

**Joint Testimony of Modernizing Foreign Assistance Network (MFAN) Co-Chairs
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House Appropriations Subcommittee for State, Foreign Operations, and Related Programs**

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Chairman Rogers, Ranking Member Lowey, and Members of the Committee: On behalf of the Modernizing Foreign Assistance Network (MFAN), we thank you for the opportunity to submit written testimony regarding the Fiscal Year 2019 (FY19) Appropriations and the importance of accountable U.S. foreign assistance for sustainable development impact. We also wish to thank you for your steadfast leadership and support of a strong and effective International Affairs Budget as demonstrated by the recent [passage](#) of the Fiscal Year 2018 Omnibus Appropriations Bill.

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 efficient and effective, and to continue this trajectory MFAN urges Congress to once again reject the deep and disproportionate cuts to foreign assistance proposed by this administration and to support the following in FY19:

- Strengthened text requiring Congressional consultation and review for any reform or reorganization of foreign assistance, and to maintain independence of USAID (bill text and report language)
- USAID, USAID Operating Expenses, **\$1,362,000,000** (FY17 total enacted level)
- USAID, USAID Capital Investment Fund, **\$200,000,000** (FY17 total enacted level)
- Strengthened text requiring Congressional consultation and review for country transition planning (bill text and report language)
- New text requiring USAID-led interagency strategy on domestic resource mobilization (report language)

A Strong and Effective Foreign Affairs Budget

Now more than ever, United States leadership is critical to confronting the full range of challenges we face around the world, raising the stakes on effective foreign assistance in a challenging budget environment. We at MFAN urge you to uphold American global leadership by opposing disproportionate and unprecedented cuts to poverty-fighting foreign assistance. We should not be trading off State Department and USAID funding for more defense spending. We need both to keep our country safe and prosperous. The administration's proposed cuts threaten to undermine the increased effectiveness of our aid programs.

MFAN strongly urges Congress to once again reject these proposed cuts as they would diminish America's standing in the world and put millions of additional lives at risk. Your past leadership in defending these programs while seeking to make them work harder for the American taxpayer and for people around the world has been essential.

In large part due to the leadership of this Committee and Congress as a whole, tremendous progress has been 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 are the expertise and resources that our development agencies – such as USAID, MCC, and PEPFAR – bring to the table.

A Modernized USAID

USAID, our lead development agency, has undergone a steady rebuilding process 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 legislation such as the Foreign Aid Transparency and Accountability Act and the Global Food Security Act has codified reforms that improve the way USAID plans, designs, executes, and evaluates programs that deliver assistance to those in need around the world.

Given its specialized development mandate, USAID is most effective as an independent agency focusing on long-term development outcomes. 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 long-term goals of development. USAID should continue to strengthen its culture of accountability for results and transparency to the U.S. public and development stakeholders. For example, a March 2017 [GAO study](#) found that USAID and the MCC's evaluations far exceeded the quality of those conducted by other U.S. foreign assistance agencies. Last December, MFAN and The Lugar Center released a joint study, [From Evidence to Learning: Recommendations to Improve U.S. Foreign Assistance Evaluation](#), examining the evaluation policies and practices of the largest U.S. Government agencies implementing foreign aid programs. The study finds significant progress in the rigor, objectivity, and accessibility of foreign assistance evaluations, but also identifies remaining barriers to using lessons learned to inform program and budget decisions.

Legislative-Executive Branch Partnership to Reform Foreign Aid

MFAN applauds the Committee for including language in the FY18 Omnibus that builds on the FY17 legislation asserting an important role for Congress in the reform efforts at the State Department and USAID, and ensuring that no restructuring can occur without Congressional involvement. Specifically, the FY18 bill calls for the Secretary of State and USAID Administrator to each submit a report to Congress “summarizing all efforts taken during calendar year 2017 to reorganize, redesign, or otherwise change the form or function of their respective agencies.” Furthermore, the bill stipulates that funds be made available to maintain Foreign and Civil Service [staff levels](#) given the vast number of vacancies across both agencies stemming from a year-long hiring freeze imposed by the administration. The bill also requires that the report include several detailed analyses of any reorganization, including the potential impact on “the ability to conduct adequate monitoring and oversight of foreign assistance programs.”

MFAN urges the Committee to strengthen this language in FY19 and to require, in addition to consultation with Congress and the development community, that independence of USAID is preserved by preventing the appropriation of funds for the purposes of closing, moving, or otherwise incorporating USAID into the State Department. With its distinct but equal mission,

USAID should maintain commensurate authority over its development budgets and programs along with adequate staffing and resources. Any reorganization effort should be guided by sound principles – [MFAN’s Guiding Principles for Effective U.S. Assistance](#) – a U.S. Global Development Strategy, and a systematic program review.

Moving Countries Responsibly from Aid to Trade

MFAN [believes](#) that foreign assistance should create the conditions under which it is no longer necessary. When countries have the capacity to meet their own development needs, they become stronger partners to the United States in the pursuit of greater global prosperity and security. Although U.S. engagement and assistance will continue to advance diplomatic, economic, or security objectives, these seven [principles](#) endorsed by more than 100 organizations and individuals should guide responsible transitions from development aid and support moving countries to broader forms of collaboration and partnership with the United States:

1. Advance country ownership
2. Determine transition readiness by development progress
3. Mobilize public sector domestic resources for development
4. Catalyze private sector investment for inclusive growth
5. Prioritize transparency, evaluation, and accountability
6. Safeguard gains and continue progress
7. Celebrate responsible transitions

The United States has a strong record of supporting development transitions with countries such as South Korea, Portugal, Turkey, Bulgaria, Argentina, [Panama](#), and [Costa Rica](#). As recent history shows, both development assistance and eventual transitions are successful when they are planned and implemented in partnership with countries – including government, civil society, and the private sector – and driven by a country’s own development priorities.

Under Administrator Mark Green’s leadership, USAID is currently steering a process called *Journey to Self-Reliance*, which includes the development of metrics for determining a country’s transition readiness. In conjunction with this effort, the Advisory Committee on Voluntary Foreign Aid (ACVFA) – a link between the U.S. Government and private organizations active in humanitarian and development work overseas – recently issued a [report](#) with recommendations on USAID’s *Journey to Self-Reliance* vision.

The Committee has included language in prior years calling for country strategies to incorporate aid transition plans, and MFAN urges the Committee to ensure consultation with Congress and the development community on all aspects related to USAID’s self-reliance initiative.

Reforms to Expand Development Impact of U.S. Assistance

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 helps create new trading and security partners for the United States.

As you prepare your Fiscal Year 2019 Appropriations bill, we at MFAN urge you to:

1. Strengthen Congressional oversight of reforms and reorganization, and maintain USAID independence. 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 the Committee to strengthen these instructions in FY19 by requiring reforms 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. Ensure sufficient funding (FY17 enacted) 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 full support of Congress, and [recently-issued implementation guidelines](#) by the White House Office of Management and Budget require 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 compliance with the new guidelines. This account supports USAID's efforts to drive innovation and retain talent, oversee program implementation, improve transparency and accountability, and evaluate results.

3. Ensure adequate funding (FY17 enacted) 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 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. Strengthen consultation with Congress and development community on USAID strategic transition plans and associated metrics. MFAN thanks both the House and Senate for adopting language in FY18 requiring Congressional consultation on USAID's strategic transitions efforts. It explicitly states that metrics, principles, and plans for post-transition engagement should be developed and shared with the relevant Committees as well as the development community. We request the Committee broaden the scope of USAID strategic transition plans to include goals of locally-owned sustainable development, specific Agency-wide metrics for these goals, and opportunities to sustain development progress and solidify partnerships with the United States.

5. Include report language requiring USAID interagency strategy on domestic resource mobilization (DRM) assistance. MFAN appreciates FY16 and FY17 language in both the House and Senate reports encouraging the U.S. Government to help countries increase domestic revenues and requiring the USAID Administrator to consult with the Committees on Appropriations. MFAN further thanks the House for adopting language in FY18 requiring that the USAID Administrator consult with the Committees on identification of specific countries where DRM assistance is programmed, an MFAN recommendation.

In its FY19 budget request, USAID is seeking \$75 million for DRM assistance, an increase from previous years. We request the Committee require USAID to lead the development of an interagency DRM strategy for assisting countries to mobilize resources for development. Such a

strategy would clarify how U.S. agencies undertaking DRM assistance can work coherently and effectively, while describing each agency's role and coordinated approach towards achieving ambitious metrics and outcomes.

Partner countries ultimately need to raise and invest more of their own domestic resources – in particular public sector resources – to address the needs of society in a fiscally sound and 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 of Public Sector Domestic Resource Mobilization in Developing Countries](#)" provide 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.

Continued Congressional Leadership on Effective U.S. Foreign Assistance

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