

# *Global Agricultural Development Initiative*

Issue Brief Series



## Feed the Future: Navigating Through the U.S. Budget Tsunami

By Larry Nowels

**October 12, 2011.** Following sharp spikes in global food prices in 2007-2008 and growing concern over the state of world hunger, G-8 leaders met in L'Aquila, Italy, in July 2009 where they committed to a long-term, sustainable food security plan. The \$22 billion pledge included a \$3.5 billion promise from the United States.

The launch of a major international commitment that carried a significant price tag could not have come at a more challenging time. The world was in the midst of one of the most severe financial crises in decades; leading aid donors were looking at ways to stimulate their own economies – and in many cases, reign in spending on overseas assistance to the world's poor.

Nevertheless, the Obama Administration forged ahead on its L'Aquila commitment. In May 2010, the USAID Administrator announced a \$3.5 billion, three-year Presidential Initiative called Feed the Future. This sizable resource investment was intended to embody a distinctly different approach to food security and agricultural assistance, incorporating several guiding principles in the reformed American foreign aid apparatus. Feed the Future would invest in country-owned plans based on individual country strategies, align with resources of non-governmental partners, apply a comprehensive approach to agriculture-led growth, leverage multilateral investments, and deliver on results based on clear benchmarks and targets.

Where do things stand, now that Feed the Future has been through two budget cycles and is nearing (hopefully) the conclusion of the third and final year of the three-year pledge? In short, it's a mixed picture. As the following pages reveal, the Administration has prioritized Feed the Future appropriations over other development sectors, especially in the extremely difficult FY2011 budget debate, bringing the full \$3.5 billion promise within reach if Congress enacts the President's FY2012 request.

Given the current complicated ending to the FY2012 budget cycle, Congress will not fully fund the Administration's request. The House and Senate have already set down markers, drawing sharp differences in the future of Feed the Future as a key development initiative. At the Senate level, Feed the Future remains on track; the House allocation brings into question whether Feed the Future could continue as a major initiative.

Separate from - but related to - the FY2012 appropriation process, by December 23, 2011, Congress must enact at least \$1.2 trillion in further deficit reductions through FY2021 or face an automatic across-the-board spending cut that will reoccur over the next nine years. Regardless of which path unfolds, all Federal appropriations - including Feed the Future - could be significantly affected.

## Ramping up in FY2010

For more than two decades, resources for agriculture within U.S. foreign aid budgets declined, averaging about \$270 million per year in the mid-2000s. Funding grew to \$639 million in FY2009, thanks largely to supplemental funding late in the Bush Administration intended to help mitigate the impact of rising food prices and the global financial crisis.

(USD, millions)	FY2008	FY2009	FY2010 Request	FY2010 Enacted
Bilateral/ Country Programs	\$245	\$639	\$982	\$746
Global Agriculture and Food Security Program (GAFSP)	\$0	\$0	\$0	\$67
<b>TOTAL</b>	<b>\$245</b>	<b>\$639</b>	<b>\$982</b>	<b>\$813</b>

The Administration's FY2010 budget request highlighted (for the first time) food security as a "Key Area of Interest", and backed it with a request of \$982 million - more than double the amount appropriated in FY2008 (see Table 1). Moreover, the request suggested that food security funds would target a smaller set of

**Table 1. Food Security Appropriations, FY2010**<sup>i</sup>

countries where the need was greatest and there appeared to be a commitment on the part of governments to develop their own strategic plans for promoting agriculture. This focus on a small set of countries echoes the approach taken by President Bush's global HIV/AIDS initiative (PEPFAR).<sup>ii</sup>

Although concerns over a growing U.S. budget deficit had started to emerge, Congress largely supported the President's FY2010 food security request. FY2010 also saw the Administration's transfer of \$67 million from the base food security appropriation as a first U.S. contribution to the newly created Global Agriculture and Food Security Program (GAFSP), to which the United States had pledged \$475 million in total.<sup>iii</sup>

## Dodging the Budget Bullet in FY2011 with the Help of Greater Prioritization

With Democrats still in solid control of Congress and the Obama Administration continuing to talk about doubling foreign aid by 2014 or 2015, the FY2011 Feed the Future request was even bolder and more ambitious than the prior year. It had to be in order to keep pace with the \$3.5 billion, three year commitment made at L'Aquila. The proposed \$1.64 billion food security appropriation for FY2011 was double the FY2010 amount that Congress had provided just two months prior (see Table 2). Much of the doubling, however, came in the form of a \$408 million contribution to GAFSP to complete the U.S. \$475 million pledge. But bilateral programs would also grow by two-thirds under the request, reflecting the intention to significantly scale-up at least five (notional) Phase II Feed the Future countries and roughly double several Phase I countries that were showing progress.<sup>iv</sup>

Congress could not complete the debate on any of its twelve appropriation bills in 2010, which eventually resulted in much lower funding levels for all Federal programs, including foreign aid and Feed the Future. In mid-2010, the Senate Appropriations Committee recommended \$1.3 billion for food security in its FY2011 spending measure. Although \$340 million below the request, it still represented a sizable increase over FY2010 and included \$250 million for GAFSP. In retrospect, this would have been a far better outcome for Feed the Future

(USD, millions)	FY2010 Enacted	FY2011 Request	FY2011 Senate (July 2010)	FY2011 House (Feb. 2011)	FY2011 Enacted
Bilateral/ Country Programs	\$746	\$1,236	\$1,050	\$742**	\$943
Global Agriculture and Food Security Program (GAFSP)	\$67	\$408	\$250	\$0	\$125
<b>TOTAL</b>	<b>\$813</b>	<b>\$1,644</b>	<b>\$1,300</b>	<b>\$742</b>	<b>\$1,068</b>

**Table 2. Food Security Appropriations, FY2011 (\*\*estimate)**

funding compared to what lay ahead. The House never took up the foreign aid appropriation bill – and although it cannot be said with any certainty – the House subcommittee, with approximately the same amount to spend as its Senate counterpart, could have provided roughly the same as the Senate. Some of the reluctance to fully fund the Administration’s request stemmed from a growing dissatisfaction over the lack of details about Feed the Future’s goals, results, and spending. As a new initiative with a growing pipeline of money and no track record, Congress was not ready to commit to the requested levels.

*2010 Elections and New Budget Environment.* The November 2010 elections changed everything. As the Republicans emerged in control of the House and with a stronger minority in the Senate, the White House gave up its attempt to reach a comprehensive deal on pending appropriation bills, pushing final decisions to the 112<sup>th</sup> Congress.<sup>v</sup>

Democrats and Republicans engaged immediately in highly contentious budget cutting debates that included House proposals to dramatically slash Federal spending and threats of a government closure. In February, the House passed an omnibus appropriation bill that - while not specifying a precise funding level for Feed the Future - cut the Development Assistance account (the major account funding the bulk of the Initiative) by 30 percent. If applied evenly across all development assistance activities, the 30 percent cut would have reduced bilateral food security resources to \$742 million (with no provision for GAFSP), setting the overall Feed the Future budget at less than half the request and 43 percent less than the Senate recommendation in mid-2010. For one Feed the Future country, officials estimated that the impact of a flat FY2011 budget (an optimistic assumption given the House proposal) would result in lifting less than half as many people out of poverty than what could be achieved under the requested amounts.

In the end (mid-April 2011), the outcome for global development programs was less damaging than what was feared. Congress held the Development Assistance account at roughly the FY2010 level funding and GAFSP received a direct \$100 million appropriation.<sup>vi</sup> Final decisions over specific Feed the Future allocations, however, would wait another three-plus months while Executive Branch officials and the Appropriation Committees consulted on how foreign aid funds would be distributed.<sup>vii</sup>

*Prioritizing Feed the Future in Final Allocations Decisions.* Technically, the Omnibus Appropriation pointed the Administration to FY2010 spending bills as a guide to how foreign aid funds must be allocated. But the FY2011 Omnibus included an important change to how Executive officials would interpret the FY2010 guidelines. All

mandatory references in the FY2010 legislation that specific amounts of funds “shall” be provided were softened to a less-mandatory requirement that amounts “should” be allocated at a certain level.

This opened the door for State Department and USAID officials to more flexibly manage the distribution of foreign aid funds around its priorities rather than compulsory Congressional directives. The end result was a far greater degree of protection for Feed the Future funds than for other development sectors. With level funding for the overall account, one might have expected that bilateral food security programs would end up with roughly the same level (\$813 million) that had been provided overall for FY2010. Instead, bilateral Feed the Future countries received an allocation of \$968 million for FY2011, of which \$25 million was transferred to support a GAFSP private sector program. In total, Feed the Future received \$1.07 billion in FY2011, including \$125 million for GAFSP.

*Feed the Future: Two Years In.* Where does that leave the Initiative after completing two of three budget cycles? With nearly \$1.9 billion appropriated, Feed the Future needs an additional \$1.6 billion to reach the \$3.5 billion commitment made in mid-2009. GAFSP would need another \$280 million, pushing what had been planned as a two-year payment into three or four years. The Administration has also done some reconfiguring with its FY2011 country allocations, although specifics are tentative and subject to change. While most countries will receive less than proposed, as would be expected given the Congressional overall reductions, several countries – Bangladesh, Ethiopia, Ghana, Kenya, Mozambique, Rwanda, Tajikistan, and Uganda – will receive at least or more than requested. As further evidence of greater prioritization, the Administration chose to eliminate food security programs in seven countries, mostly small activities in Eastern Europe and Central Asia.

### FY2012 Funding: A Crossroads for Feed the Future?

As contentious and uncertain as the FY2011 budget debate seemed, it pales in comparison to what has unfolded for FY2012 and beyond. In early August - as the threat of a U.S. Government default on debt payments loomed - the White House and Congressional Republicans went to the brink before agreeing to spending caps for FY2012- FY2021 and mandating Congress to pass an additional \$1.2 trillion in deficit reduction by December 23, 2011. Otherwise, automatic cuts, beginning in FY2013, will close the gap between whatever Congress is able to approve and \$1.2 trillion – a scenario that would certainly reduce foreign aid and Feed the Future resources.

(USD, millions)	FY2011 Enacted	FY2012 Request	FY2012 House (July 2011)	FY2012 Senate (Sept. 2011)	FY2012 Enacted
Bilateral/Country Programs	\$943	\$1,100	\$773**	\$1,100	?
Global Agriculture and Food Security Program (GAFSP)	\$125	\$308	\$0	\$200	?
<b>TOTAL</b>	<b>\$1,068</b>	<b>\$1,408</b>	<b>\$773</b>	<b>\$1,300</b>	<b>?</b>

Table 3. Food Security Appropriations, FY2012 (\*\*estimate)

Recognizing the substantially different budget environment than in prior years and without an FY2011 spending decision finalized, the President proposed a far smaller request for FY2012, seeking only a 3 percent increase in non-war related international programs. The \$1.4 billion Feed the Future recommendation was nearly \$250 million less than for FY2011, with reductions for both bilateral and multilateral aspects of the Initiative (see Table 3).

*Markers Set for FY2012 but Final Decisions Await.* The FY2012 Feed the Future funding lines are drawn, but the outcome is far from certain. Two factors are critical. The first is a top-line funding matter that is a function of the deficit reduction deal enacted in early August. In FY2012, all discretionary (appropriated) spending is capped under two distinct categories: security and non-security. The security cap, set at \$684 billion, includes Defense, Homeland Security, Veterans, and International Affairs. Thus, International Affairs - within which food security resources reside - will go head to head with the Department of Defense for how much each receives under the security cap.

Both the House and Senate have acted, at least at the subcommittee level, on all appropriation bills that make up the security cap - but with stark differences. The House, working before enactment of the deficit reduction act, approved funding at roughly \$694 billion, \$10 billion above the cap. The Senate, acting in September, issued allocations that met the cap. The challenge is that the House provides defense with \$17 billion more than the Senate while allocating \$6 billion less for International Affairs. Hence, the first big decision will be the distribution of the security cap and the degree to which defense supporters will block efforts to trim amounts approved by the House. This is not only critical to FY2012, but to next year as well. In FY2013, the security cap remains operative and grows by only \$2 billion. Whatever International Affairs receives for FY2012 could be more than its allocation in FY2013, given that the Department of Defense could consume the entire \$2 billion cap increase and then some.

The second factor is the more traditional one of reconciling differences between the House and Senate bills. And again, there are sharp differences. The House subcommittee, working with a smaller allocation, cut the Development Assistance account by 18 percent compared with current funding. While not specifying amounts for Feed the Future, a proportional distribution of cuts would result in a \$773 million food security allocation, 30 percent below the request. No funding is provided for GAFSP. The Senate, on the other hand, supports a total Feed the Future budget of \$1.3 billion, of which \$200 million is for GAFSP. This matches the request for bilateral programs and would bring the U.S. within \$80 million of meeting its GAFSP pledge.

*Implications for Feed the Future.* At the Senate level, the Administration would be able to keep Feed the Future on track - with most country programs continuing at the status quo and the potential for increased requirements for scaling up in the best-performing countries. The House recommendation, however, would bring into question whether Feed the Future could continue as envisioned, and may halt any further scaling up beyond a few countries. This could also be a defining moment for GAFSP. The program recently turned down five qualifying country proposals due to inadequate resources. All other donors have essentially met their commitments, so the decision to move forward on a future call for proposals will largely hinge on whether the U.S. provides additional resources in FY2012. Some also believe that donors not making a GAFSP pledge are waiting to see whether the U.S. follows through with its promise before deciding on whether to join or not.

*Longer-term Challenges.* All of these decisions regarding FY2012 are expected to be resolved by mid-November. But there are longer-term potential consequences looming. A special Congressional Committee is required to

report its recommendation for another \$1.2 trillion in deficit reduction through FY2021 by November 23; Congress is tasked with passing it within a month. While much of the special Committee's focus is expected to be on revenue generation and entitlement reductions, Committee members may review discretionary programs and decide to cut there as well.

Should Congress not reach a deal or pass something less than \$1.2 trillion, discretionary spending caps through FY2021 will be reduced by an amount necessary to achieve the \$1.2 trillion target. With no deal, the Congressional Budget Office estimates that there would be a 7.8 percent reduction to non-defense spending and slightly smaller annual cuts in subsequent years. The requirement that the Department of Defense absorb one-half of whatever reductions are necessary provides a major incentive to reach a deal. Under a no-deal scenario, defense spending would be cut about 10 percent in FY2013 alone. National security champions will find that prospect unacceptable and push strongly for Congressional agreement.

Needless to say, pressure to cut spending is unprecedented, the outcome is uncertain, and the impact could last for a decade or more. Within all of this, the consequences for Feed the Future are enormous - not only in terms of the level of resources - but for the future of beneficiaries in the developing world with the prospect of leading more productive, healthier, and food secure lives.

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<sup>i</sup> For the sake of consistent comparisons, all figures throughout this paper exclude amounts programmed in Afghanistan, Pakistan, and Iraq. Feed the Future does not include activities for these three countries.

<sup>ii</sup> Subsequently, Feed the Future has grouped countries into essentially three categories: Phase II nations that have either achieved or are on the path to creating a technically sound food security investment plan and show a commitment and capacity to address food insecurity through its own resources and policy actions. Phase I countries receive foundational support, helping them prepare a food security plan and build capacity. "Other," smaller recipients of Feed the Future funding are placed in a third category of "Aligned Agricultural Programs."

<sup>iii</sup> The Global Agriculture and Food Security Program (GAFSP) is a multilateral mechanism to assist in the implementation of pledges made by the G8++ at the L'Aquila Summit in July 2009. For more information about GAFSP, please visit: <http://www.gafspfund.org/gafsp/content/global-agriculture-and-food-security-program>.

<sup>iv</sup> The Phase II countries included Ghana, Mali, Rwanda, Senegal, and Tanzania; the Phase I countries were Bangladesh, Cambodia, Guatemala, Honduras, and Malawi.

<sup>v</sup> Instead of using its political capital on finalizing appropriations in the 111<sup>th</sup> Congress, the White House decided that while Democrats still had control of Congress, it would to focus all efforts on a few other priorities, such as a tax deal, "don't ask, don't tell" policy, and a U.S.-Russian nuclear weapons treaty.

<sup>vi</sup> GAFSP received \$100 million in direct appropriations. Following enactment, an additional \$25 million was transferred from USAID to GAFSP to support additional private sector activities, raising the total funding to \$125 million.

<sup>vii</sup> Following enactment of an appropriation, the State Department and USAID must report back to the Appropriation Committees how to allocate funding by country and activities. Through an informal mechanism, Executive and Committee officials consult and reach a final consensus regarding allocations, a process that in some years can take many months.

## **About the Author**

Larry Nowels is a consultant working with the Hewlett Foundation and the U.S. Global Leadership Coalition on foreign aid reform and budget issues. He also serves as a Senior Policy Advisor to ONE. Previously, he was a specialist in foreign affairs at the Congressional Research Service. During his thirty-three year career at CRS, he wrote extensively on U.S. foreign assistance policymaking, including the congressional role in legislating and overseeing American foreign aid programs. Nowels further served on detail assignments to the House Budget Committee and the House Foreign Operations Appropriations Subcommittee. Upon leaving CRS in mid-2006, he served as a consultant to the Helping to Enhance the Livelihood of People Around the Globe (HELP) Commission. Following the 2008 election, Nowels served on President-elect Obama's transition team examining U.S. foreign assistance agencies. Nowels attended the University of Redlands (BA), University of Salamanca, the American University School of International Service, and the National War College.

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