THE FISCAL YEAR 2013 BUDGET: A REVIEW OF U.S. FOREIGN ASSISTANCE AMIDST ECONOMIC UNCERTAINTY

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THE FISCAL YEAR 2013 BUDGET: A REVIEW OF U.S. FOREIGN ASSISTANCE AMIDST ECONOMIC UNCERTAINTY

TUESDAY, MARCH 20, 2012

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10 o'clock a.m., in room 2172 Rayburn House Office Building, Hon. Ileana Ros-Lehtinen (chairman of the committee) presiding.

Chairman ROS-LEHTINEN. The committee will come to order. I will recognize myself and the ranking member, Mr. Berman, for 7 minutes each for our opening statements. We will then hear from our witness before we move to questions and answers under the 5-minute rule. We are not giving members an opportunity to give a 1-minute? Sure, we are.

Without objection, the witnesses' prepared statements will be made a part of the record. And members may have 5 days to insert statements and questions for the record.

The Chair now recognizes herself for 7 minutes.

Dr. Shah, welcome. We appreciate your being with us today. Our hearing this morning is to discuss the foreign assistance budget for Fiscal Year 2013. When we met last year, we discussed the foreign aid budget against the backdrop of our Nation's challenging fiscal situation, including our vast annual deficit. Regrettably, as all of us know, little has changed in that front. One year later, newspaper headlines read, "Nearly One in Six Americans in Poverty," "Line Grows Long for Free Meals at U.S. Schools," "City Cost-Cutting Leaves Residents in Dark."

So our Nation continues to face a substantial deficit, with 35 cents of every dollar being borrowed. The Congressional Budget Office predicted that our budget deficit will total a staggering $1.08 trillion this year. CBO has also projected that the jobless rate will rise to 8.9 by the end of 2012 and to 9.2 the following year. Therefore, it is critical that we continue to thoroughly scrutinize our Government spending, and foreign assistance is no exception. Every dollar must be justified.

It is a common argument that the foreign aid budget represents 1 percent of the overall Federal budget.

However, within that 1 percent are billions of U.S. taxpayer dollars that the American people have earned through hard work and have generously provided to nations around the world. It is our responsibility to ensure that these hard-earned dollars are held to

the highest standards of transparency, are reaching the intended recipients, and are advancing our national and security interests and foreign policy priorities.

Our foreign aid is not an entitlement program. Countries like Botswana, Chile, Thailand and South Korea have all used U.S. foreign assistance to build their economies and eventually graduate from U.S. foreign assistance. This should be the goal for all countries that receive U.S. assistance.

Dr. Shah, in the previous remarks over the last year, you stated that by 2015, USAID could help several countries move away from U.S. assistance and, thus, close USAID missions. However, the budget request that you have submitted does not include any scheduled USAID mission closures in Fiscal Year 2013. So, Dr. Shah, what changes or reforms are you proposing or implementing to ensure that U.S. foreign aid does not create dependency but, rather, leads to empowerment and self-sufficiency? What is USAID's strategy for moving countries beyond foreign assistance so that they can stand on their own?

Modest progress was made in Fiscal Year 2012 to eliminate unnecessary programs and missions. However, in reviewing the Fiscal Year 2013 budget, it does not appear to reflect a commitment in increased cost savings and elimination of U.S. assistance to countries that no longer need our support.

Further, the administration's congressional budget justification states that the budget proposal only requests what is absolutely necessary. Yet, the administration is seeking nearly $2.6 billion under this request for international climate change programs, while humanitarian assistance accounts are scaled back. I remain concerned that funding of these programs is being provided at the expense of good governance, democracy, and rule of law programs.

With limited resources, we must ask if this best meets our U.S. national security interests. For example, U.S. foreign assistance to the countries of the Western Hemisphere should reflect our main concerns: Security and democracy in that area. Under this request, funding for environmental programs to Guatemala increases by $2.5 million, funding that could be put to better use elsewhere for prevention programs that counter narcotrafficking and promote security funding.

At a time when violent drug cartels are expanding their influence and fundamental freedoms are under assault by the ALBA tyrants, citizen security and democracy assistance must be USAID's priority. This priority must be appropriately reflected in the President's foreign assistance budget. The sharp cut in democracy funds for Cuba and Venezuela sends the wrong message to the internal opposition in these countries. Cuban dissidents will question the United States' commitment to a free Cuba as funding is decreased by $5 million.

And as the ALBA regimes move further down the path of totalitarianism, this proposed budget rewards the dictatorship of Bolivia, Ecuador, and Nicaragua with an increase of development assistance. In Nicaragua, the proposed budget reveals a $3.1-million boost in funding for Fiscal Year 2013. Yet, the unconstitutional reelection of Daniel Ortega and his successful power grab dem-

onstrates that USAID funds have not been spent wisely to promote democracy or transparent elections.

Even more worrisome, our current USAID programs in Nicaragua support a handful of Sandinista mayors at the municipal level. In Ecuador, Correa continues to intimidate the private media and independent journalists, but the President's budget request increases funding for development assistance to Ecuador by $2 million. I also remain opposed to the increase in money for family planning and reproductive health—especially when all other global health accounts decline.

The administration's reversal of the Mexico City policy allows U.S. Government funding to be allocated to foreign nongovernmental organizations that support or promote abortion as a method of family planning. An increase in family planning and reproductive health would only provide further opportunity for expanded funding for these organizations.

So I look forward to discussing with you the reforms you have introduced to make the delivery of our foreign assistance more effective and what steps USAID is currently taking to break the welfare state relationship between U.S. foreign assistance and dependent countries.

At this point I would like to turn to my friend and colleague Congressman Berman, the ranking member of our committee, for the opening statement that he would like to make. Mr. Berman is recognized.

Mr. BERMAN. Well, thank you very much, Madam Chairman. And I join you in welcoming Dr. Shah before the committee this morning. I appreciate this opportunity to consider the President's Fiscal Year 2013 budget request for humanitarian and development assistance and to review efforts to reform the way USAID does business.

As you yourself have noted, Madam Chairman, the total, cumulative Fiscal Year 2013 International Affairs request of $56.37 billion is $5.1 billion below last year's request, and represents less of an increase over 2012 spending levels than the current, annualized inflation rate.

Moreover, I would add, international affairs spending represents only about 1 percent of our overall Federal budget. And development and humanitarian spending is less than half of that amount.

Despite these facts, there continues to be a widespread misunderstanding about the size of our foreign aid program. Polls show that most people think it is upwards of 20 percent of the budget and that cutting foreign aid will somehow balance the budget. What is interesting is that the amount people think we should be spending on foreign aid is about ten times more than we actually spending.

It bears repeating that we give humanitarian and development aid not only because it is the right thing to do but because it is the smart thing to do. Addressing hunger, disease, and human misery abroad is a cost-effective way of making Americans safer here at home. And it is infinitely cheaper to address these with economic and technical assistance now than to wait until fragile states collapse or conflicts erupt in wide-scale violence and we have to resort to costly emergency aid or even military action.

Reducing global poverty is not a partisan issue. Democrats and Republicans alike want to usher in an AIDS-free generation, expand access to clean water and sanitation, respond to natural disasters, help countries hold free and fair elections, and build new markets for U.S. exports. In fact, some of the biggest contributions to global health and development were spearheaded by Republican Presidents, such as PEPFAR and the Millennium Challenge Corporation, which were both created by President George W. Bush.

Still, in this difficult economic climate, we have a special obligation to ensure that the funds are spent as efficiently and as effectively as possible and that they best serve our national interests. To do so, we must revise and update the framework of foreign aid laws and procedures that were designed for the last century and fail to reflect the many lessons we have learned over the past 50 years.

For instance, we know that our programs have a much greater impact in countries that devote significant resources to improving the lives of their own people. Our dollars go much further if we and other donors work along with host countries in a coordinated way, instead of setting up parallel institutions that are duplicative or leave gaps. But our system of stovepiped accounts and earmarked funds makes it very difficult to respond to local needs and priorities.

Another thing we have learned is that we need to be strategic about our investments. That means not only having a clear plan of what we are trying to achieve and specific indicators to measure success, but also being more selective and focused with our funding.

Despite the need for improvements, I think we have some good stories to tell. Since its founding 50 years ago, USAID has played a critical role in lowering child deaths by 12 million a year. It has helped gain global coverage of basic childhood vaccines from 20 percent to 80 percent in most countries. The money we have invested in agricultural research led to the Green Revolution, which saved hundreds of millions from hunger and famine. And just recently, the World Bank announced that the first Millennium Development Goal, having the proportion of people living on less than $1 a day, has been reached ahead of schedule.

Unfortunately, this message is not the one that dominates our headlines. After many years of providing aid, the public is skeptical that aid really helps. They are concerned that the problems are too big for us to be able to make a difference. And they don't have a clear idea of how the aid is actually used.

In order to ensure that our money is being effectively spent and achieving the desired results, we need to collect solid empirical data about what works, and we need to make it available to the public. Without evidence that our programs are having a significant positive impact, we will lose the support and the confidence of the American people.

Some seem to think we can keep cutting back on staff and salaries without hurting programs. Naturally no one wants to waste money on unnecessary overhead costs. But it is time to realize that development is a discipline, that our dedicated aid professionals, Foreign and Civil Service alike, have important skills and experi-

ence that we want to retain and build upon. If we don't invest in our human resources, we will pay dearly in the long run.

One thing that can be done to put our aid programs on a sounder footing is to replace the Foreign Assistance Act of 1961 with legislation better geared to the needs of the twenty-first century. Last September, I released a draft of the Global Partnerships Act, which lays out a vision for how to make foreign assistance serve our national interests more efficiently and more effectively.

Dr. Shah, I hope by now you have had a chance to review this draft. I would ask your staff to begin sitting down with us to discuss how we can improve it.

Madam Chairman, I make the same offer to you and your staff so that we can have the benefit of your views and suggestions before introducing it later this year.

Before I close, I would just like to say a few words on behalf of our late colleague, Don Payne, who devoted so much of his career to serving the poor and downtrodden, particularly in Africa. And, Dr. Shah, I welcome your recent launch of the Donald Payne Fellowship Program, designed to attract outstanding young people to careers in international development.

I know that Don had been working with you for the last year on your draft diversity and inclusion plan, and this will be an important element of it. But I also want to bring to your attention the last piece of legislation that Don introduced. H.R. 4141, the Food Assistance Improvement Act of 2012, is designed to improve the nutritional quality and cost-effectiveness of United States food assistance, based on a number of recommendations made by the GAO.

Don wanted to ensure that the food we provide is of the right type, quality, and nutritional value, not just to prevent starvation, but to maintain and restore health for the most vulnerable populations. I think one of the best ways we can honor Don's life and memory is to move this legislation through the process in a cooperative and bipartisan manner.

Thank you, Dr. Shah, and I look forward to your testimony.

Chairman ROS-LEHTINEN. Thank you so much, Mr. Berman.

And now we will hear from our members, who are recognized to give 1-minute remarks, starting with Congressman Smith, the chairman of the Subcommittee on Africa, Global Health, and Human Rights.

Mr. SMITH. Thank you very much, Madam Chair.

Welcome, Dr. Shah, to the committee, always great to see you. You know, I would ask that you perhaps in your statement and certainly in your work consider two issues that are largely overlooked. In 1998, I began the national effort to combat autism—wrote the law, Combatting Autism Act, which it was my bill. It was just re-signed into law by President Obama, providing money for research.

But on the international side, we had a hearing May 31st. It is estimated that there are 67 million individuals with autism and in Africa, it is tens of millions. And we had a woman from Cote d'Ivoire who said in Africa, there are no services. There are no diagnoses being made. And these children are being abandoned, and many of them die.

Secondly, on the issue of hydrocephalic children, many of whom get that way because of infection, we had a hearing on that with CURE International on August 2nd. I have a bill that I am going to be introducing, International Infant Hydrocephalus Treatment and Training Act.

There is a simple shuntless intervention—and I saw it when I was in Uganda and Kenya—that can save the lives of these children, who otherwise die or are severely disabled. And I would ask you. We need to put resources behind both CURE International and their efforts and this effort on combatting autism.

Chairman ROS-LEHTINEN. Thank you so much.

Mr. Faleomavaega?

Mr. FALEOMAVAEGA. Thank you, Madam Chair.

I want to thank you for holding this hearing. And I want to extend my personal welcome to Dr. Shah this morning at our committee.

And I want to associate myself with the comments made earlier by our ranking member, the gentleman from California, Mr. Berman, especially to recognize the tremendous contributions that our former colleague and a dear friend of mine, Congressman Payne, who passed away. And I think it could not be more fitting that we name this program after him for the tremendous work that he has done for the continent of Africa, just as much as we have worked together for the past 23 years of being helpful to these 2 regions in Africa as well as in Asia Pacific region.

I do have some questions I will ask Dr. Shah as we proceed with the hearing. Thank you.

Chairman ROS-LEHTINEN. Thank you very much.

Mr. Rohrabacher is recognized.

Mr. ROHRABACHER. Thank you very much.

We will miss Don Payne. And I will miss his aggressive refutations of the points that I make, as he always did so as a fine gentleman.

We have $5 trillion more in debt right now than we had 3 years ago, $5 trillion. Unless that is dealt with, our economy will collapse. Currency will collapse. You are going to have to convince us.

And I am sorry. I love my colleagues who have such great hearts that they want to help autistic children in Africa and elsewhere, but you are going to have to convince me of why it is necessary to borrow more money from communist China in order to give money to some other country or some other group of people.

I submit for the record on top of that, Madam Chairman, at this point I would submit for the record a list of perhaps $100-million worth of aid that we are giving to China. And I would like you to convince me of why it is necessary for us to provide this type of aid to the world's worst human rights abuser and a country that is governed by a clique that thinks of the United States as their enemy.

Thank you very much, Madam Chair.

[NOTE: The information referred to is not reprinted here but is available in committee records.]

Chairman ROS-LEHTINEN. Thank you, Mr. Rohrabacher.

Mr. Sires is recognized.

Mr. SIRES. Thank you, Madam Chair, for holding this meeting. And I would like to associate myself with some of the comments made here by my other members, especially in regards to Don Payne.

And also I would like to associate myself with the $100 million that my good colleague Rohrabacher said that we are giving China, but I am also more concerned about the Western Hemisphere. It seems that some of the countries that need the most to promote democracy, we're cutting it, especially when you have countries like Iran moving into the region and establishing a relationship with some of these countries that are really out to end democracy in this area. So I am very concerned.

All the cuts, especially when it comes to Cuba, there is a crackdown going on now just before the Pope visits. And I don't understand why this administration is so intent on cutting just about anything that promotes democracy in this area when we should really be putting more money into it. This business of appeasing some of these countries is just I don't understand it.

Thank you very much.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Sires.

Judge Poe, Texas, is recognized.

Mr. POE. Mr. Shah, it is like we talked about in December. We can't reform foreign assistance without Congress and the administration working together to do so. For example, your new evaluation policy in my opinion is a step in the right direction.

I commend you for that. On the congressional side, we are trying to do some things here, too. I appreciate your support for my foreign assistance reform bill, H.R. 3159. That is co-sponsored by the ranking member, Mr. Berman.

We need the administration to establish guidelines for monitoring and evaluation of America's money. We need those guidelines implemented by all departments that deal in foreign assistance so we can hold them accountable, learn from mistakes, and make sure those programs are either funded or not funded.

Now it is hard to tell the bad programs from the good ones because we don't evaluate them. We should shut down programs that don't reform and start doing what they promised when they got our money. Instead, we should give that money to programs that deliver.

After 50 years of doing foreign assistance, we don't subject our aid to rigorous evaluation. Those days need to end immediately and hold people accountable.

I yield back.

Chairman ROS-LEHTINEN. Thank you very much.

Mr. Connolly of Virginia?

Mr. CONNOLLY. Thank you, Madam Chairman, but I think Mr. Deutch may have been ahead of me.

Chairman ROS-LEHTINEN. Yes, you are so right. Mr. Deutch? See, I am just trying to be friends with you in hopes I can get some more of that chocolate. Mr. Deutch?

Mr. CONNOLLY. It is on its way, Madam Chairman.

Chairman ROS-LEHTINEN. Thank you.

Mr. Deutch is recognized.

Mr. DEUTCH. Thank you. Thank you, Madam Chair. And thank you to my friend and gentleman Mr. Connolly.

Thank you, Dr. Shah, for being with us today. Dr. Shah, I would like to commend you on the progress that you have made with the USAID Forward Program to streamline the agency and make USAID more effective in this difficult budget climate.

I said many times before to this committee that the work that is being done across the globe through our funding of international assistance programs is absolutely critical to the security of our own country, programs like the Global Health Initiative, which works to prevent the spread of HIV/AIDS and fund President Bush's PEPFAR Program, are vital to preventing global pandemics. These are the kids of programs that work to stabilize the most vulnerable regions in the world.

International assistance should be an area where we can come together to support programs that save the lives of women and children by providing access to reproductive health care so that children don't have to lose their mothers during childbirth, so that young women delivering their first child, women whose growth is stunted because of poor nutrition or childhood illness, women living in rural areas or those who use traditional maternity care and deliver at home don't end up ostracized from their community from the debilitating effects of preventable conditions, like obstetric fistula.

Dr. Shah, we provide funding for international assistance programs because they reflect our core American values. I look forward to your testimony today.

And I yield back, Madam Chair.

Chairman ROS-LEHTINEN. Thank you so much.

Mr. Royce is recognized.

Mr. ROYCE. Thank you, Madam Chair.

According to a recent study, when asked how to solve the North Korea's chronic food shortage problem, 94 percent of North Korean refugees said the government needed to be reformed. Only 1.4 percent said the answer was more food aid. They know that sending more food will only help the regime's inner circle and keep it well fed.

We had one senior North Korean defector say, "We must not give food aid to North Korea. Doing so is the same as providing funding for North Korea's nuclear program." And he argued that it allows Kim Jong-un to divert resources toward its military program, it allows the military to be well fed.

According to one South Korean parliamentarian, the north is hoarding 1 million tons of rice, playing up the shortfall to pressure us and others for aid. Many others suspect that the north is hoarding food for the 100th anniversary of North Korea's founder, Kim Il Sung. Food aid, of course, would subsidize that event. Consolidating the Kim dynasty is no contribution to human rights.

Thank you, Madam Chair.

Chairman ROS-LEHTINEN. Thank you.

Ms. Bass is recognized.

Ms. BASS. Thank you, Madam Chair.

Dr. Shah, thank you for your steadfast leadership and commitment to foreign affairs and development. I commend the women

and men of USAID, some of whom work in extreme and high-stress environments. You and your colleagues continue to share the good will of the American people without our fail. For this, we are very grateful.

I look forward to learning where you see real opportunity to maximize U.S. development and diplomatic efforts. I imagine the last several years have not been easy and you should be commended for your resilient work to make a more efficient and effective USAID, both abroad and here at home within the agency itself.

Thank you very much.

Chairman ROS-LEHTINEN. Thank you very much.

Mr. Connolly is recognized.

Mr. CONNOLLY. Thank you, Madam Chairman. And I welcome Dr. Shah to the committee again.

A great power must reject the false choice that we can deal with our debt or we can deal with other obligations but we cannot do both. A great power has obligations, and it has interests that must be propounded and a modest bilateral and multilateral aid program is a tool without which we commit unilateral disarmament. If we are worried about the competition coming from China, they are getting off airplanes and on airplanes in every developing country in the world. And we are retreating. And that is not a wise long-term policy for the United States of America.

I am interested particularly in hearing about two things today. One is advocacy. What do we know about what works in our aid program over 40–50 years of experience now?

And, secondly, how are we best structured to make sure we are deploying the assets and resources we have got from an administrative point of view.

Thank you, Madam Chairman.

Chairman ROS-LEHTINEN. Thank you, sir.

Ms. Wilson is recognized.

Ms. WILSON. Thank you, Madam Chair.

Thank you, Director Shah, for your presentation of the President's Fiscal Year 2013 budget request for USAID to the committee today. It is a pleasure, pleasing pleasure, to have you.

America has long been seen as an example for the rest of the world in democracy and diplomacy. And thank you for your role in leading this charge.

The assistance of developing nations is integral in our national security. In fact, you had not spent many days on the job before the devastating earthquake ripped through Port au Prince, Haiti, a day that I am sure you recall vividly. In fact, the world recalls that day. That was a day that forever changed the direction of Haiti and will not soon be forgotten by many of my constituents in Miami, Dade County, Florida.

Many of them note and are grateful for the responsiveness of USAID, both immediate and ongoing. I am encouraged by the outreach that you and your staff have maintained with the South Florida community.

When I traveled to Haiti, I was alarmed by the thousands that remained homeless without any hope of finding work or housing. I was disturbed by the living nightmare of women and girls who are suffering from sexual and physical abuse. Upon my return, it

was the stories of rape by force and the visuals of pregnant teens that haunted me.

I sponsored a resolution on gender-based violence in Haiti to reassure the people of Haiti, particularly the women and children, that the United States remains a committed partner in the fight to end all forms of gender-based violence in Haiti.

I would like to encourage the administration through the State Department and USAID to encourage the Haitian Government to take proactive steps that are consistent with the Interamerican Commission on Human Rights' recommendations on sexual violence to eliminate gender-based violence.

It is my——

Chairman ROS-LEHTINEN. Thank you.

Ms. WILSON. Oh, that is it?

Chairman ROS-LEHTINEN. Thank you very much.

Ms. WILSON. Thank you.

Chairman ROS-LEHTINEN. Thank you, Ms. Wilson. Thank you to all of our members for their opening statements.

And now the Chair is pleased to welcome our witness. Dr. Shah serves as the Administrator of the United States Agency for International Development. He was nominated by President Obama and sworn in as the 16th USAID Administrator in December 2009.

Previously Dr. Shah served as Under Secretary for Research, Education, and Economics and as chief scientist at the U.S. Department of Agriculture. He also served as director of agricultural development in the Global Development Program at the Bill and Melinda Gates Foundation.

Dr. Shah earned his medical degree from the University of Pennsylvania Medical School and a master's degree in health economics from the Wharton School of Business.

Dr. Shah, thank you for attending. Your entire statement will be made a part of the record. And I realize that your timer is not working. I will just fling the gavel at you when the 5 minutes are up in a very subtle way. Dr. Shah, you are recognized.

STATEMENT OF THE HONORABLE RAJIV SHAH, ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Dr. SHAH. Thank you, Chairman Ros-Lehtinen and Ranking Member Berman and members of the committee. It is an honor to be here today to present and discuss the President's Fiscal Year 2013 budget request for USAID.

I would like to take a moment as well to recognize the life and work of your fellow committee member Don Payne. Congressman Payne was, of course, well-known on these issues and deeply respected and loved at our agency. He spent a considerable amount of time with me and with out staff in traveling to visit our programs. And we will continue to do what we can to honor and carry forward his legacy.

Chairman Ros-Lehtinen, Ranking Member Berman, each of you has challenged our agency to be more businesslike in the way we carry out our mission and to apply a laserlike focus on the results we seek to achieve and to pursue them aggressively.

Madam Chairman, I have appreciated your continued emphasis on the need for USAID to aggressively engage the private sector to

seek more leverage and more results in how we spend our resources. And in response to that, we have expanded a number of efforts to do just that.

Ranking Member Berman, I appreciate your efforts to pursue a reform agenda for foreign assistance that prioritizes monitoring and evaluation, focusing on results and transparency. And we believe we have taken a number of important steps to take that to the next level of performance.

Two years ago, President Obama and Secretary Clinton called for elevating development as a key part of America's national security and foreign policy. Recognizing that in frontline states, such as Afghanistan, Iraq and Pakistan, in transition countries in the Middle East and North Africa, in expanding our engagements with the private sector to create markets of the future and jobs at home, and in focusing on and achieving real development results in moving people out of hunger and poverty, saving children's lives, improving access to water and education, responding to humanitarian crises effectively, and promoting democracy rights in governance, in doing these tasks, our work makes us safer and more secure over time.

The President's Fiscal Year 2013 budget request is designed to do this. We have prioritized across our portfolio, continuing the path of closing missions in places like Montenegro, Panama, and Guyana. We are cutting programs. More than 165 programs have been reduced or cut. So that today USAID's China request, for example, is exclusively for only those communities in Tibet and for some very small disease control efforts to prevent the spread of international communicable diseases.

We have eliminated health programs in Peru and Mexico, eliminated food and agriculture programs in Kosovo, Serbia, and Ukraine, all to refocus our efforts and our priorities in those places where we can generate the most significant results.

The American Evaluation Association has referred to our approach to monitoring and evaluation as a gold standard across the Federal Government and encouraged other agencies to adopt the approach we are trying to adopt everywhere we work.

And, perhaps most importantly, we are seeking to implement a new model of partnership with faith-based institutions, private sector entities, universities around this country and the world and, most importantly, to get much more value for money in the way we work with our existing NGO and contract partners.

We do this work with great care, trying to invest more directly in local institutions, to stretch the value of American dollars and get better development results.

Our budget request includes a request to authorize a working capital fund for USAID to help ensure that we have the contracts, capacity, and oversight, and management capability to continue to squeeze more value for money in how we seek to achieve development results.

And this budget focuses on our core priorities. To support the transitions in the Arab Spring, we are requesting a joint State-AID account of $770 million in an incentive fund designed to support a critical transition.

In our frontline states of Iraq, Afghanistan, and Pakistan, we continue to fight for sustainable programs that are delivering re-

sults. We have reduced the scale and scope of that programming to ensure sustainability. And we are very cognizant of the security risks and security management strategies we have put in place in those environments.

Global health, at $7.9 billion, is the single largest item in the foreign assistance request. This amount of resource will allow us to meet the President's goal of increasing treatment for HIV/AIDS patients from 4 million to 6 million people, essentially saving 2 million additional lives.

It will allow us to maintain our commitment to fight for and implement the end of AIDS by creating a generation born without HIV/AIDS. It will allow us to continue to prioritize the very efficient President's Malaria Initiative, which has seen in many of its priority countries child death come down by more than 30 percent due to effective and cost-effective programs implemented well. And it allows us to capture some of the new opportunities that technology and innovation have made possible in terms of saving children's lives.

The budget includes a $1 billion request for our Feed the Future partnership. We saw last year the worst drought in more than six decades hit the Horn of Africa, placing 13.3 million people at risk of hunger and starvation. USAID led an international humanitarian response, helping to save thousands of children's lives and feed more than 4.5 million individuals.

But food aid costs eight to ten times more than investing in helping people produce and sustain their own futures through agriculture. And we are starting to see real results in our Feed the Future partnership, with countries in that program experiencing a rate of agricultural productivity growth nearly eight times the global average.

So I will conclude my statement with a thank you to our staff. We have asked them to take on real risks in difficult environments and to take on a significant and aggressive reform agenda, which I call USAID Forward. They have done this in an impressive manner.

And, while much work lies ahead, I appreciate your support and your ideas and your consultation as we continue to work together to improve our national security. Thank you.

[The prepared statement of Mr. Shah follows:]

TESTIMONY OF
DR. RAJIV SHAH
ADMINISTRATOR,
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
FY 2013 BUDGET REQUEST
HOUSE COMMITTEE ON FOREIGN AFFAIRS
WASHINGTON, DC
MARCH 20, 2012

Thank you Chairman Ros-Lehtinen, Ranking Member Berman, and members of the Committee. I am honored to join you to discuss the President's fiscal year 2013 budget request for USAID.

Two years ago, President Obama and Secretary Clinton called for elevating development as a key part of America's national security and foreign policy. Through both the Presidential Policy Directive on Global Development and the Quadrennial Diplomacy and Development Review, they made the case that the work USAID's development experts do around the globe was just as vital to America's global engagement as that of our military and diplomats.

The President's FY 2013 budget request enables USAID to meet the development challenges of our time. It allows us to respond to the dramatic political transformations in the Middle East and North Africa. It helps us focus on our national security priorities in frontline states like Afghanistan, Iraq and Pakistan. And it strengthens economic prosperity, both at home and abroad.

This budget also allows us to transform the way we do development. It helps countries feed, treat and educate their people while strengthening their capacity to own those responsibilities for themselves. It helps our development partners increase stability and counter violent extremism. It supports those who struggle for self-determination and democracy and empowers women and girls. And it helps channel development assistance in new directions—toward private sector engagement, scientific research and innovative technologies.

I want to highlight how the investments we make in foreign assistance help our country respond to our current challenges, while delivering results that shape a safer and more prosperous future.

EFFICIENCY, TRADE OFFS AND USAID FORWARD

While foreign assistance represents less than one percent of our budget, we are committed to improving our efficiency and maximizing the value of every dollar. American households around the country are tightening their belts and making difficult tradeoffs. So must we.

Even as we face new challenges around the world, our budget represents a slight reduction from fiscal year 2012.

We've prioritized, focused and concentrated our investments across every portfolio. In global health, we propose to close out programs in Peru and Mexico as those countries take greater responsibility for the care of their own people.

We've eliminated Feed the Future programs in Kosovo, Serbia and Ukraine and reduced support to Europe, Eurasia, and Central Asia by $113 million to reflect shifting global priorities and progress over time by some countries toward market-based democracy.

And we're keeping our staffing and overall administrative costs at current levels, even in the midst of a major reform effort. It is through that effort that I spoke about last year—USAID Forward—that we've been able to deliver more effective and efficient results with our current staffing profile and operating budget.

Our budget prioritizes our USAID Forward suite of reforms.

That funding allows us to invest in innovative scientific research and new technologies. Last year, our support of the AIDS vaccine research through PEPFAR led to the isolation of 17 novel antibodies that may hold the key to fighting the pandemic. And we're working with local scientists at the Kenyan Agricultural Research Institutes to develop new drought-resistant seed varieties of sorghum, millet and beans, as well as a vitamin-A rich orange-fleshed sweet potato.

It helps us conduct evaluations so we know which of our development efforts are effective and which we need to scale back. The American Evaluation Association recently cited our evaluation policy as a model other federal agencies should follow.

It allows us to partner more effectively with faith-based organizations and private companies. In fact, the OECD recognized USAID as the best amongst peers in driving private sector partnerships and investment.

And through our procurement reform efforts, among the most far-reaching and ambitious across the federal government, we are aggressively seeking new ways to work with host country partners instead of through more costly consultants and contractors. This effort will make our investments more sustainable and hasten our exit from countries, while cutting costs.

For instance, in Afghanistan, we invested directly in the country's Ministry of Health instead of third parties. As a result, we were able to save more than $6 million.

That investment also strengthened the Afghan health ministry, which has expanded access to basic health services from nine percent of the country to 64 percent. Last year, we discovered the true power of those investments; Afghanistan has had the

largest gains in life expectancy and largest drops in maternal and child mortality of any country over the last ten years.

In Senegal, we are working with the government—instead of foreign construction firms—to build middle schools at a cost of just $200,000 each. That helps strengthen the government's ability to educate its people, but it is also significantly more cost effective than enlisting a contractor.

When we do invest money in partner governments, we do so with great care. Our Agency has worked incredibly hard to develop assessments that make sure the money we invest in foreign governments is not lost due to poor financial management or corruption.

With your continued support of this effort, we can expand our investments in local systems while building the level of oversight, accountability and transparency that working with a new and more diverse set of partners requires.

The Working Capital Fund we've requested would give us a critical tool in that effort. The Fund would align USAID's acquisition and assistance to USAID's program funding levels through a fee-for-service model, so that our oversight and stewardship is in line with our program and funding responsibilities. The result will be improved procurement planning, more cost effective awards, and better oversight of contracts and grants.

SUPPORTING STRATEGIC PRIORITIES AND STRENGTHENING NATIONAL SECURITY

We will continue to support the growth of democracies around the world, especially in the Middle East and North Africa where the transformative events of the Arab Spring are bringing down autocratic regimes and expanding freedom.

State and USAID have requested $770 million for a new Middle East and North Africa Incentive Fund to respond to the historical changes taking place across the region. The Fund will incentivize long-term economic, political and trade reforms—key pillars of stability—by supporting governments that demonstrate a commitment to undergo meaningful change and empower their people. State and USAID will continue to play a major role in helping the people of this region determine their own future.

In Iraq, Afghanistan and Pakistan, USAID continues to work closely with interagency partners including the State and Defense departments, to move toward long-term stability, promote economic growth and support democratic reforms. Civilians are now in the lead in Iraq, helping that country emerge as a stable, sovereign, democratic partner. Our economic assistance seeks to expand economic opportunity and improve the quality of life throughout the country, with a particular focus on

health, education and private sector development. With time, Iraq's domestic revenue will continue to take the place of our assistance.

In Afghanistan, we've done work to deliver results despite incredibly difficult circumstances. We established our Accountable Assistance for Afghanistan—or A3—initiative to reduce subcontracting layers, tighten financial controls, enhance project oversight and improve partner vetting. And with consistent feedback from Congress we are focusing on foundational investments in economic growth, reconciliation and reintegration and capacity building, as well as to support progress in governance, rule of law, counternarcotics, agriculture, health and education. We continue to focus on the sustainability of these investments so they ultimately become fiscally viable within the Afghan Government's own budget.

In Pakistan, our relationship is challenging and complex, but it is also critical. Our assistance continues to strengthen democratic institutions and foster stability during a difficult time. Crucial to those efforts is our work to provide electricity. Over the last two years, we've added as many as 1,000 megawatts to Pakistan's grid, providing power to 7 million households. We've also trained more than 70,000 businesswomen in finance and management and constructed 215 kilometers of new road in South Waziristan, expanding critical access to markets.

THE GLOBAL HEALTH INITIATIVE

Thanks in large part to the bipartisan support we've had for investments in global health, we're on track to provide life-saving assistance to more people than ever before. Although this year's request of $7.9 billion for the Global Health Initiative is lower than FY 2012 levels, falling costs, increased investments by partner governments, and efficiencies we've generated by integrating efforts and strengthening health systems will empower us to reach even more people.

That includes PEPFAR, which will provide life-saving drugs to those around the world afflicted with HIV and expand prevention efforts in those countries where the pandemic continues to grow. We can expand access to treatment and lift a death sentence for six million people in total without additional funds.

We're also increasingly providing treatment for pregnant mothers with HIV/AIDS so we can ensure their children are born healthy. And because of breakthrough research released last year, we know that putting people on treatment actually helps prevention efforts—treatment *is* prevention. All of these efforts are accelerating progress towards President Obama's call for an AIDS-free generation.

Our request also includes $619 million for the President's Malaria Initiative, an effective way to fight child mortality. In country after country, we've shown that if we can increase the use of cheap bed nets and anti-malarial treatments, we can cut child death—from any cause, not just malaria—by as much as 30 percent. In Ethiopia, the drop in child mortality has been 50 percent.

Last year, we commissioned an external, independent evaluation of the Presidential Malaria Initiative's performance. That report praised the Initiative's effective leadership for providing "excellent and creative program management."

And we will continue to fund critical efforts in maternal and child health, voluntary family planning, nutrition, tuberculosis and neglected tropical diseases—cost-effective interventions that mean the difference between life and death.

FEED THE FUTURE

Last year, the worst drought in 60 years put more than 13.3 million people in the Horn of Africa at risk. Thanks to the humanitarian response led by the United States—and the investments we made in the past to build resilience against crises just like these—millions were spared from the worst effects of the drought.

But as is well known, providing food aid in a time of crisis is seven to 10 times more costly than investing in better seeds, irrigation and fertilizers. If we can improve the productivity of poor farmers in partner countries, we can help them move beyond the need for food aid. And we can prevent the violence and insecurity that so often accompanies food shortages.

That's why we are requesting $1 billion to continue funding for Feed the Future, President Obama's landmark food security initiative. These investments will help countries develop their own agricultural economies, helping them grow and trade their way out of hunger and poverty, rather than relying on food aid.

The investments we're making are focused on country-owned strategies that can lift smallholder farmers—the majority of whom are women—out of poverty and into the productive economy. All told, the resources we're committing to Feed the Future will help millions of people break out of the ranks of the hungry and impoverished and improve the nutrition of millions of children.

We're also leveraging our dollars at every opportunity, partnering with countries that are investing in their own agricultural potential and helping companies like Walmart, General Mills and PepsiCo bring poor farmers into their supply chain.

These investments are working.

In Haiti—where we continue to make great strides thanks to strong congressional support—we piloted a program designed to increase rice yields in the areas surrounding Port-au-Prince. Even while using fewer seeds and less water and fertilizer, Haitian farmers saw their yields increase by almost 190 percent. The farmers also cut 10 days off their normal harvest and increased profit per acre. Today that program is being expanded to reach farmers throughout the country.

These results complement our work to cut cholera deaths to below the international standard. And we worked with the Gates Foundation to help nearly 800,000 Haitians gain access to banking services through their mobile phones.

And in Kenya, Feed the Future has helped over 90,000 dairy farmers—more than a third of whom are women—increase their total income by a combined $14 million last year. This effort is critical, since we know that sustainable agricultural development will only be possible when women and men enjoy the same access to credit, land and new technologies.

Overall, since we began the initiative in 2008, our 20 target countries have increased their total agricultural production by an average of 5.8 percent. That's over eight times higher than the global average increase of 0.7 percent.

BUILDING RESILIENCE

We all know that a changing climate will hit poor countries hardest. Our programs are aimed at building resilience among the poorest of those populations.
By investing in adaptation efforts, we can help nations cope with these drastic changes. By investing in clean energy, we can help give countries new, efficient ways to expand and grow their economies. And by investing in sustainable landscapes, we can protect and grow rainforests and landscapes that sequester carbon and stop the spread of deserts and droughts.

That work goes hand in hand with our efforts to expand access to clean water to people hit hard by drought. In 2010 alone, those efforts helped more than 1.35 million people get access to clean water and 2 million people access to sanitation facilities. Increasingly, we're working with countries to build water infrastructure and with communities to build rain catchments and wells to sustainably provide clean water. We're currently in the process of finalizing a strategy for our water work designed to focus and concentrate the impact of our work in this crucial area.

STRENGTHENING EDUCATION

Last year, we made some critical decisions about how we strengthen global education. Since 1995, USAID's top recipients have increased primary school enrollment by 15 percent. But even as record numbers of children enter classrooms, we have seen their quality of learning sharply drop. In some countries, 80 percent of schoolchildren can't read a single word at the end of second grade. That's not education; it's daycare.

The strategy we released last year will make sure that our assistance is focused on concrete, tangible outcomes like literacy. By 2015, we will help improve the reading skills of 100 million children.

CONCLUSION

Thanks to these smart investments, every American can be proud that their tax dollars go towards fighting hunger and easing suffering from famine and drought, expanding freedom for the oppressed and giving children the chance to live and thrive no matter where they're born.

But we shouldn't lose sight that these investments aren't just from the American people—as USAID's motto says—they're for the American people. By fighting hunger and disease, we fight the despair that can fuel violent extremism and conflict. By investing in growth and prosperity, we create stronger trade partners for our country's exports.

And above all, by extending freedom, opportunity and dignity to people throughout the world, we express our core American values and demonstrate American leadership.

Thank you.

Chairman ROS-LEHTINEN. Thank you so much, Dr. Shah. Thank you for excellent testimony. And now we will begin our question and answer period, 5 minutes per member.

I will ask a series of questions, Dr. Shah. You won't have time to answer, but I respectfully request if I could get a written response to these, that would be wonderful.

On Haiti, the President's Fiscal Year 2013 budget allocates nearly $340 million in new assistance funds for Haiti. The recent resignation of the Haitian Prime Minister and the absence of the interim Haiti Recovery Commission raises serious concerns about what oversight mechanisms are being employed to guarantee accountability of U.S. taxpayer dollars.

So if you could respond in written form what action is the U.S. Government undertaking in order to ensure proper transparency of assistance funds into Haiti?

On funding for the Palestinian authority, Dr. Shah, the administration is pressing Congress to release $147 million for Palestinians in the West Bank and Gaza. Among the arguments, it utilizes that Abu Mazen needs to be supported because he is all we have. However, the administration is not demanding that Abu Mazen return to the negotiation table with Israel without preconditions, nor that he stops his unilateral statehood scheme at the U.N. The administration also says we need to help rebuild the Palestinian economy, this at a time when our economy is facing serious challenges and Americans are suffering.

Now, in the list of projects the administration wants to fund with 147 million in taxpayer dollars, there are some that are aimed at addressing humanitarian concerns, funding for water programs, health, food aid, and support for USAID programming. Congress and the administration can't find common ground on these.

However, there are others that Congress finds difficult to justify as advancing U.S. national security interests or in assisting our ally and friend Israel. In this respect, if you could justify $2.9 million for trade facilitation, $4.5 million for tourism promotion, and $8.1 million for road construction?

Specifically, I would ask that you justify a total of $26.4 million in reconstruction and recovery for Hamas-run Gaza. That includes cash for work programs? And, more broadly, how much has the U.S. spent in total since 1993 in West Bank and Gaza? And how much is the administration proposing we spend next year? And how can we justify that?

Turning to Egypt, if you could respond to what mechanisms you have developed to ensure that U.S. assistance to Egypt does not directly or indirectly provide support or otherwise is influenced by the Ministry for International Cooperation and Development? And what is the justification for the provision of any U.S. assistance to an Egypt Government potentially dominated by the Muslim Brotherhood or affiliated extremists? Do you agree that no U.S. assistance should be provided, directly or indirectly, to the Muslim Brotherhood and affiliated extremists?

And, lastly, to my native homeland of Cuba—and Mr. Sires well spoke of that—the Obama administration has had a policy of concession toward the Castro brothers, but it has not yielded any measurable change for democracy. And I am deeply concerned

about the Department of State and USAID's growing funding for programs that promote the Castro brothers' sham economic reforms at the expense of funding for important programs that do support Cuba's political prisoners and the growing internal opposition.

Though this administration likes to point to Castro's so-called economic reforms as a sign of change, the fact remains that 11 million Cubans continue to suffer under brutal conditions with the repressive Castro regime. And this new focus on economic reforms will do nothing more than validate the Castro regime and promote their radical anti-American propaganda.

And so my question is, how does harnessing U.S. foreign assistance to promote the Castro brothers' sham economic reforms build the capacity for the internal opposition? And how can we prioritize the funding for Cuba to strive for a free and democratic Cuba by again funding the pro-democracy programs there on the island?

So I thank you, Dr. Shah, for that written response whenever you get to it. Thank you so much, sir. And now I would like to turn to Mr. Berman.

Mr. BERMAN. Thank you very much, Madam Chairman.

Dr. Shah, I think under your leadership, a number of important and exciting things are happening at USAID. You have been leading the way to make our aid more efficient, more effective, and more accountable. You have restarted the process of doing country strategies so that we are clear about our objectives and our measures of success.

You have established a new system of monitoring and evaluation, as the gentleman from Texas mentioned earlier, to ensure that funds are spent properly and achieve the desired results. And you have launched procurement reforms to make it easier to partner with small businesses and local NGOs, rather than bundling everything into huge contracts that only the biggest companies could hope to compete for.

When it comes to Afghanistan particularly, and perhaps Pakistan as well, our largest recipients of ESF, these considerations seem to go out the window. We don't seem to have a clear idea of what success would look like in Afghanistan. Each week there seems to be some new report about corruption and misuse of funds with little good news attached.

We are spending a huge portion of our funding on security costs, instead of on actual programs. And USAID has just recommended limiting the use of cooperative agreements and grants in Afghanistan, which means, in effect, ending our work with NGOs and handing it all over to large companies.

Can you talk to us about what you would regard as success in Afghanistan, how you are guarding against corruption, what progress we have made so far, and why we are relying so heavily on big contractors?

And let me just insert one other question if you have a chance to answer that as well. This deals with Syria. Basically world leaders have made an historic commitment to protect populations from genocide, war crimes, ethnic cleansing, and crimes against humanity.

What can you tell us in open session about what the United States is doing to uphold its responsibility to protect civilians in

Syria? Do we have any assessment of the needs? And are we working with international humanitarian agencies to find ways of meeting them? So Afghanistan more generally and Syria that specific question. Thank you.

Dr. SHAH. Thank you, Congressman. I appreciate your comments about our overall reforms. And I would suggest that they have also been implemented in Afghanistan.

In Afghanistan, we have seen over the last several years significant and important results, 7 million kids in school, 64 percent health coverage leading to a report that came out in December that showed the largest reductions in maternal and neonatal mortality anywhere in the world have taken place in Afghanistan.

We have also seen real economic performance, 10–11 percent annualized growth rates for a number of years, and a more than tripling of domestic revenue collection, which needs to continue on that trend for the Afghans to increasingly take up the responsibility of paying for their own public expenditures.

The challenge going forward and the challenge the President has articulated is sustaining those gains in a challenging environment and in an environment where we seek enough stability for our troops to be able to come home on the schedules the President has announced and supported.

In that context, we are doing a number of things differently. We have formulated and implemented sustainability guidance, reviewed all of our programs, found that some needed to be restructured pretty dramatically in order to be able to be sustained by Afghan revenues and by any legitimate future of what assistance could look like for the Afghan people.

Second, we are working closely with international partners to have a long-term strategy that is consistent with Afghan priorities but also forces real prioritization and focuses on specific and concrete results, things like tripling energy access to businesses and to people in Afghanistan, which has been achieved over the last 6 years.

We believe that we want to be working more with local institutions, including in a way that monitors against corruption, government, and NGOs. I will look into the specific point about the cooperative agreements because that was only intended to apply to large-scale infrastructure being developed in complex security environments, but I will have to look into that and come back to you more specifically.

On Syria, in particular, we have certainly been very active in conducting and partnering with others to conduct assessments. Syria actually has a strong international community presence inside of Syria, in part due to their support for Iraqi refugees over a longer period of time. Many of them have conducted assessments and presented us with opportunities to support specific humanitarian efforts with a real focus on getting commodities and medical support and trained medical personnel to immediately affected areas.

That said, any international humanitarian effort is fundamentally constrained by the serious and very transparent lack of access created by the Syrian Government's active military campaign. And while I can't speak about this in much more detail, I think it is

safe to say that we should have modest expectations of what humanitarian partners will be able to achieve there, but we are working with them aggressively, as aggressively as we can.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Berman. And thank you, Dr. Shah.

Mr. Smith is recognized.

Mr. SMITH. Thank you very much, Madam Chair.

Dr. Shah, when the President's Emergency Plan for AIDS Relief, or PEPFAR, was marked up here in this room a decade ago, I sponsored both the conscience clause amendment and the anti-trafficking and prostitution amendment. Both were enacted into law in 2003 and reauthorized again in 2008.

I have read the acquisition and assistance policy directive, the AAPD 1204 issued on February 15th of 2012, which replaces previous guidance on these matters. The policy directive reiterates the law verbatim, "An organization, including a faith-based organization, shall not be required as a condition of receiving assistance." And it goes on to list it "and that the organization has a religious or moral objection. It shall not be discriminated against in the solicitation or issuance of grants," and it goes on from there.

Can you provide assurance, including a commitment to robust monitoring, that grants contracts or cooperative agreements haven't been, aren't now, nor will be written in such a way—and I am thinking of integrated services—to diminish or to even preclude organizations, including faith-based organizations, from applying or receiving those funds?

Secondly, on the anti-sex trafficking prostitution law, the DC Circuit Court of Appeals, as you know, held that USAID may enforce the requirement that entities have a policy opposing sex trafficking and prostitution while the U.S. District Court for the Southern District of New York has ruled against it. Your view on this proviso? And will the administration appeal to the U.S. Supreme Court? I understand the filing deadline for cert is May 2nd. So that date is fast arriving.

And, finally, number three, according to the GAO report issued on October 11, a USAID-funded award recipient, the International Development Law Organization, or IDLO, advised the Kenyan entity responsible for drafting the new Kenyan Constitution, to include language in the Constitution that would legalize abortion in that country.

The only reason we learned about this blatant violation of U.S. law prohibiting the use of funds to lobby for or against abortion is that IDLO itself informed GAO in response to GAO's inquiry. The USAID's official responsible for managing the grant informed GAO that she did not fully read IDLO's reports until the USAID IG inquiry brought them to her attention in mid 2010. I would note my extreme disappointment that the USAID IG did not reveal this violation in its report to Congress on September 29th, 2010.

My question, please explain how this violation occurred; why USAID did not properly monitor the grant so that the violation could be immediately rectified; and what, if any, measures have been taken to ensure that future grants that potentially involved lobbying for abortion adhere to legal funding restrictions.

Dr. Shah?

Dr. SHAH. Thank you, Congressman. And thank you for your partnership and work, especially on fighting for the health of vulnerable populations around the world. We very much appreciate that.

On your first point, faith-based institutions and partnerships are absolutely critical to our ability to be successful around the world. And one of the first things I did was ask our faith-based office to do a systematic review of both how we work with faith-based partners and to look in-depth at our procurement and contracting to explore whether we could do a better job of being more accessible and a better partner overall and as an agency.

We have been steadily implementing many of the findings that they have come up with. And I think we are doing a better job by any number of metrics and in terms of our engagements with the faith-based community and in terms of supporting the fact that they sometimes generate better results because they have a deeper, longer-standing, more sustainability-oriented commitment to delivering services for very vulnerable populations.

So the short answer, sir, to your first question is yes, absolutely, we will be implementing the law as you read it. And we will have a strict focus on making sure that is the case.

Mr. SMITH. And I hope, again, that integrated services would not become code for exclusion.

Dr. SHAH. Integrated was one of the issues that came up in the review. And we have come up with a few options that have enabled us to work to ensure that that is not exclusionary for faith-based partners. And we are now exploring a second tier set of options that will go even further than that. So we recognize that issue and have been working on that and I think getting positive feedback from our faith-based colleagues and partners on our steps in that space.

In terms of your point about the case that is with the Solicitor General, I understand it is the Solicitor General's decision and will be made soon. I can follow up with your office in more detail, but I thank you for raising that.

Chairman ROS-LEHTINEN. Thank you very much, Dr. Shah. Thank you, Mr. Smith.

Mr. Faleomavaega?

Mr. FALEOMAVAEGA. Thank you, Madam Chair.

Dr. Shah, approximately 20 years ago, the downfall of the Soviet Union, one of the decisions our Government made was to show no more presence of USAID in the Pacific region because of limited resources. We have new countries coming out of East Asia, South Asia, Central Asia. And for the last 100 years, USAID is not around.

Now, I have got a little problem here because currently the People's Republic of China currently has a $600-million development aid program for the 16 island nations. And when I looked around, the last thing we did was we sent a medical ship full of doctors and nurses. They did inoculations, vaccinations about 2 years ago.

And my question is, do we have to wait another 40 years to sail another ship? And I am very concerned with the fact that there is no presence. I think it has been 2 years now USAID has been look-

ing at whether or not it should justify itself in coming to the Pacific region.

Where are we with this right now? Is there still a lack of importance in this region, why USAID feels it shouldn't be there?

I noticed also with interest—and please don't get me wrong. Absolutely these countries need funding: The Western Hemisphere, 3 countries, South Asia, 4 countries, Middle East, 5 countries, Asia Pacific region, 3 countries, Africa, 19 countries, and I am sure there will probably be assistance. There is not one thing mentioned about Central Asia, nothing mentioned about Eastern Europe, and absolutely zero for the Pacific region. Can you comment on that?

Dr. SHAH. Yes, sir. Thank you for the comment and your point. The Pacific region is, in fact, a priority for this administration. President Obama articulated as such on his trip to the Pacific. And his comment on returning was that this is a region where they welcome and seek active and greater partnership in——

Mr. FALEOMAVAEGA. The problem I have with this, Dr. Shah, is that in my humble opinion, the only foreign policy that we have toward the Pacific region is really with Australia and New Zealand. These island countries are only incidental to our overall major interests in this region. And I am very concerned about this.

If it is possible that China can provide a $600-million economic development program for these countries? It tells me that we are really not that interested.

Dr. SHAH. So I would just argue, sir, that we have, in fact, opened a new satellite office in Papua New Guinea. We are putting in place regional programs for the Pacific islands. We are doing so, as you mentioned, in partnership with New Zealand and with Australia and focused on using new tools and technology so we get as much leverage as is possible since this is overall a very challenging fiscal environment.

And we are doing that with an eye toward some core priorities for the region: Health, education, and regional integration in terms of economics and resilience. We know that two-thirds of the predicted disasters over the course of the next decade will be Asia Pacific and in where they take place. And so we have active risk reduction programs that are seen as the best in the world.

Mr. FALEOMAVAEGA. I know my time is up, Dr. Shah. And I have got to hit you up with one more question.

Dr. SHAH. Sure.

Mr. FALEOMAVAEGA. One of the issues that is always dear to my heart is the fact that you know the usual Chinese saying, "Feed the man fish. He will live for 3 days. But if you teach him how to fish, he will live forever."

I honestly believe that one of the most important public diplomacy issues that our country should really promote and enhance, currently we have about 670,000 foreign students attending our American colleges and universities. And I am curious to know where is USAID putting its priority in providing educational opportunities for foreign students?

Central Asia, countries that are really, really in need of nuclear self-educated and professional people so they can continue to do better in terms of how they can provide greater transparency than they are giving governments. And I was just wondering, is USAID

serious they can provide the educational opportunities for students from these countries that really have a need?

Dr. SHAH. Sir, we absolutely are. I would suggest we prioritize at this point basic education and track outcomes so that people can progress to secondary school. In secondary education, we prioritize getting girls to complete and work through secondary education.

And we have just launched a new series of expanded partnerships to allow for twinning between U.S. higher education institutions and counterparts around the world. Today we know that it can often be cheaper and more effective to help people gain higher education through any number of innovative ways, including virtual learning and other tools. So we are very cost-conscious and technology-informed in how we are pursuing that goal, but we are pursuing that.

Mr. FALEOMAVAEGA. I have 100 more questions, I am sure, but I am going to go.

Chairman ROS-LEHTINEN. Thank you.

Mr. FALEOMAVAEGA. Thank you, Madam Chair. Thank you, Dr. Shah.

Chairman ROS-LEHTINEN. Thank you.

Mr. Rohrabacher?

Mr. ROHRABACHER. Thank you very much, Madam Chairman.

And, Mr. Administrator, I put in the record in my opening statement a list——

Chairman ROS-LEHTINEN. Without objection.

Mr. ROHRABACHER. We already have that in the record, Madam Chairman. Thank you.

In that list, you will see the list of items that are going to China. And there are millions of dollars, perhaps $100 million that I have listed. Many of them are indeed for environmental assistance to China to try to improve their environment, but here are some of the others on the list. Here are $150,000: For the Organization for Economic Cooperation and Development for development assistance to China. Here is $47,000 to Management Systems International for development assistance, USAID to Rockefeller philanthropy advisers of $2.4 million for sustainable livelihoods in China; The Asia Foundation, $1 million to improve disaster management in China. There is, for example, to an undisclosed foreign contractor $150,000 for development assistance in China and $450,000 to The Asia Foundation for disaster management in China. It is 200, almost $300,000 to Bob Davis nongovernmental organization for sustainable livelihoods in China.

Now, these things all add up to a considerable sum of money. Can you tell me why when China at this moment is expanding their military spending in a way that is threatening to its neighbors and to the security of the United States at a time when it is developing its space-based weapons systems and rocket systems at a time when it is itself giving aid to rogue states that hate the United States, whether it is Iran or North Korea or Venezuela, why are we providing money to them? Actually, why are we borrowing money from them in order to give it back to them so that we can pay interest on the money that we just gave to them? Something is screwy here. You may proceed to try to answer that.

Dr. SHAH. Okay. Sir, the Fiscal Year 2013 request for China is $6.5 million. Almost all of that is exclusively for programs to assist Tibetan communities to preserve their unique livelihoods and with a small amount to focus on limiting the transmission of infectious disease, which is a CDC partnership with China that grew out of the SARS epidemic and today focuses on top-level HIV/AIDS——

Mr. ROHRABACHER. So you say that is $6 million going to who?

Dr. SHAH. $6.5 million going to programs to support Tibetan communities.

Mr. ROHRABACHER. Okay. Six million dollars going to Tibetan communities.

Dr. SHAH. But I believe the $6.5 million covers the Tibetan communities and the CDC (Centers for Disease Control) partnership with——

Mr. ROHRABACHER. Okay. So we are helping them control their health care needs for their people.

Dr. SHAH. That is a program that grew out of the SARS epidemic, which, of course,——

Mr. ROHRABACHER. Right.

Dr. SHAH [continuing]. Had global consequences. And it is a technical program that helps them maintain focus.

Mr. ROHRABACHER. Yes.

Dr. SHAH. There are two other important points.

Mr. ROHRABACHER. There are always global implications to every outbreak of every communicable disease.

Dr. SHAH. There are two other important point. The first is on global health, China has traditionally been a recipient of funding from the global funds for TB and malaria. This administration has taken the position and used our Board seat on that group to try to transition China to be a donor to that group, as opposed to a recipient. And that would be if made a——

Mr. ROHRABACHER. Let me ask you this. Have they donated more than they have taken out?

Dr. SHAH. I don't know the——

Mr. ROHRABACHER. I know the answer to that. I have confronted the people before with this. And they are taking out like ten times more than they are putting in. And you call that a success?

Dr. SHAH. No, no. We are actually trying to change that. We are trying to make it so they——

Mr. ROHRABACHER. I know you are trying to change it. That is not a success. You have not been successful at changing that. What you have been successful at is now trying to give some money while it is taking out an enormous amount of other money.

But what about all of these other things that I just pushed in your direction? Development assistance? Disaster management? Why are we paying China? Why are we borrowing money from China to give it back to them like that when they are spending their money on weapons aimed at the United States?

Dr. SHAH. Sir, I would be happy to have my team look at the list and come back to you specifically. I know with certainty that the request for Fiscal Year 2013 explicitly focuses on support for Tibetan communities and a small amount of technical partnership to manage international disease control priorities.

Another point I would make, sir——

Mr. ROHRABACHER. Madam Chairman, before my time has gone out, let me just note I am opposed to free trade with dictatorship, especially the world's worst human rights abuser. But what I am more opposed to is giving aid to human rights abusers and dictatorships. And we have got the worst in all worlds in our relationship with China, which is the world's worst human rights abuser.

Thank you, Madam Chair.

Chairman ROS-LEHTINEN. Thank you, Mr. Rohrabacher.

Mr. Deutch is recognized.

Mr. DEUTCH. Thank you, Madam Chair.

Dr. Shah, the President's budget requests $569 million for family planning and reproductive health activities, including $39 million for the U.N. population fund for international organizations and programs that count and $530 million in bilateral family planning funds from global health programs account.

Can you explain, please, the types of programs that USAID funds to provide access to reproductive health services that has the potential to prevent 350,000 women from dying during pregnancy or childbirth each year or prevent the horrific effects from unsafe childbirth, like obstetric fistula?

Dr. SHAH. Thank you, Congressman.

The family-planning program focuses on, as you are aware, voluntary family-planning partnerships with countries. We do not in any context support or encourage or in any way fund abortion. In fact, the opposite is the case. By having better birth spacing and by avoiding unintended consequences, especially for very young girls, ages 12 to 16, we see much, much, much reduced levels of abortions in the countries where we work.

The other theme in this program has been transition to local management and control and funding responsibility for these efforts. Particularly in Latin America, we have seen over the last 12–15 years. Many of these programs transition to their own domestic management and their own domestic revenue support.

And the reason countries choose to do that is they see that as the number of births go down and the total fertility rate in countries goes down, that that lays the basis for economic growth, greater stability, greater ability to invest in children and their access to school and education that has been a core part of generating what we call in this field a demographic dividend, which kickstarts development activities.

Mr. DEUTCH. Thanks, Dr. Shah.

Dr. Shah, changing gears, I just would ask if you would provide some information to us, perhaps in writing, after the hearing. It has been reported that USAID provides assistance, possibly $2 million, to the Palestine Investment Fund, particularly to its loan guarantee program, for technical support is my understanding.

If you could provide us with information on that funding, whether or not those reports are accurate, and the nature and scope of any such contributions, that would be helpful.

Dr. SHAH. We can do that.

Mr. DEUTCH. I appreciate it.

[The information referred to follows:]

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Dr. Shah:

USAID has not provided any assistance to the Palestine Investment Fund (PIF) under the Loan Guarantee Facility.

USAID, through a grant which ended in 2011, previously provided $2 million to CHF International to implement the Technical Assistance and Training Activity (TAT), which provided technical assistance to support lending to small and medium size enterprises by private banks. In addition to technical assistance, the activity also provided on-the-job training to the banks in order for them to better evaluate loan proposals. The banks' loans were guaranteed through a loan facility partially backed by the PIF, and by the Overseas Private Investment Corporation (OPIC). The technical assistance provided to CHF for its work with the banks was intended to support effective implementation of a Loan Guarantee Facility (LGF) that was launched by the Middle East Investment Initiative (MEII) in 2007 and backed by OPIC and the PIF. The aim of the LGF was to stimulate commercial banks to lend to Palestinian small and medium size enterprises. USAID did not provide any assistance to the PIF under this program.

It is important to note that while USAID does not directly support the PIF, we do fund two programs that provide assistance to the American International School in Gaza (AISG), which is owned and controlled by the PIF.

The Palestine Technology and Education Complex (PTEC), which was formed, in part, to own and operate certain private schools in Gaza, is a wholly owned subsidiary of the PIF. One of the assets owned and operated by PTEC in Gaza is AISG. The PIF has designated an AISG General Supervisor as the principal executive manager of the school responsible for day-to-day operations. Through this individual and its ownership control of PTEC, the PIF exercises control of AISG operations, staff and facilities. Currently, AISG is not a distinct legal entity and the bank account used to fund AISG is owned by the PIF.

USAID provides support to AISG through two projects. The primary AISG assistance program is implemented by the Democracy Council. The Democracy Council program is a two-year, $1.2 million grant that focuses on building the operational capacity, management efficiency, and academic levels of AISG. The project enhances capacity and efficiency of school operations by developing school policies and governance; improving academic services; evaluating staff development and performance needs; developing long-term strategies for budget, curriculum, staffing, and sustainability; and hiring staff in the critical areas of English as a second language, English literature, and Social Studies. This project also manages a needs-based

scholarship program. While the bulk of project funds are used for in-kind assistance to AISG, funds for the scholarships (21 total in the amount of US$3,000 each) were deposited into the AISG account owned by PIF. The scholarships are need-based and award decisions are made by a committee comprised of representatives of AISG and the Democracy Council, with USAID participating as a non-voting observer. The PIF-designated AISG General Supervisor serves as one of the AISG members of the committee.

The second USAID program which includes assistance to AISG is the Model Schools Network program implemented by AMIDEAST. Model Schools Network is a five year, $22.1 million grant which includes support for 12 private schools in Gaza providing basic education, including AISG. Each of these private schools receives technical assistance as well as scholarship funds. As part of this program, AMIDEAST provided funds for 42 scholarships (in the amount of US$1,626 each) which were deposited into the AISG account owned by PIF. These scholarships are also need based and award decisions are made by a committee comprised of representatives of AISG, AMIDEAST and USAID. The PIF-designated AISG General Supervisor serves as one of the AISG members of the committee.

Mr. DEUTCH. And, then, finally, like the chairman and my friend Congressman Wilson and other colleagues on this committee, many of our constituents were deeply affected by the devastating earthquake in Haiti that occurred now more than 2 years ago.

And one common refrain that I hear because of my constituents is why the recovery process seems to be moving so slowly and, of course, the widespread allegations of corruption. The question I have, more specifically, is what is USAID doing to work with the Haitian Government to address the longstanding rampant corruption charges and provide support for civil society to establish proper government institutions, judicial processes, and uphold the rule of law.

Dr. SHAH. Thank you.

I think it is important on Haiti to mention that there has been very significant and critical progress. We have seen food production go up significantly. Corn yields are up 300-plus percent, rice yields 60 to 70 percent, more, better nutrition outcomes. We have seen the effective control of the cholera epidemic, which, of course, we need to stay vigilant about. The access to clean water and safe sanitation has gone up compared to pre-earthquake levels. And, most importantly, we are seeing real private investment in an industrial park in the north that is creating 60,000 jobs and new Marriott Hotel in Port-au-Prince that will do something similar.

So there are signs of real progress that I think we all looked to with real hope. There are also challenges. One of the challenges has been that it has taken some time for a peaceful transition in terms of democratic governance to lead to a fully effective government. And, as was noted earlier, the prime minister whom we were working very closely with on the assistance program and coordination just recently left his role after being placed in it quite late. And so we await progress there.

We are in a constant and very deep, multi-level discussion with our Haitian partners. We support civil society and, in fact, have made a number of procurement changes to how we work to support

small businesses here to be part of the effort but also to support Haitian civil society, NGOs, and local businesses more directly. And, in fact, as we do larger procurements for different types of projects, we have built in very strict standards to ensure that there is an effective role for those types of organizations.

On judicial reform, we have continued to partner with our Haitian counterparts. As you know, President Martelly is committed to effective judicial reform. And we could go into that in some detail, but that has been an important part of the dialogue because you are absolutely right that that lays the basis for the rule of law that allows all of those earlier gains in private investment and other things to really take hold and expand.

Mr. DEUTCH. And, Madam Chairman, if I could just ask Dr. Shah to provide the committee with some of the details on those changes in the procurement process on the specific efforts with civil society and——

Chairman ROS-LEHTINEN. Thank you.

Mr. DEUTCH [continuing]. Most specifically, in our community to make sure that our constituents understand——

Chairman ROS-LEHTINEN. Thank you so much.

Mr. DEUTCH [continuing]. The opportunities they have as well.

Chairman ROS-LEHTINEN. We will do that. Thank you.

Judge Poe is recognized.

Mr. POE. Dr. Shah, two issues I want to talk about, one that we have discussed before. That is American rice. As you know, historically American rice, the best trading partners, Iran, Iraq, and Cuba, those markets have sort of dried up over the years. And American rice farmers are looking for markets. I would just encourage you that when you have the opportunity in USAID to be involved in shipments of rice to somebody that American rice goes here.

I would like to have unanimous consent to put in the record a letter, bipartisan letter, Madam Chair, to the Administrator of Trade of Iraq.

Chairman ROS-LEHTINEN. Without objection.

Mr. POE. And I will furnish you a copy of that, too.

On the issue of USAID helping out other countries, there are 12 departments, 25 agencies, 60 Federal offices that run foreign aid programs for the United States. Few have any sort of evaluation policy, let alone a standardized evaluation policy.

MCC is the only one with a strong policy. USAID's was weak and just issued last year. State Department was issued in February of this year and was even weaker. And the DOD doesn't have anything in writing about evaluation of programs.

Do you believe a common set of guidelines on measurable goals and monitoring of evaluation plans would be helpful?

Dr. SHAH. Absolutely, sir. In fact, part of the President's policy directive on development was calling for such an approach. I would note when I took office and reviewed our own performance here I thought we could do a lot better. I criticized our current approach at that time and said that it was a 2–2–2 approach with two consultants traveling for 2 weeks writing reports that two people read and didn't really have the statistical validation that I think you

need in this field to demonstrate whether or not your programs are working.

We put in place a new evaluation policy to ensure every project we pursue has an independent third party evaluation done by very rigorous standards that include measuring data, collecting the right data, looking at a counterfactual, having a baseline. And the result of that will be that before the end of this year, we will post more than 250 independent validations with no success story glossiness to them at all straight to our Web site and put them in the public domain so that we and everybody else can learn about the results of our programs.

I will just say that because we have been able to improve our evaluation, we know that, for example, the President's malaria initiative has been reducing all-cause child mortality, under 5 mortality, by 25–30 percent in country after country in a very efficient way.

We know that our Feed the Future programs are starting to really show results with agricultural productivity growth being anywhere from seven to eight times that of the global average. And we even are studying our more challenging democracy and governance and rights programs to try to understand which strategies, for instance, are most effective at helping kids escape situations of trafficking and modern-day slavery. And I believe this work and this area of endeavor ought to be treated like a science and the evaluation policy is intended to help move us in that direction.

Mr. POE. Will you continue to work with us on H.R. 3159, co-sponsored by the ranking member and myself, to try to have an overall evaluation policy of foreign aid? And, as alluded to by many members, Americans are frustrated by foreign aid for a lot of reasons, but one of the frustrations, they are writing checks and they don't know where that money ends up in whose hands throughout the country. And I would suggest that a good place to start is with the $1.6 billion that we give to Egypt, especially during these times, that is co-sponsored by you and the State Department.

Second question, I am glad to see that USAID is cutting funding in some programs and putting more money for monitoring and evaluation. Explain why you are doing this.

Dr. SHAH. Well, you know, Representative, I certainly want to also thank you for your leadership on monitoring and evaluation. I think it is critical that we invest in collecting data so that we know what we are achieving. And we are trying to do that in every one of our efforts. In fact, we have had more than 60 percent of our Foreign Service is now with the agency within the last 5 years. And most of that is just attrition rehiring and our demographics.

It has given us an opportunity to ask everyone to go through rigorous training on evaluation. We have set up an evaluation and monitoring service center in difficult environments, like Afghanistan. We have tripled our staff presence and gotten out more so that we can actually visit and see programs and ensure there is more accountability. And that allows us to report on results with much more credibility.

So I appreciate the focus on that. I think it is worth investing in that activity because if you don't know the results you are generating, you end up spending much, much, much more money before

you kill programs or close things that don't work and you end up under-investing in those things that have the potential to achieve dramatic results, like what we are seeing in reducing child death, for example.

Mr. POE. Thank you, Madam Chair. Yield back.

Chairman ROS-LEHTINEN. Thank you very much.

Mr. Connolly is recognized.

Mr. CONNOLLY. Thank you, Madam Chairman.

Dr. Shah, if I could sort of pick up on one of those last points of my friend and colleague Ted Poe? I will use the word "efficacy." It is not like foreign assistance is a new concept. We have been doing it for a long time. Why don't we have a more robust explanation and advocacy for what we have been doing for half a century?

I mean, by this point, surely, we have some metrics we can point to where we have done this, this, or this, or have learned from this failure. And, yes, it took 30 years, but agricultural productivity improved child mortality, dramatically improved. Fertility rates went down because of our intervention or not. I guess it has always puzzled me that there is not a much more assertive and aggressive attempt by our development assistance agency to propound that.

And the down side of not doing that is there is very little constituency, as Judge Poe indicated, frankly, for foreign aid in America.

Dr. SHAH. Well, thank you, Congressman. I agree with your basic premise that, in fact, when Americans see the value in the results that are generated through these efforts, they suggest that we should be spending up to 10 percent of our public budget in this space. And, as you know, we spend less than a tenth of that.

The reality is we know what works at this point. And we know what the priorities ought to be. We have focused in our humanitarian work on building resilience to avoid humanitarian requirements in the first place. And we know that that can be very successful.

We focus our efforts on creating what I spoke about earlier, demographic dividends for countries, because by managing the rate of childbirth and birth spacing and by supporting child survival to age five and ensuring kids get into school, we know that is the pathway out of poverty and that generates more results and outcomes than other activities.

We are refocusing on and Ranking Member Berman mentioned in his opening statement——

Mr. CONNOLLY. My time is going to be limited. And I appreciate your response, but I am not making that point. I want to see a more robust documentation so that the narrative, the story is out there that is a good story. And I think we are missing an opportunity and have historically. And we are always on the defensive as a result. And I, for one, am kind of tired of it after 30 years.

I would like to see us, frankly, on the attack. Here is what we have accomplished. And it seems to me it would be nice to have an AID Administrator who actually did that, instead of being here, not you, defensive, trying to, you know, support an unpopular program. Well, it is unpopular because we don't tell the story of success. And if we got successes—and I know we do, some of them very dra-

matic—let's tell it and let's document it. Let's get it out there. And I would strongly urge you to do so as part of your legacy.

Coordination and structure. One of the things that has concerned me—and I think I told you this the first time we met—is that, for good or ill, the diffusion of aid programs—you know, we get a Millennium Challenge, and we get an AIDS Africa Initiative, and we get other things being coordinated by other agencies. And, as a result, we don't really have quite the lead development agency we should have in my opinion, where the focus is and we bring to bear the deployment of resources in a very structured and coordinated way.

As the AID Administrator, of course, you are a loyal member of the administration, but can you share with us any of your reflections on how we might better structure ourselves to not only improve the lead role of AID but, more importantly, to make sure that the deployment of resources is an effective one?

Dr. SHAH. Well, I appreciate that point as well, sir. I think that we have tried to do a number of things, such as our Partnership for Growth Effort, which helps to bring agencies together and ensures both coordination and USAID leadership to ensure that we are aligned in places where we are working together with, for example, MCC and Ghana and Tanzania and El Salvador, and that increasingly we are demanding policy reforms be made in the countries where we work so that we know that the gains we have will sustain and be more significant. And we will get more value for how we invest our dollars.

I will just reflect on the fact that coming to the U.S. Government from a different type of institution, I am struck by the amount of energy that that coordination requires. And I am sure there are things that could be done in the future that would help make it a bit easier to do that. This is a very large and diffuse government, but it is led and populated in this administration, I think even in prior administrations, in this space by people who do really want to see those results.

We all need to do a better job of communicating them, but we are committed to that outcome and would be happy to work with you on some ideas to make that coordination easy.

Mr. CONNOLLY. Thank you. Thank you very much.

Madam Chairman, my time is up.

Chairman ROS-LEHTINEN. Thank you so much.

Mr. Royce?

Mr. ROYCE. Thank you, Madam Chair.

Let me, if I could, Ambassador Shah, go to the issue of the agreement that the United States had with North Korea on February 29th. The administration announced its plan to provide 240,000 tons in food aid. And it took North Korea about 2 weeks before it broke that Leap Day agreement. So I understand the food aid issue now might be in abeyance, but I wanted to ask you about that in light of the ballistic missile launch that they are preparing and also reference the sort of growing skepticism that we have here in the House about the concept of food aid to North Korea given our experiences in the past, the hearings that we have had in which we have had testimony about the diversion of that food aid.

And I had an amendment prohibiting food aid to North Korea that passed the House last year. There were some changes made in the Senate so that the final provision said that you could not offer food aid if it were diverted for unauthorized use. And I think our problem is that that is sort of the North Koreans' specialty in this, is diverting it for unauthorized use.

So I would ask, is this something the administration is still considering with respect to food aid? And how would you ensure that the law would not be overstepped?

Dr. SHAH. Thank you.

You know, it is something we are considering. We have been in, as has been made public, a series of negotiations to ensure that credible controls are in place and that in any potential effort, the focus is on saving kids' lives, mitigating risks related to diversion.

We saw in the past that when diversion took place, the program was shut down as a voluntary decision made by the United States and our agency. Going forward, the program we had been constructing was designed to get Plumpy Nut and other types of very specialized high nutrition feeding products for very vulnerable kids. Those are not the types of things that are as amenable to diversion. That is why we were not including things like rice or other large-scale grain commodities, which are more vulnerable.

Nevertheless, we are in an active discussion and would only go forward if certain conditions are in place with respect to our ability to ensure and protect against some of the risks you have identified.

Mr. ROYCE. If I were to go back to 2008 and some of the provisions that that administration attempted to put into play, I remember the North Korean regime balked at the idea of having Korean-speaking inspectors on the ground.

The French NGOs have testified here in the past that one of the reasons they balk at that is because there is a real advantage to them being able to collect and sell whatever the product is on the food exchanges in Pyongyang for hard currency. And it is the ability to get their hands on that hard currency that gives us pause.

I opened this session with my observations just about the quotes from a senior defector saying that it was pretty much the equivalent if we give them food aid because of their ability to convert it with giving them hard currency for their military program. And this seems to drive the attention of the North Koreans because this is where in the past we have heard testimony that they just lack the currency. In one case, we had a defector tell us they were trying to buy a piece of equipment they needed for their missile and on the black market.

And this gyroscope, this Japanese-made gyroscope, was hard to come by, and it was expensive. But they had to shut down the whole missile line until they could get the hard currency. They don't really have much that North Korea manufactures other than things done in a clandestine way, you know, meth, different drugs that they sell illegally on the world market, missile parts. But this was part of the modus operandi to get their hands on hard currency.

So, again, I would just stress that, that this has been their past practice. They were very adept at it. And, having broken this last agreement in the span of 14 days, I think we are beginning to see

here that this new regime in North Korea is not different. The grandson is not too different from the father and not too different from the grandfather in terms of the way we are played.

Chairman ROS-LEHTINEN. Thank you, Mr. Royce.

Mr. Sherman is recognized.

Mr. SHERMAN. Thank you.

Administrator Shah, we are almost at the end. Take a breath. Almost everything of a broad nature that could be said has already been said. So I am going to talk about a couple of very narrow topics, confident that my colleagues have not brought them up, namely the regions of Javakheti and Sindh. Before I do, let me express the obvious. And that is that the needs in the world for U.S. development will always exceed the resources available.

And so the constraint is not a lack of good donor opportunities. The constraint is a lack of public support for foreign aid, which is the most controversial part of our budget.

There is very substantial support in America for aid to Armenia. And I hope that your budgetary request will be greater in the future and will at least start with the congressional appropriations of the prior year and work your way up from there, as you do in most of the rest of your budget.

Now, as to the Javakheti region of the Republic of Georgia, your request for Georgia's total is $68.7 million. The Georgian Ambassador publicly stated that—because this is something that we have had to review with the Georgian Ambassador. And that is, should the United States target its aid at this particular region in southern Georgia? And would the Georgians take offense that you are going with one region, instead of another?

So I am glad to bring your attention that the Embassy of Georgia stated that in support of our Government's material commitment to the economic development for our citizens in the Samtske-Javakheti—I have no idea if I pronounced that correctly—region and throughout our republic looks forward to working with our friends in the U.S. Congress and the administration and with all American civil society stakeholders, including, of course, the Armenian American community,—and here is the key phrase—in encouraging the targeting of U.S. assistance to meet Samtske-Javakheti's urgent need for job creation, infrastructure, technical, and humanitarian needs.

Also in the case of Georgia, you are dealing with a republic with many regions with different ethnicities. Some have a claim that Russia has exploited these differences in Abkhazia and Ossetia.

And here you have an opportunity to help this predominantly Armenian area of Georgia, not in defiance of Tblisi but, rather, the economic aid that will help make sure that this region is a source of stability and prosperity for the overall Republic of Georgia. And I hope that you will have a robust program in the Javakheti region.

Second is the area of Sindh. You have requested $2.4 billion. Sindh is, as you know, in southern Pakistan, an area influenced by a moderate form of Islam and Sufism. This is an area that was particularly hit by the floods. And I would hope that, rather than just rely on Islamabad to set our priorities, we would make the development and recovery of Sindh an important priority.

I wonder if you could respond to that or whether you would prefer to just respond for the record?

Dr. SHAH. I may briefly address those. We appreciate your points. On Georgia and specifically the Samtske-Javakheti region that you were referring to, we have been working with specific programs that work on agricultural modernization, social development, maternal health, and certain health and education infrastructure efforts, as well as support for civil society groups.

We have increasingly tried to do that work in consultation with Armenian American communities and with an eye toward launching specific public-private partnerships with those communities. So if there are partner entities that you are aware that have interest in that region, we would welcome being put in touch with them and would seek an opportunity to have that dialogue.

Mr. SHERMAN. I will make sure to put them in touch with you. Thank you.

Dr. SHAH. And, with respect to Sindh, I would just note overall the budget for Pakistan for USAID programmatic efforts is $900-and-some million. So that $2.6 billion, I'm not exactly sure what that refers to.

And we have tried to focus the programs there. That is obviously a very complex working environment. We have, nevertheless, tried to focus on delivering concrete results. For example, in energy, we put 900 megawatts of energy on the grid as a result of our investments. In education, we are able to reach a number of kids and get them into educational opportunities that are more secular and broader.

In the context of that particular region, our response to the floods and our efforts to distribute wheat seed in response to the floods really did help save the winter wheat harvest and improve the overall balance of payment situation for a country where that is critical to their own stability and, therefore, critical to our national security. So I appreciate your raising that.

We constantly seek consultation in that program but have tried to be results-oriented, even in a very difficult environment.

Mr. SHERMAN. I will try to provide you with specific information there. Thank you very much.

Dr. SHAH. Thank you.

Mr. JOHNSON [presiding]. Thank you.

The Chair recognizes Mr. Fortenberry.

Mr. FORTENBERRY. Thank you, Mr. Chair.

Administrator Shah, it is a pleasure to see you again. First, at the outset, let me say I do really deeply appreciate your professionalism and your dedication, your innovation, as well as your heartfelt concern for the world's most vulnerable, which has truly marked your tenure at USAID.

I also want to thank you for taking time to address the concerns about the potential stewardship of U.S. foreign assistance dollars, particularly given the fiscal situation that continues to alarm many Americans as well as—and it weighs heavily upon us here.

I do frequently hear from constituents who express serious concerns about the disposition of their taxpayer dollars, particularly those going to foreign aid, even—and I emphasize this—even as

they take rightful pride in knowing that the United States is the world's leading provider of meaningful humanitarian outreach.

I am also glad that you mentioned our colleague Don Payne. His life and dedicated efforts on behalf of the poor we recently honored. Mr. Payne and I were co-chairs of the Malaria Caucus. And we were—and we will continue to do so, but we were attempting to make further bipartisan progress on this important fight against malaria, which was a preventable disease but harmed so many.

I appreciate you raising this testimony, in your written testimony. I appreciate you raising the issue. But I would like you to address something that is of concern to me. Address the issue of effectively balancing our resources between the President's Malaria Initiative and all other multilateral malaria prevention efforts.

It seems to me that an outstanding review of the President's Malaria Initiative would support a relatively stronger weighting of this initiative relative to other multilateral activities that are less transparent or they are difficult to basically monitor for accountability and results.

Let me give you an example. In your budget, there are substantial increases for population control initiatives and the Global Health Initiative, as well as substantial increases in the Global Fund, which the United States does not fully control. This suggests an ideological priority there that is inconsistent with our efforts to monitor costs while meeting basic humanitarian goals that we all agree upon. So I would like you to address that concern, please.

Dr. SHAH. Thank you. Thank you, Congressman. Thank you for your specific leadership in this area and for helping us find opportunities, such as with the University of Nebraska, to essentially bring more excellence to areas of work, like water and stewardship in that space.

I also appreciate your mention of the Malaria Caucus, which has done very important work to establish support for this program. As you noted, it has been externally evaluated and shown to be incredibly effective.

Those evaluations also discussed a more recent evaluation by Boston University, which looked at the processes of the PMI, also found that it was an effective venue for bringing the interagency together and coordinating U.S. Government efforts. And it was effective at supporting partners like the Global Fund for AIDS to be in malaria and the World Bank and helping them do their work more efficiently. So when commodities get stocked out, we were able to step in and solve supply chain issues a number of times in order to keep malaria control programs focused on results and effectiveness.

It is really in that context of building a stronger partnership between PMI and the multilaterals explicitly for the purpose of driving more of other people's resources to what we think of as prioritized areas where we can get results, like malaria, that we have proposed the budget the way we have proposed it.

And, as you know, the Global Fund had to cancel round 11 of its funding. And that was intended to be the malaria round. In fact, countries had been encouraged to develop malaria plans. PMI had worked with countries to do that in a way that was coordinated with our own efforts. And we would have seen for every dollar we

spent $3 of other countries' resources going toward support for those plans.

The same is true at the World Bank, where we worked to create World Bank funding plans in countries where we work so we can get more partnership.

If it were up to me, you know, I would love to see larger budgets across the board for things like malaria that we know save kids' lives. We made a number of very difficult trade-offs in order to present a budget that we think meets our fiscal constraints and prioritizes all of our potential efforts to get others on board with our task of ending child deaths from malaria, which is an achievable task.

Mr. FORTENBERRY. Thank you.

Let me insert this, though. But since we have prioritized raising funds for the Global Health Initiative as well as the Global Fund itself, that suggests that we are prioritizing population control initiatives, even though some of the increase in funding may be leverage for PMI and other malaria control outcomes. Is that true?

Dr. SHAH. The only thing I would take issue with is the Global Health Initiative overall actually experiences a small, very modest but small, aggregate decrease in funding. And so it is not that, but there is a significant increase in order to meet our 4-year pledge that was made to the Global Fund. And we think it is a critical time to make that commitment and a critical time to keep the global consensus that has created an instrument that has brought in billions of other people's dollars to support global health.

Global health is an area that, without funding from other countries, the U.S. will end up taking a bigger and bigger share of global funding. And that won't be a pathway to sustainability or success. So we are very focused on crowding in other donors' efforts.

Mr. FORTENBERRY. My time is done, but I may need to write you further on what type of balance there is in terms of increasing population control measures versus other widely agreed upon humanitarian controls. We need to discuss that further.

Dr. SHAH. Absolutely. Thank you.

Mr. JOHNSON. I thank the gentleman for yielding back.

Administrator Shah, with a $10 trillion economy, we need to start treating China like a developed country. That means serious examination of the aid that we give to China. For instance, there is no reason in my opinion that we should be giving China money through USAID to become energy-efficient and compete more aggressively and effectively against U.S. businesses to strip jobs from American workers here at home.

The USAID budget states that it plans to expand efforts in innovation, science and technology, and evaluation with regards to climate change, which the significant increase in funding for the Global Climate Change Initiative indicates. Previous funds have been allocated to China to help develop its clean energy sector, carbon evaluations, technology innovation, and educational awareness.

So specifically within USAID's DA budget, how much will be directed toward programs in China, especially in terms of clean energy and economic growth education programs?

Dr. SHAH. Thank you, sir, for the question.

The specific answer to your question is with respect to the Fiscal Year 2013 budget request, zero. The budget request is $6.5 million for China. And of that, the great majority is support for communities in Tibet and support for those Tibetan civil society groups and organizations.

There is a small amount of support to continue a partnership between the U.S., its Centers for Disease Control, and their Chinese counterpart that originally grew out of the SARS epidemic and is now focused on a broader set of activities, including HIV/AIDS, and ensuring that communicable disease threats doesn't spill out of China. But that is a small technical assistance effort. And the rest is focused on communities in Tibet.

Mr. JOHNSON. So you are saying that none of the USAID's DA budget in the 2013 budget will go toward green energy, clean energy initiatives, and economic growth education programs?

Dr. SHAH. Correct. That is right.

Mr. JOHNSON. I am glad that we got that cut off because that was one that I was very concerned about.

I see no further members here to ask questions. With that, Administrator Shah, thank you very much for being before us today, for answering our questions. With that, this committee hearing will be adjourned.

[Whereupon, at 12:02 p.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

FULL COMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-0128

Ileana Ros-Lehtinen (R-FL), Chairman

March 19, 2012

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held in Room 2172 of the Rayburn House Office Building **(and available live, via the WEBCAST link on the Committee website at http://www.hcfa.house.gov)**:

DATE: March 20, 2012

TIME: 10:15 a.m.

SUBJECT: The Fiscal Year 2013 Budget: A Review of U.S. Foreign Assistance Amidst Economic Uncertainty

WITNESS: The Honorable Rajiv Shah
Administrator
U.S. Agency for International Development

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF FULL COMMITTEE HEARING

Day *Tuesday* **Date** *03/20/12* **Room** *2172 RHOB*

Starting Time *10:00 a.m.* **Ending Time** *12:02 p.m.*

Recesses [ ] (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

Presiding Member(s)

Rep. Ileana Ros-Lehtinen

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]
Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

The Fiscal Year 2013 Budget: A Review of U.S. Foreign Assistance Amidst Economic Uncertainty

COMMITTEE MEMBERS PRESENT:

Attendance sheet attached.

NON-COMMITTEE MEMBERS PRESENT:

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

Rep. Ros-Lehtinen (QFR)
Rep. Berman (QFR)
Rep. Smith (QFR)
Rep. Rohrabacher (QFR & SFR)
Rep. Manzullo (QFR)
Rep. Royce (QFR)
Rep. Mack (QFR)
Rep. Poe (SFR)
Administrator Shah (IFR)

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *12:02 p.m.*

Jean Carroll, Director of Committee Operations

Hearing/Briefing Title: The Fiscal Year 2013 Budget: A Review of U.S. Foreign Assistance Amidst Economic Uncertainty

Date: 3/20/12

Present	Member
X	Ileana Ros-Lehtinen, FL
X	Christopher Smith, NJ
	Dan Burton, IN
	Elton Gallegly, CA
X	Dana Rohrabacher, CA
	Donald Manzullo, IL
X	Edward R. Royce, CA
X	Steve Chabot, OH
	Ron Paul, TX
	Mike Pence, IN
	Joe Wilson, SC
	Connie Mack, FL
X	Jeff Fortenberry, NE
	Michael McCaul, TX
X	Ted Poe, TX
	Gus M. Bilirakis, FL
	Jean Schmidt, OH
X	Bill Johnson, OH
	David Rivera, FL
	Mike Kelly, PA
	Tim Griffin, AK
	Tom Marino, PA
	Jeff Duncan, SC
	Ann Marie Buerkle, NY
	Renee Ellmers, NC
	Robert Turner, NY

Present	Member
X	Howard L. Berman, CA
X	Gary L. Ackerman, NY
	Eni F.H. Faleomavaega, AS
	Donald M. Payne, NJ
X	Brad Sherman, CA
X	Eliot Engel, NY
	Gregory Meeks, NY
	Russ Carnahan, MO
X	Albio Sires, NJ
X	Gerry Connolly, VA
X	Ted Deutch, FL
	Dennis Cardoza, CA
	Ben Chandler, KY
	Brian Higgins, NY
	Allyson Schwartz, PA
	Chris Murphy, CT
X	Frederica Wilson, FL
X	Karen Bass, CA
	William Keating, MA
X	David Cicilline, RI

Questions for the Record Submitted to
Administrator Rajiv Shah by
Chairman Ileana Ros-Lehtinen
House Committee on Foreign Affairs
March 20, 2012

Question #1: Procurement Reform (Chairman Ros-Lehtinen): In 2010, USAID launched a procurement reform effort that promised to increase the number of contract awards to small business and NGOs, streamline procurement processes, and provide more funds directly to host countries implementing aid programs.

- **With more funds going through recipient governments and local organizations, how does USAID anticipate addressing potential problems in monitoring and accountability?**

Answer:

One of the most significant strengths of USAID is our field presence. As part of our increased recruitment of Foreign Service Officers through the Development Leadership Initiative program begun by the previous Administration, the number of U.S. Direct-Hire Controllers has more than doubled in the past five years. Also our Missions have highly skilled and professional Foreign Service National staff experienced in technical, financial, and procurement specialties that significantly strengthens our program management and oversight capabilities in the field. Our Missions also have access to local CPA firms approved by USAID's Office of Inspector General that can be contracted to provide additional oversight resources. The Agency is also launching a globalization/regionalization strategy to move transaction processing from Missions into regional processing centers. Combined, these two strategies are intended to increase the capacity of our country financial staff to direct increased attention to accountability at the country-level (both government-to-government and via local civil society and local NGOs).

Local (foreign) firms and NGOs that receive U.S. assistance are subject to programmatic and financial audits under protocols no less stringent than those applicable to U.S.-based organizations. With respect to audits for local organizations, the USAID Office of the Inspector General (OIG) has issued guidelines for Financial Audits Contracted by Foreign Recipients that the Agency follows. These Guidelines are used by independent auditors in performing recipient-contracted audits required by USAID agreements with non-U.S. recipient organizations. USAID agreements with foreign recipients require them to contract independent auditors acceptable to the OIG to perform financial audits of the funds provided under the agreements. The OIG reserves the right to conduct audits using its own staff, notwithstanding acceptable audits performed by other auditors, in cases where special accountability needs are identified.

USAID has several procedures to assure accountability after funds are transferred. USAID agreements with foreign governments and foreign nonprofit organizations require that a recipient-contracted audit be performed annually in accordance with these Guidelines when the recipient expends $300,000 or more in USAID awards in its fiscal year. USAID missions must assess risk at least annually to determine when financial audits of foreign for-profit organizations are required. In addition to these annual audit requirements, a close-out audit must be performed for all awards in excess of $500,000. As a general rule, annual incurred cost audits are acceptable as fulfilling the close-out audit requirement. Even when a recipient-contracted audit is not required, if the mission determines that an audit must be performed, the audit report must be submitted to the cognizant Regional Inspector General (RIG) office for review and issuance. For sub-recipients expending $300,000 or more in USAID awards in their fiscal year, USAID standard audit provisions require that recipients ensure that audits of sub-recipients are performed annually in accordance with these Guidelines.

USAID missions monitor and ensure submission of required recipient-contracted audit reports. The USAID RIGs monitor the quality of such audits. Each USAID RIG must maintain a list of independent auditors eligible to perform audits of USAID agreements. Unless otherwise noted, recipient-contracted audits must be conducted in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States and generally accepted auditing standards adopted by the American Institute of Certified Public Accountants (AICPA), which have been incorporated into U.S. Government Auditing Standards by reference. USAID ensures that audit agreements between recipients and independent auditors contain a standard statement of work containing all the requirements of these Guidelines. Accordingly, recipients must send all draft audit contracts to the cognizant USAID mission for approval prior to finalization. One annual audit must cover all USAID funding to a recipient. Recipients that have funding agreements with more than one USAID mission must send their audit contracts for approval to the nearest USAID mission with which they have an agreement.

The cognizant USAID mission is responsible for distributing audit reports to the other USAID missions and resolving a recipient's organization-wide internal control and compliance deficiencies. Each USAID mission is also be responsible for acting upon findings and recommendations applicable to its agreements with the recipient. Recipients must submit final audit reports to the cognizant USAID mission, who will forward final reports to the RIG for review and release. The cognizant RIG must receive the audit report no later than nine months after the end of the audited period. The RIG conducts quality control reviews (QCRs) of the audit documentation for a selected sample of the audits. These reviews determine whether audit work was performed in accordance with these Guidelines. The RIG notifies USAID, the recipient, and the independent auditors of the results of these reviews.

USAID also has an *ex ante* process to assure accountability and establish the basis for real-time monitoring of the use of funds during project. The Public Financial Management Risk Assessment Framework (PFMRAF) was created to help USAID

Missions identify and mitigate the fiduciary risk encountered when aligning donor assistance with a partner country's Public Financial Management (PFM) system. The PFMRAF is based on modern risk management principles that allow us to identify weaknesses; analyze risk associated with weaknesses; and determine ways to eliminate or control weaknesses. The PFMRAF, taking a new and developmentally sound approach, recognizes that the PFM system along with both its weaknesses and strengths - belongs to the partner country. In partnership, not patronage, the partner country is involved in risk identification and together we mitigate risks through improvements to the PFM system. This framework is comprised of five stages outlined below.

STAGE 1 RAPID APPRAISAL: The rapid appraisal covers issues affecting country-level fiduciary risk, such as country commitment to development, transparency, and accountability of public funds. The appraisal also examines political or security factors that exacerbate fiduciary risk such as existence and quality of policies, legal and institutional framework and systems. This appraisal provides USAID with a high-level snapshot of fiduciary risks associated with use of the country's PFM systems and help informs the decision whether USAID should move forward and undertake a more rigorous, formal Stage 2 Risk Assessment.

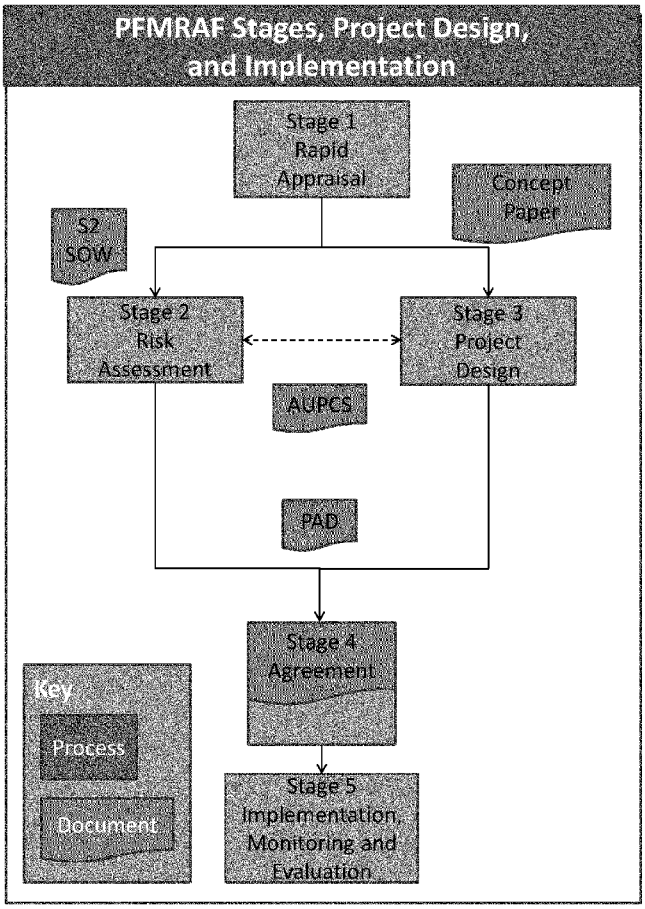
STAGE 2 RISK ANALYSIS, ASSESSMENT, MANAGEMENT AND MITIGATION: During this stage, USAID identifies and where appropriate proposes measures to mitigate fiduciary risks at the country, sector, or subnational government level. The identification process, usually outsourced to an international consulting or auditing firm, or a RIG-certified local audit firm, includes professional examination of the actual PFM, including procurement and inventory management, systems. Such investigation includes limited testing at the transaction level and other investigatory techniques such as tightly-focused interviews and documentary reviews to ensure that a comprehensive and detailed examination is completed. Mitigation measures resulting from this risk identification and investigation process can include requirements that government institutions meet specific operational standards prior to receiving fund advances or are subject to close program monitoring for viability and realistic planning. They can also include identification and partnership with regions/sectors where leaders are active and committed partners within the government to bolster successes that USAID can build on; or developing an agreed upon standard financial reporting template/model based on government reporting requirements for consistency and simplification, regular or even concurrent financial audit, special oversight mechanisms for procurement or financial transactions, periodic re-assessment using the PFMRAF, tranching of disbursements, and other proven risk treatment measures. Risk mitigation is not generic; it is tied directly to the risks presented by the PFM or procurement system under consideration for G2G.

STAGE 3 PROJECT DESIGN: This stage entails joint design, between the in-country USAID Mission on behalf of the Agency and the partner country, where the parties mutually agree on the development objectives, the implementing mechanisms, the uses of country systems, additional financial controls that might be required, and capacity building for sustainability that may be required. Where fiduciary risk cannot be treated, other risk management mechanisms are used such as transfer to a third party or actual termination of the risk by bypassing the unacceptable elements of the partner country's PFM system. In its use of partner country systems, USAID will employ the best modern risk management practices from the public and private sectors. Final project design will be evidenced by a formal project approval document that describes or references all aspects of the project. When risk remains unacceptable, USAID will achieve its development objectives through classic contracts or grants.

STAGE 4 BILATERAL PROJECT AGREEMENT: In order to proceed to this stage, ADS 220 requires that the Mission Director or principal officer of the operating unit sign an Approval of Use of Partner Country Systems that agrees to the partner's request for use of its PFM systems and states that USAID's development goals, including measureable results, are advanced by the use of the partner's systems. At this stage, the project design and all other legal and regulatory provisions are documented in a formal agreement between the partner government and USAID. This agreement is binding and will require a monitoring plan, periodic progress reports, progress meetings, completion dates or milestones, and provisions to ensure partner country compliance with risk mitigation measures stated in the Approval of Use of Partner Country systems and other project design documents. Compliance with Section 110 of the Foreign Assistance Act of 1961 is mandated in USAID's operating procedures whereby the partner is required to make at least a 25 percent contribution to projects using partner country systems. This provision ensures that the partner country subjects its own resources to the same risks as the donor and thereby provides an important incentive for compliance with risk mitigation measures and capacity building to permanently remove or further reduce such risks.

STAGE 5 IMPLEMENTATION, MONITORING, AND EVALUATION: The implementation process is driven by project design and the provisions in the bilateral project agreement that provide for strong monitoring processes subject to (1) periodic financial audit; (2) re-assessment using the PFMRAF; and (3) other reports as agreed. Projects implemented through partner country systems are covered by USAID's new Evaluation Policy and the requirements thereof will be included in the bilateral project agreement. Final completion reports for the project will address fiduciary risks and mitigating measures highlighting the strengths and weaknesses of government performance, recommendations for further PFM reform, and suggestions to improve the

risk mitigation process. Project design and the bilateral project agreements will contain provisions for continuous monitoring of G2G operations. In many cases, the USAID mission financial management staff, led by professionally-educated or certified professionals will apply their skills to G2G project monitoring to assure accountability. To support this effort, increases in staffing in the financial management offices, principally through the DLI program, will add to mission capacity to support accountability. In addition, USAID relies upon the Regional Inspector Generals to continue to vet and approve local firms that USAID can engage for monitoring and auditing. Finally, we welcome the continued oversight from the USAID IG as a critical feedback loop to ensure that G2G under USAID Forward is a continuous learning and improvement process.



"Fiduciary risk" is the danger that funds allocated from the budget may: (1) not be controlled properly, (2) may be used for purposes other than those intended, or (3) may produce inefficient or uneconomic programmatic results. The PFMRAF enables USAID to:

1. Increase its overall effectiveness and efficiency in delivering aid;
2. Support sustainable development in accordance with the Presidential Policy Directive on Global Development, the First Quadrennial Diplomacy and Development Review: Leading Through Civilian Power, and USAID FORWARD;
3. Improve its compliance with the Paris Declaration, Accra Agenda for Action, and Busan High-Level document commitments by increasing its use of country systems and better harmonizing its procedures and requirements with other donors; and
4. Accomplish the three preceding goals without assuming unacceptable levels of risk.

Question #2: Haiti (Chairman Ros-Lehtinen): The President's FY 2013 budget allocates nearly $340 million in new assistance funds for Haiti. The recent resignation of the Haitian Prime Minister and the absence of the Interim Haiti Recovery Commission (IHRC) raise serious concerns about what oversight mechanisms are being employed to guarantee accountability of U.S. taxpayer dollars.

- **What actions is the U.S. government undertaking in order to ensure proper transparency of assistance funds to Haiti?**

Answer:

To build Haiti back better from the 2010 earthquake requires thorough planning to ensure that U.S. assistance can be tracked and accounted for and that lasting results are achieved. The U.S. government (USG) has a comprehensive governance program addressing many of Haiti's deep-rooted challenges, including corruption. USAID is supporting a network managed by the Ministry of Economy and Finance that provides for automated financial functions and enhanced oversight of Government of Haiti (GOH) expenditures. Badly damaged during the earthquake, the financial network has been redeployed and is currently functioning in 34 Haitian government offices, and will be expanded to additional local and national offices in the coming months. These activities are closely coordinated with the U.S. Department of Treasury's efforts to improve public financial management and economic governance through the embedding of technical advisors in the Ministries of Finance and Planning.

USAID is also supporting efforts to help Haitian civil society organizations reduce corruption. With USAID support, Haiti's Transparency International affiliate has created a legal center that maintains a hotline to receive anonymous complaints, assists those that wish to formally bring corruption charges, and gathers and refers information to the Haitian government's anti-corruption unit for use in prosecutions. USAID is also supporting the efforts of a coalition of grassroots groups to advocate for the implementation of the U.N. Convention Against Corruption, which has been ratified by the Government of Haiti. In addition, Haitian organizations that receive USG funding

receive technical assistance to ensure compliance with USG terms and conditions and agree to performance standards to measure results.

At the diplomatic level, the USG continues to encourage Haitian leaders to root out waste, fraud, and abuse and promote transparency. We are pleased to see the GOH commit to dealing with corruption in the electricity sector as a demonstration of how Haiti can increase its own revenues and improve the lives of its own citizens by tackling waste, fraud and abuse of power. An agreement was signed with the GOH to use a qualified U.S. partner to independently manage and operate Haiti's public utility. Earlier assessments found irregularities so a program to provide sustained delivery of electricity to customers as well as cost savings to the GOH has been put in place. Measures taken will initially result in more than $1.6 million in savings per month.

Encouraging donor coordination is also extremely important; and we welcome the role of the Ministry of Planning to review projects for strategic alignment with Haiti's development plan, as the Interim Haiti Recovery Commission did previously. Resident representatives of Haiti's top donors are leading coordination work on the ground.

Question #3: Cuba (Chairman Ros-Lehtinen): Administrator Shah, the Obama administration's policy of concessions towards the Castro brothers has not yielded any measureable change for democracy. In addition, I am deeply concerned about the Department of State's and USAID's growing funding for programs that promote the Castro brothers' sham economic reforms, at the expense of funding for important programs that support Cuban political prisoners and the internal opposition. Last month Secretary Clinton testified before this Committee that:

[QUOTE] "...there have been considerable changes in Cuba's economic policies, which we see as a very positive development...very often in oppressive regimes, like Cuba, economic freedom precedes political freedom." [END QUOTE]

Though this administration likes to point Castro's so-called economic reforms as a sign of change, the fact remains that 11 million Cubans continue to suffer under the brutally oppressive Castro regime. This new focus on economic reforms will do nothing more than validate the Castro regime and promote their radical anti-American propaganda. **How does harnessing U.S. foreign assistance to promote the Castro brothers' sham 'economic reforms' build the capacity of the internal opposition? How can we prioritize the funding for Cuba to strive for a free and democratic Cuba?**

Answer:

Our commitment to human rights and democracy in Cuba remains strong. Consistent with the LIBERTAD and Cuba Democracy Acts, our programs provide assistance in three broad areas:

1) Humanitarian assistance (basic foodstuff, vitamins, and personal hygiene supplies) to political prisoners and their families;

2) Promoting human rights and fundamental freedoms and supporting independent civil society; and

3) Facilitate information flow to, from and within the island to promote critical thinking and create opportunities for debate.

USAID programs in Cuba do not support economic activities on the island.

Question #4A: Egypt (Chairman Ros-Lehtinen):

- **What mechanisms have you developed to ensure that U.S. assistance to Egypt does not directly or indirectly provide support to or otherwise is influenced by the Ministry for International Cooperation and Development?**

Answer:

The Egyptian Supreme Council of the Armed Forces (SCAF) has pledged to hand over power to an elected president by July 1, 2012, who will govern alongside the two houses of parliament elected earlier this year. We will discuss FY 2012 and future Economic Support Funds (ESF) with this new government in order to support Egypt's democratic transition. Our diplomacy, public messaging, and assistance are all designed to support the aspirations of the Egyptian people for a democratic future and promote respect for human rights.

The Ministry of Planning and International Cooperation (MPIC) does not receive or manage Economic Support Funds at any time. Although the MPIC is currently the only ministry with delegated authority to sign all donor assistance agreements, requiring some level of coordination with donors, the bulk of our cooperation occurs directly with line ministries (such as the Ministry of Education). The USG works with the relevant line ministries to plan the goals of mutually agreed upon development activities. For example, our basic education program is coordinated with the Ministry of Education; our health program is coordinated with the Ministry of Health, our decentralization program is coordinated with the Ministry of Local Government, etc. We also significantly expanded over the past year our direct support to private sector and civil society organizations in Egypt. As Egypt transitions to a new government, the USG will continue to evaluate the most effective ways in which to deliver assistance in support of U.S. priorities and to meet Egyptian needs.

Question #4B:

- **What is the justification for the provision of any U.S. assistance to an Egyptian government potentially dominated by the Muslim Brotherhood and affiliated extremists? Do you agree that no U.S. assistance should be**

provided, directly or indirectly, to the Muslim Brotherhood and affiliated extremists?

Answer:

USAID is supporting the Egyptian people in the transition to democracy by supporting the formation and strengthening of democratic institutions broadly. USAID is not providing funding to the Muslim Brotherhood, nor its political party affiliate, the Freedom and Justice Party. USAID does not fund political parties, candidates or campaigns. Consistent with our policy, we make every effort to include in our democracy and governance programs all parties or groups that clearly, unequivocally, and publicly support nonviolence; democratic institutions and values; rights for all, including women and minorities; and a tolerant, pluralistic society.

Question #5A: Middle East and North Africa Incentive Fund (Chairman Ros-Lehtinen): The Fiscal Year 2013 budget requests $770 million for the establishment of a new Middle East and North Africa Incentive Fund (MENA-IF) to help support political and economic reforms in Arab countries. Yet these funds remain undesignated and un-programmed. **What role do you expect USAID to play in implementing the proposed MENA IF?**

Answer:

Decisions about potential implementing agencies will be made based on the types of programming needed and each implementer's, including USAID's, comparative advantage. Additionally, it is envisioned that USAID will play a central role at all critical stages of the fund's administration—USAID expertise will be employed to help evaluate countries' commitment to reform (judged by actions taken this year and/or credible reform proposals), determine where successful outcomes would have the greatest impact in the country and/or region, and identify where U.S. strategic interests are greatest.

Question #5B:

- **What type of activities do you anticipate being implemented? Will such activities aim to promote economic growth and regional trade? Will these funds be used to address humanitarian emergencies in the region? How much of this money will go toward democracy and governance programs in the region?**

Answer:

The MENA IF is designed to be a flexible mechanism to respond to emerging events and incentivize long-term reforms. Therefore, there are no pre-determined allocations. The MENA IF is designed to address three broad categories of needs:

Longer-Term Transition Incentives: The bulk of the fund will be focused on activities supporting ***governance and economic reform*** including activities such as:

- Private sector development, including jobs growth
- Seed money for larger investments and multilateral projects
- Loan guarantees
- **Governance reform assistance**
- Enterprise funds
- Technical assistance to improve transparency, human rights, **free trade, and regional integration**

Immediate Transition/Stabilization Contingencies: In addition, a portion of the MENA IF will be available for short-term support for newly transitioning countries including activities focused on the following:

- Short-term economic stabilization (e.g. fiscal support)
- **Assistance in managing immediate political transition processes**
- **Civil society strengthening**
- Emergency technical support
- **Humanitarian assistance and human rights investigations**
- Transitional justice programs
- Security sector support
- Bolster capacity of our missions in the region to engage with newly emerging democracies

Regional Program Platforms: MENA IF also includes the base funding for the Middle East Partnership Initiative (MEPI) ($65 million), and USAID's Office of Middle East Programs (OMEP) ($5 million). MEPI cultivates locally-led change by supporting civil society in every country of the MENA region where the United States has a diplomatic presence. OMEP provides surge capacity and region-wide scope for development activities that respond to regional transition and reform.

Question #5C:

- **How do you justify the establishment of this fund, especially when its presumed recipients already receive substantial Economic Support Funds (ESF)? Will Egypt qualify for funds from this account?**

Answer:

The MENA IF represents a new approach to the Middle East and North Africa through demonstrating a visible U.S. commitment to reform and to the region; tying assistance to reform agendas; and providing flexibility for contingencies and to take advantage of new opportunities. To support this new approach, this fund has new authorities to allow the USG to better respond to political changes in the Middle East and North Africa and incentivize meaningful and sustainable political and economic reforms by tying it to significant levels of U.S. assistance. Using FY 2011 and prior year funds – and expected FY 2012 resources – the USG has already made available nearly $800 million to assist the people of Tunisia, Egypt, and Libya – all from existing budgets.

Having to respond to emergent needs through reprogramming/allocating money from existing global and bilateral accounts creates opportunity costs and draws funding away from its designated uses. The MENA IF provides a more sustainable way to capitalize on opportunities presented by the Arab Spring.

The MENA IF will provide much needed flexibility to meet new challenges and respond to new opportunities while beginning to address the imbalance between our security and economic assistance in the region.

The MENA IF is designed to support governments with the political will to commit to real and substantive reforms. Priority will be accorded to proposals from countries with the greatest commitment to reform, where successful outcomes would have the greatest impact, and where USG strategic interests will be best served.

Question #5D:

- **Specifically, which office will be administering the Middle East Incentive Fund within the State Department, and what is the anticipated interrelationship with USAID? Will USAID retain its budgetary discretion?**

Answer:

The MENA IF authority resides with the Secretary of State. Use of the MENA IF will be overseen by the Office of Foreign Assistance Resources (F) within the Department of State, consistent with existing budget responsibilities and processes that include consultations and input from agencies such as USAID.

Question #6: Office of Inspector General (Chairman Ros-Lehtinen):
Effective management of foreign aid operations requires an independent Office of Inspector General to provide robust oversight through audits and investigations. Yet, the Department of State has been without a Senate-confirmed Inspector General for the entire duration of the President's term and USAID has been without a permanent Inspector General for several months. An essential function of an OIG is to keep Congress informed about mismanagement, waste, fraud and abuse in agency operations.

- **Why should Congress allocate any money to OIG until we see a commitment from the Administration to nominate a candidate who can be properly vetted to ensure independence?**

Answer:

We agree that effective management of foreign assistance programming requires an independent Inspector General. Although USAID has been without a permanent IG since October 16, 2011, the work of the Office of the Inspector General has not decreased or diminished. To the contrary, from October 2011 through March 31, 2012, the office has completed 369 financial and performance audit reports and closed 74

investigations, resulting in the recovery or saving of almost $50 million in taxpayer funds.

The Inspector General appointments are under the purview of the White House and we cannot speculate regarding the timing of nominations.

Question #7: Office of Inspector General (Chairman Ros-Lehtinen): Your budget request reduces operating expenses for overseas contingency operations (OCO) by $175,500,000 but still includes a request for $85,000,000.

- **However, your request completely zeroes out OCO operating expenses for OIG. Isn't independent oversight necessary for the expenditure of the remaining operating funds?**

Answer:

Please see the response below, which has been prepared by USAID's Office of the Inspector General:

The USAID OIG is well positioned to conduct oversight of both OCO programs and traditional development assistance activities in FY 2013. As stated in the President's Budget for FY 2013, OIG's base budget request of $50.5 million includes operating costs for Afghanistan, Pakistan, and Iraq, which covers the costs of maintaining offices in those countries. While the Congressional Budget Justification for FY 2013 shows a $4.5 million decrease and "zeroes out" OIG's Overseas Contingency Operation (OCO) expenses from USAID OIG's FY 2012 OCO operating expenses estimate, we have always submitted our budget requests as a single, base figure that includes expenses for working in OCO environments. We made a $51.5 million base budget request for FY 2012; however, $4.5 million of our total FY 2012 $51 million appropriation was specifically designated as OCO funding in the Consolidated Appropriations Act for 2012. We did not request that any portion of our FY 2012 budget be designated as OCO funding.

Historically, USAID OIG operates from annual appropriations with two-year funding, supplemental appropriations, and when available, carry-over funds. Planning each fiscal year's budget includes careful consideration of available carry-over funds and we developed our FY 2013 request utilizing all available funding sources. In addition to our FY 2013 request of $50.5 million, we anticipate using $12.3 million from other sources, such as supplementals and carry-over funds. In all, as projected in the President's Budget for FY 2013, our funding for the upcoming fiscal year would stand at $62.8 million. We also intend to request $4.8 million in funding from the Department of State, as provided in the Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73), to cover our oversight in Pakistan.

While we will provide worldwide coverage of development assistance programs in FY 2013, we have made strong commitments to continue our oversight work in critical priority countries. As outlined in the President's Budget for FY 2013, we have allotted $5.2 million for work in Afghanistan, carried out by 11 U.S. Direct Hire (USDH)

personnel and six Foreign Service Nationals (FSN). In Iraq, where we anticipate a smaller presence than in previous years, we project $2 million to support the work of three USDHs and one FSN. We have budgeted nearly $4.8 million for our activities in Pakistan, to be undertaken by nine USDHs and six FSNs.

We anticipate having sufficient funding in FY 2013. However, as carry-over funds are exhausted over time, it is likely that future budget requests will require funding above the FY 2013 base figure to continue our present level of oversight, including work in OCO environments. For example, since preparing our FY 2013 budget request, International Cooperative Administrative Support Services (ICASS) costs in Afghanistan increased by $2 million, a reflection of increased security costs in the country. The consequences of inadequate funding in future fiscal years may include diminished oversight of programs in these critical priority countries, or redeployment of our audit and investigative resources from other parts of the world. This would result in a reduced level of oversight in more traditional development assistance environments. Therefore, we are committed to working with authorizers and appropriators to ensure that we have sufficient funding in future fiscal years to support all of our operations, including those being carried out in OCO settings.

Question #8: Office of Inspector General (Chairman Ros-Lehtinen): The request for OIG operating expenses for FY 2013 is $500,000 less than the 2012 estimate.

- **How is this amount adequate to provide sufficient oversight over the extensive commitments being made by the agency in USAID Forward including the Global Climate Change Initiative, the Global Health Initiative, Feed the Future, and the Middle East and North Africa Incentive Fund?**

Answer:

Please see the response below, which has been prepared by USAID's Office of the Inspector General:

While the request for OIG operating expenses for FY 2013 is $500,000 less than the FY 2012 estimate, as discussed above, the President's Budget for FY 2013, which includes supplemental and carry-over funding, provides sufficient resources to address USAID's initiatives worldwide. Each year, our audit planning process leverages the experience and judgment of our Regional Inspectors General, their staffs, and OIG personnel based in Washington, D.C. to identify risks and plan audit activities for the coming fiscal year. During each year, funding is allocated to support oversight of both new and ongoing initiatives. In the present fiscal year, for example, our planned performance audits target USAID efforts under several of the initiatives mentioned in the Chairman's question: 14 planned audits address health programs, including six audits related to USAID's HIV-AIDS activities and five covering USAID's malaria activities; four planned audits relate to climate change; and one survey report covers USAID's progress in implementing the Feed the Future Initiative.

Beginning with our current FY 2013 audit planning, our audit activity will be increasingly guided by a risk-based approach to identifying programs and designing audits and reviews to effectively oversee USAID programs. Drawing on a risk assessment process, we will establish an audit cycle, with higher-risk activities receiving more frequent audit coverage. The same risk assessment and planning process will inform resource requests. This approach is discussed in greater detail in our FY 2012-FY 2016 draft strategic plan, which has been shared for comment with HFAC staff. This risk-based approach enables us to maintain positive returns on funds appropriated for oversight of U.S. foreign assistance programs.

In addition to our audit activity, the OIG's Office of Investigations continues to conduct periodic fraud awareness briefings in missions worldwide, addressing Agency staff and implementing partners who are directly responsible for managing development assistance programs. In the first half of FY 2012, we conducted 93 fraud awareness briefings with 2,530 attendees and will continue these efforts in FY 2013. Our fraud briefings magnify the impact of the OIG's expertise in identifying and investigating fraud, waste, and abuse by assisting Agency personnel and implementing partners detect and report misconduct.

Question #10: North Korea (Chairman Ros-Lehtinen): By including a discussion of food assistance to North Korea in its February 29th statement on diplomatic negotiations with North Korea, the State Department violated a long-term policy of both past Republican and Democratic Administrations that food assistance is a humanitarian issue not to be used as a bargaining chip to bring Pyongyang back to the bargaining table.

- How can the Congress have any confidence that any future food assistance to North Korea is not merely a bribe to get Pyongyang to agree to a nuclear and missile moratorium?

Answer:

We do not link humanitarian assistance and other policy issues. Multiple food security and nutritional assessments conducted in the Democratic People's Republic of Korea (DPRK) in 2011 – by the U.S. government, the UN World Food Program, and the Food and Agriculture Organization, as well as U.S. nongovernmental organizations – documented the need that precipitated the proposed humanitarian assistance. Nutritional assistance and denuclearization negotiations occurred in parallel, but on distinct tracks.

Before any assistance program can begin, however, we must finalize terms for monitoring modalities to ensure that food is reaching the most vulnerable among those in need. The missile launch called into question the credibility of all of North Korea's commitments, including to the monitoring necessary to ensure food aid goes to the needy. U.S. delivery of nutritional assistance is contingent on our ability to monitor the delivery of that assistance so it goes to the North Korean people who are starving, and not to elites or the military. North Korea's actions make it impossible to have confidence that those

monitoring agreements can be implemented, which is why we have suspended our plans to provide nutritional assistance.

Question #11: North Korea (Chairman Ros-Lehtinen): It was recently announced that North Korea has agreed to suspend uranium enrichment and to a moratorium on nuclear and long-range missile tests. The announcement comes as the Obama Administration is finalizing details for a proposed package of 240,000 metric tons of food aid to North Korea. Last year, legislation (Sec.741 of P.L.112-55) was passed prohibiting food aid to any country that may divert it for unauthorized use.

- **What monitoring measures will be implemented?**

Answer:

Our decision to provide nutritional assistance anywhere in the world is based on three factors: 1) the level of need in a given country; 2) competing needs in other countries; and 3) our ability to ensure that aid is reliably reaching the people who need it. If U.S. delivery of nutritional assistance were to begin in the Democratic People's Republic of Korea (DPRK), it would be contingent on our ability to monitor the delivery of that assistance so it goes to the North Korean people who are hungry, and not to elites, or the military. Therefore, for any assistance program to begin, the DPRK would need to follow a set of strict, pre-negotiated monitoring and access terms.

The recent missile launch called into question the credibility of all of North Korea's commitments, including the monitoring agreement that had been conditionally pre-negotiated. Since we are unable to trust that this monitoring agreement could be implemented, we have suspended plans to provide nutritional assistance to the DPRK. We would be happy to brief you fully on the terms that were negotiated and would have gone into effect had the food aid program been operationalized.

Question #15: Burma (Chairman Ros-Lehtinen): Mr. Shah, the $27.2 million request for Burma, while a modest amount given the overall budget, seems premature. The Committee has received continued reports of the Burmese military's commitment of human rights atrocities in minority border areas, particularly in the Kachin (KAH-CHIN) state. And the fact is that the April 1st by-elections have yet to be conducted. We certainly know that the last round of voting in Burma in 2010 was deeply "flawed," to quote a House resolution.

- **In our eagerness for engagement with the Burmese military, aren't we jumping the gun in proposing financial commitments of U.S. taxpayer dollars?**

Answer:

USAID has maintained a humanitarian program since the late 1980s along the Thai-Burma border and inside Burma since 2008 in response to the devastation caused by Cyclone Nargis. Assistance has been channeled to and through U.S. and international organizations and monitored from the USAID regional mission in Bangkok, Thailand. The FY 2013 budget request of $27 million ESF and $10 million global health funds is consistent with prior years, does not represent a funding increase, and will allow USAID to continue to meet critical humanitarian needs inside Burma and along the border and to support critical development needs.

Recently, the Secretary of State announced the re-establishment of a USAID mission in Burma. This historic re-opening is part of the U.S. Government's commitment to match action-for-action the Government of Burma's efforts toward the path of greater openness, transparency and reform, and it will enable the United States to engage directly with the people of Burma to support and strengthen the reform process.

The parliamentary by-elections held on April 1, 2012 were competitive, and the outcome was not pre-determined. The process marked an improvement in political openness and inclusiveness compared to the 2010 election. The results appear to reflect the will of the Burmese people and mark a step forward in Burma's democratization process.

Question #17: Philippines (Chairman Ros-Lehtinen): What are the budgetary implications of the Partnership for Growth agreement that Secretary of State Clinton signed in Manila last November. **Given the widespread and systemic problem of both official and private corruption in the Philippines, isn't there reason for concern that any U.S. taxpayer dollars invested in this program will be misappropriated or misspent?**

Answer:

The Partnership for Growth (PFG) realigns existing resources to address binding constraints to growth. Out-year budget estimates took into account U.S. government (USG) budget realities and used the most conservative estimates for planning. Each of the fifteen participating USG agencies will contribute resources to support PFG goals. Moreover, the Philippine government (GPH) is bringing its own resources to bear in this effort.

To ensure that USG funds are spent in accordance with the PFG work plan, the GPH and USG will establish collaboratively an evidence-based monitoring and evaluation framework to identify and track progress on sectorial and macro-level indicators of performance against the benchmarks for USG participants and the GPH . The USG's funding support for PFG will be subject to respective laws and regulations, including the annual Congressional appropriation and internal budget allocation process. The PFG Joint Country Action Plan will be reviewed annually to make course corrections and adjustments for implementation. The PFG Steering Committee will monitor overall implementation progress and ensure proper oversight of activities

The importance of the Government of the Philippines' role in combating corruption cannot be overstated. What is the justification for the provision of any U.S. assistance to an Egyptian government potentially dominated by the Muslim Brotherhood and affiliated extremists? Do you agree that no U.S. assistance should be provided, directly or indirectly, to the Muslim Brotherhood and affiliated extremists? The Aquino administration is strongly committed to transparency and governance reforms intended to reduce opportunities for corruption. It signed up as one of the eight founding governments of the White House-led Open Government Partnership. The Philippine Government is committed to public reporting of the national budget allocation and utilization, jumpstarting civil society scrutiny over the budgeting process, establishing citizens' report cards over public sector institutions, and utilizing technology and innovation in automating government procurement.

A main focus of the PFG is to address corruption, which continues to be a binding constraint to the Philippines' broad-based, inclusive and sustainable economic growth. Thus, the PFG will provide assistance that will complement the high-level commitment of the Aquino administration to increase the punitive risks of public sector corruption, strengthen oversight for corruption infractions, and advance enforcement efforts directed at large-scale corruption. In addition to providing capacity-building assistance, PFG will support reforms to improve the Philippines legal framework for pursuing corruption, which can be defective vis-à-vis comparator jurisdictions in Southeast Asia. PFG will

also overhaul public sector systems that are relevant to attracting investments (such as regulatory offices) to reduce susceptibility to corruption and optimize operations. PFG will work to strengthen corporate governance to encourage business behavior that oppose bribery and tax evasion, and respect sanctity of contracts. PFG will also assist the Philippines in implementing commitments to the Open Government Partnership, particularly in advancing fiscal transparency. These efforts are envisioned to counter impunity towards corruption, uphold rule of law, create a more stable investment climate, and promote fair and open competition.

Question #18: Migration and Refugee Assistance (Chairman Ros-Lehtinen): The Administration is proposing to cut $250 million – a quarter of a billion dollars – from current-year Migration and Refugee Assistance, which provides lifesaving help to some of the world's most vulnerable people, and has long enjoyed bipartisan support in Congress.

- **Do you anticipate that refugee protection needs will be that much less in 2013, or were you just looking for cuts somewhere in the budget?**

- **What would this reduction eliminate, in terms of specific programs and resettlement numbers, compared to what the United States is doing this year?**

Answer:

The Administration remains dedicated to providing robust support for humanitarian programs worldwide. The President's FY 2013 request includes $1.675 billion for the Migration and Refugee Assistance and the Emergency Refugee and Migration Assistance accounts. While this represents a decrease in funding available for humanitarian programs supported by these accounts in FY 2012, it represents a $30.3 million increase from the President's FY 2012 request for these accounts. This increase reflects the Administration's ongoing commitment to humanitarian programs, while taking into account the current constrained budget environment.

Refugee protection needs are not expected to decrease in FY 2013. The request will allow the Department to continue to support humanitarian programs for refugees and conflict victims worldwide, albeit at a lower level than is expected in FY 2012.

Question #21A: Pakistan (Chairman Ros-Lehtinen): The Administration's FY13 budget request calls for the creation of an enterprise fund to support private sector growth in Pakistan. However, a similar request by the Administration in FY12 was not included in last year's "megabus" spending bill.

- **Is an enterprise fund for Pakistan a high priority for the Administration?**

Answer:

Despite the recent challenges in the relationship, increasing private sector investment in Pakistan remains in the interest of the United States.

Pakistan's long-term stability, which is in the U.S. national security interest, will depend in large part on Pakistan's economic growth and ability to provide jobs for its growing population. The private sector must drive job growth and help Pakistan get beyond dependence on international assistance. Small- and medium-sized enterprises (SMEs) represent 90 percent of Pakistan's businesses, employ 80 percent of the non-agricultural workforce, and contribute over 1/3 of GDP – yet they receive less than one in seven commercial bank loans and have no access to private investment capital to expand operations, develop new products and markets, and create new jobs.

A Congressionally-authorized enterprise fund for Pakistan would advance the cause of "trade, not just aid," in turn promoting both U.S. and Pakistani economic interests and helping Pakistan move beyond donor assistance. As such, we stand by the request for authorization in the FY 2013 budget. At the same time, we are concurrently exploring alternate approaches that would be designed to meet the objectives of supporting economic growth and job creation through increased access to private sector investment and finance. The Administration will continue to consult with Congress as these alternative approaches are developed.

Question #21B:

- **What other options is the Administration exploring for promoting investment and stimulating private sector growth in Pakistan?**

Answer:

USAID-funded projects for FY 12 seek to advance both economic growth and sustainability. One, known as the Pakistan Private Investment Initiative (PPII), will focus on expanding the small and medium enterprise (SME) sector, generating new employment, fostering best practices in the investment industry and reducing the barriers on Pakistani companies to trade in domestic and international markets. One element of PPII will service the SME market, while the other element will work with larger developing companies, with Pakistani funding and management participation where possible.

In addition, USAID's Agribusiness Project will bring modern technology to farmers and link them to markets, thereby raising incomes. Modernization and commercialization of the agriculture sector is the most direct pathway to broad-based income growth, increased food security and increasing the rural population's stake in a stable and democratic Pakistan.

Question #22A: Pakistan (Chairman Ros-Lehtinen): The most recent quarterly report of the office of the inspector general (OIG) for U.S. civilian assistance to Afghanistan and Pakistan states that although Congress appropriated $1.48 billion for civilian assistance to Pakistan in FY12, only $618 million was obligated. In addition, over the last three years, $1.632 in obligated development funding (equal to 38% of total obligated civilian assistance since 2009) remains unspent.

- **Given the political and diplomatic difficulties in the US-Pakistan relationship, would it make more sense to scale back the pace of appropriations in Pakistan, so that Kerry-Lugar-Berman (KLB) funds are used more judiciously, over a longer period of time?**

Answer:

While we recognize that USAID's Pakistan assistance pipeline is large, continued funding for the assistance program at the level requested in FY 2013 remains vital to our national security and regional interests. Given the challenging domestic fiscal environment, the Administration has made a concerted effort to review the assistance portfolio through the lens of key strategic priorities and ensuring robust stewardship of the taxpayer dollars. As a result, in FY 2013, the Administration has only requested funds which it believes are critical to development in Pakistan and to national security and regional interests. Continuing the civilian assistance program with robust assistance in FY 2013 will demonstrate our commitment to a continuing partnership with Pakistan.

As you know, the final enacted level of $1.1 billion for civilian assistance in FY 2011, $1 billion for FY 2012, and the budget request of $1.1 billion for civilian assistance in FY 2013 are below the levels authorized in the Kerry-Lugar-Berman legislation. This reflects the USG's commitment to continuing robust engagement on civilian assistance to Pakistan, even during challenges to the bilateral relationship, while taking into account implementation and budget realities.

We do not believe that further reductions in civilian assistance for Pakistan would be appropriate at this time. It is also important to note that despite challenges in other aspects of the bilateral relationship over the past year, the civilian assistance relationship has remained generally constant. One of the Administration's consistent messages to both the Government of Pakistan and to the media in the "reset" of our relationship has been that robust civilian assistance and its implementation has endured uninterrupted, despite political ups and downs. Nonetheless, the challenges arising in 2011 from certain events outside the civilian assistance program, as well as the design of the program –

notably, a focus on building Pakistani management and implementation capacity, and ensuring appropriate levels of oversight, accountability and proper stewardship of U.S. taxpayer funds -- have slowed implementation of certain programs. Cumulatively, these challenges to implementation have led to a large assistance pipeline.

In order to address the pipeline, USAID/Pakistan reviews expenditure rates quarterly, regularly tracks commitments and obligations, and conducts regular portfolio reviews. These reviews also inform needed programmatic corrections to ensure efficient and effective implementation, as well as careful oversight of taxpayer dollars. We believe the time we have spent both ensuring US funds will be safeguarded as we work with Pakistani public and private institutions, and developing working relationships between the USG and Pakistani institutions, provide a firm foundation on which to effectively implement the civilian assistance program.

Question #22B:

- **Alternatively, given the difficulty of doing development under a U.S. flag, would providing more KLB funding via multilateral institutions be a reasonable alternative to achieve long-term development objectives in Pakistan?**

Answer:

USAID has a comprehensive branding policy in Pakistan and does not believe that doing development under as U.S. flag is a hindrance to achieving USG development objectives in Pakistan. With a few exceptions (mostly in the Federally Administered Tribal Areas and parts of Khyber Pakhtunkhwa) due to specific, documented, case-by-case security concerns, USAID brands all of its projects in Pakistan according to USAID regulations. USAID has also been ramping up branding verification efforts over the last year. Increasing awareness of U.S. civilian assistance efforts in Pakistan is a priority. Providing more assistance via multilateral institutions would dilute its association with the U.S. and detract from our goal of increasing awareness of the benefits provided to the Pakistani people by the United States.

Question #23: Pakistan (Chairman Ros-Lehtinen): The Government of Pakistan has repeatedly said that if the United States wants to support economic development in Pakistan, it should do so through a greater reliance on trade rather than aid policy. In this spirit, the European Union recently provided Pakistan with a two- to three-year package of trade concessions aimed at bolstering the economy in the wake of the 2010 floods. Will the U.S. follow suit and use tariff reduction as a tool to strengthen economic growth in Pakistan?

Answer:

Over the long term, it is in the United States' national security and economic interests to help Pakistan become a more stable, democratic, and economically

prosperous country. A strong private sector in Pakistan helps to steer vulnerable populations towards licit job opportunities and away from extremism. It also allows Pakistan to decrease its dependence on international assistance, which is beneficial to the U.S. taxpayer.

As private sector development also falls squarely in line with Pakistan's desire for greater "trade, not aid," we continually look for both policy and assistance opportunities to help foster increased trade, investment, and private-sector growth. As examples, U.S. assistance is promoting increased trade by supporting implementation of the Afghanistan-Pakistan Transit Trade Agreement and by supporting private sector initiatives, such as providing technical assistance to mango farmers and processors to improve production and increase their incomes.

To promote greater regional and international trade, we worked to help the EU obtain agreement to trade concessions for Pakistan through the World Trade Organization (WTO.) As such, the resulting WTO trade program is partly the result of U.S. diplomatic efforts.

There have been challenges in winning Congressional approval for tariff reduction measures and increased market access for Pakistan. The Administration, with the support of many Members of Congress, has pursued Reconstruction Opportunity Zones (ROZ) legislation, as well as an authorization for an Enterprise Fund for Pakistan – but those efforts have not yet been successful.

We welcome working with you to explore how a program offering tariff reductions and increased market access for Pakistan might be brought to fruition.

Question #24: Pakistan (Chairman Ros-Lehtinen):
It is next to impossible to obtain detailed figures on civilian assistance spending in Pakistan. The recent creation of a new USAID website in Pakistan is an important step towards improving transparency around U.S. government development spending in Pakistan, but more transparency is needed.

Will the Administration commit to publicly releasing actual disbursement figures for civilian assistance funds rather than simply report what has been appropriated?

Answer:

USAID Pakistan's recently updated website provides actual disbursement figures for civilian assistance by sector at: http://www.usaid.gov/pk/about/budget.html. We have committed to providing updates to the disbursement data on a quarterly basis. The current disbursement information posted on the website is current as of December 31, 2011.

Question #25A:

Pakistan (House Democracy Partnership) (Chairman Ros-Lehtinen): When he served as Special Representative for Afghanistan and Pakistan, the late Ambassador Richard Holbrooke advocated a shift in U.S. assistance to rely less on contracts with U.S. implementers and more on direct assistance to governments and to local organizations.

- **What has been the effect of this transformation on the effectiveness of U.S. assistance, particularly in Pakistan?**

Answer:

The shift in U.S. assistance to rely less on contracts with U.S. implementers supports USAID's goal of creating the conditions where aid from American taxpayers is no longer needed. USAID is working to build and strengthen the capacity of local institutions in Pakistan to better manage their finances and implement their own development programs. Pakistan has a wealth of civil society organizations and local NGOs who are eager to support Pakistan's development. USAID supports many of these organizations through a small grants program and some of the larger organizations, with proven track records, are serving as the prime partner in some of our projects. Similarly, USAID is able to implement much of our assistance successfully through Pakistani government partners, such as the Water and Power Development Authority (WAPDA). These are usually structured as reimbursable agreements.

This shift toward using more local implementers has placed the responsibility and burden of success on Pakistani organizations. Placing an increasing emphasis on local organizations to implement assistance projects gives the Pakistani people greater control in determining their future. Over time, by strengthening the capacity of local institutions, we will increase the impact of our investments, make gains more sustainable, and ultimately end the need for U.S. assistance. To mitigate possible risks, USAID has implemented rigorous safeguards as we consider prudent use of reliable local systems for direct implementation of U.S. foreign assistance. For government systems, USAID Controller personnel in Pakistan assess risk, identify necessary mitigating controls and apply oversight mechanisms during implementation. For local organizations, USAID conducts pre-award surveys to determine if the organization has sufficient financial and management capacity to manage USAID funds in accordance with U.S. Government and USAID accountability requirements, and to determine the most appropriate method of financing (fixed price based on accomplishment of specific milestones or cost reimbursement applying federal cost principles). Where such pre-award surveys note weaknesses, USAID imposes additional requirements or special award conditions tailored to address factors of concern. Through this process, USAID can shape its agreements to ensure enforceability and accountability for a specific recipient. Where necessary, USAID arranges for an organization to receive support which strengthens its management or financial systems, before or concurrent with actual award.

Question #25B:

- **How has this policy affected USAID's democracy and governance programs in Pakistan?**

Answer:

Nearly all USAID democracy and governance programs are now implemented through Pakistani entities. Pakistani NGOs currently implement USAID's democracy and governance-related grant-making programs, while Transparency International-Pakistan implements USAID's Anti-Fraud Hotline. USAID implements its local governance initiative, the Municipal Services Program, through direct assistance agreements with provincial governments.

Pakistani implementers receive support that strengthens their internal capacity to manage program funds. Equally, monitoring and evaluation mechanisms have been adapted to support these new arrangements. The sole exception to this shift is USAID's Political Party Development Program, which is led by a consortium consisting of NDI, IRI and two Pakistani organizations. Due to the nature of political party development in Pakistan and capacity gaps identified, the program has an external implementer in the lead.

It is also important to note that the United States is one of many providers of foreign assistance in Pakistan. In some cases, assistance continues to be provided in Pakistan through external implementers without U.S. funding. For example, IFES continues to provide technical assistance to the Election Commission of Pakistan (with funding from the UK, the EU and Canada), though the United States no longer funds that program.

Finally, the act of shifting responsibility for and authority over program implementation to Pakistani entities has been, in and of itself, a governance-strengthening endeavor. The more stringent controls and stronger management practices those organizations must exhibit or develop to manage funds provided by the United States makes them more accountable and responsible, and therefore improves governance.

Question #25C:

- **Is it still the intention of USAID to rely less on U.S. implementers and more on governments and local implementers?**

Answer:

Prospective implementation partners are identified through a rigorous strategic planning and project design process, and may include U.S. contractors, international NGOs, Public International Organizations, partner government entities, or local organizations. In some instances, U.S. implementers will be the best implementation partner to achieve the desired development results. In many cases, the best intervention may be one that reflects ownership by the local partners, who may have better insight into the problems and a greater ability to affect the desired outcome.

Question #26: India (Chairman Ros-Lehtinen): The FY13 CBJ states that "foreign assistance will also aim to solidify India's transformation from a traditional recipient of donor funds to a strategic partner."

- **While we all want to nurture strong U.S.-India ties, how can we be said to have a strategic relationship when New Delhi appears to be using Western sanctions against Iran—not as an opportunity to be a bridge between Iran and the West, but to use those sanctions as an opportunity to build closer economic and trade ties with Tehran**?

Answer:

India is cognizant of the significant regional implications that would result from Iran acquiring a nuclear weapon, and Prime Minister Manmohan Singh has stated on multiple occasions that an Iranian nuclear weapons program would be unacceptable to India. Moreover, India has voted four times with the United States in the International Atomic Energy Agency (IAEA) Board of Governors on Iran's nuclear program and consistently has called on Iran to fulfill its international obligations as a non-nuclear weapon state under the Nuclear Non-Proliferation Treaty and comply with UNSC resolutions. Already, Indian companies have, to the best of our knowledge, ceased activities such as selling refined petroleum products to Iran. However, Iranian oil continues to represent a significant – though steadily declining – share of Indian oil imports. We are continuing to work closely with Indian officials to identify and encourage alternative sources of imported oil that also will help to ensure India's energy security for the future.

Moreover, the relationship between the U.S. and India is growing closer, as we share important democratic values. India, the world's largest democracy, is the catalyst for economic growth and development in an unstable region. Recently the U.S. – India relationship has begun a dynamic transformation recognizing India's increasing ability to

address the major development problems of the Indian population living below the poverty line.

USAID and India are forming a partnership that will solidify India's position as a major donor through its work on low cost, flexible innovations. This will resolve some major development problems, locally at first, then India-wide, next regionally and ultimately globally. USAID is assisting to establish India as a development incubator and launching the scaling up of these innovations through and with the Government of India. Additional efforts will be made to engage with the Indian private sector and with the USAID network beyond the region to the global development community.

Question #27: India (Chairman Ros-Lehtinen): Over the past decade, India has quietly transitioned to a donor country, emerging on the world stage as significant provider of development assistance. In the mid-1980s, India was the world's largest recipient of foreign aid. Today foreign aid is less than 0.3% of GDP.

- **In this context, what is the rationale for the Administration's $98 million request for India? What plans, if any, does USAID have to transition away from providing significant sums of U.S. foreign aid to India?**

Answer:

India has made significant progress toward resolving its own development challenges, but despite this advancement, India continues to struggle with development challenges for nearly a third of its population which lives in extreme poverty, with high rates of child malnutrition and child deaths. Health and environmental challenges faced by India also have regional and global consequences, such as the strains of drug-resistant malaria and TB. Nearly 78 percent of USAID's FY 2013 budget request for India is for the health sector, including funding to tackle global pandemics.

As a developing country which is modeling democratic values and practices that is generating broad-based and inclusive economic growth, India provides a powerful example to other nascent democracies and democratic movements. However, as India emerges as a donor of greater consequence on the global stage, USAID is transitioning away from traditional development programs to a development partnership with a focus on frugal, cost-efficient development innovations and greater leveraging of resources from the Indian private sector and cost-sharing with the Indian government. USAID sees the US-India partnership as one where both countries bring knowledge, skills and resources to jointly tackle problems in India and around the world.

Question #30: Egypt (Chairman Ros-Lehtinen): In the Budget Justification, the Administration for Egypt on page 527 states that "all of the funds would be programmed

in coordination with the appropriate line ministry...." **Does this include the Ministry for International Cooperation and Development?**

Answer:

No. Line ministries are the technical ministries, with which the U.S. Government (USG) coordinates as appropriate for each of the sectors within which USAID programs assistance funds. For example, we program our basic education assistance with the Ministry of Education, our health programs with the Ministry of Health, our decentralization program with the Ministry of Local Development, etc. The Ministry of Planning and International Cooperation (MPIC) is the Government of Egypt's designated lead ministry for coordinating and managing multi-lateral and bilateral donor assistance and cooperation. As such, all donors coordinate with the MPIC, the ministry with delegated authority to sign all donor assistance agreements, under terms set by the Government of Egypt. However, the MPIC does not manage Economic Support Funds (ESF) at any time, nor does it negotiate the details of specific assistance programs. The programming of ESF funds are discussed and worked out directly with the line ministries, where the bulk of our cooperation occurs.

The Supreme Council of the Armed Forces (SCAF) has pledged to hand over power to an elected president by July 1, who will govern alongside the two houses of parliament elected earlier this year. We will discuss FY 2012 and future Economic Support Funds (ESF) with this new government in order to support Egypt's democratic transition. Our diplomacy, public messaging, and assistance are all designed to support the aspirations of the Egyptian people for a democratic future and promote respect for human rights.

Question #31: Egypt (Chairman Ros-Lehtinen): With the funding within this request for parliamentary support and training, will you allow for U.S. assistance to be utilized to directly or indirectly support the Muslim Brotherhood or associated parties or entities?

- **Does the Administration request include direct budgetary assistance?**
- **Are we conditioning support for Egypt based on the outcome of the politically-motivated trials of foreign and domestic NGO personnel?**
- **Why is there a $51 million decrease in democracy funding?**

Answer:

USAID does not fund political parties, individual candidates or campaigns. This request does not include a request for U.S. assistance to fund the Muslim Brotherhood, nor its Freedom and Justice Party. Consistent with our policy, we make every effort to include in our democracy and governance programs all parties or groups that clearly, unequivocally, and publicly support nonviolence; democratic institutions and values; equal rights for all, including women and minorities; and a tolerant, pluralistic society.

USAID is supporting the Egyptian people in the transition to democracy by supporting the formation and strengthening of democratic institutions broadly.

- There is no direct general budget support planned for FY 2013 ESF for the GOE. FY 2013 funds may be used to pay the subsidy cost associated with the debt swap that Congress authorized for FY2012, following the events of last year.

- We remain deeply concerned that the Egyptian government continues to pursue criminal charges against the staff of the National Democratic Institute, International Republican Institute, Freedom House, the International Center for Journalists, and the Konrad Adenauer Foundation. Egypt's laws on associations and their implementation appear contrary to Egypt's international obligations and commitments regarding human rights and fundamental freedoms. We will continue to employ all the tools at our disposal to support Egypt's democratic transition. Our diplomacy, public messaging, and assistance are all designed to support the aspirations of the Egyptian people for a democratic future and promote respect for human rights, and we will seek to support the voices of those Egyptians who are pressing for positive change. The Supreme Council of the Armed Forces (SCAF) has pledged to hand over power to an elected president by July 1, and we expect a democratically-elected civilian to take power at that time. In anticipation of this new government, we have also begun engaging extensively with Egypt's newly-elected parliamentarians, presidential candidates, and other rising political leaders. In all of these conversations, we have emphasized the importance of respecting democratic institutions and the universal human rights of all Egyptian citizens, including freedoms of expression, association, and religion.

- We had planned to increase FY 2011 democracy & governance assistance temporarily to support elections assistance. Funding for democracy and governance programming is intended to remain stable at $25 million for FY 2012 and FY 2013, respectively.

Question #32: Near East Democracy Account (Chairman Ros-Lehtinen): Please explain the decrease and reallocation within the Near East Democracy account.

Answer:

The FY 2013 Near East Regional Democracy request is a $5 million reduction from the FY 2012 request. This lower amount reflects recognition of current fiscal constraints, not a change in priority. The reallocation of funds within the Governing Justly and Democratically assistance objective reflects areas where programming is most effective. Funds allocated to the Civil Society and Rule of Law and Human Rights program areas remain consistent with the FY 2012 Estimate. Specifically, Civil Society is an area of continued and growing importance as these activities also support Internet Freedom in the region. Reductions in the FY 2013 Request were taken in the Good Governance program area, where programs are less feasible, and Political Competition and Consensus-Building program area, where elections are not anticipated during the

programming period, to continue meeting priorities within the Civil Society and Rule of Law and Human Rights program areas.

Question #33: Egypt (Chairman Ros-Lehtinen): In light of the recent crackdown on democracy-promotion groups in Egypt, what is USAID's plan for democracy and governance programs in Egypt?

- **Does USAID plan any assistance to the Egyptian parliament?**
- **How might this be implemented given the prosecution of IRI, NDI and Freedom House staff in Egypt?**

Answer:

The Administration remains committed to supporting Egypt's peaceful democratic transition. Democracy and governance programs are a critical component of the United States' commitment to that end. USAID is continuing our ongoing support for democracy and governance in a range of areas critical to this stage of the transition. We are continuing with plans to provide technical assistance to strengthen Egypt's parliament in inclusive governance and democratic processes. Other initiatives, such as participant training programs, study tours to the United States, exchanges, and institutional partnerships are also under consideration to support this goal.

In addition to ongoing programs, as noted, we are developing plans for implementing potential programming to strengthen representative institutions at both the national and local levels.

Question #34: Lebanon (Chairman Ros-Lehtinen): Your budget request includes $70 million in ESF for Lebanon.

- **Why should the U.S. continue to provide assistance to Lebanon when it is controlled by a government that includes Hezbollah, a U.S.-designated foreign terrorist organization with U.S. blood on its hands?**

Answer:

While the Administration continues to have concerns about Hezbollah's influence within the Lebanese body politic, we do not believe this government to be "Hezbollah-run," nor do we assess that Hezbollah benefits in any way from U.S. assistance. Currently, Hezbollah holds two out of thirty cabinet seats – the same number it held in the previous government of Saad Hariri. To date, Prime Minister Najib Mikati and his centrist allies in the cabinet have been successful in maintaining the government's commitment to Lebanon's international obligations, despite pressure from Hezbollah and other pro-Syrian factions within Lebanon to do the opposite.

U.S. foreign assistance programs in Lebanon are designed to counter extremist influences in Lebanon and the region. As a result, the U.S. Agency for International Development (USAID) currently focuses much of its assistance programs toward the

private sector, civil society and sub-national public institutions to demonstrate continued support between the American and Lebanese people. The assistance programs implemented by USAID are high-profile and high-impact. From village-level economic development activities to major infrastructure actions (such as the Mudeirej Bridge), the United States receives substantial credit for supporting the Lebanese people.

Question #34B:

- **What would be our red lines for economic assistance to Lebanon, and what sort of explicit conditionality, if any, would you support for such assistance?**

Answer:

While we continue to closely monitor the actions of this government, we have been reassured by Prime Minister Mikati's actions in November 2011 to fulfill Lebanon's 2011 funding obligation ($32.2 million) to the Special Tribunal for Lebanon, which has indicted four Hezbollah operatives accused of involvement in the assassination of former Prime Minister Rafik Hariri and other victims. In addition, Prime Minister Mikati continues to support the implementation of UN Security Council Resolutions 1559 and 1701 and has maintained a policy of disassociation with regard to the unrest in Syria, despite pressure from pro-Asad factions in his coalition to do more to support the regime in Damascus. As a result, our assistance continues as part of the U.S. strategy to counter extremist influence in Lebanon.

USAID has continued its contact with one national-level governing institution, the Ministry of Education (MoE), through an ESF-funded program to support local public schools. No USAID funding goes directly to the MoE, or to any other part of the Government of Lebanon. USAID has revamped its country program to address key USG strategic goals and focus upon maintaining high-profile, high-impact programs that promote support for the Lebanese people. USAID has ended its support for the Ministry of Finance on the budget system and retooled its WTO assistance to focus on enabling private sector, academia, chambers of commerce, and business associations to advocate for trade-related regulatory reforms. Given the expectation of continued political stalemate related to economic policy reform, the U.S. focuses primarily on direct assistance to the private sector for the development of value chains in agriculture, tourism and other export-oriented sectors, as well as on collaboration with local governments on private sector partnerships to provide income and job opportunities for the rural economy.

Question #34C:

- **Are you concerned that some of our assistance could be benefiting elements that have ties to Hezbollah?**

Answer:

The USAID Mission in Beirut continually applies a number of safeguards designed to minimize to the extent practicable the risk that Hezbollah or other Foreign Terrorist Organizations (FTOs) will benefit from our assistance activities. Many levels of precaution are taken to mitigate this risk.

- First, none of our grant funding is provided directly to any Lebanese central government entity, (USAID does collaborate with the MoE on the "selection" of public schools to support);
- Second, all grants and contracts are fully vetted by USAID prior to the issuance of an award;
- Third, prime awardees are required to conduct open source anti-terrorism checks and due diligence on sub-awardees (subcontracts and subgrants) and key individuals of the sub-awardees; and
- Fourth, the USAID mission provides field oversight of all of programs implemented in Lebanon including the appropriate level of inspection and site-visits of activities implemented using economic assistance funding.

Question #35: West Bank and Gaza (Chairman Ros-Lehtinen): Your budget request includes $370 million in economic assistance for the West Bank and Gaza.

- **How much of the economic assistance will be direct support for the PA budget? Under what conditions would the Department discontinue that assistance?**
- **Given that Fatah and Hamas are on the verge of forming a new PA government, and that Abu Mazen will likely continue to pursue his dangerous Palestinian statehood scheme at the UN, why is the U.S. proposing further assistance to the PA?**

Answer:

Budget Support:

- Direct budget support to the Palestinian Authority (PA) is among the most immediate and efficient means of helping the PA build the foundations of a viable, peaceful future Palestinian state.

- In FY2011, the United States provided $200M in direct budget support to the Palestinian Authority. In FY2012 we have set aside the same amount, and in FY2013, we plan to provide $150 million in direct budget support.

- As always, the PA will only be authorized to use funds for purposes approved by USAID. Vetting under established procedures is a prerequisite for the disbursements of funds to specific private sector creditors, and we have full audit rights. In the past funds have gone to specifically pay down PA debt owed to Israeli utility companies and a line of credit to a regional bank.

- We have made it clear that we will work only with a Palestinian Authority government that accepts the Quartet's principles: a commitment to non-violence, recognition of Israel, and acceptance of previous agreements and obligations, including the Roadmap.

- The existing government, headed by President Abbas and Prime Minister Fayyad, remains in place and continues its efforts to build institutions and ensure security. Our policy therefore continues to be focused on assisting the Palestinian Authority in building the institutions necessary for a future state, living in peace side by side with a secure, democratic, Jewish state of Israel. Progress in this direction depends upon helping Palestinian moderates prove to their own people that their approach can deliver concrete, life-improving results. Funding is also needed to help ensure economic progress which is essential for preventing a deterioration of conditions on the ground and to maintaining stability and security for Israelis and Palestinians alike.

Reconciliation and U.N. Efforts:

- We continue to monitor the intra-Palestinian reconciliation process which, for now, appears stalled. Mahmoud Abbas remains the President of the PA and Salam Fayyad remains the Prime Minister, and no interim government is in the works. If an interim government that includes Hamas is formed, we will reevaluate Hamas' influence and our engagement with that government in accordance with U.S. policy and law. Likewise, our view on Palestinian attempts to enhance their status outside of direct negotiations is clear, and we have opposed it in every for a, every time.

Question #36: West Bank and Gaza (Chairman Ros-Lehtinen): Your Administration, and its predecessors, have claimed that our assistance to the PA and to the West Bank and Gaza is vital for creating the foundations for a Palestinian state that can live at peace with Israel.

- **Given the behavior of the Palestinian leadership and the anti-Israel incitement that pervades both the West Bank and Gaza, is the U.S. actually just helping to build a Palestinian infrastructure that will be used to continue fighting Israel, not to make peace with it?**

Answer:

- The United States has firmly and consistently condemned incitement to violence and called on both sides to take action to end such activity.

- Under the Roadmap to peace brokered by the Quartet in 2003, both Israel and the Palestinian Authority are committed to ending incitement. The Palestinian Authority has made significant progress since the 1990s in combating official incitement to violence as well as undertaking revisions of official PA textbooks and reducing inflammatory rhetoric.

- We continue to believe that working with the current Palestinian Authority headed by President Abbas and Prime Minister Fayyad is in the United States' interests, specifically the clear long-term U.S. interest and objective of a two-state solution. This means supporting and protecting the gains the PA has made regarding institution-building and doing all we can to support continuing improvement in security and stability for Palestinians and Israelis.

- We have been clear about the principles that must guide a Palestinian government in order for it to play a constructive role in achieving peace and building an independent state: Any Palestinian government must unambiguously and explicitly commit to nonviolence, recognition of the State of Israel, and acceptance of previous agreements and obligations between the parties, including the Roadmap.

- President Abbas has been clear that he remains committed to these principles, which he understands are a bottom line for us.

Question #38: Feed the Future (FtF) (Chairman Ros-Lehtinen): Where in Africa has FtF been most successful since it was initiated in 2009? What accounts for such outcomes? What are the greatest challenges to FtF implementation in Africa? To what extent, and where, are African governments investing their own resources in the FtF initiative?

Answer:

The President's Feed the Future (FTF) Initiative seeks to promote agricultural-led growth by raising the incomes of the poor, increasing the availability of and access to food, and reducing undernutrition through sustained, long-term development.

In the past year, Feed the Future investments have increased the productivity of vulnerable populations and their access to nutritious foods. In FY 2011, Feed the Future investments assisted over 3 million farmers in applying new agricultural production technologies and management practices, thus increasing the value of their export sales by $86 million. At the same time, nutrition interventions have resulted in a decrease in the prevalence of underweight children under age five among households participating in USAID programs, from an average of 27 percent in FY 2010 to 25 percent in FY 2011. These achievements are a result of the implementation of a strategic approach which entails: (1) support for specific value chains and sub-regions where we can maximize economic growth, job creation and nutritional impacts; (2) the leveraging of investments with other donors and the private sector; and (3) the integration of gender and nutrition into broader agricultural programs.

With respect to Africa, there have been a number of concrete successes, such as the following.

- In Tanzania, Feed the Future trained 84,000 smallholder horticulture farmers on best production practices and improved technology use on 4,812 hectares of smallholder horticulture farmland. These investments align with the Comprehensive Africa Agriculture Development Program (CAADP) process, which have inspired the government of Tanzania to increase the allocation of its own budget to agriculture from 7 percent in FY 2010 to 10 percent by 2014. Feed the Future is also tracking the impact on improved productivity, income, and nutrition over the coming year.

- In Ghana, FTF funded programs provided 36 financial institutions with training in how to increase lending to the agricultural sector. As a result, nearly $1 million worth of financing was made available to farmers and other value chain actors. Through FTF support, two major input companies expanded to become mobile money merchants and can now transfer money to 48 of their retailers in the Upper West Region of the country, ensuring more timely payment and supply of inputs to these remote areas in the upcoming farming season.

- In Zambia, FTF nutrition programs trained 73 health care workers from three districts in Infant and Young Child Feeding and provided financial and technical support for planning, supervision, and monitoring of the biannual Child Health Week. As a result, approximately 2 million children aged 6 to 59 months received vitamin A supplementation. As in Tanzania, Feed the Future is also tracking the impact on improved productivity, income, and nutrition over the coming year.

Also in Africa, FTF has supported the CAADP, which explicitly seeks to increase raise the portion of the national budget of participating countries that is going to agriculture to 10 percent per year. This represents a major accomplishment, since African governments have significantly underinvested in the agriculture sector for decades, despite growing evidence of the importance of the sector to the welfare of their populations and the health of their economies. Today, a number of African countries have hit the 10 percent target, including the FTF focus countries of Malawi, Ethiopia, Senegal, and Mali.

African farmers face many challenges. The need to feed an ever-growing population is putting stress on the environment, increasing soil degradation and deforestation. There are constraints on the availability of water and energy for agriculture. Markets are weak. Transportation is costly. Women, who make up 49 percent of farmers in Africa countries, are less likely to own the land on which they farm and be able to access inputs, credit, or extension services. As result, women farmers produce 30 percent less than male farmers. Regulatory systems tend to be bureaucratic and do not facilitate trade in food commodities or the distribution of new seed varieties. The need to develop and disseminate improved technologies, such as drought-tolerant seeds is hampered by the great variability in agro-ecological systems in Africa, requiring tailored solutions for specific geographies. These challenges make farming in Africa particularly difficult. The risk of failure for smallholder farmers can be catastrophic (e.g., if a new tool or practice does not work, a farmer and her family may starve), so African farmers tend towards a high degree of risk aversion, slowing down the uptake of new innovations. It is the goal of FTF to help farmers overcome these profound challenges.

Question #38A:

- **What benchmarks are used to measure and assess relative success under the FTF initiative?**

Answer:

In partnership with country leaders and stakeholders, and with other public, private, and non-profit partners, the overall goal of the President's FTF Initiative is to accelerate progress towards achieving the first Millennium Development Goal (MDG 1) of halving the proportion of people living in extreme poverty and suffering from hunger by 2015.

In support of this goal, and in line with the principles laid out in the "Feed the Future Guide" published in May 2010, the FY 2013 Budget request of $1.2 billion would allow the United States to partner with developing countries, other donors, international institutions and other development partners to achieve greater results. The U.S. Government and its partners will invest in country-led, evidence-based strategies that are sufficiently comprehensive in order to raise incomes, improve nutrition, and enhance food security in at least nine accelerated-investment countries. This will be achieved by:

- Directly increasing the incomes of people in Feed the Future focus countries who live in extreme poverty living on less than $1.25 per day, with indirect benefits extending to many more people outside of this targeted group within five years;

- Significantly increasing productivity and farm income by investing in research and development in production systems, new crop varieties, and post-harvest value chains; and

- Reducing child mortality and improving nutritional outcomes in the critical 1,000-day window for cognitive and physical development (pregnancy to two years).

Feed the Future has established a rigorous monitoring and evaluation (M&E) system that monitors performance and measures progress towards Feed the Future goals at the country, regional, and initiative level. The development of this Feed the Future M&E system required that all USAID Missions define development hypotheses behind their strategies, develop a country-specific results framework that aligns with the FTF results framework, clearly identify beneficiaries, undertake baseline studies, and establish targets for all indicators. All Feed the Future focus countries will measure the following indicators at baseline, mid-term, and final stages of the initiative:

- Prevalence of underweight children under five years of age
- Prevalence of Poverty: Percent of people living on less than $1.25/day
- Per capita expenditures (as a proxy for income) of USG targeted beneficiaries
- Percent change in agricultural GDP

- Women's Empowerment in Agriculture Index
- Prevalence of stunted children under five years of age
- Prevalence of wasted children under five years of age
- Prevalence of underweight women

In the area of evaluation, FTF has designed a Learning Agenda, which is a set of questions related to food security programming that FTF will seek to answer through impact evaluations, performance evaluations, and policy analysis. Through this comprehensive agenda and rigorous impact evaluations, FTF seeks to answer some of the most pervasive questions about the effectiveness and impact of particular agriculture and nutrition approaches to improve the quality and design of food security programs.

Question #38B:

- **To what extent is FTF coordinated with other USAID programs, especially development activities under the Food for Peace Act and Food for Progress Act, and with Millennium Challenge Corporation (MCC) programs?**

Answer:

Feed the Future coordinates closely with other USAID programs, including Title II Food for Peace non-emergency programs and Food for Progress programs, as well as with Millennium Challenge Corporation (MCC) programs.

In general, Title II development food aid programs are community-based programs targeted to very poor or "ultra-poor" households—"the poorest of the poor." Many of these households depend on agriculture for livelihoods—either from farming their own land or working on someone else's land. However, despite this focus on agriculture, these households are often unable to meet their family's basic food and non-food needs for 12 months of the year. Constraints, such as limited land size and labor availability, reliance on less productive technologies and practices, and poor access to markets and inputs, make it very difficult for these communities and households to break out of poverty. Title II development programs work at a local level to provide a safety net for these extremely vulnerable households—aiming to provide a "hand-up" towards increased food security. In this, Title II development programs have a proven success record in many underserved communities around the world.

Feed the Future (FTF) programs operate in targeted geographic areas and support reform of national-level policy, working with national Ministries, civil society and the private sector. FTF focuses on connecting smallholder farmers to larger value-chains so that better market access for inputs (e.g., seeds, fertilizer) and for the sale of their produce will increase their incomes. For example, if lack of access to fertilizer and improved seed is a significant constraint to productivity, FTF programming will work with the private sector and government to identify the roadblocks and develop a solution. These could include, for example, creating a regulatory framework to allow for greater private sector participation in seeds markets, or developing a network of agro-dealers that can provide improved seed and fertilizer to farmer groups. The case of post-harvest losses provides a good example. While Title II development programs often work at the household level to reduce post-harvest loss and improve food safety through better drying and storage technologies, FTF programming targets the next level up, such as by working with the private sector and farmer groups to develop a warehouse receipts program that is capable of serving thousands of communities so that we can have impact in reducing poverty at a significant scale.

There is inherent complementarity in these programs—with Title II development programs providing a "hand-up" to acutely vulnerable populations and FTF helping communities at scale participate in commercial agriculture to "move out" of poverty.

Feed the Future is a whole-of-government effort. USAID, the USDA, Treasury, USTR, the NSC and MCC have been involved every step of the way. USAID, as the lead agency for this whole of government Initiative, is coordinating with other government agencies, which work in areas where they have a comparative advantage. Since its launch, FTF has engaged the expertise and experience of other federal agencies. In Washington, the inter-agency has been involved at every stage of the focus country strategy development process – from design to approval. In the field, Missions are asked to engage and coordinate with relevant agencies at post, in order to harness and align all available food security resources. To facilitate the coordination of USG activities at the country level, the U.S. Ambassador in FTF focus countries will designate an FTF Country Coordinator. The FTF Country Coordinator leads the implementation of FTF at the country level and is responsible for maximizing the impact of USG resources by aligning, coordinating, and integrating FTF and other USG resources, together with the resources of the host government and development partners. This is particularly the case for those FTF focus countries that also have MCC compacts or Threshold Programs in place that are agriculture-related, such as Ghana, Malawi, Mali, Mozambique, Tanzania, and Liberia.

Question #38C:

- **To what extent, if at all, are these programs duplicative?**

Answer:

More broadly, The U.S. government, other bilateral donors, international organizations like the Food and Agriculture Organization (FAO), the International Fund for Agriculture Development (IFAD), and the World Bank (including the Global Agriculture and Food Security Program) are deeply committed to coordinating and aligning their investments in support of these compacts and investment plans, and this is accomplished through development partner working groups at both the country and regional level, and the Comprehensive Africa Agriculture Development Program Donor Partners working group at a headquarters level. Similar national strategies are also in design or in place in Asia and Latin America to ensure efficiency and greatest impact at the country and regional level.

Question #38D:

- **What role has Ftf played in alleviating the Horn of Africa drought and famine?**

Answer:

Under Feed the Future (FtF), USAID has undertaken a new approach to planning and programming in the Horn that focuses on increasing social, economic, and environmental resilience in those areas prone to recurrent, catastrophic, drought.

Currently, FtF activities focus on addressing the underlying causes of chronic vulnerability to drought in the Horn of Africa.

Since the 2002-2003 drought, the U.S. government (USG) has provided more than $4.2 billion in food and non-food assistance to Kenya and Ethiopia alone—an average of more than $470 million per year— the great majority of it addressing the impacts of acute and chronic food insecurity in arid and semi-arid lands. In FY 2011 and FY 2012 to date, the USG has provided more than $1.1 billion in humanitarian assistance. In Kenya and Ethiopia, the impacts of drought in 2011 were buffered by improved early warning, prepositioning of materials, and needs assessment; ongoing safety-net, livelihoods, and natural resource management interventions; increased in-country capacities; and regional focus on removing restrictions to trade and exchange of information. However, more than 8 million people still required urgent humanitarian assistance.

Responding to this need, USAID established an internal joint planning team to provide a mechanism for strategic, integrated planning and programming. The team identified areas for deeper investment in FtF programming through the articulation of a realistic, long-term approach to improving food security in arid and semi-arid lands that builds on effective humanitarian and development programming, and existing country-owned plans. The team also supported and strengthened the regional coordination efforts of the African Union and Inter-governmental Authority for Development, and improved donor coordination around government-led efforts to increase development investment in drought prone regions.

Consistent with host-government and African regional institution priorities, the FY 2013 Budget requests:

- $50 million for Ethiopia to promote agriculture-led economic growth in productive areas while linking them to livelihood-building efforts in food-insecure areas of the country. The strategy utilizes a Push/Pull model that seeks to increase the participation of vulnerable and chronically food insecure households in economic activity (the "push"), while mobilizing market-led agricultural growth to generate relevant economic opportunity and demand for smallholder production, labor, and services (the "pull").

- $50 million for Kenya, which will be largely focused in high rainfall and semi-arid areas with high concentrations of poverty and hunger. This request also includes a small level of funding to target pastoralist populations in the north to enhance productivity, market competitiveness, and efficiency in the livestock sector. It will also promote innovative natural resource management to transform pastoral livelihoods from one of constant vulnerability to greater resilience.

- $20 million for East Africa Regional programs will tackle the issues which prevent the commercial movement of staple commodities (including livestock) from surplus to deficit areas. Efforts include working with the East African Community and Common Market for Eastern and Southern Africa to reduce harmful trade policies like export bans and protective tariffs, reducing transit

times through "one-stop-shop" customs/border crossings, and facilitating the adoption of common phytosanitary standards.

- $50 million for sustainable intensification activities to increase access to existing technologies which can help smallholder farmers and herders adapt to more erratic weather patterns, like conservation agriculture and holistic rangeland management. They also will support efforts that anticipate the increasing impact of climate change, such as the development of heat and drought-tolerant maize.

In addition, the FY 2013 budget request includes $85 million for programs targeted to highly vulnerable populations, aiming to increase their economic resilience and reduce their vulnerability to drought and other climatic or economic risks. These funds enable FtF to build on USG humanitarian efforts to reduce chronic hunger and increase the sustainability of their impacts. FY 2011 Economic Resilience funds launched FtF's expansion into drought prone areas of the Horn this year, and were integrated in Food for Peace programming in highly vulnerable populations in Haiti. In FY 2013, these funds will be jointly programmed with the Bureau for Democracy, Conflict, and Humanitarian Assistance to ensure that sustainable approaches to ending hunger and vulnerability are implemented in FtF focus countries with a history of repeated crises requiring significant levels of USG humanitarian funding, and incorporated in the countries' own food security programming and policy agenda.

Question #38E:

- **How, if at all, will Ftf address the emerging food crisis in Africa's Sahel region?**

Answer:

Feed the Future (FtF) programs focus on reducing long-term vulnerability to food insecurity in the specific countries and regions in which the initiative is focused. In the Sahel, FtF resources are concentrated in the focus countries of Mali and Senegal, where the governments have been strong partners in supporting their own agricultural development. However, the FtF program in Mali is currently on operational hold given the unrest in the country. At the regional level in West Africa, FtF activities work to reduce trade and transport barriers along major trade routes.

The FY 2013 budget request includes $85 million for programs targeted to highly vulnerable populations, aiming to increase their economic resilience and reduce their vulnerability to drought and other climatic or economic risks. These funds enable FtF to build on U.S. government (USG) humanitarian efforts to reduce chronic hunger and increase the sustainability of their impacts. FY 2011 funds to increase economic resilience launched FtF's expansion into drought prone areas of the Horn this year, and were integrated with Food for Peace programming in highly vulnerable populations in Haiti. In FY 2013, these funds will be jointly programmed with the Bureau for Democracy Conflict and Humanitarian Assistance to ensure that sustainable approaches

to ending hunger and vulnerability are implemented in FtF focus countries with a history of repeated crises requiring significant levels of USG humanitarian funding, and incorporated in the countries' own food security programming and policy agenda. Opportunities for programming FY 12 funding to increase economic resilience in the Sahel are currently being explored.

The FY 2013 Budget request also expands investments in research and development for climate-resilient crop research. These activities will increase access to existing technologies which can help smallholder farmers and herders adapt to more erratic weather patterns. Such investments will be applicable to existing livelihoods in West Africa.

Question #39: Feed the Future (FtF) (Chairman Ros-Lehtinen): The FY 2012 request for the Feed the Future Initiative is $1 billion, and currently there is no leader as the Feed the Future Coordinator position remains vacant.

- **Mr. Shah, if the Feed the Future Initiative is considered to be a priority to this Administration, how can you justify this request when there is no Coordinator at the top to oversee and ensure that this program is being implemented as effectively as possible?**

Answer:

As Administrator, I serve as the *de facto* Coordinator for Feed the Future and am personally committed to making this high-priority initiative a success. Feed the Future is further managed by two Deputy Coordinators, one for Development and the other for Diplomacy. These two experienced leaders facilitate interagency coordination of FTF to monitor progress, and ensure that our efforts have their intended impact. USAID's Office of the Deputy Coordinator for Development drives the interagency process, ensuring that all U.S. government food security resources are brought to bear on the initiative. In the State Department's Office of Global Food Security, the Deputy Coordinator for Diplomacy leads diplomatic efforts to advance Feed the Future, with a particular focus on policy coordination amongst major donor and strategic partners as well as multilateral groups such as the G8 and G20. USAID's newly established Bureau for Food Security (BFS) is focused entirely on ensuring effective implementation at the mission level.

Question #40A: Global Health Initiative (GHI) (Chairman Ros-Lehtinen): It has been nearly three years since the Administration's Global Health Initiative was announced. **Where has its implementation in Africa met with the most success, and what have been the most significant challenges to implementation?**

Answer:

Building on the flagship health programs in the Bush Administration, the Global Health Initiative (GHI) has achieved significant success in many countries, particularly in Africa. Demographic and Health Surveys (DHS) are demonstrating dramatic changes in health statistics across Africa, with key contributions from GHI and USG health programming. The following three countries are examples of the broader health demographic changes in Africa.

- **Ethiopia - 2005-2010**
  - Infant mortality decreased by 23 percent
  - Under-five mortality decreased by 28 percent
  - Use of modern contraceptives doubled from 14 percent to 27 percent
  - Births delivered in a health facility doubled from 5 percent to 10 percent
- **Rwanda - 2005-2010**
  - Infant mortality decreased by 42 percent
  - Under-five mortality decreased by 51 percent

- Maternal mortality ratio decreased by 37 percent
- Use of modern contraception increased from 10 percent to 45 percent
- Births delivered in a health facility more than doubled from 28 percent to 69 percent

- **Uganda – 2006-2011**
  - Infant mortality decreased by 29 percent
  - Under-five mortality decreased by 34 percent
  - Use of modern contraceptives increased by 44 percent
  - Births delivered in a health facility increased from 42 percent to 57 percent

To support countries in attaining their GHI and Millennium Development Goals, the U.S. government is investing in programming that take successful innovations to scale through both the public and private sectors. Recent innovations that are being scaled-up in Africa include pneumonia and rotavirus vaccines, low-cost equipment and training materials for newborn resuscitation, and communication technologies, such as mobile phones, to improve health outcomes.

Despite these successes, challenges still remain. Health systems are frequently identified as a constraint to sustained progress, as it is difficult for countries to achieve improved and more equitable health outcomes without a functioning health system. GHI continues to work to strengthen systems and build capacity by providing high-quality technical assistance and continuing to incorporate health systems strengthening into all of our programs.

Question #40B:

- **What are the primary global health priorities for Africa, and how are they represented in the FY2013 budget request?**

Answer:

The global health priorities for Africa – in particular, the focus on HIV/AIDS, malaria, maternal and child health, and family planning -- have not changed since FY 2012 and are represented in the FY 2013 budget request.

Question #40C:

- **The FY2013 request for global health programs in Africa is almost $500 million less than FY2012 funding levels, a decrease of roughly 10%. What accounts for this proposed decrease? In what manner, if at all, does this proposed decrease reflect changing Administration priorities for global health and/or aid to Africa?**
-

Answer:

GHI activities in Africa continue to represent a very high priority. However, based on the constrained fiscal environment, the Administration had to make difficult choices, particularly related to a reduction of PEPFAR funding in Africa. The FY 2013 budget for Global Health Programs is increased as compared with FY 2011, demonstrating the Administration's continued commitment to improve global health.

Question #40D:

Even given proposed FY2013 global health funding decreases, the cost of the GHI to the United States is substantial.

- **What GHI recipient countries, if any, have developed enough independent health sector capacity, as a result of GHI and President's Emergency Plan for AIDS Relief (PEPFAR) assistance, to potentially autonomously fund their own health system needs?**
- **What indicators are used to determine when and how a country may be able to assume responsibility for its own healthcare funding needs?**
- **What measures does GHI incorporate to help ensure that countries properly allocate their own fiscal resources and do not become dependent on U.S. assistance in order to fund their national health needs?**

Answer:

USAID has transitioned or graduated countries from USAID-funded sector-specific health programs (e.g., family planning/reproductive health and maternal and child health) over many years and will continue to do so under GHI when countries reach established program thresholds. All USAID health programs – stretching across PEPFAR, the President's Malaria Initiative, maternal and child health, tuberculosis and the others – have a formal system for identifying priority or focus countries. USAID is working vigorously through both GHI and the Agency's far-reaching procurement reform effort to make our health investments more sustainable and hasten our exit from countries – by moving recipient countries to an overall health structure sufficient for autonomously funding their own health system needs.

Question #41A: USAID Contribution to Regional Security Initiatives (Chairman Ros-Lehtinen): Please describe USAID's contribution to key interagency regional security initiatives in Africa: the Trans-Sahara Counter-Terrorism Partnership (TSCTP), the Partnership for Regional East Africa Counter-Terrorism (PREACT), and the effort to counter the Lord's Resistance Army in central Africa.

- **What level and types of resources is USAID seeking in FY 2013 to contribute to these efforts?**

Answer:

In support of TSCTP related programming, USAID has requested $8.0 million in Development Assistance (DA) funds for the West Africa Regional mission and $2.5 million in DA funds for Mali. The request level is based upon the amount needed to continue programming which began in FY 2012. In the case of the West Africa regional mission, this funding supports programs in Burkina Faso, Chad and Niger. In Mali, the program is focused on the northern region of the country. Support for Trans-Sahara Counter-Terrorism Program activities in Mali that are not implemented through the government may be allowed to continue after a full assessment. The TSCTP specific activities in Mali are complemented by more traditional development programs in education and health that also benefit northern communities.

PREACT programs are not supported through a specific request, but are encompassed in the request levels for program supporting opportunities for youth through education or conflict mitigation programs.

Although a specific Lord's Resistance Army (LRA) line item is not included in the FY 2013 budget, USAID will continue to assist those affected by the LRA in Uganda, Central African Republic (CAR), the Democratic Republic of Congo (DRC), and South Sudan with humanitarian and development assistance in FY 2013. USAID's FY 2013 request provides $82 million for reintegration, recovery and development of conflict-affected populations in northern Uganda, including 1.8 million people who had been displaced by the LRA. USAID's FY 2013 request also includes funding for development programs in South Sudan, a portion of which will be in LRA-affected areas (the southwestern region of the country) and might also benefit individuals affected by LRA violence. USAID assistance in Western Equatoria State includes construction of feeder roads that will enable agricultural products to get to market, market electrification assistance, basic education services, primary health care delivery, English language teaching via radio instruction, technical assistance to improve the quality of the water supply in the area, and fertilizer and seed distribution programs.

USAID will continue to utilize humanitarian assistance funds to address emergency needs in the DRC, CAR, and South Sudan related to the impact of LRA violence, including food security, economic recovery, health and protection assistance, as well as continuing reintegration assistance for children formerly abducted by the LRA. USAID, in conjunction with the Department of State's Bureau for Population, Refugees, and Migration (PRM), will continue to monitor the humanitarian needs of LRA-affected communities and deliver needs-based humanitarian assistance throughout the region. In addition, USAID has launched a new Counter-Trafficking in Persons policy to elevate our focus on trafficking in and around conflict areas, with a particular focus on the DRC.

Question #41B:

- **Where has USAID had the most impact in connection with these initiatives?**

Answer:

The development assistance provided by USAID is targeted both geographically and by demographics to focus on communities and sectors of society that are considered most vulnerable to negative influence by extremist organizations. A 2011 evaluation concluded that USAID's Niger, Chad and Mali programs have had some positive impact in reducing community support for extremist groups and ideology – most strikingly on lower-level programmatic goals such as civic engagement and listenership for USAID-sponsored radio. Results on higher-level goals, measured through surveys on attitudes towards extremism, were also positive but less dramatic.

The PREACT programs are at an earlier stage so an impact evaluation is still in the planning stages; however, interim program reports demonstrate positive contributions of youth in their communities in Somalia and in Kenya. Moreover, improved conflict mitigation capacity in fragile boarder zones in Northern Kenya provide indications that the program is starting to have some discernable impact.

With respect to the LRA, USAID has been heavily engaged in addressing the needs of LRA-affected communities since the late 1980s. The threat of the LRA has shifted from an army of thousands, including abductees and child soldiers, terrorizing communities in Northern Uganda, to less than 300 soldiers and abductees attacking communities in a geographic area the size of Texas spanning the CAR, the DRC, and South Sudan. USAID's greatest impact has been supporting the rebuilding of Northern Uganda, where significant progress has been made. With the LRA having been pushed out of Uganda, our current efforts focus on rebuilding Northern Uganda including LRA-affected communities. Today, communities in northern Uganda are transitioning from conflict to peace and recovery, and 95 percent of people who lived in internally displaced person camps (IDPs) have returned to their homes. USAID's current programs in Northern Uganda are designed with the goal of transitioning northern Uganda from relying on humanitarian assistance to being an economically viable and self-sustaining region of the country. These programs support the Government of Uganda's Peace, Recovery, and Development Plan.

Question #41C:

- **To what extent is USAID implementing or planning to implement counter-extremism programs in connection with TSCTP and/or PREACT?**

Answer:

USAID is considered one of three primary agencies, along with the Department of State and Department of Defense which implement the TSCTP strategy in the Sahel. USAID began pilot activities in early 2006, these programs have expanded in scope and breadth over the course of the last five years. Programs provide tangible benefits to youth at risk for recruitment by violent extremist organizations and to communities in at-risk

regions through youth employment, outreach programs, community development and media activities. The latest phase of USAID's current TSCTP program in Sub-Saharan Africa is projected to go through FY 2014 and includes the following activities:

- A regional Peace for Development program in Burkina Faso, Niger and Chad;
- Integrated community development activities in Mali;
- A research agenda examining the drivers of violent extremism in the Sahel and providing a dynamic framework for development programming to counter violent extremism.

In the Horn of Africa, counter-extremism programs preceded the creation of the PREACT strategy. The majority of the programming focuses on youth vulnerable to influence by extremist organizations. The programs target specific regions, such as the Eastleigh neighborhood in Nairobi, the regional capital of Garissa in the north or, more recently, communities along the coast from Mombasa to the south. In Somalia, the programs work with youth Somaliland, Puntland and Mogadishu with an emphasis on out of school youth. A cross-cutting conflict mitigation program as well as media and outreach are also part of the programs. The activity designs in USAID African programs are based upon county level risk assessments of drivers of violent extremism.

Question #41D:

- **To what extent are countries developing an independent, domestically funded capacity to combat radical extremism and related threats?**

Answer:

Based upon the analytic framework developed by USAID, *The Guide to the Drivers of Violent Extremism* and encompassed in the new USAID policy *The Development Response to Violent Extremism and Insurgency*, the overall strategic objective of any program is to strengthen community resiliencies against violent extremist organizations and influences. To achieve that objective, development assistance supports improved quality of governance in at-risk communities, increases economic opportunities for at-risk youth, increases access to information and creates and sustains moderate voices in areas at risk for violent extremism.

The most tangible demonstration of local commitment to combat extremism is in the area of peace messaging and conflict mitigation. In Mali, the program supported the integration of 1,673 peace messages into radio broadcasts on 15 community radio stations and collaboration with Imams to incorporate peace themes into Friday prayers. In more than 70 communes, permanent processes were established to prevent and/or resolve local conflicts.

In the border area between Kenya and Somalia, intergenerational peace committees have been established in nine key locations. These committees have served as the focal point for community responses to a number of destabilizing influences, from

preventing the escalation of minor conflicts, to facilitating the return of displaced persons to providing alternatives to youth targeted for recruitment into armed groups.

Question #42A: West Africa (Chairman Ros-Lehtinen): Given unprecedented political unrest in Senegal, conflict in Mali, broader insecurity in the Sahel region, and fragile political transitions in Guinea and Côte d'Ivoire, please describe how the Administration anticipates using the FY 2013 foreign operations budget to advance democratic governance and stability in West Africa.

Answer:

USAID's work to strengthen the principles and practices of democracy and good governance helps to create the requisite conditions for peace and development in Africa. Through support of local, national and regional organizations, institutions and processes, USAID promotes African ownership and leadership of key reforms and other efforts to advance countries toward democratic consolidation. USAID helps advance democracy throughout Africa by promoting the rule of law, free and fair elections, a politically active civil society, and transparent, accountable, and participatory governance.

In FY 2013, USAID will maintain its commitment to supporting the democratic consolidation and stability of its key partners. For example, in West Africa USAID will assist high performing countries like Ghana to deepen their democratic governance and improve accountability and transparency. USAID will also continue to support conflict mitigation, peace and reconciliation processes, and preventive diplomacy in conflict-affected countries. For those nations emerging from transitions of various kinds, such as Senegal, Guinea, and Cote d'Ivoire, USAID will support the strengthening of institutions, encourage productive interaction between state and civil society, and promote reconciliation. In Senegal, USAID plans to capitalize on the election of Macky Sall to the presidency to re-engage directly with the government on resolution of the longstanding conflict in Casamance, by targeting underlying problems and grievances such as poor service delivery and land tenure. USAID also plans to support the Sall administration's reform agenda addressing the institutions of democracy, including the Ministry of Elections, the Constitutional Court and the Election Commission. To support Guinea's nascent democracy, USAID will expand its innovative local-level governance program to strengthen the central government's service provision. In Cote d'Ivoire, USAID will work to promote justice and accountability through judiciary and parliamentary strengthening programs.

In FY 2013, USAID will remain committed to addressing transnational threats to stability in Africa, particularly violent extremism in the Sahel and drug trafficking throughout West Africa. As part of the Trans-Sahara Counter-Terrorism Partnership (TSCTP), USAID will support host-nation efforts in the Sahel to counter radicalization, recruitment and support to violent extremist organizations. By supporting youth empowerment through education, skill training, income generation and advocacy, strengthening local governance capacity to manage local resources, and improving access to information via community radio, USAID is targeting groups most vulnerable to

extremist ideologies. USAID will also support civil society and justice sector actors to more effectively address drug trafficking and its impacts in the region. These transnational threats can undermine government institutions and investments that the United States has made to promote stability and development in the region, as has been seen in Mali.

The situation in Mali is still unfolding. The military coup currently being reversed in Bamako and the Tuareg and Islamist uprising in the northern parts of the country have complicated and exacerbated the food security and displacement crises affecting the North. The U.S. Administration will take advantage of the flexibility of instruments operated by the Office of Foreign Disaster Assistance (OFDA), Food for Peace (FFP) and others to address needs as they arise. After a constitutionally legitimate democratic government is reinstated and credible elections are held, USAID will continue to strengthen governance and community participation, promote information sharing, and work to improve service delivery to underserved populations.

Question #42B:

- **How might the bilateral aid package for Mali change in light of the recent explosion of civil conflict in the north?**

Answer:

USAID continues to examine every program on a case-by-case basis in order to identify what assistance may continue. Pending further review, non-humanitarian USAID-funded programs are on an operational hold, which means NGOs and other implementing partners are only maintaining operational capacity. A minimum of almost $12.5 million (approximately 9% for FY 2011) of USAID assistance (13 programs) will be suspended and we will continue to assess the remainder. These activities include construction of public schools; supporting the government's efforts to increase agricultural production; and building government capacity to spur commercial investment. MCC has halted operations in Mali, except those necessary to safeguard MCC's compact investments and to preserve and protect the health and safety of individuals affected by those investments. State Department Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs, totaling approximately $600,000, have been suspended indefinitely.

We have also suspended construction of a military training center in Gao. The military training center would have provided barracks, classrooms, and other key support required to train professional security units capable of responding to immediate and long-term counter-terrorism threats.

Question #42C:

- **What types of programs is USAID implementing in Nigeria to help counter radicalization in the face of a growing threat from Boko Haram?**

Answer:

Through the Trans-Sahara Counterterrorism Partnership (TSCTP), USAID coordinates with the Departments of State and Defense to strengthen Nigeria's counterterrorism capabilities, enhance and institutionalize cooperation among the country's security forces, promote democratic governance, discredit terrorist ideology, and reinforce bilateral military ties with the United States.

At the same time, creating a culture of peace that includes historically marginalized groups is critical for political, social, and religious stability. Since 2000, USAID has worked with the Government of Nigeria to reduce violence through efforts that prevent and mitigate conflict arising from sectarian and ethnic tensions. A new project set to begin in 2012, *Training of Leaders on Religious & National Co-Existence (TOLERANCE)*, will help to increase stability primarily in middle belt and northern states by reducing lawlessness and radicalism, mitigating extremism, and increasing the legitimacy and capacity of governance structures to defend religious freedom. The program will focus on strengthening the ability of Nigerian stakeholders, including government, to better understand and address causes and consequences of violence and conflict in priority states and communities. To this end, USAID also promotes interfaith dialogue and stronger collaboration between government and civil society to reduce sources of tension and build robust conflict early-warning systems.

Additionally, the Mission is planning on incorporating conflict mitigation programming throughout projects in all sectors in their 2013-2018 country strategy. Nigeria's underdevelopment has created a ripe breeding ground for violent extremism that poses a formidable threat to stability in Nigeria and the wider region. The vast majority of development aid is dedicated toward what is considered traditional assistance in sectors such as health, education, agriculture and economic development. Increased support to development and promotion of good governance are part of an integrated approach to countering violent extremism in Nigeria.

Question #42D:

- **In what manner, if at all, is USAID seeking to address the growing hunger crisis in the Sahel region, notably in Niger, where UN sources and Oxfam recently reported that six million people are in need of immediate food assistance?**

Answer:

USAID is greatly concerned by the hunger situation in the Sahel and is working to address this issue.

We have taken early integrated action to address food insecurity—through emergency aid that saves lives and longer-term programs that increase resilience across the Sahel. Our strategy bridges the span from relief to recovery to development by addressing the root causes of hunger, malnutrition, and instability in West Africa.

Our approach supports national and regional structures that promote food security and nutrition, while providing short-term assistance to vulnerable populations – such as food assistance, treatment for acute malnutrition, and building community resilience through cash-based programs to provide funds to protect and restore livelihoods. For instance, USAID is providing vouchers that enable vulnerable households to take advantage of functioning markets, which strengthens local commerce and helps individuals access food and other goods and services. At the same time, USAID cash-for-work activities provide short-term, income-generating opportunities and rehabilitate public infrastructure. To improve crop production, USAID is supporting agriculture-based fairs to distribute improved seeds to vulnerable farmers in the region.

To date in FY 2012, the U.S. Government has provided nearly $200 million in emergency assistance in response to food insecurity and conflict in the Sahel, including $9.2 million from USAID's Office U.S. of Foreign Disaster Assistance, $179 million from USAID's Office of Food for Peace and $9.5 million from the State Department Bureau of Population Migration and Refugees.

We will continue to monitor this situation closely and respond to need as robustly as possible.

Question #47: Cyprus Reunification (Chairman Ros-Lehtinen): The goal of U.S. assistance to Cyprus is to promote the reunification efforts for a final reunification of the country. However, a 2011 USAID evaluation of its Cyprus Partnership for Economic Growth Program found that, while the program moderately improved the economy in the northern occupied portion of Cyprus, those efforts had not directly supported reunification of the island. In that report, USAID committed to focus its programs to bring the communities together and promote the economic benefits of a reunification solution.

How are you planning to assure that all U.S. funding to Cyprus is used effectively and solely for the purpose of supporting the reunification efforts?

Answer:

In line with Congressional intent, all USAID/Cyprus programs are "aimed at reunification of the island and designed to reduce tensions and promote peace and cooperation between the two communities on Cyprus." USAID/Cyprus' program evaluations play a critical role in ensuring that projects remain effective and efficient in the face of political and economic constraints. Recent evidence-based research conducted by USAID/Cyprus, its partners and others, indicates that both sides agree that citizen voices still are not being adequately taken into consideration in the process towards a solution. Therefore, USAID/Cyprus has concluded that it will further focus on strengthening Cypriot civil society so that it can advocate for and facilitate a durable settlement acceptable to majorities on both sides of the island. USAID/Cyprus will continue to utilize evidence-based research and evaluations to ensure that all USAID/Cyprus programs remain relevant and continue to advance reconciliation.

Question #48A:

Balkans: In 2012, the United States provided about $500 million in foreign aid to the countries in the western Balkans, and the EU provided approximately $1 billion in assistance to that same region.

How are you coordinating the programs to ensure that we are not duplicating the efforts of the EU?

Answer:

The United States and the European Union (EU) share the same goals in the Western Balkans - strong democratic institutions and processes, economic growth and stability, improved health and education outcomes, and peace and security. Achieving these goals hinges on integration of the Western Balkan states into Euro-Atlantic structures. To help ensure that these goals are met, both the Department of State and

USAID coordinate regularly with the EU to maximize the impact of our assistance throughout the region.

For the Western Balkans, the State Department and USAID hold regular consultations with the EU, both in Brussels and in the field. For example, the United States routinely participates in the Instrument for Pre-accession Assistance (IPA) Multi-Beneficiary Donor Coordination Meetings held in Brussels several times a year, to discuss overall funding priorities and levels. In addition, USAID field missions meet regularly with country-based EU staff to coordinate work in particular sectors.

The United States Government (USG) focuses help in areas where the USG has greater technical capacity, such as the transition of criminal justice systems to adversarial systems, improvements in court administration, and business enabling environment legislation. USG efforts in sectors such as civil society, media, local government and firm-level technical assistance complement larger-scale EU programming which primarily focuses on central government policy, institution building and infrastructure.

While the countries of the Western Balkans have seen some increases in IPA funding in recent years, this gain in IPA funds is largely offset by changes in the broader donor picture in the Western Balkans since many bilateral European assistance agencies have reduced or ceased funding to the Balkans.

U.S. resources for this region are continuing to decline as well. In FY 2011, State/USAID funding for the countries of the Western Balkans still receiving civilian assistance (including Albania, Bosnia, Kosovo, Macedonia, Montenegro, Serbia, and regional programming) totals nearly $250 million. In FY 2012, this number declines by 22 percent to a total of about $195 million. The Administration's request for FY 2013 is approximately $160 million, an additional 18 percent decline.

Question #48B:

Is there a plan to transition these countries from U.S. assistance in the next few years?

Answer:

We have a joint State-USAID Phase-out Framework that we use in the Europe, Eurasia, and Central Asia region to determine when a country is ready to transition from U.S. civilian assistance. This framework is guided in large part by the USAID/E&E Bureau's Monitoring Country Progress (MCP) empirical system. (Please see http://www.usaid.gov/locations/europe_eurasia/wp/MCP_Products.html for more details on the MCP system.)

According to the Phase-out Framework, the progress of all countries in the region will continue to be assessed against a phase-out benchmark on an annual basis. The

benchmark is derived from the E&E Bureau's Monitoring Country Progress empirical system which tracks key democratic and economic indicators. For example, a Phase-out Strategy and Resource Plan have been developed for Montenegro that ends the USAID presence and programs by October 2013, and remaining civilian assistance after 2015. Macedonia was also reviewed recently; however continuing democratic backsliding and stagnation on other reforms led us to conclude that it is not ready to begin phase-out planning at this time. Updated country phase-out projections will be made later this year when new economic and democratic reform data become available. We believe that this phase-out process provides analytical rigor to decision-making and future budget levels and should play a central role in guiding further reductions.

The successful transition of a number of countries in Central and Eastern Europe has enabled us to make budget decreases over time and to focus on remaining priorities.

The United States has a compelling national interest in securing stability across the Balkans and seeing these states succeed in their efforts to modernize, democratize, and build legitimate institutions with which we can work. A number of difficult challenges remain and premature program reductions risk undermining our efforts to increase stability and drive Euro-Atlantic integration in the Balkans. While foreign assistance resources for the region are declining, we are committed to managing the decline responsibly and with an eye to sustaining the gains made as a result of earlier assistance efforts. We will continue to prioritize rigorously, determine the critical areas where USG assistance can make the most difference, and make every effort not to withdraw prematurely in such areas.

Question #49: International Fund for Ireland (Chairman Ros-Lehtinen): In Fiscal Years 2011 and 2012, the U.S. Congress terminated funding for the International Fund for Ireland, largely due to the fact that the fund reported a $18 million surplus in funds in its last annual report, and Ireland as a full member-state of the EU has access to significant amounts of EU assistance. For example, Ireland has received €333 million in Peace III program funds to "reconcile communities" and build a "shared society".

- **How do you justify requesting another $2.5 million in U.S. taxpayer dollars for contributions to this Fund in 2013?**

Answer:

The requested funding responds to a recent upsurge in sectarian violence in Northern Ireland which has led the International Fund for Ireland (IFI) to develop a new, more targeted program aimed at communities that have benefited least from the peace process. While the overall security situation is far better than it was at the height of the conflict, the Police Service of Northern Ireland (PSNI) still reported a higher number of bombing incidents (99) between April 1, 2010, and March 31, 2011, than it had at any time since the period from April 1, 2002, to March 31, 2003. In July 2010, a gang of dissident youths attempted to hijack, and then burn, a commuter train that was en route from Dublin, Ireland, to Belfast, Northern Ireland. FY 2013 assistance will play a critical

role in preventing future incidents such as these, supporting IFI's work with the cross-community programs that keep youth from joining the paramilitaries that are often responsible for sectarian acts of violence. The requested funding will address the roots of intolerance and violence by ameliorating conditions in those communities that are havens for dissident activity through targeted job training and economic development programs.

U.S. support for the IFI will result in targeted assistance to key constituencies that have not been able to access funding through the EU Program for Peace and Reconciliation in Northern Ireland and the Border Region of Ireland (Peace III). In three of the four communities that would likely be included in IFI's targeted assistance program, none of the organizations that work with youth on a cross-community basis have received Peace III program funds. Support from the IFI will enable these organizations to work with those youth that are most at risk of being recruited by sectarian paramilitaries. Given IFI's historic success in leveraging donor funding, the Administration is confident that IFI funding will enable these community organizations to leverage additional donor support. In 2010, for example, an IFI award of £3 million ($4.8 million USD) leveraged an additional £6.1 million ($9.8 million USD) in Peace III funding for a community regeneration project in an area of East Belfast that has a history of high unemployment and accompanying sectarian violence. The $2.5 million which has been requested for FY 2013 will go toward a targeted IFI assistance program in communities that struggle with nearly identical challenges to those of East Belfast.

Question #50A: Russia (Chairman Ros-Lehtinen): USAID has provided significant funds to democracy and rule of law programs in Russia, and is requesting about $29 million for these efforts in FY2013.

- **Considering the recent charges of widespread election tampering, prevention of access to media sources by opposition candidates and "carousel voting" at some stations, how effective have these programs been?**

Answer:

USAID programs in Russia have helped open opportunities for citizen engagement in advancing Russia towards freer and fairer elections, particularly by assisting citizen efforts to shed greater light on the issues in the electoral process noted in your question. These programs encourage increased use of information and communications technologies as tools for monitoring and documenting the electoral process, as well as for engaging the public, authorities, and other stakeholders in election-related dialogue. During the 2011 parliamentary and 2012 presidential elections in Russia, citizens used these tools to observe, monitor, map, and document the political and electoral processes.

The USAID-funded Russian election watchdog Golos posted an electronic "Map of Violations" on the internet, and thousands of Russian citizens and press outlets consulted this map in order to gain a clearer sense of problems arising in both these elections. The map posted 8,000 violation reports received during the parliamentary elections and 4,000 more during the presidential election, and it became a rallying point for those raising concerns about the fairness of the elections.

Golos contributed to the dramatic increase in election observation by citizens not affiliated with political parties, training and deploying 2,400 observers, posting accessible on-line training materials for election observers and discussion forums, and providing expertise to nascent citizen groups mobilizing citizens for election observation. Other USAID programs stimulated the free flow of information on election violations through the use of podcasts, documentary films, and support for independent press centers hosting conferences by groups supporting fair elections.

Question #50B:

- **Have you considered conducting a large-scale evaluation of the USAID democracy and rule of law programs?**

Answer:

In line with the Administration's democracy and human rights strategy for Russia, USAID/Russia completed a comprehensive Democracy and Governance Assessment, which covered the rule of law sector, in 2010. In line with the USAID's new monitoring and evaluation policy (part of the *USAID Forward* suite of reforms), USAID is now

planning a number of evaluations, surveys, and indices to help evaluate the performance and impact of its democracy programs.

Question #51: UN Population Fund (UNFPA) (Chairman Ros-Lehtinen): I am deeply troubled by the inclusion in your budget request of $39 million for a voluntary contribution to the UN Population Fund, UNFPA.

- **Why is the Administration requesting an increase in funding to UNFPA even though that body assists the Chinese government's coercive abortion and sterilization programs?**
- **What would UNFPA have to do for the Administration to enforce the Kemp-Kasten amendment and cut off funding to UNFPA?**

Answer:

The Obama Administration supports UNFPA's goals and programs, which provide life-saving assistance to women, children and families in over 150 countries, areas and territories. UNFPA is the largest multilateral provider of family planning and reproductive health information and services. The U.S. Government (USG)'s partnership with UNFPA leverages funds for these health programs and extends the reach of USG support to a number of countries where USAID does not have programs.

The Obama Administration has routinely expressed opposition to China's coercive birth limitation policies. The White House issued a statement on August 23, 2011, articulating the Administration's strong opposition to "all aspects of China's coercive birth limitation policies, including forced abortion and sterilization." In March 2009, based on a review of available facts, Secretary Clinton concluded that the Kemp-Kasten amendment does not preclude U.S. funding to UNFPA. We continue to monitor UNFPA's programs and remain convinced that the available facts show that UNFPA does not support or participate in the management of a program of coercive abortion or involuntary sterilization, and that UNFPA has been a catalyst for greater acceptance of voluntary family planning and works against practices such as sex selective abortion, coercive abortion, and involuntary sterilization in its China country program. The fundamental principle of UNFPA's work in China is to promote programs and policies that are based on a human rights approach to reproductive health, an approach they work to promote in countries around the world.

Question #52: UN Development Program (UNDP) (Chairman Ros-Lehtinen): Your budget request includes $67.2 million for a voluntary contribution to the UN Development Fund, UNDP. Why is the Administration requesting funding for UNDP despite longstanding accusations of mismanagement and abuse of funds in numerous UNDP country programs, as well as allegations of UNDP retaliation against whistleblowers who report these offenses?

Answer:

This funding request is for the State Department's International Organizations and Programs (IO&P) account. The State Department is responsible for U.S. government policies and engagement with UNDP, and makes voluntary contributions to UNDP's core operating budget from the IO&P account. The Department provides the following response:

UNDP is a major UN organization and the U.S. government's participation in it is an important part of our diplomatic engagement with the UN and the larger international community. UNDP works in most of the world's poor countries, focusing on democratic governance, poverty reduction, environment, and crisis prevention and recovery. These areas broadly mirror U.S. interests and serve as a useful platform to advance U.S. foreign policy objectives worldwide.

Our voluntary contribution is less than 10% of UNDP's annual total core resources, which fund administrative operations and basic programming. Our financial contribution and active participation in the UNDP Executive Board have enabled us to lead efforts to reform the organization in several key areas.

In the last several years, we have been engaged in a reform effort to make UNDP more transparent and accountable and, as a result, have achieved a significant milestone. For the first time, we gained access to UNDP's internal audits for member states and the Global Fund and other similar donor organizations. Our continuing efforts to push for greater transparency have gained broad support from the donors and have prompted UNDP management to set a target of achieving public disclosure of internal audits by the end of 2012. We will be working with like-minded countries in the UNDP Executive Board to adopt a public disclosure policy in the coming months.

In addition, we are continuing to strengthen the independence and effectiveness of UNDP's internal oversight systems. For the first time we worked in the UNDP Board to establish an independent ethics office to deal with conflicts of interest for senior and key personnel and to provide ethics training for the entire staff. We continue to monitor the work of the audit office by regularly reviewing their audit reports, and to ensure that audit and investigation functions are properly staffed and funded.

We are working with UNDP management to strengthen the organization's program work, particularly to tackle the governance-poverty nexus in least development countries (LDCs), where UNDP spends over 60% of its core budget, and where the U.S. government has a strong interest to promote stability and economic growth. We have urged UNDP to improve its program performance in the LDCs in two areas: good governance, and private sector and market development to help unlock the LDCs' growth potentials, an important objective of our Global Development Strategy.

We have been measuring UNDP performance in these two areas for several years, and will continue to work with UNDP management to improve their programs and evaluations, so that they can provide useful data to demonstrate results.

Question #53: General (Chairman Ros-Lehtinen): Dr. Shah, as was the case with last year's budget request, the FY2013 budget continues to provide U.S. assistance to countries with robust and emerging economies. For example, this year's request includes development and global health assistance to China and India, two countries that have transitioned from recipients of foreign aid to substantial foreign assistance donors themselves.

- **Why is the U.S. still providing assistance to countries that are economically viable to maintain their own assistance programs?**

Answer:

USAID programs in emerging economies such as China, India, and Brazil are designed to advance U.S. interests, assist recipient nations as they transition to becoming donors, and provide targeted technical assistance.

In FY2013, USAID has requested $6.5million for programs in China, which is a decrease of $5.5 million from the FY 2012 request. The funds are for programs to assist Tibetan communities to preserve their unique culture and livelihoods and to limit the transmission of infectious diseases (e.g. HIV/AIDS) that pose threats throughout the region and worldwide, including the United States. No USAID funds are provided directly to the Government of China. Prior year funds included programs to advance the rule of law and mitigate environmental pollution. These programs were Congressionally directed and not part of the Administration request.

As a developing country that is modeling democratic values and practices and generating broad-based and inclusive economic growth, India provides a powerful example to other nascent democracies and democratic movements. As India emerges as a donor of greater consequence on the global stage, USAID is transitioning away from traditional development programs to creating a development partnership focused on cost-efficient development innovations, greater leveraging of resources from the Indian private sector, and cost-sharing with the Indian government. As such, the Administration request for India in FY2013 is 27% less than amounts requested in FY 12.

With regard to Brazil, we are transitioning from a donor-recipient relationship to a partnership program that leverages Brazilian financial and technical resources to advance shared development objectives in the region and around the world. USAID is working to share best practices and strengthen Brazil's capacity as an emerging donor and international leader in providing technical assistance. We expect to continue to especially emphasize agricultural development in our joint efforts in third countries.

Outside of a targeted amount of resources through the President's Emergency Plan for AIDS Relief, the Administration's FY 2013 for Brazil for USAID consists solely of $2 million in Feed the Future initiative funds to advance strategic partnerships with Brazil in third countries. In keeping with previous partnerships developed with Brazil, USAID does not plan to provide any of these funds to the Brazilian government or utilize them for project activities in Brazil.

Instead, USAID will utilize these funds to support new partnerships in third countries with the Brazilian government to achieve food security objectives in countries, such as Haiti and Honduras.

Question #54: General (Chairman Ros-Lehtinen): Dr. Shah, in 2010 you launched "USAID Forward" a series of reform initiatives that aimed to strengthen USAID and address long-standing concerns about bureaucratic inefficiencies and a lack of operational flexibility.

- **How would you assess your agency's progress under "USAID Forward?" How are you ensuring their sustainability? What further reforms are you planning on making?**

Answer:

I spend a great deal of my time working with USAID staff in Washington and with our leaders and managers overseas to make the USAID Forward reforms "irreversible." We have approached this priority task on three levels:

- by establishing and empowering a select number of new organizational units where this was necessary to restore core competencies within the Agency;
- by improving our recruitment, assignment and career development services, ensuring we get the right staff in the right place with the right skills; and
- by conducting a full review of all key regulations and guidelines to ensure we are positioned to succeed.

Our field missions are now taking the lead in making these reforms operational on the ground. They adjust to each country context and the development and diplomatic goals we pursue in each environment. We do not plan for new reforms but, as you will see below, will ensure we set in motion the processes and procedures that sustain them. Our primary focus for 2012 and 2013 is to sustain these changes in an accountable and gradual manner so that they become a permanent part of the way we do business.

- In support of Implementation and Procurement Reform (IPR):
  - We are reviewing and revising relevant policies and regulations in order to provide an environment that enables our staff to more easily work through partner country systems and with local NGOs and businesses. We are also streamlining and simplifying our procedures and compliance requirements so that we can be more cost effective and broaden our partner base.
  - We are building sustainability into our country development strategies and project design, and requiring that all our programs consider how to build more local capacity. By increasing capacity to the point where local institutions can lead their own country's development, we intend to transition out of certain countries or at least out of certain sectors within the next few years.

- We are training staff in both Washington and the field to ensure that staff across the Agency has the knowledge and skills to make IPR an integrated part of the way we do business.

- Following the establishment of the Bureau for Policy, Planning and Learning (PPL):
    - We are revising our policies mandating country strategies, project design and evaluation to ensure these practices are embedded in Agency operations.
    - We are training staff across the Agency to ensure USAID is guided by evidence-based policy making and strategies.
    - We have reinstituted the American Association for the Advancement of Science fellowship program to bring high quality scientists back to USAID and have developed partnerships with the scientific and university communities.

- The new Office of Budget and Resource Management (BRM) and the associated increase in budget responsibility at USAID is institutionalized in the Quadrennial Diplomacy and Development Review, which codifies reforms already underway through USAID Forward. BRM is making us more cost-effective:
    - By focusing budgetary resources on development and humanitarian assistance activities and in countries where there is a greater return on investment;
    - By strengthening the development voice in the formulation of the International Affairs budget, through the Administrator's comprehensive development and humanitarian assistance budget as envisioned in the QDDR; and
    - By strengthening budgetary practice and attention to cost-effectiveness throughout USAID.

- To support and further talent management:
    - We have redeployed staff to such regions as Africa, Asia and the Middle East, and more than doubled the number of engineers, economists, agricultural, health, financial management, and contracting and project development cadre through the development leadership initiations.
    - We have launched an ambitious mentoring program, and expanded career development counseling and staff care services for our workforce, enabling us to better meet the needs of USAID's larger and more diverse workforce.
    - Recognizing that the success of any change management program rests on leadership, we have published and widely discussed a set of leadership principles that senior managers are being held accountable for. We have also expanded both the use of survey tools and social media to generate more awareness and enthusiasm for the reforms among our staff.

- To advance innovation through the Office of Innovation and Development Alliances (IDEA):
    - USAID has reformed and improved the application process for public-private partnerships, which has resulted in multiple a significant increase in the number of such partnerships as well as small grants to growing entrepreneurs, both domestic and international, to achieve targeted development goals.
    - USAID has created a new tool, Development Innovation Ventures, to engage with new partners and embrace a venture capital approach to development that leverages small scale investments for a significant development impact.
    - USAID is using mobile technology to integrate electronic payments and mobile banking into our development programs and host-country financial systems to increase aid effectiveness, transparency and accountability across the board and to cut costs associated with cash payments (i.e., transportation, security, and printing).

- To sustain the momentum we have achieved USAID has requested that Congress authorize a fund to better manage our partner base.
    - We will use the fund to improve acquisition and assistance services to bureaus, offices, and missions, and to realign our workforce to match evolving Agency policy and priorities. This new way of operating will allow USAID to enhance its procurement capacity, build local capacity, provide better service, and increase strategic sourcing of supplies and services.
        - (Budget) To continue the progress we have made, we ask that you continue your strong support of USAID's development assistance, humanitarian assistance, and especially its Operating Expenses budget, which are essential in re-establishing USAID as the world's preeminent development agency.

Question #55A: General (Chairman Ros-Lehtinen): Partnership for Growth (PfG) designs joint development action plans between the United States and selected countries to accelerate broad-based sustainable economic growth. However, PfG seems very similar to the Millennium Challenge Corporation (MCC) model, with a focus on economic growth and selection criteria in part based on MCC standards. PfG also places an emphasis on country ownership of development plans and a 5 year horizon, as with MCC compacts.

- **The four selected partner countries- Ghana, Tanzania, El Salvador and the Philippines- have all participated in MCC compacts. What unique role or purpose does PfG serve?**

Answer:

One of PFG's signature objectives is to engage governments, the private sector and civil society with a broad range of tools to unlock constraints to growth through new sources of cooperation and investment, including domestic resources and foreign direct investment. By improving coordination, leveraging private investment, and focusing political commitment throughout both governments, the Partnership for Growth enables partners to achieve better

development results. PfG and MCC compacts complement one another; however, the two are distinct. PfG is designed to bring to bear full U.S. Government (USG) engagement on economic growth priorities in partner countries, leveraging both assistance and non-assistance tools to support policy reform and public and private investment. Already completed for the four countries, through PFG, the USG and the partner countries undertook a joint constraints analysis to identify binding constraints to broad-based economic growth in the PFG country. Relevant USG agencies met regularly to discuss what each individually and collectively could do to "unlock" this constraint and then agreed with the partner country on a specific set of actions. Consequently, PFG should be understood as an effort to create a new form of partnership that reflects new commitments from both parties around the shared objective of accelerating broad-based economic growth. PFG aims to change the donor-recipient dynamic to a more collaborative relationship that encompasses far more than foreign assistance. For new MCC compacts in Ghana and El Salvador, MCC investments will align with PfG priorities, and PfG will allow for complementary engagement by other agencies. For the Philippines and Tanzania, which are focused on implementing first MCC compacts, PfG is identifying opportunities to complement MCC's growth-focused programs, including engagement by other USG agencies to address distinct constraints to growth. The partner governments play an equally important role in addressing the constraints.

Question #55B:

- **How can you ensure PfG and MCC programs do not overlap, duplicating efforts and objectives?**

Answer:

MCC economists were part of the Constraints Analysis teams in all four PFG countries and participated, along with numerous other USG agencies, in a very deliberate dialogue with the interagency and the partner country governments to ensure that PFG priorities specifically complimented and enhanced ongoing or forthcoming MCC activities in the four countries. PfG creates more collaborative bilateral relationships with a select set of countries to accelerate and sustain broad-based economic growth, with the goal of creating better performing markets and greater host country ownership of development problems. The overall planning, negotiation, and coordination process, led by the National Security Staff, is designed to ensure there is not duplication between broader PFG efforts and MCC programs, as well as between other Agencies working within each country. Coordination is inherent to the PfG initiative to ensure that maximum results are achieved without duplication of effort.

Question #55C:

- **Please discuss the Administration's description of the approach as "data driven," and how it differs from other USAID activities in this respect.**

Answer:

PfG responds to the Presidential Policy Directive on Global Development principles to leverage the strengths of the USG around a set of shared goals in each of the four countries. The Partnership for Growth model takes an evidence-based approach towards decision making and specifically focuses on the drivers for unlocking broad economic growth. In each country, the Constraints Analysis and the resulting Action Plan reflect a product that has been endorsed by both governments and signals a blueprint towards achieving results in specific areas over the next five years. The PfG's rigorous analysis process narrows our areas of planning, programming, implementation, and monitoring and evaluation as the USG moves forward toward PfG goals.

Question #56: General (Chairman Ros-Lehtinen): Economic growth is essential for the reduction of poverty.

Which foreign aid programs have been the most successful in producing sustained economic growth?

Answer:

There is a study by the International Commission on Growth and Development, that looks at economies since 1950 that managed to sustain rapid growth for at least 25 years. Those that did shared five "striking points of resemblance" the study concludes, most notably a credible, capable government committed to development; access to global opportunities; macroeconomic stability; high rates of saving and investment; and allocation of resources determined largely through markets. A successful private sector development program can be thought of as one that introduce a change that spreads spontaneously to support entrepreneurship through a combination of tools, often including better policies, new products, improved quality standards, new market linkages, training, business-support services, and improved access to financial services.

USAID provides technical assistance to help developing countries make reforms needed for sustainable growth. USAID support for improved *business enabling environments* in a number of countries has led to significant reductions in barriers to starting and operating a business. Of 10 top reformers identified in a recent World Bank assessment of business regulation in 183 economies, seven are partners of USAID efforts in this area. For example, in Peru, one of the 10 top reformers, USAID assistance to streamline port procedures lowered export time to 12 days from approximately 36 days, and work with municipalities to lower time and costs for business registration and permitting. With these improvements, Peru now has a top performing business regulatory environment in Latin America.

A successful effort to improve economic growth potential has been USAID's *trade capacity building* (TCB) assistance, which aims to help countries participate in the global trading system. For instance, in Afghanistan, USAID worked to eliminate bottlenecks to the signing of an Afghanistan-Pakistan Transit Trade Agreement that will reduce by half the amount of time it takes for goods to cross the border between the two countries. In East Africa, USAID and United Kingdom support for a diagnostic of the region's important trade/transit corridors led to an action plan that should lead to substantial reductions in shipping times – projected at more than 50 percent for destinations served by rail—and up to 36 percent in shipping costs. A recent USAID evaluation found that each dollar invested in USAID TCB activities was associated with an additional $42 in recipient country exports two years later.

USAID economic growth programs aligned to support key development priorities have important impact. By helping countries such as Bangladesh, Indonesia, and Egypt, once highly food insecure nations, to promote food sector reforms such as agriculture policy analysis, market liberalization to expand the role of the private sector, the removal of subsidies that created market inefficiencies and inequities, and design cost-effective food-for-education safety net strategies targeting the poor, markets can function better and to help sustain agricultural gains.

Likewise, in Guatemala and Rwanda, after the resolution of destructive conflicts, USAID programs stimulated agribusiness and new markets for agricultural products, generating income gains that improved food security and provided employment alternatives for small farmers and agricultural workers and their families.

USAID programs in support of microenterprise and microfinance have made substantial contributions to expand financial support to over 4.8 million households in FY 2010 alone. Many of these programs employ a value-chain approach, increasing smallholder access to inputs and markets. For example, in Zambia, USAID's PROFIT program introduced community-based agents for the delivery of farm inputs, increasing farm productivity and household income for 100,000 farm families.

The Development Credit Authority (DCA) has been working directly with local private financial institutions to support greater access to credit services for the poor and underserved since its establishment in 1999. The program has provided loan guarantee support for up to $2.3 billion in credit in 67 countries. The DCA is more strategically focused today, supporting food security lending to finance small enterprise agriculture value chains, attracting financial investment for water and sanitation rehabilitation and development projects, and catalyzing private financing that will increase local economic development. The low default and high pay-back rate, 98.25 percent among all DCA-supported borrowers, increases the cost effectiveness of DCA's low net cost model.

Decades of empirical studies tell us that no single recipe exists that can be applied to any given economy. Each country's economic structure, political currents, culture, and history are unique and must be individually considered in determining the appropriate approaches. Nevertheless, there is broad agreement that private initiative is the primary engine of growth and that major obstacles to growth include policies and institutions that hobble transactions, dis-courage investments that generate productive employment, and impede private sector development. The decisions by entrepreneurs and families to accumulate skills and wealth and increase productivity are heavily influenced by prevailing policies and institutions. Each country and region will develop with its own characteristics, but through a variety of strategies, USAID strives to help advance strategic policy reforms, institutional innovations and access to sustainable financing for improving growth performance.

Question #57: Global Health (Chairman Ros-Lehtinen): The FY2013 budget documents indicate a reduction in funding for almost all health programs under the Global Health Initiative (GHI) –except for Family Planning and Reproductive Health, and the Global Fund. In fact, the Fiscal Year 2013 request for the Global Fund is $1.65 billion, an increase of 27% from Fiscal Year 2012 and a 120% increase from Fiscal Year 2011.

- **How do you justify such a substantial increase to the Global Fund?**
- **Could you comment on the recent instances of graft that the Global Fund has suffered, and what steps have been taken to avoid future instances of waste and abuse of U.S. taxpayer dollars?**

Answer:

The Global Health Initiative (GHI) and Global Fund-financed programs are complementary. The Global Fund is a smart investment that allows the U.S. Government to save lives and improve health outcomes in multiple ways. The U.S. Government's contribution to the Global Fund will help us achieve our bilateral program results, reach more people with quality services, leverage contributions from other donors, expand the geographic reach of our investment, and promote a shared responsibility among donors and implementers for financing countries' responses to HIV/AIDS, tuberculosis, and malaria. As we move aggressively to a sustainable response, a key principle of the 2008 Hyde-Lantos PEPFAR reauthorization, it is critical that we have a strong Global Fund to bolster our bilateral efforts. GHI, the Global Fund, and partner countries are working closely together to design complementary programs that address priority needs, while ensuring cost efficiencies and avoiding duplication of effort – thereby, improving program implementation and outcomes.

The United States takes all allegations of corruption and fraud extremely seriously; we have been a leader in calling for reform of the Global Fund and remain committed to ensuring that the Global Fund maintains the highest standards of transparency, accountability, and efficiency to support its core mandate of saving lives. In November 2011, we called upon the Global Fund Board and Secretariat to develop an action agenda that includes clear timelines and measures progress so all parties can be held accountable for the steps that must be taken for necessary improvements. The United States is working with and through the Global Fund Board, Secretariat and our bilateral programs to strengthen the Global Fund's internal oversight systems and increase country-level capacity to comply with Global Fund requirements to prevent any future misuse of funds and maximize the impact of Global Fund resources. The Global Fund is working on this action plan, which will address issues uncovered by the Global Fund Inspector General. The Global Fund's transition to a more flexible, sustainable and predictable funding model, adopted in November 2011 with strong United States Government support, will also ensure that resources go to high-impact interventions and people with the greatest need.

The appointment of General Manager Gabriel Jaramillo in February 2012 demonstrates the commitment of the Global Fund to implement its aggressive reform agenda, as urged by the United States Government. Mr. Jaramillo is committed to the Fund's reform agenda, having served on the independent High-Level Panel that evaluated the Global Fund's financial oversight systems. During the 12 months that Mr. Jaramillo is expected to serve at the Global Fund, he will continue to emphasize strengthening the Global Fund's grant management and grant impact in-country.

Question #58: Global Health (Chairman Ros-Lehtinen):

The FY2013 USAID global health request is over $100 million less than the FY2012 estimated funding level and over $500 million less than the FY2012 budget request.

- **What message does this budget send to Congress regarding the Administration's priorities for global health?**
- **In your opinion, how does this request support the goals of the 2008 Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008? How do you intend to meet the spending directive for Orphaned and Vulnerable Children (OVC) authorized under the 2008 Act?**

Answer:

U.S. government efforts in global health are a signature of American leadership around the world. The Global Health Initiative (GHI) is saving and improving the lives of millions, spurring economic growth, and strengthening families, communities, and countries. However, during this time of fiscal constraint, the Administration had to make difficult choices and the FY 2013 budget was based on a straightline of the FY 2011 budget. The FY 2013 request will continue progress in reducing maternal and child mortality, treating and preventing tuberculosis, providing integrated treatment of neglected tropical diseases, working towards an AIDS-free generation and reduce unintended pregnancy through strategic, country-specific programming of high-impact interventions, as well as meet the directive for Orphaned and Vulnerable Children, including through:

- The introduction and scale up of pneumococcal and rotavirus vaccines through the United States' historic three-year contribution to the Global Alliance for Vaccines and Immunization (GAVI);
- An increased focus on reducing maternal mortality during the first vital 24 hours postpartum, when most deaths from childbirth occur;
- Improved access to voluntary family planning information and services to bolster healthy spacing and timing of pregnancy; and
- Increased distribution of insecticide treated nets and/or indoor residual spraying.

The Administration is also diligently seeking opportunities to work more efficiently, increasing emphasis on the leveraging of other donor funds and moving aggressively toward a sustainable response. The FY 2013 request reflects innovation and efficiency gains, including:

- A reduction in unit cost for commodities, such as insecticide treated nets, vaccinations, and contraceptives;
- Improvements in workforce and service delivery models, including the expanded use of community health care workers who have received integrated health training;
- Program integration across the health and development portfolios to better leverage USG resources; and

- The graduation of mature programs, and leveraging of resources through public-private partnerships and multilateral institutions.

Two Additional Questions Received Separately from Chairman Ros-Lehtinen:

Question:
Dr. Shah, what changes or reforms are you proposing or implementing to ensure that U.S. foreign aid does not create dependency, but rather leads to empowerment and self-sufficiency?

Answer:

For years, USAID, like other donors, concentrated its efforts on working around, rather than through, local institutions. While this approach yielded important developmental gains, it also triggered bipartisan recognition that the ultimate goal of foreign assistance – helping countries to stand on their own two feet – required building their capacity to do so. The previous Administration recognized the need for engaging local institutions to manage U.S. government resources directly by endorsing and, in some cases, driving the aid effectiveness agenda, which calls for use of reliable partner country systems as a first option, in implementing assistance and identifies capacity building through use of local institutions as both the primary challenge and goal of aid effectiveness and sustainability.

This new approach is recognized in the Presidential Policy Directive on Development, which emphasizes country ownership and responsibility, selectivity, and sustainability – all in the interests of foreign assistance programs that lead to empowerment and self-sufficiency. Working directly with partner country governments, civil society, and the private sector rather than around them is also a critical component of USAID Forward and its Implementation and Procurement Reform initiative, one that is essential to the Agency's goal of creating the conditions where aid from American taxpayers is no longer needed. To that end, USAID is working to build and strengthen the capacity of local institutions in aid-recipient countries to better manage their finances and implement their own development programs. This requires using these local systems – selectively, carefully, and with appropriate safeguards and rigorous assessments. Finally, this new approach represents a central tenant of USAID's Policy Framework 2011-2015, which states that development efforts should aim to nurture sustainable local institutions, systems, and capacities that enable developing countries to manage their national challenges effectively.

To make sure that agency-wide policies and strategies are incorporated into country strategies and programs, and that they are informed by the results of these programs, USAID has established a strengthened and more integrated program cycle. This effort clearly delineates the various elements of the program cycle – including country strategies, project design and implementation, and evaluation and monitoring – and strengthens the linkages from one element to the next, in ways that promote sustainability, empowerment, and self-sufficiency.

Through the Country Development Cooperation Strategy (CDCS) process, and in line with the Presidential Policy Directive on Development, USAID missions coordinate closely with host country governments, civil society organizations, the private sector, as well as other donors

and USG agencies to develop multi-year country-based strategies that focus USAID assistance in areas that maximize long-term impact and advance U.S. and host country development priorities.

The Agency's new Project Design Guidance, released in December 2011, requires missions to undertake Sustainability Analysis to ensure projects are designed to empower host country partners and beneficiaries to take ownership of development processes, including financing, and to maintain project results and impacts beyond the life of the USAID project.

Monitoring and evaluation track a project's results in achieving sustainable outcomes and implementation and to build in learning so that people and institutions from the host countries are able to manage adaptively to sustain results.

Question:

What is USAID's strategy for moving countries beyond foreign assistance so that they can stand on their own?

Answer:

USAID's overall strategy for moving countries beyond foreign assistance is embodied in USAID's Policy Framework for 2011-2015, which states, "The ultimate goal of development cooperation must be to enable developing countries to devise and implement their own solutions to key development challenges and to develop resilience against shocks and other setbacks." The Policy Framework flows from and is consistent with the Presidential Policy Directive on Global Development, the Quadrennial Diplomacy and Development Review, and Administrator Shah's USAID Forward reform agenda. USAID's Policy Framework identifies a number of strategic operational principles aimed at moving countries beyond foreign assistance so that they can stand on their own. These include *selectivity, focus*, and *sustainability*.

Selectivity is about investing resource in countries, sub-national regions, or sectors where they are likely to have the greatest impact on a particular development objective at the country and/or global level. Selectivity criteria are applied in budget, strategy, and program reviews. Where assistance levels to countries are concerned, selectivity criteria include "need" – the extent to which average income levels are low so that foreign assistance is justified. They also include "commitment" to development progress – as demonstrated by policy performance -- that eventually eliminates dependence on foreign aid.

Focus is about the total volume of resources invested in a particular country or sector, and whether resources are large enough to have a meaningful, measurable and lasting impact. Applying this principle requires estimating on the basis of evidence the minimum volume of resources required to produce such an impact and ensuring that the resources devoted to the challenge clear that threshold. These criteria are applied in budget, strategy, and program reviews with particular attention to low levels of funding for countries overall and for specific program objectives.

Sustainability calls for building skills, knowledge, institutions and incentives that can make development processes self-sustaining. It is emphasized in USAID's new Project Design Guidance, released in December 2011, which requires missions to undertake sustainability Analysis to ensure projects are designed to empower host country partners and beneficiaries to take ownership of development processes, including financing, and to maintain project results and impacts beyond the life of the USAID project.

Questions for the Record Submitted to
USAID Administrator Rajiv Shah by
Ranking Member Howard L. Berman
House Committee on Foreign Affairs

March 20, 2012

Question #1: Regional allocations. Dr. Shah, when you look through the FY13 budget request on a country-by-country and region-by-region basis, one thing that becomes readily apparent is that almost every country in Africa, East Asia, Europe and Latin America is facing very significant cuts, for the second year in a row. With only a handful of exceptions, countries are seeing their assistance levels decline by 10, 20, even 50 percent or more. For Africa as a whole, it's about 20% from FY11 to FY13. For Europe, 25%. Both Latin America and East Asia are cut by about 11%. At the same time, there are very steep increases for the Middle East and South Asia, where there are urgent security needs. But that's why we have the Overseas Contingency Operations account. Our short-term stabilization objectives are eating away at our long-term development interests. Do you think that we've allowed our development programs to be driven by non-development objectives such as security, and does this serve our overall interests?

Answer:

While budget realities have required difficult trade-offs, USAID has prioritized resources to countries where they are most needed and most cost-effective and can lead to long-term, sustainable results. Resources also align with and advance U.S. government foreign policy, including security priorities. This required reductions from FY 2012 for a number of countries, including decreases in bilateral programming in the Middle East and South and Central Asia.

The FY 2013 budget reflects an evolving partnership relationship with countries in the Western Hemisphere, East Asia, and Europe and Eurasia that have made significant gains in key development indicators. This budget reflects a deep commitment to Africa by increasing investments to address the needs in food security (6% increase over FY 12) and maintaining Development Assistance and non-HIV/AIDS Global Health Programs funding at approximately FY 2012 funding levels. The overall decrease in funding for Africa is primarily related to reductions in PEPFAR.

Along with these investments, the FY 2013 budget responds strategically to the historical changes taking place across the Middle East and North Africa through the Middle East and North Africa Incentive Fund, which helps to support citizens who have demanded change, assists the governments that are working to achieve it and supports our military gains in Afghanistan, Pakistan, and Iraq by improving governance, creating economic opportunity, and supporting civil society.

USAID is committed to long-term development objectives as is evidenced through the development of the 2011-2015 USAID Policy Framework and the rigorous mission-led strategic planning effort through the Country Development Cooperation strategy process. By implementing these efforts, the Agency has been able to focus resources on pursuing seven core development objectives, including:

- Increase food security
- Promote global health and strong health systems
- Reduce climate change impacts and promote low emissions growth
- Promote sustainable, broad-based economic growth
- Expand and sustain the ranks of stable, prosperous, and democratic states
- Provide humanitarian assistance and support disaster mitigation
- Prevent and respond to crises, conflict, and instability

Resources have also been allocated to *USAID Forward*, a set of initiatives and reforms designed to transform USAID into an efficient, modern development enterprise and to achieve high-impact development. *USAID Forward* efforts in science and technology, innovation, evaluation, and public-private partnerships, will help improve results in all regions.

Question #2: Humanitarian aid. Unlike other forms of assistance, humanitarian aid is supposed to be provided for the sole purpose of saving lives and alleviating suffering. International humanitarian principles require that such aid is impartial, based solely on and in proportion to need. It must be neutral, without favoring any side in a conflict. And it should be independent of any other political, military or economic objectives. Yet we don't seem to be honoring these basic principles. In Iraq and Afghanistan, our military is providing what it calls "humanitarian aid", but the aid is designed more for troop protection and political ends. In North Korea, we seem to have created some kind of linkage between the nuclear talks and food aid, which would be a very harmful message. And partly because humanitarian aid is no longer perceived as neutral, humanitarian aid workers find themselves increasingly at risk of attack or expulsion in the places where they are most needed. What steps are you taking to ensure that humanitarian aid respects the basic principles of neutrality, impartiality and independence?

Answer:

- Within the USG, USAID plays a crucial role in promoting the principles of neutrality, impartiality, and independence in the provision of humanitarian assistance, particularly through our participation in the international humanitarian architecture, engagement with partners, and advising the interagency. USAID actively supports international humanitarian principles by: Adhering to and shaping humanitarian principles through participation in the international humanitarian architecture, including engagement in the UN and multilateral system, the Oslo Guidelines, and the Good Humanitarian Donorship (GHD)

initiative. The Stockholm Principles and Guidelines of the GHD initiative provide the benchmark against which the USG aims to improve the coherence, impact, and accountability of its humanitarian actions.

- Participating in the negotiations of humanitarian resolutions in the General Assembly and the Economic and Social Council (ECOSOC); funding the UN Office for the Coordination of Humanitarian Affairs (OCHA), including OCHA's Civil-Military Coordination Section to facilitate systematic interaction grounded in humanitarian principles between civilian military units; and coordinating with other UN agencies to influence UN strategies for improving humanitarian performance.

- Engaging with key donors during emergency situations to facilitate regular meetings between senior USG officials and traditional donors to confer on humanitarian policy, operational issues, and adherence to humanitarian principles.

- Advancing best practices in humanitarian response through various boards and committees including the Active Learning Network for Accountability and Performance (ALNAP), which seeks to improve humanitarian performance through learning accountability. USAID has supported the Sphere Project since its launch in 1997, and continues to assist in timely revisions as humanitarian practice evolves; the most significant change to the third revision, released in Washington in 2011, is the inclusion of the "Protection Principle" chapter.

- Advising DOD on the appropriate role of the military in international humanitarian response. In accordance with the GHD Principles and Guidelines, this is especially critical in large disasters where military capacity and assets are used to support the implementation of humanitarian action.

- Helping ensure that our partners provide humanitarian assistance on the basis of need alone. While operationally independent, USAID maintains close contact with its NGO partners to monitor performance and encourage needed improvements. USAID also systematically engages a variety of U.S. and European NGO consortia to promote humanitarian principles that translate into action, with the primary objective of saving lives, alleviating suffering and maintaining human dignity during and in the aftermath of emergencies.

In regard to North Korea specifically, USAID does not link humanitarian assistance and other policy issues. We want to assist the North Korean people, particularly those whom the regime neglects. However, a missile launch would call into question the credibility of all of North Korea's commitments, including those related to allowing the monitoring necessary to ensure aid goes to the needy and not to regime elites or the military. This makes it difficult to move forward as North Korea violates its international obligations and its own commitments.

Question #3: Water. A recent, unclassified assessment by the intelligence community found that "during the next 10 years, many countries important to the United States will experience water problems – shortages, poor water quality, or floods – that will risk instability and state failure, increase regional tensions, and distract them from working with the United States on important US policy objectives." Can you tell us what USAID is doing to respond to these challenges? How well do developing countries understand these risks and are they devoting their own resources to deal with them?

Answer:

a. **What is USAID is doing to respond to these challenges?**

USAID funds activities that expand food security, strengthen resilience to water-related stressors such as climate change, and improve human health, all of which reduce the potential for water issues to lead to or exacerbate conflict. For example, USAID's utilization and support for improved collection and use of data, including geospatial information management, helps developing countries anticipate and respond to floods and droughts, and manage hydrologic variability over the long-term, including planning for a changed climate in the future. Up-to-date information provided by the USAID Famine Early Warning System Network (FEWSNET) has historically predicted flood and drought conditions in sub-Saharan Africa and Latin America. It has allowed USAID to work with local governments to communicate potential migration needs and to pre-position food and other relief supplies in the Horn of Africa. In Latin America, governments have been able to rapidly assess storm and flood-related post-disaster conditions, which has improved overall responsiveness.

Through the SERVIR program, USAID has partnered with NASA to create a network of regional nodes with earth observation, monitoring and visualization capabilities with developing country institutions. Currently, there are three SERVIR-Global nodes in operation, with plans to establish additional nodes to create a global network to support better decision-making in a wide range of important economic sectors. The system has been used in Central America for 36 different cases ranging from monitoring and mapping of such water-related issues as thunderstorms and tropical storms, flooding, red tides, and toxic bacteria outbreaks in fresh water lakes. In Africa, SERVIR is developing early warning tools for floods and vector-borne disease (Rift Valley Fever). A concern in the Himalayan region is the increasing rate of glacial retreat and the reduction of snow and ice, which reduces the region's water storage capacity. Changes in the intensity and distribution of precipitation may also lead to changes in uptake of rainwater by soils and recharge of aquifers in our partner countries.

USAID supports improved governance of shared water resources in transboundary basins such as the Okavango and Lake Victoria in Africa. This assistance promotes environment reforms (e.g., policies, legal and regulatory systems, institutional frameworks, economic incentives, etc.) as well as transparent, participatory planning and decision-making. Likewise, investments in sustainable water supply and sanitation services contribute to increased local government accountability and conflict mitigation

while serving as stabilizers in areas recovering from conflict. USAID supports water-related infrastructure and services in countries such as Afghanistan, Pakistan, and Jordan. In Angola, Uganda, the Democratic Republic of Congo, Sudan, and other countries recovering from conflict, water supply and sanitation service has been a key entry point for assisting populations to engage in stable and productive livelihoods.

Strategically, USAID seeks to forge strong linkages between our water, food, and health programs. In Haiti, for example, USAID is improving agricultural production while protecting Haiti's watersheds, a critical source of water for domestic and productive uses. Our program there has rehabilitated irrigation water canals, reinforced riverbanks to prevent flooding and constructed water catchment and distribution systems.

b. How well do developing countries understand these risks?

USAID projects seek to strengthen water resource analysis, planning, and governance in developing countries.

Domestically, the U.S. invests considerable resources in monitoring, mapping, evaluating, assessing, modeling and managing its water resources. USG agencies have been collecting hydrometeorological data including streamflow and groundwater records for over 100 years.

In contrast, while developing country governments are acutely aware of the day-to-day reality of their water-related risks and challenges, many have rudimentary hydro-meteorological data and information management systems that limit their ability to accurately assess, predict, or prepare for risk. Capacity in the area of water resource impact analysis and adaptation planning is relatively new in the developing world. Likewise, in general, there is little capacity to translate potential risk into proactive steps to mitigate or address threats. Developing countries frequently suffer from weak institutions to manage, analyze, and disseminate information for decision-making, and lack processes that can ensure equitable and sustainable water resource management for all users over time (including the mitigation of resource competition and conflict).

c. Are they devoting their own resources to deal with them?

The current level of investment by developing countries is highly variable and is generally not adequate compared to the scale of need. Donors and lenders support developing country water sector reforms that stress good programming and planning, increase political will and domestic investment in water resources management and governance, as well as in infrastructure and services. In parts of the developing world such as sub-Saharan Africa, multi-donor support encourages governments to increase investments under both the Comprehensive African Agriculture Program and the Sanitation and Water for All initiatives.

Question #4: Transparency. As you probably remember, one of the key elements of my foreign aid reform proposal is greater transparency in budgeting. In order to combat misperceptions about aid – as well as to help ensure that funds are used as intended – I think we ought to make information about all our programs, objectives, expenditures and results available on line. The Administration has taken an important first step in this direction by creating the "Dashboard", with all the data contained in the Congressional Budget Justification. However, only a tiny amount of the information that is envisioned for the Dashboard has been entered so far. USAID and State have not yet provided data on obligations, expenditures, projects or performance. And 17 other agencies haven't provided any data at all. Can you explain what the hold-up is and when the additional information from USAID will be provided?

Answer:

USAID has worked closely with the Department of State to develop and launch the Foreign Assistance Dashboard (www.ForeignAssistance.gov), and to establish government-wide policy and guidance on its content. Per interagency agreement, individual agency data will be added to the Dashboard in phases as it becomes available.

The Department of State, which hosts the website, is working to add U.S. government foreign assistance information to it. On June 25, 2012, USAID's foreign assistance obligation and expenditure data was posted to the Dashboard. The Dashboard was updated with Millennium Challenge Corporation (MCC) budget and financial data in November 2011 and MCC program information will soon be added. We understand that the Department of Defense and Department of the Treasury have begun discussions with the State Department toward adding their data.

The Secretary of State recently announced that the United States has become a signatory to the International Aid Transparency Initiative (IATI), which commits us to publishing our data in a common and comparable format. USAID is pleased to be taking the lead for the U.S. Government in following through on this commitment and is working to develop the U.S. implementation plan.

Question #5: Consultations. One thing that can be done to put our aid programs on a sounder footing is to replace the Foreign Assistance Act of 1961 with legislation better geared to the needs of the 21st century. Last September, I released a draft of the Global Partnerships Act, which lays out a vision for how to make foreign assistance serve our national interests more efficiently and more effectively. Dr. Shah, I hope by now you've had a chance to review this draft, and I would ask that your staff begin sitting down with us to discuss how we can improve it. Can you tell me who will be the point person on your staff for providing feedback and comments on the draft?

Answer:

We look forward to discussing the draft Global Partnerships Act, which demonstrates the importance of development in advancing U.S. interests. While the Department of State continues to be the lead point of contact for these communications, Congressional Liaison Officer Cliff Stammerman in the Bureau of Legislative and Public Affairs is our Agency point of contact for the House Committee on Foreign Affairs.

Questions for the Record Submitted to
USAID Administrator Rajiv Shah by
Representative Christopher H. Smith
House Committee on Foreign Affairs
March 20, 2012

Question #1:
When the President's Emergency Plan for AIDS Relief (PEPFAR) was marked up here in this room a decade ago, I sponsored both the Conscience Clause Amendment and the Anti-Sex Trafficking/Prostitution Amendment. Both were enacted into law in 2003. I have read the Acquisition and Assistance Policy Directive (AAPD 12-04) issued on February 15, 2012, which replaces previous guidance on these matters.

The Policy Directive reiterates the law verbatim: (a) an organization, including a faith-based organization...(1) shall not be required as a condition of receiving assistance (i) to endorse or utilize a multisectorial or comprehensive approach to combating HIV/AIDS or (ii) to endorse, utilize, make a referral to, become integrated with or otherwise participate in any program or activity to which the organization has a religious or moral objection; and (2) shall not be discriminated against in the solicitation or issuance of grants, contracts or cooperative agreements for refusing to meet any requirement described in paragraph (a)(1).

Can you provide assurance, including a commitment to robust monitoring, that grants, contracts, or cooperative agreements haven't been, aren't now, nor will be written in such way – i.e. integrated services- to diminish or even preclude organizations, including faith- based organizations, from applying or receiving those grants?

Answer:

USAID takes its responsibilities with respect to the Conscience Clause very seriously and has been and remains committed to compliance with it. AAPD 12-04 includes guidance clarifying the procedures an organization that has a religious or moral objection to a component of a particular USAID solicitation should follow, and the procedures the Agency should follow upon receiving notice of such an objection.

Question #2:

On the Anti-Sex Trafficking/Prostitution law, the DC Circuit Court of Appeals held that USAID may enforce the requirement that entities have a policy opposing sex trafficking and prostitution while the US District Court for the Southern District of New York ruled the opposite.

What is your view on this proviso, and will the Administration appeal to the US Supreme Court? I understand the deadline for filing the petition for writ of certiorari is May 2nd.

Answer:

USAID is represented in the above case by the Department of Justice, which will determine whether to seek further review in the United States Supreme Court.

Question #3:
According to a GAO Report issued in October 2011, a USAID-funded award recipient, the International Development Law Organization (IDLO), advised the Kenyan entity responsible for drafting the new Kenyan Constitution to include language in the constitution that would legalize abortion in that country. The only reason we learned about this blatant violation of U.S. law prohibiting the use of funds to lobby for or against abortion is that IDLO itself informed GAO in response to GAO's inquiry. The USAID official responsible for managing the IDLO grant informed GAO that she did not fully read IDLO's reports "until the USAID IG inquiry brought them to her attention in mid-2010" (the Kenya constitution referendum was on August 4, 2010). I should note my extreme disappointment that the USAID IG did not reveal this violation in its report to Congress on September 29, 2010.

Please explain how this violation occurred, why USAID did not properly monitor the grant so that the violation could be immediately rectified, and what, if any, measures have been taken to ensure that future grants that potentially involve lobbying for abortion adhere to legal funding restrictions.

Answer:

We do not believe that the USAID-funded activity providing technical assistance to the drafters of the Kenyan constitution, which was at the request of the drafters, violated the Siljander Amendment.

USAID takes compliance with the abortion-related restrictions, including the Siljander Amendment, very seriously. Over the years, the Agency has taken a number of steps to ensure compliance with these restrictions, such as the inclusion of mandatory standard provisions in all Agency awards with implementing partners, the development

of live and online training materials, presentations at Agency conferences, and the development of compliance tools and resources for USAID and partner staff. In the past year, the Agency has also taken steps to increase awareness of these restrictions among non-health staff, particularly those working in the area of democracy and governance, including presentations at democracy and governance conferences and dissemination of notices to relevant staff. USAID is committed to ensuring compliance with these restrictions and continually seeks to strengthen and refine our existing compliance resources.

Questions for the Record Submitted to
Administrator Rajiv Shah by
Representative Dana Rohrabacher
House Committee on Foreign Affairs
March 20, 2012

Question #16:
Your FY 2013 budget request includes a dramatic increase in the "Global Health Programs" account for Burma. From $3 million this year, to $10.8 million for next year. While the political improvements in Burma are good, the Burmese government remains despotic and they have not ended their violent campaign of suppression against minority ethnic groups.

Will this $10.8 million dollars go to programs in the government controlled area or to help people in areas that are opposing the regime? What on the ground oversight is there of these programs?

Answer:

USAID's request for the $10.8 million is for health programs that will have country-wide scope, including ethnic areas, as we have increasing opportunities to access these conflict-prone regions. To date, in response to the U.S. Congress's specific prohibition against support to forces working against democratic reform, the United States has not provided funds to the government of Burma. Our assistance directly assists the *people* of Burma. We have provided life-saving programs to vulnerable populations suffering from decades of government neglect and repressive policies. To ensure the efficacy and efficiency of USAID programs in Burma, USAID will re-establish a Mission in Burma. Current programs are monitored by two Personal Services Contractor staff in Burma and staff based in USAID's Regional Development Mission for Asia in Bangkok.

Question #43:
The executive summary for FY13 Function 150 budget talks about Global Climate Change programs as a priority within Development Assistance. No number was given in the summary for what these programs cost, or the percentage of the Development Assistance budget they comprise. Clean energy programs are mentioned, but are the programs being funded actually helpful to economic development? For example, staff members of this Committee were told at a country team briefing in Manila that a major problem holding back Philippine development is the high cost of energy. Yet, a subsequent USAID briefing talked only about alternative energy programs in the Philippines, which were more expensive than conventional energy sources.

- **Is U.S. development assistance really aimed at solving local problems, or is it about advancing an ideological agenda?**

Answer:

USAID's climate change strategy focuses on achieving sustainable economic growth and solving local problems. USAID's recently released Global Climate Change and Development Strategy outlines the approach to help countries accelerate their transition to climate resilient, low emissions sustainable economic development.

Two of the guiding principles of the Strategy are to:

- respond to partner country priorities, needs, and capabilities; and
- minimize climate impacts while maximizing development benefits.

These priorities and program goals are centered around solving local problems, but seek systemic change as well. In adaptation work, for example, USAID is prioritizing assistance to small island and glacial-dependent states as well as extremely poor countries that often have the least capacity to cope with changes in climate. USAID co-leads the U.S. government's Enhancing Capacity for Low Emission Development Strategies (EC-LEDS) program with the State Department. The EC-LEDS program brings together U.S. government experts from a variety of Agencies to work side by side with partner country governments to assess their energy needs and priorities and to promote a path forward for inclusive economic growth, private sector investment and growth to achieve long-term, climate resilient development.

For example, the Philippines, a partner in the EC-LEDS program, imports a significant proportion of its fuel, and thus is subject to price volatility based on international markets. In support of the EC-LEDS program, the USAID Mission is working with the government of the Philippines to build capacity for integrating domestic renewable resources into the grid, as well as supporting local-scale clean energy solutions in areas that are not connected to the national energy grid and reliant on expensive and dirty diesel generators. These jointly supported activities will work to improve energy security, decrease emissions, and reduce economic costs.

Questions for the Record Submitted to
Administrator Rajiv Shah by
Representative Don Manzullo
House Committee on Foreign Affairs
March 20, 2012

Question #9A:

In your budget summary, you state that the Development Innovation Ventures (DIV) "has the potential to produce breakthroughs that can serve as high-return development projects." **Can you explain these potential breakthroughs in more detail?** Because according to the projects chosen as "breakthroughs" this past year, such projects have questionable outcomes, including the e-bike, which is a fuel-cell powered bicycle with a number of private sector investors. This and the list of other innovative "breakthrough" projects are all duplicative efforts of not only the private sector, but also of work in the Energy Department, National Institutes of Health, and the Defense Department.

Answer:

The DIV program is a development approach to accelerate outcomes more effectively and cost-efficiently while mitigating risk and obtaining leverage. Through DIV, USAID seeks to identify and rigorously test promising projects with the potential to significantly, rather than incrementally, improve development outcomes, as well as help replicate and scale projects that are proven successful.

DIV welcomes innovations that are new technologies or non-technological innovations such as new business practices, new service delivery models, and other improved approaches. DIV also supports innovations that plan to achieve scale through both the private and/or public sectors. DIV seeks to create not only new solutions to general development challenges but also new, more effective financing and models for aid delivery.

The DIV selection process has been designed to avoid duplication of other efforts in the U.S. government. Applicants are required to specify all former, current or currently sought USG funding, or if USG funds supported development of the underlying technology. Compliant and compelling DIV proposals are reviewed by USAID experts; experts across the U.S. government, including agencies such as the Department of Energy; and select topic experts outside the US government. DIV is not funding basic research and development. Instead, DIV supports new, cost-effective technologies, business models and processes that address low-cost, practical application of development approaches.

Some of DIV's recent grants include:

- ***Increasing fertilizer adoption by Kenyan farmers through an innovative pricing approach.*** In Africa, agricultural yields are lower than in other parts of the world, in part because of the persistently low usage of fertilizer. Identifying ways to increase agricultural incomes is crucial to alleviating poverty.

With $99,828 from DIV, MIT economist, MacArthur Fellow, and John Bates Clark Medal winner, Esther Duflo, in collaboration with colleagues from Harvard University, the University of California Santa Cruz, and Innovations for Poverty Action, will use a randomized control trial to rigorously evaluate innovative pricing structures to increase Kenyan farmer crop yields. The pricing scheme offers farmers small, time-limited discounts (15%) on fertilizer right after harvest. The timing encourages farmers to purchase fertilizer while they have funds readily available, rather than wait until the next planting season when their cash reserves have depleted.

Since the discount is 15% of the cost of the fertilizer, and the returns associated with fertilizer use average 50-80%, the potential income increase greatly exceeds the cost of the subsidy. At the same time, the possible increase in sales due to availability of funds for the buyer is incentive for the seller. Program administration entails minimal cost and simple logistics.

- ***Providing electricity to rural villages through renewable micro grids.***
  Access to electricity is a major impediment to development. Off-grid demand continues to be unmet by modern power services; and communities resort to low quality sources of energy such as kerosene, wood, diesel, candles, and disposable batteries. With the right business model, low cost power from solar micro-grids can supply electricity for lighting and mobile phone charging.

  DIV is supporting Mera Gao Micro Grid Power (MGP) with a $300,000 grant to construct and operate approximately 40 new village-level micro grid lighting facilities and evaluate their impact on school enrollment, health, and household income. MGP will assess the impact of providing customers with more light points running for more hours each day. The project will reach 4,000 new customers and 20,000 new beneficiaries in Sitapur district of Uttar Pradesh, India and will provide evidence of the economic impact of the model.

- ***Building sustainable sanitation in urban slums.***
  2.5 billion people across the world lack access to basic sanitation. The resulting infection from contact with human waste is the second leading contributor to the global burden of diarrheal disease, claiming the lives of nearly 1.6 million children each year.

  With $100,000 in support from DIV to pilot test their business model, Sanergy is building and franchising a dense network of 60 low-cost latrines. The business will provide a critical service to slum residents at a small fee, and will convert the waste to fertilizer and biogas, to generate additional revenue. Designed by MIT engineers and architects, the low-cost, modular hygienic latrines can be assembled in one day. The sanitation centers are franchised to local entrepreneurs and local youth groups and derive income from the latrines' pay-per-use customers and the sale of complementary products. Within five years, Sanergy plans to expand to 3,390 centers reaching 600,000 slum dwellers – creating jobs and profit, while aiming to reduce the incidence of diarrhea by 40%.

  Sanergy's low-cost latrines are designed to each provide approximately 75 paying customers per day with service. Because the waste from each person generates approximately 22k WH of electricity and 40kg of fertilizer annually, the 10 million people in Kenya's slums create a potential $72 million market per year.

<u>Question #9B</u>:

How can you justify spending an additional $28 million of American tax payer dollars on such a high-risk, duplicative, and wasteful program?

Answer:

DIV's model is designed to maximize the development impact of its innovations by offering a funding mechanism open to entities conducting innovative development work – including universities, labs, private companies, researchers, and experienced nonprofits among others – and rigorously seeking standards for evidence, cost-effectiveness, leverage, and ability to scale as requisite aspects of a successful DIV proposal. To date, more than 50% of DIV applicants have never done work with USAID.

All public and private investment carries risk, and investment in development is no exception. We designed DIV expressly to mitigate risk by offering only staged financing. To be considered for funding, projects at all stages must demonstrate evidence of impact. For larger project funding levels to be considered, the evidence bar is higher. DIV's staged financing approach seeks to show success or failure early and at a lower cost, thus creating solutions to real development issues while reducing the risk exposure of USAID and saving taxpayer dollars.

We continue to manage project risk once funding is granted by closely monitoring performance through predetermined milestones. Throughout the life of a project, funding remains contingent on the achievement of predetermined metrics of success. One of DIV's key selection criteria is the degree to which new resources from the applicant and other partners are leveraged, with more outside support needed at larger funding levels. DIV's current portfolio averages 110% leverage for every dollar spent by USAID. By investing in projects alongside multiple partners, DIV gains leverage through partner expertise as well. For example, 55% of DIV awards use randomized control trials (RCTs) to assess development interventions. This added expertise built into the DIV portfolio of projects places DIV at the forefront of international development institutions' aid effectiveness efforts. This and other factors have encouraged other organizations to partner with DIV. The WASH for Life program is a four-year collaboration with The Bill & Melinda Gates Foundation that seeks solutions in the Water, Sanitation, and Hygiene sector. The foundation contributed $8.5 million to co-invest in this effort to fund innovation in the water and sanitation space alongside USAID.

Question #12:

China (Rep. Manzullo): The USAID budget states it plans to expand efforts in innovation, science and technology, and evaluation with regards to climate change, which the significant increase in funding for the Global Climate Change Initiative indicates. **Within USAID's DA budget, how much will be directed towards programs in China, especially in terms of clean energy and economic growth education programs?** Previous funds have been allocated to China to help develop its clean energy sector, carbon evaluations, technology innovation and educational awareness.

- **How can you justify spending millions of American taxpayer dollars helping China develop this sector, and on programs that have no method of determining progress or evaluation that the money is being used where originally intended?**

Answer:

No Development Assistance funds have been requested in FY 2013 to support programs in China. To date, USAID has not spent Congressionally-directed Development Assistance funds in China to develop its clean energy sector or economic growth education programs.

USAID's bilateral assistance programs in China, with prior year funding, have included support for rule of law and environmental protection and climate change mitigation efforts, pursuant to Congressional directives. The programs reflect U.S. priorities by addressing trans-boundary threats that affect the United States economically, and controlling pollution and transmission of infectious diseases that affect America's wellbeing. Our programs achieve U.S. foreign policy objectives by encouraging and influencing the Chinese to invest in areas that make them more responsible players on the global stage, such as in health, human rights, global climate change and rule of law.

Question #13:

China (Rep. Manzullo): Why is USAID requesting $2 million in global health funding for China? China has a long list of health problems, but it also has the means to support these initiatives without U.S. assistance.

Answer:

USAID is not requesting global health funding for China in FY 2013. FY 2011 will be the last year in which USAID notified bilateral HIV/AIDS funding in China (in FY 2012, USAID China programs will continue with $1.7 million [out of $3 million total] Department of State funds). USAID HIV/AIDS programs in China will close out by the end of September 2013.

Question #14:

Burma (Rep. Manzullo): How does USAID plan to implement its projects and goals in Burma? Due to substantial political problems in the past, the funds had to be directed through third party organizations.

- **Considering the changing political atmosphere and diplomatic relationship, will this still be the case, or will we now have U.S. persons on the ground implementing these projects?**

Answer:

Recently, the Secretary of State announced the Administration's intention to re-establish a USAID mission in Burma. Since 2003, USAID has implemented programs in Burma through primarily American non-governmental organizations and international organizations working in that country. Current programs are monitored by two Personal Services Contractor staff in Burma and staff based in USAID's Regional Development Mission for Asia in Bangkok.

USAID expects to have a Mission Director established in Burma this year and plans to augment staff presence to enable more robust engagement with the Burmese people and support for the reform efforts underway.

Questions for the Record Submitted to
Administrator Rajiv Shah by
Representative Royce
House Committee on Foreign Affairs
March 20, 2012

Question #11: North Korea (Rep. Royce): It was recently announced that North Korea has agreed to suspend uranium enrichment and to a moratorium on nuclear and long-range missile tests. The announcement comes as the Obama Administration is finalizing details for a proposed package of 240,000 metric tons of food aid to North Korea. Last year, legislation (Sec.741 of P.L.112-55) was passed prohibiting food aid to any country that may divert it for unauthorized use. **What monitoring measures will be implemented?**

Answer:

Our decision to provide nutritional assistance anywhere in the world is based on three factors: 1) the level of need in a given country; 2) competing needs in other countries; and 3) our ability to ensure that aid is reliably reaching the people who need it. If U.S. delivery of nutritional assistance were to begin in the Democratic People's Republic of Korea (DPRK), it would be contingent on our ability to monitor the delivery of that assistance so it goes to the North Korean people who are hungry, and not to elites, or the military. Therefore, for any assistance program to begin, the DPRK would need to follow a set of strict, pre-negotiated monitoring and access terms.

The recent missile launch called into question the credibility of all of North Korea's commitments, including the monitoring agreement that had been conditionally pre-negotiated. Since we are unable to trust that this monitoring agreement could be implemented, we have suspended plans to provide nutritional assistance to the DPRK. We would be happy to brief you fully on the terms that were negotiated and would have gone into effect had the food aid program been operationalized.

Question #19: Pakistan (Rep. Royce): Of all the challenges that USAID faces in Pakistan, perhaps none is as big as operating in the Federally Administered Tribal Areas. **What are USAID's priorities for this region, and how are you constrained by the security climate?**

Answer:

USAID's work in the Federally Administered Tribal Areas (FATA) focuses primarily on large-scale infrastructure: roads, dams, and irrigation. This work is completed by well-established Government of Pakistan (GOP) institutions such as the Water and Power Development Authority (WAPDA) and the Frontier Works Organization (FWO). As a result, the GOP provides security for the projects.

USAID is also focused on supporting the GOP through community development projects that bring GOP representatives together with communities to identify priority projects that the government, through USAID, can implement. While security often affects the areas in which we can work, to date we have completed 2,000 small community-based projects in the FATA/KP addressing community-identified needs and benefiting six million people.

Due to security concerns, it can be difficult for USAID staff to get out into the field in these areas. Therefore, USAID conducts monitoring and evaluation of project sites through contracts with local organizations and through Pakistani foreign service national staff, who have more freedom of movement.

Question #20: Pakistan (Rep. Royce): The FY2013 request for Pakistan's Economic Support Fund is $928.3 million. This funding is slated for programs to address Pakistan's energy needs, growth in agriculture, the stabilization of border regions, and improve the deliverance of social services. **Of these programs, what are the top priorities?**

Answer:

In the first half of 2011, the U.S. Government streamlined and clarified its portfolio priorities for greater effectiveness and visibility in Pakistan. The program focuses on five sectors in the following priority order: energy, economic growth including agriculture, stabilization, education, and health. Into each of these five sectors we integrate the principles of good governance and gender equity, which are considered cross-cutting themes throughout our program.

Projects that address Pakistan's energy crisis are a top priority for both the U.S. Government and the Government of Pakistan. A lack of reliable power supply, particularly a growing shortage of electricity, remains the number one constraint on economic growth within Pakistan and has the potential to create further political instability. Regular, rolling blackouts plague much of Pakistan and increasingly "load shedding" occurs for 8, 10, or even 12 or more hours per day in Pakistan's major cities during certain months of the year. In Karachi, protests over power outages have turned violent. In Pakistan's industrial base, insufficient power has shut down textile factories, putting thousands out of work. Sixty-four percent of public schools have no electricity, and domestic natural gas supply is rationed with no import capability in place. For these reasons, energy is the number one priority for U.S. assistance in Pakistan.

Question #28: Afghanistan (Rep. Royce): Afghan entrepreneur Ajmal Hasas was paid millions of dollars as part of a USAID plan to construct seven miles of road, a project that went so wrong that security guards opened fire on the very villagers whose support the project was supposed to win over. This seems to be emblematic of the overall problems with plans to build roads throughout Afghanistan, a $400 million project. **How did these projects go so terribly wrong?**

Answer:

The Strategic Provincial Roads (SPR) program was developed to serve military and civilian goals, and aimed to stabilize Afghanistan's remote, violent, rural communities and improve the capacity of Afghanistan's nascent construction industry. Unfortunately, security conditions deteriorated significantly after the program was originally designed. USAID continued the program despite the difficult environment because of the urgent need to support counter-insurgency efforts and to fulfill the U.S. national security mandate to disrupt, dismantle and defeat al Qaeda in Afghanistan. Additionally, SPR was one of USAID's first forays in pursuing the U.S. government's "Afghan First" strategy. As such, this program relied on Afghan subcontractors as a way of building capacity within the Afghan construction industry. However, Afghan engineering and construction capacity proved to be far lower than originally estimated, greatly delaying road construction.

USAID's rigorous emphasis on evaluation led us to take a hard look at SPR. After three years, $222 million had been disbursed, yet project outcomes were falling far short of project objectives. To avoid continued investment of taxpayer funds into a nonperforming program, USAID cut $230 million from its budget and ended the project in 2011.

Question #29: Afghanistan (Rep. Royce):

For three years, U.S. taxpayers have spent $270 million to build less than 100 miles of gravel roads. At $2.8 million per mile, these are the some of the most expensive miles of road ever built by the U.S. government. More than 125 people have been killed during the construction of these roads, and an additional 250 have been injured. **When a typical gravel road in Afghanistan costs $290,000 per mile, why was this particular project so expensive?**

Answer:

As noted in the previous response, the SPR was unique in nature and proved challenging. The cost was not for construction only, but included capacity building and community outreach, and completion of detailed designs for numerous roadways, bridges, culverts and causeways. As also noted above, in 2011, USAID decided to end the program because it recognized that SPR was not cost effective. USAID cut the budget by $230 million, roughly half of the program's nearly $500 million budget.

Question #37A: Zimbabwe (Rep. Royce): The FY2013 request for Zimbabwe's Economic Support Fund is $23.6 million to build civil society, improve food security, and support economic recovery. **How has the Mugabe government allowed AID to operate?**

Answer:

In general, the Government of Zimbabwe (GOZ) allows USAID to operate and provide assistance. Although anti-western rhetoric has been disseminated by President Mugabe and members of the ZANU-PF ruling party, in practice it has not translated into obstruction of

USAID assistance. The U.S. Government (USG) has a bilateral agreement with the GOZ which, along with USG policy, provides the basis for USAID's engagement. USAID has carefully identified critically needed areas of assistance in Zimbabwe, while being careful not to reinforce anti-democratic elements in the current coalition government.

International organizations implementing USAID funded programs are formally registered by the GOZ, and expatriate staff members are issued work permits identifying them as development practitioners implementing USAID programs. USAID provides limited support to reform minded GOZ actors in promoting democracy and good governance. USAID also implements a program to support strengthening parliament through a local partner which has a Memorandum of Understanding with the parliament.

The Ministry of Finance – which is one of the most reform-minded elements of the GOZ - shares GOZ priorities and needs with the donor community and is looking for ways to strengthen aid coordination mechanisms with assistance from the United Nations.

Experience has shown that anti-democratic elements within the current coalition government are willing and able to close the operational space for certain activities that are perceived to be a threat - for example in the Democracy Human Rights and Governance (DRG) sector- while allowing other activities in the health and humanitarian sectors to continue relatively undisturbed. Before and during the political and economic crisis in 2008, the government shut off access to a broad range of development assistance by orchestrating large "no-go" zones. Over the next 12 months as Zimbabwe's anticipated elections approach, we may expect repetitive cycles of opening and contraction of space to operate in the various sectors, depending on perceptions of impending threat to the current distribution of political power and the ability of foreign assistance programs to reinforce or influence public opinion and political activities.

Question #37B: Has there been any progress in building civil society?

Answer:

USAID has made significant progress in building the capacity of civil society organizations through its current programs in Democracy Human Rights and Governance (DRG), Economic Growth , and Health. CSOs are becoming more effective at delivering services and advocating for the government to meet the needs of its people. From 2000 – 2009 the majority of Zimbabwean public and private sector institutions ceased to operate or functioned at very low levels due to Zimbabwe's political and economic instability which reached a crisis point in 2008. Building the effectiveness of these institutions is critical to achieving sustainable, increased broad-based economic growth and food security.

In FY 2011, USAID's DRG program provided support to 35 local civil society organizations. Assessments of organizations receiving multi-year support under this program demonstrate annual increases in capacity since the inception of the program three years ago. These findings are reinforced by the latest publication of the NGO Sustainability Index for Sub-Saharan Africa, which ranks civil society organizational capacity on the continent. According to this comparative report, "despite the challenges [Zimbabwean NGOs] face, NGOs have

successfully formed coalitions and implemented advocacy initiatives to address key social, economic, and political challenges. NGO staff are professionals in their fields with training in various subjects impacting their work." Of the 19 countries rated in the index, Zimbabwe NGO sustainability is ranked in the middle, and the only country in Southern Africa with a stronger sustainability rating is South Africa.

In FY 2011, USAID assistance strengthened civil society organizations' institutional capacity in the areas of financial/grants management, gender mainstreaming, stakeholder outreach, security (institutional, informational, and personal), transparency and accountability, and technical advocacy. The program target groups are women and youth organizations, trade unions, and human rights champions. USG funded health activities supported 50 local organizations (in HIV prevention, care, and management and family planning) with capacity-building technical assistance and/or training. In addition, 10,600 primary health care workers were trained in HIV/AIDS prevention, care, and treatment related services at both national and community levels. USAID's Economic Growth portfolio increased the capacity of 14 representative bodies of farmers and agribusinesses and commodity associations to participate in public forums and Parliamentary committee meetings. USAID's Agricultural Competitiveness Program develops the analytical and advocacy capacity of farmers' unions and agribusiness associations, with the ultimate goal of improving the enabling agri-business environment.

Question #37C: Can these programs be effective when President Mugabe has kept such a tight grip on power?

Answer:

While Zimbabwe is a complex environment, USAID programs are having an impact and are providing the space for democratic reformers to ensure their voices continue to be heard. In FY 2011, for example, USAID interventions contributed to a significant improvement in livelihoods, enabling $2.6 million in loans for small holder famers and support for 769,472 farmers and small scale traders through product and market development support and technical assistance. USG funded programs also provided food aid to almost one million vulnerable people and anti-retroviral medication to 400,000 HIV positive patients.

While several of the local human rights organizations the USG supports continue to face harassment, USAID effectively implements a broad array of programs in this sector. Notably, USAID provides assistance to the Parliament, including support for public hearings on key democratic reforms and to the government-led constitutional reform process. Over the past year USAID supported the work of human rights defenders including the provisions of medical services to over 4,600 torture victims and the provision of legal services to 452 victims of torture.

Questions for the Record Submitted to
Administrator Rajiv Shah by
Representative Connie Mack
House Committee on Foreign Affairs
March 20, 2012

Question #44: Global Climate Change Initiative (Rep. Mack): Administrator Shah, the Administration has requested $770 million for 2013 for the Global Climate Change Initiative, $349 million of which will be programmed through USAID. Much of this aid is funneled to programs in individual countries in the Western Hemisphere and elsewhere which are struggling with tremendous violence and crime. It was announced in January by U.S. Ambassador to Mexico Earl Anthony Wayne that the Administration will spend $70 million in Mexico to fight climate change.

- **How do you justify spending funds on Global Climate Change Initiative programs instead of helping countries like Mexico fight the drug violence that is spilling across our border?**
- **At what ratio should the Administration be spending on climate change to security and the economy?**

Answer:

Climate change, security, and economic growth are inextricably linked, and USAID's global climate change programs respond to this linkage. Climate change programs are designed to help countries accelerate their transition to climate resilient, low emissions sustainable economic development, a necessary foundation for future security. For example, the Mexico Reduced Emissions from Deforestation and Degradation program (M-REDD) will assist the government in designing and establishing an operational REDD+ system to incentivize conservation of forests. Working with national government ministries and state and municipal governments, as well as with local and international non-government organizations, M-REDD will help identify emissions reductions activities that can provide community-level economic benefits, which will help rural Mexican communities access valuable income-earning alternatives to illicit activities.

In a CNA Institute for Public Policy study, General Gordon Sullivan (former Army Chief of Staff), Admiral Frank Bowman, (USN ret.) and other former senior U.S. military and defense concluded, "Climate change can act as a threat multiplier for instability in some of the most volatile regions of the world, and it presents significant national security challenges for the United States…The increasing risks from climate change should be addressed now because they will almost certainly get worse if we delay." Another CNA study, focused on Colombia, found that climate change is likely to exacerbate "conditions conducive to illegal activities, fueling crime and violence.

Climate-driven shocks to agriculture, industry, and communities can cause misery, mass migration, and social disorder which illegal groups can exploit for recruitment."

Given the links between climate vulnerability, security and economic growth, the ideal ratio for Administration spending in the areas of climate resilience, security and economic growth varies, and long term success is based on the outcomes which programs achieve in all three areas.

Question #45: Venezuela (Rep. Mack): This fall, Venezuelans will have an opportunity to remove Dictator Hugo Chavez and develop a democracy. Yet, the Administration has requested $2,000,000 less for 2013 than 2012 in democracy promotion categories like "political competition and consensus-building" and "civil society." **Even if Chavez remains in power, aren't democracy programs in Venezuela needed next year more than ever? How do you justify this decrease?**

Answer:

A principal focus for the United States is that the 2012 presidential elections in Venezuela be free and fair. Our election activities are fully funded, and include efforts to promote a free and fair election, promote citizen participation, and protect human rights. After the 2012 elections, when FY13 funds would be appropriated, USAID will be positioned to continue to support priority programs. As in all countries where USAID works, we are prepared to revisit assistance levels based on events on the ground and changing needs.

Question #46A: Summit of the Americas (Rep. Mack): Next month President Obama will travel to Cartagena, Colombia for the Summit of the Americas. **What specific goals do you hope the President achieves while in Cartagena?**

Answer:

At the 5th Summit of the Americas in Trinidad & Tobago, President Obama challenged the region to embrace an updated architecture of regional cooperation based on partnership and shared responsibility. Colombia's Summit theme, "Connecting the Americas: Partners for Prosperity," reinforced the spirit of partnership that has been at the core of the Obama administration's policy since 2009. In Cartagena, the President called for even greater collaboration among the countries of the Hemisphere to address the key challenges facing the people of the Americas – from energy and citizen security to more inclusive economic growth. He also used the Summit platform to advance core U.S. economic and commercial interests, both in the region and beyond.

Question #46B: What specific ideas did you put forth to the President that he will be promoting at the Summit?

Answer:

Although most of Latin America and the Caribbean is experiencing impressive social, political and economic success, countries are still facing pressing development challenges. In order to support the region's development efforts, USAID has proposed initiatives to promote more innovative, effective and cost-effective development approaches, as well as improve access to technology in poor and remote parts of the hemisphere in order to foster regional interconnectivity and economic and social development. The agency also continues to build programs around the United States' commitments at the 5th Summit of the Americas to support the region's efforts to improve citizen and energy security.

MATERIAL SUBMITTED FOR THE RECORD BY THE HONORABLE TED POE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Congress of the United States
Washington, DC 20515
February 21, 2012

His Excellency the Minister of Trade
Khair Alla Babaker
Ministry of Trade
Baghdad

Dear Mr. Minister,

As you may know, the United States' rice industry has always been a reliable supplier of high-quality rice. In the current marketing year, the U.S. rice industry has made enough rice available to accommodate Iraq's import needs. We write today to encourage you and the Iraqi government to pay close attention to the following issues that are affecting the U.S. rice trading partnership with Iraq.

The U.S. rice industry would be very capable of meeting Iraq's rice import requirements under generally-accepted commercial trade standards. Grain length, chalk content, and broken-kernel levels are quality specifications that Iraq sets for its rice imports. As we understand, Iraq's quality terms are very stringent relative to chalk content and brokens. Iraq is also requiring rice to be delivered pre-bagged while most other foreign markets allow bagging at destination. These unreasonable quality terms increase risk to shippers, causing them to hedge uncertainty with price premiums, which creates a competitive disadvantage.

Not long ago Iraq represented the largest market for U.S. rice. Sales have continued in recent years, but for the January-November period of 2011 the latest U.S. export data concludes that U.S. rice sales to Iraq have dropped 77 percent when compared to the same period in 2010. We are hopeful that the U.S. rice industry and your government can reestablish high levels of trade activity. Over the years, the U.S. rice industry has taken a number of steps in working with Iraq to establish and operate a commercial rice market, including conducting numerous meetings and workshops with Iraqi Grain Board officials. Grain Board officials and others have travelled to the United States to see our rice fields and mills, as well as other facilities involved in export trade.

We respectfully request your assistance in facilitating cooperation between the Government of Iraq and the U.S. rice industry to build a stronger trading partnership. It is our hope that we will bring rice trade beyond the high levels it once achieved based upon normal and reasonable commercial trade conditions.

We look forward to working with you on this very important matter.

Sincerely,

Ted Poe
Member of Congress

Rick Crawford
Member of Congress

Dennis Cardoza
Member of Congress

Bill Cassidy
Member of Congress

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