

Testimony of Modernizing Foreign Assistance Network (MFAN) Executive Director Conor Savoy  
House Appropriations Subcommittee for State, Foreign Operations, and Related Programs

March 12, 2020

Chairwoman Lowey, Ranking Member Rogers, and Members of the Subcommittee: On behalf of the Modernizing Foreign Assistance Network (MFAN), I thank you for the opportunity to provide testimony regarding the Fiscal Year 2021 State, Foreign Operations, and Related Programs Appropriations bill, as well as the importance of ensuring that U.S. foreign assistance is effective, efficient, and transparent. I also wish to thank you for your steadfast leadership and support of a strong and effective International Affairs Budget as demonstrated by the Fiscal Year 2020 Further Consolidated Appropriations Act.

In the past two decades, Congress, and in particular, this Subcommittee, has played a key role in advancing significant reforms, which have made U.S. assistance more efficient, effective, and transparent. On behalf of MFAN, I would like to make six recommendations that aim to build on the significant progress which has already been made.

If enacted, these recommendations would contribute to ensuring that the new Development Finance Corporation achieves the ambitious goals set forth by Congress; that the USAID Transformation process is successfully completed; and that foreign aid budgets are implemented efficiently, with minimal disruption, and in accordance with Congressional intent. At the current juncture, MFAN believes these are key goals for the foreign aid reform agenda.

I will now briefly outline each of these requests and explain why MFAN places such importance on each.

1. Provide a funding level of \$1,446,108,300 for the USAID Operating Expenses account.

Increasing the Operating Expenses account by a modest 5 percent over the Fiscal Year 2020 enacted level would support USAID reaching the target of having on-boarded, trained, and supported the professional development of no less than 1,600 permanent Civil Service staff and 1,850 Foreign Service Officers, while accounting for fixed costs of salary and benefits increases, cost of living adjustments, overseas housing allotments and other expenses that grow with inflation.

2. Include report language urging USAID to increase the pace of hiring new foreign service officers and permanent civil service employees, and to implement the Strategic Workforce Plan.

More than a year after the end of USAID's hiring freeze, USAID has made insufficient progress on hiring permanent civil service employees and foreign service officers. Inadequate staffing is a significant impediment to aid effectiveness and to the full implementation of USAID's Transformation process. It is critical that USAID accelerate the pace of hiring in accordance with its new Strategic Workforce Plan.

3. Include House-passed bill language extending the availability of certain funds proposed for rescission.

The Impoundment Control Act allows funds that are proposed for rescission to be frozen for 45 days while Congress considers the rescission proposal. However, if an administration proposes funds for rescission shortly before the funds are set to expire, and if Congress does not act on the rescission proposal in time, an administration could effectively carry out a pocket veto of appropriated funds that an administration does not wish to expend. The proposed language, which was included in the House of Representatives' Fiscal Year 2020 State, Foreign Operations, and Related Programs Appropriations Act, would prevent this from happening by allow such funds to remain available for an additional 90 days, in cases where funds are proposed for rescission within 60 days of expiration.

4. Include enacted bill language providing for direct apportionment of Development Assistance funds to USAID.

Currently, the foreign aid budget process is subject to lengthy delays after the enactment of appropriations bills. Directly apportioning Development Assistance funds to USAID would allow appropriated funds to move more quickly through the approval process and toward their intended recipients. This language was included under the heading "Development Assistance" in the Fiscal Year 2020 State Foreign Operations and Related Programs Appropriations Act.

5. Include report language to ensure that the new Development Finance Corporation fulfills its development mandate and implements best practices regarding transparency and evaluation.

The Build Act requires the DFC to prioritize projects in low-income economy or lower-middle-income economies. This provision was intended to ensure that the DFC focuses its projects in the

countries where investment is most needed. While the BUILD Act and related legislation allow for exemptions to this requirement in certain cases, the proposed report language is intended to help ensure that the use of such exemptions remain limited, and that the Corporation maintains its focus on advancing economic development objectives in lower and lower-middle-income countries.

Evaluation and transparency are key to the effectiveness of all foreign assistance. The proposed report language would help enshrine these principles in the operations of the new DFC through compliance with the Foreign Aid Transparency and Accountability Act.

6. Provide a funding level of \$165,000,000 for the Development Finance Corporation's Program Account, if equity investments are scored on a net present value basis.

The President's Budget requests \$700,000,000 for this account, a dramatic increase from the Fiscal Year 2020 enacted level of \$180,000,000. This increase is largely due to the Office of Management and Budget's (OMB) decision regarding equity scoring. OMB has scored equity investments on a dollar-for-dollar basis, as if all such investments were guaranteed to fail. It is MFAN's position that equity investments of the DFC should be budgeted based upon the fair market value of such an investment; any losses or gains should be born by the DFC's Corporate Capital Account. If equity investments are budgeted in this manner, MFAN believes that \$165,000,000 in the DFC program account should provide for a robust equity portfolio, equal to or greater than the amount provided for by the President's request. MFAN's recommended funding level would also provide sufficient funding, equal to or greater than Fiscal Year 2020 levels, for the other activities funded within the Program account.

Thank you as always for your work on the State, Foreign Operations, and Related Programs Appropriation bill and for considering these requests. MFAN looks forward to continuing to work with you to advance U.S. values and economic and national security interests by improving the effectiveness, efficiency, and transparency of U.S. foreign assistance.