In 2018, the United States Agency for International Development (USAID) embarked on USAID Transformation, an effort to realign USAID’s structure, workforce, programs and processes to more effectively advance national security and support host country partners on their Journey to Self-Reliance. Part of this effort is aimed to “strengthen in-country capacity and facilitate locally-led development.” This builds on past reform efforts like USAID Forward, which also targeted the advancement of local partners to lead their own development. Similar “localization” efforts are also underway through the President’s Emergency Plan for AIDS Relief (PEPFAR), whose Global AIDS Coordinator has laid out the Plan’s own goals to directly implement 70% of its funding through local indigenous partners by 2020.

This type of transformation will arguably take significant resources to build the capacity of local partners and institutions, and to strengthen local civil society to take on their own development initiatives. However, at the same time the Administration has been rolling out such “localization” goals, budget uncertainty and bureaucratic delays are increasingly becoming the norm. The President’s Budget Request in Fiscal Years 2018, 2019 and 2020 proposed significant funding cuts for US development and diplomacy by more than 30%. Despite clear and unwavering Congressional support for international assistance, agencies are often required to use these severed request levels in their planning and strategy development for specific sectors, making programming on the ground difficult and planning confusing. Similarly, delays in the congressional appropriations process and other bureaucratic areas erode the efficiency and effectiveness of US development investments, as they also contribute to irregular funding and program delays.

This report finds that budget cuts, budget uncertainties and bureaucratic delays have direct negative impacts on the most poor and vulnerable, who foreign assistance projects often aim to serve. They also undermine USAID’s ability to realize its localization efforts, through the Journey to Self-Reliance and its PEPFAR funding targets. Lastly, such budget issues ultimately cause direct harm to USAID and undermine the will of US taxpayers to whom they are accountable.

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1 https://www.usaid.gov/what-we-do/transformation-at-usaid
4 As compared to total funding the previous year. Mike Casella, “America Needs Smart Foreign Aid Budget for Successful Programs,” The Hill, December 13, 2018. https://thehill.com/opinion/international/421668-america-needs-smart-foreign-aid-budget-for-successful-programs
PURPOSE AND METHODOLOGY

The US budget and appropriations process over the past three years has been especially challenging for USAID implementing partners like Catholic Relief Services (CRS) to maximize the efficiency and effectiveness of foreign assistance programs. In particular, the Administration has sought dramatic reductions to foreign aid funding, often contrary to clear Congressional direction, which has had significant impacts on programs and the poor and vulnerable which these programs serve. CRS produced this document for Congress, the Administration, and the broader community to understand our experiences with these actual or threatened cuts from an operational level, focusing on the human impact. While this paper cannot necessarily attribute each challenge to a single bureaucratic decision, we can confirm the issues collectively — budget cuts, delays, and other lengthy review processes — create a more challenging operating environment and result in the findings we document below.

This report reflects information drawn from more than 30 interviews within CRS across all seven of its operational regions, providing the perspectives of staff ranging from those in business development, country management, project leads, and support officers. The report looks at a variety of types of projects funded through both USAID and the United States Department of Agriculture (USDA), with a special in-depth account taken in Sierra Leone. The Sierra Leone case study incorporated interviews with USAID mission staff, members of the national and district governments, implementing and private sector partners, as well as focus group discussions with project beneficiaries and community leaders.

BUDGET CUTS, BUDGET UNCERTAINTY, AND BUREAUCRATIC DELAYS

CRS experienced major budget cuts to approved project budgets, including the following examples:

USAID/Global Health
- **Program**: CRS’ Coordinating Comprehensive Care for Children (4Children), is a global five-year, USAID-funded project that aims to improve the health and well-being of vulnerable children affected by HIV and AIDS. The project pairs high-quality health services with social welfare services for higher impact.
- **Budget Issue**: The President’s Budget Request (PBR) in FY 18 and FY 19 each called for $1 billion in cuts to global HIV funding, which supports this program. Subsequent planning and strategy processes for HIV programming in countries were based on the PBR’s reduced funding levels.
- **Impact/Consequence**: At this time, CRS has experienced funding cuts in at least three 4Children country programs – while still being required to reach the originally set project goals and objectives. In one instance, the annual obligation of the proposed budget was reduced by 45%, resulting in CRS having to cut a community-based implementing partner from the first year’s activities. In another, a 4Children project with funding planned at $1 million for one year was terminated nine months early because the USAID mission’s budget had been cut by $6 million, which resulted in social workers doubling their caseloads (from 172 to 344), reducing the number of home visits to vulnerable families, and reducing the support to such families, including cash assistance for school fees. In the last case, the local mission notified CRS that funding for a three-year 4Children program would be reduced by more than half just before implementation began. In this instance, CRS was also forced to cut partners, which strained these relationships and undermined localization efforts.

USAID/Feed the Future
- **Program**: CRS’ $17 million Feed the Future-funded Entrepreneurial Agriculture for Improved Nutrition (EAIN) program in Sierra Leone was intended to increase farmers’ incomes through strategic value-chain investments, and to address high levels of malnutrition for 30,000 beneficiaries in a district hit hard by Ebola.
• **Budget Issue:** The Global Food Security Act authorized up to $1 billion in funding for programs and activities implemented through Feed the Future, and Congress has consistently provided this funding level for the last three years. The FY18 PBR called for over $500M in cuts to these programs. The new Global Food Security Strategy, published in September 2017, reflected these cuts, reducing the number of focus countries from 19 to 12. The Bureau of Food Security and Feed the Future country programs were required to plan and implement programming pursuant to the funding level called for in the PBR.

• **Impact/Consequence:** One year into the Sierra Leone program, CRS was informed the award had been terminated and all program activity would have to be halted by December 2017. The project closure left a huge gap in programming to address hunger and malnutrition, wasted taxpayer investment, and undermined efforts to build the capacity of local institutions (see full Case Study for more details).

**USAID/Development Food Security Activity**

• **Program:** The United in Building and Advancing Life Expectations (UBALE) project supported more than a quarter million households to subsist in lean times through cash-for-work programming, and activities to build resilience, improve nutrition and increase agricultural productivity.

• **Budget Issue:** The partial government shutdown from December 22, 2018, to January 25, 2019, halted all non-life saving work globally, impeding the ability of the US government to disperse funds for the DFSA project in Malawi.

• **Impact/Consequence:** In total, $1.641 million was delayed for the project over six months. CRS advanced private funds to keep the project going during this time, at great risk to the agency. If the program had stalled due to the funding delay, CRS would have had to put a hold on its activities, which could have left hundreds of thousands of people who were dependent on the activities at risk of hunger and malnutrition, unable to carry out time-sensitive agricultural activities.

**USAID/Humanitarian Assistance**

• **Program:** CRS’ Food for Peace/Office of Foreign Disaster Assistance-funded program supported food insecure households in the eastern Dry Corridor of Guatemala to accelerate their recovery from recent climate-related shocks and build future resilience. The one-year program was funded at $5 million, supporting 4,500 vulnerable households in five municipalities, with an expected additional $11M in funds over the following two years to support 7,400 households (~30,000 people) meet their basic needs.

• **Budget issue:** In March 2019, the Administration announced plans to hold or redirect funds intended for Central America. In June, CRS became aware that humanitarian funds would be included in the Administration’s hold on all new funds to the region.

• **Impact/Consequence:** The 7,400 households (4,500 current and 2,900 new) that have been yet again impacted by drought and ensuing crop loss in 2019, and that were to be supported by the pending USG-funded project amendment, will no longer receive this support. Without an in-depth study of the situation on the ground after project closures, we can only extrapolate from other experiences the impacts of such wholesale cuts to a country/region can have. Revoking funding targeted towards the most poor and vulnerable creates even greater risks for increased poverty, instability, and migration.

**USAID/Development Activity**

• **Program:** CRS’ 5-year, $50M USAID-funded program in the Western Highlands of Guatemala is aimed at (1) empowering citizens through participation in development and implementation of Community Development Plans (CDPs), (2) improving the quality of life through these CDPs and (3) improving long-term sustainability of community development by increasing private sector engagement and resources. The project works with 200 communities in 30 municipalities, focusing on women’s participation, who are two-thirds of participants. Over the past three years, communities have formulated 202 CDPs focusing on basic services, economic development, natural resource management, conflict mitigation, and community organization and participation.

• **Budget Issue:** In March 2019, the Administration announced plans to hold or redirect funds from Fiscal Year 2017 and 2018 intended for Central America.

• **Impact/Consequence:** Given the redirection of funds, CRS does not expect to receive funds for at least another 12 months and future funding is very uncertain. The program will need to reduce program activities to ensure it can continue. This could result in loss of trust from community partners; loss of credibility with stakeholders; a lost seat at the table with subnational and national governments to effect broader policy change; and private sector disengagement due to lack of commitment. Redirecting development funds will undermine the ability to help address the root causes of migration – violence, food insecurity, and lack of economic opportunity.
The High Cost of Early Program Termination: A Case Study

Our case study conducted in Sierra Leone demonstrates the damaging impact drastic budget cuts can have. The Sierra Leone Feed the Future project (EAIN) incorporated all the right ingredients to bring farmers to market and improve nutrition outcomes. Cut short by four years, the project ultimately lacked the necessary time to achieve sustainable results. Arguably, pulling out, especially hastily, is worse than to never have intervened at all. The gap in services left thousands of vulnerable women and children subject to malnutrition than otherwise would have suffered; the offer to invest in farmers, only to then withdraw, was harmful to the trust between farmers and the US, CRS and local leaders; and the most significant impact was the dashed hope of a community still recovering from the wreckage of Ebola. As CRS’ Acting Deputy Chief of Party Wellington Dzvene describes, “[the communities] had begun to recover from Ebola and the activity had brought them hope for a better future. [The project closure] re-traumatized [them]...”

The full case study is available online at https://www.crs.org/get-involved/advocate/public-policy

THE IMPACTS OF BUDGET CUTS, BUDGET UNCERTAINTY, AND BUREAUCRATIC DELAYS

IMPACT ON BENEFICIARIES

Lost trust among community partners, beneficiaries and community leaders: In Sierra Leone, the early closure of the Feed the Future project shattered the trust that existed among community members and their leaders. Farmers’ and women’s groups had invested their own money, time and energy into preparing for the five-year project, both through providing and preparing their land for agricultural improvements, as well as paying fees to formally register their groups aligned with local processes, which was required by the project. When the project closed, they felt the leaders and those liaising with the project had deceived them, some even threatening legal action for what they lost. Many leaders lamented that any future mobilization of community groups would be much harder due to the broken trust between them.5

Gaps in programming threatens to drive up malnutrition. The Feed the Future project, Entrepreneurial Agriculture for Improved Nutrition (EAIN), in Sierra Leone targeted a district where in 2017, 41% of children were underweight and 35% were stunted.6 The project intended to impact nutrition outcomes which had been heavily impacted by the Ebola outbreak. EAIN began to introduce high nutrition crops to the communities, which could both be eaten directly and sold to buy other high nutrition foods. Nutrition education through Mother Support Groups (MSG) and visits by the district nutrition officers helped solidify such behavior change. The project closure left a significant gap in the district where the breadth of EAIN’s reach essentially precluded other nutrition activities from operating in the district, including Sierra Leone’s own national government resources.7 District nutrition officers largely relied on the project to transport them for community visits, as well as lend technical support, and with the project closure were now left without activities on which to “piggyback.” District officers noted an anecdotal increase in malnutrition (this cannot be verified by data).

Reduction in services: CRS’ Orphans and Vulnerable Children program provided an integrated package of services including cash transfers, communication support to couples, and Savings and Internal Lending Communities. Budget cuts forced the project to reduce staff, increasing the caseload of existing case managers from 172 to 344 beneficiaries per case manager, and reducing the number of home visits from monthly to quarterly. In another project, budget cuts forced CRS to reduce the beneficiaries served by 16,000.

IMPACT ON IMPLEMENTING AGENCIES

Program Delays: The cost of delays for new agricultural projects is especially high because of the time-sensitive nature of the growing season. In at least two cases during the government shutdown, teams which were assembled to launch new grants could not proceed because they were awaiting approvals for baseline activities, wasting both time and money.

Increased risk for implementing agencies: During the government shutdown, CRS awaited approval for the disposition of assets. Due to the non-lifesaving nature of such decisions, CRS in one case had to proceed without approval to make space in the warehouse for a new food shipment. In another case, CRS had to dispose of tens of thousands of dollars’

1 Focus group discussion, Tawopaneh Community, January 15, 2019.
2 2017 MICS (p200-201)
3 After a gap of more than 18 months, Helen Keller International has begun to scale up an Infant and Young Child Nutrition project funded by the Canadian International Development Agency (CIDA) which will include the Tonkolili District.
worth of property without prior approval at the risk of incurring a disallowed cost. These actions put unnecessary risk on implementing agencies, ones that would certainly be less manageable for many local partners who typically have much fewer human and financial resources.

Further, in the case of funding delays, CRS’s common response has been to use private funds to bridge the gap. Luckily, we have been able to do so by fully resourcing our cost share, ahead of schedule and not for the planned purposes, advancing funds to projects to keep them operating. In many cases, CRS forwarded hundreds of thousands of dollars to projects with full risk to CRS that the project might either be amended or terminated. It is unlikely local partners would be able to forward such large amounts of money to a project, much less take on the high risk involved.

**Missed Opportunities to Empower Local Community Groups:** Budget delays, uncertainties and cuts undermine the foundations of good development that layer, sequence and build off past development activities. In the case of the closed Sierra Leone Feed the Future project, the project built on the infrastructure created by previous USG and donor projects, notably farmers’, women’s, and savings and lending groups. When the project closed, these community groups who were being counted on to sustain many of the activities in the future instead felt betrayed and are less likely to be willing to work with other donors with full trust in the foreseeable future.

**Failed to Build Local Capacity and Local Ownership:** Budget cuts often forced CRS to cut local partners or ask our partners to reduce their budgets, which strain these relationships in the short term and undermine sustainable development approaches over the longer-term. Budget cuts forced the 4Children project to cut local partners and implement directly for the first year, delaying bringing in local partners for implementation, and reducing the opportunity to build local capacity and ownership. Local partners are an essential element of a successful Journey to Self-Reliance for USAID and a successful transition for PEPFAR, and such broken relationships with local partners undermine these efforts for sustainable development.

**IMPACT ON USAID**

**Taxpayer Losses:** The financial losses due to budget uncertainties, delays and government shutdowns are notable. In the case of the Sierra Leone Feed the Future project closure, $4 million of the total project amount had already been spent, of which more than $500,000 was spent on project assets that had to be written off. Instead of utilizing funding for programs, this funding was used to finance severance packages for laid-off staff members. While some of the project activities will ideally be maintained by farmer groups, many did not reach fruition due to a lack of access to financing, with which the project was supposed to assist.

**Inability to plan:** The drastic cuts proposed by the Administration, the requirement to implement programs pursuant to these cuts, and then delays in final appropriations decisions that restore funding to programs the Administration has cut, make it difficult for missions to plan, which trickles down to development programs. Susan Reichle, former Counselor to USAID with more than 25 years of experience pointed out that budget uncertainties result in “[c]ountless hours spent preparing options to decide which programs and staff to keep on board. Other programs were slowed down to a trickle with the hope that a budget deal would be reached before prematurely closing a program that affected countless lives.”

**Reduced Visibility:** The Feed the Future project also included plans to work with Farmer to Farmer, a project which connects farmer volunteers to bring technical expertise to project beneficiaries. The project closure meant a loss of “in-kind” technical assistance brought by the US farmers. The project closure also resulted in a lost the opportunity for US farmers to understand development challenges abroad, and to act as unofficial USAID ambassadors from across the US heartland.

**Hinders the Journey to Self-Reliance:** Ultimately the budget issues hinder USAID’s efforts to advance the Journey to Self-Reliance. Without dependable funding, most local partners would likely be unable to manage the risks of budget delays and budget cuts, which were, in CRS’ case, covered by private funding.

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* In its entirety, the Farmer to Farmer program leveraged over $31 million worth of volunteer time contributions to development efforts and mobilized $40 million from assisted local host organizations.
In the case of budget cuts, CRS had to reduce partners to complete project implementation. This budget uncertainty reduces opportunities for local partners to strengthen their technical and logistical capacities to lead projects in the future.

It should be noted that, despite delays in development programming, in two cases, CRS employees have applauded the speed with which the USG has authorized additional funding in humanitarian responses to severe food insecurity. Indeed, throughout this research, CRS employees routinely underscored the professionalism of their USG counterparts. Whether to emphasize the constraints under which these professionals operate or their efforts to protect programs in the face of potential or real budget cuts, CRS field staff clearly see their USG counterparts as partners.

**RECOMMENDATIONS**

**To the Administration:**
While each Administration has the prerogative to determine its own priorities, each Administration should also honor US commitments, especially within the global development arena that have been previously made and fulfill Congressional authority and intent to budget and appropriate funding.

1. **The Administration should avoid early termination of programs, which would likely be required in the event of drastic budget cuts, at all costs.** As development experts know, development takes time—usually five years or more—and trust. When programs are terminated early, they undermine the investments already made, while also breaking down the trust between communities, leaders and implementers. If termination is absolutely required, sufficient time should be afforded to allow for a sustainable exit, to seek new donors, and to protect relationships.

2. **The Administration should refrain from proposing severe budget cuts on critically important development programs.** Congress has clearly laid out its intent to protect poverty reducing humanitarian and development assistance, rejecting severe cuts in three prior fiscal years.

3. **The Administration should make every effort to obligate funding on time.**

4. **The Administration should not withhold funding for programs that have already been authorized and appropriated, or redirect funds that undermine long-term strategic objectives and contradict Congressional intent.** Again, such withholding of funding for short-term goals is counter-productive and leads to inefficiencies and the potential for further suffering.

**To Congress:**
Congress has exercised its authorities in budgeting and appropriations, protecting important foreign assistance funding, and requiring certain amounts of funding to be spent (i.e., “shall” language for $1B for implementation of the Global Food Security Act). Congress should increase its oversight and utilize its authorities to protect regular order and continue to use its authorities to protect against the uncertainties of Administration budget cuts.

1. **Congress should restore regular order for appropriations and conduct a review to determine where other processes within the Administration can be responsibly expedited.** Passing appropriations legislation on time would enable agencies and missions to prepare their plans accordingly, helping to avoid some disruptions of programs. On-time planning would ensure greater cost-effectiveness of taxpayer dollars and restore the credibility of the USG and its partners.

2. **Congress should reject proposals to drastically cut programs without strong justification and maintain robust funding for international poverty-reducing humanitarian and development programs.** CRS applauds Congress’ bipartisan commitment to largely maintain international poverty-reducing humanitarian and development
programming overseas. A mere 1% of the budget, these programs save and improve millions of lives, supporting people on their Journey to Self-Reliance. Most Americans widely support US efforts to help poor and marginalized populations overseas as an expression of their values. Individual donations to organizations like CRS, World Vision, Save the Children, and others demonstrate this deep personal commitment.

3. Congress should request the US Government Accountability Office to conduct a meta-analysis on the impacts of budget uncertainty as well as cuts and delays on programs. This report provides examples, but it is outside the scope of one organization to determine the cost to US taxpayers as well as the human toll on all beneficiaries impacted.

To both: Congress and the Administration should consider outlaying funding for the duration of an award at the outset. This would reduce the impact of budget delays on programming, avoid deviation of funds, and prevent terminations. Such provision would require the same oversight and progress as currently required by donor agencies. This would help to ensure that, even during legitimate shifts in policy priorities or congressional delays, USG donors stand by their commitments.

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For the full case study, “The High Cost of Early Program Termination,” see https://www.crs.org/get-involved/advocate-poor/public-policy

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