnitude** misunderstanding. Further, Americans want to help poor nations and use development and humanitarian tools to win friends in the world and help people rise from poverty and disease: They just don’t want to spend as much, based on a gross misunderstanding of how much is actually allocated. Typically Americans want “cuts” made that would put USG spending about ten times *greater* than current actual levels.

Just your best guess, what percentage of the federal budget is spent on foreign aid?

3%	guessed:	0 to 1 percent
16%	guessed:	2 to 5 percent
9%	guessed:	6 to 10 percent
13%	guessed:	11 to 20 percent
9%	guessed:	21 to 30 percent
4%	guessed:	31 to 40 percent
7%	guessed:	41 to 50 percent
8%	guessed:	More than 50 percent
31%	guessed:	Don't know/Refused

Source: Henry J. Kaiser Family Foundation, *US Role in Global Health Survey*, January, 2009

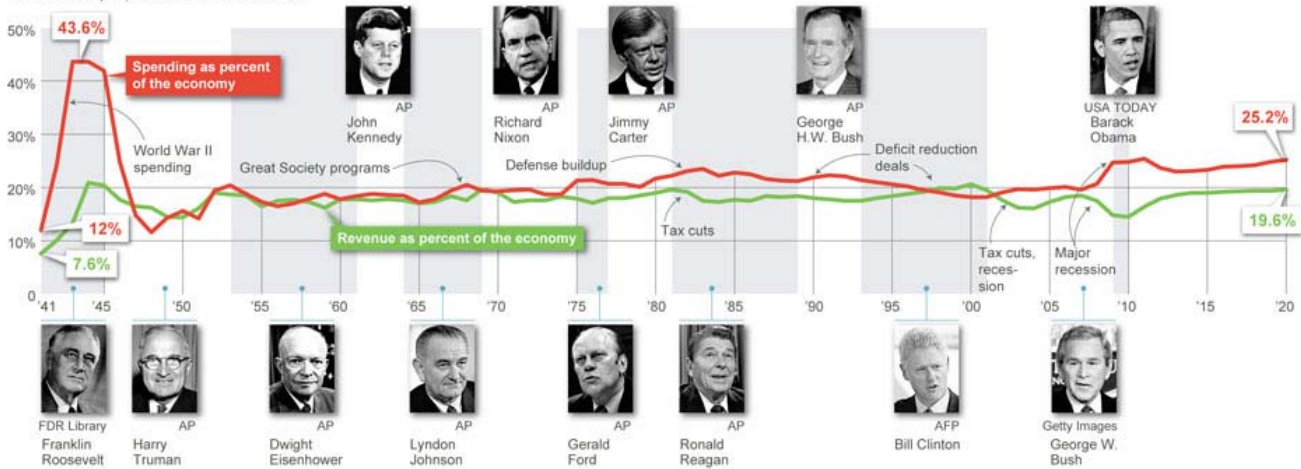


Source: Kaiser Family Foundation, [Survey on the U.S. Role in Global Health Update](#), October 2009

Americans also display growing anxiety about the size of Federal deficit spending and the rising national debt. Surveys indicate that most Americans would now agree with Senator Judd Gregg (R-NH) that, “The bottom line is this: we are on an unsustainable path. We’re on a course to have a junk bond government.” In a recent Associated Press survey 81 percent of Americans said they were “somewhat” or “very” worried about the federal deficit, and 37 percent described themselves as “very angry” about deficit spending.

Deficits forever

The federal government has spent more than it has raised every year since 1970, except for a four-year period at the end of the Clinton administration. Projections show this year's record gap will narrow as the economy improves, but it won't be closed.



Sources: White House Office of Management and Budget; Congressional Budget Office

By Julie Snider, USA TODAY

A perfect storm therefore threatens budgetary support of foreign assistance and, in particular, health and development programs:

1. Very little of the USG budget is discretionary spending, therefore easily cut. Most discretionary budget lines involve domestic programs that enjoy specific voter constituency support. Programs that seek to aid poor and ailing people in other countries are both discretionary and lack clear

constituency backing. No politician was every voted out of office based on votes for or against global health and development programs;

2. The American people *grossly* overestimate how much of their tax money is dedicated to overseas health, development, and humanitarian programs. This leaves everything from PEPFAR to farmer support programs extremely vulnerable to accusations of “wasteful spending,” amid voter desire to see spending, overall, decreased;
3. The global financial crisis, coming on the heels of the 2008 food and seed inflation, has greatly increased need internationally for all agricultural, antipoverty, and health programs. Worse, World Bank estimates indicate backwards movement on some key health and development targets has occurred since the 2009 onset of the economic crisis. This retreat both enhances demand for aid overseas, and has a negative impact on metrics used to measure the success of aid programs.

In sum: Americans want to reduce wasteful spending, and believe that funding for overseas programs that help people out of poverty, disease, chaos, and ignorance should be cut down to about 5 percent of USG spending – but actual spending for these programs has never exceeded 0.5 percent of the Federal budget.

QUESTION #2: Will the evolving Obama administration reorganization of foreign assistance, structurally, achieve the administration’s (or Congress’) desired goals?

The White House Global Health Initiative was released in May 2009 and has undergone a full review. The organizational structure of the GHI and its key players and targets has been identified. The GHI process, still incomplete, appears to be well ahead of the rest of the re-organizational efforts within the administration relevant to foreign assistance. A final version of the GHI will be ready in two to three months time.

Two key initiatives await *draft* completion, though implementation of some elements of both has already commenced. The National Security Council’s Presidential Special Directive Number 7 (PSD-7) on development seeks a coherent strategic analysis and policy directives relevant to both why and how the U.S. engages in the development of other nations. The Quadrennial Diplomacy and Development Review (QDDR) underway inside the State Department seeks to rebuild the US Agency for International Development and develop “whole of government solutions” to strengthening USG nonmilitary overseas activities.

The GHI can be viewed as a budgetary and coordination platform aimed at setting all health-related overseas activities on a common, coordinated path.

The PSD can be viewed as a strategic guide to development rationale and policy.

The QDDR can be viewed as an operational, structural, and resource scheme that will guide all aspects of U.S. humanitarian, diplomatic, development, health, antipoverty, and food action overseas. It is by far the most expansive of the efforts, involving thirteen task forces, some of which have two or three sub-task forces, for a combined effort engaging hundreds of people, run by the State Department.

Even a casual glance at the various sub-drafts and interviews with key players in these respective efforts demonstrates significant overlaps in their aims and personnel, begging a key question: Who is in charge?

On April 20, 2010, the leaders of these respective initiatives met with the Deputies Committee in the White House to get a status report on all three initiatives. By most accounts the meeting did not go well, and the Deputies chastised State Department representatives for a QDDR that is thought to put too much power in the Office of the Secretary of State, leave USAID in a weakened state, and raise conflicts with the PSD-7 and GHI. As a result, the draft QDDR will not be released in April, as promised.

Though the GHI is at this point the only public document, pieces of the PSD-7 and QDDR have leaked, and participants have discussed some of their intentions. Some common features have emerged:

1. All three documents seek to improve government coordination towards a common goal of improving U.S. relations in areas of the world that are troubled by famine, conflict, disease, poverty and climate change. In each effort there is discussion of “whole of government” approaches, aimed at getting typically rivalry-prone agencies (e.g. DoD, State, USAID, PEPFAR, USDA, MCC) to work together, share personnel and planning, and maximize the utility of available resources. All emphasize the need to “maximize the collective impact” of USG overseas programs.
2. All three reportedly emphasize metrics, and the need to provide clear accountability and rapid assessment of what is working, what is not, and where innovation succeeds. A consistent theme is the need to let empiricism guide policy and program tactics.
3. All three appear to have arisen from the sorts of principles described as “Smart Power” or soft power, in a clear departure from political and strategic principles that guided Bush administration policies.
4. All three dodge the question of leadership: Who is in charge of this vast, interdepartmental, “coordinated” miasma? In lieu of a clear command structure the documents offer trifectas and shared responsibilities, committees and “operational management”. In each case it appears that the administration hopes that key players will behave, power struggles between agencies will be minimized, and all parties will share common goals. No one is in charge of the GHI, for example: Instead, a trifecta (directors of USAID, CDC, and PEPFAR) talks, coordinates and ultimately answers to an Interagency Strategic Council composed of the heads of about a dozen Federal agencies that, according to State Department representatives, “acts as a Board of Directors.” That “Board of Directors” had met only once, as of April 1, 2010.

One top level official engaged in the QDDR described cross-agency management as “ownership of bridges,” spanning common areas on the ground in implementation of specific missions. In this scheme, the relevant personnel from respective agencies would be encouraged to build and strengthen those bridges, and the various “bridges” will link in a vast flow chart, or strategic diagram.

Three key testing grounds for this form of cross-agency governance have emerged: Afghanistan, Haiti, and GHI-Plus. The later focuses global health activities on ten key countries, using the trifecta structure to work in partnership with local governments, and creating what GHI leaders call “learning laboratories” for USG global health. (The ten nations have not been publicly listed at this time.) All three – Afghanistan, Haiti, and GHI-Plus – can be viewed as works in progress, meriting close scrutiny from the House, Senate, and health and development communities.

Senators Kerry (D-MA) and Richard Lugar (R-IN) have introduced legislation that would seek clearer leadership in the form of an independent Council on Research and Evaluation of Foreign Assistance, or CORE. A joint House/Senate foreign relations proposal calls for creation of a committee inside the National Security Council (NSC) to coordinate all crisis interventions, such as continue in Haiti. In the most recent issue of *Foreign Affairs*, Secretary of Defense Robert Gates supports the notion that peaceful interventions and crisis responses merit civilian control, probably from within the NSC.

In sum: Members of the House and Senate may well ask who is in charge of U.S. foreign assistance, both overall, and in specifics. Is the apparent failure to reconcile differences between the evolving QDDR and PSD-7 a reflection of struggles for power between sectors of the administration, or are there more substantive and strategically important issues to be ironed out? To whom should the phrase, "The buck stops here," be applied for overseas humanitarian, health, development, climate change, and other non-military efforts?

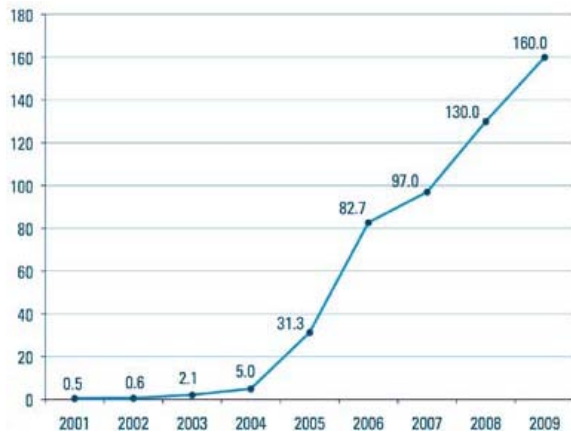
QUESTION #3: Is there proof that the increase in funding in this arena over the last nine years saved lives, improved the quality of those lives, and enhanced economic prosperity in targeted regions of the world? In other words, has American generosity made a difference?

On April 19, 2010, World Bank President Robert Zoellick warned the traditionally wealthy nations that the ground is shifting beneath them, and, "Already we feel gravitational forces pulling a world of nation-states back to the pursuit of narrower interests. We are now in a new, fast-evolving multipolar world economy ... where North and South, East and West, are now points on a compass, not economic destinies." Despite the world economic crisis, Sub-Saharan Africa will grow by an average of over 6 percent annually to 2015 while South Asia, where half the world's poor live, could grow by as much as 7 percent a year over the same period. Though the surge in extractive industry is clearly responsible for much of this growth, real economic development has also emerged, thanks in part to USG investment and development activities.

In April 2010, the International Monetary Fund (IMF) forecast worldwide growth of 4.2 percent for the year, as the world comes out of the financial crisis and recession, a striking improvement over the 2009 global economic shrinkage of 0.6 percent.

In terms of global health achievements, the evidence of success is overwhelming, but there are also causes for genuine concern. First, a few examples of the success:

MALARIA: Globally, funding for malaria control and treatment programs soared from \$0.3 billion in 2003 to \$1.7 billion in 2009. U.S. contributions to that swelling of support were significant, both indirectly (to the Global Fund to Fight AIDS, Tuberculosis and Malaria, as well as to the World Bank) and directly (the President's Malaria Initiative and the Bill & Melinda Gates Foundation), making Americans responsible for the lion's share of the global malaria effort. Rates of malaria infection have fallen dramatically in some countries. For example, Zanzibar has seen the prevalence of malaria in its population plummet from 35 percent in 2006 to 1 percent in 2009. New infections reported in Zambia plunged by 50 percent in just three years. Worldwide, 1 million people died of malaria in 2000 while 860,000 died of the disease in 2008, according to the World Health Organization (WHO).



Number of people living in households sprayed through an indoor residual spraying (IRS) campaign in 14 countries supported by the President's Malaria Initiative

Nearly 25 million people were protected by IRS in 14 African countries in 2008 alone through the President's Malaria Initiative.

HIV/AIDS: Globally about a third of the people in poor countries that need daily medicine to control their infection are now receiving antiretroviral drugs (ARVs). Data are mixed regarding what percentage of those individuals that commence ARV therapy remain on the drugs a year or more later and how many lives are saved. But the benefits for survival are clear, and the major provider of treatment is PEPFAR, with the Global Fund (to which the USG is the largest donor) coming in second. The United Nations Joint Programme on HIV/AIDS (UNAIDS) estimates that the global pandemic has plateaued, as prevention efforts have yielded successful outcomes in many parts of the world. In fact, UNAIDS estimates that deaths from AIDS have fallen from a 2004 peak of 2.5 million to 1.8 million by 2009. In FY 2009, PEPFAR was directly responsible for treatment of 2,485,300 people in 30 countries. In the same period PEPFAR estimates that its interventions prevented 10,650 cases of mother-to-child transmission of HIV.

MOTHER AND NEONATAL CHILD SURVIVAL: With funding from the Bill and Melinda Gates Foundation and USAID, Save the Children has reduced neonatal death rates by about half in India, Pakistan and Bangladesh (2001-2007). Globally, more than half a million (526,000) women died of childbirth related causes in 1980. By 2008, that number was down to 343,000. In other words, 183,000 women's lives were saved annually.

VACCINE PREVENTABLE DISEASES IN CHILDREN: The Bill and Melinda Gates Foundation, USAID, UNICEF and the Global Alliance for Vaccines and Immunisation (GAVI) have had a dramatic impact on the lives of children, pushing back mortality and sickness caused by diseases like polio, measles, diphtheria, rotaviruses, mumps, meningitis and the like. The WHO estimates that 4 million children were spared death from 2001 to 2009, due to three diseases (Hepatitis B, Haemophilus influenzae type b and Pertussis), thanks to these vaccine efforts. The U.S. Centers for Disease Control and Prevention estimates global immunization efforts of the 21st Century save millions of children in poor and emerging market countries from infectious disease deaths:

Measles	1.9 million saved/year
Polio	51,000 saved/year
Tetanus	936,000 saved/year
Diphtheria	75,000 saved/year
Pertussis	1.36 million saved/year
Yellow Fever	63,000 saved/year

The United States is the biggest government funder of these efforts, and the U.S.-based Bill and Melinda Gates Foundation is the largest private donor.

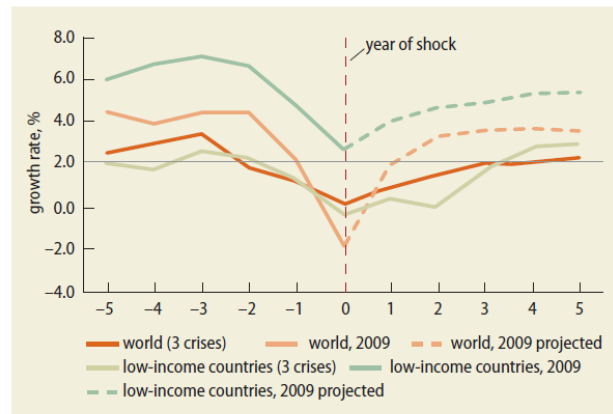
Millions of lives are saved every year, thanks to U.S. taxpayers.

But significant challenges also exist.

Despite encouraging references to economic prosperity by Zoellick, the world economic crisis has forced millions of people into subsistence level poverty and pushed back MDG achievements. A [World Bank report](#) estimates, “An additional 55 000 infants might die in 2015. And 260 000 more children under five could have been prevented from dying in 2015 in the absence of the crisis. The cumulative total from 2009 to 2015 could reach 265 000 [infants] and 1.2 million [children under five]” due to economic set-backs in key countries.

Recipient governments and multilateral organizations are not prepared to take over management and financing of any major global health effort on their own. If support from the United States disappears or suffers a significant cutback, most health achievements face reversal, and “reversal” means deaths.

FIGURE 3.18 After previous crises, low-income countries recovered more slowly than the world economy



Source: IMF staff calculations.

Note: The figure plots the average per capita GDP growth in the world and in low-income countries five years before and five years after the global crises (centered at zero on the horizontal axis) of 1975, 1982, and 1991, and the current crisis. Also shown in dashed lines are IMF projections until 2013.

Source: World Bank. *Global Monitoring Report*, “[The MDGs after the Crisis](#).”

A major concern of the Obama administration’s GHI is sustainability and exit strategies: Can programs be redesigned so that eventually countries and multilateral agencies will no longer be dependent on U.S. taxpayer support?

The Big Four emerging market economies – India, Brazil, China and Russia – are still aid recipients, despite their phenomenal economic growths. Since 2002, external aid dependency for domestic health programs has increased in India and China, stabilized in Russia, and only declined significantly in Brazil. Overwhelmingly, these countries accept foreign aid for health initiatives that they might otherwise either ignore, or grossly under-fund in the absence of external pressure, in the form of offered financial support for HIV/AIDS prevention and treatment, tuberculosis tracking and care, drug abuse aversion programs, malaria prevention, and other initiatives. Though all four countries are overwhelmed by cardiovascular disease, psychiatric illness (especially clinical depression), deaths due to injuries and accidents and cancer, external funding support does not assist in these areas. As a result, there is a tremendous mismatch between government spending priorities for the people of these nations, and priority needs.

For example, [a study](#) found that in 2006 the government of Brazil spent \$705 million on HIV/AIDS, which cost the society 229 disability-adjusted life years (DALYs), a statistical method of measuring the total burden of disease and death experienced by a country. In contrast, Brazil budgeted a mere \$110,000 for mental illness programs in 2006, which cost the society 4,337 DALYs, according to the ministry of health. Similarly, the Indian government allocated \$73 million for malaria in 2006, which is responsible for 69 DALYs, but cardiovascular disease, which costs a 3,284 DALYs received \$65 million.

The key external sources of health funding for the Big Four are USAID, the World Bank, the Global Fund, and DFID (the UK Department for International Development).

A [new survey](#) of government spending on health worldwide finds a similar pattern in poorer countries, in which donor support “crowds out” indigenous government spending. As external support for health programs increases, government spending from its own resources decreases. The overall size of government as a share of GDP decreased, as donor support increased, particularly in Sub-Saharan Africa and Southeast Asia. The authors of this startling survey conclude that, “If this trend continues, we can expect that the share of GDP spent by governments on health will tend to increase, leading to expanded health programs financed through government-mediated risk-pooling” of external funds. This means that funding for health that is directed to many governments has to be significantly larger to achieve the same targeted goals as funds passed through non-governmental organizations (NGOs) or private local groups. The authors suggest, for example, that an international initiative aimed to save the lives of 10 million pregnant women at a projected cost of \$30 billion, would require a real donation of \$53 billion if those funds were routed through country governments.

It is possible the “[crowding out effect](#)” can be countered with greater transparency in government finances, and strong admonishments from donors. The trend is similar to that seen in U.S. domestic spending following September 11, 2001: A surge in federal support of counterterrorism measures at the state and local levels often resulted in commensurate cuts in state spending for the related core programs. A State might cut overall police spending by precisely the amount received from the Department of Homeland Security (DHS), but the DHS money would be earmarked for counterterrorism, while the cuts affect police activities across the board.

A striking contrary example is South Africa, which under the leadership of President Jacob Zuma has vastly expanded health and education spending, aims to achieve universal access to ARVs for its enormous HIV-positive population, and is committed to weaning itself off donor support over coming years.

Improving the transparency of the flow of aid can reveal inefficiencies on the donor side, as well. A [new study](#) from New York University demonstrates that each UK donation (for any form of foreign assistance) goes through an average of six contractual steps, each taking pieces of the funding, before reaching its target. Analysis of \$148 billion worth of bilateral and multilateral aid committed for 97,000 projects in 2008 reveals the U.S. government is by far the biggest donor, accounting for 16.5 percent of direct official development assistance (ODA), in addition to U.S. support of multilateral and United Nations agencies. The United States ranked well for transparency, publicly disclosing 93 percent of vital information on its programs. But it ranked 21st for effectiveness of its aid, because about a quarter of it was tied-aid. Moreover, the United States ranked poorly at number 20 for overhead spending, with more than a third of its funds spent on administrative costs.

During the original “emergency” phase of PEPFAR (2003-2009) a great deal of money was dispersed quickly, with insufficient accountability. PEPFAR has never released details on specific grants, but some documents obtained by the Center for Public Integrity through legal action indicate tremendous inefficiencies. Much of PEPFAR programming was handled through U.S. universities, which typically garnished enormous overheads, as high as 70 percent of total allotment, to cover faculty and staff salaries, benefits, and travel. PEPFAR II is seeking ways to eliminate inefficiencies and shift a greater share of funds directly to targeted countries and indigenous universities and NGOs. In 2006, most of U.S. taxpayers’ money allocated to PEPFAR was dispersed to U.S.-based NGOs, USG agencies, American universities,

U.S. faith-based organizations and private contractors. Combined, these categories of agencies and organizations handled 98 percent of PEPFAR funds to Zambia and Mozambique. In fact, in 2006 nearly a quarter of all PEPFAR monies for HIV/AIDS in Mozambique were handled by U.S. universities.

The ultimate outcomes or quality of performance of individual programs is not linked to judgments regarding the amount of financial support the given project receives in subsequent budget rounds. The Center for Global Development [found](#) that PEPFAR and the World Bank continue to fund programs that have either had no performance assessments, or been poorly assessed.

In sum: U.S. foreign assistance – both bilateral and multilateral – continues to save millions of lives every year, and to improve its capacities through innovation. But there is no evidence that the U.S. or other major donors will be able to decrease financial support of global health programs, in particular, without witnessing swift reversal of these achievements, because programs have lacked exit strategies and countries have insufficient resources and infrastructure to take on the projects. Even countries with extraordinary GDP growth, such as China, India and Brazil, remain dependent on aid for health, and skew their priorities to reflect donor interests. Worse, many poor countries have decreased their contributions to government costs, write large, and health specifically as they have absorbed greater quantities of donor support. As the Obama Administration tries to reform the coherence of USG programs, it should also look to improving their efficiency, and lowering administrative and contractor costs.

QUESTION #4: Will America's partners in giving continue to carry their financial weight, both bilaterally and multilaterally?

Despite the world economic crisis, development aid rose in 2009, and most of the world's donors are on track to meet their basic 2010 commitments, [according to OECD](#). In 2009 total donor support, including debt relief, hit \$119.6 billion, a 0.7 percent increase over the previous year. Moreover, OECD says, "In 2009, net bilateral ODA to Africa was USD 27 billion, representing an increase of 3 percent in real terms over 2008. USD 24 billion of this aid went to sub-Saharan Africa, an increase of 5.1 percent over 2008."

As the United Kingdom elections loomed there was considerable concern inside DFID and the UK foreign assistance community that the cash-strapped nation might cut its aid. But in April 2010 all three leading political parties in the UK signed a pledge to continue increasing foreign assistance as necessary to reach the 2013 target of donating 0.7 percent of gross national income. DFID has come [under attack recently](#) for inadequate coordination and coherence of its activities, and failure to link health and development activities to larger UK diplomatic and foreign policy concerns.

The World Bank has expressed concern that some countries (Greece, Japan, Iceland, Spain, and Portugal) will be unable to meet 2010 and 2011 ODA commitments due to domestic financial crises.

Many aid-dependent organizations and governments are experiencing shortfalls and budgetary woes, particularly in sectors related to the Millennium Development Goals, or MDGs. Overall, this appears to reflect failures to attain projected *increases* in support, rather than *reductions* in prior support levels. The most consistently cited example of this is PEPFAR.

QUESTION #5: Are the funding requests from the White House too large, or not large enough, in general or specifically?

Success breeds demand.

The Partnership for Maternal Newborn and Child Health says that G8 support must double this year, reaching \$8 billion/year until 2015 in order to achieve the relevant Millennium Development Goals, and then plateau in order to sustain the gains in lives saved.

GAVI desperately needs \$4 billion in order to meet its 2010-2011 vaccination targets.

The Global Fund to Fight AIDS, Tuberculosis and Malaria has committed billions more to needy countries than it actually has in the bank.

OXFAM is urging Congress to appropriate the White House requested \$3.5 billion for the Global Hunger and Food Security Initiative. The World Bank increased agricultural development investment from \$4.1 billion in 2006 to \$7.3 billion last year, but it needs more.

The Center for Strategic and International Studies convened a bipartisan [Commission on Smart Global Health Policy](#) that recently concluded that the United States should, over the long-run from, 2010 to 2025, aim to spend \$25 billion per year by 2025 for global health efforts.

Members of Congress can decide which entities merit increased funding support. USG agencies can improve efficiencies and cross-agency activity to lower costs.

There are no sound indications that cuts or reductions in foreign assistance support are merited. Lives are being enhanced and saved, thanks to these programs. Reductions in foreign assistance Account 150 spending cannot possibly have a discernible impact on the Federal budget deficit, or the national debt, as the discretionary sums allotted to Account 150 are comparatively trivial.

Sincerely,



Laurie Garrett
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