



## **Multilateral Subcommittee Hearing on Global Philanthropy and Remittances and International Development**

**Testimony before the Foreign Relations Subcommittee on Multilateral International Development, Multilateral Institutions, and International Economic, Energy, and Environmental Policy  
United States Senate**

**May 3, 2017**

Sam Worthington  
Chief Executive Officer  
InterAction

Chairman Young, Ranking Member Merkley, and Members of the Committee, thank you for the opportunity to appear before you this morning to speak on the current state of global philanthropy, remittances, and international development. During a period in time when questions are being raised about the role of foreign assistance in U.S. policy, it is encouraging that the committee has created this opportunity to better understand the scale and scope of the American public's international priorities and generosity.

For the past ten years, I have been fortunate to serve as CEO of InterAction, an alliance of over 180 member nongovernmental organizations (NGOs). Our members are headquartered across the nation and operate in every country that receives economic assistance from the United States. The organizations range in size from 4 employees to 40,000 employees and are faith-based and secular. Prior to my work at InterAction, I was the CEO of Plan International USA, a member organization of InterAction focused on ending childhood poverty, for 13 years. Plan was largely funded thanks to the generosity of American sponsors. My thoughts today draw on my experience with both organizations and through the multilateral dynamics of both leadership positions.

InterAction's membership is as diverse as it is strong, and the views of our membership organizations are equally extensive. Consequently, my remarks today are informed by the experiences and lessons of InterAction's members, but they should not be taken to represent the specific view of any individual member organization.

Of roughly \$16 billion received by InterAction members, \$5 billion is spent domestically, and \$11 billion is spent overseas. This represents about 25% of the \$43.9 billion spent on aid and remittances by private philanthropy according to the Hudson Institute Index of Global Philanthropy and Remittances.<sup>1</sup> When private philanthropy is discussed, attention tends to be paid to large

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<sup>1</sup> *The Index of Global Philanthropy and Remittances 2016*. Hudson Institute Center for Global Prosperity, 15 Feb. 2017. Web.

philanthropic foundations or their prominent sponsors. However, collectively, InterAction members represent the largest project capable group of entities delivering private development resources. Foundations are vital partners for NGOs but it is essential when assessing the state of private philanthropy overall to understand the significant role that millions of Americans play through their regular and frequent philanthropy via contributions to NGOs. InterAction represents the vast majority of the \$15.4 billion committed to international development from private and voluntary organizations. These U.S. non-profits are commonly referred to non-governmental organizations or U.S. NGOs. The resources that we represent on behalf of American donors is the largest private amount able to deliver coordinated international development impact, more than any foundation or corporate actor.

The philanthropy of the American public's implementation through U.S. NGOs, and its effectiveness, is highly reliant on the working partnership with the U.S. government. Therefore, in my testimony today, I would like to address **I.) The Role of NGOs in International Development, II.) The Nature of NGOs' Partnership with the U.S. Government, III.) Obstacles to the Effectiveness of Partnerships, IV.)** and Recommendations to Improve Effectiveness.

## **I. The Role of NGOs in International Development**

Many U.S. NGOs were founded to provide men, women and children living in impoverished conditions with a viable future, and to reduce the impact of conflict and mitigate suffering. They find their purpose from religious teachings or a desire to advance human dignity within the most marginalized people. Thanks to the compassion of the American people, we foster economic and social development, provide relief to those affected by disaster and war, assist refugees and internally displaced people, leverage innovations and facilitate partnerships with governments and corporations, and pursue other objectives related to the dignity and well-being of the world's vulnerable and poor populations. As citizen driven organizations, NGOs function as members of civil society both in the countries where they are headquartered and in the countries in which their resources are directed for international development and humanitarian aid program implementation. Relationships promoted by NGOs between countries operate as partnerships between these groups of civil society leaders. The assistance provided by U.S. NGOs therefore promote development at the grassroots level, providing bottom up change focused more on improving the conditions of individuals, even as they work to build, improve or restructure systems and institutions. Through the civil society engagement that is intrinsic to their programming, U.S. NGOs also promote local leadership in partner countries. This leads to greater societal ownership and sustainability in development programs. A higher level of country ownership and sustainability is more cost effective in the long term, ensures positive development trends will continue after a specific program ends, and aligns with U.S. government priorities for international development<sup>2</sup>.

U.S. NGOs are able to maintain long term relationships with local actors in partner countries through the reliable generosity of millions of Americans via individual donations and other consistent private sources of funding or products, such as over \$2.3 billion in gifts in kind received annually by InterAction members from corporations. These private sources include any spending

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<sup>2</sup> <https://www.usaid.gov/what-we-do/global-health/hiv-and-aids/technical-areas/aid-investment>

that is not funded by a government or a multilateral institution. This includes programs funded by individual contributions, foundations or corporations.

Private support provides many U.S. NGOs with a degree of institutional security, allowing for planning according to a longer time frame as opposed to relying on short-term partnerships for financing. The longer time frame allows for U.S. NGOs to pursue more complex and ambitious objectives and gives them the ability to cultivate relationships that lead to local ownership and sustainability.

In addition to our long term development programs, U.S. NGOs are also the channel through which the American public responds to humanitarian crises. People in our country have a deep desire to help when others are suffering. This desire is particularly triggered during highly visible moments of crisis, such as a tsunami or other natural disaster, and the NGO community provides a framework and leadership to pledge support. Through our long established international presence and partnerships, we also offer means through which this assistance can effectively be provided alongside local implementers that are best positioned to operate immediately following a crisis. Recent notable pledges issued in immediate response to humanitarian crises, include among others:

- 2004 Indian Ocean Earthquake and Tsunami - InterAction convened our members to contribute \$1.775 billion alongside U.S. government and international support, totaling 41.9% of total private funds contributed in the United States towards relief from the disaster.<sup>3</sup>
- 2010 Haiti Earthquake – InterAction members contributed \$885 million of private raised resources, 94% of which was from 15 organizations.<sup>4</sup>
- 2016 Refugee and Humanitarian Assistance Pledge – InterAction convened 32 of our members to commit \$1.2 billion in private resources on global humanitarian and refugee assistance over the next three years.<sup>5</sup>

None of these pledges would have been possible without aid commitment by the U.S. government. Our private supporters, established presence, and relationships around the world allows us to respond to crises in a flexible and fast manner. However, despite our capabilities, it would be impossible for us to maintain our programs over time or make a lasting impact in the wake of tragedy without the partnership of the U.S. government. Americans, who care about hunger or relief overseas, give more when they that know that a U.S. NGO is partnering with the U.S. government, foundations or corporations. They like the fact that resources are leveraged and often see government funding as adding credibility to an NGOs’ programs.

## **II. The Nature of NGOs’ partnerships with the U.S. Government**

Like many non-profit American institutions, the U.S. NGO community is strongest when it cooperates with the U.S. government. A partnership between NGOs and the U.S. government can

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<sup>3</sup> <http://reliefweb.int/report/indonesia/south-asia-interaction-tsunami-accountability-report-relief-reconstruction>

<sup>4</sup> <http://reliefweb.int/report/haiti/eu-us-aid-groups-pledge-about-27-blm-haiti>

<sup>5</sup> <https://www.interaction.org/newsroom/news-releases/ngo-alliance-interaction-announces-12-billion-refugee-and-humanitarian>

be broadly characterized as fitting under one of the three following scenarios; **A.)** Partnerships operating with both private and public resources, **B.)** Partnerships operating when it is impossible or difficult to raise private resources, **C.)** Partnerships with NGO programs that operate and are resourced for a specific purpose.

#### A. Programs operating with both private and public resources

In the aftermath of the earthquake in Haiti, as I mentioned earlier, the U.S. NGO community pledged alongside the U.S. government to support those impacted and to help Haiti rebuild. With clear responsibility and accountability for the NGO sector through our pledge, we were able to address the impact of the disaster. We rebuilt houses, strengthened child survival systems, and saved lives. However, the earthquake's initial destruction was exacerbated by a cholera outbreak and larger institutional weaknesses in the country such as a lack of proper governance, weak and failing infrastructure, corruption, and other long-term development challenges. These challenges also made our initial response difficult. U.S. NGOs are not prepared nor do we have the resources to address these needs.

The U.S. government's responsibilities began where our capabilities ended. Our partners in USAID and the U.S. Department of State provided a framework for our response, and the US armed forces provided security for relief efforts. They allowed us to collaborate with local Haitian authorities on more systemic challenges highlighted by the earthquake. With two large rock crushing machines stuck in customs, Habitat for Humanity turned to the U.S. government for support. The housing program of Catholic Relief Services was able to scale to reach thousands thanks to USAID, and I watched the 82<sup>nd</sup> Airborne provide security as a massive CRS food distribution program fed thousands of people. And in partnership with USAID, Save the Children focused on rebuilding schools and proving safe places for children and International Medical Corps created anti-cholera centers. We were able to create bottom-up impact and identify how to help save individual lives, but our impact was only possible thanks to U.S. government leadership.

These cases illustrate just one example of the impact of U.S. NGOs and the private philanthropy they represent. Other examples, include extensive work with the private sector, building value chains, support for health and agricultural systems, and a wide array of programs that help youth and children. Across these programs, we have learned that the work of U.S. NGOs is leveraged to reach more people when their mission is pursued in coordination and partnership with the U.S. government's programs. U.S. government assistance provides a framework that enables the work of NGOs, helps us coordinate and align resources, provides diplomatic support, and through additional resources increases our ability to reach and impact the lives of more people.

#### B. Partnerships operating when it is impossible or difficult to raise private resources

Unlike natural disasters, after which American citizens are often extremely generous, it is much more difficult for NGOs to raise the sustained resources needed to address humanitarian crises in protracted conflict zones or other endemic challenges. These regions such as northern Syria, several nations in west Africa during the 2014 Ebola outbreak, South Sudan, and other parts of

the world that surface in headlines for a variety of reasons can appear to the American public to be beyond the help of their direct contributions. In conflict zones, an individual's emotional motivation to act to help those who are suffering can be also allayed by concerns that one side or another of the conflict to "blame" for suffering in contrast to the aftermath of a natural disaster when those impacted are seen as victims. With no end in sight, protracted conflicts are seen as hopeless. Unfortunately, this means that we routinely do not have the private resources needed to help the people most affected by war, women and children.

U.S. NGOs have the capability to respond to these crises, and we recognize their importance to U.S. national security, but we often cannot make a sustained, sizable impact unless the government also finances our response. There is a direct national interest for the U.S. government to support response to these crises and build partnerships with NGOs to address them. Reasons include preventing the growth of further instability or the spreading of conflict or disease that could eventually harm our country. Our established relationships and long record of working in countries, including in very fragile and difficult environments, provides greater insight into sustainable solutions than what our peers in the contracting industry may otherwise possess. Solutions from the U.S. NGO community are both more affordable and long-lasting.

### C. Partnerships with NGO programs that operate and are resourced for a specific purpose

A significant portion of private resources that U.S. NGOs receive is dedicated towards a specific mission or cause. Many U.S. NGOs specialize at the organizational level or through a subset of their organization in these missions or causes. Most of the missions focus on addressing long-term development challenges with bottom up solutions; such as children's health, education, and hunger.

In this scenario, U.S. NGOs operate in partnership with the U.S. government, both working together towards common objectives but not necessarily through the same work streams. The capability of U.S. NGOs is limited by the specific development objectives that they are being financed by private resources to achieve. In contrast to the example demonstrated by our work in Haiti, where we had open financing by our supporters to pursue the general mission of assisting Haiti, under this scenario what we can do is focused on a particular thematic topic and area of interest designated by a private donor. However, when we work in partnership with the U.S. government to achieve these objectives – our work together can be amplified.

### How NGO and U.S. government partnerships are carried out

Most U.S. NGO- U.S. government partnerships happen within specific programs. Child survival or education resources are matched or the NGO facilitates a tripartite partnership that includes the private sector. In many ways these multi-sectoral partnerships represent the future of development assistance. USAID has developed specific mechanism through the Global Development Lab and Global Development Alliance (GDA) to facilitate engagement with the private sector and U.S. NGOs often play a critical role in the shaping and implementation of these partnerships. Another example, are medication delivered through NGOs that specialize in gift in kind programs which complement PEFAR funded efforts.

InterAction's participation in the Global Food Security and Global Nutrition Pledges on behalf of our member organizations demonstrates a model of how our member programs can operate successfully at scale towards a specific common purpose while remaining aligned and operating within a U.S. government framework. In 2013, InterAction's members pledged \$1.5 billion in private funding towards the Global Food Security Pledge (ultimately spending over \$1.8 billion in private resources), to fight hunger, and build food security and resilience. These resources significantly leveraged programs that are supported by the Global Food Security Act. Programs, implemented by World Vision, Catholic Relief, CARE, Lutheran World Relief, Heifer International, among other U.S. NGOs, funded local cooperatives and agricultural capacity. At times, this capacity was linked to private sector value chains and other large scale agriculture focused programs through Feed the Future. In 2014, InterAction pledged \$750 million on behalf of members like Save the Children, Plan, ChildFund International, Hellen Keller International, and others, towards the Global Nutrition Pledge, supporting projects such as promoting breast feeding, provision of micronutrients, and good nutritional practices overall. The U.S. government played a supportive role in shaping these pledges. In both cases, U.S. NGOs followed much larger commitments by the U.S. government through development assistance alongside the other G7 nations. Through announcing a commitment of public resources and a leveraging of the U.S. government's international capacity in support of these two aims, food security and nutrition, NGOs are able to raise more money in private resources with an understanding that our programs would be able to build local capacity and solve local food security problems at scale under the U.S. government's leadership. For example, of the \$400 million I helped raise from the American people, our most successful fundraising efforts were always ones that we could say were matched by USAID.

Under the three previously discussed scenarios, the formal relationship between NGOs and the US government function as either a contract, grant, or partnership cooperative agreement. All three of these arrangements ensure that the partnership is designed to deliver common objectives between the US government and an implementing partner in order to leverage both of their potential.

Under a contract, partners rely on the US government to identify their objectives and the process in which they can pursue these objectives is often explicitly enumerated. Private resources play a limited role in contracts. In a relationship driven by a grant, the US government identifies objectives that a partner should meet but the partners are empowered to pursue these objectives as they best see fit. In a cooperative agreement, a partner and the US government have similar or identical objectives but a partner is able to leverage more private philanthropy resources in conjunction with any support they may receive through the US government because private resources will often come with less restrictions than US government support. In all three forms of relationship, US government support or partnership can be catalytic in raising more private resources. U.S. NGOs typically favor grants and cooperative agreements because they have a greater say in the shaping of a program. The US government's support of programming is a high-level endorsement of a partner because the public and other private donors trust the US government's standards. US government support will also often come with stringent reform and technical requirements for partners informed by the development expertise of USAID and other

development agencies.

The framework of US leadership ensures that the NGO sector can be on the front lines of crisis and both ensure survival and advance human well-being. If our country's government withdrew from its leadership role, we would have to raise a significantly larger amount of private resources to maintain the same infrastructure that ensures our success. Raising more private resources is an unlikely scenario. Largely due to demographic trends, giving from the American public has stabilized and we will no longer see the significant increases that occurred between the 1990s and 2008. Without a US government framework and financial support for our efforts, the charitable money raised by U.S. NGOs cannot cover any gaps caused by budget cuts.

### III. Obstacles to the Effectiveness of Partnerships

Earlier in my statement, I described the nature of partnerships between private philanthropy, represented by U.S. NGOs, and the U.S. government including some of the difficulties that NGOs confront. I would like to now examine in more depth obstacles that limit the ability of NGOs to operate as independent actors or in partnership with the U.S. government towards international development. Of current interest to InterAction's membership include **A.)** Difficulty moving private resources internationally, **B.)** Direct bureaucratic impediments in working with the U.S. government, and **C.)** The limited scope and scale of NGO programming.

#### A. Difficulty moving private resources internationally

In recent years, international financial institutions have instituted stringent controls in response to understandable concerns regarding money-laundering and illicit terrorist financing. However, these banks are going beyond implementing controls and are implementing "de-risking" measures that are making it difficult for U.S. NGOs to conduct business.

The nature of U.S. NGOs' work, collecting money in one country to assist those in another, requires transferring finances across borders between affiliates of the same organization or to implementing partners. In all of these cases we vouch for the legitimate use of the resources and routinely vet partners to ensure that they are not involved in any illicit activity. We operate in the neediest parts of the world and unfortunately, those are the countries that are most often associated with "risk" regarding anti-money laundering and combatting the financing of terror (AML/CFT). Even with no evidence of wrongdoing whatsoever, banks are choosing to refuse business or drastically slow the transfer of funds of U.S. NGOs operating in these parts of the world in a misguided response to these AML/CFT concerns. Confusing and incomplete guidance from the U.S. Department of Treasury and a fear of repercussions have driven these financial institutions to pursue these harmful measures, at times resulting in total "de-banking" of U.S. NGOs, despite the NGOs following all financial and accounting practices that meet AML/CFT best practices.

Banks efforts to "de-risk" themselves can lead to "de-banking" of NGOs, making it more difficult for NGOs to put the philanthropy of the American public to its intended purpose in

deeply poor communities abroad. Steps taken by one bank can also trigger other banks to follow suit, making donors wary of contributing to an organization. According to a report by the Charity & Security Network, a significant proportion (2/3) of U.S. NGOs that conduct international work are experiencing these kind of obstacles in accessing financial services. At least a third of the organizations encountering these difficulties include organizations that the U.S. government has already vetted and financially supports to varying degrees.<sup>6</sup>

If a humanitarian crisis occurs abroad and a U.S. NGO's ability to respond is slowed down improperly by a bank's "de-risking" measures, the delay could lead to the loss of lives. When a disaster strikes, every moment of our response matters. Delays can also occur when the U.S. government sees a legitimate risk of resources being diverted to terrorists. While no U.S. NGO will ever support the diversion of resources, we recognize that at times there is a tension between saving lives and anti-terror regulations. Getting the balance right is a delicate matter. This was vividly illustrated in 2011, when a famine struck in Somalia, and the delivery of desperately needed resources was delayed – exacerbating a crisis that ultimately took over a quarter million lives.<sup>7</sup> Ultimately, only U.S. government resources saved lives as we did not receive the legal protections needed to use private resources in areas controlled by Al Shaabab.

#### B. Direct bureaucratic impediments in working with the U.S. government

USAID has no mechanism to recognize U.S. NGOs as donors in their own right and treats them differently than the private sector. While InterAction signed an MOU with USAID to align the private funds of 33 U.S. NGOs with Feed the Future programs, there was no mechanism to implement this leveraging of private resources. At an operational level, USAID has been unable to move beyond seeing U.S. NGOs as implementing partners. Since U.S. NGOs routinely bid on projects and unlike foundations, they are often unable to put their private resources into a co-funding pool, it is easier for USAID to see NGOs as implementers of projects and not partners who bring their own resources to the table. In fact, GDA regulations state that unlike corporate funding, NGO private resources cannot be counted as a match. How can you both want to bid and implement U.S. government funded programs (like a contractor) and also have your own resources that you want to use (like a foundation)? Current USAID systems place you in one or the other camp. You cannot be both a donor and implementer of programs. There are ways around this challenge, such as a public-private partnership that involves USAID, a U.S. NGO and a U.S. corporation. The illogical outcome is that the U.S. government does not extensively leverage private NGO resources. There are exceptions, such as a large jointly funded effort with World Vision focused on education. USAID has developed mechanisms that circumvent this challenge but they are rare.

Other bureaucratic impediments may be imposed directly by the U.S. government upon NGOs, making it more difficult to directly partner with the government, and in some particularly challenging contexts – actively driving NGOs away from partnering with the U.S. government.

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<sup>6</sup> Eckert, Sue E., Kay Guinane, and Andrea Hall. *Financial Access for U.S. Nonprofits*. Charity & Security Network, Feb. 2017. Web.

<sup>7</sup> [http://www.charityandsecurity.org/news/US\\_law\\_hinders\\_aid\\_efforts\\_Somalia](http://www.charityandsecurity.org/news/US_law_hinders_aid_efforts_Somalia)



Perhaps the most illustrative example of this is partner vetting – a concept with the worthy and unobjectionable goal of assuring that U.S. foreign aid dollars does not inadvertently fund terrorists. However, the implementation of partner vetting has been haphazard, imposes substantial security risks and administrative burdens on NGOs that detract from programming, increases legal liabilities upon NGOs, and led directly to nine NGOs from accepting USAID funding in Afghanistan which required third party vetting.<sup>8</sup> All U.S. NGOs are committed to vetting their partners and ensuring that they meet U.S. laws but we continue to object to vetting that is implemented in a manner that puts our staff at risk.

As development and humanitarian NGOs, we will always be committed to delivering assistance and to working with the U.S. government where feasible. However, if the safety and security of our staff is jeopardized by U.S. regulations, we may not be presented with such a choice. If such bureaucratic hurdles keep mounting, then the efficiency, efficacy, and transparency of U.S. foreign assistance is eroded. And U.S. NGOs will limit when and where they partner with the U.S. government.

### C. Even when we bring our own resources, we count on the US to be present

As previously discussed, the impact of the NGO community alone is scattered compared to what we are capable of in partnership with the U.S. government. By scale, our impact is in no way comparable with official development assistance (ODA) from the U.S. government. In 2016, the most recent year for which the Hudson Institute Index of Philanthropy and Remittances has data; ODA from the United States totaled \$43.9 billion while as mentioned earlier, the total amount of resources committed to international development from private and voluntary organizations totaled \$15.4 billion (consisting of spending by InterAction members and other organizations).

Another obstacle mentioned earlier is the difficulty that NGOs have raising sustaining private resources for war zones and other protracted crisis areas where aid is often needed most. Democracy and governance, health systems, and other complex programs also attract limited direct public support. In those instances, we rely heavily on the U.S. government to maintain consistent operation in these areas, limiting our independence and ability to best leverage our experience. InterAction represents the largest portion of private philanthropy that can be organized towards specific goals but we cannot operate if the U.S. government was to drastically cut its development and humanitarian assistance and surrender its leadership in shaping international development cooperation.

## IV. Recommendations to Improve Effectiveness

As I have established in my testimony, U.S. NGOs occupy a significant space in international development and humanitarian efforts, particularly due to our scale in channeling the private philanthropy of millions of members of the American public. We are most successful when we

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<sup>8</sup> Darter, Kimberly. *Partner Vetting Independent Assessment: Insufficient Justification for a Global Rollout*, Dec. 2017. Web.

partner with the U.S. government, which enables us to leverage an even greater amount of private support and pursue sustainable solutions that empower our partners in countries that we assist. However, distinct steps should be taken by the US government to ensure the private philanthropy that we represent achieves the best possible international development results.

Regarding the nature of partnerships between NGOs and the U.S. government, the U.S. government has a trending bias towards working through contracts. USAID often prefers contracts due to perceived control of programming and the ease of dictating work instead of collaborating with partners. The distinction and selection criteria between contracts and cooperative agreements is set by the Federal Grant and Cooperative Agreement Act. USAID, over the years, has shifted away from the law by using contracts for work that should be implemented as a grant or cooperative agreement. USAID is using multimillion dollar contract awards (at times reaching over a billion dollars) to encompass global initiatives that should be cooperative agreements or grants. The size and breadth of these contracts is troubling given that development efforts are often very specific, based on country and cultural characteristics and smaller, tailored programs better serve these specialized needs. Contracts also operate within shorter time frames, not giving enough space to leverage relationships over time.

The other two models that I described, grants and cooperative agreements contribute to more sustainable impact supporting both short and long-term goals. By their very nature, non-profits are invested in a country beyond a transactional relationship. These historic and established relationships ensure that development programs are best designed with local input and that humanitarian assistance is sustained. However, non-profits largely do not seek contract awards as such an agreement would designate the non-profit as an agent of the U.S. government. This designation may put non-profits at risk, especially in areas controlled by repressive regimes or conflict zones where U.S. agents are viewed as unfriendly.

We must recognize that using grants and cooperative agreements is an efficient and effective way to use of taxpayer money. Portions of funds under contracts, implemented by contracting corporations, end up as profit instead of benefitting those in need. This, of course, is not the case for non-profits. Contracts do play an important role in U.S. foreign assistance (building a road or dictating specific program requirements) but grants and cooperative agreements, for which non-profits compete, remain a good tool to utilize scarce government resources. If the government would like to best leverage philanthropy in international development, it must seriously explore collaboration with U.S. NGOs towards common objectives as opposed to largely dictating the nature of a program and implementation partnership. As donors, U.S. NGO can serve as an equal partner.

USAID should develop a mechanism explicitly set up to leverage the private resources of U.S. NGOs. This mechanism should enable USAID and U.S. NGOs to co-design programs, allow the NGO to spend the resources contributed by USAID and could require a set match ratio (for example 1:1). It would encourage U.S. NGOs with significant private resources but limited experience partnering with USAID to participate. One way that the US government can work towards these forms of partnerships by creating more space for NGOs to operate in results based agreements with the U.S. government. The Global Development Alliance (GDA), an office of

USAID that forges partnerships with the private sector, promotes innovative approaches to development challenges and does so at an affordable rate for the US public. The mandate of the Global Development Alliance should be expanded to allow for NGOs to partner with the US government in pursuit of strengthened and more equal partnerships. We propose a well-resourced GDA mechanism that counts NGO private funding as a match and that encourages USAID to leverage resources from both faith based and non-sectarian NGOs.

Both grants and cooperative agreements have been used for this purpose in the past through the Private Voluntary Organization (PVO) program that functioned in the 1990s. In fact, USAID still vets U.S. NGOs, giving them PVO status and could leverage the private resourced vetted organizations. The program was canceled as USAID moved towards large bundled contracts. Our goal is to both increase the number of NGOs working with USAID and amount of private resources leveraged by the U.S. government. With support from Catholic Relief Services and World Vision, we recommended this idea at the beginning of the Obama administration but it was never implemented.

To address concerns around “de-banking” and “de-risking”, I would like to share recommendations from InterAction’s peers at the Charity & Security Network. They recommend:

- bank examiner manuals and training be improved and clarified to make evident that NGOs should not automatically be categorized “high risk”,
- a special banking channel be created to facilitate financial flows during humanitarian crises, and
- implementation of a real risk-based approach by financial institutions, which examines actual processes and standards of NGOs.

When it comes to partner vetting, in December 2016, InterAction released a report which made 19 concrete suggestions to address critical flaws in existing vetting systems. Some can and should be enacted by Congress – such directing State and USAID to exempt critical and sensitive humanitarian and democracy assistance programs. Some recommendations are actually for the U.S. Department of State and USAID to implement existing Congressional directives – such as creating a single, coherent vetting system between the two agencies.

Most importantly, we need to maintain U.S. government leadership in development cooperation. This is not just a matter of funding but also ensuring that any reform that our government may pursue is carried out in a responsible and educated manner. InterAction has actively pushed for effective U.S. foreign assistance and we recognize some redundancies. At the same time, many programs right now, doing important work saving lives and stabilizing areas in crisis, are reliant on ongoing processes and clear direction. The drawbacks if these programs are disrupted without cause or caution would outweigh whatever gains are achieved through hastened restructuring.

## V. Conclusion

I wish to thank the committee for this opportunity to provide testimony. The millions of Americans who provide the members of InterAction with billions of dollars is a clear indication of the public's support for international development and humanitarian aid. Americans who support U.S. NGOs come from different corners of our country and different faiths but they have all made it clear through their private philanthropy that effective foreign aid is aligned with their values. The U.S. NGO community has also enjoyed its greatest support by the public when our work has been matched by or aligned with the U.S. government's own. Foreign assistance is much more than a gift from the American government, through private philanthropy it is the American people choosing to collectively put our best face and an outstretched hand forward to the world. Where and when appropriate, we should deepen the U.S. government and NGO partnership.