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RELEASE IN FULL

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NOTE FOR THE SECRETARY

FROM: S/SRAP – Ambassador Marc Grossman

SUBJECT: Temporary Cuts to Japanese Assistance in Afghanistan

Japan remains committed to its pledge of \$5 billion over five years for Afghanistan (of which roughly \$1.66 billion has already been disbursed), but it will reduce appropriations in the short term in order to free money for post-earthquake reconstruction.

Japanese SRAP Ambassador Tadamichi Yamamoto called me on April 14 to report that a supplementary budget is likely to pass as early as the end of April which will include cuts in the already-adopted FY2012 budget. Total overseas development assistance will be cut by roughly 17% from its planned level of almost \$7 billion. The \$400 million budgeted for Afghanistan is likely to be cut by a larger percentage, but the lost funding will be restored in future budgets to meet the overall pledge. Specific cuts have not yet been identified, but Japan will prioritize sustained funding for ANP salaries, ANSF training and support, support to the Ministries of Defense and Interior and to provincial governors, and funding for ongoing projects. The remaining \$100 million of Japan's \$1 billion Tokyo pledge for Pakistan is currently on hold pending a new IMF program, so it is unlikely to be delayed by short-term fiscal management.

Foreign Minister Matsumoto may raise this with you in your meeting on Sunday. I recommend that you express gratitude for Japan's continued commitment to its pledge and also understanding for Japan's need to reduce its assistance budget in the short term. I also encourage you to mention your gratitude for Japan's tradition of assistance to both Afghanistan and Pakistan in your public remarks – our public recognition of Japan's role strengthens the Government's ability to defend foreign assistance in a difficult budgetary environment.

The Government of Japan has informed the Government of Afghanistan and us of these likely cuts, but Yamamoto asked that we keep the substance of expected budget cuts private until the Diet finalizes the supplemental budget.

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