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Delivering on the Promise of Government-to-Government Assistance: A Roadmap for the U.S. Government International Assistance Pivot

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LIST OF ACRONYMS

AFGHS — America First Global Health Strategy
CDC — Centers for Disease Control
CR — Cost Reimbursable
CSO — Civil Society Organization
DQA — Data Quality Assessment
FAM — Foreign Affairs Manual
FARA — Fixed Amount Reimbursable Agreement
G2G — Government-to-Government
GDP — Gross Domestic Product
HR — Human Resources
IFMIS — Integrated Financial Management Information System
MCA — Millennium Challenge Account
MCC — Millennium Challenge Corporation
MFAN — Modernizing Foreign Assistance Network
MOH — Ministry of Health
MOU — Memorandum of Understanding
NAOT — National Audit Office of Tanzania
NGO — Non-Governmental Organization
OMB — Office of Management and Budget
PEFA — Public Expenditure and Financial Accountability
PEPFAR — President's Emergency Plan for AIDS Relief
UNDP — United Nations Development Programme
UNHCR — UN Refugee Agency
USAID — U.S. Agency for International Development
USG — U.S. Government
WHO — World Health Organization

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EXECUTIVE SUMMARY

This report is published by the Modernizing Foreign Assistance Network (MFAN) at a watershed moment for U.S. development and humanitarian assistance. In the wake of the consolidation of many international assistance functions into the U.S. Department of State, which previously had been administered by the U.S. Agency for International Development (USAID), the State Department is undertaking a major shift in how U.S. assistance is provided, planning to use Government-to-Government (G2G) agreements to implement the Administration's new America First Global Health Strategy (AFGHS).

For more than a decade, MFAN has called for greater U.S. government G2G assistance. Done well, G2G assistance can help governments build systems that yield long-term, sustainable development impacts – advancing partner countries toward greater sovereignty and reduced dependence on donor assistance. Done poorly, this form of assistance risks development reversals, corruption and waste, and the entrenchment of new forms of aid dependence.

In recent history, the proportion of U.S. assistance that has flowed directly through partner government systems has been small; this is especially striking when compared with the billions of dollars now projected under the AFGHS. However, both USAID and the Centers for Disease Control (CDC) have implemented numerous G2G programs over the past decades and have learned significantly from their experiences. In addition, the Millennium Challenge Corporation (MCC) compacts and threshold agreements are a type of G2G. Drawing lessons from the successes and shortcomings of past G2G agreements will improve the prospects for success of these new agreements.

It is amidst this backdrop that MFAN is offering this analysis to inform early decisions that will shape how G2G assistance is implemented in practice. While this report focuses on global health, its findings are relevant to other development sectors – including education and agriculture – and offers practical guidance to help ensure expanded G2G assistance protects development gains, delivers results, and builds durable capacity to create long-lasting change, while managing fiduciary and programmatic risks.

Definition of G2G Assistance:

Funding given by the U.S. Government (USG) directly —without any intermediary—to a foreign government. It can take a number of different forms, including cost reimbursable awards, performance-based or milestone-based awards, general budget support, and others.

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EXECUTIVE SUMMARY - continued

It will be vital for the State Department to develop a clear strategic program framework that defines the goals, objectives, and practical implementation of these new G2G agreements. Given the large scale of the proposed G2G global health portfolio and the significantly diminished USG development workforce and support systems, Congress should hold in-depth hearings and briefings as part of its oversight functions.

The USG will need a variety of tools to manage this new generation of assistance to ensure U.S. taxpayer investments are impactful and enduring. For example, NGO technical assistance and oversight, civil society engagement and quality assurance and in-country donor coordination and collaboration mechanisms should all be fully leveraged, alongside efforts to increase embassy staffing – with American or local staff, or both – and use of existing host government systems rather than creating new ones. Partner governments will also need to address the needs of women and girls and include women in decision-making roles, as these gaps would limit the reach and impact of any G2G investment.

Getting G2G Right: Lessons from Decades of Experience

This report highlights several core elements essential for success from across sectors, including:

- **Effective project management and adapting for success:** Empower experienced in-country teams and prepare to learn and adjust.
- **Managing risks and paying for results:** Implement risk management and use milestone-based financing to protect U.S. funds while reinforcing accountability.
- **Ensuring data availability, validity, and transparency:** Generate, validate, and share national data to enhance durability and accountability.
- **Supporting local organizations:** Engage civil society, NGOs, and faith-based groups to strengthen monitoring and service delivery.
- **Leveraging innovation and the private sector:** Apply digital tools, payment reforms, and pro-business policies to increase efficiency and sustainability.
- **Bringing coherence to USG assistance and donor funding:** Align efforts across U.S. agencies, donors, and partner governments to prevent fragmentation and strengthen outcomes.

Success requires all actors, including the State Department, Congress, partner governments, non-governmental organizations (NGOs), and the private sector, to consistently apply these lessons. By drawing on decades of cross-sector experience, the United States can implement G2G at scale while increasing development gains and lasting results.

SUMMARY RECOMMENDATIONS BY STAKEHOLDER

Below are key actions for different stakeholder groups to ensure the successful development and implementation of G2G agreements.

State Department
- Develop a strategic program framework that defines goals, objectives, and implementation plans
- Hire sufficient and appropriate staff
- Engage the right government and non-government partners in design and implementation
- Work through and strengthen country systems
- Implement risk management and pay for results
- Develop standard G2G policies and processes
- Ensure sharing and reporting of data
- Use effective program management

Congress
- Hold hearings to examine opportunities and challenges of G2G assistance
- Ensure development of standard G2G policies and processes
- Require sharing of funding data, regular progress reporting, and evaluations of the new strategy
- Review risk management approach
- Closely monitor compliance with appropriations law

Foreign Governments
- Engage assertively throughout program negotiation and implementation
- Advocate for country priorities
- Bring all relevant national and subnational government entities into the process
- Ensure use of existing government systems (financial, human resource, data, etc.) whenever possible
- Insist on sufficient time for program design
- Invite civil society and the private sector to engage in program design, implementation, and monitoring
- Deliver services through NGOs where necessary
- Share performance data and progress publicly
- Begin transition steps early and gradually

Civil Society
- Develop local recommendations
- Advocate for government funding of local organizations to provide services where the public sector does not reach, and for NGO funding more broadly to complement and support G2G programming
- Provide inputs on service delivery quality and reach
- Closely monitor compliance with appropriations law

INTRODUCTION

In September 2025, the U.S. Department of State issued the America First Global Health Strategy. The document calls for a pivot from the long-established practice of delivering foreign aid through U.S.-based NGOs to directly funding partner country governments. In December, U.S. Secretary of State Rubio signed the first agreement under the new strategy—a $1.6 billion deal with Kenya to combat infectious diseases. Additional agreements have since been signed.

Many aid experts have long called for this kind of shift. International agreements in Paris (2005), Accra (2008), and Busan (2011) – all of which were signed by the USG – promised to redirect aid dollars to government entities by using recipient countries' public financial management systems and to promote greater ownership more generally. This consensus emerged in part from the fact that many lower income countries had been receiving assistance for almost half a century but were still years away from being able to adequately fund and implement their own development agenda. It acknowledged that when aid flows to external actors, it can pull resources away from local systems, weakening them and creating dependency on donors. Instead, working through local systems could strengthen governments, setting the stage for an eventual donor exit.

Despite this consensus, relatively little foreign aid went to governments in recent decades. In fiscal year 2024, just one percent of USAID funding, about $169 million,[1] flowed to governments; this is despite several well-intentioned–though inconsistent–attempts at reform over the past 15 years. The Centers for Disease Control and Prevention (CDC) has programmed somewhat more funding, with G2G funding representing about 15 percent ($230-$250 million) [2] of its annual President's Emergency Plan for AIDS Relief (PEFPAR) budget in recent years. The Millennium Challenge Corporation (MCC) provides grants to countries in a type of G2G, but funds do not flow through government systems. The USG also provides funding to governments indirectly, through its contributions to multilateral financial institutions like the World Bank, GAVI, and the Global Fund to Fight AIDS, Tuberculosis, and Malaria, among others. Finally, the U.S. Congress has also shown interest, adding new eligibility and reporting requirements on G2G assistance in annual appropriations legislation beginning in 2012.

[1]This excludes direct budget support to Jordan and Ukraine, which has far fewer constraints than the project-oriented G2G agreements discussed in this report.
[2] Internal CDC/PEFPAR budget analysis

The shift currently being proposed would transform the USG approach to international assistance. Figures for the first 16 countries' Memorandum's of Understanding (MOUs) alone average more than $2 billion per year, and the strategy foresees agreements with the majority of the 71 countries that currently receive health support. (Though more recent developments suggest that not all new foreign assistance money will go to governments, but also to private companies, faith-based organizations, and traditional NGO partners.)

While the scale of this proposed reform is new, the approach is not. While noted above that the funding amounts were limited, both USAID and CDC implemented G2G assistance for decades. Those experiences offer considerable lessons on improving effectiveness, managing risk, and combating corruption. With proper planning, management, and political will on both sides, this magnitude of direct government funding has the potential to reshape countries' abilities to provide services in a far more enduring way than aid of the past, possibly bringing other donor efforts along in the process. At the same time, working with another sovereign government is far more complex than working through NGOs, and carries significant risks, including development backsliding leading to more death and disease, corruption and waste, sidelining of civil society, and creating a new foreign aid system that fosters just as much dependency as the one it is replacing, just to name a few.

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These risks are compounded by the fact that this reorientation is occurring at a time of unprecedented upheaval in the USG foreign assistance system: USAID operations have been all but eliminated and virtually its entire staff dismissed. Country offices that used to have dozens or hundreds of experts supporting these programs–in very difficult environments–now have one or two. The institutional knowledge and support functions once housed at USAID headquarters are gone, while the State Department is assuming responsibilities in an area where it has little experience, staff, or systems to provide support.

The proposed large programs, combined with a shrunken support system, suggest that the State Department should use all the tools at its disposal to manage this new generation of agreements. NGO technical assistance and oversight, civil society engagement and quality assurance, and in-country donor coordination and collaboration mechanisms should all be used fully. Audits of recipient government systems and accounting practices must be completed and when not adequate, as is often the case in low-income countries, augmented. State could also consider piloting more innovative approaches that are less staff- and process-intensive, like providing large cash transfers for achieving high level results. Additionally, the State Department needs to think about how these much larger awards pose new risks to the reputation of the USG, for example, for being seen as non-transparent, or supporting particular foreign governments or politicians.

The State Department's Global Health strategy anticipates that most partner countries "will transition to full self-reliance during the term of the agreement," with agreements requiring countries to rapidly increase shares of program costs within two to five years. This timeframe will likely be unrealistic for most countries. Additionally, other important priorities (e.g., other social services, infrastructure, debt repayment) may interfere and leave at-risk populations vulnerable. Countries may also struggle with effectively absorbing a large and sudden infusion of aid dollars into their public service delivery systems. The State Department would be more likely to achieve its transition goals by engaging partner governments in other sectors, including on domestic resource mobilization, public spending efficiency, and pro-business reforms that will generate tax revenue, and supporting an appropriate mix of public and private services.

Three Agencies, Three Approaches

While G2G work represented a relatively small portion of USAID's portfolio, the Agency undertook billions of dollars of this type of work over decades. CDC similarly has significant experience through its PEPFAR and other health work. MCC also has experience working closely to co-create its grants with the recipient government but does not generally use country systems. Instead, it implements grants through a joint-venture with the government and disburses funding directly to vendors from the U.S. Treasury after fiscal and program audits. While none of these models come close to the scale and vision of the new State proposed agreements, they do provide important lessons.

Due to different missions, legal requirements, and histories, different USG agencies have taken different approaches to G2G agreements.

Each has elements we can learn from, for example:

CDC: A public health agency focused on strengthening essential public health functions and achieving health impact through partnership primarily with Ministries of Health, national public health institutes, and sub-national health authorities through cooperative agreements. Under PEPFAR, this model has been implemented at scale, supporting surveillance, laboratory systems, data use, workforce development, outbreak preparedness and response, and service delivery. The G2G agreements are typically not funded through the partner government's own financial systems, but directly to the government implementing entity, sometimes through outside bank accounts. *This approach enables rapid progress toward health outcomes but limits broader systems strengthening and requires additional work to integrate into core government financial and civil service systems.*

MCC: A USG agency focused on creating economic growth in a limited set of countries that are shown to be committed to good governance. MCC funding is provided in the form of threshold programs, compacts, and regional compacts. Compacts, the most common form of MCC investment, is often, though not always, used for infrastructure projects, and all compacts must be completed in five years. The agency works closely with the head of government and the relevant ministries to create the projects that the countries propose to MCC and then helps the recipient government open a local accountable entity, usually called a Millennium Challenge Account (or MCA), to procure the goods and services needed to execute the grant. Audits are sometimes conducted on existing government systems, if the partner governments request MCC use existing country systems. These audits determine if government systems can be used for funding disbursements, and typically they cannot. MCA entities then hire third party fiscal agents and procurement agents to support procurement and funding flows from the U.S. Treasury to the vendor based on US and international standards. The relevant government ministers sit on the MCA Board to provide oversight and monitor progress, along with civil society and private sector representatives. The MCA may be dissolved or integrated into the government after the program is over. *This approach reduces risk to the USG, and can deliver impressive results, and sometimes is used to train governments in proper procurement practices. However, it does not fully use government systems and can also be time intensive and might be limited in terms of where it can be effective.*

USAID: A development and humanitarian agency, USAID emphasized working through government systems along with delivering results through milestone-based or cost- reimbursable agreements (in either case, payment is made after work is completed). USAID also used large general budget support G2G mechanisms, but in a very limited number of countries. USAID typically worked with many national-level and sub-national-level government entities, including ministries of finance, health, education, local governance, and gender, audit institutions, and more. USAID created a large set of tools and guidance to support strengthening of systems and conducted rigorous pre-award risk reviews. However, lengthy design processes, risk aversion, and reliance on government's systems often slowed implementation and limited the expansion of G2G assistance. *While this approach supported long-term systems strengthening, it was frequently process-heavy to advance at scale.*

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Create Successful Government-to-Government Partnerships

1.Develop Standard Guidance and Hire Sufficient Staff
- Establish G2G operational processes
- Develop standardized processes and tools
- Ensure sufficient staff and technical expertise
- Review progress regularly

2. Build the Right Relationships
- Engage the appropriate ministries at the right level
- Design and manage programs in partnership
- Allow adequate time for relationship development
- Rebuild trust through transparency
- Use G2G strategically as an incentive, not a punitive tool

3. Strengthen and Use Government Systems
- Use government systems
- Support financial contributions and co-investment
- Maximize public funds and improve efficiencies

4. Manage Risks and Pay for Results
- Conduct comprehensive risk management
- Use milestones to reduce risk to the USG
- Leverage partnerships to combat corruption
- Provide technical assistance

5. Champion Effective Project Management and Adapt for Success
- Implement effective project management practices
- Establish high-level oversight mechanisms
- Institutionalize data validation
- Build in flexibility to adapt
- Learn from past transitions

6. Support the Important Role of Local Organizations and the Private Sector
- Harness community feedback to improve services
- Support civil society's role in monitoring & oversight
- Contract strategically to expand reach
- Promote a pro-business enabling environment

7. Leverage Innovation
- Digitalize systems and innovate for efficiency
- Explore new and traditional models of G2G assistance

8. Align USG Assistance and Donor Funding
- Ensure alignment of programs across the USG
- Apply lessons from health to other sectors
- Enhance donor coordination to reduce waste

9. Sustain Continuous Leadership Support
- Provide leadership support at all levels
- Ensure support across administrations

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1. DEVELOP STANDARD GUIDANCE AND HIRE SUFFICIENT STAFF

- **Establish G2G operational processes:** Administering G2G assistance represents a new area of responsibility for the State Department, distinct from any other it manages. The Department should develop standard operating procedures and codify them in a new chapter of its operations handbook, the Foreign Affairs Manual (FAM). The chapter should define organizational structures, roles and responsibilities, legal requirements, risk management, and standard processes for planning, designing, managing, monitoring, and transitioning or closeout of G2G agreements.

- **Develop standardized processes and tools:** To ensure legal compliance and effective implementation across countries, the State Department should create guidance, templates, and training for staff who will be involved with G2G agreements. In line with appropriations law specific to G2G assistance, it should develop a transparent process for excluding countries from G2G assistance and communicate the criteria so that governments know what they need to do in order to receive aid, creating incentives for reform. It should also create standard processes for sharing required G2G information with Congress.

- **Ensure sufficient staff and technical expertise:** Washington and country-based full-time staff are essential for managing and supporting G2G agreements, which are more sensitive, complex, and time-intensive than grants to NGOs. While staffing models vary and each has tradeoffs, core teams should include full-time subject-matter (e.g., public health) experts, and financial management staff, supported by legal, procurement, human resources, and project management expertise.

Leaner models will cost less but give less insight into realities on the ground, such as delays, missed targets, and fraud. If a robust, in-country staff is not possible, a leaner core team can be supported by external NGO or contracted staff. However, ensuring sufficient USG staff at a country level is essential, as they represent USG interests. In-country staff can be based in embassies or embedded in partner ministries.

- **Review progress regularly:** Given the magnitude and newness of the proposed shift to use G2G, the State Department should clearly define success, regularly review progress, learn from its experiences, and update guidance and approaches. It should publish an annual progress report against the new strategy and G2G work and conduct midpoint and five-year reviews or evaluations at both the country and global levels.

2. BUILD THE RIGHT RELATIONSHIPS

- **Engage the appropriate ministries at the right level:** Past USAID and CDC agreements often involved only the relevant line ministry (e.g., health). Future agreements should involve the central ministries responsible for budget and human resource planning, generally the Ministry of Finance, and in some cases Ministries of Planning, Local Government, or others. Further, it is important to consider which level of government is the right one for negotiation, design, implementation, and transition, it may be the national, provincial, district, or municipal level, or more than one. Experience shows that engaging multiple ministries, often at both the national and sub-national levels, led to greater success. In highly decentralized systems, a focused agreement with a sub-national level government entity, under the larger national agreement, can help focus resources on regions with the highest needs.

- **Design and manage programs in partnership:** True partnership takes time but ensures alignment, shared ownership, and smoother transition to partner governments. Relationships and trust are strengthened through joint design and management. Civil society and impacted groups, including the equitable representation of women and girls and vulnerable populations, should also be engaged, as their input can improve program design and help ensure better results over the near and long term.

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- **Allow adequate time for relationship development:** G2G agreements require sufficient time for design, capacity strengthening, and transition. Sequential design workshops can help both governments to set goals, activities, and milestones, and negotiate costs and verification processes. These design meetings should include clear benchmarks and timelines, along with time for consultations with local and external stakeholders. Time (and funding) should also be allocated to capacity building and transition planning, recognizing that these phases often take longer than anticipated.

- **Rebuild trust through transparency:** PEPFAR was known for sharing data in public dashboards and for stakeholder consultations around annual country planning processes and reviews. Both PEPFAR and USAID regularly reported to Congress on planned and current G2G agreements, the risk assessment approach, and results. The MCC and relevant MCA publicly shares a breadth of information about the goals, activities, outcomes, and impact of its compacts at both the HQ level and locally through national channels in affected countries, communities, and through stakeholder engagement. While some elements of G2G work will appropriately be between governments only, sharing goals, activities, and outcomes are essential to build trust and sustain support from Congress and other stakeholders.

- **Use G2G strategically as an incentive, not as a punitive tool:** When aid flows directly to governments, it can be tempting to threaten aid reductions when targets are missed or demands unmet. However, ending G2G agreements harms people who depend on government services, particularly in health programs, and undermine U.S. international assistance goals. As such, the possibility of terminating a G2G program should be weighed seriously, and alternatives should be planned in advance that do not adversely impact vulnerable populations.

3. STRENGTHEN AND USE GOVERNMENT SYSTEMS

- **Use government systems:** Transitioning aid programs to partner governments requires building their capacity to manage the programs themselves, meaning G2G agreements must strengthen and should eventually rely on government systems. However, weak and underfunded systems abound in lower income countries, and it is rarely possible to engage with all of them from the start. Past G2G models avoided using core government systems like the national treasury and civil service, favoring private bank accounts and contracted staff. While this can produce short-term results, it does not lay the groundwork for a transition to the government. Effective G2G assistance prioritizes development outcomes over process, aiming to save lives and deliver services, while building up government systems methodically.

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Building Systems That Sustain Results

Financial systems: G2G financing should ideally be on-budget, or part of the government's planning and budgeting process, and flow through its treasury and accounts system. This often takes time, due to misaligned fiscal years, partner government's public financial management requirements, and the need to build fiduciary safeguards or capacities. Cash flow and documentation requirements should be designed to avoid delays. USAID programs in Uganda and Nepal show how on-budget models can be phased in successfully, while USAID programs in Ghana and Zambia demonstrate how delayed financial flows and the lack of early solutions undermined results and led to the termination of programs.

Human resources systems: Transitioning donor-funded staff to government payrolls is central to any attempt at sustainability as is allowing governments flexibility to determine appropriate staffing levels and roles. New hiring should occur through partner government HR systems, which include the civil service, but may also involve other, shorter-term forms of hiring. This is in contrast to having staff hired by third parties through parallel systems (a common practice in some countries by CDC and USAID). This promotes sustainability and ensures that staff do not receive higher wages than the government is legally allowed to pay, a common donor practice. Although civil service rules may be contentious or outdated, large U.S. aid packages coupled with U.S. engagement can catalyze reform. Sufficient planning and risk analysis is critical: in Mozambique, weak accounting systems led CDC auditors to recommend the returning of USG funds; after funds were returned, improved HR systems were put into place.

Data systems: Project management data should be collected through national systems, not parallel systems that only serve USG projects, a practice long used, including in PEPFAR programs. As national data systems are further used, governments should be encouraged to conduct regular data quality assessments and to publish results of progress to increase transparency.

Procurement Systems: Procurement systems are critical for purchasing commodities, hiring staff, providing services, and more. G2G funding can support diagnostics, reforms, and monitoring of procurement systems. Health commodity theft and corruption are common. In Zambia, a U.S. Embassy review found that many pharmacies were selling stolen goods from various foreign aid donors. The investigation led to the establishment of a digital stock tracking system and the dismissal of implicated government staff.

Audit institutions: Government internal audit systems must be capable of auditing G2G activities. Agency-level auditors and supreme audit institutions are essential for accountability and identifying waste, fraud, and abuse. G2G programs should strengthen the government's capacity to audit its own programs. In Tanzania, USAID funding to the National Audit Office strengthened internal auditing capacities and the training and support also had a ripple effect and improved auditors' capacities for government's programs beyond the USAID funded work.

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Transitioning Health Workers to the Government in Malawi

Malawi, one of Africa's poorest countries, faces a critical shortage of health and social welfare workers, with only 2.85 skilled health workers per 1,000 people compared to the WHO's recommended 4.45 and vacancy rates of 48–51 percent. In 2019, USAID piloted district-level G2G financing in Zomba to improve HIV/AIDS services, maternal and child health, nutrition, family planning, and support for orphans and children vulnerable to HIV. The program supported government hiring through its own public hiring system at national pay scales through the Ministry of Finance, enabling health facilities to reopen and improved service delivery. The Government of Malawi agreed at the start to gradually assume salary costs for USAID-funded staff. By the end of the three-year agreement, 387 health workers had fully transitioned to government funding and HR systems reducing donor dependency and strengthening Malawi's health system.

©Andrés Felipe Castilla, FHI 360 Strengthening Together Activity

- **Support financial contributions and co-investment:** Host-country contributions or cost-sharing should be built in from the start and be reflected in agreement milestones; with clear targets for gradual increases over time and key metrics to track progress. Costing and planning for the co-investments, with technical assistance if needed, should be done early. At the same time, larger public financial management dynamics should be considered and addressed within the context of the national budget and partnerships with other donors.

- **Maximize public funds and improve efficiencies:** For long-term sustainability, improving systems efficiencies is key. Many USG and other donors have long struggled with absorptive capacity and optimizing the use of public resources. Targeted interventions to improve efficiencies in public funding should be replicated and scaled to help partner governments meet ambitious domestic resource commitments.

Tax Reforms Lead to Increased Investments in Health in El Salvador

In El Salvador with governance programming, USAID addressed inadequate financing for the Ministry of Health (MOH) related to the national budget and inefficient procurement. Technical assistance helped establish a consolidated e-catalog across government, while supporting the MOH to improve health-sector budgeting and procurements. As a result, El Salvador nearly doubled health spending as a share of GDP, from 2.4 percent to 4.6 percent.

Making Existing Resources Count in Uganda and Beyond

In 2015, Uganda's Ministry of Health expended only 79.9 percent of government-released health funds. Between 2016 and 2018, USAID invested approximately $1.5 million to strengthen Uganda's Ministry of Health budget planning and expenditure management, resulting in an improved budget absorption rate to 89 percent in 2017, and 97 percent in 2018, the final full year of this USAID support. This generated an estimated $17.4 million in additional health spending – an 18 percentage-point gain from a modest investment. Similarly, the Global Fund supported programs have struggled to fully utilize available resources, with up to $1 billion in committed funding going unused in some years. Through targeted implementation and financial management support, the Global Fund improved overall absorption rates from approximately 60 percent in 2016 to 79 percent by 2022. However, infrastructure and equipment expenditures lagged at approximately 59 percent, underscoring the persistent need for targeted system-strengthening interventions.

From 2014-2018, the PEPFAR Sustainable Financing Initiative focused on improving public financial management and absorptive capacity, integrating HIV services into social health insurance schemes and greater private sector engagement. With a $47.8 million program, the initiative generated an estimated $393 million in domestic resources for HIV.

4. MANAGE RISKS AND PAY FOR RESULTS

- **Conduct comprehensive risk management:** Effective risk analysis and management are essential to safeguard USG direct funding to partner governments. Identifying, assessing, and mitigating risks–from the start and throughout the agreement will help prevent delays, minimize waste, and potential fraud. It also enables contingency planning for political transitions, financial or corruption issues, and natural or manmade disasters. Existing USG tools, including those based on the World Bank's Public Expenditure and Financial Accountability (PEFA) and others; can support compliance with OMB Risk Policy and Congressional statutory requirements.

- **Use milestones to reduce risk to the USG:** A milestone-based approach to funding–where donor payments follows the achievement of jointly identified results –is an effective way to ensure that targets are reached before any payment is made. For example, in Uganda, USAID provided payment once the government demonstrated they provided HIV treatment to a set number of patients. Milestones with progressive targets can help keep funding flowing when performance falls short of 100 percent. Keeping milestones high-level avoids bureaucratic micromanaging, incentivizes cost reduction, and enables governments to problem-solve on their own.

- **Leverage partnerships to combat corruption:** Historically concerns about corruption have limited G2G engagement, however, funding governments provides leverage to require greater transparency and

accountability. Corruption risks should be identified and managed through risk management processes and monitored throughout implementation. USG and contracted staff should work closely with local counterparts to upgrade financial and other systems, addressing common weaknesses such as those around commodities and ghost workers. Civil society can support monitoring. Direct funding of governments can provide leverage to require greater transparency and accountability.

Global Fund's Contingency Planning

The Global Fund gives much of its funding directly to governments and has a robust risk management approach, including an "Additional Safeguard Policy" used as a last resort measure in cases of extreme financial issues or weak capacity of national entities. Setting up clear contingency plan triggers that quickly put in place alternative support is critical when undertaking shifts that have implications for life-saving services.

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5. CHAMPION EFFECTIVE PROJECT MANAGEMENT AND ADAPT FOR SUCCESS

- **Provide technical assistance:** Outside technical support can help governments implement and oversee new programs, ensuring continuity of results during transitions. This often takes the form of an external NGO or contractor, standalone or integrated implementation units, or embedded USG staff. Approaches that reinforce existing government structures, such as embedded staff, tend to promote sustainability. Most USAID and CDC G2G agreements used technical assistance to improve financial management systems, data collection, validation of milestones, procurement systems, and more, with the aim of reducing external assistance as government capacity increased.

- **Implement effective project management practices:** Planning, design, implementation, monitoring and learning, and transition/closeout are where many of the principles outlined in this report meet reality. The State Department should adopt G2G project management standard practices – drawing on past models -- and implement them across operating units through guidance and training.

- **Establish high-level oversight mechanisms:** Joint progress reviews should involve decision makers from both governments and input from civil society and external actors. Quarterly reviews should be

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codified in the project design, and examine technical outcomes and other milestones, financial expenditures, quality of programs, data validity, verification methods, and stakeholder feedback.

- **Institutionalize data validation:** G2G project data should be validated by the program management team, with regular data quality assessments (DQAs) conducted jointly with the partner government. G2G programs should strengthen the government's capacity to execute these processes on its own, ensuring confidence in published data by the time of transition.

- **Build in flexibility to adapt:** Working with two government bureaucracies inevitably leads to unforeseen challenges. Programs benefit from iteration and learning, getting more effective over time. G2G agreements should outline the process for updating milestones or including new components without requiring a total redesign or high-level sign-off. Many USAID and CDC G2G programs conducted evaluations or review of structures and progress that resulted in improved implementation models.

- **Learning from past transitions:** Examples abound of partner governments promising to take over U.S. assistance programs at their onset but later required more time. Experiences from past transitions or graduations across the USG and other donors offer lessons for a gradual transition with clear benchmarks and reviews in place to monitor progress. Post transition, the USG should maintain limited program elements and provide technical assistance to ensure success during the early transition phase.

6. SUPPORT THE IMPORTANT ROLE OF LOCAL ORGANIZATIONS AND THE PRIVATE SECTOR

- **Harness community feedback for better services:** When shifting from international NGOs to government service delivery, a common concern is the quality of services, especially for vulnerable and marginalized populations. Feedback from independent local organizations helps ensure that programs achieve their intended outcomes and increase user satisfaction and reach. Community-based, rights-based, faith-based, and other local organizations and the private sector should be funded sufficiently to effectively engage. Evidence shows that tools like community scorecards and institutionalizing community participation in health facilities improve service availability, access, utilization, quality, and funding.

- **Support civil society's role in monitoring & oversight:** Civil society, based in country, have an important role in ensuring that G2G agreements are set up and managed in a transparent way, in order to mitigate risks and hold governments and donors accountable to ensure that quality services reach all people. Civil society should engage in G2G multi-stakeholder mechanisms to provide ongoing monitoring and real-time feedback on the implementation of the agreements.

Improving G2G Designs in Liberia and Namibia

In Liberia, three successive G2G agreements shifted USAID assistance from supporting the central Ministry of Health to county-level health facilities, resulting in greater reach and impact on health outcomes for the poor. In Namibia, a one-year review of a new G2G agreement led USAID to adjust its approach. The original G2G agreement partnered only with the Ministry of Youth, Sports, and National Service for an adolescent health program. However, the review indicated that partnering also with the Ministry of Education would be a more comprehensible approach and align better to the government's own multisectoral implementation model.

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- **Contract strategically to expand reach:** Social contracting, or government funding of the local private sector, faith-based, and other non-governmental organizations to deliver services should be incorporated into direct government partnerships. Governments should outsource to these organizations when public systems fall short, such as for commodity distribution, or for reaching communities that face stigma or barriers. Assessments of social contracting readiness exist and have been jointly supported by donors, including the Global Fund and UN entities. Social contracting examples in Kyrgyzstan, Botswana, Namibia, Thailand and others can provide lessons on how to best implement.

- **Promote a pro-business enabling environment:** The private sector – local and international – plays a critical role in development as the direct suppliers of key goods and services, like medical and agricultural commodities, transportation, and financial services. Additionally, they bring innovative approaches and

Ensuring Access to Services through Social Contracting in Panama

Ahead of the final Global Fund allocation for HIV/TB in Panama (2019-2021 grant), national stakeholders worked with the Global Fund, UNDP, and partners to plan a sustainable transition to domestically-financed programs, while protecting essential services for marginalized populations. The Ministry of Health, established a mechanism to strengthen the public financing of CSOs – also known as "social contracting" – initially for the provision of HIV and TB services. In 2020, the government launched the "National Strategy for the Extension of Health Services for Key Populations through Community Organizations, " as a formal recognition of the need for this link with communities. This highlights the importance of institutionalizing the approach with policies and capacity strengthening ahead of the start of the contracting, along with monitoring implementation.

pay the taxes that fund public services. If the USG truly wants to support countries in taking over programs and reducing reliance on foreign aid, it must engage parliaments, regulatory agencies, and industry associations to create a pro-business environment. G2G agreements should include specific actions and milestones related to fostering private sector engagement.

7. LEVERAGE INNOVATION

- **Digitize systems and innovate for efficiency:** The USG can leverage its aid budget to drive breakthroughs to common challenges. For example, antiquated payment and civil servant policies have bogged down past agreements. Investments in public digital infrastructure and digitization of the

Government and Locally-led Design Mandated by Congress, Improving Programming in El Salvador

The Millennium Challenge Act of 2003 reads, "In entering into a Compact, the United States shall seek to ensure that the government of an eligible country—(1) takes into account the local-level perspectives of the rural and urban poor, including women, in the eligible country; and (2) consults with private and voluntary organizations, the business community, and other donors in the eligible country." In El Salvador, MCC consultations reshaped one of the first compact's proposed programs. An initial plan to pay farmers to reforest the Northern Zone proved to lack incentive for poor farmers—rather the farmers wanted training on high-value agriculture. The government responded to this feedback by changing the focus of the program to training, crop insurance, and loan guarantees.

budget and payments system can make the budgeting process more efficient and transparent. Updated and standardized civil service compensation plans can help remove government ghost workers from payrolls and eliminate incentives for civil servants to be pulled away from their primary job. In Ghana and Rwanda, USG and other donor support for the Integrated Financial Management Information System (IFMIS) sped up planning, budgeting and payments and reduced opportunities for corruption and inefficiencies.

- **Explore new and traditional models of G2G assistance:** While USAID predominantly used "projectized" G2G models–fixed amount reimbursable agreements (FARAs) with milestones and cost reimbursable (CR) agreements–it also used other G2G mechanisms, including general budget support, sector program assistance, and joint donor financing agreements. The State Department should consider these models, as they reduce the management burden and potentially harmonize and attract more donor resources, though they offer less control and visibility. Similarly, the State Department could pilot new approaches, for example providing cash transfers to achieve high-level results.

8. ALIGN USG ASSISTANCE AND DONOR FUNDING

- **Ensure alignment of programs across the USG:** Currently, different USG agencies can establish G2G agreements based on their own priorities and approaches. Notably, USAID and CDC disagreed on which country governments to fund, had different approaches to G2G risk management, and had different technical programs, which created mixed messages and confusion for partner governments. The State Department and Congress can ensure that all USG aid follows core principles across agencies and funding accounts, while allowing agencies to manage their own programs as required under the various laws and rules that govern them.

- **Apply lessons from health to other sectors:** The new global health strategy is a meaningful first step toward ending aid dependency, particularly as the health sector receives the largest share of U.S. foreign aid. The same principles can be applied to areas like food security and education. A similar strategy could guide all foreign assistance, with country-level strategies and bilateral agreements building on the lessons from health.

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- **Enhance donor collaboration to reduce waste:** Examples abound of multiple donors funding government partners to implement the same activity or hire the same staff. Intentional and detailed coordination with other bilateral and multilateral donors is critical. While this sounds simple in theory, in practice donor coordination bodies have often been ineffective and do not get into the necessary details of project implementation to avoid duplication and conflicting policies. Ideally, donors would support a single, government-led development plan publicly outlined in its national budget, and monitored by a donor-government coordination mechanism, even potentially engaging in joint financing.

9. SUSTAIN CONTINUOUS LEADERSHIP SUPPORT

- **Provide leadership support at all levels:** This direct government funding approach should be supported across all levels of State Department leadership, from headquarters to the Ambassador to office directors. Incentives and rewards should be in place for success, with acknowledgement that there will be roadblocks and other challenges.

- **Ensure support across administrations:** The new State Department global health strategy represents an ambitious shift. However, the pivot to G2G takes time. Past reforms faltered in part because the championing of G2G was not sustained through changes in administration. USG foreign assistance will benefit if future administrations and Congress continue this push for greater partnership, shared ownership, and sustainability.

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Joint Donor Financing to Improve Health Care of Refugees and Broader Population in Jordan

In 2024, Jordan was home to more than 770,000 UNHCR-registered refugees representing 56 nationalities, including approximately 670,000 registered Syrians. At the beginning of the crisis in Syria, Jordan provided UNHCR-registered Syrians fleeing conflict with free access to public sector healthcare services. Ultimately, the financial burden of providing adequate health services for the rapidly-growing population led the Government of Jordan to increase the cost of care, which caused a decline in the number of refugees seeking healthcare. In response, USAID, the Government of Jordan, and the Government of Denmark established the Jordan Health Fund for Refugees, a Joint Financing Arrangement designed to help defray the cost of providing healthcare for refugees and increase donor investments in Jordan's health system. The Joint Financing Arrangement brought in additional contributions from the U.S., Denmark, Canada, Qatar, Germany, and the World Bank, restoring refugees' access to public health services at the same cost as uninsured Jordanians. It also expanded access to health care for all of Jordan's residents by renovating, expanding, and equipping public sector facilities, benefiting not only refugees, but all residents seeking health services. The new facilities allow the Ministry of Health to perform advanced procedures that previously had to be referred to private hospitals at government expense, resulting in cost savings of $18 million annually for the Ministry.

CONCLUSION

The shift of U.S. international assistance towards G2G programming represents an important opportunity to fund lifesaving work while strengthening government systems and reducing dependence on outside assistance. Yet this transition also carries substantial risks: if poorly designed or inadequately supported, G2G programming can lead to development backsliding, corruption and waste, and entrench new forms of aid dependence rather than alleviate them.

While G2G programming is not a silver bullet to solve entrenched development challenges, when undertaken with rigor, transparency, and strong oversight, G2G assistance can promote genuine country ownership, improve efficiency, build durable capacity, and deliver lifesaving programs at scale. Success depends not only on the negotiation of high-level agreements, but on the more routine and time intensive design, management, and eventual transition of programs to partner governments.

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As the United States embarks on this international assistance pivot, careful planning, robust safeguards, and deliberate learning from past experience will be essential to protect development gains and ensure this new model delivers on its promise.

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About MFAN
The Modernizing Foreign Assistance Network (MFAN) is a bipartisan reform coalition composed of international development and foreign policy practitioners, policy advocates, and experts from the U.S. and Global South. MFAN works to strengthen the effectiveness of U.S. development and humanitarian aid in order to build more resilient societies, promote democratic approaches to development, improve the lives and opportunities of the most vulnerable populations, and maximize the sustainable impact of U.S. taxpayer dollars.