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MFAN Applauds Aid Effectiveness Proposals in Administration's FY24 International Affairs Budget Request

March 21, 2023 (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.*

The Modernizing Foreign Assistance Network (MFAN) applauds the Biden Administration's FY24 International Affairs budget request for recommending funding levels that will continue to bolster the United States' role as a leader in global development and humanitarian relief. MFAN is especially pleased to see several items in the request that will further strengthen the effectiveness and sustainability of U.S. foreign assistance.

MFAN co-chair Larry Nowels observed that "President Biden has offered a thoughtful and constructive budget for advancing America's global interests, engaging with key partners, and strengthening the institutional capacity of our foreign affairs agencies in order to achieve better development outcomes."

The budget proposes \$1.9 billion for USAID operating expenses, a 9% (\$159.5 million) increase over FY23 that will enable the agency to make additional progress in addressing critical staffing needs. Robust funding for the USAID Operating Expenses (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 accountability, evaluate results, and apply a strong learning agenda for future programming. Additionally, Administrator Power's important locally led development initiative will require more personnel, including significantly more contracting officers, a strategic priority as committed to in the new USAID [A&A](#)

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Administration's proposal would allow further, significant progress to be made in boosting the staffing resources of the agency. MFAN also applauds the expanding roles of experienced local USAID staff in contracting. Since a significant portion of these funds will need to be tapped to fund the proposed 5.2% cost of living (COLA) increase for federal workers rather than hire additional staff, MFAN highlights the importance of providing at a minimum the increase proposed by the Administration.

"International assistance is a critical component for U.S. global leadership, and the Biden Administration has done well to propose a budget that boosts resources and includes measures to increase the effectiveness of our development programs," said Tessie San Martin, MFAN co-chair and President and CEO of FHI 360. Regarding the Millennium Challenge Corporation (MCC), MFAN is pleased the request includes a \$143 million (15%) increase for the agency and a \$13 million (10%) boost for the agency's administrative expenses.

For the U.S. International Development Finance Corporation (DFC), MFAN is pleased the request includes \$243 million for administrative expenses, a \$23 million (10%) increase, and maintains the FY23 enacted level of \$780 million for programs. We strongly applaud the Administration for proposing a new equity revolving fund for the DFC, which will bolster the agency's equity investment capabilities. MFAN believes equity investments need to be a high priority of the United States, given the power of equity to reduce the risk for private investment and catalyze economic growth in the developing world.

Presently, the DFC's equity investment potential is being restricted due to the way its equity financing is "scored" (accounted for, in budgetary terms) -- on a dollar-for-dollar basis, as if every dollar invested is a grant, rather than an investment that in most cases will eventually be paid back along with a financial return. The President's FY24 proposal for \$2 billion in mandatory funding into the DFC's Corporate Capital Account will help address this problem by allowing the agency to make equity investments and then reinvest any returns into new projects on a self-financing, revolving basis. MFAN reiterates that this additional financing authority must not affect the discretionary funding levels of other programs or agencies within the International Affairs budget.

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chair.

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MFAN is a bipartisan reform coalition composed of international development and foreign policy practitioners, policy advocates, and experts from the U.S. and Global South. We promote more effective and accountable U.S. foreign assistance that advances American interests, delivering greater results for people in need and U.S. taxpayers. Centered around two guiding principles of accountability and locally led development, we advocate for programs that focus on long-term outcomes and impact, including new and innovative approaches and models for development.

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