MFAN Statement on the House's FY25 State-Foreign Operations Bill

June 20, 2024 (WASHINGTON) – This statement is delivered on behalf of the Modernizing Foreign Assistance Network (MFAN) by Co-Chairs Lester Munson, Larry Nowels, and Ritu Sharma.

On June 12, the House Appropriations Committee approved the Fiscal Year (FY) 2025 State-Foreign Operations bill by a vote of 31-26. The House bill provides a total funding level of $51.7 billion, an 11% ($6.6 billion) below current (FY24) level.

While MFAN does not advocate for specific funding levels or sectoral approaches within the State-Foreign Operations bill, these deep cuts are highly concerning. U.S. foreign assistance plays a vital role in advancing a host of America's policy objectives at home and abroad, as part of our wider set of our country's foreign policy and national security toolkit. It helps grow our economy by creating new trading partners, keep our country safe by confronting global threats before they reach our shores, and achieve the long-term prosperity of the U.S. and our key allies and partners. The prosperity and security of the U.S. and our key allies and partners requires smart, strategic, and innovative investments in economic and humanitarian aid programs, but budget cuts of this magnitude will severely set back those investments.

When applied to specific programs, the budget cuts are very concerning for their impacts on modernizing and enhancing the effectiveness of foreign assistance. Of particular concern for our coalition is the 28% (-$480 million) cut to Operating Expenses (OE) for USAID. Such a draconian reduction will take a heavy toll on our nation's chief development agency at a time when there is widespread recognition that USAID has inadequate staffing levels to effectively manage its current workload, much less meet the additional demands placed on it from record levels of procurements due to unprecedented global needs. USAID contracting officers currently manage more than four times the workload of their contracting counterparts at the Department of Defense.

The steep budget cuts to USAID OE will result in reductions in staffing at USAID not seen in many years – at a time when the global demands on the agency are acute and growing – and hamper efforts to bolster the efficiency and effectiveness of development and humanitarian relief programs. When Congress reduced USAID's OE by 10% in FY1996, it led to a significant reduction of staff and the closure of more than 25 USAID Missions around the world. MFAN is pleased the Committee expresses concern with the burdens placed on USAID contracting officers and that "assistance outcomes and oversight rely heavily on how well USAID is staffed with contracting officers as well as efficiency mechanisms built around procurement and management systems". Nevertheless, cutting OE funds will only make matters worse.

USAID's OE account is essential for continuing to strengthen the agency's oversight of program implementation, to measure and evaluate impact, and to apply a strong learning agenda for future programming. These funds are also vital to the agency's efforts to attract and retain skilled talent and to adopt more innovative approaches that will boost the return on investment (ROI) for U.S. taxpayers' investments. MFAN also notes that the substantial OE cuts will compromise USAID's ability to deliver on its efforts to advance locally led development and promote self-reliance. For all these reasons, we strongly urge Congress to reject these highly counterproductive cuts and to restore funding for USAID OE.

In addition to the cuts to USAID's OE, we also are very concerned with the 23% (-$228 million) cut to the International Development Finance Corporation (DFC)'s administrative expenses. The DFC does essential work to mobilize private capital and investment in the developing world and offer an alternative to China's aggressive posture. It's vital that the DFC's administrative costs keep pace with rising programmatic activity.

Regarding other USAID provisions in the bill and report, MFAN applauds the Committee for the inclusion of new bill language (Section 7011) on "Assistance Effectiveness and Transparency," which includes a directive and additional funding for USAID to increase the number of impact evaluations it conducts. Elevating evidence-based learning policies and practices, including greater use of high-quality evaluations, by the agency must be priority, and we look forward to working with the Committee and their Senate counterparts on this new directive.

We also thank the Committee for the inclusion of these measures:

- Reporting from the State Department and the DFC of a timeline for addressing challenges that have hindered more timely and consistent reporting of its foreign assistance funding on the Foreign Assistance.gov website – as required by the Foreign Assistance Transparency and Accountability Act of 2016. Good information is key to ensuring that U.S. foreign assistance maximizes accountability and sustainable impact.
- Reporting on USAID's progress in advancing locally led development and humanitarian response, including the coordinated implementation of relevant agency strategies and policies. Locally led development is generally a more effective and sustainable way to deliver aid and is important for helping accelerate country transitions from aid to broader forms of partnership with the United States. Progress toward Administrator Power's goal to direct 25 percent of development funds to local entities by FY25 remains slow, however.
- Reporting on the work of USAID's Private Sector Engagement (PSE) Modernize and Burden Reduction Program (BRP) initiatives to expand the agency's partnerships with new and diverse stakeholders, including national and local actors and the private sector. PSE Modernize and the BRP are important efforts to expand the agency's partnerships with new and diverse stakeholders and are ensuring these efforts – along with the agency's EDGE Fund and Localization policy -- are being integrated to help achieve better development outcomes is important.

Lastly, MFAN has advocated for many years for a greater degree of flexible funding mechanisms in the SFOPs appropriation so that State Department and USAID professionals are able to adjust to changing situations on the ground and to maximize program impact. With this in mind, we are troubled by the Committee's decision not to include authority provided in past years for the de-obligation and re-obligation of funds. We also are disappointed that the Committee has reduced (in Section 7019) from 10 percent to 5 percent the level that USAID and the State Department can "deviate" from amounts specified in tables set out in the bill's report. Taken together, these restrictions, along with the drastic cut in program funding, will hamper the ability of the agencies to be as strategic and responsive as desired to new and emerging developments on the ground.

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