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GLOBAL PHILANTHROPY AND REMITTANCES AND INTERNATIONAL DEVELOPMENT

HEARING

BEFORE THE

SUBCOMMITTEE ON MULTILATERAL INTERNATIONAL DEVELOPMENT, MULTILATERAL INSTITUTIONS, AND INTERNATIONAL ECONOMIC, ENERGY, AND ENVIRONMENTAL POLICY

OF THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

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GLOBAL PHILANTHROPY AND REMITTANCES AND INTERNATIONAL DEVELOPMENT

Wednesday, May 3, 2017

U.S. SENATE,
SUBCOMMITTEE ON MULTILATERAL INTERNATIONAL DEVELOPMENT, MULTILATERAL INSTITUTIONS, AND INTERNATIONAL ECONOMIC, ENERGY, AND ENVIRONMENTAL POLICY,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m. in room SD–419, Dirksen Senate Office Building, Hon. Todd Young, chairman of the subcommittee, presiding.

Present: Senators Young [presiding], Gardner, and Merkley.

OPENING STATEMENT OF HON. TODD YOUNG, U.S. SENATOR FROM INDIANA

Senator YOUNG. Good morning. The hearing of the Senate Foreign Relations Subcommittee on Multilateral International Development, Multilateral Institutions, and International Economic, Energy, and Environmental Policy, hereinafter known as the "subcommittee," will come to order.

Today's hearing represents our subcommittee's first hearing of the year and the first hearing I have had the honor to chair in the U.S. Senate. I want to thank our ranking member, Senator Merkley, for joining me in leading this subcommittee. I look forward to working with you in a bipartisan manner to provide robust oversight and address the important priorities that are before this subcommittee.

The topic for today's hearing is "Global Philanthropy and Remittances and International Development."

We are joined by an impressive array of panelists this morning who will bring a diverse range of valuable perspectives. I am particularly excited to welcome Dr. Una Osili from Indiana University. Dr. Osili is the Professor of Economics and Director of Research at Indiana University's Lilly Family School of Philanthropy. As she notes in her prepared statement, the Lilly School is the world's first school dedicated solely to the study and teaching of philanthropy. As a Hoosier, I am very proud of the fact that the Lilly School of Philanthropy sets the international standard in the field of philanthropy research.

We are also joined this morning by Dr. Daniel Runde, the William Schreyer Chair and Director of the Project on Prosperity and

Development at the Center for Strategic and International Studies. Welcome.

Mr. Sam Worthington, the Chief Executive Officer of InterAction, as well as Ms. Semhar Araia, the Managing Director for Diaspora and Multicultural Development at the United Nations Children's Fund.

I welcome each of you.

As I said, the purpose of today's hearing is to better understand the role that philanthropy and remittances play in international development. Much has changed in recent decades. According to the 2016 index on philanthropy and remittances, 84 percent of all donors' total economic engagement with the developing world is through private financial flows, with only 16 percent from government aid. While estimates may vary, the point is that corporations, foundation, not-for-profits, houses of worship, universities, families and individuals play an enormous role in global relief and development efforts.

As a result, if we are going to address most effectively the development and humanitarian challenges of our time, we need to understand and facilitate the role of legitimate philanthropy and remittances in international development. That means seeking optimal public-private partnerships, as well as identifying and reducing unnecessary barriers to legitimate philanthropy.

I hasten to note that I approach this topic as a strong believer in the U.S. Government's investments in diplomacy and development. These investments promote our security, prosperity, and values. Deep cuts to the U.S. Government's International Affairs Budget would be shortsighted, counterproductive, and even dangerous as Senator Durbin and I wrote in a letter last month to the Budget and Appropriations Committees. That letter was signed by 43 United States Senators. For that reason, I see philanthropy and remittances as valuable complements to, not substitutes for, robust U.S. Government investment in our international affairs budget.

So with those ideas in mind, here are some of the related questions and issues that I am interested in exploring with our witnesses today.

What is the scale and nature of global philanthropy and remittances, and what unique role do they play in international development?

How can the United States Government more effectively partner with the private sector to promote international development?

What unnecessary or unwise obstacles exist to legitimate philanthropy and remittances related to international development?

And what can the U.S. Government learn from the private sector with respect to innovation in international development, including evidence-based and outcome-based approaches?

I am interested in exploring these and other questions with you today.

So without any further delay, I would now like to call on Ranking Member Merkley for his opening remarks. Senator Merkley?

STATEMENT OF HON. JEFF MERKLEY, U.S. SENATOR FROM OREGON

Senator MERKLEY. Thank you, Mr. Chairman. And I am pleased to be able to call you that in your first official chair role for a subcommittee. Congratulations. And it has been a pleasure to work with you. We had a chance to go up to the United Nations together, explore a bit of the conversation that the role that they are playing, and then this exploration. Certainly remittances and private philanthropy is an important component of the committee's and this subcommittee's investigation and understanding of international economic development.

Across the globe, philanthropy and remittances are helping to lift people out of poverty, combat disease, provide resources necessary for sustainable development, whether it is CARE's work to empower women or the Gates Foundation efforts to eradicate malaria, global philanthropic organizations play a key role in alleviating human suffering and building a better future in the world's most vulnerable areas. Remittances, meanwhile, enable individuals to empower families and communities they left behind to build stronger and better societies.

I just had the chance to travel with a trip sponsored by CARE in India and in Nepal to see many of these partnerships and to discuss the role of the private funding and the public funding, USAID's role, and also remittances. I visited a village in Nepal where the majority of men are working in the Middle East and it creates all kinds of challenges for those left behind, often for extended periods. And I saw the role that women were starting to adopt in filling the space of planting for the agriculture of the community, planting cooperatives, planting small businesses that they had not previously been involved in. And this work was being facilitated through philanthropic work.

So without further ado, I look forward to learning from your insights and your organizations and your research today. Thank you.

Senator YOUNG. Well, I want to thank our witnesses again. Your full written statements will be included in the record. I welcome you to summarize your written statements in roughly 5 minutes, please.

Know that votes will be called in the course of this hearing. So I do not want anyone to be alarmed. You will be in very good hands as I vacate this chair and either hand over the gavel to one of my colleagues or recess briefly.

For opening statements, let us go in the order that I introduced you. Dr. Osili, welcome. I only ask that before you get into your formal remarks, you introduce your son, who I understand is here with you today.

STATEMENT OF DR. UNA OSILI, PROFESSOR OF ECONOMICS AND DIRECTOR OF RESEARCH, THE LILLY FAMILY SCHOOL OF PHILANTHROPY, INDIANA UNIVERSITY, INDIANAPOLIS, INDIANA

Dr. OSILI. Thank you very much, Chairman Young and Ranking Member Merkley, and other distinguished members of the subcommittee.

Before I begin, I would like to introduce my son who is here with me today. He is a junior at Le Boeuf Jesuit High School, and we are just so proud of Senator Young's work here in the U.S. Senate and proud to call him our Hoosier Senator. So thank you.

Senator YOUNG. It is great to have your son here, and thank you for being before the committee.

Dr. OSILI. Chairman Young, Ranking Member Merkley, and other distinguished members of the subcommittee, thank you for the opportunity to testify today. It is an honor to appear before you in the company of these distinguished witnesses.

I am the Director of Research at the Indiana University Lilly Family School of Philanthropy. The school is the world's first school dedicated solely to the study and teaching of philanthropy. Indiana University has been at the vanguard of philanthropy education since the Center on Philanthropy's founding, the school's predecessor, in 1987.

The school has recently been entrusted with the honor of researching and producing two leading research reports that provide a detailed picture of the role of global philanthropy, including its impact on international development and how national and international policies enable or limit such philanthropy. These two indices were founded and produced until recently by the Hudson Institute under the leadership of Dr. Carol Adelman, and the indices are the Index of Global Philanthropy and Remittances and the Index of Philanthropic Freedom.

Private philanthropy plays an important role in American economic, social, and civic life serving vulnerable and marginalized groups, providing risk capital for innovation, building communities, and reinforcing a national value that emphasizes individual action in pursuing the public good.

However, philanthropy today is increasingly global. Our research allows us to understand, perhaps for the first time, how philanthropic giving is reshaping foreign aid and global development. Today NGOs, foundations, individuals, corporations, and donors work collaboratively in far-flung corners of the globe alongside official development assistance.

Several factors, including technological progress and the rapid pace of communication, make it easier to connect people around the world to address global problems through innovative approaches. To provide some numbers to ground our discussion, charitable contributions from U.S. individuals, estates, foundations, and corporations to U.S.-based international affairs organizations reached approximately $16 billion in 2015. That represented an 18 percent increase in 2014. This growth outperformed the growth in giving to all other charitable subsectors in 2015. There were more than 6,300 international charities in the U.S. in 2013. That represents about 2 percent of all reporting public charities.

However, the smallest subsector witnessed the largest growth among all subsectors in the number of organizations at 19 percent between 2003 and 2013. Many of these organizations are new. They have been formed in the last 2 decades. The revenues and assets of these international affairs public charities increased nearly 50 percent and 70 percent, respectively, between 2003 and 2013.

So with all this information, you can see that the global development landscape has changed quite significantly over the past 2 decades.

To understand these changes, we are increasingly looking at the entire landscape of economic engagement with developing countries to further demonstrate the importance of private flows, including private philanthropy in the international arena. The Index of Global Philanthropy reports a measure of economic engagement with the developing world that actually includes official aid, private philanthropy, remittances, and private capital flows. This approach offers a more complete picture of a country's total engagement with the developing world and takes into account the critical role that the private sector plays in saving lives in the international development landscape.

According to the 2016 Index of Global Philanthropy report, total government aid from the U.S. and 38 other countries included in the report to the developing world was about $147 billion in 2014, while private financial flows of capital investments, remittances, and philanthropy was about $801 billion, more than five times official government aid.

To provide more insight here, this includes $513 billion in private capital flows, $224 billion in remittances, and $64 billion in private philanthropy. Private philanthropy alone accounts for 7 percent of total economic engagement with developing countries.

Over the past decade, new forms of philanthropy are coming to light, such as impact investments and crowdfunding. These have led the private sector to take an increasingly large and visible role in global development. Collaborations between large-scale donors, governments, foundations, NGOs, businesses, social enterprises, and civil society organizations and others offer possibilities for improving billions of lives.

Philanthropy plays a unique role. Both small and large gifts can actually help fuel scientific advances and serve as a catalyst for research in new areas of health, education, the environment, and other key sectors. Philanthropy can also fuel innovation and service delivery and in raising awareness around local and global health issues, including HIV/AIDS, malaria, education, as well as in new areas like female empowerment and the empowerment of young people.

The Global Alliance for Vaccines and Immunisation, the GAVI, a global vaccine alliance, provides an example of innovation catalyzed by private philanthropy, with initial funding from the Bill & Melinda Gates in this case leading to an effective partnership model of vaccine development, production, and provision to developing countries. GAVI has helped approximately 580 million children in developing countries receive immunizations since its founding in 2000. Over 65 million children received immunizations with GAVI-supported vaccines in 2015 alone.

Among countless examples, private philanthropy has also led to an increase in agricultural productivity to transform the food systems in many developing nations, to help curb violence in places like Bangalore in India, to reduce meningitis and onchocerciasis as major health problems in sub-Saharan Africa and to respond quickly after disasters or even to prevent disasters, and finally to help

expand access to quality education for children in remote areas who otherwise would not have access to education.

In the U.S., government policy provides much freedom to allow and promote the growth of philanthropy and the development of a healthy nonprofit sector. The U.S. Government has also scaled up new forms of organizations and new ideas in response to social challenges both domestically and internationally. Globally, while some countries have witnessed an expansion of their nonprofit sector and growth in private philanthropy during recent years, there are also growing concerns about restrictive regulations on both domestic and cross-border philanthropy.

The 2015 Index of Philanthropic Freedom report identified three major barriers to philanthropic freedom worldwide. These include: number one, foreign exchange regulations and capital controls which affect the ability to trade currencies and to move funds in and out of countries; second, overly broad application of illicit financial flows, IFF, legislation which has imposed onerous reporting requirements on civil society organizations that receive foreign funds; and third, existing and proposed laws in some countries designed to restrict the flow of foreign funds to human rights organizations and watchdog groups.

The International Center for Nonprofit Law also identified four common challenges restricting the operation of international development nonprofits globally. These constraints include restrictive legal requirements for the registration and operation of nonprofit organizations, restrictions on foreign funding and affiliations, and overly broad counterterrorism laws and regulations constricting activities that further international development, as well as the lack of trust between governments and nonprofit organizations.

The school's ongoing research finds that cross-border philanthropy is subject to stricter oversight in about 20 countries where specific laws and regulations on foreign nonprofits have been passed or proposed since 2015. This increasing level of oversight towards foreign nonprofits has the potential to constrain philanthropic freedom globally and to greatly limit the ability of philanthropy to continue to fuel innovation and provide risk capital to address global challenges. More research is needed on global philanthropy and its role in international development and is crucial to creating awareness among leaders and policymakers about the critical role that philanthropy plays in promoting economic and social development around the world.

Thank you for the opportunity to testify today. I would be happy and honored to respond to any questions you may have. Thank you.

[The prepared statement of Dr. Osili follows:]

PREPARED STATEMENT OF DR. UNA OSILI

WRITTEN TESTIMONY

Una Osili, Ph.D.
How Global Philanthropic Giving Affects Foreign Aid and International Development
Testimony before the
Subcommittee on Multilateral International Development, Multilateral Institutions, and International Economic, Energy, and Environmental Policy
of the
United States Senate Committee on Foreign Relations

Chairman Young, Ranking Member Merkley, and other distinguished members of the subcommittee,

Thank you for the opportunity to testify today. It is an honor to appear before you in the company of these distinguished witnesses. I am the director of research at the Indiana University Lilly Family School of Philanthropy. The School is the world's first school dedicated solely to the study and teaching of philanthropy. Indiana University has been at the vanguard of philanthropy education since the Center on Philanthropy at Indiana University, the School's predecessor, was founded in 1987. Today, the School plays a leading role in advancing philanthropy across the country and around the world because of the vision and generosity of the founders and leaders who foresaw the importance of researching, understanding, and teaching about this integral component of life and society.

The School has recently been entrusted with the honor of researching and producing two important research reports that provide a detailed picture of the role of global philanthropy, including its impact on international development, and how nations' policies enable or limit such philanthropy. These two indices, founded and produced until 2017 by the Hudson Institute under the leadership of Dr. Carol Adelman, are the Index of Global Philanthropy and Remittances (IGPAR) and the Index of Philanthropic Freedom (IPF).

These global indices are resources that can inform policy discussions by providing context for evaluating and benchmarking national policies and conditions, as well as information that helps to identify current problems and priority issues. Similarly, the indices on global philanthropy provide a map of the factors that affect philanthropic engagements targeting international development.

Knowing how philanthropy operates at a global scale increases our understanding of the magnitude and importance of philanthropic flows on the development and innovation of the social sector. Whether in the form of locally supported charity-based philanthropy or as international social capital investments, philanthropy has a significant impact on international development. Studies on global philanthropy also inform the capacity of local philanthropic organizations and individuals to engage in philanthropy, as well as their ability to build transnational alliances with international philanthropy organizations, diaspora groups, and international advocacy networks to contribute to advancing development goals.

First published in 2006, the Index of Global Philanthropy and Remittances (IGPAR) provides comprehensive information on financial flows from the U.S. and other developed and emerging economies to the developing world. It documents the level of official government aid as well as the magnitude of private financial flows from various sources. The IGPAR sheds light on the role that the public, private, and nonprofit sectors play in foreign aid and international development,

and facilitates discussion around this important issue. The most recent 2016 IGPAR report includes data from 39 developed and emerging economies, including the U.S.

A sister publication, the Index of Philanthropic Freedom (IPF), first published in 2015, explores the enabling environment for philanthropy within a country and across countries. The index examines the legal, socio-cultural, and socio-political barriers and incentives for individuals and organizations to donate to social causes, and compares countries on their ease of giving, both domestically and internationally. These barriers and incentives can be policies, accepted practices, legal structures, self-regulatory and monitoring practices, or of other types that reflect each country's philanthropic culture and political willingness to support the development of philanthropy. The IPF offers a comprehensive understanding of how and to what extent countries provide the conditions required for the unobstructed operation of philanthropy within a country and across the world. The most recent 2015 IPF report includes 64 countries, representing 81 percent of the world's population and 87 percent of the world's GDP.

While philanthropy has been well measured in the U.S. and other developed countries, through the founding of both indices, Dr. Carol Adelman and Hudson Institute have made great advances in extending the study of the magnitude and conditions for philanthropy to emerging and developing economies. Through partnerships and collaborations with experts and organizations all over the world, the Hudson Institute's Center for Global Prosperity made a significant contribution to the field of international development with detailed and contextualized research conducted by local scholars in their home nations to give better estimates of global philanthropic giving. The two global indices provide valuable information to help policymakers, researchers, and practitioners develop new programs, projects and policies to address the limitations for giving around the world.

The School is honored to continue the work initiated by the Hudson Institute's Center for Global Prosperity, increasing comprehension of the evolution of global philanthropy, and connecting knowledge with the actors who can contribute to international development through philanthropic engagements. Our School and other colleagues at Indiana University will strive to provide knowledge to support evidence-based policymaking at the global and national levels and to increase the strategic role of philanthropy in poverty alleviation and social change.

The School has a strong global reputation and proven track record as a research pioneer in the fields of philanthropy and the nonprofit sector. Our work on the indices will build on our extensive, in-depth expertise and research, internationally and domestically. Among others, three of the School's signature research projects are:

i. ***Giving USA: The Annual Report on Philanthropy,*** in partnership with Giving USA Foundation, annually estimates U.S. charitable giving, including who gives, how much, and for what purposes, as well as giving by individuals, estates, foundations, and corporations. It also provides a view of issues and trends in philanthropy.

ii. The ***Philanthropy Panel Study (PPS)*** looks at U.S. charitable giving at the individual and household level. The study follows the same more than 9,000 households over time and adds adult children's households as they reach maturity. The PPS enables a better understanding of the average U.S. households with regard to philanthropy. It examines which economic, social, cultural, and life factors affect whether and how people give, and how that changes over the course of a lifetime. By following the same households over time, the study allows us to see how generations differ and how parents influence children's philanthropy.

iii. The ***U.S. Trust Study of High Net Worth Philanthropy*** examines how and why the wealthy households give and volunteer, what types of causes they support, and what factors influence their charitable behaviors.

The Philanthropic Landscape Domestically and Internationally

The Role of Private Philanthropy in U.S. Society

Private philanthropy plays an important role in American social, economic, and civic life, fighting unaddressed problems, serving underrepresented population groups, building communities, and reinforcing a national value that emphasizes individual initiative in pursuing the public good. Our research for *Giving USA* shows that in 2015 charitable giving from all sources in the U.S. totaled an estimated $373 billion[1] (The 2015 estimates are the most recent currently available; 2016 estimates will be released in mid-June of 2017.)

About 71 percent of the U.S. total, nearly $265 billion, was given by individual donors. Charitable giving by bequests is estimated to be almost $32 billion. Adding these two components together, individuals donated 80 percent of total charitable contributions in the U.S. in 2015. American foundations contributed about $58 billion, representing 16 percent of total charitable giving. American corporations donated another $18 billion, accounting for 5 percent of total giving. Table 1 in the Appendices presents the amount of U.S. charitable giving by source for the period between 2001 and 2015.

Charitable contributions from U.S. individuals, estates, foundations and corporations to U.S.-based international affairs organizations totaled approximately $16 billion in 2015, an 18 percent increase from 2014. This growth outperformed the growth in giving in all other charitable subsectors in 2015.

The Role of Philanthropic Giving in Foreign Aid and International Development

Philanthropy is increasingly global. Our research allows us to understand how philanthropic giving is reshaping foreign aid and global development in developing countries. Today, NGOs, foundations, individual donors, and corporations work collaboratively alongside official development assistance. Several factors, including technological progress and communication, make it much easier to connect people around the world to address global issues collaboratively through innovative approaches. Philanthropic giving plays a significant and highly visible role in foreign aid and international development. There were more than 6,300 international affairs public charities in the U.S. in 2013, representing 2 percent of all reporting public charities; however, this smallest subsector witnessed the largest growth among all subsectors in the number of organizations, at 19 percent, between 2003 and 2013[2]. The revenues and assets of international affairs public charities increased roughly 50 percent and 70 percent, respectively, from 2003 to 2013.

Many religious organizations are actively involved in international development. Research finds that nearly 60 percent of U.S. international nonprofit organizations are faith-based.[3] This number

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[1] *Giving USA: The Annual Report on Philanthropy for the Year 2015* (2016). Chicago: Giving USA Foundation™. Research and written by the Indiana University Lilly Family School of Philanthropy.
[2] McKeever, B. S. (2015). The nonprofit sector in brief 2015. Washington, DC: Urban Institute.
[3] Heist, D., & Cnaan, R. A. (2016). Faith-based international development work: A review. *Religions, 7*(3), 1-17.

alone highlights the important role that religious organizations have in providing international relief and promoting social development around the globe.

A closer look at total U.S. economic engagement with developing countries further demonstrates the importance of private philanthropy in the international arena and its continual growth over the past 10 years. The IGPAR reports measure economic engagement by including official aid, private philanthropy, remittances, and private capital flows. This approach offers a more complete picture of a country's total economic involvement with the developing world, and takes into account the critical role that private players have in international development. According to the 2016 IGPAR report, the total U.S. economic engagement with developing countries was estimated to reach $365 billion in 2013-2014. The official development assistance (ODA) from the U.S. to developing countries totaled approximately $33 billion in 2014, accounting for 9 percent of the total U.S. economic engagement with developing countries. Private sources contributed nearly $332 billion to developing countries, including $44 billion in U.S. private philanthropy, $109 billion in remittances from migrants living in the U.S. to their home countries, and $179 billion in U.S. private capital flows. Moreover, from 2004 to 2014, U.S. private philanthropy to developing countries grew by 81 percent, while U.S. government aid to developing countries increased by 55 percent during the same period. (See Table 2 in the Appendices for U.S. economic engagement with developing countries by type of flows for the period between 2004 and 2014.)

Total government aid from the U.S. and the 38 other countries included in the 2016 IGPAR report to the developing world was $147 billion in 2014, while private financial flows of capital investments, remittances, and philanthropy was $801 billion, more than five times higher than government aid. This includes $513 billion in private capital flows, $224 billion in remittances, and $64 billion in private philanthropy. Private philanthropy alone accounts for 7 percent of these countries' total economic engagement with developing countries. (See Table 3 in the Appendices for details.)

New forms of private philanthropy, such as impact investing and crowdfunding, have grown rapidly worldwide over recent years to address global social challenges, providing financial aid and nurturing innovative solutions. Individual and institutional donors are increasingly interested in exploring new, collaborative, sustainable approaches to promoting economic and social development around the world. These trends are shaping the future of global development in a significant way.

Over the past decade, philanthropy has taken an increasingly large and visible role in global development. Collaborations between large-scale donors, governments, foundations, NGOs, businesses, social enterprises, civil society organizations and others offer possibilities for improving billions of lives.

Private Philanthropy Plays A Key Role in Innovation

Philanthropy—in both small and large gifts—is playing an important role in fueling scientific advances, or serving as a catalyst for research in new areas in health, education, environment, and other key sectors. Philanthropic support also catalyzes innovation in delivering services and raising awareness around local and global health and social issues, such as HIV/AIDS, malaria, female empowerment, and financial inclusion. Private philanthropy also allows nonprofit organizations to respond quickly after disasters, and to provide access to quality education for children in remote areas who did not otherwise have it.

The Global Alliance for Vaccines and Immunisation (GAVI), a global vaccine alliance, provides an inspiring example of innovation catalyzed by private philanthropy—with initial funding from the Bill & Melinda Gates Foundation in this case—leading to an effective partnership model of vaccine development, production, and provision to developing countries. GAVI has helped approximately 580 million children in developing countries receive immunizations, since its creation in 2000. Over 65 million children received immunization with GAVI-supported vaccines in 2015 alone.

Technological advances have also provided new opportunities for cross-border philanthropy. Leveraging the power of technology, Global Giving, Kiva and other web platforms have the potential to promote accountability and transparency in global philanthropy by linking donors directly to their beneficiaries. These platforms can serve as a tool to enable donors to access and track stories and updates from beneficiaries directly, raising awareness of needs, and making donating to help someone in another part of the world much easier and more personal.

Another advantage of private philanthropy comes from its flexibility in testing new approaches and implementing evidence based-principles in international development and humanitarian relief. Initially funded by the Rockefeller Foundation and the Bill & Melinda Gates Foundation, the Alliance for a Green Revolution in Africa (AGRA) is just one example of using science and technology to increase agricultural productivity and transform the food system in Africa. Since its inception in 2006, AGRA has now expanded partnerships to local and international organizations across sectors, with African corporate and government funders joining this initiative.

The *Mobilise!* Project offers another example in which a U.S. nonprofit research institute, a U.S. social enterprise, and USAID came together and implemented new approaches to help women affected by domestic violence in Bangalore by developing and implementing a mobile phone application. This innovative, mobile phone-supported intervention, in turn, offered data to help promote advocacy against domestic violence.

In the field of global health, foundations are also forming partnerships that are specifically geared toward global health issues. Some of these partnerships include the Meningitis Vaccine Project, Project Last Mile, and AMPATH. In one example, meningitis A is no longer a major public health problem in sub-Saharan Africa. Much of this breakthrough is due to a vaccine developed by the Meningitis Vaccine Project, a successful multi-sector partnership. Project Last Mile is another example of successful partnerships between organizations in the public, private, and nonprofit sectors to improve health systems in Africa. Launched in 2010, Project Last Mile has been delivering medicines and supplies to hard-to-reach communities across Africa by leveraging Coca-Cola's supply chain and distribution expertise.

AMPATH, led by the Indiana University School of Medicine, was initially formed in response to the HIV/AIDS crisis in Africa, and has become a consortium of North American academic medical centers working in partnership with Kenya's government, local farmer groups, and community micro-finance groups. AMPATH now provides health care to more than 180,000 HIV-positive adults and education assistance to over 20,000 children left orphaned due to HIV/AIDS, as well as additional community-based health services. Examples like these are inspiring more collaborative and innovative solutions to address global challenges.

Role of Government Policy in Global Philanthropy

In the U.S., government policy provides much freedom to allow and promote the growth of philanthropy and the development of a healthy nonprofit sector. The U.S. government has also scaled up new forms of organizations and new ideas in response to social challenges domestically and internationally. Globally, while some countries have witnessed an expansion of their nonprofit sector and a growth in private philanthropy during recent years, there are also growing concerns about restrictive regulations on domestic and cross-border philanthropy.

The 2015 IPF report identified three major barriers to philanthropic freedom worldwide, including 1) foreign exchange regulations and capital controls, which affect the ability to trade currencies and move funds in and out of countries; 2) extensive Illicit Financial Flows (IFF) legislation, which has imposed onerous reporting requirements on civil society organizations that receive foreign funds; and 3) existing and proposed laws in some countries designed to restrict the flow of foreign funds to human rights organizations and watchdog groups.

The International Center for Not-for-Profit Law identified four common challenges restricting the operation of international development nonprofit organizations globally.[4] These constraints include restrictive legal requirements for the registration and operation of nonprofit organizations, restrictions on foreign funding and affiliations, overly broad counterterrorism laws and regulations constricting activities that further international development, and the lack of trust between government and nonprofit organizations.

The School's ongoing research finds that cross-border philanthropy is subject to stricter oversight in about 20 countries where specific laws and regulations on foreign nonprofits have been passed or proposed since 2015. This increasing level of oversight towards foreign nonprofits has the potential to constrain philanthropic freedom globally, and to greatly limit the ability of philanthropy to fuel innovation and provide risk capital to address global challenges. More research on global philanthropy and its role in international development is crucial in creating awareness among professionals and policymakers about the critical role that philanthropy plays in promoting economic and social developments around the world.

Thank you for the opportunity to testify today. I will be happy to respond to any questions you may have.

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[4] International Center for Not-for-Profit Law. (2016). Closing civic space: Impact on development and humanitarian CSOs. *Global Trends in NGO Law*, *7*(3), 1-19.

Appendices

Table 1 U.S. Charitable Contributions by Source, 2001-2015 (USD in billions of inflation-adjusted dollars)

Year	Total Giving	Giving by Individuals	Giving by Bequests	Giving by Foundations	Giving by Corporations
2015	$373	$265	$32	$58	$18
2014	$359	$255	$32	$55	$18
2013	$338	$247	$25	$51	$16
2012	$343	$252	$25	$48	$18
2011	$315	$225	$27	$47	$16
2010	$313	$226	$25	$45	$17
2009	$304	$222	$21	$45	$15
2008	$330	$235	$34	$47	$14
2007	$356	$266	$27	$46	$16
2006	$348	$264	$26	$41	$17
2005	$355	$268	$29	$39	$18
2004	$327	$253	$23	$36	$14
2003	$306	$234	$23	$35	$14
2002	$307	$229	$28	$36	$14
2001	$311	$232	$27	$36	$16

Source: *Giving USA: The Annual Report on Philanthropy for the Year 2015* (2016). Chicago: Giving USA Foundation™. Researched and written by the Indiana University Lilly Family School of Philanthropy.

Table 2 U.S. Total Net Economic Engagement with Developing Countries, 2004-2014 (USD in billions)

Year	Total	Official Development Assistance	Private Philanthropy	Remittances	Private Capital Flows
2013–2014	$365	$33	$44	$109	$179
2010-2011	$279	$31	$39	$100	$108
2010	$326	$30	$39	$96	$161
2009	$226	$29	$38	$91	$69
2008	$132	$27	$37	$97	($29)†
2007	$235	$22	$37	$79	$98
2006	$192	$24	$35	$72	$62
2005	$192	$28	$34	$62	$69
2004	$99	$21‡	$24	$47	$7

Source: Hudson Institute. (2016). *The Index of Global Philanthropy and Remittances*.

Notes: † In 2008, U.S. received more private capital inflows from developing countries than outflows to developing countries, due to global recession and the banking crisis in the U.S.

‡ This includes $1.6 billion in government aid from the U.S. to "Part II countries" as classified by the Organization for Economic Cooperation and Development (OECD), which graduated from developing country status in the OECD classification system, including Russia, Ukraine, Belarus, Israel, and several island countries.

Table 3 Total Financial Flows from 39 Countries to Developing Countries, 2014 (USD in billions)

Type of Flows	Total Amount from the U.S. and 38 Other Countries	Total Amount from the U.S.
Official Development Assistance	$147 (15%)	$ 33 (9%)
Private Capital Flows	$513 (54%)	$179 (49%)
Remittances	$224 (24%)	$109 (30%)
Private Philanthropy	$ 64 (7%)	$ 44 (12%)
Total	$948	$365

Source: Hudson Institute. (2016). *The Index of Global Philanthropy and Remittances*.

Note: This includes data from 28 member countries of the OECD Development Assistance Committee (DAC) and 11 non-DAC countries.

Senator YOUNG. Thanks so much, Doctor.

Mr. Runde.

STATEMENT OF DANIEL F. RUNDE, WILLIAM A. SCHREYER CHAIR AND DIRECTOR, PROJECT ON PROSPERITY AND DEVELOPMENT, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES, WASHINGTON, DC

Mr. RUNDE. Thank you. I am Daniel Runde. I hold the William A. Schreyer Chair and I am the Director of the Project on Prosperity and Development at the Center for Strategic and International Studies.

Chairman Young, Ranking Member Merkley, distinguished members of the subcommittee, thank you for inviting me to testify before you today.

I have had significant experience working with governments, the private sector, private philanthropy and observed closely the phenomenon of remittances in my roles at CSIS, the World Bank Group, and in the Bush administration at USAID.

It is important to understand that financial resource flows from the United States to the developing world have radically changed since the 1960s when 70 percent of U.S. resources came from official foreign aid with 30 percent from various forms of private actors. Today less 10 percent of our economic engagement is from official foreign aid and 90 percent is from these other sources of economic engagement, including philanthropy, remittances, foreign direct investment, local capital market activities, and other economic activities.

I have three main messages, though, for the subcommittee that I would like you to take away from my testimony.

First, while remittances and private philanthropy suppress official U.S. foreign assistance, neither can supplant nor replace the specific roles and functions of American official development assistance. So we should leverage and partner with these additional forces. The growth of these private resources should not be an excuse for the U.S. to take the foot off the foreign assistance gas pedal. You cannot partner if you do not have some resources, some reach, and some expertise.

That leads me to my second point. The wrong kind of merger or consolidation of USAID into the State Department endangers the ability of the U.S. to work in partnership with others. I used to run multisector partnerships in the Bush administration for AID. I built probably more partnerships than probably anybody in the U.S. Government in international development, and I speak from experience. The right kind of merger would elevate and empower the USAID Administrator as a Deputy Secretary of State and a Director of Foreign Assistance, who would coordinate and manage all foreign assistance spending that resides in over 15 government agencies. Just as we have a DNI for intelligence, we should have a DNI for our soft power.

Finally, this is not your grandparents developing world. At least 50 countries are on their way to becoming developed countries. In the medium term, these countries will continue to require limited U.S. foreign assistance, but will shift towards a trade and cooperation relationship. Sadly, however, there are 30 or 40 failed and fail-

ing states that are a source of America's biggest security problems, including terrorism, large migration flows, trafficking in persons, illegal drugs, gangs and pandemics. This second category of countries will require a steady mix of U.S. foreign assistance, security, and diplomacy.

Do I think the current foreign assistance apparatus is arranged for these challenges? No. I would highlight Senator Young's proposed legislation for a national diplomacy and development strategy. A reorganization of resource allocation exercise should be done in conjunction with a broader strategic foreign policy and national security review.

Do I think we could reduce the foreign aid budget in a gradual way by 10 or 15 percent via a top to bottom review of what we are doing? Yes, absolutely.

Do I think the current the aid system needs big fixes? Yes, I do.

Do I think the answer is folding USAID into State, downgrading the Administrator to a virtual Under Secretary, merger of all USAID regional bureaus into the regional bureaus at State, having USAID adopt State's generalist hiring Foreign Service hiring procedures, State's procurement procedures, and doing all this while absolutely doing nothing about the 15 other agencies doing development? The answer is no.

So let me spend some time on the first two points, on the points of philanthropy and remittances in this context.

So on remittances, millions of individuals send funds via wire, mobile, and Internet connection to supplement income for the families, neighbors, and communities back home. Most remittances go to direct consumption of food, basic education, health, and housing. In 10 years' time, most remittances could be sent via mobile wallets in currencies that are based on the blockchain technology. At the end of the day, though, remittances hold many countries together through funding basic consumption needs, but on their own cannot transform a society.

The other forces, philanthropy, overseas U.S. philanthropy can be categorized as corporate philanthropy, private and family foundations, religious giving, individual donations to NGOs and CSOs, and university scholarships.

U.S. companies have a stake in the future of developing countries and are much more engaged than they used to be. Private and family foundations take long-term risks that the U.S. Government cannot, and they identify new and innovative ideas. Much of the great work in global health in the last 15 years has come about because of a partnership between philanthropy and the U.S. Government.

There is certainly religious giving. The U.S. Government works closely with these organizations.

Most philanthropy comes from American individuals who give money to charities, to NGOs, and most development in the U.S. happens in partnerships with these groups who often implement U.S. Government or partially U.S. Government-funded projects.

Finally, there is the area of scholarships provided by U.S. universities. One the best investments the U.S. can collectively make is to train the next generation of decision-makers of developing countries.

So in closing, you should consider three things. Do not reduce U.S. foreign aid on the premise that other financing, other private flows are going to fill the gap. That is an absolute mistake.

Do bring all U.S. foreign assistance under an elevated USAID Administrator. So absolutely reorganize but do not do it in a stupid way.

And then finally, do consider major reforms but carry out the right kind of reforms.

So I want to leave you one last message. Neither remittances nor philanthropy can replace the role, the expertise, or other functions of official foreign assistance. Though imperfect and absolutely in need of thoughtful reform, American foreign assistance has been an important part of our ability to provide global leadership.

Thank you.

[The prepared statement of Mr. Runde follows:]

PREPARED STATEMENT OF DANIEL F. RUNDE

CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES

Statement Before the

Senate Foreign Relations
Subcommittee on Multilateral International Development, Multilateral Institutions, and International Economic, Energy, and Environmental Policy

"Global Philanthropy and Remittances and International Development"

A Testimony by:

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Chairman Young, Ranking Member Merkley, distinguished Members of the subcommittee, thank you for inviting me to testify before you today. It is a privilege and an honor. Currently, I hold an endowed chair at the Center for Strategic and International Studies, researching global development and "soft power" issues. There, and in my past experiences in the Bush Administration at USAID, and at the World Bank Group, I have had ample experience working with governments and the private sector along with private philanthropy and have observed closely the phenomenon of remittances.

I have had the opportunity to work with the largest private foundations in the US. I have also worked with America's largest NGOs and our most influential religious organizations. I have worked closely with several our closest allies including Japan, South Korea, Canada, and Denmark; and I had a great partnership with the Obama Administration on development. Finally, it has been a privilege to work closely with some of America's finest companies on international development. In short, I come to this conversation with a diverse perspective on the topics you have asked me to discuss.

I have three main messages for the subcommittee today:

1. **First, while remittances and private philanthropy exceed official U.S. foreign assistance, neither can supplant nor replace the specific roles and functions of American and multilateral development assistance. Private actors are critical partners for the U.S. and we should, as a standard operating procedure, ask how we can leverage these additional forces to strengthen U.S. engagement in developing countries. But neither remittances, nor philanthropy can replace the expertise, scale, or agenda setting capacity of official American foreign assistance.** The U.S. government should always seek to partner with or encourage private activity but the growth of these resources should not be an excuse for the U.S. to take the "foot off the foreign assistance gas pedal." The challenges we face are too big for one force or country to solve alone.

2. Second, while I am supportive of the Trump Administration's willingness to explore ways to radically reform our foreign policy and soft power apparatus, **the wrong kind of merger of USAID into the State Department endangers the ability of the U.S. to work in partnership with companies, philanthropy, and civil society and will limit the U.S. government's ability to leverage expertise and finance**. USAID is the most capable development agency in the world to partner with philanthropy, NGOs, private giving, CSR, FDI, and diaspora groups.

3. **Finally, we must consider the world we find ourselves in: this is not your grandparents' developing world. It is richer, freer, and more capable than ever before.** At least 50 countries are on their way to becoming middle income, or even developed, countries. In the medium term, these countries will continue to require limited U.S. foreign assistance, but will shift towards a trade, investment, and cooperation relationship. This is great. Sadly, however, there are 30-40 failed and failing states that are the genesis for U.S. security problems, including: terrorism, large migration flows, trafficking in persons, illegal drugs, gangs, and pandemics. These countries will require a steady mix of foreign aid, security, and diplomacy to help fix the problems coming from these countries and protect the U.S. We will not be able to solve the problems in these countries alone. We will need good and willing counterparts on the ground, we should partner with our allies, and we should partner with private entities to help turn these societies around.

I want to also wish the Trump Administration great success in its foreign policy. I agree with the Trump Administration that there is a need for radical rethinking of our soft power and I agree that the right kind of reorganization could be useful. There are opportunities for gradual reductions in our soft power spending, perhaps even by as much as 10 to15 percent over a three-year period, but we should not reduce global engagement. My comments are at once supportive of and constructively critical of the Administration.

Today I want to focus on two powerful, yet often misunderstood, development forces: philanthropy and remittances. "Philanthropy" of all kinds—meaning corporate giving, private foundation giving, and the small but many checks that average Americans write to non-profit organizations and religious organizations—and remittances—one individual sending money from back to one's home country via cash, wire transfer, or increasingly, the web—are two major ways that the U.S. interacts with the developing world.

These two sources of financing—alongside foreign direct investment, local capital markets activity, and tax collections in developing countries—have far surpassed total U.S. foreign assistance. These forces should be counted when we think about how the United States engages with the developing world, as they multiply and facilitate U.S. leadership. The U.S. government should, by default, partner with these private sources of finance. The good news is that the U.S., through USAID, has already been doing this in an intentional and even strategic way over the last 15 years. But we could do more.

Now I will cover how these trends have reshaped the developing world and how the growth of philanthropy and remittances fit in this larger context:

The Changed Development Landscape- foreign assistance is not the largest wallet anymore

U.S. official foreign assistance alone will never meet all the demands of the developing world, but it plays roles that other sources of finance cannot. Combining all private flows—capital, remittances, philanthropy, and investment—these forces are at least 10 times larger than official aid flows.[1] Remittances and philanthropy, however, are not well positioned to work on the traditional, long term capacity building, tax, banking, or health reform; the bread and butter of official assistance. As you can imagine, this necessary work also does not lend itself to great photo ops and requires immense technical expertise.

It is important to understand that financial resource flows from the United States to the developing world have radically changed since the 1960s when 70 percent of the resources from the US came from official foreign aid and 30 percent was from private actors. Today less than 10 percent of our economic engagement is from official foreign aid and 90 percent is from these other sources of economic engagement.

When I entered the development business 15 years ago, there was a reluctance to recognize these changes. The reluctance came from: 1) a fear that the U.S. government would seek to cut official foreign assistance in the hopes that other sources might be a substitute, and 2) there was a bias in our foreign assistance system that assumed that foreign aid was "the driver" of development. Today, most in the official aid business recognize these changes, but the corresponding systems, procurement, planning and resource allocation have not been updated. And there is still an assumption that official foreign assistance is the largest wallet in the room. This assumption is one area that should be targeted as part of any

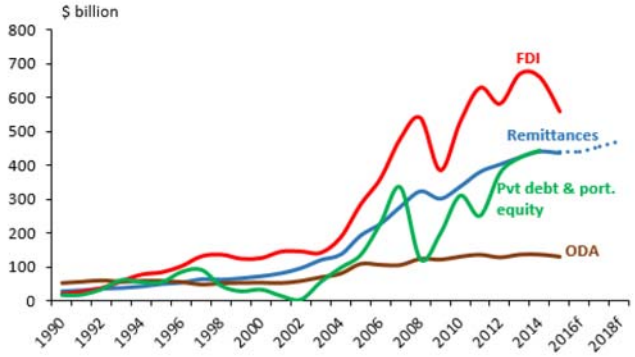
[1] Adelman, Carol, Bryan Schwartz, and Elias Riskin. "The Index of Global Philanthropy and Remittances: 2016." *The Hudson Institute*. February 15, 2017. https://www.hudson.org/research/13314-index-of-global-philanthropy-and-remittances-2016

reorganization and rethink of resource allocation, but it must be done in the context of a larger approach to foreign policy and national security.

U.S. Total Net Economic Engagement with Developing Countries, 2013-2014[2]

Flow	USD Billions	Percent
U.S. Official Development Assistance	33.1	9%
U.S. Private Philanthropy	43.9	12%
• Foundations	4.7	11%
• Corporations	11.3	26%
• Private and Voluntary Organizations	15.4	35%
• Volunteerism	4.3	10%
• Universities and Colleges	2.2	5%
• Religious Organizations	6	14%
U.S. Remittances	108.7	30%
U.S. Private Capital Flows	179.3	49%
U.S. Total Economic Engagement	**365**	**100%**

Changing Global Economic Engagement with the Developing World, 1990-2014[3]



[2] Adelman, Carol, Bryan Schwartz, and Elias Riskin. "The Index of Global Philanthropy and Remittances: 2016." *The Hudson Institute*. February 15, 2017. https://www.hudson.org/research/13314-index-of-global-philanthropy-and-remittances-2016

[3] http://blogs.worldbank.org/peoplemove/trends-remittances-2016-new-normal-slow-growth

In 2015, the U.S. official foreign assistance amounted to $33.59 billion.[4] Meanwhile, remittances from the U.S. alone totaled over $130 billion.[5] Philanthropy from the US accounted for $44 billion.[6] US FDI surpassed all categories at $322.5 billion.[7] I would hasten to add that these flows are not even spread across the developing world. For example, much of the FDI goes to large emerging market economies such as the BRICS.

Remittances

Globally, remittances have quadrupled since the early 2000s, moving from 100 billion around 2002 to an estimated $582 billion in 2015.[8,9] Given that U.S. is the worldwide leader in immigration, we also lead in remittances.[10]

Diasporas—meaning large communities of people who have left their homelands—as individuals send funds via wire, mobile, or internet connection to supplement income for their families, neighbors, and communities "back home." Senders in the U.S. transmit the most money to Mexico, China, and India (the largest global destination)—each accounting for over $10 billion—with Mexico alone accounting for $24 billion.[11] Many families and individuals rely on remittances for basic needs and services absent in the developing world or in an emergency. Most remittances go to direct consumption: food, basic education, health, and housing. Only a small amount goes towards starting businesses or collective philanthropic endeavors. Remittances are important to keeping poor families, especially in rural areas, afloat. U.S. foreign assistance cannot fill the person to person, family-to-family role that remittance plays, and should not fulfill a subsistence role.

Given the size of global remittance flows, there have been many attempts by the US government, multilateral development banks, and development finance organizations to "channel" them into long term economic growth or to reduce the transaction costs of remittances that are sent. There have been several examples of remittances brought together and then matched with corporate money and/or aid dollars to respond to natural disasters. Some have also sought to use remittances as collateral for the financing of government bonds in a developing country through so called "remittance bonds." Though, this approach remains limited.

There are significant opportunities to reduce the cost of remittance transactions, because of emerging technologies. While many remittances are still sent via traditional wire arrangements, this trend is changing. For example, almost 20 million people in Uganda alone use digital payment methods via their cell phones, almost four times the number of traditional bank accounts.[12] In ten years' time, most

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[4] http://www.oecd.org/dac/development-aid-rises-again-in-2015-spending-on-refugees-doubles.htm
[5] http://www.pewglobal.org/interactives/remittance-map/
[6] Adelman, Carol, Bryan Schwartz, and Elias Riskin. "The Index of Global Philanthropy and Remittances: 2016." *The Hudson Institute*. February 15, 2017. https://www.hudson.org/research/13314-index-of-global-philanthropy-and-remittances-2016
[7] https://data.oecd.org/fdi/fdi-flows.htm
[8] Ratha, Dilip. "Trends in Remittances, 2016: A New Normal of Slow Growth." *The World Bank*. October 6, 2016. http://blogs.worldbank.org/peoplemove/trends-remittances-2016-new-normal-slow-growth
[9] http://www.pewglobal.org/interactives/remittance-map/
[10] https://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/4549025-1450455807487/Factbookpart1.pdf
[11] http://www.pewglobal.org/interactives/remittance-map/
[12] Adelman, Carol, Bryan Schwartz, and Elias Riskin. "The Index of Global Philanthropy and Remittances: 2016." *The Hudson Institute*. February 15, 2017. https://www.hudson.org/research/13314-index-of-global-philanthropy-and-remittances-2016

remittances could be sent via mobile wallets and currencies using "blockchain" technologies such as "bitcoin."

For over ten years, USAID has had experts focused full time or part time on opportunities with diasporas and remittances. I know this because I pushed for the role to be created and found the money to hire the first expert on diasporas and remittances at USAID in 2007. But more innovation, creativity, and a broader regional focus are needed.

Latin America represents one example. Two USAID investments provide snapshots of the ways in which aid dollars can be used in partnership with official aid dollars. The Pan American Development Foundation (PADF) implements two USAID remittance programs: one in Haiti and one in El Salvador.[13] The Haitian program, called LEAD, mobilizes investment capital from the diaspora in the U.S. to expand production and employment on the island. It also signals that sometimes remittances on their own need a nudge toward broader goals and outcomes provided by official assistance. PADF's El Salvador program similarly channels collected remittances from the diaspora overseas to school and education projects.

Remittances are tricky because they represent personal transactions. At the end of the day, remittances hold many countries together through funding basic service delivery but, on their own, cannot transform a society because what you need for societal change are good political governance, entrepreneurs and an expanding private sector. Remittances can and should work more closely with official assistance, as is the case in Haiti and El Salvador. But remittances cannot supplant official assistance.

U.S. "Philanthropy" is significant; but it is mainly Ms. Smith and Mr. Johnson. Not Mr. and Mrs. Gates.

The amount of U.S. "philanthropy" to developing countries is big. $44 billion is a lot of money and more than what the U.S. government officially spends on ODA. But before you assume this is all coming from the Bill and Melinda Gates Foundation, you should know that average Americans are driving much of this private philanthropy. Americans are a generous people. Individuals provided the most philanthropic giving in 2015, accounting for over 70 percent of the national total.[14] When thinking of overseas US philanthropy, it breaks down to:

1. Corporate philanthropy,
2. Private &family foundations,
3. Religious giving,
4. Individual donations collected by NGOs and other civil society organizations, and
5. University scholarships.

Let's start with corporate philanthropic giving. It is much bigger than 30 years ago, for several reasons: First, U.S. companies and U.S. jobs rely on markets overseas. 95% of the world's customers are outside our borders.[15] Second, global supply chains and their increasing transparency have created deep interests in many US companies to strengthen foreign labor markets. Third, the external environment for companies makes it much more important to be constructive force. As one friend of mine recently said, "companies will be at the table or they will be on the menu."

[13] https://www.padf.org/news/2015/6/11/usaid-padf-help-strengthen-small-and-medium-haitian-enterprises-and-create-8000-jobs-through-lead-project
[14] https://www.nptrust.org/philanthropic-resources/charitable-giving-statistics/
[15] https://www.uschamber.com/ad/95-worlds-consumers-live-outside-united-states

Forces like social media boycott campaigns, employees who want to be proud of their employer, and the concept of a "social license to operate" (a "permission slip" from communities where companies operate abroad) are powerful incentives to do the right thing. Fourth, companies have become very active in the immediate response to humanitarian emergencies. For example, U.S. corporations provided triple what the U.S. government gave after the Great East Japan Earthquake in 2011.[16] Corporations do better with certain critical humanitarian sectors or issues directly related to their business environment, but corporate philanthropy is generally not animated by topics such as institutional capacity building or improved governance and rule of law.

For the past 15 years, the United States has worked closely with companies through USAID's Global Development Alliance. Like the US Government, private companies cannot solve the challenges they encounter overseas alone. Invariably, the companies and the foundations I talk to value the USAID brand, the scale that the US can bring, and the institutional expertise of USAID missions. Similarly, companies bring their technology, supply chains, people and corporate philanthropic dollars.

Family and private foundations such as the Bill and Melinda Gates Foundation spent $4.16 billion in 2015, with almost 80 percent going to health and global development.[17] Though they represent approximately 10 percent of U.S. philanthropic giving, they are very important. They take risks the US government cannot and they identify new, innovative ideas and take them to a new level. They can, in theory, take a longer view. Most US government grants are 3-5 years in length. Philanthropy, when done right, can invest for 20 or 30 years on an issue. Many recent foundations have been started by younger individuals who made money in the private sector and bring a private sector mindset to solving global problems. This is a tremendous asset for the United States and should be encouraged.

Much like remittances, private and family foundations are a powerful force. Philanthropists are an important part of the development ecosystem. But, like remittances, they cannot supplant the US official development assistance. The US government and private foundations have worked together for over 50 years. In fact, private foundations scale ideas through official assistance. Much of the great work in global health in the last 15 years has come about because of philanthropy and the US government and others working together.

Most philanthropy comes from individual Americans privately giving to NGOs and civil society. Some of this money is what you and I send to the Save the Children or Technoserve. The government has successfully encouraged this through tax deductions for charitable giving. And the US has worked with civil society groups for a very long time. The US government has been working with NGOs for more than 60 years overseas. Much of US development engagement is done in partnership with these groups. NGOs, however, often look to official US support for the sort of systemic change, host country interaction, policy planning, and overall agenda direction in a developing country. So, private giving via NGOs cannot perfectly supplant US official assistance either.

Another category is religious giving. Small church groups and larger organizations such as World Vision and Catholic Relief Services are major forces of good in the world. Organizations such as Samaritan's Purse go to some of the most difficult places in the world. The US government also works closely with these organizations and should work even more closely with these groups.

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[16] White, Stacey. "Corporate Engagement in Natural Disaster Response." *CSIS*. January, 2012. https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/120117_White_CorporateEngagement_Web.pdf

[17] http://www.gatesfoundation.org/Who-We-Are/Resources-and-Media/Annual-Reports/Annual-Report-2015

Finally, there is the area of scholarships paid for by universities and colleges. By far one of the best investments the US can collectively make with both public and private money is to train the next generation of decision makers of developing countries. It is often discarded because scholarships are expensive, and there is always the tendency of some students to find ways to stay in the US. These students get exposed to the American way of life; both our good points and our bad points. Thousands of leaders who have studied in the US gone back to a developing country and changed improved those societies. Many have pro-American views and they are natural allies and partners.

What can Congress do? Make sure that the US remain a development power and make sure that USAID does not get broken

The US could do three things: **Do not reduce U.S. ODA expecting other financing to fill the gap, do bring foreign aid under one person, but be careful with agency level reorganization.**

First, do not reduce US development assistance and expect philanthropy and remittances to make up for the reductions. The U.S. government should leverage these entities and partner closely with them, but philanthropy and remittances will not carry out all the activities U.S. foreign assistance does.

Private actors cannot solve the problems of the developing world on their own. Knowing the limitations philanthropists' roles, Bill Gates recently sought a meeting with President Trump to argue for maintaining foreign assistance levels. Philanthropy, the private sector, and the retired military are all concerned about the proposed budget.

But the Trump Administration is right to ask questions. Do I think the current assistance budget is arranged the right way for the world we are in or the challenges we face? No.

Do I think we could reduce the foreign aid budget in a gradual way by 10-15 percent, perhaps via a top to bottom review of what we are spending and doing something akin to a Department of Defense like BRAC process? Absolutely.

Second, if we want to partner better with these forces, we should have all foreign assistance under one person. And that person should be the USAID Administrator. There are at least 15 US government agencies delivering some form of foreign assistance. This is crazy. Many of these agencies have now developed partnerships arms as well. Many companies and foundations get requests from 3, 4, 5 or more US government agencies. The good news is that there is a desire to partner with these private actors I have talked about; the bad news is that we have a largely dysfunctional organization of all this "stuff" at the US Government level. One option would be to make the head of USAID the "Director of Foreign Assistance" as well as a Deputy Secretary of State for Development. There is a bill to create a director of foreign assistance role; that is a good idea. The US congress should be engaged heavily in a USAID and State reorganization. Henrietta Fore, the last USAID admin under President George W. Bush, was both USAID Administrator and director of foreign assistance. This is a good model on which to build.

Third, to ensure we are working as well as possible with these outside forces, the Trump administration should make sure that State and USAID and other organizational change are done in partnership with the Congress. Do I think that the current aid system needs big fixes? Yes, I do. Do I think that the US assistance system should arrange itself to reflect this changed environment? Yes, I do. Do I think the answer is folding USAID into State, reverting to their procurement and hiring systems while doing absolutely nothing about the other agencies? No I do not.

China, South Korea, Taiwan, Chile, Poland, and many more have emerged from fragility to become prosperous and developed countries. While these countries required foreign assistance and aid, they

progressed more so through improving governance and private sector engagement. U.S. foreign assistance has a role to play in supporting the gamut of forces required to evenly develop a country. But there are areas where only official foreign assistance is appropriate, such as in governmental reform. For other areas, like developing local economies and income, capital markets, and philanthropic networks, the private sector could perform better. U.S. policy needs to reflect the advantages of each type of engagement and deploy them efficiently.

Specific inquiries:

- *What roles do philanthropy and remittances play in international development?*

Remittances are a function of the global migration trends of the last 30 years. More than 25 developing countries rely on remittances for over 10 percent of their GDP.[18] The clear majority of these transactions are individual to individual for daily consumption. Global remittances today are estimated over $500 billion a year. These daily transactions fill the gap of big aid in basic income and services, but they could more closely align with global development goals. Some critics argue remittances go toward consumption of luxury goods and discourage employment. But they are the basis for how many people live. Philanthropies fill the gaps caused by specific concerns or emergency situations, for example, after the 2011 Japan earthquake.

- *What are the major trends and developments in philanthropy and remittances associated with international development?*

Remittances have seen exponential growth due to international migration. Western Union handles $1 of every $5 wired around the world, with Money Gram handling the second highest amount. But there has been a shift to startups that partner with mobile telecom, enabling money to be sent cheaper and faster via the internet or a mobile connection—with the developing world adopting cell phones faster than any developed country.[19] While Western Union charges from $14 to $25 per transaction, Xoom—one U.S. online transaction service—only charges $5 to $6 per transaction. Banks handle only between 5-10 percent of remittances between the U.S. and Latin America. In the future, new ways of transferring remittances will be used and the costs of transmission will drop even more given competition.

- *What role is philanthropy playing with respect to innovation in international development, including evidence-based and outcome-based approaches? How can these approaches inform or improve government policy?*

The US government has strong relations with many of the largest private and family foundations. The Green Revolution which spurred major agricultural productivity was a partnership between private philanthropy and US official development assistance. Private and family foundations can take risks that official assistance cannot. Private and family foundations can take a longer-term outlook than official assistance. It is important that the US have an on-going dialogue with these organizations and can bring about respond to new information and insights developed by private philanthropy.

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[18] https://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/4549025-1450455807487/Factbookpart1.pdf
[19] http://www.economist.com/node/21554740

Senator YOUNG. Well, there you have it.
[Laughter.]
Senator YOUNG. Thank you, Mr. Runde.
Mr. Worthington.

STATEMENT OF SAM WORTHINGTON, CHIEF EXECUTIVE OFFICER, INTERACTION, WASHINGTON, DC

Mr. WORTHINGTON. Thank you, Chairman Young and Ranking Member Merkley.

An elderly donor once told me that the most important thing that she had done in her life was to support programs that changed the lives of children living in some of the world's poorest places. She loved the fact that her money was matched by a USAID grant, and by responding to disaster overseas, she joined millions of Americans in giving a helping hand.

InterAction is the largest alliance of U.S. NGOs. There are some 180 members. These are supported by millions of Americans like the one I have just mentioned. As the largest U.S. NGOs, they raise the vast majority of the $15.4 million in private funding that is committed to the NGO sector.

For example, in 2013, InterAction's members pledged and then spent $1.8 billion in funding towards a global food security pledge to fight hunger, to build food security, and resilience. Members come from the faith community or a desire to advance human dignity.

Assistance provided by the U.S. NGO sector promotes change at the grassroots level, a bottom-up change that builds and also improves on restructuring systems and institutions. Through private support, an ongoing presence, and ability to have relationships in these countries, we respond in a flexible and responsible manner.

However, despite our capabilities, we need U.S. Government leadership. We all bring different types of capital to the table, some through investments, some through donations or large grants. Still others mitigate risk or bring in the private sector. All of these are needed. There is a positive symbiotic relationship here. Our privately funded programs are only able to build local capacity and solve local problems at scale when supported by U.S. Government leadership. If our country withdraws its leadership role, we would have to raise significantly larger amounts of private resources, which we think is an impossible scenario due to demographic giving trends. Without a U.S. Government framework and financial support for our efforts, U.S. NGOs cannot cover gaps and the systems to function in.

I would now like to review several points on the U.S. Government's way to improve its partnership with private philanthropy represented by the NGOs in the context of a full, robust, and sustained support for international development assistance.

The first point is about our relationship. U.S. NGOs occasionally act as a donor, for example, this pledge that I mentioned, this $1.8 billion pledge with the U.S. Government, and not solely an implementer of programs. However, USAID has no mechanism to recognize U.S. NGOs as donors and treats them differently than the private sector or foundations. Regulations state that unlike corporate funding, private NGO resources cannot be counted as a match. Currently USAID systems place NGOs as either a donor or implementer. You cannot be both. This illogical outcome is that the U.S. Government does not extensively leverage the private resources of U.S. NGOs.

If USAID would like to leverage donations raised by nonprofits, it must seriously explore common objectives through grants and cooperative agreements based on partnerships as opposed to largely dictating the nature of programs as implementation through contracts. USAID should develop a mechanism explicitly set up to leverage the private resources of U.S. NGOs. This would enable USAID and NGOs to co-design programs, allow NGOs to spend resources contributed by AID, and require a match. Some form of revised global development alliance or global development mechanism would make sense, and USAID would have to tie resources to these new mechanisms.

My second point is on de-banking. In recent years, international financial institutions have instituted stringent controls in response to understandable concerns regarding money laundering and illicit terrorist financing. However, banks are going beyond implementing controls and are implementing de-risking measures that make it difficult for U.S. NGOs to transfer resources across borders even when we can vouch for the legitimate use of these resources.

To address the concerns of de-banking and de-risking, bank examiner manuals and training should make evident that responsible NGOs should not be categorized as high risk.

My final point is around our partner vetting system. It is a concept that has the unobjectionable goal of assuring that U.S. foreign dollars do not inadvertently fund terrorists. However, the implementation of this vetting system has been haphazard and imposes substantial security risks on NGOs. InterAction has recently released a report making 19 suggestions on how to address some critical flaws, and some could be enacted by Congress, including in directing State and AID to examine critical and sensitive humanitarian democracy assistance from this program.

Foreign assistance is much more than a gift from the U.S. Government. Combined with private philanthropy, it represents the American people choosing collectively to put our best face forward, an outstretched hand towards the world. Working together and when appropriate, we should deepen this U.S. Government-U.S. NGO partnership.

And I thank you in closing remarks for your support to this response to the four famines that we are potentially facing around the globe.

Thank you.

[The prepared statement of Mr. Worthington follows:]

PREPARED STATEMENT OF SAM WORTHINGTON

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.[1] When private philanthropy is discussed, attention tends to be paid to large 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.[2]

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 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.[3]
- 2010 Haiti Earthquake—InterAction members contributed $885 million of private raised resources, 94% of which was from 15 organizations.[4]
- 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.[5]

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 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 U.S. 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 82nd 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 though 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, Helen 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 U.S. 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 U.S. government and an implementing partner in order to leverage both of their potential.

Under a contract, partners rely on the U.S. 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 U.S. 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 U.S. 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 U.S. government because private resources will often come with less restrictions than U.S. government support. In all three forms of relationship, U.S. 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 U.S. government's support of programming is a high-level endorsement of a partner because the public and other private donors trust the U.S. government's standards. U.S. 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 U.S. 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 U.S. 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.[6]

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.[7] 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 Shabab.

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.

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.[8] 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 U.S. 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 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 U.S. 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 benefiting those in need. This, of course, in 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 U.S. 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 U.S. public. The mandate of the Global Development Alliance should be expanded to allow for NGOs to partner with the U.S. 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 publics' 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 philan-

thropy 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.

Notes

[1] The Index of Global Philanthropy and Remittances 2016. Hudson Institute Center for Global Prosperity, 15 Feb. 2017. Web.

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

[3] http://reliefweb.int/report/indonesia/south-asia-interaction-tsunami-accountablity-report-relief-reconstruction.

[4] http://reliefweb.int/report/haiti/eu-us-aid-groups-pledge-about-27-bln-haiti.

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

[6] Eckert, Sue E., Kay Guinane, and Andrea Hall. Financial Access for U.S. Nonprofits. Charity & Security Network, Feb. 2017. Web.

[7] http://www.charityandsecurity.org/news/US_law_hinders_aid_efforts_Somalia.

[8] Darter, Kimberly. Partner Vetting Independent Assessment: Insufficient Justification for a Global Rollout, Dec. 2017. Web.

Senator YOUNG. And thank you, Mr. Worthington.

Ms. Araia.

STATEMENT OF SEMHAR ARAIA, MANAGING DIRECTOR, DIASPORA AND MULTICULTURAL PARTNERSHIPS, UNICEF USA, WASHINGTON, DC

Ms. ARAIA. Mr. Chairman, Ranking Member Merkley, and members of the subcommittee, on behalf of nearly 1 million American supporters of UNICEF USA, thank you for the opportunity to highlight the United Nations Children's Fund and the significance of diaspora philanthropy in global development.

The role of diasporas in philanthropy and global development cannot be overstated. It is a timely and growing phenomenon that is helping to address significant poverty challenges particularly in the Global South.

UNICEF USA is an independent 501(c)(3) nonprofit organization that supports UNICEF's work through fundraising, advocacy, and education in the United States. We receive incredible backing from the American people and work with diverse partners such as corporations, foundations, faith-based communities, individuals, and affected communities.

Since its creation in 1946, UNICEF has helped to save more children's lives than any humanitarian organization in the world. UNICEF staff work in 190 countries to help children survive and thrive from early childhood through adolescence. Thanks to the unique public-private partnership that UNICEF receives and support from the U.S. Government and the American people, we have seen the number of children dying before the age of five dropping more than half since 1990. We believe that it is possible to end preventable child deaths globally in a generation with continued investment and cost-effective, coordinated interventions for children and mothers.

Given UNICEF's presence around the world and its wide range of programming, UNICEF USA has been fortunate to receive the support of diasporas for decades. The United States is home to at least 62 million members of the global diaspora, making it the largest diaspora population in the world. This includes Americans of all backgrounds, from first generation immigrants to the descendants of migrants.

The diaspora experience is not new nor is it limited to a specific group of people. The term "diaspora" refers to people who are emigrants and their descendants who live outside the country of their birth or ancestry but maintain effective and material ties to their country of origin. The operative word within diasporas or the operative phrase is "maintaining effective and material ties," and that is what we look for when we engage with diaspora communities.

At UNICEF USA, we understand and value the critical role of diasporas and philanthropy. It exists for these communities on an ongoing basis. They are oftentimes the first responders, donors, and supporters for children and communities in need around the world.

U.S.-based diasporas are having a direct impact on global development, and government organizations are beginning to recognize this, establishing policies and initiatives aimed at partnering with diasporas. For example, the U.S. Government has for years and continues to host the International Diaspora Engagement Alliance, the African Diaspora Marketplace, and the Global Diaspora Forum, all initiatives aimed at elevating the role of diasporas in development.

For many diasporas, global development is also a personal reality. It directly affects their lives both here and abroad. As a result, they closely follow the needs of the communities they left behind. And this is especially true again for the diasporas from the Global South where systemic poverty persists and access to opportunity, capital, or growth may be limited.

Whether it is natural or manmade disasters or systemic development challenges, diasporas are there responding with financial, humanitarian, and social support. As humanitarian crises have become more frequent, reoccurring and predictable, diasporas have had to become more responsive and prepared to provide philanthropic support during those sudden times of need. This includes fundraising campaigns, delivery of medical materials and supplies, emergency food assistance, humanitarian volunteering, and development initiatives.

UNICEF USA believes in partnerships and works with diasporas for disaster response and long-term development. After the 2010 Haiti earthquake, the Haitian diaspora supported UNICEF USA and raised funds for UNICEF's post-earthquake recovery programming. This resulted in over $1 million from the diaspora community in addition to the total amount that was raised by all of UNICEF USA supporters.

Similarly, when Typhoon Haiyan struck in the Philippines in 2013, UNICEF USA worked with the Filipino diaspora to raise funds and mobilize emergency resources. Over $300,000 was donated in a matter of days from organizations that had readily been providing support as part of a larger $21 million UNICEF received. We are proud to see this kind of mobilization from communities that are connected.

Another diaspora partnership which UNICEF USA continues to cultivate is with the Somali American community. The United States is home to one of the largest Somali diaspora populations in the world. These communities remain deeply connected and invested in supporting humanitarian and development initiatives in-

side Somalia. Of the $1.3 billion that is sent in annual remittances to Somalia every year, it is estimated that approximately $254 million comes from the Somali American community.

When famine struck in Somalia in 2011, it was the remittances from Somali Americans that served as a major lifeline. UNICEF USA worked directly with the communities to raise awareness and support, and we continue to do so now with the current emergency affecting the country.

In addition to Somalia, Yemen, Nigeria, and South Sudan are facing extreme crises where famine is looming. Not only is it already existing in parts of South Sudan but it is threatening the lives of 80 million across these four countries plus an additional eight. We are talking about a region and a swath from Nigeria to Yemen, and for Somalia, this projected number has increased by 50 percent in terms of the need since January.

Within the humanitarian and development framework, remittances are a significant component of response. While UNICEF does not offer programming directly related to remittances, we do recognize this form of giving exists, most notably between households for basic necessities, and we expect that diaspora remittances will continue to respond.

In its recent Global Philanthropy Report, the Hudson Institute found that diasporas in the United States send over $108 billion in remittances to 175 countries around the world. Given the sheer size and frequency of remittances, recipient countries such as Mexico, India, and the Philippines have adopted national policies designed to incentivize diaspora giving.

UNICEF USA is proud to work with diaspora organizations, communities, and individuals, and we will continue to deepen our partnerships on behalf of children around the world. We believe all diaspora communities, whether first generation or multigenerational, are critical stakeholders for global development through philanthropy and partnership, and we look forward to working with them and others as we continue to stand up for children everywhere.

We thank you for the opportunity to present our work, and we look forward to answering any questions you have.

[The prepared statement of Ms. Araia follows:]

PREPARED STATEMENT OF SEMHAR ARAIA

Mr. Chairman and members of the Subcommittee, on behalf of nearly one million American supporters of UNICEF USA, thank you for the opportunity to highlight the United Nations Children's Fund (UNICEF) and the significance of diaspora philanthropy in global development.

The role of diasporas in philanthropy and global development cannot be overstated. While the notion of diasporas is not new, their role in addressing global development is a timely and growing phenomenon that is helping to address significant poverty challenges, particularly in the Global South.

Since its creation in 1946, UNICEF has helped to save more children's lives than any humanitarian organization in the world. UNICEF staff work on the ground in developing and transitional countries and territories to help children survive and thrive, from early childhood through adolescence. UNICEF supports prenatal care, child health and nutrition, clean water and sanitation, quality basic education for all boys and girls, and protecting children from violence, exploitation, and HIV/AIDS. We believe that it is possible to end preventable child deaths globally in a generation, with continued investment in cost-effective, coordinated interventions for children and mothers.

UNICEF USA is a 501(c)3 non-profit organization that supports UNICEF's work through fundraising, advocacy and education in the United States. Together, we are working toward the day when no children die from preventable causes and every child has a safe and healthy childhood. UNICEF's funding comes from voluntary contributions from governments, businesses, foundations, and individuals. UNICEF USA receives incredible backing from the American people for our mission of child survival and development-from children participating in "Trick or Treat for UNICEF" and "Kid Power," to major corporations donating money and products, and diasporas donating to support UNICEF's work in their ancestral homelands.

The U.S. Government's longstanding and generous support for UNICEF also allows us to leverage private sector funding from corporations, foundations, and other donor governments and to work with U.S. Government programs to make a real difference in saving children's lives. Today, 29 percent of UNICEF's total funding comes from non-governmental sources, including individuals, businesses, organizations and diaspora communities.

This unique public-private philanthropic approach to our funding is critical to UNICEF's success in helping to save children's lives. For that reason, UNICEF makes sure its operations are efficient and focused on results where they matter—for vulnerable children around the world. 90 per cent of UNICEF USA's funds directly support UNICEF's program activities.

Thanks to this strong support for UNICEF and child survival, the number of children dying before age five has dropped by more than half since 1990, from an estimated 12.7 million deaths per year in 1990 to 5.9 million currently.

DIASPORA PHILANTHROPY IN THE UNITED STATES

The United States is home to at least 62 million members of the global diaspora, making it the largest diaspora population in the world.[1] This demographic includes Americans of all backgrounds, from first-generation immigrants to the descendants of migrants who arrived over the past two hundred years.

Given UNICEF's presence around the world and its wide range of programming, UNICEF USA has been fortunate to receive the support of diasporas for decades. We understand and value the critical role of diasporas in philanthropy, including disaster response, remittances, fundraising campaigns, community engagement, and development campaigns.

We believe diaspora philanthropy and giving exists for these communities on an ongoing basis, in daily life, disaster response and long-term development. Whether it is with diaspora organizations fundraising for an emergency or a development goal, diaspora communities in the United States have proven to be consistent responders, donors and supporters for children and communities around the world.

The diaspora experience is not new nor is it limited to a specific group of people.[2] The term "diaspora" refers to people who are emigrants and their descendants, who live outside the country of their birth or ancestry, either on a temporary or permanent basis, but maintain affective and material ties to their countries of origin.[3]

While it has existed for centuries, the role of United States based diasporas in global development is growing and having a direct impact on global development goals. Governments, organizations and even local municipalities recognize this and are partnering with diasporas for development. For instance, the U.S. Government has developed various policies and initiatives aimed at partnering with diasporas, including the International diaspora Engagement Alliance, the African Diaspora Marketplace competition, the Global Diaspora Forum, and the other public-private partnerships aimed at diaspora investment, entrepreneurship, humanitarian response and capacity building.

DIASPORA PHILANTHROPY AND GLOBAL DEVELOPMENT

For diasporas, global development is a personal reality. It directly affects their lives, both here and abroad. As a result, diasporas closely follow the needs of communities they left behind. This is especially true for diasporas from the Global South, where systemic poverty persists and access to opportunity, capital or growth may be limited.

Whether it's natural or man-made disasters, or systemic development challenges, diasporas are often among the first responders. They provide financial, humanitarian, and social support to affected communities. As humanitarian crises have become more frequent, reoccurring and predictable, diasporas have also become more responsive and prepared to provide humanitarian and philanthropic support during those sudden times of need. These efforts include fundraising campaigns, delivery of medical materials and supplies, emergency food assistance, humanitarian volunteering, and development campaign initiatives.

UNICEF USA believes in partnerships and works with diasporas for disaster response and long-term development. For example, after the 2010 Haiti earthquake, Haitian-Americans mobilized to raise funds for UNICEF's post-earthquake recovery programming. UNICEF USA worked with communities and organizations with sizable Haitian-American membership, such as The Links, the Mass Emergency Relief for Haiti and the SEIU 1199. Together, these diaspora efforts with UNICEF USA resulted in over $1 million being raised by diasporas for UNICEF Haiti's post-earthquake recovery programming. This is in addition to the total amount that was raised by all of our supporters.

When Typhoon Haiyan struck the Philippines in 2013, UNICEF USA worked with the Filipino diaspora to raise funds and mobilize emergency resources. Within a matter of days, diaspora organizations, such as the Filipino Community in America and the Philippine Nurses Association of America helped to raise over $300,000 in funding for our emergency response, as part of the larger $21 million that was raised from individuals, communities and other donors.

Another diaspora partnership UNICEF USA continues to cultivate is with the Somali-American community. The United States is home to one of the largest Somali diaspora populations in the world. These communities remain deeply connected and invested in supporting humanitarian and development efforts inside Somalia. Of the $1.3 billion dollars in diaspora remittances sent to Somalia every year, approximately $254 million comes from the Somali-American community.[4]

Just as we are seeing now, Somalia's devastating 2011 famine prompted diasporas around the world to respond to the crisis. When famine struck, it was the remittances from Somali-Americans that served as a major lifeline. UNICEF worked directly with Somali diaspora communities in the United States, raising awareness and support, to respond to the devastating famine.

In development, diasporas provide post-conflict reconstruction support, through diaspora investments, entrepreneurship, knowledge transfer and capacity building. More recently, UNICEF Jamaica supported a special three-month effort by our corporate partner, Western Union, to raise funds in the diaspora for an initiative to boost school attendance in rural Western Jamaica. Together, these efforts all help to solidify diasporas as critical partners in global development and philanthropy.

DIASPORA REMITTANCES

Within the humanitarian and development framework, remittances are one of the most recognizable forms of diaspora philanthropy but they are also the tip of the diaspora philanthropic iceberg. The diasporas' ability to leverage capital, networks, and resources exist far beyond remittances and governments, organizations and businesses should consider develop more frameworks for diaspora partnerships in philanthropy.

For purposes of this topic, personal remittances are defined as transfers in cash or in kind made or received by resident households to or from nonresident households.[5] They are most often sent to cover the costs for basic necessities, such as rent, clothing, and food, or for investments in human capital, such as education and small businesses.

In its recent Global Philanthropy Report, the Hudson Institute found diasporas in the United States sent over $108 billion in remittances to 175 countries around the world.[6] Given the sheer size and frequency of global remittances, recipient countries, such as Mexico, India and the Philippines, have adopted national policies designed to incentivize diaspora giving. Despite the growing efforts to maximize the impact of remittances, significant barriers still exist, including the lack of affordable, formal sending channels, limited reach and exorbitantly high transmission costs. While UNICEF does not offer programming directly related to diaspora remittances, the organization has launched partnership opportunities, campaigns and appeals aimed at diaspora giving for humanitarian and development needs of children around the world.

UNICEF USA is proud to work with diasporas and we will continue to deepen our partnerships on behalf of children around the world. We believe all diaspora communities are critical stakeholders for global development, through philanthropy, investments, capacity building and exchange, and look forward to working with them and others as we continue to stand up for children everywhere.

Notes

[1] USAID (2016), USAID and Diaspora: Partners in Development. Washington, D.C.: USAID. Accessed April 28, 2017. https://www.usaid.gov/sites/default/files/documents/15396/usaid_diaspora16_web_spreadv3.pdf.

[2] Note from the author: The diaspora is a centuries-old, universal human experience, with the earliest recorded historical movements of Jewish, Arab, Asian and African populations, including the transatlantic slave trade where Africans were forcibly uprooted and migrated to the West. More recently, the 19th and early 20th century migration patterns to the United States included German, Polish, Italian, and Irish migrants, followed by successive post-colonization migration waves from Asia and Africa during the mid-20th century.

[3] International Organization for Migration (2013). Diasporas and Development: Bridging Societies and States, Diaspora Ministerial Conference, International Conference Centre Geneva (CICG), Geneva, Switzerland, June 18–19 2013. Geneva, Switzerland: International Organization for Migration.

[4] Keeping the Lifeline Open: Remittances and Markets in Somalia. Washington, D.C.: Oxfam International, 2013. Accessed April 28, 2017. https://www.oxfamamerica.org/static/media/files/somalia-remittance-report-web.pdf.

[5] Migration and Remittances Factbook 2016, Third Edition. Washington, D.C.: World Bank, 2016. Accessed April 28, 2017. https://openknowledge.worldbank.org/handle/10986/23743.

[6] The Index of Global Philanthropy and Remittances 2016. Washington, D.C.: Hudson Institute, 2016. Accessed April 28, 2017. https://www.hudson.org/research/13314-index-of-global-philanthropy-and-remittances-2016.

Senator YOUNG. Thank you, Ms. Araia.

I would like to begin this Q and A period by first anchoring our conversation in a clear understanding of the facts, many of which were laid out by Dr. Osili in her prepared remarks and also in her testimony here today.

So, Dr. Osili, in summary fashion—I am going to ask you a few different questions here—maybe you could give me a minute response on each of them, if possible.

First, can you briefly discuss the magnitude of private philanthropy and of all private financial flows to developing countries as compared to official development and assistance? I know Mr. Runde touched on this as well.

Dr. OSILI. Thank you, Chairman.

Very quickly, the U.S. total engagement with the developing world is estimated at $365 billion. $33 billion, so 9 percent roughly, is official development assistance, and the rest of that 91 percent consists of private sector involvement, including private capital flows, remittances, and private philanthropy. Private philanthropy is estimated at about $44.5 billion, with the largest of that coming from U.S. NGOs, and I would say the second largest would be U.S. corporations and then foundations at $4.5 billion. That is the total engagement with the developing world.

Because we are also talking about American households, I will just give some anchoring statistics there. About under 10 percent of U.S. households give to international organizations. The average contribution on an annual basis is about $100. That is from our philanthropy panel study. In international disasters, we see a much larger response. As an example, about a third of U.S. households gave to the Asian tsunami in 2004, and the average contributions there were about $100 on average.

Senator YOUNG. How does the United States compare to other OECD countries with respect to using a broader measure of development assistance as examined in the Index of Global Philanthropy and Remittances?

Dr. OSILI. Excellent question. As all of us perhaps know, when we look at overall official development assistance, just in sheer numbers, the U.S. leads. But as a share of our GDP, we are ranked much lower, 18th in the sample that is studied in the index. When the broader measure of total engagement is used, the U.S. moves from 18th to 8th. So we become one of the top engagers as a frac-

tion of our GDP in terms of our total engagement. And in dollars, we are still at the very top.

This broader measure of total engagement also improves the rankings of several other countries, not just the U.S. Germany certainly improves, the United Kingdom, and many other countries. So the measure of total engagement gives us a much more complete and comprehensive view of all of the ways that the U.S., both individuals, corporations, foundations, our private sector, as well as our government, are engaging with the developing world.

Senator YOUNG. What are the trends over time in private philanthropy for our international development assistance?

Dr. OSILI. Excellent question as well, Mr. Chairman.

We have seen private philanthropy grow during this period. As an example, between 2000 and 2014, private sector contributions increased by about 88 percent. In this same context, official development assistance increased by about 50 percent. So we are seeing private sector flows increasing much faster than official development assistance in the same time period.

To anchor it, again looking at U.S. households, in 2000, we had about 1 percent of American households giving to international organizations. Today that is closer to 10 percent of U.S. households, 1 out of every 10 contributing to international affairs organizations. So much more engagement in terms of international philanthropy both with U.S. households, corporations, foundations, the private sector, as well as we can see, the community as a whole.

Senator YOUNG. Thank you.

Mr. Runde, do you have anything to add to the numbers that were just laid out and some of the trend lines we have seen?

Mr. RUNDE. Just that I do think it is important for us to understand the totality of our engagement. It is very important.

I want to just emphasize that other financing is not going to replace the role of the U.S. Government.

And I would also add that international development, countries that have developed because of good governance and because of a growing formal private sector. So these are very important flows, but ultimately it is a function of good governance and a growing formal private sector. If you look at South Korea, if you look at China, if you look at Costa Rica, if you look at Chile, you look at Poland, these are all countries—there were good policies and a formal private sector.

I would also say the following, that these really important forces—and I have built many partnerships—are not going to be able to fill the gap on things like elections monitoring or democracy promotion. I know that something that you care a lot about is the issue of how we are going to deal with famines. Famines do not happen in dictatorships. Well, if we want to have multi-party democracies, that requires the National Endowment of Democracy institutions like the International Republican Institute and the National Democratic Institute. They have a very hard time—those institutions—raising money for private philanthropy and certainly not corporate philanthropy. There is no money for that.

If the world is going the way I have described it as—and I submitted for the record a report looking at how the developing world is going. I call it Tail of Two Paths——

[The material referred to above can be accessed at the following unit:]

https://www.csis.org/analysis/tale-two-paths

——we have countries going towards wealth, towards development, and we have countries that are failed and failing states. I would argue that we are going to have to put a lot more of our official aid in these failed and failing states.

So I think these are very important numbers.

I would also argue, though, that I think luckily the international conversation is moving away from should we be spending 0.7 percent of our official development assistance, but they are interested in what kind of impact we are making and how effective we are. And so I think that is a good thing. So I do think this broader picture is helpful for that as well.

Thank you.

Senator YOUNG. Thank you, Mr. Runde.

For those tens of people who just tuned into C–SPAN 2 to watch this subcommittee hearing——

[Laughter.]

Senator YOUNG. I do think it is important for me to emphasize as well something I said in my opening remarks, which is that official government assistance is going to continue to play an important role. I would add our contributions to multilateral institutions will continue to play an important role. We need to optimize those programs. I think to the extent we can leverage philanthropy, remittances, and even foreign direct investment in creative ways, we can help effect change in those areas leading to better outcomes to our diplomacy and development.

Dr. Osili, moving on. U.S. private philanthropy to international causes you indicated has grown over time. That leads to a natural question. Why?

Dr. OSILI. Great question, once again, Mr. Chairman.

This is something that our research has focused a lot on understanding the whys. There are several reasons for this increasing trend.

The first is the improvement in technology and communication, allowing donors in every part of the country, in the U.S., today to send a donation to support a cause or even to engage in an issue they care about wherever it is, whether that is in Latin America, in sub-Saharan Africa, in Europe, et cetera. So our improvement in technology has allowed us to reach the far-flung corners of the globe. I think that is one.

The second factor that is important is that we live increasingly global lives. People travel. They are exposed to individuals throughout the world. Many of our global companies are working in communities around the world. This also creates an environment where there is an interest in causes around the world.

And third, I do not think we can rule out the role that some of our leaders have played in raising awareness around the global issues with Bill and Melinda Gates at the forefront of many health and education issues globally, as well as Warren Buffett. I would even add Mark Zuckerberg and his wife, Priscilla Chan, have really raised awareness around the need to invest but also to help im-

prove lives in our back yard but also in communities around the world.

So I think we have several factors that have aligned to create this interest in global philanthropy. And, of course, many of the products we consume today, the music we listen to, our lives are informed by a much more global culture than ever before.

Senator YOUNG. The next question will be addressed to all of you. We are getting down to brass tacks here. So what unnecessary or unwise obstacles exist to legitimate philanthropy and remittances related to international development? What, if any, specific steps do you believe we in Congress should take legislatively to address these obstacles? And we will begin with whomever would like to pipe up. Mr. Worthington?

Mr. WORTHINGTON. Well, thank you for the question because ultimately the success of global development in this new approach where you have resources flowing from the private sector, from NGOs, individuals, corporations, grants—it is a much more complex environment. We need tools that allow us to leverage each other. Right now, there is a tendency for groups to operate within their lane. The U.S. Government is looking at its programs, NGOs looking at their programs. How these programs leverage each other so that you are not spending $10 million in one place and $10 million in another but you have a broader program that is leveraging each other. This requires the ability to co-design programs between the private sector, NGOs, and others. There is a lot of work that has been started in this area, but we could go much, much further.

The second is the U.S. Government has a whole series of rules. In many ways it is easier for the NGO sector to work with corporations and engage with foundations and private philanthropy. That enables us to be more flexible in so many ways. But we know that the main energy of global development is coming from the U.S. Government. There need to be mechanisms built around cooperative agreements and grants. There is a tendency of the U.S. Government to dictate what it wants and then deliver that and ask for a contract or contractor-like body to deliver it. That is important in certain circumstances. But if you are a World Vision or a Save the Children or CARE, you have your own programs. You are looking at some form of entity to partner with you in delivering those programs and bringing in a major corporation as well. That is the change of mindset that is needed to do this.

Some of these are times where our members are involved in humanitarian disasters and so forth, and you know that to get U.S. Government resources, there is a series of vetting requirements that we believe are necessary but they are being placed on the back of the NGOs. We say U.S. Government, State Department, AID, do your own vetting. Make sure we are working with the right people. But do not put us in a situation where we are having to play that role for you because it harms the trust we have with local populations.

So in many ways this shift of mindset is a shift of recognizing that we are simply one of many dollars leveraging each other and building the mechanism around doing that. A push from Congress to have resources that are focused on this type of leveraging would,

in essence, have every U.S. dollar going into AID or other places multiplied many times over.

Mr. RUNDE. I would like to make a point about grants and contracts. We wrote a report at CSIS that I want to submit for the record on the U.S. development ecosystem.

[The material referred to above can be accessed at the following url:]

https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/130304_Nesseth_DevCouncilReport_Web.pdf.

We should think about our U.S. development ecosystem of for-profit contractors and nonprofits the way we think about our defense industrial base. We have a defense industrial base, and it is a strategic asset of the United States. And we have a development industrial base, which is a strategic asset of the United States. It is an important force multiplier of our engagement in the world. That may not necessarily be how the development community would think about it, but I think that is an easy way for us to get our brains why it is important and why we should think about it as something that is important.

I do think in a world of middle income countries, I think the use of grants and cooperative agreements is much more likely because in a way we are going to be transitioning having an assistance relationship with middle income countries. But I think sadly in fragile and failed states, I think there is going to be increasing pressure by U.S. policymakers to have very specific outcomes in fragile and failed states. And I think you are going to see more contracts in that context.

At the same time, I would make one other point. In an environment where there is potentially less foreign assistance money, there is going to be an additional incentive to find other partners to leverage money with.

I will stop there.

Senator MERKLEY [presiding]. Thank you all.

So I am going to continue, and I may be asking some of the same questions that the chair asked since I missed his questions.

But I want to start, Dr. Osili, with a question that comes out of your testimony where you note that illicit financial flow legislation creates significant challenges. And can you expand on that a little bit? And specifically, I imagine that the effort is to avoid or decrease corruption, which can be a devastating impact on development. But if that is not the reason, can you give us a sense of the point you are making?

Dr. OSILI. Thank you.

I think the big question is how can we enhance or, I would say, optimize the flow of funds to developing countries without imposing overly broad restrictions on flows of funds to legitimate causes. So we have set up very stringent rules for good reasons often here in the U.S. and elsewhere to restrict the flow of funds to terrorism-related causes and other related causes. However, how can we prevent the overly broad application of these laws? And I think in some countries, it is extremely difficult for U.S.-based organizations to send transfers. And it is also very difficult for NGOs who

are working on human rights, education, disaster relief to receive those funds from foreign-based sources.

So I think this is looking at the legislation in such a way that we can keep the most stringent rules in place to prevent the bad actors but do not restrict these flows in cases where we can identify that they are flowing to legitimate organizations, causes, and to help support development objectives. So right now it is almost one-size-fits-all in terms of the policies that we have in place, and it would be, I think, optimal to look at these on a country-by-country basis and find out if there are ways to provide more ease and transparency in the application of these rules so that it is not a one-size-fits-all approach.

Senator MERKLEY. Thank you.

I know that Mercy Corps in its work in Turkey, for example, to fund support for 350,000 refugees in Syria—one of the things that the Turkish Government has challenged them on is whether they have receipts to document every transaction. They are doing a lot of purchases in markets where receipts are not part of the everyday function of life. Is that one of the examples of onerous reporting that you are referring to?

Dr. OSILI. Yes. And actually in our report—and I think that can be available for you to review—we looked at this on a country-by-country basis and flagged the countries where these reporting requirements are so burdensome that NGOs end up spending a lot of time on reporting requirements and, obviously, at some cost to the actual work that they need to do in disaster relief, education, human rights, and so forth.

I know that my colleague here on the panel may also have some specific examples. The report actually outlines countries where this is an impediment or a constraint to the flow of funds for development activities.

Senator MERKLEY. How much of that is U.S. requirements versus foreign government requirements?

Dr. OSILI. I think they have both. Certainly the foreign requirements are there, and many of those countries are pronounced in the report and called out. In the U.S., we also have some requirements that do impede flows to some countries for good reasons, and I think it is really thinking about where we can have exemptions around humanitarian relief and disaster relief and also for development objectives.

Senator MERKLEY. Yes. Please go ahead, Mr. Worthington.

Mr. WORTHINGTON. Just to build on this, it is an issue of risk. Banks are looking at transferring resources. They are transferring trillions of dollars around the world. They are taking resources from Mercy Corps or CARE. They are moving them from here in the U.S. to refugee camps around Syria or programs in complex environments. Each transfer has to be justified where it is going, what it is being used for. And this could be money coming from the State Department, AID, or private resources.

When they look at the flow of these resources, there is a high risk associated with resources going to dangerous places, and there is a tendency then to put more regulation, more caution on the movement of these resources beyond the rules that exist in the Treasury Department because they fear finding themselves in an

environment where inadvertently some resources are badly transferred.

As a result, you had this sort of movement towards de-risking where banks are pulling back from moving legitimate resources, including resources from the U.N., paying staff of U.S. embassies, other places where they fear there is a greater risk associated with this.

We have come back with Treasury and the banking system and said these are legitimate institutions with deeply established systems. Can we create mechanisms to address these concerns? Because right now, with no wrongdoing and no problems found around us, we are being, in essence, de-risked out of this where some institutions are completely unable to transfer resources.

What the diaspora community then does is moves it by cash legally across borders. And this, from security professionals, is the wrong way to move resources out of this country to help people. We need those resources to flow through the banking system but through legitimate organizations that are then able to deliver programs.

Senator MERKLEY. So when you are talking about the diaspora community, you are talking about remittances.

Mr. WORTHINGTON. Remittances would be an example, but even organizations beyond remittances that are looking to deliver programs. If you cannot bank from one place to the other, people will move the money through cash.

Senator MERKLEY. So I am imaging when you are talking about this, you are talking about a bank that says we have to know more about the recipient before we are willing to make the transfer. Is that the main issue?

Mr. WORTHINGTON. That is just normal business. They will come back. They need to know more about the recipient, check it against the terrorist list and so forth. That is just normal business. This is when they say actually a whole region—it is just too tricky to work with NGOs that are dealing with famine in Somalia in potentially al-Shabaab areas. We negotiate with Treasury and what access we have because we are, unfortunately, in the most dangerous places on earth.

How we move resources to those areas, banks want to be assured that they are not going to be in a situation where they have said that they have somehow transferred resources at some degree of risk. So it is very difficult to get resources in. You mentioned Mercy Corps. They are moving 700 tons of wheat into northern Syria and programs in northern Syria. That has to be accounted for. This is U.S. Government money. The challenge is the banks do not like moving money in this way.

Ms. ARAIA. And if I could just add to that. On this example of the cash that is sent from diasporas, we learned in 2011 at the height of that famine in Somalia, the Somali American communities that were sending money were overwhelmingly sending it through informal networks, and for those that were the banks, they found themselves under significant scrutiny.

This is why we have a targeted focus on diaspora philanthropy at UNICEF USA so that we can help the diasporas continue to send the support that they are sending but through formal, trans-

parent, and accountable mechanisms that we provide. What we are seeing now is another impending crisis in Somali and many other countries, Yemen and Nigeria and South Sudan and across a whole swath. And this means that more diasporas are going to want to send money, but because of their proclivity to send it through informal networks, it may not actually be able to reach those most in need.

So for organizations that are on the ground that are operating, providing immediate assistance and long-term support, it is critical that we have more mechanisms where diasporas can send their financial support to organizations they trust. Our experience at UNICEF is that American diaspora communities are very familiar with the organization. There is a trust factor there. There is a familiarity with the programs.

And at this particular time, we would hate to see another emergency growing the way that it is and the support that is ongoing to suddenly be stopped as it happened in 2011. Already Somalia's projected needs have shot up. We see a projected number of children who are or will be acutely malnourished, reaching 1.4 million this year, including 275,000 that will suffer life-threatening acute malnutrition.

What we know also about severely malnourished children is they are nine times more likely to die than a healthy child. And so these communities that want to respond to that emergency, we need them to know that it is possible to send their funds through trusted networks, through transparent networks. And at UNICEF, we are actively working with organizations over the years, and so we are ringing the alarm particularly in those communities as well.

Senator MERKLEY. Well, you mentioned informal networks. And we have heard that one of the informal strategies is to move cash with people who are traveling back. But are we also seeing a significant movement to things such as bitcoin?

Ms. ARAIA. We have not had any experience doing bitcoin-related work. But certainly the use of mobile has allowed for more transmissions of remittances. There is a platform such as IMPESA. There are other companies that are exploring the bitcoin experience. But overwhelmingly remittances are sent through informal channels. It is either through a courier or a person that is trusted or it is sent through the merchant service banks that have been operating and providing remittance-sending services for years.

Senator MERKLEY. I want to turn to a different question. As I came in, I believe that, Mr. Worthington, you were talking about the vetting issue. I know this has been a big deal. I thought we did a provision in the appropriations bill, some guidance that I was involved in to try to protect the NGOs from this rule. Where do we stand right now?

Mr. WORTHINGTON. First, thank you very much for this provision. I think that the Senate has been providing key guidance in this area.

The first bit is that USAID and the State Department are finishing a pilot. We have found that that pilot was sort of haphazardly applied to certain places, some organizations, not others. And in looking at the organizations involved in those pilot countries, we came up with a series of recommendations.

I think the core disagreement we have with USAID on this one is not around vetting. Vetting has to happen and there has to be appropriate vetting or partners. It is asking the NGOs to do the vetting because we are set up in a relationship where we need this trusted relationship with a local partner. We could point them to AID to get the information, the dynamics of that information into a vetting system. But the moment we are asked to provide that information, we are perceived as an extension of the U.S. Government, and as a result, staff could get potentially killed and so forth. In fact, a large number of major NGOs in Afghanistan stopped taking money from USAID because of the vetting requirement. So I think there is a philosophical issue and the feedback from the U.S. Government, AID is, one, this is of cost.

Senator MERKLEY. So let us continue the conversation beyond this hearing as we have the coming appropriations period. I thought we had largely fended off the challenge or the problem, but it is sounding like we have more work to do in that regard.

Senator YOUNG [presiding]. Well, I gather that the conversation has continued. It has been very informative with respect to some of the barriers to philanthropic giving that furthers international development goals.

I would only add, as we move on to other lines of questioning, that if you have specific legislative proposals that you would like to submit to this subcommittee, I would certainly welcome those. Submit those for the record after the hearing. That would be most helpful to us.

Moving on, how can the United States Government more effectively partner with the private sector to promote international development? Mr. Runde, in your prepared remarks, you note that the U.S. Government has partnered with private sources of finance for many years, but you suggest we could do more. Could you expound on that, sir?

Mr. RUNDE. Thank you.

So I used to run and I helped grow USAID's Global Development Alliance Initiative. It is their initiative to work more closely with philanthropy and the private sector and other of these forces we have been talking about. It was started by Foreign Service officers and quickly adopted by then Secretary of State Colin Powell and then Administrator of USAID, Andrew Natsios.

I recently wrote a report a couple of years ago—I submitted it for the record—looking at USAID's partnership opportunities. And I also co-directed a bipartisan commission looking at the role of private sector in development 2013 that I have also submitted for the record about this very important issue.

In a world of less resources and a world where official assistance is a catalyst, then partnership should be a starting point for almost any problem-solving exercise by the U.S. Government. But we should not be doing partnerships for partnerships' sake. There are going to be some issues where we are going to have to go it alone. There are going to be few hands going up to work on improving tax system strengthening or rule of law training. There is certainly a role for the private sector or philanthropy in these sorts of issues, but they are really secondary roles.

But for the U.S. to partner, it has to have some resources. It has to have some expertise. It has to have some reach. And so if we cut the foreign assistance budget willy-nilly or we break our ability to do development by doing a poorly thought out merger, we are not going to have the ability to work in partnership with others. And I speak from experience saying that. So I worry that reorg decisions and budget decisions will break our ability to partner.

Also, though, our systems and people and a mindset of official assistance needs to move away not just in the U.S. system but also in the multilateral development banks—move away from a mindset that we are the largest wallet in the room and move to a mindset where we are the most catalytic wallet in the room.

I will stop there.

Senator YOUNG. So in addition to budget decisions, are there other things that Congress can be doing to encourage these sorts of partnerships?

Mr. RUNDE. Oh, I am so glad you raised that. Senator, thank you.

I think one of——

Senator YOUNG. With the understanding that there is probably a fulsome explication of some of these ideas in what you——

Mr. RUNDE. No, no. I actually was going in a different direction, sir.

I would suggest I think it would be most important for the full Senate Foreign Relations Committee to hold a hearing on this proposed merger between AID and the State Department. I am very concerned. I think our ability to work with these other forces is going to be very negatively impacted by the rumored merger. I am very much in favor of reform. I am very much in favor of strengthening assistance. But I am concerned that this is a problem. I think there has been some very helpful language put in by the Senate asking questions. I do not know if Senator Graham put them in or not most recently I guess in the continuing resolution asking about reform and asking hard questions about this budget. So I think it is going to be very important that the Senate and the House play important roles.

I do also think, when we think about foreign assistance, we think about——

Senator YOUNG. So if I could interject, your point is, if I could perhaps restate it, we are the authorizing committee for the State Department of the United States, for USAID. And as we contemplate perhaps the most revolutionary restructuring of both of those entities in generations, it is your opinion that we should hold full public hearings about these restructurings, the implications of any proposed restructurings, the rationale behind them, the resources needed, the objectives as we move into a new sort of global environment, the objectives of those entities, and all sorts of other related matters. Is that your opinion?

Mr. RUNDE. Yes, sir.

Senator YOUNG. Okay. Thank you.

Yes, Mr. Worthington.

Mr. WORTHINGTON. Just to build on this, in many ways we focus on the budget, how much money there is to do these things. But from the perspective of the NGO sector, it is the framework and

the skill set that we have through the U.S. Government, is having diplomats in a diplomatic lane creating space for us to operate in difficult environments where we could call on the State Department, is having experts within USAID who are able to both catalyze other resources or bring them together. It is these three sort of forces coming together. When we have the private sector coming in, the NGO sector coming in, and USAID, we get sort of a perfect tripartite relationship with types of programs that to me are the programs of the 21st century. They all need a diplomatic space to function, particularly in fragile and conflict environments.

The more you pull USAID and the State Department together, the more you are blurring skill sets. And our fear is that a lot of the skill sets that have been developed by development professionals in USAID will be lost. And in many ways the goals become more short-term. You are trying to achieve a diplomatic goal in the 3/4-year period. Development is happening and having impacts over a 5, 10, 15-year period. If you shorten those goals and you say we want to impact—I remember an ambassador calling me on Pakistan—we want to impact 53 million people in Pakistan and doing it in 2 years so that they have a positive image. And my answer was it is a laudable goal, but add a zero to this. This is a long-term effort of trying to make human change and cannot be exactly commingled with the goals of the State Department. They can be aligned, but you need two separate functioning systems to make them work.

Senator YOUNG. Any other thoughts on what role Congress should play in facilitating, catalyzing these types of partnerships between private—that is nongovernmental entities—and State, USAID in furtherance of our development and diplomatic objectives?

Mr. WORTHINGTON. So breaking this into two parts, the first is AID has tended to focus on public-private partnerships with the private sector, which makes sense because they are getting new resources in. They have not tended to focus on public-private partnerships with the private and the NGO sector in pulling multiple actors in. There are actually more resources to do it that way. Some of these new mechanisms, the Global Development Alliance, the Global Development Lab, and so forth, exist but they are woefully under-resourced, and most resources go through traditional means.

So if you move more resources—let us say we had far more leveraging and then we would encourage the calling of hearings to look at any consolidation between AID and State. Where are you dismantling capacity that already exists, and where are you actually getting rid of some redundancies that need to be taken care of?

Senator YOUNG. Are there instances in which State or USAID—probably in most cases USAID—should not partner with international NGOs, with NGOs more generally? And if your answer is those instances are very limited, I would envision a protocol of sorts where you would ask a series of questions. I have a military background. We would checklist almost everything. So before you decide to spend a dollar of taxpayer money, you ought to ask are there NGOs that we might consider. Do they have sufficient resources? Are their objectives aligned with our own? Do they have

the capacity to actually implement the sorts of services? These may not be the right questions, but it gives you some sense of the protocols that might be institutionalized, if they are not already, in the departments. Maybe you could speak to this.

Mr. WORTHINGTON. I mean, there are clear places were AID or State Department need work government to government. There are clear places—for me, it is sort of use the expertise of your lane. We talked with AFRICOM. There are places where you are looking at the role that AFRICOM is playing in training of police and so forth. We need the security lanes to be functioning to be able to operate. So we full recognize these different roles that the U.S. Government can play, and we need a coordination of some of the diplomatic norms to allow us to function.

Many countries are restricting the ability of U.S. NGOs to actually have a footprint in countries. We are being squeezed out because it is easier for them to say let us run the resources through us. As the government, we will manage our own resources. Our point often is there is a population that is underserved or you are part of the problem in a conflict environment, and we have direct access.

So I think it really does come to this question of doing an assessment. And I go to my friend Dan Runde's comments. It is about the leveraging of multiple resources from multiple places. And AID tends to look at things as if they have the most dollars in the room instead of stepping back saying who else is investing in this. Where are those resources coming from, and how can we bring those resources together to achieve a common aim that is bigger than if we designed our own program to do something? And that is a significant mindset shift.

Senator YOUNG. Thank you.

Senator Merkley?

Senator MERKLEY. Well, continuing to explore this question of how we can restructure State and AID in the proposal to merge it, Director Runde, I believe the current language in the law is that AID will be set up as an entity, which I am told means that essentially the administration could act without congressional action because of the lack of crispness in defining what an entity is, and it could be a subsection of State. But I think the general point that I am hearing, and I think I heard this from you, Mr. Worthington, if I understand your point, is that creating a short-term diplomatic objective behind USAID is different than an international economic development motivation behind international aid, and that that is where the primary concern comes from.

As you all were presenting on this, I was thinking about a trip I took to look at aid projects in Africa a year and a half ago, and we saw China building prestige projects. In Ethiopia, they had built the headquarters for the Pan African Union or something of that nature.

Dr. OSILI. African Union.

Senator MERKLEY. African Union. And I believe in Gabon it was a big soccer stadium.

Mr. RUNDE. And everybody knows the Chinese did it. Right? They all know. All the taxi drivers will point to it and say the Chinese did it.

Senator MERKLEY. That is right. I think in Senegal it was a big road that had been built through the middle of Dakar.

And one of the things that we were looking at, we were looking at our aid projects that were helping a little bit of micro-enterprise over here to empower women, maternity care over here, addressing drought or starvation over here. And the question was there has always been some diplomatic element to our international aid, but it was just kind of a recognition that most of the things we do do not embed a recognition that the United States is behind this. And I just thought some other foreign powers are increasing their foreign presence and their leverage. If any insights on this general point.

Mr. RUNDE. If I may, this is not your grandparents' developing world. It is richer, freer. Developing countries have more options. They do not have to work with the United States. They can take their business down the street to China. And so we can cut the budget. We can pull back, but these societies are in the process of looking for partners. And so if we are not going to be there for them, they are going to take their business to China.

I was in China last week. I met with the chair of the China Ex-Im Bank, which is the largest financier. It is far larger than the World Bank now at this point. Some of the largest infrastructure projects in Africa.

We can choose. Leadership is a choice. One form of our leadership is our soft power. It is a very important part of our power whether we are confronting radical extremist terrorists or confronting pandemics, but there is a competition out there of competing narratives. And so we can choose. We can step back, but that does not mean these countries are helpless. They have other options.

I want to make two other points to your point, Senator Merkley.

One is that there are two cultures. There is—sorry— three professions. There is a military profession that is recognized. There is a diplomacy profession that is recognized, and then somewhat reluctantly less so, there is a development profession. There are schools of international development. There are people who focus on international development economics. But I think there has been some reluctance in the U.S. foreign policy system to fully recognize that.

We need to recognize if we are going to do some sort of reorganization, understand one of the principles is that development is a full-on profession, and these sorts of things have a longer timeline. The Green Revolution took 20 years. The sort of bending of the curve that you are seeing on HIV/AIDS and malaria, that has been a 15-year project. The bending of the curve in Plan Colombia, beating the bad guys in Colombia, that took 15 years. That was development. That was diplomacy, and that was the military all working together. That is a 15-year project. That is not a 3-year project.

So we have to think differently about how we align our human resources, how we contract our work, and that is different than a diplomacy timeline. Diplomacy timelines are in weeks or in months.

So finally, I would add one other thing, which is if we are going to reorganize, we should certainly make the AID Administrator ex-

plicitly a Deputy Secretary. On the books, the person is a Deputy Secretary, but oftentimes the State Department will not recognize that it is a Deputy Secretary. Why? Because Under Secretaries and Assistant Secretaries of the State Department want to lead delegations, and if they recognize that the AID Administrator is a Deputy Secretary equivalent, they do not get to lead the delegations. It sounds like a silly diplomatic thing to me, but I think that is truly what is going on.

Second, we have 15 government agencies doing different forms of development. That is crazy. President Kennedy, when he put together the Foreign Assistance Act in 1961, said we have too many agencies doing development work. There were four agencies then. We now have 15. This is nuts.

Senator MERKLEY. So I want to have that be a point that sits with us because in your original testimony, you said one thing we should do is bring all the foreign aid under a single administrator. You are talking about the economic development aid, I assuming not the military aid and so forth.

Mr. RUNDE. Yes, sir. I am talking about things that the Department of Agriculture does, the Department of Labor does. There are a series of specialized agencies some of which do very important work. I was appalled to see that they were going to zero out OPIC and the Trade Development Agency. The Trade Development Agency is an agency tailor-made for the Trump administration. All the money stays in the United States. It is about construction and building, buy American, hire American. This is a great agency and it leverages money at 87 times what we put in. And it is all sorts of industries that would be very appealing to many people in the United States outside of the beltway.

Senator MERKLEY. I think you are referring to an item in the skinny budget, and that is just a starting point for discussion.

[Laughter.]

Mr. RUNDE. We are relying on the legislative branch to deliberate.

Senator MERKLEY. Well, we appreciate your making your points. I really want to follow up. I will have something interest in this question of how we consolidate our foreign aid administration. And I realize that the world of agriculture has their own stake in this and so on and so forth, but surely 15 is too many. But let us have further discussion on that. Thank you.

Senator YOUNG. Thank you, Senator.

I want to turn to what the United States might learn from the private sector with respect to innovation in international development, including evidence-based outcomes and outcome-based approaches. Anyone can answer this.

Ms. ARAIA. I think I can take that question and also circle back with Senator Merkley's question about our footprint.

In terms of innovation, I think diaspora philanthropy, diasporas and development is an innovative space.

And to the point about U.S. foreign assistance or U.S. engagement on this question, the work of the Global Lab—there is a commitment to frontier partnerships, which includes diaspora partnerships, as well as financial inclusion. That is exploring how we can

advance development objectives globally through more innovative, inclusive, and diverse ways.

Examples include—I worked on a project before joining UNICEF where USAID was looking at Bangladeshi American communities and their contributions to Bangladesh, as American taxpayers, what would they be willing to do. And in this study, we saw that, one, there are already many NGOs that are either diaspora-led or with significant Bangladeshi American size that are providing direct programming and operations and activities.

But, two, there is also a space of innovation where as Americans we are actually contributing to the brand of the United States, as well as a global leader, through innovations. You know, YouTube—one of the three founders is a Bangladeshi American. And the significance of that in terms of a footprint for a country like Bangladesh is huge. And so in my time in Dacca, people were speaking at length about what Bangladeshis in the United States have done and are doing.

The same can be said for countries throughout Africa where Africa is the fastest growing population in the world. We are looking at a population doubling to 2.1 billion by 2040. And that also means that Africans abroad are not only sending remittances but they are looking at how they can alleviate that massive growth, that massive impending growth.

So with China, the examples you have included are significant. But what is also very significant about China's role is that China sends its laborers to do these projects. That footprint is the face.

So with diasporas and development what entities like USAID, what UNICEF USA is doing—we are looking at how do we export the diaspora contribution and highlight it as an American contribution. This includes hiring practices, diversity in development. It includes expats of significant origin. I spent 10 years working abroad as an Eritrean American, and that had significant reach as an American, as a person of Eritrea origin. It really opened the doors set a footprint.

The last thing I will say is in terms of innovation is philanthropy is about foreign aid. It is about the cash and the dollars that are being spent. But philanthropy, especially for diasporas—it is their time, talent, and treasure. This means volunteering. This means the face of America. This means embracing it and putting it out there as something to be proud of.

So with UNICEF, what we are seeing is that many of the countries we work in, not only are the staff of our country offices predominantly nationally led, but also we see the contributions coming from the United States in an unprecedented way, and there is a significant chunk of innovation that we are exploring of how to export and strengthen the influence and the impact that diasporas are having.

I would encourage the subcommittee to look at USAID's work with diasporas. There is also the Global Partnership's office in the State Department which are exploring the innovation of how the contributions are being made.

Senator YOUNG. On the issue of innovation, Mr. Worthington.

Mr. WORTHINGTON. USAID has started to move into this space with the Global Development Lab that they have created to start

innovation. I will use sort of an extreme example of innovation with the U.S. Government. I was, about a year ago, in the Gaza Strip visiting a program called Gaza Geeks, which was a partnership between Google and Mercy Corps identifying parts of the population in Gaza that wanted to focus around innovation and social services within the broader community. They were probably the most moderate group that existed in the place.

Part of innovation with private resources is the willingness to fail, the willingness to set up a lab that tries something that does not work, that measures it, that then comes back and so forth. Most of the major NGOs have set up these labs that are focusing on what is and is not working, and most of these innovations are in partnership with major U.S. corporations. So it is creating a different mechanism, not just delivering a service, but testing different ways of delivering that service.

The Global Development Lab has created a whole slew of innovations coming out there. I think the challenge they have is to then take those innovations and bring them to scale. There is no shortage of small-scale innovations in the development space. What is missing is the willingness of the U.S. Government to then say, okay, these innovations seem to be working. Let us drop these other things. Let us move on these and move them to scale, and you will then achieve things that you cannot at this point.

Dr. OSILI. I think one other area—I am glad you brought up testing because that is one place where I think private philanthropy can really help accelerate development.

So just to put this in a broader framework, when we think about philanthropy, we are thinking about private action for the public good. That includes time, talent, and treasure.

But one new area that I think philanthropy has provided a whole new way of doing business in development is around measurement and evaluation with introduction of RCT trials from everything ranging from mosquito bed nets to deworming medicine. We have countless examples to date of what works and what does not work on a small scale certainly but then increasingly on larger scale.

I think we have examples today of things that work. And the challenge is how do we bring that research, that body of work together in a cohesive way. As a researcher, I think there is a need for much of, I would say, almost an effort to bring together these best examples, whether it is in health, in education, disaster relief, so that practitioners across the sector can learn from them.

Senator YOUNG. So, Dr. Osili, we just passed some legislation that I introduced related to—we call it a What Works Clearinghouse in the area of our own domestic poverty challenges and other social pathologies. And it is designed to do exactly that and serve as a collection bin or repository for best practices, and others can tap into it. Would something like be helpful to your mind?

Dr. OSILI. Absolutely. There are examples of those types of initiatives in the development space already where you can click on an organization and see to what extent they have evidence-based practices, what works, what does not work. And I think the next stage is how to broadly disseminate this work, and I think there our development agencies can be good partners.

I guess one other point that I would mention around Senator Merkley's bigger point about China is that what we see also—another point that I should mention is how local philanthropists can partner with USAID and other big donors. And an example there would be in agriculture where we saw the Gates Foundation take the lead with AGRA and USAID, but increasingly that program is being funded by African philanthropists and local donors. So the other big question is in terms of partnerships, how do we start to build sustainability down the road with some programs.

Mr. RUNDE. Senator, I think learning and solutions cross borders, and I think there is an opportunity for the sort of clearinghouse that you suggested that we do here in the United States or that you have enacted. There is a lot of learning across borders. There is a lot of things around micro-finance or the sorts of work that has been done on demobilizing soldiers that may have some applicability in this country as well. So the learning goes both ways. So I really appreciate your leadership on that, and I think that is something that could also be looked at in the international development sphere as well.

If I could make a couple other points about innovation, if I might, sir. The issue of innovation—I do think the Global Development Lab has been very important. One of the most important roles for private foundations, private and family foundations—we need to remember that if you look at Dr. Osili's data, about $4 billion a year is spent on international development activity by organizations like the Gates Foundation and about $30 billion is spent by official development assistance.

But what is special about private and family foundations is that they are willing to take bigger risks that other organizations like governments sometimes are not able to take. And they also have the ability to take a longer view. They can focus on a problem for 10 or 20 years. That is why we have the Green Revolution which saved hundreds of millions of people in South Asia in the 1960s. It is because the Ford Foundation, in partnership with USAID, spent 20 years working on increased agricultural productivity.

Senator YOUNG. Before I turn it over to Senator Merkley, for everyone's edification, the Global Development Lab, according to USAID's website, serves as an innovation hub taking smart risks to test new ideas and partner with the agency and other actors to harness the power of innovative tools and approaches that accelerate development impact. So we can perhaps talk more about that in a moment.

Senator MERKLEY. So I wanted to go back to the issue related to the partner vetting system. The language that we had asked to be included—and I thought it was included, but I am trying to have that checked right now—was that in establishing a system, the committee requires the preservation of important and sensitive relationships with grantees and contractors.

Now, the partner vetting system—was that the effort to get the nonprofits to do the vetting, or was that the effort for the State Department to have a system that bypassed the nonprofits?

Mr. WORTHINGTON. So this is one system, and the question is who is implementing that system. So the general frame of having the State Department and AID ideally have a common system that

assesses who and where resources are spent and whether those individuals are vetted——

Senator MERKLEY. So let me put the question differently then. Under the PVS pilot, is it the nonprofits that are being required to do this or is the State Department or USAID doing it directly?

Mr. WORTHINGTON. So in the PVS pilot, AID chose not to do direct vetting themselves. They chose to have the vetting be done through nonprofits, and that has been our main complaint of the pilot. We have asked them to test in certain environments what we call direct vetting where they set up a portal. We have a partner go to that portal, enter the data, have that data reviewed by the U.S. Government against the terror list and so forth. That mechanism can and should be tested.

At this point in time, they deemed that it is better to simply use the system and have nonprofits themselves do this. And as a result, a number of nonprofits have chosen not to work with the U.S. Government. So we end up with a sort of not complete pilot.

Senator MERKLEY. I noticed the additional paragraph that we had proposed, again, that I thought had been included, but as I mentioned, we are checking on that, was that the USAID and Department of State shall make a direct vetting option available in the five pilot countries and in Afghanistan. And it makes reference to the risk to organizations and individuals who may be targeted for retaliation if they had to do the targeting themselves.

So this has been a topic of conversation I guess in the Appropriations Committee, and I will want to continue to raise this issue and work with you all based on what we have learned since the last time we had this conversation a year ago to see if we need to do additional work on that.

Mr. WORTHINGTON. Thank you, Senator.

Senator MERKLEY. Dr. Osili, in your testimony, I think if I have the numbers right, $16 billion was from American citizens to international organizations——

Dr. OSILI. Yes.

Senator MERKLEY.—out of a total from U.S. citizens of $373 billion. So somewhere below 5 percent, or $1 out of $20 to international organizations.

But then you mentioned that this was the fastest growing category. And I thought there are many reasons that it might be growing quickly. So I just ask you. One is more expatriates sending money back through international aid organizations. Another might be a response to international events where there is a lot of troubled terrain around the world and a lot of reason for just general citizens to be sending funds to assist in this part of the world or that part of the world.

But what is driving the increase in donations to international organizations if there is a little picture we can paint of how American citizens are responding?

Dr. OSILI. Let me clarify. In terms of the $16 billion, this is what U.S. households are sending to international organizations based here in the U.S. So that would not include transfers to organizations outside the U.S. or family transfers and so forth.

In terms of what is explaining the growth in the international affairs subsector, that is compared to, say, giving to religious organi-

zations, giving to education, giving to health. So that is the benchmark. It is the fastest growing in that charitable nonprofit sector space.

In terms of understanding what is driving this, you are actually right on. Your answers are very close to what we have seen in the research.

Number one, increased communication and technology which allow people to, one, learn about causes around the world, whether that is a natural disaster or humanitarian crisis. In any part of the globe, Americans can learn about them, can investigate, and do their research, and can from the comfort of their own homes, click on a mouse or from their mobile phones make a donation. These kinds of possibilities simply were not available 10 years ago, 20 years ago, the ease of being able to give. So that you would think about is more on the household side of things.

The second factor is one that you alluded to, the ties that we all have that are increasingly global, whether those are family members living abroad, travel abroad, time spent abroad, work abroad. Our lives are increasingly multidimensional and complex, meaning that some people have relatives, friends, or others that are touched by disasters.

That touches on our migrant population but that is beyond people who are first generation migrants, could include second generation or third or higher who might have linkages with causes around the world.

And then the last factor is what we talked about, I think when you stepped out, the role that our leaders are playing nationally and internationally. I mentioned the role of Bill and Melinda Gates in raising the visibility of the challenges facing the world's poorest populations, whether it is malaria or water and sanitation. We have various sectors that are coming together, corporations, private philanthropists, but also our civic and national leaders to raise the visibility of many of these international issues.

And all of those factors combined I think help explain why international giving continues to be one of those fastest growing subsectors within the American charitable landscape.

Senator MERKLEY. So we have seen a lot of private fortunes through the Internet companies, social media companies, kind of that whole set of worlds where you create an app, and 6 months later, you are a multi-millionaire. It is a beautiful world. I have not been part of it myself.

Dr. OSILI. Yes. The tech sector is also playing a role here. We have platforms like GoFundMe, Kiva, bulk global giving that make it much easier for us to support causes around the world. And certainly we have the rise in these national, international, and humanitarian crises.

I mentioned from our household data, the philanthropy panel study that looks at American families over time, about 10,000 families. We know that 1 out of 10 Americans gives to an international organization. And that fraction has increased rapidly since 2000.

Senator MERKLEY. Well, that was part of my question. You find ordinary individuals, kind of working America, giving more, or is it mostly driven by newly affluent individuals who are able to give tens of millions of dollars, if you will?

Dr. OSILI. So we do see a mix of both. Certainly the philanthropy panel study tells us the story of everyday Americans, and in that group, we are seeing a rise in international giving.

In the broader landscape, when we look at just those top givers, the million dollar and above gifts, there we also see a growth in gifts that are going to international causes. And health is one of the largest recipient areas. And so I think it makes sense when you put this picture together to say that Americans are increasingly reaching out to various parts of the world to make a difference.

Ms. ARAIA. Could I just also add on this point about increase in American giving? There are a couple factors here.

One, there are some generational points. More and more Americans in the millennial generation are already thinking in a globally minded manner and they are connected. So with the advent of technology and the Internet we are seeing a generation that is really borne into a life that is globally aware.

Secondly, a higher percentage of millennials are multiracial or come from at least one parent that is of an immigrant background. And so these are also households that have a connection around the world.

And lastly this point on first and second generationers, when we talk about migrants or diasporas, it is not necessarily just the first immigrants. It is not the immigrant themselves. It is the children who are oftentimes more educated, more exposed, being able to navigate the multiple environments, and they are also looking at how to leverage their own connection to the country. So second generation Indian Americans are giving at an incredible rate to the country, and as a result, these countries are starting to create incentives to attract younger Americans who are children of immigrants and beyond.

So we need to really look at the generational demographic and the diversity within that and the linkages they already have around the world.

Senator MERKLEY. So I am going to just make one point here going back to the pilots before I turn this back over to the chair. And, Mr. Worthington, you may have a follow-up point but you can perhaps wait until it is my opportunity again.

But this is the language that we got into the actual law in fiscal year 2016. It says in carrying out the PVS pilot program required by subsection (e), the Department of State and USAID are directed to include a direct vetting option that does not require prime awardees to collect, verify, or submit sub-awardee data. The Department of State and USAID should ensure that all individuals vetted through such pilot are able to obtain information on how data is used by the U.S. Government.

So I thought we had addressed this issue, but it is sounding like from your responses, that perhaps the language that we included in law may not have been fully implemented.

Mr. WORTHINGTON. We are not seeing a clear and consistent application of a vetting system by AID in alignment with your language.

Senator YOUNG. We are just discussing the timeline here. As so often happens, we get double, triple, sometimes quadruple booked up here, and I regret we have some pressing matters.

But I would like to pose a question to Ms. Araia that I have been intending to communicate to you. So I would like to follow up on diaspora communities and your thoughts on expatriates and how they might serve as effective diplomats to promulgate our values and advance U.S. interests. And I actually have some policy ideas that might facilitate that if in fact they are effective ambassadors based on, if not consensus opinion, some of the strong opinions of scholars.

But yesterday, more immediately, UNICEF put out a press release saying that the projected number of severely malnourished children in Somalia has shot up by 50 percent since the beginning of the year to 1.4 million children, including 275,000 who have or will suffer life-threatening, severe, acute malnutrition in 2017.

Ms. Araia, can you provide any additional details on the situation there?

Before you do, I will just say I understand that UNICEF has treated over 56,000 severely malnourished children this year there. Yet, we know more can be done. According to the press release, UNICEF has received $78.7 million of its $148 million appeal. So there is a 47 percent gap in funding.

And it is also my understanding UNICEF this morning that if the funding gap is filled, UNICEF could reach up to 1 million additional children in Somalia with lifesaving interventions, measles vaccinations, access to safe water, sanitation and hygiene, treatment of cholera cases, and prevention and treatment of nutrition services.

So if you can provide any additional details and raise the profile of this, as I apologize for leaving and turn the reins over to Mr. Merkley, I would be most appreciative.

Ms. ARAIA. Thank you very much, Chairman Young.

The situation in Somalia is nearly catastrophic. A drought that is quickly worsening into an impending famine is threatening the lives of millions. There are currently 6.2 million people facing acute food insecurity in Somalia, including 3.7 million children. The number of people in need of water and sanitation will reach 4.5 million people by this month actually. If the funding gap is closed, UNICEF could reach up to 1 million additional children with these interventions.

We learned in 2011 around the famine that struck Somalia that up to 260,000 children died from preventable reasons such as diarrhea and measles. And it is at this stage when we are raising the alarm that the most effective response that we can provide as an international community is in the preventable measures. It is much more cost-effective. It ensures that children can not only survive through this crisis but possibly thrive. And so what we see now is there are over 275,000 children who have or will suffer life-threatening, severe, acute malnutrition in 2017.

We also know that this emergency is not just about the immediate food assistance that is needed and the interventions. It is also about the consequences of a prolonged drought and worsening crisis. This includes massive displacement. We are already seeing from January and February 3,770 people have arrived in Ethiopia. 75 percent of them are malnourished children. And these are people who are not only suffering the crisis as it exists inside Somalia,

but they are walking and journeying through thousands of miles to these camps that are quickly growing.

So we are also recognizing this as a regional crisis, and for that reason, we are urging the international community to respond on behalf of the 80 million people across all these countries, including in Somalia. And remember, in South Sudan, famine has been declared. And where famine is existing, that is where the greatest needs are provided.

We know that also another prolonged consequence of drought and famine is also just the child's access to learn and education and have the chance at a thriving life afterwards. So UNICEF has already been able to provide not only 1 million people with temporary access to safe water and sanitation. We have reached 380,000 children and women with lifesaving health services, including emergency vaccinations. But we have also been able to provide 190 schools reaching 20,000 children with safe drinking water, learning spaces, which reached 40,000 children, and we have been able to provide emergency cash grants for children who are at the highest risk of dropping out.

So this emergency in its worst case is about making sure that children and their communities can survive. But we are also looking at the long-term effects of what this drought and famine could lead to.

Senator MERKLEY [presiding]. Mr. Runde?

Mr. RUNDE. Thank you, Senator Merkley.

I would just add that we have the largest number of refugees and internally displaced people in the world right now since World War II, 65 million. That number is going to increase because of food in security and because of famines. People move. There are large movements of populations. So this is not just a humanitarian emergency in the region. It is going to have all sorts of implications not just in the horn of Africa but also in the Middle East and Europe as well.

Senator MERKLEY. Yes, Mr. Worthington.

Mr. WORTHINGTON. I was in a meeting last week in Geneva with the heads of the different U.N. agencies focusing on this response.

The first, this is again a disaster happening in four places. It is northeast Nigeria. It is Yemen. It is Somalia, and it is South Sudan. There are severe conditions just before drought in all four places, and we may be looking at—drought before famine. We may be looking actually at famine in Nigeria, though the government has not declared that.

In all four cases, conflict is the main driver behind this. We know how to deal with situations of drought. The situations of drought and conflict are critical. There are, again, 20 million people at risk in these countries. This situation is only going to get worse. Depending how the Saudis behave in Yemen in terms of the port and the ability to get resources into the port, another 7 million people could be at risk there.

At this point, again, the U.N. coordinator of humanitarian affairs noted that about 70 percent of the response on the ground are NGOs. We have U.S. NGOs operating in areas near Boko Haram in northeastern Nigeria. But our biggest challenge is access. In the past period of time, some 62 humanitarian workers have been

killed trying to gain access in response to this humanitarian catastrophe.

Senator MERKLEY. Obviously, it is a huge challenge. And I listen to the millions here, millions there numbers. This is why we pressed for additional assistance to be in the bill that we will be passing tomorrow, I anticipate, for the last 5 months of this fiscal year. I am not sure of the exact amount of money that was additionally dedicated to these four nations. $990 million, so almost $1 billion.

But the point that several of you have made is that access is critical. I know that there is an amendment or a bill being circulated that basically makes military aid to Saudi Arabia contingent upon Saudi Arabia cooperating to open the ports in Yemen, being able to facilitate the passage of emergency aid.

So how much of the issue is the amount of resources? And is what the U.S. is doing with this additional $990 million a fair participation, or should we be doing more or should we be calling on the rest of the world to do more? And how much is it really more a problem of logistics, the chaos of war, folks intercepting the aid, appropriating it, reselling it, making sure it does not get to the enemy, if you will, whoever they are fighting against, all of that chaotic battlefield challenge?

Mr. WORTHINGTON. So perhaps it is four countries, four different short answers.

In Somalia, more resources is the primary impediment. There is significant local capacity to address this and programs could be significantly expanded.

In South Sudan, there are parts of the country where there is simply a total acting of impunity and disregard for international humanitarian law by both sides, both the Government of South Sudan and the rebels. And in that case, the primary barrier in certain areas of Sudan is access.

In northeastern Nigeria, there are significant areas of access, but in many ways, it is the Nigerian military forbidding access to humanitarian actors in certain areas. So you there also have a political challenge.

In Yemen, in many ways, the NGOs are functioning, but it is the flow of resources getting through the port and the, at times, indiscriminate bombing targeting humanitarian—that end up targeting humanitarian convoys. So there it is also a combination of resources and access.

Senator MERKLEY. Quite challenging. And I think your short answers reflect the complexity of the situation on the ground in different locations and the combination of politics, greed, warfare, all mixing together.

So thank you all for your expertise. We are going to adjourn the committee unless anyone has a final comment that they would like to make.

Was that a nod, yes, a final comment, or a nod, yes, you are done.

I want to enter for the record a folder of documents. So with unanimous consent, I would like to have this folder of documents provided to me by Senator Young's staff included in the record. Is there an objection?

[No response.]

Senator MERKLEY. Hearing none, they are included.

[Laughter.]

[The information referred to was not available at the time of print.]

Senator MERKLEY. And I thank you all for the work you are doing in international economic development.

Earlier the description was of folks who were working in different types of fields. And I was in the international economic development field. That is what I studied as an undergraduate and as a graduate student. I had a chance to be in India, to live in West Africa, to work on a number of various projects. And I thought I was going to spend my life working overseas in these types of projects dealing with the type of issues that you have been talking about.

But as often happens in life, I took a turn and a door opened to work on strategic nuclear policy at a time when we were worried about the world being blown up by nuclear weapons.

And so I did not end up in the world that you all inhabit, but I greatly, greatly appreciate the work that you all are doing and to help us understand how the United States can be the best possible partner with the rest of the world in addressing these complex and difficult and important issues, economic development on one hand, humanitarian support in crises as well.

So we are going to keep the record for the committee open for 48 hours for members of the committee to submit additional questions for the witnesses or for anything else you all would like to add to the record. Thank you.

Adjourned.

[Whereupon, at 12:00 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

THE COMMITTEE RECEIVED NO RESPONSES FROM DANIEL F. RUNDE FOR THE FOLLOWING QUESTIONS SUBMITTED BY SENATOR TODD YOUNG

Question. In Mr. Worthington's prepared remarks, he discusses USAID's use of contracts versus grants or cooperative agreements. Can you provide more details on trends that you are observing? What explains the increased use of contracts—as opposed to grants or cooperative agreements—and do you believe this is a problem?

[No Response Received]

Question. In Mr. Worthington's prepared statement, he writes, "USAID should develop a mechanism explicitly set up to leverage the private resources of US NGOs." he proposes the expansion of the Global Development Alliance's mandate to allow for NGOs to partner with the U.S. government. Can you discuss that proposal in more detail?

[No Response Received]

Question. Mr. Runde, in your prepared remarks, you note how dramatically the international development world has evolved in recent decades, but you say that "the corresponding [U.S. government] systems, procurement, planning, and resource allocation have not been updated." Do you have specific recommendations for how these areas can be reformed and updated to perform more optimally?

[No Response Received]

Question. Mr. Runde, in your prepared remarks, you express concern about "the wrong kind of merger of USAID into the State Department." What would the wrong kind of merger in your mind look like? You note that there are at least 15 U.S. gov-

ernment agencies delivering some form of foreign assistance. Can you briefly describe some of the agencies other than USAID engaged in foreign assistance? You call for all foreign assistance to be placed under one person. You believe that person should the USAID Administrator. Why do you believe that would be the best approach?

[No Response Received]

RESPONSES OF SAM WORTHINGTON TO QUESTIONS SUBMITTED BY SENATOR TODD YOUNG

Question. Mr. Worthington, in your prepared remarks, you discuss USAID's use of contracts versus grants or cooperative agreements. Can you provide more details on trends that you are observing? What explains the increased use of contracts—as opposed to grants or cooperative agreements—and why do you believe this is a problem?

Answer. USAID has explicit guidelines on its selection between acquisition and assistance mechanisms (ADS 304). However, poor understanding and implementation of the guidelines by USAID staff often provides for the wrong instrument being selected. The InterAction community has advocated for USAID to better enforce the guidelines and better train staff.

The proper instrument is important to non-profits. Many NGOs refuse to compete for contracts as a contractor status would make an independent organization an agent of the U.S. Government. The status separation from the U.S. government is often a factor when concerned with security concerns and NGO access within fragile states or conflict zones. Therefore, when contracts are the preferred instrument, NGOs largely won't compete.

In recent years, USAID has used a contract mechanism—Indefinite Duration Indefinite Quantity Contracts (IDIQs)—to implement large, global programs. USAID has issued a rule of law IDIQ and a youth focused IDIQ worth hundreds of millions of dollars. The use of IDIQs is easier for USAID as the agency doesn't have the capability to implement programs in-house and has to outsource such activity. However, due to the inherent nature of the contracting process, more taxpayer money goes to corporate profits under IDIQs and acquisition mechanisms than they would under assistance programs implemented by non-profits. USAID has forecasted two large IDIQs for democracy, rights and governance programming and another supporting the Global Food and Security Act. These are potential worth $2 billion and, again, the non-profit community will not bid on these contracts in order to preserve independence and separation from the government.

Finally, it is hard to gain a complete understanding of procurement trends as type of instrument information is not readily available to the public. For example, USAID has an internal system, Global Acquisition and Assistance System (GLAAS) that tracks the information. However, type of instrument data is not made available to the public. InterAction has advocated to USAID to make such information available on foreignassistance.gov.

Question. Mr. Worthington, in your prepared statement, you write, "USAID should develop a mechanism explicitly set up to leverage the private resources of US NGOs." You propose the expansion of the Global Development Alliance's mandate to allow for NGOs to partner with the U.S. government. Can you discuss that proposal in more detail?

Answer. There is no mechanism for a non-profit partner to leverage privately raised funds with the U.S. government. We feel this in due to the incorrect notion that the non-profit community depends on U.S. government funding. This is not the case as in recent decades non-profits have shifted away from government funds and rely on direct donations from U.S. citizens. Today, according to Global Giving, private funds and philanthropy exceeds U.S. overseas assistance. However, the U.S. government's relationship with non-profits remains transactional and in order for a non-profit to leverage money with the U.S. government, it has to do so through the Global Development Alliance only under a corporate partner. Congress can urge USAID to better work with non-profits so that total resources are better utilized by having USAID expand the capabilities of the Global Development Alliance so that non-profits enter into agreements directly with the U.S. government.

Question. Mr. Worthington, in your prepared statement, you make the following comment, "At an operational level, USAID has been unable to move beyond seeing US NGOs as implementing partners." You continue, writing, "Current USAID systems place you in one or the other camp. You cannot be both a donor and implementer of programs." As a result, you say the U.S. government does not utilize NGO

resources to optimal effect. Can you describe this problem in more detail? You write in your prepared statement that "USAID has developed mechanisms that circumvent this challenge but they are rare." Why do you believe USAID has not found a more systematic way to solve this challenge?

Answer. This problem is demonstrated through two previously discussed and related but distinct challenges; the treatment by USAID of NGOs as akin to contractors and the lack of effort on the part of USAID to leverage NGO resources in the co-creation of projects.

Overtime, USAID's management bureau has shifted to using a greater amount of controls when working with implementing partners due to the controls creating leading to less perceived risk and being more directive. NGOs are being told to think like a contractor in its management of projects and in its relationship with USAID, not as a full partner. The preference towards avoiding risk and increasing control in operations results in a de facto contradiction of the spirit of the original laws providing for NGO–USAID partnership.

NGO funds are also not counted in the co-creation of projects. Implementing partners, such as NGOs, are by statute not permitted to co-finance development projects except if the partner is from the private sector and participating in a Global Development Alliance. NGOs are currently not covered by GDAs partially due to the preference of previous USAID leadership to view NGOs akin to contractors, discounting the significant amount of resources our organizations would be able to contribute to help financially supplement USAID's work. A strategic priority towards leveraging NGO resources would result in mechanisms such as GDAs being available to NGOs. Currently, NGOs are able to receive grants, but the restrictions attached to grants prioritize NGOs carrying out USAID objectives as opposed to the institutional objectives of NGOs. Our inability to pursue our institutional goals on work financed by grants limits our ability to fundraise private resources to contribute further to a project's scale.

USAID has not found a more systematic way to solve these challenges because there is currently a cultural bias, coming from Congress, towards short-term incentivizes in US government supported development. Additionally, development work in Iraq and Afghanistan, which has been focused on short-term political products rather than long- term development goals, has altered the overall expectations within government towards what constitutes successful development work. When priorities are placed on demonstrating short-term results, a contractor is better positioned to meet deadlines but when priorities are on achieving actual, transformative change in development; NGOs are better resourced to make an impact.

Question. Mr. Worthington, in your prepared statement, in the context of moving resources internationally, you mention "confusing and incomplete guidance from the U.S. Department of Treasury . . ." Can you describe this confusing and incomplete guidance and do you have any specific suggestions for how the Treasury Department can provide clearer guidance?

Answer.

THE FFEIC BANK EXAMINATION MANUAL

The confusing and incomplete guidance from banking regulators is best reflected in the Bank Examination Manual's current section on nongovernmental organizations. The manual guides bank examiners in their regular reviews, making it the most immediate and primary guide for both examiners and banks. The introductory text implies that NGOs are high-risk customers by definition, stating "Because NGOs can be used to obtain funds for charitable organizations, the flow of funds both into and out of the NGO can be complex, making them susceptible to abuse by money launderers and terrorists."[1] According to a February 2017 report by the Charity & Security Network, "The routine second guessing of FIs' decisions and treatment of certain clients as categorically high risk by bank examiners requires FIs to undertake extensive steps to mitigate those risks, tipping the risk-reward scale toward exiting such relationships."[2]

This broad brush statement is inconsistent with the international standard for AML/CFT regulation, as seen in the Financial Action Task Force's 2016 revision of Recommendation 8 (R8) on nonprofit organizations, which stresses a proportionate, risk-based approach. The revised R8 states:

> "Countries should review the adequacy of laws and regulations that relate to non- profit organisations which the country has identified as being vulnerable to terrorist financing abuse. Countries should apply focused and proportionate measures, in line with the risk-based approach, to such non-profit organisations to protect them from terrorist financing abuse . . ."

The current Examination Manual fails to differentiate the level of risk associated with individual NGO bank customers or to identify factors banks could use in a risk analysis. It lists "Risk Mitigation" measures that are vague and do not clarify the extent to which a bank is expected to conduct an independent investigation of an NGO's governance, finances and activities. For example, it says adequate bank due diligence on an NGO customer should include review of its "donor and volunteer base." How far is a bank expected to go in such a review? Should they ask for information on individual donors (as some banks have done) or a general description of the NGO's funding sources?

The manual goes on to require "stringent documentation" of high risk accounts, including evaluation of the principals, reviewing audits and verifying source and use of funds. There is no guidance on what "stringent documentation" means, leaving banks to guess at how deep their investigations must go.

In response to these problems, regulators are now considering amendments to the Bank Examination Manual to update it and bring it into line with the risk-based approach. Both NGOs and banks are providing input via a multi-stakeholder dialogue sponsored by the World Bank and Association of Certified Anti-Money Laundering Specialists. Regulator participation in this process is a positive step toward providing banks with greater clarity on regulatory expectations in relation of NGO customers that conduct international transactions.

2016 GUIDANCE FROM REGULATORS HAS PROVED INSUFFICIENT TO CHANGE BANK BEHAVIOR TOWARD NGO CUSTOMERS

Guidance issued by Treasury in 2016 has failed to provide banks with a level of clarity and security sufficient to reverse the course of narrowing financial access for NGO customers. These document are described below. While they are helpful, none carry the weight of the Bank Examination Manual or the strict standards set in statutory language. As the Financial Action Task Force pointed out in its December 2016 evaluation of U.S. compliance with its AML/CFT recommendations, " . . . violations of TF-related TFS are strict liability offenses . . ."[3] As the Charity & Security Network's report referenced above noted that "Despite reassuring statements from government officials, FIs [financial institutions] perceive a clear disconnect between what policy officials say and what happens at the individual bank examination level . . . ."[4]

• A Joint Fact Sheet on Foreign Correspondent Banking[5] and accompanying blog,[6] published on August 30, 2016 by the Department of Treasury and Federal Banking Agencies, was intended to clarify regulatory expectations by dispelling the myth that banks should conduct due diligence on the customers of foreign banks (known as "Know Your Customer's Customer, or KYCC).

• The Office of Comptroller of the Currency issued guidance in October 2016 on regulatory expectations for banks' assessment of risks associated with correspondent banking. It summarized current expectations and provided due diligence "best practices" for banks to consider in these evaluations.[7]

• In various public remarks Treasury officials have stated that the U.S. "has never advocated a standard of perfection" for bank due diligence.[8]

• In a Joint letter to the Charity & Security Network in May 2016 Treasury DAS Terrorist Financing and Financial Crimes Jennifer Fowler and State DAS Economic and Business Affairs Andrew Keller May 13,, 2016 stated "It is important to emphasize the Treasury Department's view that the charitable sector as a whole does not present a uniform or unacceptably high risk of money laundering, terrorist financing or sanctions violations. As we have noted before, the Treasury Department expects banks to apply their due diligence obligations reasonably—not that they be infallible in doing so—and Treasury believes that banks that establish and maintain appropriate risk-based anti-money laundering and counter terrorist financing controls and compliance programs will be well- positioned to manage their accounts appropriately, detect illicit transactions, and avoid enforcement actions."[9]

RECOMMENDATIONS FOR CLEARER GUIDANCE

1. Treasury should continue to pursue revision of the FFEIC Bank Examination Manual, with input from the banking and nonprofit sectors.

2. Treasury should ensure that federal bank examiners are informed of and trained to implement the revised FATF Recommendation 8's proportionate, risk-based approach.

3. The principles in the various 2016 guidance statements from Treasury should be formalized in law or regulation so that banks can rely on it without risk or fear of sanctions.

Notes

[1] FFEIC BSA/AML Examination Manual Page 320–22.

[2] Sue Eckert, Kay Guinane and Andrea Hll, Financial Access for U.S. Nonprofits" Charity & Security Network February 7, 2017 http://www.charityandsecurity.org/FinAccessReport p. 92.

[3] Financial Action Task Force, "Mutual Evaluation of the United States" Dec. 1, 2016 p. 234.

[4] p. 92.

[5] *See* "Joint Fact Sheet on Foreign Correspondent Banking," U.S. Department of the Treasury, press release, October 30, 2016.

[6] Nathan Sheets, Adam Szubin and Amias Gerety, "Complementary Goals-Protecting the Financial System from Abuse and Expanding Access to the Financial System" August https://www.treasury.gov/connect/blog/Pages/Complementary-Goals-Protecting-the-Financial-System-from-Abuse-and-Expanding-Access-to-the-Financial-System.aspx.

[7] OCC BULLETIN 2016–32, Risk Management Guidance on Periodic Risk Reevaluation of Foreign Correspondent Banking, October 5, 2016, https://www.occ.gov/news-issuances/bulletins/2016/bulletin-2016–32.html.

[8] Szubin remarks, November 16, 2015.

[9] *See,* Charity & Security Network, "Response letter to NPO on reduced access to financial services, " May 2016.

THE COMMITTEE RECEIVED NO RESPONSE FROM SEMHAR ARAIA FOR THE FOLLOWING QUESTION SUBMITTED BY SENATOR TODD YOUNG

Question. Ms. Araia, in your prepared statement, you note that 29% of UNICEF's total funding comes from non-governmental sources. What can other agencies and organizations learn from UNICEF in terms of private philanthropy?

[No Response Received]

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