State, Foreign Operations, and Related Programs

End Funding for the United Nations Development Program

RECOMMENDATION

End U.S. contributions to the United Nations Development Program (UNDP). This proposal saves $113 million in FY 2018.

RATIONALE

The UNDP conducts projects in more than 170 countries around the word and aspires to be the premier anti-poverty agency of the U.N. system. The organization spends billions of dollars every year on anti-poverty programs, but the impact of this assistance is unclear. For instance, according to 2012 report commissioned by the UNDP, the organization spent over $8 billion on anti-poverty activities between 2004 and 2011, but the report found that this focus was lost at the country level:

> Poverty reduction remains the UNDP's core focus area, and the principal objective of its work. At the strategic planning level and at the executive board level, poverty reduction is accorded top priority. By the time the issue reaches the country level, however, the focus on poverty reduction often becomes diluted. So, even though the overriding UNDP priority is poverty reduction, a large part of the activities it undertakes at the country level, and the manner in which it undertakes them, does not conform to this priority. Many of its activities have only remote connections with poverty, if at all.[1]

Moreover, UNDP aid meant to assist suffering populations in many authoritarian countries inadvertently helps perpetuate that very suffering. In the past, the UNDP has funded inappropriate activities in Iran, North Korea, Venezuela, and Zimbabwe.[2] The UNDP has also stifled warnings of a cholera outbreak in Zimbabwe in order to maintain good relations with the government, and continued to work with the Syrian government long after evidence of atrocities was established.[3]

In addition, UNDP oversight of resources has been revealed as weak where independent auditing has been available. A 2011 audit by the U.S. Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) identified numerous management and oversight failings and concluded: "Until these oversight and monitoring issues are addressed, there will continue to be concerns about the value of UNDP's services needed to provide the expected quantity, quality, and timeliness of progress in establishing and maintaining a viable police force."[4] Correspondence in 2014 between SIGAR and the UNDP indicate that these deficiencies remain and, more worryingly, the UNDP "appears to downplay UNDP's responsibility for overseeing LOTFA [Law and Order Trust Fund for Afghanistan] and fails to acknowledge the problems that continue to plague this program."[5] In July 2016, the Israeli government arrested a UNDP contractor and accused him of diverting resources and material to the terrorist organization Hamas in the Gaza Strip.[6]

ADDITIONAL READING

- Ambassador Terry Miller, "The United Nations and Development: Grand Aims, Modest Results," Heritage Foundation *Special Report* No. 86, September 22, 2010.
- Brett D. Schaefer, "Why Does UNDP Continue to Aid Repressive Regimes?" The Daily Signal, August 27, 2010.
- Brett D. Schaefer and Steven Groves, "Congress Should Withhold Funds from the U.N. Development Program," Heritage Foundation *WebMemo* No. 1783, January 26, 2008.
- Special Inspector General for Afghanistan Reconstruction, "2011 SIGAR Review of the Law and Order Trust Fund for Afghanistan," April 25, 2011.

CALCULATIONS

Savings are estimated based on the reported FY 2016 obligations of $113.6 million as listed in U.S. Department of State, "United States Contributions to International Organizations," Sixty-Fifth Annual Report to the Congress Fiscal Year 2016, p. 9, https://www.state.gov/documents/organization/267550.pdf (accessed February 7, 2017). Heritage assumes that spending holds steady in FY 2017 and decreases at the same rate as discretionary spending for FY 2018 (–0.32 percent), according to the CBO's most recent August 2016 baseline spending projections.

Eliminate the Overseas Private Investment Corporation

RECOMMENDATION

Eliminate the Overseas Private Investment Corporation (OPIC). While this recommendation is estimated to cost the government money, because OPIC generates more revenue than its operating costs, eliminating OPIC is consistent with the important goal of reducing the size and scope of government. This proposal *increases* net spending by $118 million in FY 2018.

RATIONALE

OPIC was created in 1969 at the request of the Nixon Administration to promote investment in developing countries. OPIC provides loans and loan guarantees; subsidizes risk insurance against losses resulting from political disruption, such as coups and terrorism; and capitalizes investment funds.

While there may have been legitimate need for government services of this kind in 1969, in today's global economy, many private firms in the developed and developing world offer investment loans and political-risk insurance. OPIC displaces these private options by offering lower-cost services using the faith and credit of the U.S. government (that is, the taxpayers). Indeed, OPIC products may actually undermine development by accepting customers who might otherwise use financial institutions in middle-income countries, such as Brazil and India, which have reasonably sound domestic financial institutions. Moreover, OPIC's subsidized prices do not fully account for risk. By putting the taxpayer on the hook for this exposure, OPIC puts the profits in private hands while putting the risk on the taxpayer.

Worse, OPIC rewards bad economic policies. Countries that have the best investment climates are most likely to attract foreign investors. When OPIC guarantees investments in risky foreign environments, those countries have less reason to adopt policies that are friendly to foreign investors. Companies that want to invest in emerging markets should be free to do so, but they are not entitled to taxpayer support. Investors should base their decisions not on whether a U.S. government agency will cover the risks, but on whether investment in a country makes economic sense.

In addition, OPIC directs only a small share of its portfolio to least-developed countries even though OPIC was established to "contribute to the economic and social progress of developing nations" that lack access to private investment, which today are overwhelmingly the least-developed countries. Further undermining the basis for OPIC's continuation, the need for OPIC even in least-developed countries is decreasing, as private capital investment has been increasing in those countries.

Finally, it is far from clear that OPIC projects directly support U.S. economic security or interests. OPIC claims of support for U.S. jobs are dubious and, even if valid, cost hundreds of thousands of dollars per job "supported." Thus, even if OPIC supports U.S. jobs, it is massively inefficient. Specific examples of projects OPIC supports should raise questions in Congress:

- $85 million in loans for a major hotel and apartment complex in Afghanistan that were not properly overseen and never completed. "As a result, the $85 million in loans is gone, the buildings were never completed and are uninhabitable, and the U.S. Embassy is now forced to provide security for the site at additional cost to U.S. taxpayers."[7]
- $67 million to finance 13 projects in the Palestinian territories while a unity government was formed with Hamas.
- Financing for Papa John's pizza franchises in Russia.
- $50 million of financing for a Ritz-Carlton hotel in Istanbul, Turkey.

- According to the Competitive Enterprise Institute, "In recent years, OPIC has increasingly emphasized environmental factors in its investment decisions. In 2014, more than 40 percent of its resources went to renewable energy projects."[8] These projects include $46 million in insurance for an unnamed "Eligible U.S. Investor" for a Kenyan wind power project.

Milton Friedman criticized the agency in 1996 as follows: "I cannot see any redeeming aspect in the existence of OPIC. It is special interest legislation of the worst kind, legislation that makes the problem it is intended to deal with worse rather than better.... OPIC has no business existing."

ADDITIONAL READING

- Bryan Riley and Brett D. Schaefer, "Time to Privatize OPIC," Heritage Foundation *Issue Brief* No. 4224, May 19, 2014.
- Brett D. Schaefer and Bryan Riley, "8 Reasons Congress Should End Taxpayer Support for the Overseas Private Investment Corporation," The Daily Signal, September 30, 2015.
- Ryan Young, "The Case against the Overseas Private Investment Corporation: OPIC Is Obsolete, Ineffective, and Harms the Poor," Competitive Enterprise Institute *On Point* No. 208, September 24, 2015.

CALCULATIONS

Savings are expressed as budget authority for FY 2018 as estimated by the CBO in its most recent August 2016 baseline spending projections. Savings, which in this case are negative, include $261 million in discretionary revenue losses, partially offset by $143 million in mandatory spending savings, for a total *increase* in spending of $118 million in FY 2018.

Eliminate Funding for the United Nations Population Fund

RECOMMENDATION

Eliminate funding for the United Nations Population Fund (UNFPA). This proposal saves $68 million in FY 2018.

RATIONALE

For years, the U.S. withheld funding to the UNFPA under the Kemp–Kasten amendment, which prohibits U.S. international aid from supporting coercive abortion procedures or involuntary sterilization.[9] In 2009, President Obama announced he would allow funding to be reinstituted to the organization, and the U.S. has since sent tens of millions of taxpayer dollars to the UNFPA, with the most recent allocation providing $68 million to the organization in FY 2016. Congress should eliminate all federal funding to the UNFPA.

ADDITIONAL READING

- Brett D. Schaefer, "Congress Should Renew the Report Requirement on U.S. Contributions to the U.N. and Reverse Record-Setting Contributions to the U.N.," Heritage Foundation *WebMemo* No. 3324, July 22, 2011.
- Olivia Enos, Sarah Torre, and William T. Wilson, "An Economic and Humanitarian Case for Pressing China to Rescind the Two-Child Policy," Heritage Foundation *Backgrounder* No. 3146, November 18, 2016.

CALCULATIONS

Savings are estimated based on the reported FY 2016 obligations of $67.9 million as listed in U.S. Department of State, "United States Contributions to International Organizations," Sixty-Fifth Annual Report to the Congress Fiscal Year 2016, p. 9, https://www.state.gov/documents/organization/267550.pdf (accessed February 7, 2017). Heritage assumes that spending holds steady in FY 2017 and decreases at the same rate as discretionary spending for FY 2018 (–0.32 percent), according to the CBO's most recent August 2016 baseline spending projections.

Enforce Cap on United Nations Peacekeeping Assessments

RECOMMENDATION

Enforce the 25 percent cap on U.N. peacekeeping assessments. This proposal saves $270 million in FY 2018.

RATIONALE

Current U.S. law caps U.S. payments for U.N. peacekeeping at 25 percent of the budget, but the U.N. will assess the U.S. at 28.434 percent in 2018.[10] The U.S. has adopted appropriations bills allowing payments above the 25 percent cap in order to avoid arrears. Congress should end this practice. Assuming the current $7.874 billion U.N. peacekeeping budget (July 1, 2016, to June 30, 2017) holds relatively steady in FY 2018, enforcing the cap would result in approximately $270 million in annual savings.[11]

Peacekeeping expenses were originally paid through the regular budget. However, disputes in the early 1960s over peacekeeping expenses and sharp political differences led a number of countries to withhold U.N. funding, and instigated an ad hoc peacekeeping-funding arrangement through special accounts in addition to the regular budget with discounts for developing countries subsidized through higher assessments for permanent Security Council members.

When a peacekeeping surge in the late 1980s and early 1990s resulted in unprecedented U.S. payments to the U.N., the U.S. demanded that the ad hoc arrangement for peacekeeping be changed to reduce its share of peacekeeping expenses. As President Bill Clinton stated before the General Assembly in 1993, the "U.N.'s operations must not only be adequately funded, but also fairly funded.... [O]ur rates should be reduced to reflect the rise of other nations that can now bear more of the financial burden."

In 1994, President Clinton signed Public Law 103–236, which capped U.S. contributions to U.N. peacekeeping at 25 percent. The discrepancy between this cap and the amount that the U.N. assessed to the U.S. for peacekeeping led to a rapid accumulation of "arrears" (that is, amounts the U.N. expected to receive from the U.S., but did not) in the 1990s. This financial stress forced the U.N. and the other member states to agree to establish a formal peacekeeping assessment and, as testified by Ambassador Richard Holbrooke to the Senate, agree to a formula that would lower the U.S. peacekeeping assessment to 25 percent in exchange for payment of U.S. arrears.

Congress accepted these assurances in good faith and approved payment of the arrears. While Congress maintained the 25 percent cap as an incentive for the U.N. to follow through on its promise, it approved gradually diminishing increases in the cap to avoid accumulating arrears while the U.N. lowered the U.S. assessment to 25 percent. With the threat of the U.S. peacekeeping cap as an incentive, the U.N. began reducing the U.S. peacekeeping assessment, albeit not as rapidly as originally agreed, reaching 25.9624 percent in 2008 and 2009.

In 2010, however, the U.S. assessment rose sharply, costing taxpayers hundreds of millions of dollars. To avoid arrears, Congress and the Administration adopted temporary increases in the cap. The other U.N. member states interpreted this action as a weakening in U.S. resolve to lower its peacekeeping assessment and, unsurprisingly, have adopted increases in the U.S. assessment (in three-year increments) for the 2010–2012, 2013–2015, and 2016–2018 periods.

The U.S. should resume pressure on the U.N. to fulfill its commitment to lower the U.S. peacekeeping assessment to 25 percent by enforcing the 25 percent cap.

ADDITIONAL READING

- Brett D. Schaefer, "Key Issues of U.S. Concern at the United Nations," testimony before the Subcommittee on Multilateral International Development, Multilateral Institutions, and International Economic, Energy, and Environmental Policy, Committee on Foreign Relations, U.S. Senate, May 6, 2015.
- Brett D. Schaefer, "U.S. Must Enforce Peacekeeping Cap to Lower America's U.N. Assessment," Heritage Foundation *Backgrounder* No. 2762, January 25, 2013.
- Brett D. Schaefer, "The U.S. Should Push for Fundamental Changes to the United Nations Scale of Assessments," Heritage Foundation *Backgrounder* No. 3023, June 11, 2015.

CALCULATIONS

The $270 million in savings are the result of reducing the U.S. share from 28.434 percent in FY 2018 to 25 percent. The approved U.N. Peacekeeping budget was $7.874 billion for July 1, 2016, to June 30, 2017, as found in United Nations General Assembly, "Approved Resources for Peacekeeping Operations for the Period from 1 July 2016 to 30 June 2017," A/C.5/70/24, http://www.un.org/en/ga/search/view_doc.asp?symbol=A/C.5/70/24 (accessed February 8, 2017). The projected shares come from Report of the Secretary-General, "Implementation of General Assembly Resolutions 55/235 and 55/236," A/70/331/Add.1, December 28, 2015, http://www.un.org/en/ga/search/view_doc.asp?symbol=A/70/331/Add.1 (accessed February 8, 2017). Heritage assumes that the FY 2017 budget holds constant in FY 2018. Reducing the U.S. share from 28.434 percent to 25 percent saves $270 million in FY 2018.

Return the United Nations Relief and Works Agency for Palestine Refugees in the Near East to Its Original Purpose

RECOMMENDATION

Returning the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) to its original purpose saves $179 million in FY 2018.

RATIONALE

The UNRWA was established more than 60 years ago as a temporary initiative to address the needs of Palestinian refugees and to facilitate their resettlement or repatriation. It has become a permanent institution providing services to multiple generations of Palestinians, of whom a large majority live outside refugee camps, enjoy citizenship in other countries, or reside in the Palestinian-governed territories. Despite the presence of and activities funded through the UNRWA, the Palestinian refugee problem has only grown larger, in part due to the UNRWA's ever-expanding definition of refugee.

The UNRWA abandoned its original mission of resolving the Palestinian refugee crisis decades ago. It too frequently violates the neutral comportment expected of international organizations. Its policies and actions have exacerbated the Israeli–Palestinian conflict. The U.S. could advance the long-term prospects for peace by fundamentally shifting U.S. policy to encourage winding down UNRWA to facilitate its original purpose: ending the refugee status of Palestinians and facilitating their integration as citizens of their host states, where most were born and raised, or resettling them in the West Bank and Gaza, where the Palestinian government can assume responsibility for their needs. The few remaining first-generation Palestinian refugees and those more recently displaced, such as those fleeing conflict in Syria, should be placed under the responsibility of the U.N. High Commissioner for Refugees (UNHCR) as is the case for other refugee populations within the U.N. system.

ADDITIONAL READING

- Brett D. Schaefer and James Phillips, "Time to Reconsider U.S. Support of UNRWA," Heritage Foundation *Backgrounder* No. 2997, March 5, 2015.

CALCULATIONS

Savings are estimated based on the reported FY 2016 obligations of $359.5 million as listed in U.S. Department of State, "United States Contributions to International Organizations," Sixty-Fifth Annual Report to the Congress Fiscal Year 2016, p. 10, https://www.state.gov/documents/organization/267550.pdf (accessed February 8, 2017). We assume spending holds steady in FY 2017 and decreases at the same rate as discretionary spending for FY 2018 (–0.32 percent) according to the CBO's most recent August 2016 baseline spending projections. Savings are based on reducing spending by 50 percent in FY 2018 to draw down the agency's funding.

Eliminate Funding for the Paris Climate Change Agreement

RECOMMENDATION

Eliminate funding for the Paris Climate Change Agreement, also known as the Climate Investment Funds (CIF). This proposal saves $220 million in FY 2018.

RATIONALE

The CIF is intended "to initiate transformational change towards low-carbon and climate-resilient development" using grants, near-zero interest credit, and some competitive funding opportunities.[12]

Financing is managed by the Multilateral Development Banks, including the World Bank, which fund projects through two programs, the Clean Technology Fund and the Strategic Climate Fund (which itself manages the Forest Investment Fund, the Pilot Program for Climate Resilience, and the Program for Scaling Up Renewable Energy in Low Income Countries). These programs were begun as a stopgap measure until an agreement was made under the Paris Climate Change Agreement.

On principle, the U.S. should withdraw from the U.N. Framework Convention on Climate Change underlying the Paris Protocol. The U.S. should commit to free-market principles that will provide affordable, reliable energy instead of government-picked technologies and energy sources. Free-market principles have a greater and longer-lasting impact on alleviating poverty and creating opportunity for impoverished communities.

ADDITIONAL READING

- Nicolas D. Loris, Brett D. Schaefer, and Steven Groves, "The U.S. Should Withdraw from the United Nations Framework Convention on Climate Change," Heritage Foundation *Backgrounder* No. 3130, June 9, 2016.
- David W. Kreutzer, "A Cure Worse than the Disease: Global Economic Impact of Global Warming Policy," Heritage Foundation *Backgrounder* No. 2802, May 28, 2013.
- Nicholas D. Loris and Steven Groves, "The Pathway Out of Paris," The Daily Signal, November 17, 2016.

CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 enacted spending levels for the Clean Technology Fund ($170.7 million) and the Strategic Climate Fund ($49.9 million) as found in the Consolidated Appropriations Act, 2016 (H.R. 2029), p. 488. Heritage assumes that FY 2016 appropriations hold steady in FY 2017 and decrease at the same rate as discretionary spending growth (–0.32 percent) in FY 2018 according to the CBO's most recent August 2016 baseline spending projections.

Eliminate Funding for the Global Environment Facility

RECOMMENDATION

Eliminate funding for the Global Environment Facility (GEF). This proposal saves $168 million in FY 2018.

RATIONALE

The GEF manages the Special Climate Change Fund and the Least Developed Countries Fund, with a heavy emphasis on global-warming-adaptation projects through grants and financing. For instance, GEF funds were used to place glacier monitoring stations in the Andes to inform agricultural adaptation practices and to develop water resources in China's agricultural Huang-Huai-Hai basin, allegedly threatened by global warming.[13]

Since its inception by the World Bank and U.N. in 1991, the GEF has been designated as the financial mechanism for a number of problematic international agreements, including the U.N. Convention on Biological Diversity, the U.N. Framework Convention on Climate Change, the Stockholm Convention on Persistent Organic Pollutants, the U.N. Convention to Combat Desertification, the Minamata Convention on Mercury, the Montreal Protocol on Substances that Deplete the Ozone Layer, and a number of international waters agreements, such as the U.N. Convention on the Law of the Sea.[14]

The U.S. should not use taxpayer dollars to fund energy and international climate-change projects. The U.S. should commit to free-market principles that will provide affordable, reliable energy, not government-selected technologies and energy sources.

ADDITIONAL READING

- David W. Kreutzer, "A Cure Worse than the Disease: Global Economic Impact of Global Warming Policy," Heritage Foundation *Backgrounder* No. 2802, May 28, 2013.
- Nicolas D. Loris, "Economic Freedom, Energy, and Development," in *2015 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2015), chap. 5.

CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 enacted spending level of $168.3 million as found in the Consolidated Appropriations Act, 2016 (H.R. 2029), p. 487. Heritage assumes that FY 2016 appropriations hold steady in FY 2017 and decrease at the same rate as discretionary spending growth (–0.32 percent) in FY 2018 according to the CBO's most recent August 2016 baseline spending projections.

End Funding for the United Nations Intergovernmental Panel on Climate Change

RECOMMENDATION

End contributions to the U.N. Intergovernmental Panel on Climate Change (IPCC). This proposal saves $10 million in FY 2018.

RATIONALE

The IPCC is charged with the "preparation of comprehensive Assessment Reports about the state of scientific, technical and socio-economic knowledge on climate change, its causes, potential impacts and response strategies."[15] The IPCC also produces *Special Reports*, which are an assessment on a specific issue, and *Methodology Reports*, which provide practical guidelines for the preparation of greenhouse gas inventories.

These studies have been subject to bias, manipulation, and poor data. The IPCC has also been instrumental in confining global-warming research and debate to a narrow, politically correct version of the issue, namely that manmade greenhouse gas emissions are the primary drivers of catastrophic, accelerating global warming. IPCC data and analysis should not be relied upon or disseminated unless they first meet the standards that Congress has set as a measure for the U.S. government in the Information Quality Act.

ADDITIONAL READING

- David W. Kreutzer, "A Cure Worse than the Disease: Global Economic Impact of Global Warming Policy," Heritage Foundation *Backgrounder* No. 2802, May 28, 2013.
- David W. Kreutzer, "If IPCC Sea Level Numbers Aren't Bad Enough, Try Tripling Them," The Daily Signal, July 22, 2011.
- Brett D. Schaefer and Nicolas D. Loris, "U.S. Should Put U.N. Climate Conferences on Ice," Heritage Foundation *Issue Brief* No. 3792, December 5, 2012.

CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 requested spending level of $10 million as found in the Consolidated Appropriations Act, 2016 (H.R. 2029), p. 487. Heritage assumes that FY 2016 appropriations hold steady in FY 2017 and decrease at the same rate as discretionary spending growth (–0.32 percent) in FY 2018 according to the CBO's most recent August 2016 baseline spending projections.

Eliminate the U.S. Trade and Development Agency

RECOMMENDATION

End funding for the U.S. Trade and Development Agency (USTDA). This proposal saves $62 million in FY 2018.

RATIONALE

The USTDA is intended to help

> companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies. The USTDA links U.S. businesses to export opportunities by funding project planning activities, pilot projects, and reverse trade missions while creating sustainable infrastructure and economic growth in partner countries.[16]

These activities more properly belong to the private sector. The best way to promote trade and development is to reduce trade barriers. Another way is to reduce the federal budget deficit and thereby federal borrowing from abroad, freeing more foreign dollars to be spent on U.S. exports instead of federal treasury bonds. A dollar borrowed from abroad by the government is a dollar not available to buy U.S. exports or invest in the private sector of the U.S. economy.[17]

ADDITIONAL READING

- Patrick Louis Knudsen, "$150 Billion in Spending Cuts to Offset Defense Sequestration," Heritage Foundation *Backgrounder* No. 2744, November 15, 2012.
- Republican Study Committee Sunset Caucus, "Eliminate the U.S. Trade and Development Agency," July 21, 2010.
- Brian M. Riedl, "How to Cut $343 Billion from the Federal Budget," Heritage Foundation *Backgrounder* No. 2483, October 28, 2010.

CALCULATIONS

Savings are expressed as budget authority as estimated for FY 2018 by the CBO in its most recent August 2016 baseline spending projections.

Enforce Funding Prohibition for the United Nations Educational, Scientific, and Cultural Organization

RECOMMENDATION

In observance of U.S. law, the U.S. should provide no more funding to the United Nations Educational, Scientific, and Cultural Organization (UNESCO). Under current law, this proposal has no savings, but reversal of the current policy could result in $543 million of arrears payments and an annual assessment of $72 million based on the current UNESCO budget. Heritage does not include any savings for FY 2018.

RATIONALE

Two U.S. laws enacted in the early 1990s (both set out as a note under 22 U.S. Code 287e) prohibit U.S. funding of any U.N. organization that "accords the Palestine Liberation Organization the same standing as member states" or "grants full membership as a state to any organization or group that does not have the internationally recognized attributes of statehood."[18] These prohibitions have no waiver provision, and the U.S. suspended all funding to UNESCO in 2011 after the Palestinians were granted membership. The total amount of unpaid dues was $470.8 million as of August 2016.[19] Because the U.S. remains a member, UNESCO continues to charge the U.S. a portion of its budget each year—$71.8 million in 2016—so U.S. arrears continue to climb annually. If the U.S. changes its law to permit UNESCO funding, it will owe $543 million in arrears (assuming a charge of $71.8 million in FY 2017) plus the amount assessed for 2018.

This funding prohibition has created financial stress in UNESCO, and the organization and the Obama Administration have repeatedly sought to change the law to allow renewed U.S. funding of UNESCO on the dubious justification that UNESCO activities are central to U.S. interests. In fact, UNESCO is principally a facilitator, not an implementer. UNESCO's draft budget for 2016–2017 devoted 64 percent of all resources to staff costs, while a minority of the budget was dedicated to actual projects on the ground.[20] Moreover, examination of examples offered by UNESCO of projects critical to U.S. interests reveals that they are often superfluous or merely convenient rather than critical.[21]

Worse, there is evidence that UNESCO has performed poorly and has had a number of judgment lapses beyond granting membership to the Palestinians, including electing Syria to the organization's human rights committee in 2011 despite evidence that it was slaughtering its own citizens. UNESCO also has a history of anti-Israel bias, including approving a Palestinian request to add the Church of the Nativity in Bethlehem and the Pilgrimage Route to the Palestinian World Heritage List and adopting a resolution condemning Israel on its policies regarding Jerusalem, and deliberately downplays the Jewish history of the Temple Mount and the Western Wall. These actions were approved over the objections of the U.S. and Israel.

Representatives Ileana Ros-Lehtinen (R–FL) and Brad Sherman (D–CA) co-authored a bipartisan letter correctly opposing efforts to waive or amend U.S. law prohibiting U.S. payments to U.N. organizations granting full membership to the Palestinians because it is

> vital in successfully derailing attempts…to seek de facto recognition of a Palestinian state from the UN via the granting of membership to "Palestine" in UN agencies.… A UN body that acts so irresponsibly—a UN body that admits states that do not exist—renders itself unworthy of U.S. taxpayer dollars.… Weakening U.S. law, on the other hand, would undermine our interests and our ally Israel by providing a green light for other UN bodies to admit "Palestine" as a member.[22]

America's interest in supporting UNESCO is not critical, as President Reagan recognized when he decided in 1984 to withdraw from UNESCO because of its poor management and hostility to the "basic institutions of a free society, especially a free market and a free press." The U.S. rejoined UNESCO in 2003 in recognition of reforms implemented to address some of those criticisms (not because of any perceived damage to U.S. interests from non-participation in UNESCO). UNESCO's decision to grant membership to the Palestinians outweighs the U.S. reasons for rejoining.

ADDITIONAL READING

- Brett D. Schaefer, "Congress Should Challenge the Administration's UNESCO and U.N. Peacekeeping Budget Request," Heritage Foundation *Issue Brief* No. 3914, April 17, 2013.
- Brett D. Schaefer, "The U.S. Should Withdraw from UNESCO," Heritage Foundation *Issue Brief* No. 3760, October 19, 2012.
- Brett D. Schaefer, "What Palestinian Membership Means for UNESCO and the Rest of the United Nations," Heritage Foundation *Backgrounder* No. 2633, December 13, 2011.
- Brett D. Schaefer and James Phillips, "Provocative Palestinian U.N. Actions Require Strong U.S. Response," Heritage Foundation *Issue Brief* No. 4329, January 12, 2015.

CALCULATIONS

Heritage does not include any savings for this proposal because, under current law, the U.S. is not contributing to UNESCO. However, reversal of the current policy could result in $543 million in arrears payments and an annual assessment of about $72 million. As of August 2016, UNESCO had charged the U.S. $470.8 million in arrears payments. Heritage assumes that the FY 2017 and FY 2018 charges remain similar to UNESCO's 2016 charge to the U.S. of $71.8 million.

Maintain the Prohibition on Funding United Nations Organizations that Grant Full Membership to the Palestinian Territories

RECOMMENDATION

Maintain the prohibition on funding U.N. organizations that grant full membership to the Palestinian territories. This proposal would apply to UNESCO as discussed above, but should also apply to the U.N. Framework Convention on Climate Change (UNFCCC), which has also granted the Palestinians full membership. This proposal would save $7 million FY 2018.

RATIONALE

Current law prohibits U.S. funds from going to international organizations that grant full membership to the Palestinian territories.[23] The U.S. currently applies this prohibition to UNESCO, which granted the Palestinians full membership in 2011.

On December 18, 2015, the Palestinian Authority deposited its instrument of accession to the UNFCCC. In accordance with Article 23(2) of the treaty, the Palestinians officially became the 197th party to the UNFCCC on March 17, 2016—ninety days after depositing their instrument of accession.[24] As was the case when the Palestinians joined UNESCO in 2011, this event should trigger a U.S. law prohibiting any future U.S. funding to the UNFCCC.

The Obama Administration, however, continued funding based on the tortured argument that the UNFCCC is a treaty, not an international organization. In fact, the UNFCCC is a treaty-based international organization, just like the United Nations and its specialized agencies. The Framework Convention is the founding legal document upon which the organization and its structure are based. The organization has an executive secretary, employs around 500 people according to its website, and has permanent subsidiary bodies.

As with UNESCO, the U.S. should enforce this law for the UNFCCC and for any other organization that grants full membership to the Palestinian territories in the future.

ADDITIONAL READING

- Nicolas Loris, Brett D. Schaefer, and Steven Groves, "The U.S. Should Withdraw from the United Nations Framework Convention on Climate Change," Heritage Foundation *Backgrounder* No. 3130, June 9, 2016.
- Brett D. Schaefer and James Phillips, "Provocative Palestinian U.N. Actions Require Strong U.S. Response," Heritage Foundation *Issue Brief* No. 4329, January 12, 2015.

CALCULATIONS

Savings are estimated based on the reported FY 2016 obligations of $6.9 million as listed in U.S. Department of State, "United States Contributions to International Organizations," Sixty-Fifth Annual Report to the Congress Fiscal Year 2016, p. 9, https://www.state.gov/documents/organization/267550.pdf (accessed February 8, 2017). Heritage assumes that spending holds steady in FY 2017 and decreases at the same rate as discretionary spending for FY 2018 (–0.32 percent), according to the CBO's most recent August 2016 baseline spending projections. Savings are based on reducing spending by 50 percent in FY 2018 to draw down the agency's funding.

Oppose Bailouts for the International Monetary Fund and Insist on Rules-Based Lending

RECOMMENDATION

Insist that rules-based lending, and not morally hazardous loan programs that lead only to more taxpayer-funded bailouts, become the International Monetary Fund's (IMF's) default setting for policy advice to all IMF member countries. This proposal has no estimated savings in FY 2018.

RATIONALE

The IMF's "Exceptional Access Framework" was reinstated at the insistence of Congress in exchange for its 2015 approval of the IMF Reform Package. The framework re-imposes a rule that prohibits new IMF lending to a country that has unsustainable debt and no realistic plan to get out of it. Its abandonment by the IMF in 2010, at the beginning of the Greek debt crisis, cleared the way for a fresh round of morally hazardous loans that bailed out big European banks but left Greece even further in debt and still in need of debt restructuring and fundamental economic and political reforms.

The Trump Administration and the 115th U.S. Congress should insist that this rules-based "Framework" approach be strengthened and expanded. It should become the IMF's default setting for policy advice to all IMF member countries.

The market is far more effective in enforcing conditions, promoting reform, and minimizing the risk of a crisis spreading in the near term or far into the future. For example, the presence in a country of developed-country private banks—and their best practices—is the best way to instill those practices in the local banks that have to compete with them.

The United States government should encourage other major IMF donor nations to join it in sending strong and unwavering signals to the world that the IMF's resources are not, in fact, unlimited. The IMF should be viewed by its developing country members as a firebreak to support and stabilize the economy in the short term, not the ultimate solution for financial crises—and definitely not as a "first responder." To prevent those future crises from arising and spinning out of control, Congress and the next Administration should push the IMF bureaucracy—hard—to follow rules-based prescriptions.

ADDITIONAL READING

- The Heritage Foundation, *2017 Global Agenda for Economic Freedom*, August 30, 2016.

CALCULATIONS

Although this proposal would likely lead to reduced costs from failed loans and taxpayer bailouts, there is no way of knowing the level of those future savings and Heritage therefore does not include any estimated savings for FY 2018.

Increase Oversight of International Organizations

RECOMMENDATION

Increase oversight of international organizations. This proposal has no savings in FY 2018.

RATIONALE

United Nations system revenues nearly tripled between 2002 and 2012, and the U.N. received a total of more than $312 billion over that period. The U.S. has been and remains the U.N. system's largest contributor, providing an average of about one-fifth of total contributions annually over that period—totaling approximately $60 billion in eight years. Congress should demand that the Administration conduct a cost-benefit analysis of U.S. participation in all international organizations, enact a permanent annual reporting requirement for all U.S. contributions to the U.N. system to be conducted by the Office of Management and Budget, and establish a dedicated unit for international-organization issues in the Office of Inspector General for the Department of State.[25]

ADDITIONAL READING

- Brett D. Schaefer, "U.S. Should Demand Increased Transparency and Accountability as U.N. Revenues Rise," Heritage Foundation *Issue Brief* No. 4154, February 26, 2014.

ENDNOTES

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