



THE SECRETARY OF STATE
WASHINGTON
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In a fast-changing world, American leadership is more essential than ever. The rise of new powers is redrawing the geostrategic map. The Arab world is transforming before our eyes. Al-Qaida and its affiliates are weakened but still dangerous. Our companies face serious international competitors in more places and more sectors than ever before. Whether the challenge is halting the proliferation of weapons of mass destruction or protecting universal rights and freedoms, no other nation has the reach and resources to anchor a more peaceful and prosperous world. Only America can do that.

On behalf of President Obama, it is my pleasure to submit the FY 2013 International Affairs Executive Budget Summary and Congressional Budget Justification. This budget request is not merely a set of numbers. It is our blueprint for how diplomacy and development can sustain our country's global leadership and deliver results for the American people.

We are committed to staying ahead of the curve. We are intensifying our engagement as a Pacific power, while upholding our commitments around the world. We are launching a major new effort to support the historic transitions underway in the Middle East and North Africa. We are putting diplomacy and development at the heart of our new mission in postwar Iraq and our evolving mission in Afghanistan. We are elevating the role of economics within our diplomacy to help our companies compete and create American jobs. We are empowering women and girls to live up to their God-given potential and contribute to the success and stability of their societies.

And we are changing the way we do business by investing in the technology, tools, and capabilities needed to bring diplomacy and development into the 21st century. This is the first budget that implements many of the reforms envisioned by the Quadrennial Diplomacy and Development Review (QDDR). New State Department bureaus focused on counterterrorism and energy will strengthen our efforts on pressing policy challenges. Our restructured Bureau of Conflict and Stabilization Operations now has expert rapid response teams ready to deploy to potentially unstable regions on short notice. USAID Forward is answering the QDDR's call for reforms to continue to reestablish USAID as the world's premier global development agency.

We know that this is a time of fiscal constraint and economic hardship for the American people. So we are seeking out every opportunity to work smarter and more efficiently. We have proposed painful but responsible cuts without compromising our national security mission. We are capitalizing on efficiencies in our global health programs, reducing our FY 2013 request by approximately \$300 million compared to FY 2012 levels. We also are reducing our humanitarian assistance request by approximately \$300 million compared to last year's appropriation. We plan to reduce overall assistance funding to Europe, Eurasia, and Central Asia by 18 percent in FY 2013. As Colombia assumes greater responsibility for counternarcotics and citizen security efforts, we are reducing our level of assistance below FY 2012 levels. We are scaling back construction projects worldwide. And we are taking countless measures to streamline our efforts, improve procurement, and find new efficiencies that together add up to significant savings.

Even in tough times, this request represents a smart and strategic investment. The State Department and USAID are among the most effective—and cost effective—tools we have to create economic opportunity and keep Americans safe.

With just over one percent of the federal budget, our diplomats and development experts make an outsized contribution to our national security. They resolve disputes and address instability before it boils over into crisis. They reduce the threat of nuclear weapons, stabilize conflict zones, help secure our borders, fight international criminal trafficking, counter violent extremism, protect and assist Americans overseas, provide the secure platforms from which many government agencies operate, and help build stable democracies and prosperous communities that are less likely to threaten their neighbors, our allies, or the United States.

Our foreign policy is also a force for economic renewal at home and job creation for the American people. USAID supports development in the world's poorest and most unstable regions not only because it is the right thing to do, but also because U.S. development assistance is a tried-and-true strategic investment that helps build future trading partners and customers. Meanwhile, as part of our economic statecraft agenda, more than 1,000 State Department economic officers promote trade, support U.S. exports, and help our companies gain access to overseas markets from Seoul to Sao Paolo. Our country's economic strength and our global leadership are a package deal. This budget request will shore up both.

In the last year alone, American taxpayers' investment in diplomacy and development has brought significant returns:

As protests swept the Middle East and North Africa, it funded strong and steady American diplomacy—day by day, crisis by crisis—across a vital region. It helped our soldiers make progress in Afghanistan and come home from Iraq. It helped deliver three Free Trade Agreements that will create tens of thousands of American jobs. It reinvigorated important strategic partnerships across the Asia-Pacific region. It made possible a diplomatic opening to Burma that offers the promise of a better future for tens of millions of long-suffering people. It championed human rights, religious freedom, women's rights and protection for lesbian, gay, bisexual and transgender people around the world. It united the world's great powers to enforce the toughest international sanctions ever imposed to stop Iran's dangerous pursuit of nuclear weapons. And it forged the coalition that supported the Libyan people as they reclaimed their country from a brutal tyrant—without the loss of a single American life.

The preservation of American leadership funded by our civilian budget provides a critical foundation for global stability. It allows us to lead by example, by persuasion, by convening and, when necessary, by coercion. And it positions us to advance America's enduring values, economic prosperity, and national security around the world.

Our request

This year, the Department of State and USAID budget request totals \$51.6 billion. In the face of multiplying challenges, burgeoning needs, and increased responsibilities, State and USAID have limited our request to what is absolutely necessary to achieve our mission. We have requested a modest increase that is less than the rate of inflation.

To ensure that every dollar we receive is spent wisely, we are also focused on managing our performance. This request also serves as the Annual Performance Report for FY 2011 and the Annual Performance Plan for FY 2013.

Let me provide an overview of what our request would fund:

Supporting Allies, Preventing Conflict, and Promoting Democracy

First, our investment in diplomacy and development supports efforts to secure American interests, strengthen our friends and allies, forge new partnerships and promote our values in every region of the globe.

Our goal is to prevent conflict today so that our troops do not have to deploy tomorrow. American assistance funds police training to take on criminal gangs in Central America, aid for post-conflict nations such as South Sudan and Libya, and military-to-military partnerships with more than 70 countries. In places like Haiti, Yemen and Honduras, it promotes stability. It sustains our participation in important international institutions and funds the vital work of peacekeeping missions across the world.

In the past year, no region experienced greater upheaval than the Middle East and North Africa. Since last January, our diplomats and development experts have successfully managed several simultaneous crises with critical American interests at stake. They have supported civic activists across the region; assisted economic development and free elections in Tunisia and Egypt; mobilized a global coalition to support the Libyan people; ratcheted up the international pressure on Iran; supported the Syrian people's desire for democratic change and sought to hold their leaders accountable; and helped the region's emerging democracies create economic opportunities for their people.

For the first time, our FY 2013 request also includes \$770 million for a Middle East and North Africa Incentive Fund to help America support citizens who have demanded change and governments that are working to deliver it. This ambitious fund is inspired by the courage and sacrifice of those seeking a better, freer future for the region and designed to help them realize their aspirations. The new fund will provide support for political reform, free and fair elections, democratic institutions, transparent and accountable government, vibrant civil society, transitional justice, open markets and inclusive growth. To ensure that American taxpayer dollars deliver results, the fund will be primarily focused on supporting governments that demonstrate a commitment to undertake meaningful political and economic reform.

One constant amid change is our steadfast support for Israel. Our FY 2013 request maintains last year's record funding levels.

Frontline States

Second, the State Department and USAID are engaged—often working shoulder-to-shoulder with our troops—on the frontlines of our efforts to keep America safe.

In Iraq, Afghanistan, and Pakistan, civilian agencies are bearing temporary, extraordinary costs as part of our national security mission. By maintaining a separate budget for Overseas Contingency Operations (OCO), we achieve greater transparency regarding war-related costs and align our practices with those of the Department of Defense. Our overall request for the frontline states – including \$3.6 billion in the base budget—totals \$11.9 billion. Applying the same methodology we used in last year’s request, in FY 2013 we request \$8.2 billion of these funds in OCO.

In Iraq, diplomats, development professionals, and other civilians have completed a historic transition and assumed full leadership of an American mission that once involved more than 170,000 troops. Civilians are now responsible for helping Iraq become a secure and stable partner in the strategic heart of the Middle East. We are moving toward an increasingly normalized presence resulting in considerable savings to the American taxpayer. In FY 2011, the U.S. government as a whole spent approximately \$48 billion on Iraq. In FY 2013, the government-wide request for Iraq is less than \$8 billion—a reduction of more than 80 percent in just two years. State and USAID request \$4.8 billion, including \$4 billion in the OCO budget.

By the fall of 2012, the 33,000 U.S. troops who surged into Afghanistan will be home. As troops come home, our civilian personnel will remain to secure our hard-won gains and help Afghans ensure that their country never again becomes a terrorist safe haven. Funds will be used to establish a stable foundation for long-term economic growth, put in place the resources to support an enduring civilian partnership, and smooth the transition as Afghans reclaim responsibility for their country’s security. To fund this essential work, we request \$4.6 billion for Afghanistan, including \$3.2 billion in OCO costs.

Building a stable Afghanistan depends on effective cooperation with Pakistan. Maintaining our partnership with Pakistan is challenging, but it is critical to our national security. Our request includes funds to strengthen democratic and civil institutions that provide a bulwark against extremism, support joint security and counterterrorism efforts, and protect American personnel. Our FY 2013

request for Pakistan is \$2.4 billion, which includes \$959 million in the OCO budget.

Human and Economic Security

Third, our programs take on global challenges to human and economic security, including hunger, disease, and the destabilizing effects of climate change. They promote economic development and lay the foundation for more stable and prosperous societies that can grow into capable American partners.

One of the Administration's priorities is the Global Health Initiative, where we seek to build on the bipartisan legacy of PEPFAR, one of the most successful public health programs in history. Our request of \$7.9 billion supports President Obama's goal of an AIDS-free generation and aims to provide life-saving treatment to six million people globally by the end of 2013. Our program also focuses on high-impact areas such as maternal and child health and malaria. We are consolidating programs and shifting responsibility to host governments, which lowers costs dramatically and allows us to save more lives.

When a severe drought and famine struck the Horn of Africa in 2011, we saw the life-saving impact of American assistance. We also saw the need for long-term investments in food security to prevent and mitigate crises in the future. That is why, for 2013, we request \$1 billion to continue the President's Feed the Future initiative, which will help millions of men, women and children. Consistent with the QDDR, we are also eliminating programs in several countries to focus on areas where we can have the greatest impact. Our programs are designed to hasten the day when countries will no longer need food aid at all.

Climate change remains one of the most serious long-term threats to global stability. Our Global Climate Change Initiative request of \$470 million supports programs to develop clean energy economies; combat deforestation; and help vulnerable countries build resilience to withstand extreme weather and rising sea levels. It allows America to build on our diplomatic progress at Durban, where nations committed to negotiate a new agreement by 2015 that will be applicable to all countries, developed and developing alike.

All three initiatives contribute to our larger efforts to help build stable, prosperous, democratic societies. We are embracing innovative new approaches. Our Missions in El Salvador, the Philippines, Ghana, and Tanzania are leading an innovative, data-driven, whole-of-government project to identify constraints and

create genuine Partnerships for Growth. Our budget also funds humanitarian response, care for refugees, and peacekeeping operations to help those in danger and dire need.

Our People and Global Presence

Finally, all that we hope to accomplish depends on the men and women who carry out our policies. Whether they are maintaining critical relationships with foreign leaders, providing on-the-ground political and economic reporting, implementing critical development programs, reaching out to citizens of other nations through public diplomacy, or providing passports and emergency services to millions of Americans to travel abroad, their service and sacrifice are the backbone of America's civilian power. We owe it to them to provide the tools, facilities, and protection they need to do their jobs.

Our embassies around the world are powerful symbols of America's strength and staying power. Unfortunately, many are falling apart. This budget includes funds for repair and construction worldwide, but where possible, we have delayed important work to save taxpayers money.

The State Department and USAID are constantly seeking out opportunities to better serve the American people. Strategic investments in consular affairs have enabled us to respond quickly to skyrocketing demand for visas in several major markets, including Brazil and China. Over the past 15 months, we have reduced the average wait time for a U.S. visa interview in China from 60 days to less than 72 hours. This kind of improvement helps attract investment and tourism to the United States, which enhances American competitiveness and creates jobs.

American leadership in today's world is not a birthright. It is an achievement, a responsibility, and an exciting opportunity. Generations of Americans have risen to meet moments just like this one with optimism, resolve, and a willingness to invest the resources necessary to build a better future. The men and women of the State Department and USAID put those resources to work every day. Our budget request gives them the tools to serve the American people and sustain our leadership in a changing world.


Hillary Rodham Clinton