

**Statement by Dr. Rajiv Shah  
Administrator  
United States Agency for International Development  
Before the  
House Appropriations Subcommittee on State, Foreign Operations  
Wednesday, March 30, 2011**

**INTRODUCTION**

Thank you very much Madam Chairman, Ranking Member Lowey, and members of the Committee. I am honored to join you here today in support of the President's Fiscal Year 2012 budget request.

Before beginning my testimony, I want to briefly comment on USAID's response to the devastating earthquake and subsequent tsunami in Japan and the remarkable events taking place in the Middle East.

In Japan, USAID is leading the US Government's response, coordinating an interagency effort with the Nuclear Regulatory Commission, and the Departments of State, Energy, Defense and Health and Human Services. We also have deployed a Disaster Assistance Response Team—including urban search and rescue specialists and nuclear experts—to support Japanese emergency response efforts. I'd like to thank the brave men and women on these teams for their enormous courage. USAID has provided 10,000 personal protective equipment sets—including suits, masks, gloves, decontamination bags, potassium iodide and other supplies—to help those working near the contaminated zone in Fukushima Prefecture.

Our thoughts and prayers are with the Japanese people at this time, and we will continue to work closely with the Government of Japan to respond to their requests for assistance as quickly as possible.

USAID also has led the humanitarian response to recent events in the Middle East. As we speak, USAID teams are working on the Tunisian border with Libya and in Egypt, helping deliver assistance to those affected by conflict. In eastern Libya, we have delivered health kits capable of providing basic care to 40,000 people, with more en route. We have also provided key support to the World Food Programme, which has moved more than 10,900 tons of food in and around Libya, enough to feed more than 650,000 people.

We will work with counterparts to help the people of the region realize their democratic aspirations through a credible transition. Drawing on experience USAID has gained over decades, we will help countries strengthen civil society, extend the rule of law, and create more transparent and accountable democratic governance.

## **RESULTS**

Both the President and Secretary Clinton have emphasized that development is as important to our nation's foreign policy as diplomacy and defense, and as a result have actively championed the goal of reestablishing USAID as the world's premier development Agency.

Representing less than one percent of the federal budget, the President's FY 2012 request balances difficult trade-offs with a clear-eyed assessment of where we can most effectively achieve dramatic, meaningful results for the American people and the developing world.

The President's request includes significant investments in bipartisan initiatives promoting global health and food security, the foundations of which were laid by the previous Administration and bipartisan supporters in Congress.

Representing the largest portion of the President's budget request for foreign operations, the \$8.7 billion USAID and State are requesting for the Global Health and Child Survival account will allow us to transform HIV/AIDS from a death sentence to a manageable disease for more than 4 million HIV-positive patients, reduce the burden of malaria by half for 450 million people and prevent hundreds of millions of child deaths from preventable diseases by providing them vaccines and bed nets.

Our Global Health Initiative is designed to efficiently deliver these results. Rather than create separate facilities to treat separate diseases, we will save money and expand the reach of coverage by integrating treatments into single points-of-care. In Kenya, we worked with PEPFAR to couple HIV/AIDS treatment with maternal and child health services. As a result, we've extended the availability of reproductive health services from two to all eight of the country's districts, at no increase in cost.

We can also help countries develop their own agricultural sectors, so they can feed themselves. For the \$1.1 billion we are requesting for bilateral agricultural development programs, we will be able to help up to 18 million people in up to 20 countries—most of them women—grow enough food to feed their families and break the grips of hunger and poverty.

We chose these potential countries for our Feed the Future Initiative selectively, based on their own willingness to invest in agriculture, undertake reforms, and encourage coordinated investment from other donors, foundations and private companies, leveraging our investments several-fold. We have worked closely with these countries to develop rigorous agricultural strategies that will bolster the success of our Initiative.

But our foreign assistance will not just assist people abroad; it will benefit us here at home.

**FROM THE AMERICAN PEOPLE, FOR THE AMERICAN PEOPLE**

Our assistance represents the spirit of our country’s generosity; captured in USAID’s motto: “From the American People.” Recent events underscore the critical importance of our humanitarian assistance request.

But now more than ever, it is critical that the American people understand that our assistance also delivers real benefits for the American people: it keeps our country safe, and develops the markets of tomorrow.

**Keeping America Safe**

By elevating the role of democracy, human rights and governance, we help to consolidate freedom in new and fragile democracies and expand liberty in authoritarian and semi-authoritarian countries. We also support the rebuilding of failed and fragile states during and after conflict, forging new compacts between state, civil society and the private sector that lead to increased stability and ultimately keep Americans out of harm.

As Secretary of Defense Gates, Joint Chiefs Chairman Admiral Mullen, and General Petraeus have all emphasized, we need a fully engaged and fully funded national security presence, including the core components of our nation’s civilian power: the State Department and USAID.

This year, for the first time, the President’s budget designates \$1.2 billion of USAID funding for Afghanistan to a separate account called the Overseas Contingency Operation Account. This transparent approach, modeled upon the Defense Department’s well-established example, distinguishes between temporary costs and our existing budget in an effort to consistently budget for Defense, State, and USAID spending.

In the most volatile regions of Afghanistan, USAID works side-by-side with the military, playing a critical role in stabilizing districts, building responsive local governance, improving the lives of ordinary Afghans, and—ultimately—helping to pave the way for American troops to return home.

For example, we are helping to improve agricultural yields in the Arghandab Valley. As a result, farmers shipped the first agricultural exports out of Kandahar in 40 years. We have also helped rebuild the civil service in the southeast and helped fuel a 40 percent reduction in the growth of opium poppies that fund Taliban operations.

In Northwest Pakistan—the current base of operations for Al Qaeda and the Pakistani Taliban—USAID staff and partners undertake enormous personal risk administering over

1,400 small-scale development projects. In the Malakand province, they have helped rebuild 150 schools so children there can become productive members of their economy, instead of turning to extremist *madrassas*.

Our work in promoting national security is not just limited to active zones of conflict. Throughout the world, USAID is deploying development specialists today to strengthen democracies, rebuild livelihoods and build strong health and educational systems so that we do not have to deploy our troops tomorrow. As Secretary Gates has said: "Development is a lot cheaper than sending soldiers."

In Southern Sudan, the USAID mission worked with partners to design, procure and pre-position ballots and supplies months before the recent referendum on independence. That foresight helped ensure the referendum, which many predicted would never occur, proceeded peacefully and successfully, but also left us prepared in the event it would not.

### **Developing the Markets of Tomorrow**

In addition to strengthening our national security, USAID's work also strengthens America's economic security.

Today, long-time aid recipients like India, Indonesia, Poland and South Korea and other emerging economies have become America's fastest growing markets. Exports to developing countries have grown six times faster than exports to major economies and today they represent roughly half of all U.S. exports.

In 2009, we exported over half-a-trillion dollars in American goods and services to those countries, and 97% of those exporters were small-and-medium sized U.S. companies. That is why for every 10% increase we see in exports, there is a 7% increase in the number of jobs here at home.

We need to accelerate the economic growth of tomorrow's trade partners, ensuring those countries grow peacefully and sustainably.

But beyond these impacts, winning the future will depend on reaching the 2-3 billion people currently at the bottom of the pyramid who will come to represent a growing global middle class. By establishing links to these consumers today, we can effectively position American companies to sell them goods tomorrow.

Make no mistake: our success is intertwined with the progress of those around us. By fully funding the \$2.9 billion USAID is requesting for its Development Assistance account, we will save lives, expand global freedom and opportunity and crucially strengthen America's national and economic security.

## **REFORM**

Because development is critical to our national security and future prosperity, USAID has worked tirelessly to change how we work with all of our partners.

Consistent with the President's Policy Directive on Global Development and the Quadrennial Diplomacy and Development Review, we have launched a series of reforms we call USAID Forward.

### **Learning, Monitoring and Evaluation**

To ensure our assistance is effective, we are taking monitoring, evaluation and transparency seriously. In 1994, USAID conducted nearly 500 independent evaluations. By the time I arrived, only 170 evaluations were submitted to Washington, despite a threefold increase in programs managed. In many instances, these evaluations were commissioned by the same organizations that ran the programs.

To end this practice, we introduced a new evaluation policy that is quickly setting a new standard in our field. We are requesting \$19.7 million to implement this policy and provide performance evaluations for every major project, conducted by independent third parties, not by the implementing party themselves. And we will release the results of all of our evaluations within three months of their completion, whether they tell a story of success or failure.

### **Combating Fraud, Waste and Abuse**

We are fighting vigorously to prevent and respond to fraud, waste and abuse, and to ensure a culture of vigilant oversight. I have created a new suspension and debarment task force led by our Deputy Administrator Don Steinberg and staffed with talent across our Agency. This task force will provide a coordinated effort to closely monitor, investigate and respond to suspicious activity.

### **Private Sector Partnerships**

We are also placing a renewed emphasis on economic growth, driven by private sector investment. In all aspects of our work, we are relying much more on leveraging private sector investment and building public-private partnerships in countries committed to good governance and pro-business reforms.

For example, through the Feed the Future initiative, we have launched groundbreaking new partnerships with Kraft, General Mills, and Wal-Mart in Ghana, Tanzania, El Salvador, and Guatemala to connect poor farmers to local and international food markets. And in Haiti, we are supporting Coca-Cola's initiative to promote the Haitian mango juice industry.

These efforts strengthen the sustainability of our economic growth work, while also improving the bottom line for American companies.

## **Science, Technology and Innovation**

Across our portfolio, we are seeking new ways to harness the power of science, technology and innovation. For our request of \$22.1 million, we will recapture USAID's legacy as the leader in applying scientific and technical solutions to the challenges of development.

We have developed a new venture capital-style investment fund—the Development Innovation Ventures Fund—so we can support start-ups, researchers and non-profits focused on the problems of the developing world. We are requesting \$30 million to continue using this simple but highly competitive business model to sustainably scale innovative solutions to development challenges.

By providing seed capital to incentivize the emergence of these innovations, we practice development with an exit strategy. This fund has already funded several projects, including an easy-to-use self-administered test for preeclampsia, the leading cause of maternal mortality in the world.

In Haiti, instead of rebuilding brick-and-mortar banks devastated by the earthquake, we are partnering with the Gates Foundation to begin a mobile banking revolution in the country. By allowing Haitians to save money and make transactions on their cell phones, we are encouraging local wealth creation and cutting back on corruption and wage-skimming.

This approach forms the foundation of a new series of grant challenge partnerships USAID introduced just last month. Rather than building hospitals and power plants throughout the developing world, USAID will partner with foundations, foreign governments, inventors and engineers to generate new, low-cost innovations that can help countries skip the need for some of this physical infrastructure.

## **Procurement**

Fundamentally, all of the reforms I have outlined are designed to achieve the same result: to create the conditions where our assistance is no longer necessary.

The President's budget request puts this approach into practice. It cuts development assistance in at least 20 countries by more than half, including 11 countries where all bilateral Development Assistance has been eliminated. It also terminates USAID missions in three countries. And it reallocates almost \$400 million in assistance and shifts 30 Foreign Service positions toward priority countries and initiatives.

USAID must continue to do its work in a way that allows our efforts to be replaced over time by efficient local governments, thriving civil societies and vibrant private sectors. That is why we have launched the most aggressive procurement and contracting reforms our agency has ever seen. Instead of continuing to sign large contracts with large contractors, we are accelerating our funding to local partners and entrepreneurs,

change agents who have the cultural knowledge and in-country expertise to deliver lasting, durable growth.

These procurement reforms are crucial to delivering assistance in a much more effective and evidence-based way, generating real results faster, more sustainably and at lower cost so more people can benefit.

To implement the QDDR and USAID Forward, implement our procurement reforms and deliver development gains more cheaply and efficiently for the American people, it is crucial that USAID's FY 2012 operational request of \$1.5 billion is fully funded.

We can only make these reforms meaningful if we can bring in the contracting officers, controllers and technical advisors who can provide accountability and oversight over our contracts and grants and safeguard taxpayer funds.

As we continue the Development Leadership Initiative begun under President Bush, with strong support from Congress, we plan on filling key staffing gaps in priority countries and frontline states. By bringing in experts in conflict and governance, global health, agriculture, education, economics and engineering, we can restore the technical capacity our Agency has lost over time, and has had to contract at far greater expense.

## **CONCLUSION**

The evidence is clear: development saves lives, strengthens democracies and expands opportunity around the world. It also keeps our country safe and strengthens our economy. But our development assistance also expresses our American values.

When we protect girls from sex trafficking in Asia, stop deforestation in Latin America or help Afghan girls return to school, we express American values.

When Americans see a neighbor in need, or witness suffering and injustice abroad, we respond; we mobilize; we act. We are a generous people. That fact was never clearer than when 20 million American families donated money to Haiti relief; more than watched the Super Bowl.

USAID is proud to put American values into action—distributing antimalarial bed nets donated by school children, supporting faith-based organizations that help ease suffering abroad, and engaging all Americans in solving the greatest global challenges and generating results.

Right now is a critical moment in our country's history. As a nation, we are making a lasting determination about the future of our country, and the future of our global leadership.

Now is the time when America must decide whether it will engage and lead the world, actively using its tools of development, diplomacy and defense to improve human welfare and freedom across the globe...

...or whether it will retract, leaving many of its poorest, most fragile global partners without assistance, and leaving other emerging global powers like China to promote alternative economic and political models.

Budgets are an expression of policy; they are an expression of priorities. But fundamentally, they are an expression of values.

Thank you.