

America first, development unplaced: Trump's 2018 budget proposal

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The Trump administration's just-released [2018 budget outline](#) proposes cuts to US foreign assistance that could reduce it by around one-third, placing the US roughly on a par with donor countries one-sixth its economic weight.

The budget outline is a blueprint, not a spreadsheet. There is scant detail on specific allocations, and interpretation is complicated by the fact that the US government, unlike most OECD governments, has no neatly defined Official Development Assistance (ODA) envelope. Nevertheless, the budget proposal adds significant information to that already provided in Trump's [100-day plan](#) and the draft [executive order on funding for international organisations](#) that was leaked a while back. It won't get through Congress as is but it gives a good sense of where the battlefields will be.

The proposal makes it plain that bilateral aid would be substantially reduced but there is no telling by how much and through what process. As for multilateral aid, the document is broadly consistent in spirit with the leaked draft executive order. It says that 'the budget seeks to reduce or end direct funding for international organisations whose missions do not substantially advance US foreign policy interests, are duplicative, or are not well-managed'. It goes beyond the draft executive order only in specifying the desired magnitude—not as great as might have been feared—of cuts in funding to multilateral development banks. It sticks with the pledge first made in Trump's 100-day plan to 'cancel billions in payments to U.N. climate change programs'.

More specifically, there are ten points to note about the proposal (all amounts are in US dollars):

- 1. Aid volume.** The budget proposal cuts \$10.1 billion from the combined budget of the Department of State and the US Agency for International Development (USAID), a 28% reduction relative to 2017, and also cuts \$803 million from the international programs allocation of the Treasury, a 35% reduction relative to 2017. In 2015, the most recent year for which ODA figures are available, the US's ODA as reported to the OECD totalled \$31 billion. Assuming, as is very likely, that almost all cancelled spending would have been ODA-eligible, the administration's budget would see the level of US aid fall to around \$20 billion. That would put the US on a par with the United Kingdom and Germany.
- 2. Bilateral aid allocations.** The budget proposal, while silent on how and to what extent, 'refocuses economic and development assistance to countries of greatest strategic importance to the US' and would 'rightsize' funding across countries and sectors.
- 3. UN contributions.** The proposal, again without saying how or to what extent, 'reduces funding to the UN and affiliated agencies'. The US would contribute 'less' to the UN budget—perhaps that means 40% less on average, as proposed in the draft executive order on funding for international organisations. (The US would also contribute no more than 25% of UN peacekeeping costs. That's below its 2018 [assessed contribution](#) level of 28.4%—but US peacekeeping [arrears](#) are nothing new.)
- 4. Climate change financing.** Funding for international climate change programs, including funding for the [Green Climate Fund](#) and the two World Bank-managed [Climate Investment Funds](#) is zeroed. The US, counting [contributions](#) made as late as January 2017, had delivered only \$1 billion of the \$3 billion pledged to the Green Climate Fund when President Obama left office. It had delivered almost all its \$2 billion pledge to the Climate Investment Funds, save just [\\$0.3 million](#) for the Strategic

Climate Fund.

5. **Multilateral development banks.** The proposal specifies cuts in funding to multilateral development banks of \$650 million over three years, with the World Bank explicitly mentioned. However, given that the US pays something like \$2 billion per annum into these institutions, a cut of this magnitude represents a relatively modest 10% or so of the three-year total. That's more or less in line with my [earlier speculation](#) that the Trump administration would 'probably be disinclined to reduce contributions to multilateral development banks to any great extent'. At the same time, it's unclear whether the US could achieve cuts of even this magnitude without breaking legally-binding commitments.
6. **Vertical funds for health.** Also in line with my earlier speculation, a big, beautiful wall has been erected around US funding for the the [Global Fund to Fight AIDS, Tuberculosis and Malaria](#), as well as for [Gavi, the Vaccine Alliance](#). The proposal commits to deliver on the Obama administration's [2016 pledge](#) to provide up to \$4.3 billion or one-third of projected donor contributions to the Global Fund, 'consistent with the limit currently in law', and to honour its [\\$1 billion US pledge](#) to Gavi, made in 2015.
7. **PEPFAR.** The same wall, as foreshadowed [here](#), protects funding for the George W. Bush-era [President's Emergency Plan for AIDS Relief](#) (PEPFAR) and funding for malaria programs beyond those supported by the Global Fund.
8. **Humanitarian assistance.** It is unclear to what extent funding to humanitarian programs might be shielded. The language does imply some shielding, saying that the budget 'allows for significant funding of humanitarian assistance, including food aid, disaster, and refugee program funding'. At the same time, it 'challenges international and non-governmental relief organisations to become more effective efficient and effective'. The Emergency Refugee and Migration Assistance Fund would be eliminated. This, however is relatively small at \$50-70 million in most years, and is not to be confused with the much larger Migration and Refugee Assistance allocation (see [here](#)), which runs at more than \$1.5 billion per annum and is the source of contributions to the UN Refugee Agency, the International Committee of the Red Cross, the UN Relief and Works Agency for Palestine Refugees in the Near East, and the International Organisation for Migration. It is impossible to tell what might happen to the latter allocation.
9. **Food aid.** There is no indication that reductions might be made in the amount of food aid provided under the US's \$2.5-billion-per-annum '[Food for Peace](#)' program for both humanitarian and development purposes, and such reductions are unlikely given the level of [support](#) for this program from the US farm sector. US funding for the World Food Programme is therefore probably fairly safe also. However, the budget narrative for the Department of Agriculture indicates that the long-standing [McGovern-Dole International Food for Education Program](#), which spends around \$200 million each year, will be eliminated because it 'lacks evidence that it is being effectively implemented to reduce food insecurity'.
10. **Aid administration.** The currently [rudderless](#) USAID would not necessarily be demolished, or at least not right away. However, the budget proposal 'recognises the need for State and USAID to pursue greater efficiencies through reorganisation and consolidation in order to enable effective diplomacy and development'.

The budget proposal emphasises fairness in international burden sharing. UN funding cuts are justified on the basis that the funding burden should be 'shared more fairly among members'. And, across the board, 'renewed attention is being placed on the appropriate US share of international spending'. It's hard to imagine what the yardstick of fairness might be here. The US has a roughly \$18 trillion economy. The aid cuts proposed would bring its aid volume down to the level of the next two largest donors, the UK and Germany, whose economies are in the \$3 trillion ballpark. The US's ODA/GNI ratio would fall from 0.17% to perhaps 0.11%, compared with 0.30% for the OECD as a whole.

In an earlier post linked above I said, 'If Trump wants to remain on par with [Tony] Abbott's ghost after his inauguration then he will need to [abolish](#) USAID and [slash](#) the US aid budget by more than 20% (over US\$6 billion) while perhaps [backflipping awkwardly](#) on climate financing'. The first two of those options are well and truly alive. As for the third, maybe not—though the words 'Trump' and 'backflip' have become [constant companions](#).

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