

**Testimony of Didier Trinh, Executive Director of the
Modernizing Foreign Assistance Network (MFAN)
Senate Appropriations Subcommittee for State, Foreign Operations, and Related Programs**

June 2, 2017

Chairman Graham, Ranking Member Leahy, and Members of the Committee: On behalf of the Modernizing Foreign Assistance Network, thank you for the chance to submit written testimony regarding the Fiscal Year 2018 (FY18) appropriations and the importance of effective foreign assistance. The MFAN coalition was built on the principle that foreign assistance is an invaluable tool of foreign policy that saves lives, promotes American values, ensures our national security, and advances our economic interests. Fifteen years of reforms have made U.S. assistance more effective, and to continue this trajectory MFAN urges Congress to reject the deep and disproportionate cuts to foreign assistance proposed by this administration and to support the following in FY18:

- Strengthened text requiring Congressional review and consultation throughout any reform or reorganization of foreign assistance (bill text)
- USAID, USAID Operating Expenses, **\$1,362,000,000** (FY17 total enacted level)
- USAID, USAID Capital Investment Fund, **\$200,000,000** (FY17 total enacted level)
- State Department/USAID, Identifying domestic resource mobilization partners (report language)
- State Department, Funding ForeignAssistance.gov (bill text)
- USAID, Measuring sustained results at USAID (report language)

A Strong Foreign Affairs Budget

United States leadership is critical to confronting the full range of challenges we face around the world, making effective foreign assistance more important than ever, even in a challenging budget environment. We at MFAN urge you to defend American leadership by resisting disproportionate and unprecedented cuts to poverty-fighting foreign assistance. The Trump Administration's proposed cuts to the State Department and USAID not only threaten national security by increasing defense spending at the expense of diplomacy and development, it also threatens all the effectiveness gains that ensure American taxpayers dollars are used effectively.

MFAN strongly urges Congress to reject these cuts as they would diminish America's standing in the world, and put millions of lives at risk. Your past leadership encourages us that you will seize opportunities to defend these programs and make them work harder for the American taxpayer and for people around the world.

In large part due to the leadership of this committee and Congress, there has been tremendous progress made in ensuring our aid dollars are used in the most effective way possible to save lives, prevent disease, and unlock opportunities for citizens in partner countries. Critical to recent successes in global human development is the expertise and resources that our development agencies – such as USAID and MCC – bring to the table.

A Modern USAID

USAID, our lead development agency, has been transformed and modernized over the past decade and a half. USAID specializes in the longer-term and vitally important task of helping countries to govern themselves well and create inclusive economic opportunity. These development investments help minimize threats to the United States while fostering open markets and security and trade partnerships. Passage of recent legislation like the Foreign Aid Transparency and Accountability Act and the Global Food Security Act have codified reforms that improve the way USAID operates.

Given its specialized development mandate, USAID is most effective as an independent agency focusing on development results. USAID's independence gives appropriate visibility to the unique development voice within U.S. foreign policy, and it enables appropriate specialization and focus on the longer-term and fundamentally important goals of development. Finally, USAID should continue to strengthen its culture of accountability for results and transparency to the U.S. public and development stakeholders. For example, a 2017 [GAO study](#) found that USAID and the MCC's evaluations far exceeded the quality of those conducted by other foreign assistance agencies.

A Legislative-Executive Branch Partnership to Reform Foreign Aid

MFAN applauds the Committee for including language in the FY17 Omnibus that requires the Administration to report to Congress on any efforts to reorganize the State Department and USAID. MFAN [urged](#) the administration to engage Congress and the development community on the issue of reorganization following the recent memo from the Office of Management and Budget that calls for the submission of draft Agency Reform Plans by June 30, 2017. We applaud the Committee for this timely provision and for exercising its oversight role, ensuring that no restructuring can occur without Congressional involvement.

The legislation specifically states that “prior to implementing any reorganization of the Department of State or the United States Agency for International Development ... the Secretary of State shall submit a report to the Committees on Appropriations.” The bill also requires that the report include several detailed analyses of any such reorganization, including the potential impact on “the ability to conduct adequate monitoring and oversight of foreign assistance.”

MFAN urges the Committee to strengthen this language in FY18 and to require, in addition to consultation with Congress and the development community, that the administration ensure that any reorganization effort is guided by sound principles – [MFAN's Guiding Principles for Effective U.S. Assistance](#) – a Global Development Strategy, and a systematic program review.

Reforms to Expand U.S. Impact

As you know, aid effectiveness depends on two powerful and mutually reinforcing pillars of reform – *accountability* through transparency, evaluation, and learning; and *country ownership* of the priorities and resources for, and implementation of, development. Together, these pillars are vital to building the capacity in developing countries that will help enable citizens to take

responsibility for their own development. In turn, this builds new trading and security partners for the United States.

As you prepare your Fiscal Year 2018 appropriations bill, we at MFAN urge you to include the following:

1. Strengthen Congressional oversight of reforms and reorganization. MFAN commends the Committee for enacting provisions asserting Congress’s prerogative to engage as a partner with the Executive Branch in any reform and reorganization of foreign assistance. MFAN urges Committee to strengthen these instructions in FY18 by requiring reforms to be based on: consultation with Congress and the development community, adherence to [guiding principles of aid effectiveness](#), a review of U.S. assistance, and a coherent Global Development Strategy.

2. Maintain FY17 funding for USAID Operating Expenses at \$1.362 billion. In July 2016, the Foreign Aid Transparency and Accountability Act was enacted (P.L. 114-191) with the unanimous support of Congress, and requires detailed reporting on foreign assistance spending, as well as improved systems for monitoring and evaluation. Full funding for USAID Operating Expenses at the FY17 final enacted level is essential for aid effectiveness and supports USAID’s efforts to drive innovation and retain talent, oversee program implementation, improve transparency, and evaluate results.

3. Maintain FY17 funding for the USAID Capital Investment Fund at \$200 million. Full funding for the USAID Capital Investment Fund at the FY17 final enacted level is essential for the effectiveness of U.S. foreign assistance. The Capital Investment Fund (CIF) is critical to strengthening the information technology (IT) systems of the Agency necessary to enhance the quality and comprehensiveness of aid data and the accountability of U.S. foreign assistance. The CIF supports the establishment of USAID’s Development Information Solution, a modernized system to manage and report on the agency’s global portfolio.

4. Report language identifying partners for domestic resource mobilization assistance. MFAN appreciates FY17 and FY16 language in both the House and Senate reports encouraging the U.S. Government to help countries increase domestic revenues. We request the Committee build on these efforts by requesting that USAID, Treasury, and PEPFAR specifically identify countries where such assistance could better help mobilize their own financial resources and lay a long-term path toward fiscal sustainability.

Partner countries ultimately need to raise and invest more of their own domestic resources to address their needs in a sustainable way. To help achieve this aim, the U.S. government should invest in the capacity of partner governments to enhance domestic resource mobilization and to identify new and/or alternative sources of funding to gradually increase their financial contribution to their own development priorities. MFAN’s “[Principles for Public Sector Domestic Resource Mobilization](#)” provides guidelines to ensure that this assistance is catalytic for broad-based economic growth and poverty reduction.

This approach has been successful in a number of countries, including El Salvador, where a \$5.8 million USAID partnership with the government resulted in policy reforms and capacity-building

that allowed the country to increase its revenues by \$350 million per year, with a \$160 million increase in annual spending on programs for health and education.

5. Consistent funding for the ForeignAssistance.gov website. In 2016, Congress unanimously passed the Foreign Aid Transparency and Accountability Act (PL 114-191), which codifies and builds upon the ForeignAssistance.gov website, and we thank the House and Senate Committees' efforts to provide funding for this important resource. The database is a critical tool for collecting and publishing aid information for the American people and the International Aid Transparency Initiative Registry. To ensure implementation of the "Foreign Aid Transparency and Accountability Act" and improvement in the quality and comprehensiveness of data on ForeignAssistance.gov, we recommend that the State Department consistently fund this resource by being permitted to use all bilateral economic assistance under title III of the bill.

6. Report language to measure sustained results. USAID revised its program cycle guidance in 2016 to elevate the importance of utilizing local priorities, implementers, and resources to achieve development gains. Although these factors are important for the long-term sustainability of development gains, the Agency does not have a systematic means of measuring its performance in these areas. We request report language that supports USAID's policy and directs the Agency to establish a method for systematically measuring its performance achieving locally owned sustainable development.

In addition, we at MFAN applaud both the House and Senate's FY17 emphasis on foreign assistance transparency and accountability. In particular, we endorse the Senate's language in the "Monitoring and Evaluation" section of its FY17 report calling for the State Department to review and publish a **Report on Monitoring and Evaluation of Fiscal Year 2015 Programs** because "there are inadequate processes in place to ensure that the findings and recommendations of evaluations inform program design, policy decisions, and budget allocations." We hope that such a review will be adopted and focus on the most current year possible.

Finally, MFAN remains concerned about U.S. foreign assistance directed to countries via sector set-asides and presidential initiatives that are not linked to country priorities and strategies. A 2015 USAID Inspector General audit of regional and country development cooperation strategies (CDCSs) reported that "*Employees said the budget often trumped local priorities, and nondiscretionary funding— such as presidential initiatives and earmarks—drove the selection of development objectives. In addition, budget allocations did not always align with the CDCSs, and some objectives were not funded.*"^[1] MFAN urges greater alignment of U.S. foreign assistance with country and citizen-identified priorities to better ensure that development resources catalyze durable poverty reduction and economic growth.

Thank you for your work on the State and Foreign Operations Appropriation bill and for considering these requests. Our coalition looks forward to working with you further to advance U.S. values and economic and national security interests by supporting a more just, prosperous, and secure world.

^[1] USAID Office of Inspector General, Audit Report No. 9-000-15-001-P, "Audit of USAID Country and Regional Development Cooperation Strategies," February 20, 2015.