

MFAN's Analysis of the Final Fiscal Year 2024 State-Foreign Operations Bill

April 9, 2024 (WASHINGTON) – On March 22 and 23, respectively, the House and Senate passed a final Fiscal Year (FY) 2024 State, Foreign Operations and Related Programs appropriations bill, as part of a package with five other annual appropriations bill.

The final agreement's funding level is a highly concerning 6% (-\$3.7 billion) reduction from FY23 levels – resulting in diminished resources for a number of areas at a time of acute global development and humanitarian needs. The delay in enactment of the bill until already half-way through the fiscal is also troubling, as these long delays inject high levels of uncertainty into program management and planning that are detrimental to the most effective implementation of these programs.

MFAN is particularly troubled by the final agreement's cut of 2.75% (-\$48 million) to USAID's Operating Expenses (OE), given how critical the OE account is for aid effectiveness. OE resources go to the heart of USAID's ability to attract and retain skilled development talent, drive innovation, evaluate results, and apply a strong learning agenda for future programming. The cut to OE funding, a rejection of the Senate bill's \$53 million increase, is a troubling step back at a time when the agency is grappling with exceedingly high demands. In fact, over the past three years, USAID has obligated more foreign aid funds (in real terms) than the United States has at any time since the Marshall Plan in the late 1940s.

On other funding matters, MFAN is pleased the final agreement rejects the House's cuts and increases funding for the administrative expenses for the U.S. International Development Finance Corporation (DFC) and Millennium Challenge Corporation (MCC). These two agencies play invaluable roles in fostering economic growth and poverty reduction, and it's important to ensure their administrative costs keep pace with rising programmatic activity. However, the agreement's rescission of \$475 million in previously appropriated MCC funds is very concerning, especially following the \$515 million and \$100 million rescissions in FY22 and FY23, respectively. This is a harmful precedent that could negatively affect MCC's unique operations model.

MFAN applauds appropriators for inclusion in the final agreement of new language directing the DFC to "ensure timely, accurate, and complete reporting of DFC investments on the ForeignAssistance.gov website" and requesting a report from the corporation on a timeline for addressing any challenges that exist to ensuring more timely and comprehensive reporting. MFAN has noted that the DFC is not fully in compliance with the disclosure requirements of the Foreign Aid Transparency and Accountability Act of 2016, which hinders thorough transparency. The disclosure and transparency of DFC investment information not only allows stakeholders to measure the effectiveness of investments (including anticipated and actual development impact), it also improves the learnings from investments and provides for better coordination among investors. MFAN also commends appropriators for giving the DFC the authority to use the fees it charges clients to cover project-specific transaction costs rather than having to count those costs against the agency's administrative expenses budget.

Lastly, MFAN notes and thanks appropriators for the earlier inclusion of report language provisions in each of the chamber's bills that will help strengthen aid effectiveness and which still remain in force under the final agreement. These directives include reporting requirements from USAID assessing: (1) the agency's progress in advancing locally led development and humanitarian response; (2) the scaling of projects supported by the Development Innovation Ventures (DIV) program; and (3) enhanced performance metrics to measure contractor and subcontractor performance, including a projected implementation plan and timeline for improving associated award data transparency.

For more information, please consult our previous statements and analysis of the House and Senate FY24 bills.

About MFAN

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. To learn more about MFAN, visit our website: www.modernizeaid.net

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