

**INTERNATIONAL DEVELOPMENT PRIORITIES  
IN THE FY 2015 BUDGET**

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**HEARING**

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE**

ONE HUNDRED THIRTEENTH CONGRESS

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## CONTENTS

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	Page
Corker, Hon. Bob, U.S. Senator from Tennessee, opening statement .....	3
Menendez, Hon. Robert, U.S. Senator from New Jersey, opening statement ....	1
Shah, Hon. Rajiv, Administrator, U.S. Agency for International Development .	3
Prepared statement .....	5
Responses to questions submitted by Senator Bob Corker .....	36
Responses to questions submitted by Senator Tom Udall .....	49
ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD	
Letter and attached prepared statement submitted by Lions Clubs Inter- national .....	33



## **INTERNATIONAL DEVELOPMENT PRIORITIES IN THE FISCAL YEAR 2015 BUDGET**

**THURSDAY, APRIL 10, 2014**

U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The committee met, pursuant to notice, at 9:40 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Robert Menendez (chairman of the committee) presiding.

Present: Senators Menendez, Cardin, Durbin, Murphy, Kaine, Corker, Rubio, Johnson, Flake, and Barrasso.

### **OPENING STATEMENT OF HON. ROBERT MENENDEZ, U.S. SENATOR FROM NEW JERSEY**

The CHAIRMAN. This hearing of the Senate Foreign Relations Committee will come to order.

Administrator Shah, welcome back to the committee. You come at a time when USAID is making headlines for, in my mind, doing nothing more than the job you were appointed to do.

Let me say for the record when it comes to the issue of Cuba or your work in any closed society, I do not believe that USAID's actions, as clearly articulated in your mission statement—to promote, “resilient, democratic societies that are able to realize their potential”—are in any way a cockamamie idea.

I believe it is exactly what the people of Cuba, Iran, Burma, Belarus, North Korea, and other authoritarian nations need to help them communicate with each other, and to help them achieve USAID's stated mission of a “free, peaceful, and self-reliant society with an effective legitimate government.”

So I commend you for helping people have a less-controlled platform to talk to each other, and for helping them to find a way to connect and to share their views.

Global Internet freedom programs, U.S. international broadcasting, and support for human rights activists are all fundamental components of our country's long-standing efforts to promote democracy overseas. For more than 50 years, the United States has had an unwavering commitment to promote freedom of information in the world.

Our work in Cuba is no different than our efforts to promote freedom of expression and uncensored access to information in Ukraine, Russia, Belarus, Iran, China, or North Korea.

It should be noted that in the fiscal year 2014 Senate foreign operations bill, there is \$76 million set aside to promote global Internet freedom and democracy in closed societies like Cuba,

where the regime allows no independent press and limits access to the Internet. It also states that “with respect to the provision of assistance for democracy, human rights, and governance activities,” these programs “shall not be subject to the prior approval by the government of any foreign country.”

It is common sense that we should not ask the Government of Iran or Egypt or China for permission to support advocates of free speech, human rights, or political pluralism, or to provide uncensored access to the Internet or social media.

At the end of the day, just giving people the opportunity to communicate with the outside world and with each other is, in my mind, a fundamental responsibility of any democracy program.

As Bill Gates said: “The Internet is becoming the town square for the global village of tomorrow,” and he is right. But to go one step further, the town square will become more free and inclusive thanks to the democracy efforts of organizations like USAID.

And let me just close on this one point. I think it is dumb, dumb, and even dumber to go ahead and suggest that there can be freedom, and that we should seek freedom of Internet access and freedom of expression globally, but that somehow the people of Cuba do not deserve the same freedom.

Finally on this topic, I will say that there is only one entity responsible for the imprisonment of Alan Gross, and that is the Cuban regime. It is not this Government. It is not USAID. It is the Cuban regime. I am tired of blaming ourselves when the entity that should be blamed is the regime that unlawfully holds an American in prison for doing nothing but having the Jewish community in Cuba to communicate with each other. It is pretty outrageous.

Now, finally, with reference to the overall priorities of the budget, we look forward to your perspective on how we can make certain that U.S. development assistance is aligned with overall U.S. foreign policy, and I look forward to hearing about your priorities for the fiscal year 2015 USAID budget.

I know I speak for all of the members when I say how impressed I have been by your creativity and energy, which has been essential to USAID reform and to your agency’s pursuit of international development priorities in ways that focus on best practices and results.

However, as we have discussed on numerous occasions before, and as I said to the Secretary when he was here, I do remain deeply concerned about the resources for the Western Hemisphere. They are insufficient to meet the challenges of the region and its importance to our own economic prosperity, security, and our shared interests in health and development. So that is something that we look forward to continuing to engage on with you.

And while efforts to address the challenges of domestic and transnational criminal networks pose the greatest short-term threat to stability in the region, a long-term strategy that boosts economic growth and consolidates the rule of law is fundamental, and, in my view, it is currently lacking. I believe we can do better in the hemisphere, and I think we can do better in meeting, within that context, our international development priorities within the hemisphere.

I look forward to an ongoing conversation with you about how we get the best results more broadly for USAID, for foreign assistance, for donors, for NGOs, for the taxpayers.

And now I would like to recognize the ranking Republican, Senator Corker.

**OPENING STATEMENT OF HON. BOB CORKER,  
U.S. SENATOR FROM TENNESSEE**

Senator CORKER. Thank you, Mr. Chairman, and thank you for those passionate comments.

Mr. Shah, we appreciate you being here and all the work you do around the world.

My comments are going to be a little more brief. We look forward to your testimony.

But, look, we appreciate you being here to go over your budget request for 2015. We appreciate the reforms that you are trying to put in place around the world but also within USAID itself.

I think foreign aid is one of the most misunderstood concepts that the American people have sometimes. And the fact is we spend 1 percent of our overall U.S. budget on foreign assistance and foreign aid and foreign activities, nonkinetic I might add. But I would like for you to herald some of those successes. I know you are going to do that today, but I think it is also our responsibility to have some healthy skepticism regarding some of the programs. I really appreciate what you are trying to do with the food programs, to make them much more efficient and look forward to talking with you about that.

I know there are some other programs where we are going to be dealing 30 percent with local entities. In one way, that is a much appreciated concept. On the other hand, I know we want to make sure we have results from that.

But thank you for being here today. We look forward to the questions and certainly your testimony. And we thank you for your work.

The CHAIRMAN. Administrator Shah, the floor is yours. We will enter your full statement in the record, without objection. We would ask you to summarize it, more or less, in about 5 minutes, so that members can have an opportunity to have a dialogue with you.

**STATEMENT OF HON. RAJIV SHAH, ADMINISTRATOR, U.S.  
AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC**

Dr. SHAH. Thank you. Thank you, Chairman Menendez and Ranking Member Corker. I want to thank you specifically for your very strong leadership and your support for America's development programs around the world and ensuring that they are a full reflection of our values.

I want to thank all the members of the committee for your guidance, counsel, support, and oversight in these past years.

And I am honored to be here to present the President's fiscal year 2015 budget request for USAID, which totals just above \$20 billion.

This resource and this investment is a core part of keeping our country safe and secure over the long term and improving our own domestic prosperity as the world prospers with us. Our mission is to end extreme poverty and to promote resilient democratic societies.

Our efforts over the last few years with your support have constituted a serious rebuilding of this agency. During my tenure, we have hired more than 1,100 staff, rebuilt our capacity to manage budgets, projected policy priorities in food, energy, education, water, and health and expanded our partner base to include more local organizations, companies, faith-based institutions, universities, scientists, and students in addition to our valued traditional NGO and contracting partners.

We have expanded our capacity to evaluate all of our major programs. When I started, there were a few dozen evaluations put forth every year. This year we will have nearly 280, with more than 50 percent of them used to make course corrections in how programs are implemented, with all of them being open and publicly available.

Our efforts have constituted a new model of development that engages the private sector, science and technology, faith institutions, and others in new types of partnerships. We believe these partnerships are delivering results.

President Obama's Feed the Future program, which is represented with nearly \$1 billion in this budget request, now reaches 7 million small-scale farmers in 19 countries. This year, 12.5 million children will no longer be hungry because they are in families that are beneficiaries of Feed the Future. Our investment is matched and in some cases exceeded by private sector partners who have committed \$3.7 billion to this effort, and I want to thank the committee for its leadership in supporting incremental food aid reforms that will help us reach an additional 800,000 children in the context of disasters around the world this year.

Our efforts to support and save children's lives, especially children who die unnecessarily under the age of 5, are supported in this budget with a \$2.7 billion budget request. Between 1990 and today, every year we save more than 5 million children from dying under the age of 5. We have set for ourselves a similar goal of saving 6 million kids a year by 2030 and mobilized the global community to work with us to achieve those goals.

In education, water, energy, and many other sectors of the economy, we work in a results-oriented way, and I look forward to that discussion today.

Last week, I was in Hawaii with Secretary Hagel working with ASEAN defense ministers on how we can coordinate humanitarian relief efforts more effectively and help them build the capacity to be great partners in dealing with disasters. This budget request includes more than \$3 billion for disaster assistance in places like Syria, the Central African Republic, and South Sudan.

Our investments in democracy, human rights, and governance are an important part of what we do all around the world. This past weekend, we noted with some initial success an election in Afghanistan that saw nearly 60 percent voter turnout and a very large proportion, more than expected, of women. Those efforts were

supported by the United States and other international partners and led by Afghan institutions themselves.

Our work in our own hemisphere is of particular importance. And while budgets have been tight and this budget does make tradeoffs, we have now launched a U.S. Global Development Lab that brings businesses, scientists, technologists, and universities together. And I believe in the Latin American region in particular, we are starting to see some interesting results. We closed an interesting leveraged partnership in which we will spend \$5.7 million to motivate local banks to commit \$133 million to small-scale farmers and producers in agricultural lands in Colombia, Peru, and Guatemala. That kind of leverage and that kind of scale is what is possible if we do things in a more creative and effective way.

Let me close just by saying thank you. I had the opportunity this year—and I was honored to—to deliver the speech at the National Prayer Breakfast, and it reminded me that when we come together to serve the world’s most vulnerable people, this is an issue that can cut across partisan divides, bring us together as a nation, and allow us to continue our proud heritage over past decades as the world’s humanitarian, development, and global health leader. Thank you.

[The prepared statement of Dr. Shah follows:]

PREPARED STATEMENT OF DR. RAJIV SHAH

Thank you Chairman Menendez, Ranking Member Corker, and members of the committee. I am pleased to join you to discuss the President’s fiscal year 2015 budget request for the U.S. Agency for International Development.

Four years ago, President Obama set forth a new vision of a results-driven USAID that would lead the world in development. We have since risen to this challenge, pioneering a new model of development that brings a greater emphasis on partnerships, innovation, and results. We are guided in these efforts by a new mission statement: We partner to end extreme poverty and promote resilient democratic societies while advancing our security and prosperity.

Although these goals are not new, they reflect a unique moment in development today when exciting opportunities are emerging to change what is possible. In a time of fiscal restraint, we are applying the new model to seize this moment and reach more people, save more lives, and leverage more private investment than ever before—delivering results for the American people and those in greatest need around the world.

The President’s fiscal year 2015 budget responds to unprecedented development challenges, including some of the most significant events unfolding on the world stage today.

When Typhoon Haiyan swept across the Philippines, we swung into action, leading and coordinating the U.S. Government civilian and military humanitarian response and distributing life-saving aid, including highly nutritious food products to feed hungry children and adults. In Ukraine, we remain committed to helping citizens realize the democratic aspirations that many spent months on the Maidan demanding. For nearly 20 years, we have stood shoulder to shoulder with the people of Ukraine, putting 1.8 million land titles into the hands of farmers and helping civil society leaders develop recommendations, including on anticorruption, in a comprehensive reform package for the government. Many of the recommendations are being implemented through new and revised legislation.

In South Sudan, as citizens face a looming humanitarian catastrophe that will leave half the country on the brink of famine, we are racing against the clock to save lives. And as we saw just a few days ago, citizens in Afghanistan voted for a new President to lead them toward a brighter, more stable future. In support of the Afghan-owned election process, USAID provided extensive guidance on how to prevent electoral fraud, as well as capacity-building support for independent domestic observers, civil society, media, and political parties to help ensure a transparent electoral process.

The budget enables us to respond effectively to these events and address the underlying causes of extreme poverty through President Obama’s Feed the Future,

Global Health, Global Climate Change, and Power Africa initiatives. It advances our national security by building linkages to emerging markets, strengthening democracy and human rights, and promoting broad-based economic growth. It helps vulnerable communities strengthen their resilience to crises and natural disasters. It facilitates strategic engagement in the Middle East and North Africa, as well as across the Asia-Pacific and Latin America. It also focuses our activities in Afghanistan, Pakistan, and Iraq, ensuring that we sustain the gains we have made.

Even though we work far from home, our work continues to realize benefits for our home: for opportunities we open for American businesses, the skills of our young people we help build, and the threats to our security that we help prevent. For less than 1 percent of the federal budget, we are delivering results that shape a more secure and prosperous future for the American people and the world.

#### A NEW MODEL FOR DEVELOPMENT

The FY 2015 budget request for USAID managed or partially managed accounts is \$20.1 billion, 1 percent below the total enacted FY 2014 funding for these accounts. In this constrained budget environment, USAID is focused on maximizing the value of every dollar. Over the past 5 years, we have made difficult choices about where our work will have the greatest impact, shifting resources and personnel to better advance our mission of ending extreme poverty around the world.

Since 2010, regional bureaus have reduced program areas by 34 percent; USAID global health program areas have been phased out of 23 countries; and Feed the Future agriculture programs have been phased out of 26 countries. We are reducing programs in countries that have turned a corner, like Mongolia, and transitioning Missions to Offices. We are shifting resources to countries in critical need and where our work has the widest impact.

Over the past 3 years, the USAID Forward reform agenda has touched upon every part of our Agency. We've revamped our budget to include more rigorous performance monitoring and impact evaluation, expanded the use of science, technology, and public-private partnerships, and improved talent management. In each area of reform, we set aspirational targets that have established a common language for success, challenged our partners, and encouraged us to step out of our comfort zone.

Taken together, these reforms have formed the foundation of a new model of development that defines the way we work around the world. With this new model, we are backing cutting-edge innovation, taking advantage of fast-moving technology, and harnessing the vast potential of the development community to achieve unprecedented results.

Today, all our major programs are independently evaluated, and those evaluations are available right now on an iPhone app—an unprecedented level of transparency. The quality of our evaluations has improved significantly, which is an important sign that we are increasingly grounding our work in evidence and data. Missions are reporting dozens of different ways that these evaluations are strengthening our programs in the field. Through an evaluation in Benin, we learned that community health programs naturally favored men in their hiring, which limited our ability to provide care to women. So we're redesigning our recruitment to help more women become community health workers.

Working closely with local leaders, governments, and organizations, we are strengthening the capacity of our partner countries to create stronger communities and brighter futures without our assistance. In 2013 alone, our emphasis on local solutions enabled us to support 1,150 local organizations in 74 countries. In the Democratic Republic of the Congo, for instance, we have worked with 12 local governments to improve their tax collection, so they can afford to pay the salaries of teachers and health workers. As a result, they have increased revenues by 95 percent since 2009.

We are also mobilizing a new generation of innovators and scientists to advance our mission. Launched last week, the U.S. Global Development Lab represents a historic investment in the power of science and technology to bend the curve of development. With \$151 million in funding, it will generate and scale breakthrough solutions to complex development challenges, while attracting private sector investment to improve the sustainability of our solutions. Already, it has generated cutting-edge inventions—including the bubble CPAP, a device from Texas that can resuscitate newborns at a fraction of the price of existing machines.

To maximize the impact of the Lab, we seek new authorities from Congress. These include the ability to hire a diverse range of staff; to use development assistance funding programmed for science, technology, and innovation for all development purposes, including health; and to use a “pay-for-success” model to incentivize the

best solutions from innovators around the world—all of which will help us catalyze a wave of innovation that solves the toughest development challenges on the planet.

We are increasingly focused on engaging a wide array of partners, from our longstanding partners in the development community, to faith organizations, to multinational corporations. Through our Development Credit Authority (DCA), we unlocked a record \$1.02 billion over the last 2 years alone in commercial capital to empower entrepreneurs around the world. Earlier this year, we partnered with GE and Kenya Commercial Bank to help health care providers buy life-saving health care equipment, including portable ultrasound devices and MRI machines. For the first time ever, our private sector partner is covering the cost of the loan guarantee—making this program virtually costless for the American taxpayer. To build on this success, the request seeks to increase the annual cap on loans under DCA guarantees from \$1.5 billion to \$2 billion, a measure that will enable us to ramp up high-impact projects, particularly through Power Africa.

#### CORE PRIORITIES

Under the leadership of President Obama, we are applying the new model to deliver unprecedented results across our work, from expanding access to mobile money to empowering women and girls to strengthening land tenure rights to safeguarding the world's biodiversity.

##### *Feed the Future*

In this request, \$1 billion is devoted to Feed the Future, President Obama's global food security initiative. After several years, Feed the Future has hit its stride—delivering results that are changing the face of poverty and hunger for some of the world's poorest families.

In 2012, we reached 12 million children with programs to strengthen their nutrition and helped more than 7 million farmers increase their yields through new technologies and management practices. Reported incremental sales of farmers working with Feed the Future programs worldwide increased their sales from \$100 million in 2012 to over \$130 million in 2013. These results are grounded in a robust management system for gathering timely, accurate data that measures everything from household income to the participation of women to the prevalence of stunting. Just as the Demographic and Health Surveys helped dramatically expand monitoring capabilities in global health, Feed the Future's new open data platform is transforming our knowledge and informing cutting-edge approaches.

This year's budget request builds on these results with an integrated nutrition approach to reduce stunting by 20 percent—a target that will prevent 2 million children from suffering from this devastating condition over the next 5 years.

In Kenya, the reported gross margin of livestock farmers receiving training on improved management practices and support to partner with cooperatives increased over 45 percent from 2012 to 2013, from \$371 to \$541 per cow. Feed the Future activities in Kenya support rural smallholders who account for over 80 percent of the country's raw milk production. Farmers in Bangladesh using new fertilizer technologies more than doubled the production of rice from 2011 to 2013. New technologies and management practices such as this also contributed to increases in the rice farmers' gross margin per hectare from \$431 in 2012 to \$587 in 2013. Across Central America, Feed the Future is helping trading unions to meet international standards and maintain access to agricultural markets in the United States.

Two years ago, President Obama led global food security efforts to the next stage, introducing the New Alliance for Food Security and Nutrition. Today, it is a \$3.75 billion public-private partnership that is enabling reforms from 10 African governments and commitments from more than 140 global and local companies. For instance, Ghana Nuts—an agricultural business that was once an aid recipient—is now a multimillion dollar company employing 500 people. Under the New Alliance, it has committed to strengthening local supply chains, reaching 27,000 smallholder farmers with more than \$4 million in investments.

At the same time, the governments we work with through the New Alliance have committed to significant market-oriented policy reforms. Recently, Burkina Faso launched an electronic platform that increases the transparency and speed of their customs processes. Last summer, Mozambique, Cote d'Ivoire, and other New Alliance nations committed to policy reforms that will foster private sector investment in smallholder farmers, particularly women.

##### *Global health*

With strong bipartisan support, we are providing critical health assistance more efficiently than ever before. We have narrowed our focus on maternal and child health to the 24 countries that represent more than 70 percent of maternal and

child deaths in the developing world. Through the \$2.7 billion request for USAID Global Health Programs—along with State Department Global Health Programs for \$5.4 billion—we will work toward ending the tragedy of preventable child and maternal death, creating an AIDS-free generation, and protecting communities from infectious diseases.

Around the world, we are seeing real results of global partnerships to accelerate progress toward these goals. Since 2010, 15 of our 24 priority countries have rolled out the pneumonia vaccine with GAVI support; and since 2011, 8 have introduced rotavirus vaccines against diarrheal diseases. In 2013, the President’s Malaria Initiative protected over 45 million people with a prevention measure. Since 2006, all the original 15 PMI focus countries have had reductions in childhood mortality rates, ranging from 16 to 50 percent.

In 2013, Saving Mothers Giving Life, a USAID-led public-private partnership, contributed to a 30-percent decline in the maternal mortality ratio in target districts of Uganda and a 35-percent reduction of maternal deaths in target facilities in Zambia.

Since 2006, our support for neglected tropical diseases has expanded to reach 25 countries. In the countries where we work, nearly 35.8 million people no longer require treatment for blinding trachoma, and 52.4 million people no longer require treatment for lymphatic filariasis.

Since USAID’s 2012 Child Survival Call to Action, nearly a dozen countries, representing those with the highest global rates of child death, have launched their own local calls to action, set national targets, and are creating evidence-based business plans to focus resources in acutely vulnerable regions.

We will continue to make cost-effective interventions that save lives—from preventing the spread of disease, to providing nutrition to millions of hungry children around the world.

#### *Climate change*

Of the President’s \$506.3 million request for the Global Climate Change Initiative implemented in partnership with the Department of State, USAID implements approximately \$348.5 million and invests in developing countries best suited to accelerate transitions to climate-resilient, low-emission economic growth. In FY 2013, USAID helped over 600,000 stakeholders implement risk-reducing practices or use climate information in decisionmaking. These stakeholders are impact multipliers, including meteorologists, agricultural extension workers, and disaster planners who use this information to improve the climate resilience of millions of people in their countries and regions.

Across the world, we are harnessing innovation, evidence, and technology to help vulnerable communities anticipate and take action to reduce the impacts of climate change. Today, a joint venture between USAID and NASA—called SERVIR—provides communities in 29 countries with global satellite-based climate information, including sending frost alerts to tea growers in Kenya and fire alerts to forest officials in Nepal.

USAID is pioneering a new approach that puts people on a path from dependency to resilience, while expanding broad-based economic growth. From small farming collectives to multinational corporations, our partners are pursuing climate-resilient, low-emission development. In support of the Tropical Forest Alliance 2020, we recently helped launch the Global Forest Watch, a forest alert system that utilizes real-time satellite data to help countries reduce tropical deforestation and enable companies to monitor their supply chains.

The Global Climate Change Initiative advances practical, on-the-ground solutions to help developing countries contribute to the global effort to reduce greenhouse gas emissions while achieving development goals. Since 2010, USAID and the State Department have established 25 bilateral agreements with partner countries to develop and implement for low emissions development strategies. This support is helping advance the transition to lower carbon energy systems by creating enabling environments for public and private investments in efficient, clean energy sources, and sustainably reduce emissions from land use such as deforestation and agriculture.

#### *Power Africa*

The FY 2015 request advances our Nation’s commitments to Africa with initiatives like Trade Africa and Power Africa. With \$77 million requested in this budget, Power Africa represents a bipartisan approach to use public-private partnerships to double access to power on the continent and connect American investors and entrepreneurs to business opportunities abroad. Less than a year since launching, more than 5,500 mega-watts of power projects have been planned—putting us more than

halfway toward our goal of expanding electricity to 20 million people and businesses. For every dollar that the U.S. Government has committed, the private sector has committed two—over \$14 billion so far.

With an initial set of six partner countries, Power Africa focuses on completing projects quickly and efficiently, while encouraging countries to make energy sector reforms critical to their success. In Ethiopia, for example, Power Africa is supporting the first independent power producer geothermal plant in the country, a project that will pave the way for future private sector investment and provide enough power to reach tens of thousands of people. In Kenya, Power Africa is enabling the construction of the largest privately owned wind farm in sub-Saharan Africa—helping millions leapfrog dirtier, unhealthier phases of development and join a global low-carbon economy.

#### *Education*

Education remains a critical focus for the Agency. Our request for Basic Education is \$534.3 million, an increase of 6.6 percent over our FY 2014 request.

Through the “Room to Learn” program, we are intensifying our efforts in six countries—including Nigeria and Afghanistan—where endemic poverty and conflict conspire to rob children of their futures. In the Katanga province in Democratic Republic of the Congo, in the schools we support, we have seen a 40-percent decrease in students repeating a grade from 2010 to 2013. The drop-out rate was also 65 percent lower than in 2010.

From Kenya to Afghanistan, we’re seeing reading skills develop and enrollment—especially for girls—jump. Our strategic shift to improving primary grade reading for tens of millions of kids brings with it a commitment to measuring results through student learning achievements. In Malawi, we used early grade reading assessments to evaluate students’ foundation skills—giving their parents and teachers a way to measure their progress. Today, second graders who receive interventions like these have comprehension levels four times those in control groups.

By maintaining our focus on global education as a core development objective, we can brighten the future for millions of vulnerable children, including children in crisis environments. With widespread illiteracy estimated to cost the global economy more than one trillion dollars this year alone, these programs are not only advancing America’s standing as the world’s development leader in education, but are also energizing the global economy.

#### *Water*

While the world has seen tremendous progress on expanding access to safe drinking water—halving the proportion of people without sustainable access since 1990—a lot of work remains. This budget request continues the implementation of our first-ever Water and Development Strategy, which outlines a goal to save lives and advance development through improvements in water for health and water for food. The Strategy sets explicit targets of sustainably providing 10 million people with access to improved water supply and 6 million people with access to improved sanitation over the next 5 years.

Through our Development Innovation Ventures fund, we’re partnering with the Gates Foundation to help bring safe drinking water to at least 4 million of the world’s poor. Called WASH for Life, this initiative will source and rigorously test great ideas to improve access to water and sanitation service. Last year, in Kenya, we leveraged a Development Credit Authority guarantee to extend piped water supply in Kisumu for over 1,500 piped water connections to benefit over 8,500 individuals.

The request for WASH funding is \$231 million in this budget. Budget requests for WASH programs have typically been about \$230 million, and because of the number of program areas we engage in with water investments—from OFDA’s emergency response work, to resilience programs in regions of chronic crisis like the Horn of Africa and the Sahel, to Feed the Future agricultural infrastructure support—our actual programming for all water activities has grown to over \$500 million, and we expect similar levels in the year ahead.

#### SUPPORTING REGIONAL PRIORITIES AND STRENGTHENING NATIONAL SECURITY

This budget also maintains our Nation’s tremendous leadership in humanitarian response with \$4.8 billion requested in State and USAID funding. In the last year, we have responded to unprecedented need around the world—saving lives from the Philippines to South Sudan.

In Syria, we currently provide life-saving aid for 4.2 million people in all 14 governorates across the country, as well as more than 2 million people who have fled the violence into neighboring countries. At the same time, we are supporting

neighboring Jordan and Lebanon to manage the overwhelming influx of refugees from Syria. We have worked with local school systems to accommodate Syrian children, and in some areas, helped them adjust their schedules so that local children can learn in the morning and Syrian kids in the afternoon.

Thanks to strong bipartisan support, we have begun reforms that mainly address our development food aid programs, allowing us to reach an additional 800,000 hungry people every year with the same resources. The need for this flexibility grows more urgent every day, as crises deepen from Syria to the Central African Republic to South Sudan. That is why this budget calls for reforms to be extended to emergency food assistance. We are seeking the flexibility to use up to 25 percent of Title II resources for life-saving tools, like vouchers and local procurement—allowing us to reach 2 million more people in crises with our existing resources.

While we remain the world's leader in humanitarian response, we are increasingly focused on ensuring communities can better withstand and bounce back from shocks—like droughts, floods, and conflict—that push the most vulnerable people into crisis again and again. In the Horn of Africa, which suffered a devastating drought two years ago, we're deploying mapping technology to help farming communities find new sources of water. In the Sahel, we're partnering with U.S. Special Operations Command to conduct detailed analysis and geospatial mapping of the region. These efforts have given U.S. development and military professionals a deeper understanding of both the drivers of conflict and ways to build resilience.

We are working effectively to both protect and manage the environment that supports us. In addition, we are harnessing innovation, evidence, and technology to reduce consumer demand for endangered species and stop wildlife trafficking. For instance, no tigers or rhinos were poached in Nepal in 2013 due to our sustained investments in community-based conservation. This past January, USAID partners convened 28 African and Asian countries to participate in an enforcement operation that resulted in more than 400 arrests and the seizure of three metric tons of ivory, 10,000 turtles, and 1,000 skins of protected species.

We're pioneering a new approach that puts people on a path from dependency to resilience, while expanding broad-based economic growth.

USAID and State Department are requesting \$2 billion globally in the Development Assistance and Economic Support Fund accounts to strengthen democracy, human rights, and governance. Thanks to USAID's rapid-response capability on civil society laws, we were able to take advantage of political openings in Libya, Tunisia, and Burma to encourage early reformers to adopt consultative government-civil society processes that have led to much-improved civil society legislation, which in turn will pave the way for further political opening.

In FY 2015, the State Department and USAID have requested nearly \$1.5 billion to support democratic transitions and respond to emerging crises in the Middle East and North Africa. For example, in Tunisia, we worked with civil society and the government to implement some of the most progressive NGO laws in the region. The new law passed as a result of a consultative government-civil society process and is now considered a model for the region; the new Libyan draft civil society organization law is based on peer consultations with Tunisians on their law.

Of the President's \$2.8 billion assistance request for the Frontline States, USAID implements \$1.8 billion for long-term development assistance, continuing to work closely with interagency partners—including the State and Defense Departments—to move toward long-term stability, promote economic growth, and support governance reforms, including the rights of women.

This request is tailored to support our three-fold transition strategy in Afghanistan, including maintaining gains in health, education, and the empowerment of women; promoting economic growth; and improving stability by supporting more accountable and effective Afghan governance, which is especially critical in the first year after the 2014 presidential election.

Our assistance in Afghanistan has helped deliver incredible gains. Today, 77,000 university students—a ninefold increase from 2001—will form a new generation of leaders. The wait time for goods crossing the border with Pakistan has fallen from 8 days to 3.5 hours—saving \$38 million every year and opening access to new markets for farmers and entrepreneurs. The rapid expansion of mobile technology across the country is empowering Afghan women to demand an equal stake in their nation's future.

Building on our strong legacy of progress in Latin America and the Caribbean, we're focusing on spurring economic growth and strengthening democracy by tackling the biggest drivers of instability, from drug trafficking to climate change. Today, for example, we work with a range of partners, including Nike Foundation and PepsiCo, to train thousands of at-risk youth in 18 countries of the region. The program has had an extremely high success rate, with 65 percent of graduates

getting jobs, returning to school, or starting their own business within one year of graduation.

In Colombia, we've partnered with Starbucks to improve yields for 25,000 coffee farmers, giving them a shot at the global market and a reason to invest in their land after decades of conflict. In Peru, our partnership with the government of San Martin has helped reduce poverty by more than 67 percent and cut coca production from 22,000 hectares to around 1,200.

We're also investing in the future innovators, doctors, and entrepreneurs throughout Latin America. For instance, in Honduras, we partnered with a telecom company to connect our network of 40 youth outreach centers—providing Internet access, online education and virtual job training to more than 17,000 people. On the whole, these investments produce immense gains in literacy, stability, and long-term economic growth.

From empowering small businesses in Burma to helping eradicate extreme poverty in Nepal, we are supporting the administration's Asia-Pacific Rebalance, renewing U.S. leadership, deepening economic ties, and promoting democratic and universal values. Today, we are bolstering regional cooperation around shared solutions to complex challenges through deepened engagement in ASEAN and the Lower Mekong Initiative. In March, we signed an agreement with the US-ASEAN Business Council to help link small and medium-sized enterprises across Asia to regional and global value chains.

#### USAID OPERATING EXPENSES

In recognition of development's centrality to U.S. national security, the President's National Security Strategy calls for investing in development capabilities and institutions. The FY 2015 USAID Operating Expenses account request for \$1.4 billion will provide that investment—advancing U.S. interests, enhancing national security, and reaffirming our global development leadership. The request will enable USAID to maintain core operations, and to continue USAID Forward reforms—as well as better collaborate with partner countries and local institutions—to maximize the value of each dollar.

Although an increase from FY 2014, the request represents the minimum level of resources necessary to preserve our agency's current services and operations and support the existing workforce to meet U.S. foreign policy objectives and global development needs. The requested funding will allow our agency to offset the projected decrease in other funding sources, such as recoveries, reimbursements, and trust funds that support operations. At the same time, it will restore the new obligation authority needed to maintain its current level of operations into FY 2015.

The request reflects our agency's focus on working through a more efficient, high-impact approach. We are continuing to reform operations to improve management processes and generate significant cost savings for FY 2015, like real property disposals and space optimization. In addition, our agency restructured its overseas presence to strengthen its ability to meet its foreign policy and national security mission.

#### CONCLUSION

Today, for the first time in history, we have new tools and approaches that enable us to envision a world without extreme poverty.

This is an unprecedented moment for our Nation—one where we can again lead the world in achieving goals once deemed too ambitious, too dangerous, or too complex. In doing so, we can protect our national security and spur economic growth. But above all, we can express the generosity and good will that unite us as a people.

As President Obama said in the 2013 State of the Union address, "We also know that progress in the most impoverished parts of our world enriches us all—not only because it creates new markets, more stable order in certain regions of the world, but also because it's the right thing to do."

As we step forward to answer the President's call with renewed energy and focus, we remain committed to engaging the American people and serving their interests by leading the world to end extreme poverty.

The CHAIRMAN. Thank you, Administrator.

Let me start off with the one concern that I had, which is the Western Hemisphere. Almost every major account in USAID's fiscal year 2015 budget for the Western Hemisphere will be cut relative to past years. Venezuela will be cut by 14 percent, even

amidst the current crisis. Haiti, Colombia, and Guatemala, will all be cut by 20 percent.

Now, I do not underestimate the problems we face in the world, but I do think we underestimate the problems that we face in our own hemisphere. We have enormous challenges in Central America with one of the highest homicide rates in the world. We have challenged governments in terms of meeting that challenge and rule of law issues. In Mexico we still have some states that are relatively lawless near the frontier border with the United States. We have the challenge of Venezuela and a growing set of circumstances there where civil society is under siege. And in Ecuador, because of the government, we have basically closed our missions. So I see a wide range of issues.

And I understand that some of these countries have sort of “graduated,” but by the same token, instead of looking for other investment opportunities in the hemisphere, the money is sent to other parts of the world. And we have now seen, year over year over year, double-digit cuts that, from my perspective, are not sustainable.

So can you commit to me that you will work with us, as the Secretary said he would, to see how we change this dynamic? Because I think that in our own hemisphere, in our own front yard, there are challenges that are in our national interests on so many different questions—from security to drug interdiction to economic opportunity to health care issues that know no borders when it comes to diseases. Can you talk a little bit about that?

Dr. SHAH. Yes. Thank you, Senator, and I appreciate that point of view and agree with the central nature and importance of the region.

While we have made tough tradeoffs over the last many years, as Secretary Kerry noted and as President Obama has said, this region is of critical importance to our future from a trade, immigration, and partnership perspective. As a result, we are trying to position our programs in such a way that especially as countries get wealthier and move into middle income and upper income status, our programs shift to engaging more public/private partnerships, and we are doing more creative and technical partnerships in lieu of, in some cases, slightly lower resources.

In particular, I am proud of the fact that our Development Credit Authority team has dramatically expanded the number of loan guarantees we provide to local banks, whether it is in El Salvador where we have now allowed Banco Davivienda to open \$25 million of lending for small-scale businesses or in Nicaragua or in Mexico where I will be next week to meet with some of these partners. We are making real progress in helping to unlock local finance using our credit guarantees in a highly leveraged way. I would like for us to be able to do a lot more of that.

Similarly, as we have reprioritized science, technology, and innovation, we have a host of new and improved partnerships with businesses and research institutions throughout the region. One I would note is an innovative partnership with Starbucks to help them reach 25,000 small-scale farmers in Colombia in previously FARC-affected communities so that they can bring better prices to the farm gate, economic value, and build supply chains that

enhance economic opportunity while also supporting their own presence there.

So we are trying to evolve into those types of partnerships, and the region can become a model for that new model of development and developmental partnership especially in countries that are moving up the income scale.

The CHAIRMAN. Well, I appreciate that innovative thought and I welcome it, but we are also looking at some of these other challenges in the hemisphere. So we will continue to engage with you in that respect.

In Ukraine, the language passed by this committee and the Senate and the House, signed by the President asks State and USAID to reprogram assistance to Ukraine, \$50 million to be budgeted for the improvement of democratic governance, rule of law, and free elections, among other things, and \$100 million for security assistance spread over the next 3 fiscal years.

Where are you in the process of reprogramming this assistance, and when would you expect it to get to Ukraine? And when do you believe the USAID mission director signing the bilateral agreement with the Ukrainian Government, which will transfer the \$1 billion in loan guarantees we authorized in the same law will take place? Do you have any sense of the timeframes there?

Dr. SHAH. Well, sir, I would appreciate the chance to come back to you on the specific question of the bilateral agreement and loan guarantee.

[The information from Dr. Shah follows:]

The loan guarantee agreement is expected to be signed with the Government of Ukraine on April 14, 2014.

But our Acting Deputy, Mark Feierstein, and Paige Alexander, our Assistant Administrator, are actually in the Ukraine right now. They are working with civil society groups and groups that are supporting the election process.

I would note that some of our partners there were critical to documenting some of the human rights abuses that took place in the 45-day period during the protests.

Our economic portfolio is being restructured to support the implementation of and moving forward with the IMF agreement so that Ukraine can get access to tens of billions of dollars of IMF resources. We are helping them with technical support to change the fuel subsidy structure and the future of their energy security policy and a number of other areas where that kind of economic technical assistance has been requested.

But we have had a proud and significant history of working in Ukraine. We have delivered very important results, and we look forward to continuing to do that at a higher level now, given some repositioning of resources and given the very strong support of the committee.

The CHAIRMAN. Finally, I understand that USAID plans to incentivize up to \$100 million in on-budget funding based on benchmarks set through the Tokyo Mutual Accountability Framework. I think that is an important initiative that deserves highlighting. In a time of constrained budgets, accountability for the funds in Afghanistan will only grow in importance.

What hard deliverables will we be emphasizing in discussions with the incoming Afghan Government? What are some of our goals? What are some of the challenges there?

Dr. SHAH. Sir, first, thank you, Senator for your leadership in supporting our programs in Afghanistan. For 2 to 3 percent of the total cost of the war, we have delivered tremendous and important results that create the basis of a more stable and secure society going into the future.

We were part of an international conference effort at Tokyo a year and a half ago to bring together all the international partners and create a set of conditions that the Afghan Government would have to meet in order to receive the full amount of committed development assistance not just from the United States but the U.K., Australia, Japan, all of the international partners speaking with one voice. Some of those benchmarks include anticorruption activities that are clear and transparent and effective. They included the conduct of free and fair elections and the peaceful transition of power. They include collecting more customs revenue and using their domestic collection of revenue to replace developmental assistance over the long term, and we have seen a 360-percent increase on that benchmark. There are seven or eight other critical benchmarks that include protecting women's and girls' rights and access to school and education for young girls in particular. And so our community meets twice a year to assess their performance, and we intend to make some shared determinations after an assessment conducted with the new government.

The CHAIRMAN. Senator Corker.

Senator CORKER. Thank you, Mr. Chairman.

And again, Mr. Shah, thank you for being here.

I know you and I have talked a great deal about the Food for Peace program, and I know that it is being partially implemented. But I think we all know that due to parochial interests, we are really not delivering food aid in the way that we need to as a country. The goal is to alleviate suffering for people who are starving and malnourished. I wonder if you could talk a little bit about that and what you would like to see fully happen relative to our food programs.

Dr. SHAH. Thank you, Senator, and thank you for your leadership on this critical issue.

America has, through Food for Peace, which USAID implements, over the last 50 years served more than 3 billion people, providing them food assistance when they need it. Every other country that provides food assistance has made a shift to purchasing food locally and to providing cash resources to institutions like the World Food Programme so they can buy and deliver in the most efficient way—

Senator CORKER. And that empowers those local countries to be far more self-sufficient over the long haul. Is that correct?

Dr. SHAH. It absolutely does.

Senator CORKER. It raises the standard of living in those countries when we do that. Right?

Dr. SHAH. Yes.

Senator CORKER. How many more people could be actually served if we would move fully to this kind of program, which I

think anybody would say, from the standpoint of what we are trying to do, makes more sense than what we are now doing where we are shipping U.S. products overseas to places and never building up that independence that we would like to see happen over time? How many more people would be served?

Dr. SHAH. This year's budget proposal calls for 25 percent flexibility in the program, and that 25 percent correlates to 2 million additional children who would receive food at times of crises. Those are kids and women and men inside of Syria, in Amman, Jordan, in Lebanon, in the Central African Republic, and South Sudan and in Afghanistan.

Senator CORKER. And if we did it fully, how many more people would be served?

Dr. SHAH. I have not made the 100 percent estimates.

Senator CORKER. We have done an estimate and we think it is 7 million to 9 million more people each year would be served if we would move away from the constraints that we now have by ensuring that instead of, again, building up the independence, helping the local economies, which is what this is all about, we would—and I guess we also have preferred shippers. Would you tell us a little bit about that?

Dr. SHAH. Well, the way the shipping contracting system works is that it relies on a handful of core partners. They have been important partners over the course of the program. And the President's proposal, which is an incremental proposal, maintains an important role for American farmers, food producers, and shippers. We are simply asking for a little bit of additional flexibility so we can meet the needs of beneficiaries at a time when humanitarian caseloads are higher than they have ever been and our budgets are constrained.

Senator CORKER. Another program you have underway is USAID Forward. We have asked for a GAO study on that. And again, this is along similar lines in many ways. I think your goal is to contract 30 percent of your activities at the local level.

One of the concerns we have, though, is that right now the way you are tracking that is you are tracking how much money you are spending, but you are not tracking outcomes, as I understand it, to see that even though the money may be 30 percent going there, are we getting the same kind of results. Now, this is a different kind of effort than the food aid program I was talking about. This is actually contracting with people to carry out the work that USAID is underway with.

Could you talk to us a little bit about that, and do you have similar concerns, by the way, that we are only measuring money out, we are not measuring results?

Dr. SHAH. Well, I would just reframe that a little bit, Senator, because I think USAID Forward is intended to cover a range of reforms that allow us to be a better and more efficient partner, allow us to be more efficient, and ultimately and critically, allow us to be better at reporting on core results. And so that is a package of reforms that includes a number of things to move us in that direction, and I think we have proven we have been able to do that.

I will say I believe the GAO review is focused specifically on this shift to including more local NGO's and local institutions. I would

have hoped that they might have broadened the analysis because if you do broaden the analysis to the full set of reforms, what you would find is unlike a few years ago, today I can sit here and say we are reaching 7 million farmers, moving 12.5 million kids out of hunger through our agriculture efforts, that our child survival programs are saving millions of lives a year, and that ability to quantify and report on those results is also a part of USAID Forward.

I would also note that our progress against our goals in moving to local institutions has been, as designed, incremental, and we think we are doing this at a pace that is responsible. But the ultimate goal is to build enough institutional capacity locally so that American aid and assistance is not needed over the long run. We want to build that self-sufficiency so that we do not have to be there forever.

Senator CORKER. One of the important things that we do as a nation is trade capacity-building. Again, these are along the lines that I think most people here would like to see, and that is making sure that we are doing, on a daily basis, everything we can to empower countries that we are working with to be sustainable on their own and not be dependent upon aid forever from the United States.

We looked on a Web site just to try to determine who is really in charge of trade capacity-building. There are 24 U.S. agencies involved in that. And I would just ask you which one really is ultimately responsible for building trade capacity in countries that we are dealing with.

Dr. SHAH. Well, sir, first, I think this is a critically important issue. I would note that we commit nearly \$200 million a year specifically to trade capacity-building but, frankly, far more than that if you look at agricultural trade support in regions of Africa and elsewhere.

Michael Froman, the U.S. Trade Representative, and I are co-hosting a discussion with a number of our partners to understand how we can together optimize the implementation of the new Bali Agreements that create a framework for improved intracountry trade with many of the countries we work in. President Obama launched Trade Africa last year in Africa based on some extraordinarily strong and independently validated results that showed that for every dollar we invested in trade capacity building and trade transit, we were generating \$40 of economic value through our east African trade hub. So the U.S. Trade Representative, myself, and the State Department work in close coordination. USAID probably provides most of the financing for these activities.

Senator CORKER. But I think the concern is—again, you are one of the most reform-minded leaders of this organization we have ever had, and I think we all applaud those efforts. But I think the concern is there is not really one person or a small group of people that is driving this. And as you mentioned, I mean, it is incredibly important and there is so much that we can do without much money to really empower these countries to be involved in trade that, again, goes on forever versus what we are doing relative to aid.

Is there a way that you think—maybe you are not going to answer this today in this setting, but is there a way you would

work with us to help figure out who actually is in charge and responsible and accountable for these activities so it has a focus that gets us to a place that we would all like to go?

Dr. SHAH. We absolutely would like to work with you. I will just say the way it currently works is USAID takes responsibility for the implementation of these programs and reporting on the results, ensuring they are effectively designed, and the U.S. Trade Representative, of course, leads the trade negotiations that create opportunities for these programs to be effective and deployed where they are most needed. It is critical that we are working closely together. I can report to you with a high degree of confidence that I think that partnership has never been closer.

Senator CORKER. Thank you very much.

I appreciate the hearing, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Cardin.

Senator CARDIN. Administrator Shah, again, thank you very much for your leadership.

Development assistance is a critical part of our national security interest, and the Obama administration has made it clear that our national security budget includes the development assistance programs. You are less than 1 percent of the Federal budget and a very small fraction of the total national security budget. But it is a very, very important part of the budget.

I particularly want to acknowledge the budget support for East Asia and the Pacific, the subcommittee that I chair. As I told you before the hearing started, you are working under a very tough budget climate. The overall budget growth is very much reduced, and you have had to make very tough decisions. So I particularly appreciate the priority that has been given to East Asia and the Pacific, consistent with the President's Rebalance to Asia, from the Philippines in disaster assistance funds to Burma, democratic institutions. And I might say to Senator Corker your trade capacity improvement in Laos—there are many countries that are benefiting directly from what you are doing in East Asia and the Pacific.

The Lower Mekong Initiative Secretary Clinton initiated affecting the countries in that region not just on the environment, but also on health and also on infrastructure. It is a major initiative that I think we can be very proud of.

Having said what I did, we want to make sure that aid is done in the most efficient way. And that is why the food aid program reforms that you are instituting are very valuable improvements so that we can reach more people and leverage our dollars further than we do today. This year you started the Global Development Lab, and I want to talk for a few moments about that—about using science and technology innovation in development by leveraging the moneys that we make available to our academic centers that have expertise in specific areas and who are already working in many of the countries that we are active in, as well as engaging private companies that also want markets in these countries, and so are prepared to make investments in them. If we work in a coordinated way, we can get much more effective results and achieve

our development assistance objectives in a more efficient and, hopefully, a shorter time period.

Can you just share with the committee how you anticipate this program operating as you now have launched the development lab?

Dr. SHAH. Well, thank you, Senator. Thank you for your leadership on so many issues related to our work and for your personal commitment to food aid reform and to the U.S. Global Development Lab.

We are excited to have recently launched the U.S. Global Development Lab. In my time in this role, we have increased our spending on science and technology, research and development from about \$130 million previously to just over \$600 million this year, and we have done that entirely through programmatic tradeoffs where we are making the tough choices to move money into this area.

What this has allowed us to do is create development innovation laboratories on college campuses across this country, and we are seeing groups of students and faculty and researchers create new technologies like new ways to allow babies to breathe through low-cost continuous positive airway pressure devices that came from Rice University, the Pratt Pouch which came from the Duke School of Biomedical Engineering that allows us to store nevirapine in a ketchup-like packet, but it is heat sensitive and safe for up to a year so women can take that—go to their homes and when they give birth, take one dose before and one for the child after, and prevent the transmission of AIDS from a mother to a child without being in an assisted medical environment. Those kinds of technological breakthroughs reduce the cost of saving kids' lives, saving mothers' lives, and improve the effectiveness of our efforts.

Senator CARDIN. It also reduces the cost that we would incur in direct health services to deal with babies that are infected.

Dr. SHAH. That is exactly right. We have also found that companies across our country and around the world have been eager to partner with us. So now Wal-Mart has joined the Lab and is working with us to reach farmers throughout sub-Saharan Africa. Unilever and Procter and Gamble have joined and are providing packets of material that allow us to purify water in places like Burma. They are donating those, but they are also helping us reach hard-to-reach communities where too many children die just because the water is impure and still has microorganisms in it.

These kinds of public/private partnerships, coupled with a real professional science and technology capacity will allow USAID and U.S. development efforts around the world to have a DARPA-like capability to create new technologies, deploy them on behalf of the world's poorest people, and just as importantly, allow young people in this country that want to create entrepreneurial businesses, whether it is making and selling solar-powered flashlights in parts of rural Africa where there is no energy access, or commercializing the CPAP—positive airway pressure—device which they now do for \$20 or \$30, a device we are deploying throughout Malawi. We found a lot of young people are inspired by the opportunity to become inventors and entrepreneurs and to use that business savvy and skill to actually solve some of the world's most challenging problems.

Senator CARDIN. I think we find it very exciting. You are really leveraging the strength of America, the strength of America in our science and technology and what we have been able to discover and share with the world, as well as our entrepreneurial spirit in our private companies. These are American values that are being used to help you deal with your objectives in development assistance.

Where are the challenges and where can Congress help?

Dr. SHAH. Well, we have requested a series of new authorities from Congress to help us be a little more flexible and modern in how we carry out this work. They include the ability to use program funds to hire specialized individuals with science and business backgrounds, the ability to provide prizes. We have seen that a lot of technological innovation comes out of prize competitions, and then you only spend money on outcomes that are winning and you are able to motivate hundreds, sometimes thousands of new partners, some you would never otherwise be able to find to compete, are the ones winning prizes on some of those innovation awards; and we have also requested some flexibilities in how we use our resources in the development assistance account, which is particularly critical to funding this effort, and then of course, fully funding the USAID budget.

So those would be the requests as it relates to this, and I just want to thank members of the committee for the extraordinary efforts you have made to support this new way of working.

Senator CARDIN. Just one final comment. As I understand it, it is basically using existing resources in a more efficient way to accomplish greater results.

Dr. SHAH. That is correct, sir.

Senator CARDIN. Thank you.

The CHAIRMAN. Senator Rubio.

Senator RUBIO. Thank you. Thank you for being here and for all of your work.

Mr. Director, the USAID is not a charity. Right? It is a U.S. agency that promotes humanitarian and development aid around the world but, as part of it, also furthering U.S. interests around the world. So it is a two-way street for us. We are doing what is right but we are also furthering our national interests. Right?

Dr. SHAH. Yes, that is correct.

Senator RUBIO. And so as you get involved in each country, you look at the specific needs. Every country has different needs. Some countries have a lack of access to water. Some countries—women are not treated appropriately or rights are violated. Every country has different needs. Some have energy problems. And so what USAID aims to do is to go into specific countries, determine what their need is, and promote those humanitarian causes, but also in a way that furthers U.S. interests. Is that an accurate description?

Dr. SHAH. Yes. Our mission is to end extreme poverty and promote resilient democratic societies because over the long term, accomplishing that mission makes us safer and more secure. You have articulated that very well.

Senator RUBIO. So with that mission in mind, you have programs, for example, on the Island of Cuba, that you have been engaged in in the past and continue. As I understand it, the clearly stated goals of that program, available for every members of the

committee and the world to read, is to break the information blockade in Cuba and to promote information-sharing, among other stated goals. Those are stated goals of our program and our involvement there. Correct?

Dr. SHAH. We have notified Congress in congressional budget justifications and notifications every year since 2008 on the goals of those programs, and we run Internet access and freedom of information programs in many parts of the world, including Cuba.

Senator RUBIO. Exactly.

And the reason why I bring that up—and rightfully so that you focused on information-sharing and so forth because Cuba, according to Freedom House, is the second most repressive government in the world, only after Iran. In my understanding, it was a very close second after Iran in terms of denying access to information sharing, denying access to the Internet.

People in Cuba cannot go on the Internet. I mean, if you are close to the government, you may be able to sneak in an Internet access here or there, but the average person on the street cannot go on the Internet in Cuba. It is not just a capacity issue. It is prohibited. In fact, I am going to send out a tweet right now. If I sent this tweet in Cuba, I would be put in jail. And I am going to send it right now as an example of what people in Cuba cannot do. People in Cuba cannot do what I am about to do.

And so as a result of that, USAID, as has been revealed in the last few days, but was available for people to see if they were interested in it—USAID had a program called ZunZuneo, which was designed to provide the people of Cuba access to information and to break the information blockade and to allow people to share information.

And I want to walk through this. First of all, there has been an insinuation made by some that this program was illegal, but in fact, this program in my opinion and I think in yours as well was completely within the stated mandate, within the stated purpose of your programs in Cuba, to break the information blockade, to promote information-sharing. That is accurate. Right? That was right within that goal.

Dr. SHAH. We have publicly notified that these programs are designed to enable open communications.

Senator RUBIO. And the other argument I have heard is, well, this was a covert program. But in fact, this program was reviewed by the General Accounting Office. Right?

Dr. SHAH. Correct.

Senator RUBIO. And they made no suggestions for changes. They had no criticism of the way the money was being administered.

Dr. SHAH. They actually complimented USAID on improved management oversight of the program.

Senator RUBIO. This was not an intelligence program. We were not spying on the Cuban Government using this program.

Dr. SHAH. No.

Senator RUBIO. We were not selling weapons on this program or somehow arming elements on the ground in Cuba through this program.

Dr. SHAH. No.

Senator RUBIO. So this program basically was allowing Cubans to be able to communicate with other Cubans because their government does not let them do that.

By the way, in an advanced society in the 21st century, people should at least be able to do that. Right? But in Cuba they are not. And so what this program chose to do was to fulfill the mandate of this program as informed by Congress to break the information blockade and to promote information-sharing.

So I read this article and it said that at its peak there were 40,000 users on the program. That is actually not true. Right? At its peak, it had 68,000 users.

So here is my question. When was the last time that we stopped a program because it was too successful? Because this program in my mind is successful. Not only am I glad that we did this program. What I am upset about is that we stopped, and I do not think we should just stop at Twitter-like programs. I think we should do everything possible. Maybe USAID is not the perfect agency for this, what I am about to talk about. But I believe we should do everything we can to provide the people of Cuba and other repressed societies full access to the Internet so they can go on any Web site they want. If they want to read Granma, which is the Communist rag in Cuba, they can read it all they want online, and if they want to read the CNN Web site or the New York Times or Huffington Post or Drudge, whatever they want to read, they should be able to do that as well.

I think for everyone who is outraged by this program—when was the last time that undermining a tyranny is counter to the stated purposes of the United States of America? When is the last time that we have been outraged by a Government program that undermines a tyranny and provides access to a people of a country to the free flow of information and the ability to talk to each other?

I read these quotes in the paper, people setting themselves on fire around here, oh, this program. I heard one quote it was cockamamie. Since when? We had radio broadcasts to Europe during the cold war. We have radio broadcasts to Cuba right now. Those actually have content in them. All we wanted people to do was to talk to each other.

And I want to know when was the last time that it was against the stated purpose and goals of the United States of America to undermine a tyranny, by the way, a tyranny that we heard testimony here just 3 days ago that is involved in the single greatest violation of U.N. sanctions against North Korea since they were imposed, a tyranny that votes against us in every international forum, a tyranny that is consistently on the side of every madman and tyrant on the planet. If there was a vote on Syria, they are with Assad. When there was a vote on Libya, they were with Qaddafi. If there was a vote on Russia, they are with Putin. If there is a vote on human rights violations in China, they are with China. Time and again.

When was the last time that Cuba in an international forum ever lined up on the side of decency and human rights? This is an anti-American government that does not just undermine its own people. It tries to undermine our foreign policy aims and the foreign policy aims of the free world.

And so my question would be—and I know this is a longwinded question—when do we start this program again. What do we need to do to start not just this program but expand it so that people in Cuba can do what I just did and that is, speak freely to the world and to each other about the reality of Cuban life and about anything else they want, including the latest record from Beyonce or Jay-Z or what someone wore to the Oscars, whatever they want to write about? When do we start this again?

Dr. SHAH. Senator, I just want to clarify. USAID programs are, as notified, designed to promote open access to information and facilitate communication. Any programs that have further purposes are not implemented by USAID but rather by other parts of the State Department or the National Endowment for Democracy.

In terms of restarting these types of things, the fiscal year 2014 fiscal guidance is pretty clear as to which agencies will be pursuing these activities into the future.

The CHAIRMAN. Senator Durbin.

Senator DURBIN. Thank you, Mr. Chairman.

I guess I want to follow my colleague and friend, Senator Rubio. And I sure do not quarrel with the premise, whether it is China or Cuba. Opening up information, free exchange of information is so fundamental to our country and so fundamental to what I consider to be the basic values of a democracy. So the critics of this effort, Mr. Shah, I think ought to come up with a better idea, but the notion behind it, the premise, I think is sound.

I may go a little further than my colleagues on the committee when I say that after over 50 years of what has been a dubious foreign policy in Cuba by the United States, I have been in favor of opening up, as much as we can, Cuba to the ideas and people of the world and the United States. That is how communism and the Soviet Union came to an end. They were overwhelmed by reality.

I have been to Cuba. They are isolated from reality. If we had more contacts at the social media level and beyond, I do not think that the current regime could survive as the communistic regimes did not survive in Eastern Europe.

And I want to put in one point here, and I am sure it has been mentioned earlier. I visited Alan Gross. I think it was 2 years ago now. What a heartbreaking situation. This poor man is being held because he may have brought in equipment that would have brought in more information into Cuba. I do not know specifically whether he did or did not, but that is the charge. Espionage. And what they have done to this poor man is heartbreaking. When you visit with him and see what his life is like today or meet his wife and family, as I have—and I said to the Cuban officials I have kind of leaned your way in opening up relationships between the United States and Cuba, but we have lost me on Gross. What you have done to this man in closing out his small, little effort to bring in some equipment to me is just outrageous. And this poor guy is still in prison, hospital prison, or whatever it happens to be and is going on a hunger strike. I do not know how he keeps his mind about him when he faces this every single day.

But I do not disagree with your premise, Senator Rubio. Open it up. The more ideas we can pour into that island, the better I think the chance that they will move toward values that we share. And

so those who are critical of this basic approach, give me a better one. Give me something else that will achieve this goal.

Mr. Shah, two things that I focused on. One was a legacy from my predecessor, Senator Paul Simon, about Water for the World. We have been appropriating money. I know USAID has been focused on it. The other one was child marriage, and we finally passed that as part of the Violence Against Women Act. And I know that there is a program underway in USAID to try to discourage child marriage and all of the awful things which come as a result of it. And I would like you to comment on those two areas, if you could.

Dr. SHAH. Thank you, Senator. First, just thank you for your leadership on water and water for the poor. Thanks in part to your leadership and your predecessor's, we have an extraordinary opportunity now to reach 16 million people who would otherwise not have access to clean and reliable sources of water. And when we do, when we succeed, what that means is girls who are usually sent into dangerous environments to fetch water have safe passage. They avoid being abused and raped and hurt as they are going about those tasks, and they can do things like go to school. It is an extraordinary accomplishment that the Senate and the entire Congress should be very proud of.

Between 2009 and 2012, our spending on water relative to the prior 4-year period went up from \$1.4 billion to \$2.4 billion. The reason we were able to make that extraordinary increase at a time of tight budgets is that as we have focused on investing in those things that deliver the most cost-effective results, save the most lives, and produce the most opportunity particularly for girls around the world, investments in water were near the top of the list, and that is why you have seen that transition and shift.

I just want to thank you for your leadership, and I am proud of the way the agency is focused on measuring results in terms of lives saved from water programs and diarrheal disease reduction, in water access, and in sanitation access as well.

With respect to child marriage and gender-based violence, we have new programs that focus on these issues in particularly high risk places. But it is just extraordinary the challenges people face. I was just in eastern Congo a few months ago and saw the U.N. report last week that shows 15,000 girls had been raped and it has been a part of how war has been conducted in that part of the world. I am proud of the fact that thanks to your support and other members of the committee, the United States leads the world in supporting health services for victims and helping girls get back on their feet and helping people reintegrate into society and finding economic opportunity, going back to school. And the range of those programs has gone up significantly since Secretary Clinton made a visit to that region I think now 5 years ago. But I think it is something America can be very, very proud of.

Senator DURBIN. Thank you very much.

I might add too that I am promoting a product that is made in Chicago. This is a shameless promotion. It is called Portapure. This man has made—he is an engineer in water sanitation. He has made a 6-gallon thermos. Whatever you pour in the top comes out clean drinking water at the bottom in 2 minutes. No chemicals

involved. They use nano-fiber filters. It sells for about \$60 or \$70. In Haiti, a family spends about \$3.50 a week for a jug of water. If we could take that into a microcredit situation, in a few weeks they could buy this jug that for 2 years would provide them safe drinking water for their family.

So it is one idea. You have mentioned some others, and I hope that your folks will take a look at it. Portapure, one word. And I think if you meet George Page, you will be very impressed with this man who is trying to change the world one little bit at a time, and I think it is a good effort.

Thank you very much.

Dr. SHAH. Thank you, Senator. We set up the U.S. Global Development Lab to help further develop and commercialize and distribute precisely those types of technologies. So we would be eager to follow up.

Senator DURBIN. I hope you will look at it. Thanks.

Thanks, Mr. Chairman.

The CHAIRMAN. Legitimate in-State promotion I think is one of the duties of a United States Senator. [Laughter.]

Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman.

By the way, we have got pretty good water filtration—a technology center in Milwaukee as well. You probably helped out with that company.

Administrator Shah, welcome. I really enjoyed your keynote at the National Prayer Breakfast where you made I think a very strong case for foreign aid. Unfortunately, not every American got to hear that case, and I think it is also unfortunate that when you take a look at our current budget situation, the enormous pressure we are under, most Americans take a look at foreign aid and that is the first place they want to cut.

So can you just speak a little bit in terms of making that case for foreign aid?

Dr. SHAH. Thank you, Senator, and thank you for your leadership.

I think what I learned from the opportunity to be at the Prayer Breakfast this year was that when we come together across different communities of partners, Republicans and Democrats, House and Senate, businesses and entrepreneurs, and very importantly, faith community members who carry out this mission with exactly the right kind of intention of serving those that are least fortunate amongst us, we present a picture to the world of an America that cares about vulnerable people, that cares about countries and societies that have been left out of the tremendous growth and opportunity that has swept over the world over the last several decades and centuries.

And when we start to remind Americans of just how much suffering there is out there, that 860 million people will go to bed hungry tonight, that 6.6 million children will die under the age of 5, almost all from simple diseases that could be prevented with pennies per dose types of treatments, people begin to see the opportunity and actually ask us to do more, not less in our foreign assistance and our development investments.

So our priority at USAID has been to demonstrate that resources the Congress entrusts in us at a difficult fiscal time are deployed as effectively and efficiently as possible. Congress has helped us a lot rebuilding our agency to do that, and we now evaluate every major program. I can sit here with confidence and describe programs that work and sometimes those that do not, that need to be changed or—

The CHAIRMAN. I am going to ask Senator Johnson if he would just yield to me for one moment.

Senator JOHNSON. Sure.

The CHAIRMAN. I am going to ask Senator Kaine to preside. You are next after Senator Johnson. I am going to go vote, come back. I know Senator Flake wants to come back, and this way we will maximize your time. Thank you.

Senator JOHNSON. You mentioned a word that is dear to my heart, prioritization. I think one of the things that harms foreign aid are examples where our foreign aid is given to countries that are very corrupt and may be supporting programs. The opposite of what Senator Rubio asked, can you name a program to give me certainly the information or the argument where we have actually ended a program that has been unsuccessful, that we have not been able to influence a country into better behavior?

Dr. SHAH. Well, sir, let me just say over my tenure we have shut down 34 percent of our programmatic areas of investment around the world, and that is what we have needed to do to free up the resources to invest in Feed the Future, which works in 19 countries and delivers incredible and outstanding results.

Specifically, I went out with my team a couple years ago to Afghanistan. We did a comprehensive review of everything that was planned 5 years out, and we called it a sustainability review. We removed from the game plan a number of projects that we did not think would be financially sustainable or generate the return on investment that would have been required. And right now, I sit here and I am very glad we did. And I do not want to name all those projects.

Senator JOHNSON. I tell you what. Would you provide my office with that list?

Dr. SHAH. Absolutely.

Senator JOHNSON. I think again that gives me some good information where I can say, listen, we have got a good Administrator. He is looking at these programs. These are 34 that he has ended appropriately so.

But also, let us keep going on in terms of prioritization. I know when you are looking at your budget request, you have got about a half a billion dollars targeted toward the global climate initiative. Now, I think when you were before a subcommittee in the Appropriations Committee in which I served, we talked about Bjorn Lomborg, somebody whose writings I respect an awful lot because he is really looking at prioritization of spending, what you were talking about earlier. You know, what do you get the most bang for the buck on? And he has written a pretty good book, "Cool It," that certainly argues that we are far better off spending money on malaria prevention, addressing the problems of HIV and AIDS, fresh water initiatives that provide fresh water for populations as

opposed to spending money on global warming, on climate change initiatives.

So can you speak to that? That is 3 percent of your budget being allocated to something that somebody like Bjorn Lomborg is really scratching his head and saying that you are far better off spending money elsewhere.

Dr. SHAH. Well, we can. First, just so I am clear about what our priorities are, our largest area of investment at USAID is health at \$2.7 billion. When you do the all-in and include the HIV program, it is \$8 billion a year. Food is the next largest at about \$2.5 billion, and that includes the Feed the Future program that investments in agriculture so our food aid is no longer needed.

Senator JOHNSON. So again, here is another half billion dollars for climate change that maybe could be put toward the food initiative that Senator Corker was saying was incredibly effective.

Dr. SHAH. Well, we have \$800 million for education, \$600 million for water, and our energy programs, which are part of the President's climate change initiative are growing in the budget. And it is because access to clean energy in country after country is just critical for development. I was in the Democratic Republic of Congo. They have 9 percent energy access. They want hydropower. They want off-grid energy solutions for local communities. And we work on all of those issues, and as we carry them out and implement them, they are going to be carbon reduction strategies as well.

Senator JOHNSON. Hydropower is very cost-effective. I like that concept. Solar power is not economically feasible. Wind power is double the price of other type of generated power.

So again, I am just asking the question. Where is this money being spent? Is it being spent wisely? Is it better spent in other areas?

Dr. SHAH. I think it is being spent wisely, and I would also point out when we are looking at the communities we are working in, people actually pay a huge amount of money for diesel generation for power and energy in places where there is no systemic access. In that context, small-scale energy solutions, off-grid solutions that rely on solar, wind, and other sources are extraordinarily cost-effective for those communities in those contexts. But this is exactly the kind of math we do to make sure that we are investing in things not just because we want to invest in things that have the highest return on investment, which we do, but ultimately we are making an initial investment and countries themselves have to sustain these systems over time. Like we did in Afghanistan, we want to be sustainable in how we carry out this work.

I give a lot of credits to our team for bringing that kind of sophisticated analysis and ROI thinking to how we do this work and, in particular, carrying out cost-effectiveness analysis on these major programs and how they are implemented.

Senator JOHNSON. Okay. Again, thank you for your answers.

Senator KAINE [presiding]. Thank you, Administrator Shah. Good to be with you today.

Just three comments and then a set of questions around Syria and humanitarian relief.

Senator Cardin and others talked about the Global Development Lab. I am really excited about that project, and congratulations on the successful rollout.

I was in Palestine recently and met with technology entrepreneurs that are really benefiting because of work with USAID, and it is not only creating economic opportunities but some strong regard for our country. You are a good ambassador in that way.

I echo Senator Menendez's concern about the Latin America budget. You know, it is a combination of things. When we see the Latin America line items going down, when we see there are currently 10 U.S. Ambassadors in Latin America—ambassadorial positions that are unfilled, some of that is on the White House, but some of it is on people languishing on the floor of the Senate. The SOUTHCOM region of our defense has been hit very hard by austerity politics and are having to reduce their drug interdictions as a result. The combined message that we seem to be sending, while each of these might have their own explanation, is that Latin America is not really a place of importance to us. Just because it is not a place of importance to us does not mean it is not a place of importance to China, to Iran, to Russia. Russia is doing military exercises in the Caribbean for the first time in 20 years. And I really worry about this. And so I just want to echo what the Chair said.

I want to ask you about Syria. The committee 2 weeks ago and the full Senate last week passed a resolution, S. Res. 384, dealing with humanitarian aid in Syria. The United States is the largest provider of humanitarian aid to Syrian refugees outside Syria, \$1.7 billion in aid. Much of the aid has been delivered through NGOs and the U.N. to refugees who have fled across the border primarily in Turkey, Lebanon, and Jordan, to a lesser degree in Iraq and Egypt. We passed a resolution last week picking up on the U.N. Security Council resolution of February 22 saying now is the time for cross-border delivery of humanitarian aid.

There are 3 million refugees outside Syria, but there are 9 million people in need of humanitarian assistance inside Syria. The U.N. has indicated that unimpeded access cross-border is now something that is supported by the United Nations Security Council, and our resolution of last week called on the administration to bring back to us within 90 days plan for how we are going to be more aggressive in the delivery of humanitarian aid.

What do you see as the potential role of USAID in facilitating a more aggressive humanitarian strategy to deal with the suffering?

Dr. SHAH. Thank you, Senator. Thank you for your leadership on such a broad range of issues and your partnership.

On Syria in particular, I hope more Americans can see that the \$1.7 billion we have provided is making a huge difference. It is reaching 4.2 million people inside of Syria. It is reaching 2.5 million refugees, as you point out, that are in a tremendous and unsustainable crisis within their neighboring countries of Jordan and Lebanon in particular. And within Syria, as you point out, 3.5 million of the 9 million you referenced are essentially not reachable because of the current constraints placed on how aid is provided.

In that context, USAID has been the world leader in providing cross-border assistance, and the U.N. Security Council resolution

calls for U.N. agencies to do the same. It was agreed to by the whole Security Council, and per Valerie Amos' report presented at the end of March, it essentially shows that the Syrian regime has not allowed for the terms of that Security Council to be met at any reasonable scale. There has been, I think, a few convoys across the Qamishli border done in coordination with the Syrians, but that is a small and very incremental step given that there are 3.5 million people that could be reached that are not being reached because the terms of that resolution are not being implemented as aggressively as necessary by the regime.

So we are currently the main provider of cross-border assistance. That assistance has allowed us to provide surgeries and medical support to 250,000 injured Syrians in the north and the south and in places that other partners are not reaching. And I just want to say in this setting, I want to recognize Syrian American doctors and other humanitarian actors who have risked their lives to do some extraordinary work in that context.

But we need to do more. We need the U.N. agencies to do more, and we need ultimately the Syrian regime to abide by what is in the U.N. Security Council resolution to allow for that.

Senator KAINE. Well, I was at a meeting with Save the Children, one of the many NGOs that does work inside Syria, this morning, and we were talking about the effect that the regime is not allowing access in accord with the Security Council resolution.

An important thing for the administration I think to understand in terms of Congress, while there are complicated feelings here in Congress about Syria—and particularly that was demonstrated in the vote about authorization of military force in August—there are not complicated feelings about humanitarian assistance. The humanitarian resolution that we passed came out of this committee unanimously. It passed out of the Senate unanimously. We would not be providing \$1.7 billion of aid if it was controversial in Congress.

So as the administration wrestles with what is the next step to try to make the Syria policy more effective, take advantage of the fact that you have a Congress that is unanimous about the aggressive delivery of humanitarian aid, including cross-border. That is something we are with you, and there is not controversy about it. And so I think there is much more that can be done in that area.

Dr. SHAH. Well, thank you. And that is wonderful to hear because just tomorrow I am convening my counterparts from other donor countries to basically ask them to do more of this type of cross-border work. It is good to know that there is support for that. Thank you.

The CHAIRMAN [presiding]. Thank you, Senator Kaine, for presiding.

Senator Flake.

Senator FLAKE. Thank you. I appreciate your testimony here. As I sit here, I do want to respond to some of the comments made earlier. The chairman started off talking about the Cuba issue and said—I will just paraphrase—something like it is dumb, dumb, and even dumber to essentially shield Cuba from the influences that we have on other dictatorial regimes and authoritarian regimes. I

could not agree more. I could not agree more. And that is why I have opposed our policy on Cuba for so long.

The Senator mentioned that Iran is the only country less free than Cuba, but even in Iran, we do not shield the people of Iran from the influences or the Government of Iran from the influences of Americans traveling there. We encourage it.

North Korea. If their government would allow more of it, we would encourage more of it where more Americans, not just Dennis Rodman, would travel there.

And we have a similar situation with Cuba. We have Oliver Stone going down there and praising the education system in Cuba when if we had Bob from Peoria or Frank from Des Moines, they would say no such thing because they would realize that it is a different world than is described by some who travel there.

So I just, for the life of me, cannot understand why, when our goal is to expose Cubans and the Cuban Government to American influence, we would cut off our arm and both feet here by denying ordinary Americans, everyday Americans the ability to travel freely there.

Now, I have no doubt that if we opened up the travel ban, suspended it, ended it, the Cuban Government would try to be more selective on who they allow to come to Cuba. They are all about control. But if somebody is going to limit my travel, it should be a Communist, not this Government. That is the broader problem and issue I have with our whole policy at large regarding Cuba.

Specifically with this one, I do have issues, not with the fact that we have programs like this going, but the fact that they are conducted by USAID. You can say until you are blue in the face, well, hey, this is something that we should have known about or it has been authorized, it is legal. We would argue back and forth whether it is covert or simply discreet, but that does not shield the fact that it is ill-advised for USAID that has the role, as you described it properly, to provide humanitarian relief and encourage democratic development around the world because that benefits us and them in the long term. It benefits U.S. interests as well.

But when we have programs elsewhere in the world—just to describe some of the things USAID is doing, we are providing humanitarian relief to those in South Sudan. We have supplies coming from Nairobi to South Sudan, tough stuff. We are working with partners inside Syria. We may not have people on the ground there, but we do in neighboring countries. This is serious stuff.

What are we doing to our USAID programs around the world when they hear there are covert or discreet programs like this going on by USAID? Do you have any concern that this program in Cuba jeopardizes our programs elsewhere in the world? Like I said, I am not questioning whether or not we should do this. I am just questioning you where we are doing it.

Dr. SHAH. Well, Senator, I appreciate and I think your remarks illustrate that there is a policy debate on the overall policy.

With respect to the implementation of the program, what I can assure you is that our implementation is consistent with the authorizations and appropriations language that has directed us to do this. And by that I mean they are not covert. They are intended to provide access to open information. They are consistent with pro-

grams we conduct in a number of other countries around the world as part of supporting democratic and open governments and societies and civil society actors. At the end of the day, I believe that our mission to end extreme poverty requires a broad, open society to participate in that task.

And I appreciate your mention of South Sudan and Syria where our people are conducting, I believe, heroic, world-leading and modern technology-enabled humanitarian aid.

Senator FLAKE. I understand that, but if I can get back to Cuba. I have limited time here.

Like I said, we can argue whether it is discreet or covert, but when we look at the description of the program here, look at some of these text messages that we hired people to write, a satirist apparently from somewhere in South America to write some of these—I am reading a few that we have access to. Latest, this is a tweet sent out under this program.

Dr. SHAH. May I just say I think—and I am sorry to interrupt you, sir. I do think this program is no longer operational. I have asked my team to review the content that we are seeing in the various AP stories because we know the intent of the program was to support open information.

Senator FLAKE. Along those lines, will we have access to all of the tweets or the messages, that were sent by USAID or its contractors, in full so we can judge here because we have to determine—we have to provide oversight, whether we authorize programs or fund them. Will we have access to these?

Dr. SHAH. I have asked my team to review the documents. Most of these documents are not in our possession. They are in the possession of a grantee—

Senator FLAKE. But surely you have access to them.

Dr. SHAH. They will gather them. They will gather them, review them, and we will make our findings available to you. Absolutely.

Senator FLAKE. I am not interested in your findings. I am interested in the data. I think we need to make decisions.

Dr. SHAH. We will make the data available. Absolutely.

Senator FLAKE. We will have access to each of these tweets or messages that were sent out by USAID or its contractors.

Dr. SHAH. You will have access to what we are able to gather. Absolutely.

Senator FLAKE. Because my concern is, you know, we had programs like this dating back—I am not pointing fingers at this administration. I think this administration has done some good things in further broadening allowable travel—allowable categories for travel. So I applaud this administration for doing that, much better in my view than the last administration, the Republican administration, in this regard.

But the last administration had, for example, for a while a ticker at the U.S. interest section in Cuba where messages were put up that were really—the only way to describe them charitably was juvenile. It would chide the Cubans for not providing school lunches for their kids when those were provided in Miami, for example. It was just juvenile things that I do not think served anybody's purposes. And this seems to smack of that.

Dr. SHAH. Sir, I cannot really speak to what the administration—

Senator FLAKE. No, no, no. But I was saying we are continuing with things like that. It smacks of that kind of program. I am not making a political point, Republican versus Democrat. I am just saying our policy is wrong.

Let us simply allow Americans to travel to Cuba, and we would achieve in my view—and this is not your call to make. It is ours in Congress, but I think if we have the information from this program to actually review it and then make a decision, do we want to continue to fund programs like this that in my view might put USAID contractors or individuals from other countries, including Cuba, that participate in this program in danger for what? I am not sure what we get out of this. Allow Americans to travel, allow them to take flash drives, allow them to actually go and do good instead of saying, no, you cannot travel. We are going to shield the Cuban Government from the influences that come with American travel. And I do not see American travel as some kind of a reward for good behavior on behalf of the Cuban Government. We are unlikely to see that. It is finally a get-tough policy in my view with the Cuban Government.

My time is well spent.

Dr. SHAH. Senator, I would just—

Senator FLAKE. I appreciate the indulgence, but if the chairman wants you, go ahead.

Dr. SHAH. If I may just say the fiscal year 2014 language is very clear about the purpose and authorization for these programs, as well as which agencies should be in the lead for their implementation. And we intend to follow the law. In that case, it transitioned some of those efforts to the National Endowment for Democracy. There is a larger policy debate here, but I just want to come back to assuring you that we believe our implementation in the past of these programs has been consistent with the law in that these are not covert. They have been publicly notified a number of times.

The CHAIRMAN. Thank you, Senator.

Administrator, do you conduct Internet access programs in other countries in the world?

Dr. SHAH. We do at the direction of specific language in the congressional—

The CHAIRMAN. Do you have any idea of how many those are?

Dr. SHAH. Part of what we do everywhere around the world—and Internet access can be one component of it—is supporting civil society's ability to stay safe and productive online, which allows for an open and inclusive approach to development in a number of different contexts.

The CHAIRMAN. Because a society that can come together and share what its goals are is part of the information as to what sustainable programs we might be able to support.

So I would like you to give the Chair a list of all the Internet access programs you conduct. I may ask you for the same thing Senator Flake has asked for, all of those programs, because it seems to me we are either going to judge whether we are going to be supportive of Internet access in the world or not. I think it is consistently unfair that one set of democracy programs has the

greatest scrutiny of the Federal Government in the absence of all others. So as the authorizing committee, I think we want to see what is happening across the entire spectrum, and I would ask you to give me information about all of those programs, and all of the programming of those programs, and all of the tweets and all of the emails and everything so that we can make an informed judgment here.

And the Chair is of the view, as the authorizing committee, that either we believe in these programs collectively—which I generally think I do—in which case we will support it and not pick and choose which country deserves openness and which country does not as it relates to Internet access, and whether or not USAID is the appropriate entity.

I think as part of its overall development program, the democracy programs that have been run by USAID are critical. And so I am not one to advocate having USAID to all of a sudden be stripped of its democracy programs because democracy programs in and of itself, generally speaking—maybe they are in some open societies in which we seek to strengthen democratic institutions, but there are many in which they are not, which is why we are having democracy programs in the first place. These are not governments that are receptive at the end of the day. They are governments that oppose.

Just as the Voice of America and a whole host of other surrogate broadcasting was meant to try to create open information to people in different parts of the world, it seems to me that what we are trying to do is that for which we have a global perspective—an understanding of the value of those programs and a commitment to it. Those commitments should not be decided by picking and choosing which country we somehow like and which countries we do not. If they fail to provide their people access to the basic flow of information, it seems to me that we should be pursuing it.

So I would like the information on all the programs.

Also, let me just say I would like to get a full sense of all your democracy programs beyond the Internet because we want to judge all of those in context as well.

And maybe I will ask for GAO Inspector General reports on some of them because there is, in my mind, a siege mentality. I respect that there is a difference of opinion as to what our policy should be. What I do not respect is the siege upon one part of our democracy programs to the exclusion of all others. So that is something that we are going to have a full spectrum analysis of.

Senator Flake, did you have something?

Senator FLAKE. Yes. I was just going to clarify. This particular program was not to provide Internet access. It was social media content within the access that already exists. Right?

Dr. SHAH. This program was designed to provide access to information and create a platform for people to communicate.

Senator FLAKE. Right, but it did not provide Internet access to any Cuban who did not have it before. Correct?

Dr. SHAH. The program was a communications platform to enable Cubans to provide their own content. We did not provide Internet access. The Zunzuneo project was an effort to facilitate

communication among Cubans so they could connect with each other.

The CHAIRMAN. Clearly, it was a basis which did not exist, because people flocked to it when they had the opportunity. If they had some other venue, they would have used some other venue.

You know, there is telephone access inside of Cuba. Telefonica of Spain has it. The problem is that the regime blocks the access to both the Internet and to these platforms. And so that is the challenge of a regime, as other regimes in the world that simply do not want to allow its people to have information, because when they have information, they may suddenly decide to make choices, or to peacefully protest, or to try to create change in their government. We look at Turkey and what it is doing, and how the world has come down on Turkey for what is happening there. We look at Iran and what has happened there. We look at China and the challenges there. And we condemn those; but in Cuba, somehow the Cuban people do not deserve that flow of information.

So we are going to have a broad range of judgment here.

One final note. I know that Senator Flake has a different view, and Senator Durbin expressed some of that too.

But the problem is that when you do travel to Cuba—and there are millions of people going to Cuba. Millions—the Europeans, Latin Americans, Canadians, and others. Yet the regime has become not less repressive, but more repressive and more selective. And when you travel there, you end up feeding who? Unfortunately, not the Cuban people, but the regime. Why? Through its company Gamesa—which is basically owned by the military and Raul Castro's son—the entities by which those who visit and largely stay at are either a foreign partner, in which Gamesa is the other side, or totally owned by the military through a front company. So we ultimately feed the regime versus feed the people.

So this is a legitimate debate. We have different views. But what should not be a debate, in my view, in this context is the nature of our democracy programs and creating access to information for people anywhere in the world.

With the thanks of the committee, we will keep this record open for questions to the end of tomorrow, Friday.

And this hearing is adjourned.

[Whereupon, at 11:05 a.m., the hearing was adjourned.]

#### ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

LETTER AND PREPARED STATEMENT SUBMITTED BY LIONS CLUBS INTERNATIONAL

APRIL 4, 2014.

DEAR CHAIRMAN MENENDEZ AND RANKING MEMBER CORKER: On behalf of the World's largest service organization, Lions Clubs International, I would like to submit our testimony for the record for the upcoming hearing entitled, "International Development Priorities in the FY 2015 Budget." (See attachment.)

This testimony provides our strong support for foreign development programs that are of significant importance for millions of people around the world. Lions Clubs International is dedicated to the cause of eliminating poverty on a global basis through humanitarian, health-related, nutrition, literacy, and poverty-focused development programs and assistance on a global basis, and we urge Congress to invest robustly in the following programs under the jurisdiction of this subcommittee:

- USAID Developmental Assistance to eliminate poverty in developing nations;

- USAID Global Health Bureau (including the Office of Health, Infectious Diseases and Nutrition and sight-saving activities such as vaccination in child and maternal health, nutrition, vulnerable children, malaria, tuberculosis and neglected tropical disease);

As well as maintained funding for vital accounts that provide disaster, refugee and food assistance to world's most vulnerable populations.

We appreciate your consideration of our testimony.

Sincerely,

WAYNE MADDEN,  
*Immediate Past International President.*

#### ATTACHMENT

##### PREPARED STATEMENT OF WAYNE A. MADDEN, IMMEDIATE PAST INTERNATIONAL PRESIDENT, LIONS CLUBS INTERNATIONAL (LCI)

As the Immediate Past President of the world's largest service organization (with 1.4 million members in over 206 countries including 345,000 in the United States), I commend the Chairman and Ranking Member of the Senate Committee on Foreign Relations for holding this hearing entitled, "International Development Priorities for the FY 2015 Budget." This is an important opportunity to explore how we can provide strong support for foreign development programs that further America's interests while improving millions of lives in the developing world.

Lions Clubs International is dedicated to providing humanitarian, educational, and health-related development assistance on a global basis, and I urge the Committee to provide robust support for programs under the jurisdiction of this subcommittee: USAID Developmental Assistance that foster a wide variety of solutions to help end extreme poverty around the globe; USAID Global Health Bureau (including the Office of Health, Infectious Diseases and Nutrition and sight-saving activities such as vaccination in child and maternal health, nutrition, vulnerable children, malaria, tuberculosis and neglected tropical disease); as well as maintained funding for vital accounts that provide disaster, refugee and food assistance to world's most vulnerable populations.

Lions Clubs and its charitable arm, Lions Clubs International Foundation (LCIF), support and develop international programs and high impact initiatives that serve people who are overwhelmed by poverty, hunger, and disease. Founded in 1968, LCIF has also been a world leader in serving the vision and hearing needs of millions of people in America and around the world. The foundation works collaboratively with many NGOs and intergovernmental organizations such as the World Health Organization, to accomplish shared humanitarian goals. In 2012–2013, LCIF awarded 489 grants totaling \$39.2 million and in 2011–2012, LCIF awarded 513 grants totaling more than \$55 million.

Our members, with the support of the foundation, focus initiatives to address many complex global challenges including measles and rubella, diabetes, tropical diseases that result in blindness, as well as natural disasters. Meeting these challenges in an increasingly changing world requires strong partnerships between the Federal Government's foreign assistance programs and global development partners in the nonprofit sector. This is especially true within vulnerable populations where the need is very high.

##### GLOBAL HUMANITARIAN/DISASTER RELIEF

Lions Clubs International and the foundation support Lions member's relief efforts within communities immediately following natural disasters. Lions club members are always available to provide basic necessities such as food, water, clothing and first aid supplies through its Emergency grant program. To date, more than 3,700 Emergency grants have been provided. In the last 10 years alone, over \$100 million in disaster-related grants have been awarded to address immediate and long-term needs for victims following disasters.

LCIF and Lions around the world have played key roles in some recent relief efforts. Lions Clubs International Foundation directly provides funds to local Lions to implement disaster relief aid. Lions were among the first to respond during both the 2011 Joplin, Missouri tornado and the 2013 tornado that destroyed Moore, Oklahoma. The Lions worked with local social service organizations, churches, food banks and shelters to address the needs of those displaced by the disasters. Because Lions live in the communities they serve, they have a permanent presence in helping to restore and rebuild these communities.

LCIF is presently working with Lions in the Philippines to address victims' needs following the November 2013 typhoon, which impacted more than 9 million people.

This local effort is supported by the 380 Lions clubs and 12,600 Lions members in the Philippines. LCIF, with the help of Lions members from around the world has mobilized more than \$2 million for the Philippines disaster relief; in addition to providing critical supplies—hundreds of tents for temporary shelter and water purification units. Lions Clubs International Foundation's history in disaster relief includes \$21 million in funding for the Japan tsunami disaster relief effort; \$15 million for the South Asia Tsunami; \$6 million to Haiti in the aftermath of its earthquake; and \$3 million for the China Earthquake. We urge our Federal partners to collaborate with NGOs whenever possible to maximize the impact of this aid.

#### LIONS' SIGHTFIRST PROGRAMS—THE NEED TO COMBAT GLOBAL BLINDNESS

Initiated in 1990, SightFirst is the Lions humanitarian initiative to combat blindness on a global scale. SightFirst has prevented serious vision loss for more than 30 million people around the world. Accomplishments of SightFirst include: saving the sight of millions of people at an average cost of \$6 per person; establishing hundreds of need-based Lions eye care centers around the globe that provide sight restoration and eye care services; provided treatments to millions of people for river blindness in Africa and Latin America; establishing 34 childhood blindness centers around the world; and training more than 675,000 eye care specialists to provide better or expanded care.

#### VACCINES AND IMMUNIZATION FOR CHILDREN

Lions Clubs International strongly supports efforts to improve life-saving vaccination of children in more than 70 of the world's poorest countries. Each year 22 million children in poor and remote communities do not have access to the most basic vaccines. One in five of all children who die before the age of five lose their lives to vaccine-preventable diseases. In fact, we have recently joined forces with the GAVI Alliance (a public-private partnership to increase access to immunizations in poor countries) to raise \$30 million toward improving life-saving vaccines for tens of millions of children in the fight against measles.

We urge the committee to consider its support for vital immunization programs where a small investment can lead to dramatic improvement in peoples' lives.

#### CATARACT BLINDNESS

Cataracts are the leading cause of blindness in the world as 20 million people experience cataract blindness (representing 51 percent of all cases). Access to cost-effective cataract surgeries, (proven to be one of the most affordable surgical interventions in the world according to WHO), corrects this problem and reverses needless disability, must be improved, especially in underresourced countries. The SightFirst program awarded \$7.16 million in grants to combat cataract blindness, including funds that underwrote 7.84 million sight-restoring surgeries. Our current focus is on supporting comprehensive eye care solutions through equipment upgrades, facilities improvement, human resource training and hospital management courses. The Federal Government can make a positive impact on this global problem by drawing attention to human resource and capacity needs in developing countries, and supporting innovative and cost-effective programs and institutions.

#### NEGLECTED TROPICAL DISEASES

Lions clubs are working toward the elimination of neglected tropical diseases like onchocerciasis (river blindness) and trachoma, the world's most prevalent form of infectious causes of blindness, as public health threats. We support the important work of the World Health Organization, The Carter Center, other international NGOs and partner governments to bring needed therapies to impacted communities. The U.S. Government, through USAID and other agencies, has been an international leader in this fight. Thanks to this leadership, other governments, multilateral agencies and donors have mobilized significant resources and there is now hope that these diseases, and other neglected tropical diseases, will be eliminated as public health threats in the very near future. We commend Congress for its past and current support and call for the maintenance of current allocation levels so that the important work being conducted in the field is not interrupted.

#### LIONS QUEST YOUTH PROGRAMS

Over the past 30 years, 13 million young people in 86 countries have benefited from LCIF's principal youth program, Lions Quest. Lions Quest is a comprehensive social and emotional learning (SEL) youth development program that promotes character education, bullying prevention, drug awareness, and service-learning.

Lions Quest also promotes a caring, well-managed, and participatory learning environment that allows students to develop 21st century life skills through quality educator training. More than 550,000 educators have been trained in Lions Quest curriculum and methodology around the world equipping students with essential life skills to be successful, well-adjusted adults. Lions Clubs International Foundation has supported Lions Quest program implementation since 1984 through a total of \$20 million in grant funding along with volunteer school support from Lions locally.

Today we face great humanitarian challenges, and Lions Clubs International understands the importance of foreign development assistance as well as the ethic of service in addressing ever-expanding global health, development, literacy, nutrition, and disaster-relief crises. Our success shows what the service sector can do for economic and social development, and we look forward to working with you and your colleagues on taking up the important challenge of increasing global health and humanitarian services.

Thank you. We appreciate the opportunity to provide our perspective.

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RESPONSES OF DR. RAJIV SHAH TO QUESTIONS  
SUBMITTED BY SENATOR BOB CORKER

*Question #1.* In some respects, building local capacity is the most important objective of development aid, and I support the effort. But in an examination of USAID Forward's Local Solutions requirement that I have asked for from GAO, they observed that USAID uses only obligations of funds—which is planned spending—as an indicator of program performance or success. Even if USAID were collecting actual disbursement of funds to local institutions, simply measuring money spent does not seem to provide an indication of whether we are improving aid or not, or whether the programs we fund as a consequence are providing real, long-term solutions to real problems.

♦ (a). What is the measure of success for Local Solutions?

Answer. The ability of local systems to produce desired outcomes over time—in other words, the realization of truly locally led sustainable development—is how USAID defines the success of Local Solutions. If the objective of Local Solutions was only results delivered, the focus would be on whether to implement through international partner X or local partner Y and which is more cost efficient. However, to have results that sustain requires a different approach: engaging with a range of actors effectively and efficiently to achieve a mutual objective which is set not only by USAID, but also by the very people we aim to assist.

USAID has many examples of such inclusive, networked approaches to sustainability, including Feed the Future and Power Africa. Within the Agency's work toward ending preventable child and maternal deaths, we foster local solutions from idea through to implementation, such as our "Saving Lives at Birth: A Grand Challenge for Development," an initiative which engages participants from around the world, and through which we have invested in 59 global health innovations. For example, we supported randomized control trials and feasibility studies demonstrating that an antiseptic called chlorhexidine could cut infant mortality by 23 percent. In Nepal, we partnered with a local pharmaceutical company and community health workers to deliver the life-saving antiseptic free of charge to expectant mothers. Today, efforts to introduce the antiseptic are underway in 15 other countries—far exceeding expectations.

USAID will use ex-post evaluations to measure the connection between desired outcomes and the broader development impact at the project level and within the broader system. These evaluations will examine whether the results of a given project continued to be sustained several years after the project's conclusion; the effects that project has had on the local system in which it was implemented; the extent of country ownership present; and the cost-effectiveness of the project relative to its long-term effects.

♦ (b). Other than obligations, are there other specific types of outcome indicators USAID will collect to show that we are successfully building sustainable local capacity and not just increasing local spending?

Answer. The recently released Local Systems Framework explains why, if our objectives are to support development that sustains, we need to use and strengthen not only local actors, but also the broader systems in which we engage. It is providing the framework for developing measures of the strength of local systems.

- ★(c). Will you be able to clearly demonstrate greater value-for-money through Local Solutions than what it replaces? How so and in what timeframe would you anticipate being able to do so?

Answer. We believe that developing strong, local systems through the use of local partners is an astute investment strategy. The value-for-money proposition is that not only will a given approach yield results, but that the local systems will be able to produce these desired outcomes over time and will sustain such results using their own resources. A market test for determining this will be through ex-post evaluations which will examine the impact of our programs over an extended period of time. The first of these evaluations is planned for our basic education programs. We believe that these efforts will confirm our hypothesis that the Local Solutions approach is both more efficient and effective; i.e., will deliver greater value-for-money than solely delivering specific inputs to an individual partner. Given the recent approval of the Local Systems Framework and the normal 5-year lifecycle of a given strategy and program investment followed by ex-post evaluation, we expect to demonstrate significant improvements in organizational strength relative to results delivered by key local actors in 5 years and significant improvements in systems strengthened relative to results delivered by key local actors in 7 years.

*Question #2.* GAO found that USAID has expanded the definition of Local Solutions in order to include things such as direct budget support to Jordan, aid to Pakistan and Afghanistan, and contributions to certain trust funds. They also found that USAID has backed-out headquarters costs from calculations of the denominator. GAO found that the changing definitions or uncertainty around what is counted makes it difficult to understand how much progress you are making toward the 30 percent target and might give the impression of cooking the books a bit.

- ◆(a). Does USAID intend to clarify its definition of what's included and report progress based on a consistent and clear definition of what is considered to be a Local Solution?

Answer. From fiscal year 2010 until present, USAID has consistently based the Local Solutions indicator on mission program funds obligated to partner-country local organizations. The set of countries includes all missions where we have a full presence and has remained the same since FY 2010. It has always been USAID's intention to include every obligation that meets the definition of "local" in calculating the indicator. To be considered "local", funds have to be directly managed by a local entity. Over time, we have learned from our experience and have broadened the types of implementing mechanisms (such as government-to-government agreements, contracts, grants, cooperative agreements, cash transfers and qualifying trust funds) that qualify in meeting the definition of "local" used for the indicator. To ensure transparency and consistency with initial figures, USAID has reported the indicator with and without cash transfers and qualifying trust funds.

Excluding cash transfers and qualifying trust funds, the percentage of mission program funds obligated for Local Solutions in the core set of missions where we have a full presence has risen from 9.6 percent in FY 2010 to 17.9 percent in FY 2013.

- ◆(b). Does USAID count cash transfers in the overall percentage considered to be a Local Solution?

Answer. As explained above, USAID reports the figure with and without cash transfers and qualifying trust funds. Cash transfers and qualifying trust funds are included in a footnote on the data tables published on our Web site <https://www.usaid.gov/usaidforward>.

- ◆(c). What kind of accountability processes and performance measures do we have in place for those cash transfers?

Answer. All cash transfer assistance programs undergo a certification process prior to initiation. This includes verification and validation that specified requirements (e.g., controls, procedures) are in place before the program begins. As part of the verification process, USAID typically conducts assessments to assure that the recipient government has the systems, policies, and staff required to manage such assistance and has put in place the monitoring and evaluation systems required to ensure that assistance is used for intended purposes. USAID also ensures that the recipient government will conduct any USAID funded procurements using competitive procedures; is taking steps to publicly disclose on an annual basis its national budget; and USAID does not assume or fail to treat as risk any, even minimal, levels of fraud or corruption—all of these requirements consonant with good development practice and legal requirements.

In a typical cash transfer program, funds are deposited in a single tranche into a U.S. domiciled, interest-bearing bank account, and are not commingled with other funds. Details on the destination bank, account number, and confirmation procedures are specified in one or more implementation letters prepared in connection with the cash transfer agreement. The recipient government is then required to transfer the U.S. dollars to a separate account within the respective country, typically within 24–48 hours so that interest does not accrue. The recipient government then holds the transferred funds in a separate dollar-denominated account—not commingled with other funds—until expended. To withdraw or transfer these funds, the recipient government must obtain prior written authorization from USAID. To ensure appropriate performance and oversight of the program, USAID receives third-party access rights to the account into which cash transfer proceeds are disbursed.

- ◆ (d). How would Trust Funds managed by international or multilateral organizations be considered “local”?

Answer. Trust funds are established when funding from multiple sources are pooled and made available to support development activities. In those instances where the trust fund is managed directly by a government department or ministry, the USAID contribution to the trust is deemed an investment in local systems. Trust funds managed by an external entity, for example the World Bank, through a project implementation unit, are considered nonlocal.

*Question #3.* Does the increased use of local partners represent a greater or lesser exposure to risk for the taxpayer in terms of accountability? How so?

Answer. USAID welcomes the emphasis on accountability and ownership and believes these are inextricably linked to effective development. If the objective is to deliver sustainable development, then USAID is convinced that using, strengthening, holding accountable and partnering with local partners and systems is the most effective strategy for reducing risk for USAID’s investments on behalf of American taxpayers.

Earlier this year, USAID issued the Local Systems Framework that outlines four specific types of risk for the taxpayer in terms of accountability:

- (1) Fiduciary—The possibility that the misuse, mismanagement or waste of funds adversely affects the realization of development outcomes;
- (2) Contextual—The possibility that various occurrences particular to a specific area or context adversely affect the realization of development outcomes. Examples include risks of a natural disaster or civil unrest;
- (3) Programmatic—The possibility that flaws in the way a project is designed or implemented adversely affect the realization of expected outcomes; and
- (4) Reputational—The possibility that a loss of credibility or public trust resulting from how a project is implemented or the choice of partners adversely affects the realization of development outcomes.

USAID has developed a series of tools that assess these risks. They include the Public Financial Management Risk Assessment Framework (PFMRAF), which specifically examines the fiduciary, political, contextual and reputational risks of providing direct assistance through local governments to achieve stated objectives, and requires a senior official to approve use of the partner country systems before any award to local governments. USAID also examines the risks associated with making awards, including making a “responsibility determination” before any award to non-governmental partners, be they local or international. USAID uses both international and local independent public accounting firms as well as our own financial analysts to conduct these pre-award responsibility determinations. Our financial analysts conduct regular financial reviews and pre-award surveys on local organizations. Finally, through our project design process, we carefully examine the contextual and programmatic risks associated with different technical, institutional, and other approaches and seek to determine which will provide the greatest value-for-money, coupled with an appropriate level of accountability and sustainability, for the use of taxpayer resources.

We also mitigate financial risk and account for U.S. funds through oversight and monitoring by:

- Establishing Regional and Bilateral Inspector General field offices;
- Providing training to public accounting firms and to the host government Supreme Audit Institutions (SAIs) on conducting audits of U.S. Government (USG) funds. There are a number of host government SAIs who are conducting financial audits of USG funds provided to their government entities;
- Expanding investigatory coverage along with providing fraud awareness briefings and building the capacity of the government in this area;

- Supporting oversight from the U.S. Inspectors General and Government Accountability Office (GAO);
- Using our financial analysts to conduct financial audits of funds provided to host government and nongovernmental organizations;
- Having our Controllor's office provide training to new and current NGOs on Financial Management, Program Management, and internal controls; and,
- Having conditionality and other types of guidance that will mitigate the risk associated with implementing programs through local institutions.

These assessment and design tools as well as oversight and audit mechanisms help to ensure good stewardship of the American people's funds.

Additionally, USAID fosters accountability for its investment inclusive of local partners and local systems through increased transparency, evaluation, and learning which provide the feedback loop that strengthens public engagement in order to improve program results. We report on how our funds related to local solutions are spent. We conduct independent evaluations of projects that include local partners and local systems in order to measure not only simple outputs (such as number of teachers trained or wells drilled) but also outcomes (such as improved reading skills or reduced disease burden) that help us to determine which programs provide the greatest value for money, and how. Finally, we are taking the lessons learned and feeding them back into the system to improve program design and guide spending decisions.

"Ownership" is both a result of accountability and a prerequisite for it. USAID's local partners will not feel responsible for making programs work if they are not part of the decisionmaking process, and they cannot be part of the decisionmaking process without detailed information about our aid budgets, plans, and activities. Past performance shows that taking into consideration the views and capabilities of local partners and beneficiaries, and engaging them in program implementation is critical for cost-effective, sustainable development. Ultimately, our goal is for developing countries to become self-reliant, with governments that answer to the people and vibrant economies that expand opportunities and hope for all—especially women and others who have been marginalized and excluded. To succeed in this effort we must heed local priorities, use local systems, and leverage local resources. Development investments rooted in accountability, local ownership, and sustainability are the soundest strategy for reducing risk to the American taxpayer.

*Question #4.* As I mentioned in the hearing, USAID's "Trade Capacity Building Database" Web site lists 24 U.S. agencies, departments, and independent foundations as providing U.S. funded trade capacity-building assistance.

- ◆ (a). Who or which U.S. Government agency is ultimately responsible for ensuring that trade capacity-building aid throughout the government is spent wisely and achieves the administration's goals?

Answer. There is no single coordinating agency for trade capacity-building (TCB) activities. Each agency has its own processes for ensuring proper and effective programming of its appropriated funds. USAID, as the largest provider of TCB assistance, coordinates closely with the U.S. Trade Representative (USTR), Departments of State, Treasury, Agriculture, Labor, and other trade-related agencies in prioritizing TCB efforts. USAID is a member of interagency processes such as the USTR-led Trade Policy Review Group (TPRG) and its Trade Policy Staff Committee (TPSC). USAID is informed by the interagency discussions in the TPRG/TPSC process, and takes such information into consideration when developing its programs to support USG policy priorities and to advance development goals established by USAID missions in consultation with host country and U.S. stakeholders.

In the Presidential Policy Directive (PPD) on Global Development released on September 22, 2010, the President laid out a modern architecture to raise the importance of development in our national security policymaking and to generate greater coherence across the U.S. Government. The PPD highlighted that "through existing policy mechanism (e.g., trade policy through the United States Trade Representative's Trade Policy Review Group, etc.), an assessment of the "development impact" of policy changes affecting developing countries will be considered." Utilizing this channel for TCB discussion ensures alignment with USG goals and provides interagency transparency and awareness as a degree of oversight.

- ◆ (b). Who is in charge of the process that determines where trade capacity-building money will be directed? Is it an interagency process? And does that person or group of people have specific or explicit authorities? How are they held accountable for performance?

Answer. For funding requested for USAID and the Department of State, the Department of State's Office of U.S. Foreign Assistance Resources (F) ensures the

strategic and effective allocation, management, and use of foreign assistance resources. In order to ensure that foreign assistance is used as effectively as possible to meet our broad foreign policy objectives, F oversees a coordinated strategy development process, including multiyear, country specific, whole of government Integrated Country Strategies and annual country-specific foreign assistance operational plans. Included in the Integrated Country Strategies are the USAID-specific objectives developed through the Agency's Country Development Cooperation Strategies (CDCS) and the Regional Development Cooperation Strategies (RDCS) which include input from both U.S. and host country stakeholders. Resource requests are informed by these strategies and annual performance reporting, which tracks progress made toward foreign assistance objectives. Through these processes, USAID determines and accounts for its trade capacity-building assistance for individual countries.

- ♦ (c). Given our budget realities, we must be especially focused on prioritization of resources. How do you decide where to spend trade capacity building money to ensure it will do the most good? For example, do you prioritize certain countries because they are best positioned to implement the trade capacity-building aid we provide, and can you provide a specific example?

Answer. Decisions regarding resource allocation take into account a multitude of factors, including some or all of the following: host country capacity, host country development priorities, identification of "binding constraints" to sustainable economic growth (through the Inclusive Growth Diagnostic framework), participation in a free trade agreement or multilateral agreement, activities of other donors and stakeholders, U.S. strategic interests and availability of nondirective funds that could be used for trade capacity-building. Many countries which have received USAID trade capacity-building are considered TCB success stories. For example, significant technical assistance and trade capacity-building was provided as an integral part of the trade negotiations that led to the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) with five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and the Dominican Republic. U.S. trade capacity-building support to Vietnam over many years led to the successful implementation of the U.S.-Vietnam Bilateral Trade Agreement and subsequently, to Vietnam's accession to the World Trade Organization.

*Question #5.* What are the administration's specific benchmarks for success for trade capacity-building aid? Do you have targets for the program toward which the agencies involved have to work and do we have a way to measure agencies' performance?

Answer. The President's Trade Policy Agenda outlines trade policy priorities, including helping developing countries to build capacity to harness the power of trade, that are the focal point of all trade-related activities. The ultimate goal of development assistance, including trade capacity-building, is to graduate countries from requiring U.S. foreign assistance.

For USAID and the Department of State, there are a set of standard indicators developed through an interagency process which included input from the broader development community and external stakeholders. These indicators are used to measure what is being accomplished with foreign assistance. Annual targets and results are required for applicable indicators. Additionally, "Trade Capacity Building" is a "Key Issue" in assistance operational plans and annual performance reporting, requiring operating units receiving funds for such activities to provide detailed information on their program plans and performance.

*Question #6.* (a). Do you work with the business community in developing your plan for the most effective use of U.S. assistance resources?

Answer. Partnering with the private sector is a key component of USAID's strategy to achieve long-term, sustainable development impact. We must collaborate with and support the institutions, private sector partners, and civil society organizations that are engines of growth and progress for their own nations.

Through our decade of alliance building, we know that effective partnerships not only widen the funnel of ideas and assets which are channeled toward addressing development issues, but also foster private-sector-led growth in developing countries. We work collaboratively with the private sector to improve the business environment in developing countries; promote sustainable and inclusive business practices; and help companies find growth and investment opportunities in sectors critical to development.

USAID works with the business community in a number of ways:

- Sharing knowledge, data, research and ideas to cross-pollinate expertise, further understanding of development challenges across both parties and identify areas of alignment between USAID objectives and the objectives of private sector actors in the countries in which we work;
- Building public-private partnerships with local and international companies, as well as business associations and other private sector entities;
- Providing guarantees to unlock local capital for sustainable growth;
- Offering field support, industry expertise and country-specific knowledge to help facilitate sustainable investment opportunities in developing countries;
- Providing financing to find and test cost-effective, scalable development solutions through a venture capital style grant competition; and
- Engaging with the private sector as strategic partners in advancing our Presidential Initiatives in the areas of food security, global health, climate change, and energy.

◆ (b). What is the process for seeking the private sector’s input?

Answer. The Center for Transformational Partnerships within the U.S. Global Development Lab supports USAID missions and bureaus in developing the skills needed and understanding the best processes for engaging the private sector in USAID’s work. A key tenet of this work is that it is important to engage the private sector in providing input to our work throughout the USAID program cycle—from strategy development through program design, implementation, and evaluation.

USAID’s Automated Directive Systems (ADS) 201 policy on Planning provides missions with guidance on how to engage the private sector across the full program cycle—particularly as missions are developing their Country Development Cooperation Strategies (CDCS). The guidance notes that:

- “An analysis of local public and private organizations (government, civil society and private sector entities), and how the mission plans to support the capacity development of these entities should inform the CDCS.”
- “The mission should apply Aid Effectiveness principles by linking CDCS Goals and DOs/IRs to partner country priorities, including its sector or regional plans. Partner country priorities, however, are not determined exclusively by the partner country government. The mission should also consult with private sector actors, local communities, civil society organizations, as well as a range of political actors and government officials at the national, regional, and local levels.”
- “Within 2 months of CDCS approval, the mission must prepare a public version that removes all budget, procurement, and sensitive information. . . . The public version [of the CDCS] also provides the basis for dialogue with partner country partners and other stakeholders in the private sector as the mission moves forward in project design.”

Further information in the ADS provides 11 detailed steps for project design, which include both stakeholder analysis and defining strategic partners for USAID projects, through consultation with public and private sector stakeholders. The Center for Transformational Partnerships also provides missions with a toolkit called “Tools for Alliance Builders” as well as virtual and in-person consultation to help missions seek and incorporate private sector input into our work in a way that is designed to deliver development impact better, faster, cheaper and more sustainably.

◆ (c). If so, would you provide an example where private sector input modified your proposed use of USAID resources or assets.

Answer. Developing economies now account for over half the world’s economic output and represent many of the fastest growing markets, customer bases and workforces. As a result of the changing global landscape, U.S. companies are increasingly looking at development as a core strategy issue, rather than a matter of corporate philanthropy. A U.N. Global Compact Survey of over 1,000 global CEOs, from 27 industries across 103 countries found that 93 percent believe that sustainability issues will be critical to their company’s future success. And 78 percent of CEOs believe that companies should engage in industry collaborations and multistakeholder partnerships to address sustainability and development goals. This creates continued opportunities for USAID to work collaboratively with companies and investors to design and promote market-led development.

In the past 12 years, USAID has built over 1,500 alliances involving more than 3,500 unique partner organizations—in the majority of these partnerships, private sector partners have brought their expertise, knowledge, and ideas to bear to shape USAID projects to deliver development results more effectively, more quickly, more efficiently and/or more sustainably—and through strong interest from private sector

partners, we expect to continue to expand our collaborative work with the private sector in the coming years.

Global Development Alliances (GDAs) are USAID's premiere model for public-private partnerships, helping to improve the social and economic conditions in developing countries and deepen USAID's development impact. GDAs combine the assets and experiences of the private sector—corporations, foundations, nongovernmental organizations (NGOs), universities, local businesses and diaspora groups—leveraging their capital and investments, creativity and access to markets to solve complex problems facing governments, businesses, and communities. When successful, the resulting alliances are both sustainable and have greater impact. GDAs are codesigned, cofunded, and managed by all partners involved, so that the risks, responsibilities, and rewards of partnership are shared.

A 3-year partnership between DuPont, the Government of Ethiopia, and Feed the Future is working to increase maize productivity by helping more farmers adopt improved seed varieties, reduce post-harvest losses, expand access to credit and inputs, and build the capacity of extension services to disseminate skills and best practices to Ethiopian maize farmers. By training smallholder farmers to use higher quality inputs and production techniques, the program aims to help them transition from subsistence to self-sustaining farming operations.

In Central America since 2006, and more recently in Asia and Africa, the U.S. Government is partnering with Walmart to train tens of thousands of farmers, including large percentages of women, on fruit and vegetable production. These trainings increase yields and improve quality and enable farmers to sell produce to Walmart and other retailers, leading to better livelihoods and expanded opportunities for women. Walmart's corporate buyers provide a consistent source of demand that empowers farmers to invest for the long term. Walmart benefits by having access to affordably priced, fresh, high-quality local produce to sell in its markets around the world. These partnerships also address some of Walmart's key sustainability concerns: supporting farmers and their communities, producing more food with less waste, and sustainably sourcing key agricultural products.

*Question #7.* In 2010, Senator Durbin and I passed the Water for the World Act through the Senate to prioritize funding to bring first-time access to safe water and sanitation to the most needy. USAID's 2013 water strategy seems to do some of that, but it is not clear that first-time access for the poorest is the highest priority.

♦ (a). How has USAID categorized countries in the FY15 WASH budget?

Answer. In FY 2015, USAID will continue to categorize priority countries according to the three tiers detailed in the 2013 Water and Development Strategy ([http://www.usaid.gov/sites/default/files/documents/1865/USAID\\_Water\\_Strategy\\_3.pdf](http://www.usaid.gov/sites/default/files/documents/1865/USAID_Water_Strategy_3.pdf)) and in our subsequent Water and Development Strategy Implementation Field Guide (the "Field Guide") ([http://www.usaid.gov/sites/default/files/documents/1865/Strategy\\_Implementation\\_Guide\\_web.pdf](http://www.usaid.gov/sites/default/files/documents/1865/Strategy_Implementation_Guide_web.pdf)). These country tiers were identified through an analysis that took into account: (1) the country's need and vulnerability as evidenced by the proportion of the population without access to improved water and sanitation services as well as key health indicators, including the proportion and absolute number of deaths of children under 5 due to diarrheal disease; and (2) the host country's opportunity and potential to achieve significant impact. In FY 2014, Tier 1 countries included Ethiopia, Kenya, Indonesia, Nigeria, Liberia, and South Sudan. USAID will continue to utilize the structures detailed in the Field Guide to determine allocations by priority country in FY 2015.

♦ (b). How many countries and programs will receive WASH funding?

Answer. The exact number of countries will not be known until the finalization of the FY15 653(a) process. However, USAID expects to allocate WASH funding to a similar number of priority countries as in FY 2014. In FY 2014, 37 countries will receive WASH directive allocations via USAID accounts.

♦ (c). Was a country's access to safe water and sanitation a factor? Because in FY12 countries with less than 50 percent WASH access accounted for only 9.7 percent of USAID's WASH budget, while countries with over 80 percent WASH access accounted for 44.3 percent, with projects in West Bank and Gaza alone accounting for 27.5 percent of USAID's total WASH budget.

Answer. Yes, as detailed above, USAID has sharpened its focus on the consistent use of criteria to allocate resources—both in terms of priority country focus and on targeting of activities within countries. As described, priority country tiers for funding allocations are identified through an analysis that takes into account the country's need and vulnerability as evidenced by the proportion of the population without access to improved water and sanitation services as well as key health indica-

tors, including the proportion and absolute number of deaths of children under 5 due to diarrheal disease. These same criteria are used to determine targeting of resources within countries.

In FY 2012, WASH funds were used in 43 bilateral missions, 6 regional missions, 5 USAID/Washington Bureaus, and 2 Department of State Offices. These funds were allocated from various accounts authorized by the FY 2012 Appropriations Act. Allocations from these accounts are limited to certain geographic regions and countries. Of the 43 bilateral missions that received WASH allocations, 24 (56 percent) were in countries in which over 50 percent of the population was using an unimproved drinking water source or sanitation facility as defined by the UNICEF-World Health Organization Joint Monitoring Programme. Collectively, these countries represented 39 percent of the Agency's FY 2012 WASH allocations.

- ◆ (d). How does USAID use management and evaluation reports within their WASH programs? Have lessons learned been applied to future projects to ensure federal dollars are being used as efficiently and effectively as possible? What targets does USAID have for the management and evaluation of their WASH projects?

Answer. USAID has continued to learn from experience in the implementation of WASH projects. USAID's Water Office, in particular, serves as the knowledge management lead for all water related matters within the Agency, and disseminates lessons learned from WASH programs Agencywide. Consistent with the Agency's approach to program design, all WASH programs must include robust monitoring plans. In addition, in accordance with the Field Guide and USAID's Evaluation Policy, missions that have water programs are encouraged to integrate performance or impact evaluations into the design of projects for the purposes of accountability to stakeholders and learning to improve effectiveness.

*Question #8.* USAID's Latin America and Caribbean Bureau has established the goal of "graduating" nearly all countries in the Western Hemisphere and ending U.S. development assistance. The administration's budget submission does not lay out a strategy for accomplishing this goal. What is your strategy for achieving this goal? Is USAID contemplating a follow-on strategy for engaging middle-income countries to address constraints to economic growth?

Answer. Aligned with the overall purpose of development to help countries reach the point at which they no longer need foreign assistance, USAID's goal is to largely graduate countries in the region from foreign assistance by 2030. Due to policies advanced by leaders in the region and investments by USAID and other donors, Latin America and the Caribbean economies are growing, fewer people live in poverty, citizens are healthier and better-educated, and voters are more ably represented by their elected leaders.

As we succeed in creating the conditions under which foreign assistance is no longer necessary, our strategy for engaging in those countries will also change. Countries where USAID made significant investments in the past, such as Chile and Brazil, are now collaborating with us in third countries. For example, in 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.

In the short-term, the Latin America and the Caribbean Bureau does not have any plans for additional mission close outs. Across all missions in the region, the Bureau is committed to the principles of selectivity and focus to maximize our development impact, and this approach is particularly relevant with those countries where our relationship is transitioning. Through each mission's Country Development Cooperation Strategy (CDCS) process, we have narrowed and targeted programing and emphasized partnering with the private sector, scaling up successful models with host governments, and prioritizing investments in scientific and technological innovations.

*Question #9.* Funding for democracy support in Venezuela is cut by \$800,000. USAID has had to withdraw from Ecuador. At a time when civil society is under increasing pressure, why doesn't the budget submission reflect a coherent strategy for off-shore democracy support in Western Hemisphere countries where democracy is being challenged?

Answer. USAID's commitment to support human rights and democracy, including in challenging environments of the Western Hemisphere, remains strong.

The President's budget reflects no decrease in priority toward these areas. We have the resources needed to advance U.S. objectives and support democracy and human rights in countries of concern.

For Venezuela and Ecuador, the U.S. Government will support ongoing assistance for civil society to push for public accountability, defend human rights, and increase the public's access to independent information. We will continue to monitor events and circumstances closely.

*Question #10.* I was surprised to see that the budget justification does not include any allocation of funding to at least plan for support of the implementation of the peace process in Colombia. USAID has played a key role in supporting the consolidation of Colombian Government control over previously ungoverned areas. What role do you foresee the USAID playing in the peace process and have you calculated the magnitude of resources we might wish to commit?

Answer. The United States has strongly engaged in support of peace in Colombia, both as an advocate for negotiations and in laying the groundwork for a negotiated settlement.

In his December meeting with President Santos, the President praised the “bold and brave efforts to bring about a lasting and just peace inside of Colombia.”

Our ongoing foreign assistance has helped the Colombian Government initiate talks and prepare for a peace agreement, and laid the groundwork to sustain an agreement once it is finalized. Counternarcotics programs have reduced cocaine production, thereby reducing illicit funding to terrorist groups, including the Revolutionary Armed Forces of Colombia (FARC). U.S. programs engage government, civil society, and the private sector to strengthen Colombia's ability to implement a sustainable and inclusive peace. This includes initiatives to support conflict victims, reduce impunity, develop rule of law, bring government services to rural areas previously controlled by the FARC, and improve land tenure and livelihoods in rural areas. By supporting the efforts of the Colombian people to secure justice and good governance, we help lay the ground work for the accountability, stability, and reconciliation necessary for any peace deal to be successful.

We are in regular, close contact with the government about the status of peace talks and have encouraged the government to inform us of possible assistance the United States may offer in support of a final peace agreement. We will stay in contact with the committee as we receive requests from the Colombian Government and develop proposals to respond.

*Question #11.* What is the administration's short-term strategy for addressing immediate humanitarian needs in Burma's Rakhine state, including the interruption of international NGOs' ability to operate in the area?

Answer. The United States Government (USG) is deeply concerned by the recent violence and disruptions of essential services and humanitarian assistance in Rakhine State due to the targeting of the facilities of the United Nations (U.N.) and international nongovernmental organizations (NGOs). We are committed to working with the Government of Burma (GOB) to facilitate unimpeded access for humanitarian aid workers, to fully reestablish humanitarian assistance, and to urge their continued effort to create an environment where aid workers can safely operate.

In the short-term, we have called on the GOB to hold accountable all those who committed violence, prevent the outbreak of future violence, and take appropriate steps to protect aid workers, their offices, and other vulnerable populations in the area. The GOB has been working with the international community to initiate steps toward the resumption of humanitarian aid. While this is a positive step from the government, far more is needed.

The U.S. Embassy in Rangoon is in daily contact with GOB officials to facilitate the return of aid workers back into Rakhine State, take appropriate steps to reinforce and ensure their security, and resume humanitarian operations without delay. While some international organizations are starting to return to Rakhine State, they are facing difficulty in accessing internally displaced people (IDP) camps and in reestablishing offices and residences. Unfortunately, Malteser and Médecins Sans Frontières (MSF)-Holland have been informed that their organizations will not be allowed to return to Rakhine. Although many of the most serious food and water shortages have been addressed since the violence, the exclusion of these organizations from Rakhine is severely disrupting access to life-saving medicine and medical care and local government health systems do not have the capacity to address all patients in need. We will continue to advocate for full access for U.N. and international NGOs to work in Rakhine.

In parallel to engaging the GOB to resolve the security and access issues, the U.S. Government will continue to build upon its provision of humanitarian assistance to both IDPs in Rakhine State, and more broadly across the country. Through partners such as UNICEF, Save the Children, Solidarities International, and WFP, USAID's Office of Foreign Disaster Assistance (OFDA) and Office of Food for Peace

(FFP) will continue to fund programs focusing on water, sanitation, and hygiene (WASH); coordination and delivery of relief commodities; and nutrition and food security. Since FY 2013, USAID and the U.S. Department of State's Bureau of Population, Refugees, and Migration (State/PRM), has provided over \$69 million in humanitarian assistance to aid displaced populations in Burma and other vulnerable Burmese in neighboring countries and continues to work with international organizations for protection and assistance activities.

The GOB is currently formulating a Rakhine Action Plan that is likely to include a roadmap to advance peace, security, and development as well as a process of verification and citizenship for members of the Rohingya with rightful claims. While the release of the Rakhine Action Plan would be a positive step, the will and ability of the GOB to implement this plan is essential. We continue to encourage the GOB to work toward a durable solution that addresses the underlying causes of conflict in Rakhine State and to create the conditions for sustainable peace and development. The United States stands ready to assist in these efforts.

*Question #12.* What are the great challenges to a sustained democratic transition in Burma? What lessons learned from other transitional democracies are we applying today in our political, economic, and diplomatic initiatives in Burma?

Answer. While the fervor for Burma's new democracy has created great expectations, the USG strives to not only live up to those expectations, but to also manage expectations in light of the complex realities faced by countries in transition. To ensure sustained democratic transition in Burma, a robust civil society must remain positively engaged with the Government of Burma (GOB) to continue and sustain reforms and promote human rights. Additionally, the people of Burma must address underlying issues that perpetuate ethnic and religious tension to create the social cohesion necessary for a healthy democracy. Accordingly, the resolution of Burma's long-standing armed conflicts and establishment of political processes and institutions that respect the rights of the country's diverse peoples are absolutely vital. Economic reforms must also be inclusive and provide tangible benefits—such as jobs, education, and health care—to the whole population. Addressing all of these challenges will create greater space for democratic reforms to progress and for legitimate democratic processes to be established.

The lessons learned from democratic transitions in Eastern Europe and the Arab Spring have informed our approach to the transition in Burma. In countries such as Romania, Bulgaria, and Hungary in the early 1990s, U.S. assistance focused on building governmental capacity and promoting macroeconomic reforms. Despite the assistance provided by USAID, many of the newly independent States struggled to establish the infrastructure and social safety nets needed to ensure tangible benefits from the transitioning economy were rapidly extended to all parts of the population. In the Arab Spring, the population's fervor for democracy also did not translate into economic progress for the average citizen.

Taking the challenges and lessons learned into account, USAID's programming in Burma is focused on inclusive growth to improve the lives of average citizens throughout the country. To support this approach, USAID is establishing an agricultural framework focused on inclusive growth benefiting smallholder farmers. This framework aims to create an enabling environment where increased foreign investment and improved technologies can deliver higher yields and sustainable, inclusive growth to Burma's agricultural workers. Additionally, we are strengthening more than 1,600 villages by building local governance and civil society, and creating community resilience to disruptions such as floods, droughts, violence, and the effects of climate change. Furthermore, we recently initiated a Rule of Law program which is advancing democratic reform by supporting legal reform, fostering an enabling environment for effective justice, and promoting a culture of citizen rights and accountability under the rule of law.

*Question #13.* How effective has U.S. assistance been in promoting a two-state solution and political reform in the West Bank and Gaza?

Answer. A just, lasting, and comprehensive peace between Israel and its Arab neighbors, including a two-state solution to the Israeli-Palestinian conflict, is a long-standing bipartisan goal of U.S. foreign policy in the Middle East, of which a viable and moderate Palestinian Authority (PA) government is an essential component. U.S. assistance programs effectively develop viable and democratic PA institutions as a foundation for a future Palestinian state, as shown by significant improvements in governance, service delivery, and private-sector led economic growth. The Office of the United States Security Coordinator and the Department of State's Bureau for International Narcotics and Law Enforcement Affairs (INL) provide training, non-lethal equipment, infrastructure, and other assistance to the Palestinian security

and justice sectors, effectively combating serious crime and terrorism and strengthening the rule of law in the West Bank. USAID and INL coordinate closely to ensure complementarity.

USAID programs support increases in economic opportunities, build institutions, and promote cross-border cooperation. Promoting a prosperous Palestinian economy helps open up new markets to Israel, empowers moderate voices, and deepens the ties between the two peoples, thereby increasing security. With USAID's support, Palestinian per capita gross domestic product (GDP) has increased by 50 percent since 2007. Tourism has increased nearly 350 percent. In the agribusiness and information and communication technology (ICT) sectors, entire industries have emerged. Cooperation with and between Israelis and Palestinian businesspeople led to a 44-percent increase in Palestinian exports. Below are additional examples of USAID's successes.

#### *PA Budget Support & Fiscal Sustainability*

- USAID budget support ensures the continued viability of the PA to support peace efforts and respond to the needs of the Palestinian people. Before disbursement, USAID approves the use of this budget support for specific purposes.
- USAID helped the PA increase tax revenues by more than 18 percent in the first 2 months of 2014 by providing technical assistance and introducing an automated revenue management system.

#### *Democracy and Governance*

- USAID's support for 19 Youth Shadow Local Councils, voluntary bodies comprised of Palestinian youth (aged 15–20) elected by their peers to mirror local government, creates the building blocks of governance for the next generation of PA leaders in the West Bank.
- A total of 32 USAID-supported Citizen Service Centers provide a range of quality, accessible services—including issuance of driver's licenses and passports, as well as postal services—for the entire population of the West Bank.

#### *Tourism*

- USAID financial, technical, and infrastructure-related support to the city of Bethlehem leading up to the 2013 Christmas tourism season resulted in the injection of more than \$6 million into the local economy. USAID is currently supporting a Spring Arts Festival in Jericho and a Canafe Festival in Nablus. The festivals are estimated to draw more than 100,000 tourists in only 4 weekends.
- USAID works with the PA and the Palestinian private sector to find innovative ways to expand options available to tourists, including by forging partnerships between Palestinian and Israeli tour operators. One example is the joint Israeli-Palestinian run company, "Breaking Bread Journeys," which combines site visits with daily cultural exchanges.

#### *Agribusiness*

- USAID helped Palestinian agribusinesses grow exports from \$0 to \$17 million in a matter of only 2 years by providing farmers with technical assistance, access to capital, and exposure to international businesses and distributors

#### *ICT*

- USAID facilitates partnerships between Palestinian software development companies and U.S. companies and their Israeli subsidiaries, including Cisco, Microsoft, Intel, Hewlett-Packard, and Oracle. Thanks to these efforts Intel, for example, now employs 40 Palestinian programmers working on projects for Intel Israel.

#### *Trade*

- USAID's support eases cross-border trade and investment constraints. Intensive cooperation between Palestinian and Israeli customs has saved Palestinian transport firms \$1.2 million per year by streamlining customs procedures.
- At the Jalameh crossing, USAID renovated and improved pedestrian and vehicle crossing infrastructure, reconnecting Jenin with the large Israeli-Arab communities in Northern Israel. This resulted in an estimated \$120 million in economic gains from 2009–2012.

#### *High Impact Micro-Infrastructure Initiative (HIMII)*

- USAID is implementing \$100 million in small-scale infrastructure projects in support of the High Impact Micro-Infrastructure Initiative, with the goal of demonstrating tangible benefits to the Palestinian people. Since November 2013, USAID has initiated 73 projects, including roads, schools, and clinics at

a total estimated value of \$74 million. An additional 25 new HIMII projects, valued at about \$25 million, are tentatively scheduled to begin in June 2014.

#### *Health*

- USAID supports PA efforts to reform the health referrals system. USAID identified critical reform measures, which helped decrease expensive referral costs by 13 percent.

#### *People-to-People Reconciliation*

- USAID's supports 25 diverse organizations as they promote understanding and tolerance between Israelis and Palestinians over issues of common concern. One program, Olive Oil Without Borders, brokered an agreement allowing Palestinian olive oil producers to sell to Israelis, resulting in a revenue increase of \$3.2 million.

*Question #14.* USAID's recent Global Health Supply Chain request for proposals (RFP) will be one of the single largest awards ever made by the agency. However, a lack of publicly available data makes it difficult to assess how the new program requirements will necessarily improve upon supply chain performance. How will USAID improve the use and availability of data and analysis in this next phase of investment in commodities and supplies?

Answer. USAID is dedicated to improving the performance of the Global Health Supply Chain (GHSC) program and improving the use and availability of logistics data. Recently, USAID released a substantial amount of supply chain data in connection with our new commodity and supply chain procurements. The new GHSC procurements consist of five mechanisms designed to address identified areas of improvements in the current program structure, including the need for a more mature and fully integrated data warehouse capability that encompasses the Agency's entire global health commodity portfolio.

One of the new GHSC mechanisms, the Global Health Business Intelligence & Analytics (BI&A) contract, which was awarded at the end of April 2014 and is expected to be fully operational by fall 2014, specifically addresses issues of data management, data availability, analytics solutions, and knowledge management. Once implemented, the BI&A contract will house both historical and ongoing data on all global health investments in commodities and supplies, which will facilitate the Agency's ability to analyze and report on USAID-supported investments in commodities and supply chain strengthening.

The BI&A contract will serve multiple purposes and improve the use and availability of data and analysis in the next phase of the Agency's investment in health commodity procurement and technical assistance by enabling:

- The consolidation and coordination of data from all GHSC mechanisms, including those responsible for commodity procurement, delivery and quality assurance;
- USAID to better analyze and identify supply chain trends and conduct predictive modeling to better inform our commodity decision making processes. For example, the contract will allow USAID to manage vendor performance; track and trace shipments; monitor product and shipping costs, and product flow; identify available stocks and gaps; and predict stock-outs;
- Nonsupply chain data sets to overlay GHSC data to help identify new or previously unsubstantiated development trends; and
- USAID leadership to provide additional data sets publicly consistent with the administration's Open Data policy.

USAID is committed to capturing the GHSC data and making the supply chain data available to Congress and the public.

*Question #15.* In 2013, the Promoting the Quality of Medicines program, which is funded by USAID and implemented by the U.S. Pharmacopeial Convention (USP), along with the Ghana Food and Drugs Authority Laboratory Services, sampled hundreds of medicines across the health sector in Ghana. The survey's results are a source of great concern. For example, 55 percent of the oxytocin samples failed quality tests, of which 86 percent were manufactured in China; and 73 percent of the Ergometrine injection samples failed, of which 90 percent were manufactured in India. How will the upcoming Global Health Supply Chain address counterfeit, substandard, and unsafe medications, and will it incorporate quality testing of drugs before they are funded by or distributed through our foreign assistance programs?

Answer. USAID shares your concern about the medicines quality issues identified in the survey. The substandard medicines identified in the report from Ghana were sampled from the local marketplace by the Ghana Food and Drugs Authority (FDA)

Laboratory Services Department, with technical assistance from USAID's Promoting the Quality of Medicines (PQM) program. USAID supported the Ghana FDA to use the survey findings to take regulatory and legal action, which included recalling products from the market and protecting patients from being exposed to substandard uterotonics. This study demonstrates USAID's rigorous commitment to building the capacity of country governments to combat the presence of counterfeit, substandard, and unsafe medicines.

USAID fully understands and appreciates the importance of providing patients and recipients with quality assured medicines and strengthening national medicines quality assurance systems, and USAID is committed to continuing its investments in the quality assurance arena.

In accordance with the Agency's policy and procedure requirements (as contained in Automated Directives System 312), all pharmaceuticals procured with USAID resources are procured from quality-approved vendors that are subject to rigorous quality control testing. All of these requirements and mechanisms will remain in place under the new Global Health Supply Chain Program (GHSCP) to manage the quality assurance and quality control activities of pharmaceuticals procured by USAID.

USAID has a long history of successfully strengthening national medicines regulatory authority quality assurance systems through the PQM program and predecessor programs. Currently, USAID supports national medicines regulatory authorities through the PQM program, which is implemented by the U.S. Pharmacopeial Convention. Additionally, the Product Quality Assurance Contract, under the new GHSCP, will serve as another mechanism to provide technical assistance to national medicines regulatory authorities to build country capacity to mitigate counterfeit, substandard, and unsafe medicines and other health products from entering the supply chain or becoming compromised within the supply chain.

*Question #16.* The President's Malaria Initiative (PMI) regularly uses end-use verification tools to monitor the availability in health facilities of diagnostics, medicines, and other commodities. How is this information being used to improve the supply chain? Is USAID using these or similar tools in other USAID programs to monitor and verify the availability of commodities?

Answer: The End-Use Verification (EUV) Tool is used to improve the supply chain in four ways:

1. *Detect stockouts and other stock issues.* In the short-term, the tool detects stockouts and stock surpluses of antimalarial drugs at regional warehouse depots and at health facilities. The identification of mismatched stock levels is used to shift antimalarial drugs from medical stores with stock surpluses to facilities experiencing stockouts. Since malaria is an acute, febrile condition that can rapidly become life-threatening, especially in children less than 5 years of age, immediate access to treatment is imperative. Therefore, this enables the President's Malaria Initiative (PMI) and national partners to quickly mobilize life-saving antimalarial drugs where they are needed.

2. *Facilitate supervisory visits.* EUV implementation teams include staff from the Ministries of Health, as well as national malaria control program and regional health management teams. The Ministry of Health staff provide increased opportunities for supportive supervision of peripheral health staff, while providing visibility into systemic bottlenecks in country supply chains. Bringing central and regional officials, who are capable of making policy changes, into the field to see the challenges can help promote improvements in supply chain functionality. Identifying stockouts or other stock issues improves transparency in often opaque systems, and brings central-level attention to gaps and challenges at lower levels of the system.

3. *Improve quantification and forecasts.* In the longer term, the EUV tool contributes to more systemic improvements in country supply chains, by improving the collection of and reporting on antimalarial consumption data over time. These data inform national-level quantification and forecasting and ensure that commodity predictions are more accurate, which in turn decreases potential stockouts and improves the use of drugs due to expire. Ultimately, using the EUV tool results in supply chains that are more responsive to real-time needs with the correct volume of commodities available to reach end-users—a key benchmark of a functional supply chain.

4. *Contribute to greater country ownership of the supply chain.* The EUV tool ensures that national malaria program staff are equipped to make evidence-based recommendations to improve the function of the national supply chain. Over time, data from repeated EUV tool implementation demonstrate improvements at the local facilities, as well as across multiple regions.

The EUV tool is currently undergoing an expansion to include select maternal and child health (MCH) commodities, with the PMI and USAID MCH teams closely collaborating. There is the potential to expand the EUV tool to other health elements within USAID's Bureau for Global Health.

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RESPONSES OF HON. RAJIV SHAH TO QUESTIONS  
SUBMITTED BY SENATOR TOM UDALL

*Question.* USAID is doing important work to promote development in Africa and Asia, and these efforts should be applauded, yet this has come at the expense of countries in our own backyard such as El Salvador, Honduras, and Guatemala, where the crime rate is higher than anywhere in the world. While partnerships to leverage funding such as the Development Credit Authority are important, it does not replace core funding in education, water, health and other areas critical to ending extreme poverty and providing economic opportunities which can turn youth away from gangs. Sadly it's this core funding which has been on the decline for years in Latin America. A comprehensive approach to the region, addressing crime and drug-trafficking but also rule of law, economic development, and education is critical to prevent further decline.

- ◆ Would USAID support increased efforts to address the roots of the problems in this region and what can Congress do to help these efforts?

Answer. The primary vehicles for USAID's security assistance to Mexico, Central America, and the Caribbean are the Merida Initiative, Central America Regional Security Initiative (CARSI) and Caribbean Basin Security Initiative (CBSI), respectively. Under these initiatives, USAID works to strengthen rule of law institutions and reduce levels of crime and violence by assisting countries and marginalized communities in addressing the root causes of insecurity that impede broader economic development and social inclusion. These efforts are complemented and reinforced by USAID's traditional development programs across a range of sectors—from democracy and governance to economic growth to health and the environment.

USAID recognizes that sustained improvements in the region's security are predicated on an integrated approach to development. Only by keeping children in school and training out-of-school youth for work, connecting small farmers to markets, lifting rural poor out of poverty, preserving natural resources and reaching out to historically marginalized groups, can USAID contribute to a broader effort to make the region more safe and prosperous.

USAID is committed to furthering these integrated efforts, which include such approaches as the use of Development Credit Authority (DCA) and public private partnerships, as you note. These approaches are not add-ons, but are essential to our mission of ending extreme poverty and providing economic opportunities in the region. We look forward to the continued support of Congress in overcoming the region's challenges.

*Question.* USAID's Global Development Lab is an exciting and important pillar in our approach to development globally. Innovation, entrepreneurship, and job creation are critical to U.S. economic competitiveness as well. Just last year 75 U.S. industries classified as intellectual property intensive added \$5.8 trillion to U.S. output. Technology transfer, which accelerates innovations from the lab to the market, is critical to maintaining our role as a leader in science and technology, and developing solutions to complex global challenges such as disease, pollution, and access to energy. Our National Labs including Sandia and Los Alamos in New Mexico are actively involved in basic and applied research, and examining ways to accelerate tech transfer.

- ◆ How will you ensure that the research and technologies you support through the lab mature into viable businesses, and are scaled up to benefit those in need around the world?
- ◆ How will this new lab link with other agencies such as the Department of Energy, Small Business Administration, and Department of Commerce, also focused on innovation?

Answer. The U.S. Global Development Lab (The Lab) is building directly off of the successes of its two predecessor organizations—the Office of Innovation and Development Alliances and the Office of Science and Technology. Those two offices were able to generate hundreds of new innovative and cost effective approaches to solving long-standing development challenges. Where the Lab seeks to improve is in the area of making sure the most promising of those solutions are taken to global scale, impacting hundreds of millions of people. This can only be done if these efforts become sustainable. For a large subset of these solutions, it means ensuring that

they become viable businesses. The Lab will do this in two ways. First, we will provide staged financing, making increased investments to those solutions where there is solid evidence of a sound business model that will enable global impact. Second, the Lab is establishing innovative financing models and other tools for nascent development enterprises, and connecting entrepreneurs with accelerators like the USAID Higher Education Solutions Network Health Accelerator at Duke University and USAID partnerships like LAUNCH (Department of State, NASA, and Nike) that connect entrepreneurs with business advisory services. Successful examples include: the Odon Device, which will be manufactured by Becton, Dickinson and Company, of Franklin Lakes, N.J.; Subsurface Vapor Transfer Irrigation, which has licensed the technology to Dupont; and d.Light, which just closed on \$11 million in Series C venture capital financing.

The Lab has created a strong network of partners that will work closely with the Lab from the outset to help scale proven solutions. The Lab's cornerstone partner network includes corporations, foundations, donors, universities and nongovernmental organizations. The Lab also has a close network of U.S. Government Partners that we are already working with to help the Lab design and implement programs. This list includes the State Department, USDA, NASA, the U.S. Geological Survey, the National Science Foundation, the Millennial Challenge Corporation, the National Geospatial Intelligence Agency, and the National Oceanic and Atmospheric Administration. In addition, the Lab tapped into the expertise and experience of the Department of Energy to help us design the U.S. Global Development Lab.

