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CORRECTION: MFAN Statement on Final FY23 State-Foreign Operations Bill

December 22, 2022 (WASHINGTON) – *This statement is delivered on behalf of the Modernizing Foreign Assistance Network (MFAN) by Co-Chairs Lester Munson, Larry Nowels and Tessie San Martin.*

On December 20, congressional leaders [released](#) the final bill text and report for the conference agreement on the Fiscal Year (FY) 2023 State, Foreign Operations and Related Programs appropriations bill. The agreement provides a total funding level of \$59.7 billion, a \$3.6 billion increase compared to the FY22 (non-emergency) enacted level. In addition, the omnibus FY23 bill also includes \$16.6 billion in emergency humanitarian, economic, and security assistance funding for Ukraine, countries affected by the situation in Ukraine, and other assistance to vulnerable populations and communities.

While the final non-emergency funding level falls short of the House's (and Senate Democrats') recommended levels, the combination of core and emergency funding provides vital resources for addressing the multitude of demands on U.S. foreign assistance programs. The Modernizing Foreign Assistance Network applauds congressional leaders for this action and for including important provisions that will strengthen the effectiveness of U.S. foreign assistance.

MFAN applauds appropriators for providing \$1.743 billion in the final bill for USAID's Operating Expenses (OE), the same level as the Administration's request and an increase of \$100 million (6%) over current levels. Robust funding for the OE account is essential for aid effectiveness and supports USAID's efforts to drive innovation, attract and retain skilled development talent, oversee program implementation, improve transparency and

MFAN had hoped for a larger increase to more fully address USAID's workforce and resource needs. We are concerned that a portion of the increase will be needed just to meet cost of living (COLA) increase for federal workers. In addition, Administrator Power's important locally led development initiative will require more personnel, including significantly more contracting officers - a function that has been short-staffed for years.

MFAN is very pleased the final bill reiterates language in the original House report directing the Secretary of State and USAID Administrator to submit a report to Congress regarding ex-post evaluations of the sustainability of U.S. foreign assistance programs and the uses of funds for these evaluations in fiscal year 2023. MFAN supports stronger implementation of monitoring and evaluation practices, including impact evaluations, across all foreign aid agencies in order to realize the greatest potential of these accountability tools to enhance aid effectiveness.

MFAN is pleased the final bill fully funds the requests for the U.S. International Development Finance Corporation-DFC (\$1 billion) and the Millennium Challenge Corporation (\$930 million). These two agencies play invaluable roles in fostering economic growth and poverty reduction in developing countries through metric-driven criteria, in partnership with the private sector and other partners. MFAN is pleased the final bill includes the Senate's higher level of funding for MCC administrative costs, and that the final funding levels for the DFC's and MCC's administrative costs equal the Administration's request, ensuring the agencies maintain sufficient capacity to effectively manage program resources.

MFAN also applauds funding for workforce diversity, equity and inclusion initiatives in foreign affairs agencies and is encouraged by the House and Senate's attention to strengthening and diversifying agencies' workforces.

MFAN is very pleased that the final bill reiterates the strong report language regarding locally led development (LLD) that is contained in each chamber's bills and also calls for detailed reporting by USAID on funding implemented by local entities in fiscal years 2021 and 2022, including development and humanitarian assistance programs. We commend the agreement for highlighting the importance of increasing ownership by local partners, enhancing coordination and burden sharing, leveraging the private sector,

MFAN is also pleased that the final bill includes Senate report language supporting Domestic Resource Mobilization (DRM) initiatives on the part of USAID. Strengthening revenue generation and budgetary capacity is vital to increasing partner countries' investments in health, education, and other development sectors.

MFAN applauds appropriators for reiterating in the final bill the importance of the DFC's development mission and that it prioritize support in low- and lower-middle income countries with significant potential for advancing United States development priorities. The agreement also notes that DFC investments "should be complementary to, not a substitute for, other United States foreign assistance programs."

On other DFC matters, MFAN remains concerned that Congress' intent under the BUILD Act regarding the financing of important economic development projects through the Development Finance Corporation (DFC) continues to be restricted by how equity investments are scored by the White House (Office of Management and Budget – OMB) and the Congressional Budget Office. While we commend Congress for its continued efforts to address this significant roadblock to DFC investments, we note that had Congress and OMB agreed to score DFC equity investments similar to U.S. government credit programs rather than on a dollar-for-dollar grant basis, less direct funding for the DFC would have been necessary, freeing up additional resources in this bill to provide more robust funding for other critical development and humanitarian programs.

Lastly, MFAN has consistently advocated for more flexible foreign aid funding mechanisms on the part of Congress that are paired with appropriate and timely accountability on the part of the White House and executive agencies. Serious conversations between the two branches are needed to restore trust and confidence and provide more latitude to development agency professionals on the ground to adjust funding allocations in order to address local priorities and achieve the greatest development impact. We encourage Congress to consider ways to advance more flexible mechanisms, including further changes to annual allocation directives.

MFAN congratulates Chairman Leahy, Chairwoman DeLauro and

global leadership. This bipartisan congressional support is vital so that the U.S. continues its leadership with our partners across the globe in development and humanitarian relief. On the occasion of Chairman Leahy's retirement, we especially want to express our deep gratitude to the Senator and his staff for the outstanding leadership they have provided for many years in building and strengthening America's global development and humanitarian relief efforts around the world.

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About MFAN

MFAN is a diverse coalition composed of international development practitioners, development institutions, think tanks, and the private sector that advocates for more effective U.S. foreign assistance. MFAN was created to build upon the bipartisan consensus that the U.S. should play a global leadership role to support effective U.S. development cooperation in achieving economic growth, more resilient societies, poverty reduction, and promoting locally-led development and democratic approaches, and that the U.S. can play that role more effectively, efficiently, and transparently. To learn more about MFAN, please visit: www.modernizeaid.net.

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