

**STATE, FOREIGN OPERATIONS, AND RELATED  
PROGRAMS APPROPRIATIONS FOR FISCAL  
YEAR 2012**

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**TUESDAY, APRIL 12, 2011**

U.S. SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,  
*Washington, DC.*

The subcommittee met at 10:02 a.m., in room SD-138, Dirksen Senate Office Building, Hon. Patrick J. Leahy (chairman) presiding.

Present: Senators Leahy, Mikulski, Kirk, and Tim Johnson.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
**STATEMENT OF DR. RAJIV SHAH, ADMINISTRATOR**

OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Good morning.

Today we are going to hear testimony from Dr. Rajiv Shah, Administrator of the United States Agency for International Development (USAID), on the Agency's fiscal year 2012 budget request. Most of us know Dr. Shah well, and welcome him here.

About 15 months ago the Administrator took charge of an agency that has struggled for many years with serious management and programmatic weaknesses. At the time, I offered him congratulations and condolences, but I was delighted he accepted the challenge.

When he first testified here, last April, I said that too often this subcommittee and others had encountered at USAID instances of arrogance and detachment from the impoverished reality of the people in countries where USAID operates, and we'd encountered poorly designed projects, mega-contracts that were touted as success stories, but which enriched the contractors more than they helped the intended beneficiaries, and taxpayer money was wasted.

If you want to change the bureaucracy—any bureaucracy, changing the culture takes time. I continue to believe strongly that USAID needs to become a more efficient, accessible, flexible, and less risk-averse agency that rewards creativity and focuses on building the capacity of local people and governments in countries where the United States has interests. That's just about everywhere in the world. But I have seen steady process under Administrator Shah. And I compliment you for that. I mentioned out back when we were talking, I've read your speeches. You have not whitewashed problems the way some others did in the past. You've

talked about them, you've addressed them directly, and I think that's why we see improvements. But USAID still has a long way to go.

As long as I've been either chairman or ranking member of this subcommittee I have said that, contrary to what some say, USAID has an essential role to play in projecting U.S. global leadership and helping to protect U.S. interests around the world. I hear that from people in business and from our military. Anyone who doubts that has not seen what I've seen, whether it's when President George H. W. Bush asked me to go to Vietnam and see whether we could use the Leahy War Victims Fund there, or to the West Bank, or to Afghanistan, to so many other places. There are countless examples where USAID has had a profound, positive impact in ways that directly advance United States interests.

Recently I was in Haiti. That country's going to face daunting challenges for years to come and no one can dispute that USAID is helping to save lives and helping the Haitian people of the country recover.

So, it's not a question of whether your mission is integral to our national security—everyone from President Reagan to General Petraeus has recognized it is. But I want to know, Dr. Shah, how you're making the changes to ensure that USAID carries out that mission in the most cost-effective way.

Senator Graham's staff, my staff, and their counterparts in the House have been working extraordinarily hard to try to, one, stay within our budget constraints, but also make sure we spend the money wisely. More than one-half of fiscal year 2011 is past. We're only now finalizing the budget, which is going to require USAID, like other agencies, to scale back.

The President has requested significant increases in funding for USAID in fiscal year 2012 because of our security interests around the world. I believe much of what he requested is justified. I believe it is in our national interest to do more to help build stable democracies and vibrant economies around the world. But, I don't see those increases coming.

#### PREPARED STATEMENT

Senator Blunt regrets he could not be present, but has submitted a prepared statement for the record. Senator Kirk is here. Senator Graham's schedule suddenly changed, and I understand that. I'll yield to Senator Kirk, and then we'll go to questions.

[The statement follows:]

#### PREPARED STATEMENT OF SENATOR ROY BLUNT

Thank you Mr. Chairman, and thank you Director Shah for being here today. You and I had a chance to visit last week in my office and I appreciated the chance to hear from you directly on some of these topics.

Obviously your organization's mission to promote development and provide aid of all kinds to areas of the world in need is something that is both morally right and helps improve America's image in the world.

Unfortunately our budget realities mean that we just can't do as much for as many people as we would like to.

I appreciate hearing about your efforts to bring greater efficiency to United States Agency for International Development (USAID) and implement policies you've witnessed firsthand while working in the private sector and with private sector partners. I've always said that government is the last place where you measure how

much you care about something by how much money you spend on it instead of the results you see. I believe USAID should be focused on results and I hope that's the direction you're taking the agency.

I mentioned this during our meeting the other day, but I want to get it in the record. There's a program at USAID called Scholarships for Education and Economic Development and it has a partnership with St. Louis Community College. I believe this partnership has been successful and I believe the leaders of that community college want to see it continue. So I'm hopeful it will and that these students from Latin America will continue to benefit from spending time in the St. Louis community learning from my constituents about a lot of very practical skills that they can take back to their own communities.

I encourage you to continue working closely with other U.S. Government agencies. We hear a lot from our military and security leaders that USAID programs are a real added value to our efforts wherever U.S. troops are engaged. I believe that when our diplomatic, aid, and military agencies operate jointly and seamlessly, that is the best way to ensure that taxpayer dollars are being well-spent and with the maximum input of leaders with all kinds of experience. I know that bureaucratic challenges await every effort to integrate these agencies and I want to emphasize that the Congress should be doing everything it can to back up leaders who want to see these agencies better cooperate.

I also hope you'll continue to keep the Congress apprised of your programs in parts of the world that we need to be paying a lot of attention to. I know you've already briefed me personally on ongoing efforts in some particularly challenging places like Egypt, Yemen, Afghanistan, and Iraq. I appreciate that and will look forward to your feedback as those programs and many others are implemented in the months and years ahead.

Thank you again for your time today and I'm looking forward to hearing from you and asking some questions.

#### STATEMENT OF SENATOR MARK KIRK

Senator KIRK. Thank you, Mr. Chairman. And we're looking forward to Senator Graham leading our side.

I'm new to this subcommittee, but not to this bill. I think the first foreign operations bill I worked on was the fiscal year 1984 supplemental 27 years ago, and remember USAID administrators who have come and gone—I think my first one was Peter McPherson that I worked with as a staffer with the House International Relations Committee, helped to draft the legislation that made you part of the State Department. And I think that was because of critical problems that USAID basically told the State Department in critical moments in our history, like in El Salvador, that they could jump off our cliff, and, it was not in our budget, it was not part of the development goals, and so we weren't going to provide critical assistance needed to help the El Salvador peace process. And I think for leaders of the Congress at the time, that's why we rolled you into the State Department—to make you a tool of the Secretary of State, rather, sort of, as a lone ranger out there in bureaucracy land, which is what USAID had been.

We're pretty proud of the USAID team in Benghazi right now and the support that you're giving, although I'm very worried about the sustainability of your effort. Should Ajdabiya fall, my guess is that you guys are going to bug out, and then the question is, what happens to everyone else? I think that's because of a critical lack of United States air power that will be unable for us to protect the humanitarian mission, which, as my understanding was, the whole point of this operation in Libya.

I've also been worried about sustainability of USAID efforts elsewhere. The heart and soul of USAID is its immediate disaster response and support for the enabling environment around U.S.

troops. And oftentimes we've seen that when the security environment gets robust, as we would say, USAID and its partners bug out. We saw the collapse of alternative development programs in Helmand province, which was the central core of the effort for the U.S. military, and the lack of USAID and its partners being able to hang in there with U.S. troops was disturbing.

We also saw USAID trying to electrify Western Afghanistan—a key part of the effort—with a project at Kajaki Dam, but they've been unable to actually carry that out. And I think we have largely abandoned the last turbine that was supposed to go in there. And it's been a very long and tortured effort to get power to Kandahar, which, as General McChrystal and General Petraeus have said, is the central focus of our efforts in Afghanistan, and I've been worried about just how slow USAID has been in providing that effort.

But I'm most worried about USAID abandoning, apparently, a Partner Vetting System (PVS) to make sure that funds stay out of terrorist hands in the West Bank in Gaza. We have the distinct possibility, according to USAID inspector general audits at West Bank in Gaza, that we may be funding both sides of this conflict, and I will be asking you later why you have failed to meet commitments and timelines that you set before me when I was a House Member, and look very much forward to your answers on that.

And, Mr. Chairman, back to you, thank you.

Senator LEAHY. Thank you.

Dr. Shah, please feel free to go ahead, Sir.

#### SUMMARY STATEMENT OF DR. RAJIV SHAH

Dr. SHAH. Thank you, Mr. Chairman, and members of the subcommittee. I appreciate the chance to be here today, and I want to thank you all for your commitments to U.S. engagement efforts around the world, and to USAID in particular.

As the chairman noted, I've been in this role now for more than 15 months. The first 2 to 3 of those months were certainly consumed by managing an interagency response to the tragic earthquake in Haiti. While that was an all-consuming exercise for me, it was also an opportunity for me to see what Senator Kirk just referred to as the heart and soul of our efforts—our ability to move quickly in times of humanitarian crises, and our willingness to take on risks in order to serve some of the most vulnerable people around the world.

Following that experience we launched two major efforts last year—a Presidential Study Directive on development and a Quadrennial Development and Diplomacy Review (QDDR), both of which were designed to evaluate and assess how we could do a better job executing our mission abroad.

The Presidential Study Directive set some clear strategic guidelines for us to build on the development of sustainable systems, build local capacity around the world, and move away from service delivery that just requires ongoing investment without building that kind of sustained local capacity. It also directed us to be more focused on growth and good governance as major underlying factors for successful development, and encouraged us to make science, technology and innovation a major focus of how we try to bring the cost of achieving results down on a sector-by-sector basis.

The QDDR resulted in part in endorsing a set of reforms I've called USAID Forward. Those reforms cover budget, policy, human resources, procurement, science and technology, and evaluation. And in each of those areas I think we've made real progress in implementing a new strategic direction and new operating principles for our Agency and our teams around the world.

I look forward to discussing them with you, and I recognize that this kind of complete reform of a Federal bureaucracy is a difficult task to undertake.

I want to take this opportunity to thank the staff at USAID which has across the board been supportive of the efforts we're undertaking—especially certain members of our teams, both here in Washington and around the world, that have really become champions for the USAID Forward reform agenda, and taken it upon themselves to be creative and use their insights in implementing these guidances in case after case after case.

Ultimately, the purpose of these efforts is to drive better results, and to drive them in areas such as our Feed the Future program. I had the chance to visit a new partnership we've developed with Walmart that is allowing communities in the Guatemalan highlands in the western part of that country to escape a decades-long situation of poverty and child hunger and malnutrition.

I've had a chance to see our Global Health Initiative in action. We are now looking at data coming back from the President's malaria initiative that shows a 30 percent reduction in the number of children under the age of 5 who die from all causes because of our efforts to get a low-cost, insecticide-treated bed net, some indoor residual insecticide spraying, and improved treatments to hospitals and communities where kids get malaria and often die.

And I've had the chance to deeply engage with our Afghanistan, Pakistan, Haiti, and other missions. My most recent trip was to Afghanistan. While I was there I had the chance to sit with a group of women who had come together in a shura that was part of a program called the National Solidarity Program of which USAID has been a strong supporter. They represented many of the positive attributes of our new gender policy across the Agency and in that country.

I understand that our reforms are critical because our mission is critical. We need to be an ever-improving partner to the United States military in national security operations. We want to be continually more effective in places around the world, like El Salvador, which has become one of the Partnership for Growth countries where we are essentially coordinating the interagency partnership with El Salvador to help build on the track record of building local institutions and allowing that country to have a more dynamic, growth-oriented economy that can serve as a pillar for the region of Central America.

And I recognize that these reforms will not happen overnight. It takes a lot of hard work. It takes people being willing to try things differently. It takes wonderful and committed partners in the Congress in both the Senate and the House to both give the reforms a chance and to continue to encourage us with your guidance and your support and your specific comments regarding issues upon

which we need to take action on in order to accelerate our reform agenda.

#### PREPARED STATEMENT

At the end of the day this country deserves an outstanding and premier development Agency that needs to be aligned absolutely with the Secretary of State and our State Department's diplomatic priorities. It needs to work in a spirit of partnership with the military. And I think in all of those areas we've improved our performance significantly. But ultimately we want to deliver real results for the American people. We think we're on that path. And I look forward to your continued guidance and support.

Thank you.

[The statement follows:]

#### PREPARED STATEMENT OF DR. RAJIV SHAH

##### INTRODUCTION

Thank you very much Chairman Leahy, Ranking Member Graham, and members of the subcommittee. 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 the U.S. Agency For International Development's (USAID) 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 United States 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 re-establishing USAID as the world's premier development agency.

Representing less than 1 percent of the Federal budget, the President's fiscal year 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 the 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 one-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 President's Emergency Plan for AIDS Relief 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 more than 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, 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 one-half of all U.S. exports.

In 2009, we exported more than half-a-trillion dollars in American goods and services to those countries, and 97 percent of those exporters were small-and-medium sized U.S. companies. That is why for every 10 percent increase we see in exports, there is a 7 percent 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 (QDDR), 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 3 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 nonprofits 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 pre-eclampsia, 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 one-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 fiscal year 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 the 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.

Senator LEAHY. Thank you very much, Dr. Shah.

#### CUTBACKS IN FOREIGN AID

You'd mentioned that some people are misinformed about what foreign aid is. A recent national poll said that most Americans think it accounts for between 20 percent and 40 percent of our budget. Of course, it's less than 1 percent. And they assume that it's a form of charity, a giveaway. But USAID spent \$1.6 billion on goods manufactured in the United States—100 times more than it spent on goods manufactured outside the United States. That's why everybody—Presidents, Republicans and Democrats, and our military leaders—have supported it. But there is going to be, there will be cutbacks, I assume. There will be programs eliminated.

Give me a couple of good reasons to support foreign aid, and what you think may be cut.

#### NATIONAL SECURITY AND JOBS IN THE UNITED STATES

Dr. SHAH. Well, I appreciate the comment and the question. I believe our performance in places like Afghanistan and Pakistan are central to our national security priorities. Over the last 15 months we have dramatically increased our oversight capabilities and operational presence in those places, consistent with an integrated civilian-military plan that we are enacting with General Petraeus in Afghanistan and with our colleagues in Pakistan.

We have pursued—I think to great effect—a strategy and an approach in Southern Sudan that enabled our diplomatic efforts to be successful by supporting a peacefully conducted referendum. We now keep our fingers crossed and continue to work in partnership to ensure an effective and nonviolent resolution to the succession of South Sudan.

And I think in Haiti we're making real progress in certain areas. I'm proud of our efforts in mobile banking that I think are going to develop an innovative and important mechanism for banking and financial transactions based on mobile phones that will reach many, many more clients than older traditional systems. We've seen our efforts to get clean water to people, and to build basic systems that do that generate real results and help prevent the fur-

ther spread of critical diseases like cholera. And we know we are making progress on efforts like the industrial park in the North that will create 20,000 jobs and bases for improved housing and economic opportunity.

In all of these settings, our work contributes to and is a critical part of our national security. And it is how we project our values abroad. It is enabling our economy to be more vibrant and dynamic, and it's helping to create jobs at home.

#### EXAMPLES OF BUSINESS—CORPORATE—PARTNERSHIPS

I was with the President in India when we were launching a unique partnership as part of our Feed the Future Program, and we visited a micro-irrigation provider who was selling small-scale farmers a very cheap micro-irrigation plastic piping technology that was powered by a solar panel, and they've sold hundreds of thousands of those in India. Well, the solar panels are made in Georgia, and now they're building a plant in Michigan. And it allows us to reach a market of very poor farmers throughout rural South Asia, while creating hundreds of jobs here in the United States.

That's just one example. Across the board, our businesses are telling us that they want to engage in real partnerships so that they can cultivate the markets of the future and they can be active participants. And they find our partnerships ever more streamlined and efficient in helping them make those engagements—businesses like Walmart, PepsiCo in Ethiopia, and a number of other major firms in the southern part of—

#### USAID'S RESPONSE TO BUDGET CUTS

Senator LEAHY. But, what are some of the things that will have to be cut if your budget falls short?

Dr. SHAH. Well, they're really in two categories. One is, we've proposed a set of reallocations and we've used our new budget capability to really identify tough tradeoffs that we've made in order to move money to better-performing efforts. We've proposed in the fiscal year 2012 budget request a series of investments that continue to build on the most results-oriented programs.

The ones I'm most focused on with respect to your question are programs like the President's malaria initiative, which has shown a tremendous capability to reduce child death in Africa. That program will expand into new countries like Ethiopia and the Democratic Republic of Congo, really going after big reservoirs of high-malaria-prevalence communities. And we would not be able to expand a program that works and generates results without that.

The other area would be our Feed the Future initiative. We've seen how high food prices in 2008 led to more than 36 food riots around the world and real instability in countries where people spend a huge percentage of their income securing food and feeding their families. Feed the Future is a program that works. It's targeting 18 million people, to move them out of poverty and hunger, in 20 countries. But we simply won't be able to continue the program and the investments in those 20 countries if we're not able to secure the fiscal year 2012 budget as the President has proposed.

## PROCUREMENT REFORMS AND MONITORING

Senator LEAHY. In your congressional budget justification there is a statement that USAID is conducting a series of business process reviews; key management processes and functions to support the Agency's development outcomes more effectively; to accomplish this, USAID is utilizing a systematic repeatable approach, including diagnosis, optimization, implementation, and assessment—this bureaucratic gobbledygook doesn't tell us anything.

I tried to find a coherent description of these reforms. I couldn't. Now, I was not an English major in college, but I do read a lot and I wish you would just tell us in English—what's your most important procurement reform?

And then when you talk about monitoring—we had the problem, of course, at Afghanistan's central bank prior to your being here—USAID had a \$92 million, 5-year contract with them, with Deloitte. And, I assumed that they would tell us if they saw fraud. They never did. The inspector general said USAID found out about the fraud when The Washington Post ran an article about it. They issued \$850 million in fraudulent loans.

If we're going to be doing this, how do we make sure the contractors are honest? How do we—I don't want "optimization" and "robustibadation", and the rest of the stuff. I want to know who's there with the green eyeshades keeping track of things?

Dr. SHAH. Senator—

Senator LEAHY. It's a general question.

Dr. SHAH. On your—

Senator LEAHY. Good luck.

Dr. SHAH. Thank you, Sir.

On your point on congressional budget justifications, you're absolutely right. I have myself struggled greatly with the way they read. And we are taking the guidance from your team very seriously and will in future submissions have a more plain-English approach to that—which is something I'm seeking across every effort in our bureaucracy and across the Federal Government.

## EXAMPLES OF REFORMS USAID HAS UNDERTAKEN

With respect to procurement reform, we've really taken on some very fundamental reforms. The first is building local capacity development teams in our missions around the world. We have a plan for expanding the numbers that we do. But what we do is we build a team that includes a first tour officer, a more seasoned Foreign Service officer, local staff that understand the context and institutions locally; have them develop a game plan for getting a higher percentage of total USAID commitments directly to local institutions and organizations. And that's making a big difference.

I had a chance personally to meet with the first 50 or so members of these teams, and I really believe, I mean, they have a huge amount of passion and commitment to this. They're doing important work and innovative work. We've made a number of specific policy changes in order to enable them to be successful. And—

Senator LEAHY. I want that work to show. I mean, I don't want it to get—

Dr. SHAH. Absolutely. Yes.

Senator LEAHY [continuing]. Consumed in this.

Dr. SHAH. As another example, we've been breaking down these Indefinite Quantity Contract (IQC), which are these very big contracts, into smaller chunks and into things that are more broadly competed and allow for more firms to be essentially winners within an IQC. There's a good example of that with respect to our construction and vertical structures programs in Afghanistan, where they worked hard to break a big IQC into four smaller components—three or four smaller components—that have a greater amount of competition to get you better results for American taxpayers.

Third, we've created a board on acquisition and review of large contracts, and a suspensions and debarments task force. And we have been aggressive about pursuing enhanced accountability across all kinds of partners—public and private sector.

#### MONITORING PROGRAMS IN AFGHANISTAN

With respect to Kabul Bank, we have canceled the component of the contract that I believe you were referring to. We do not believe that Deloitte, or USAID, or the U.S. Government writ large could have stopped the massive fraud that existed there. But, the concern that I had was that the structure of the project—

Senator LEAHY. But nobody knew about it. That's the problem.

Dr. SHAH [continuing]. Precluded—exactly—precluded information from coming to sources it should have been coming to. And that's just wrong. So, we're reviewing a broad range of our efforts there.

In Afghanistan, we've launched a project that we call A-cubed, or, Accountable Assistance for Afghanistan, and I look forward to talking a little bit more about the different programs within that.

But I think over the past 15 months the progress and the improvement in contract management and oversight in Afghanistan has been tremendous. I believe there's still a long way to go, and I welcome the cases where we find things that we can then go after or cancel, so that we can keep the teams really focused on implementing the A cubed initiative and doing that aggressively. Thank you.

Senator LEAHY. Thank you.

Senator Kirk, I've gone way over my time and I apologize. Please go ahead.

Senator KIRK. No. Thank you, Mr. Chairman.

#### PVS—SENATOR KIRK'S INQUIRY

In November 2007, the USAID Office of Inspector General said that "our audit determines that USAID's policies, procedures and controls are not adequate to ensure against providing assistance to terrorists on the West Bank." USAID properly responded in July of that year with a PVS, and you spent \$2.5 million taxpayer dollars on setting that system up.

In September—or, I'm sorry. Then you, in January 2009, USAID published its final rule on the vetting system. In May, Jacob Lew testified before my old committee that this PVS is in the rule-making process, and it's our intent to become final.

In June 2009, the PVS rule was made final. In March 2010, you appeared before me when I was a House Member and you said, “We are prepared for USAID programs, for the PVS to roll out this year”—that was 2010—“and we will come out with very specific plans on March 16.” That was March 16, 2010.

On April 2, then, in a response to a letter from me, you said, you wrote in writing to me that “We will be putting this out within 1 month, and should be ready to launch the program by the end of the summer.” Meanwhile, you’ve just been getting pounded by your own inspector general, who says that “We have no way to ensure compliance in March 2011.” Your inspector general said that the program was vulnerable to inadvertently providing material support to organizations for persons who commit, threaten—or, threaten to commit or support terrorism without the knowledge of USAID in the West Bank and Gaza. You also—the inspector general also said that, “Our Office of Compliance specialists provided mission management summary reports of instances of noncompliance with vetting requirements. However, the position now has been vacant since March 1, 2010. Mission management no longer receives any of these reports.”

Boy, this is not looking good for your running of this program—like, really terrible. How do you answer?

#### USAID’S PVS AND OTHER ANTI-TERRORIST PROGRAMS

Dr. SHAH. Well, the PVS in West Bank and Gaza has been up and running. It has not stalled. We are seeking a new person to fill the position, but we’re able to continue to implement the program with respect to that point.

The point that you referred to about our prior conversation on this I can speak to. As you know all of our missions complete antiterrorism risk-based assessments on an annual basis, and—

Senator KIRK. No, I—

Dr. SHAH [continuing]. We check our partners—

Senator KIRK [continuing]. Don’t—I’m asking—

Dr. SHAH [continuing]. Against lists maintained by the Office of Foreign Asset Control. And before awards are made, nongovernmental organizations (NGOs) are required to certify that they do not provide any material support to terrorists. In addition, we require partners to adhere to basic U.S. law which, of course, forbids furnishing of assistance to terrorist entities. And we’ve established the mechanism that you described in the West Bank and Gaza, which we feel is effective, and the inspector general has supported that. We’ve also applied that mechanism in different forms to Somalia, Yemen, and Afghanistan.

At the beginning of this administration, USAID had developed—and in the context of those conversations—a very specific PVS program to test out more broadly. At approximately that time, the Congress passed an annual appropriations bill which directed us to apply the program equally to State and USAID, and Jack Lew, who was the Deputy Secretary at the State Department at the time, and I worked through carrying out that directive for many, many months.

Since that time, we’ve worked to develop a very specific joint pilot program with the State Department. We propose to roll it out

in five or so countries. We've tried to assess a range of threat environment—

Senator KIRK. So, wait a minute. So, after promising me that you would roll it out as of May 16, 2010, you're now promising to re-roll it out a year later?

Dr. SHAH. Well, I'm, well, what I wanted to suggest is, we have the pilot designed, ready to go with the State Department as we were directed to do. And we would like to—

Senator KIRK. Well, let me go back. Why—

Senator LEAHY. Let him finish.

Senator KIRK. Yes.

Senator LEAHY. I'll give you a chance to go back.

Dr. SHAH. And we would at this point like to consult with the Congress. But the specific congressional directive around this particular pilot is something we are committed to do in a manner that covers both State and USAID, and covers similar types of projects and programs in a range of threat environments as is our interpretation of the guidance.

That has not stopped us from being ever more aggressive about partner vetting—especially in specific high-threat environments in Afghanistan, Yemen, and Somalia where the West Bank, Gaza PVS approach has been one that we've been more aggressively pursuing in those places.

And frankly in Afghanistan in particular, where through the terrorist threat financing cell task force 2010 and the Accountable Assistance for Afghanistan program, we have a very robust effort that identifies individuals, brings in the U.S. intelligence community, as well as the military, in that process. And that's been a real priority for us over the last 15 months.

So I just want to make the distinction between the pilot congressional directive, which we are trying to meet in a joint State-USAID manner, and the efforts in Afghanistan and other places, where we're trying to be very robust on our own in the context of accountable assistance for these particular environments there.

Senator KIRK. I didn't ask about Afghanistan.

Dr. SHAH. Okay.

Senator KIRK. So let's go back to May 16. Why did you miss the target?

Dr. SHAH. Well, I did not mean to mislead in any context. My understanding at that point in time was we had a pilot ready to go. I didn't know what it would take to turn that into a joint State-USAID pilot. It took longer than I think any of us would have liked. But we're at that point now where we have it. It's ready. It's designed. And we seek congressional consultation before rolling it out.

Senator KIRK. So can you give me a date now that's more valid than the date you gave me?

#### ANTICIPATING THE ROLL-OUT DATE OF THE PILOT PROGRAM

Dr. SHAH. Sir, I have learned from this exercise not to pick a date here. But we certainly have a—

Senator KIRK. Just let me—

Dr. SHAH [continuing]. A proposal that we'd like to have feedback on.

Senator KIRK. So you are unable to give a date to assure—you've got a \$495,000—or \$95 million funding request, and you are unable to say that you will put in a previously designed and paid-for system in place to ensure—or let me ask you this. How many UNRWA unions are controlled by Hamas right now?

Dr. SHAH. Well let me answer—I can't answer the second question. Let me try to answer the first. I would like us to implement this pilot as has been directed as quickly and efficiently as possible.

Obviously, my desire to get there was delayed by the efforts we undertook to make this a joint State and USAID pilot, and we do want to do this in a manner that has appropriate congressional consultation so that we know that the countries we've selected and the range of threat environments and the data that come back from the pilot meet all of the needs, and help us learn about how to then roll this out in a broader way. So—

Senator KIRK. So it could be another year.

Dr. SHAH. I don't think it will be another year. I think we can come up here right away with the actual consultation on the pilot plan, and based on feedback from our partners in the Congress, then roll it out.

Senator KIRK. Thank you, Mr. Chairman.

Senator LEAHY. Okay. Thank you, Senator Kirk.

Senator Mikulski.

Senator MIKULSKI. Thanks, Mr. Chairman. And really thank you and your staff for your, just, steadfast work, not only in this budget, but in all others, really, to look out for the poor and marginalized in the world.

Dr. Shah, I'd like to first of all welcome you to the Agency.

Dr. SHAH. Thank you.

Senator MIKULSKI. You have a unique background with your M.D., your work with the Gates Foundation, your initiatives in global health, and now this very hands-on experience. So we're glad to see you.

During this time when Federal employees are being so bashed and trashed, I would like to thank the staff of USAID, both here and those who serve abroad, for, really, what they do. Many serve in harm's way. If you're an USAID worker you're always in a place that's either dirty or dangerous or both. And I just want to—I'm going to express my appreciation to them.

As the Senator from Maryland, I represent many faith-based organizations that are deeply involved with USAID—Catholic Relief, Lutheran Refugee Services, and others. So we know what you do, and we know what you're supposed to do. And I'm going to make sure you have the right resources to really do the job.

THE IMPACT OF BUDGET CUTS ON USAID'S PROGRAMS, ESPECIALLY IN  
NICARAGUA

I want to get right to the impact of cuts in foreign aid. I just mentioned Catholic Relief, and I know that they operate a \$7 million program in Nicaragua, helping close to 6,000 women participate in growing coffee. They actually cultivate hundreds of acres, and they even signed a U.S. Fair Trade deal or a United States—there's this whole one group that's a United States, United States Fair Trade-certified company. They, themselves, have been empow-



ered. They're now creating jobs in Nicaragua, and they're also helping create jobs in this country.

Could you tell us, with the impending cuts, will you be able to sustain the Nicaraguan Empowerment Initiative—not only the Catholic Relief, but—there? And also, how do these cuts focus particularly on these empowerment initiatives that lead to economic self-sufficiency, which is one of the, is always one of the most potent forces in a country?

Dr. SHAH. Thank you, Senator. And I want to thank you specifically for your comments about our staff and our and their efforts around the world at this challenging time.

With respect to how these cuts would affect us, and your specific question about Nicaragua, we really would not be in a position to, at this point, suggest any program could be protected. We don't, of course, know what the range of the cuts might look like, and we don't know exactly where our fiscal year 2011 reality will put us. So we will work through that in the coming days and weeks.

But it is certainly fair to say that the things that are most at risk are the initiatives that have been started or expanded, really, over the last 3 to 5 years, since much of this discussion does seem to start with a 2008 baseline conversation. And in that respect the programs that would be most vulnerable are unfortunately some of the most efficient programs because, on a bipartisan basis, starting with President Bush and continued by President Obama, we have proposed increases in specifically those areas where we believe we get the most bang for our buck, and where, as you put it, we are able to get real economic empowerment that allows us to have an exit strategy on our assistance.

#### FTF AND FOOD SECURITY

The, perhaps the most important example of that is the Feed the Future initiative, which builds on President Bush's significant budget proposal between fiscal year 2008 and fiscal year 2009 to really re-energize American assistance in the area of agriculture and food security around the world—the project you mentioned sounds like it's one of those—and was in response to the 2008 food price crisis that moved 100 million people back into a state of chronic daily hunger.

Today we face a similar issue with food prices and with the consequence of it, and we've structured, I think, a very effective program in 20 countries, where countries, in order to participate, have made their own commitments to dramatically expand their investment, have committed to reform their laws to allow for improved foreign direct investment and local private sector investment, and where our dollars leverage other donors and the private sector quite dramatically. And it's precisely those efforts, efforts like our major WalMart partnership in Central America that will reach tens of thousands of farm households and allow for real sustained economic development at very high leverage to the U.S. taxpayer, because we only pay to help the farmers plug into the WalMart purchasing agreement.

You know, that's, those are the types of programs that—

Senator MIKULSKI. Well, I want to come back and talk about—

Dr. SHAH [continuing]. Will unfortunately be at risk.

## USAID'S RELIEF AND ASSISTANCE EFFORTS IN HAITI

Senator MIKULSKI [continuing]. Partnerships in a minute. But I'd like to go now—first of all, I think, I appreciate that answer. I'd like to go to Haiti. You know, there are so many headline issues, my gosh, the Jasmine Revolution, the terrible tragedy unfolding in Japan. But there is Haiti that had a tremendous response of the United States of America. Our Government's involved, we are working through these fantastic faith-based NGOs.

Could you tell us where you see in 2012 the sustained effort in Haiti and what you think, in order to keep that commitment to a country in our own hemisphere, what we need to ensure?

Dr. SHAH. Certainly, we have a, we've had a very structured and focused effort in Haiti. We have spent considerable time designing an international development strategy for Haiti that is Haitian-led and that is implemented in tight coordination with an institution called the Interim Haiti Reconstruction Corporation that essentially helps integrate and ensure coordination is effective across international partners.

Our efforts focus in areas like agriculture, an industrial park in the North, expanding access to energy to create the basis for economic growth, and health and education.

You know, all of these efforts are pretty fundamental to the future of Haiti being able to be a more dynamic, more viable, more economically self-sufficient country. And in many of these areas we're starting to see some early results—like in agriculture, where our efforts have, in certain areas, demonstrated the doubling of total productivity for a country that is still very much an agrarian economy. And we've worked with partners like Coca-Cola to help them engage in Haiti and create a real supply chain, especially around mango juice and products like Haiti Hope, which get us more leverage on our dollars.

Senator MIKULSKI. Well, first of all, my time is up and thank you for that answer. We want to have ongoing conversations with you. I'll be meeting with these NGOs next week.

## PARTNERSHIPS FOR FUTURE CONVERSATION

Mr. Chairman, I know my time is up, but there, you should know there are two partnerships on, you know, that I want to have further conversation.

First of all, the women of the Senate on a bipartisan basis are going to be getting together, working with the Secretary, then back to you with ideas on, really, what's going on in the Middle East, and that we don't lose ground with women. So we're doing that on a bipartisan basis, led by Senator Hutchison and myself.

The second thing is, will be these private sector partnerships. That's another conversation.

## PROGRAMS TO AID HAITIAN AMPUTEES

But, Mr. Chairman, on Haiti, you'd be interested to know, under your good work we took an idea that you're known for—so many of the problems that happened in Haiti led to the building collapses, led to the horrific amputations of people. You remember when we were in Africa together, so many years ago, and I saw the

outstanding job you did by creating a local facility where people had lost their legs and ankles due to land mines. Under Senator Leahy's leadership—he'll be too modest to tell you—we actually—he actually helped fund, creating a factory where they made low-cost limbs to put people literally back on their feet again.

We took that idea, and through the advice of the John Hopkins School of Public Health found out who else was doing that, and we're now doing that in Haiti. So I took your idea, went to the Bloomberg School of Public Health to see what others were working on it, and we're doing that. And literally—it's not a big initiative, Sir, but, you know, your idea, I think, had such great impact, and, my God, to lose a leg, and not being able to work or farm or whatever.

So I just wanted to mention that to you because of your leadership in this area.

Senator LEAHY. Well, I would thank you.

And I might say to Senator Johnson, too, I was just down in Haiti a couple weeks ago and visited one of the areas where they give prosthetics to amputees. I saw children the age of my grandchildren who've lost arms and legs and learning how to walk and then people my age who've lost arms and legs and learning how to walk.

But I mentioned, Dr. Shah, one of the—basically a volunteer, a doctor from Belgium who's there, so we could speak in French—and when I thanked him for what he was doing he grabbed my arm and he said, "Pour les enfants"—For the children.

And it's a very difficult, very difficult time. Johns Hopkins is, of course, I can't—I stand behind nobody in my admiration of Johns Hopkins. I'm glad we've done that.

Senator Johnson, you've been waiting patiently. Please go ahead, Sir.

Senator TIM JOHNSON. Thank you, Mr. Chairman.

Dr. Shah, thank you for coming before the subcommittee here today.

I'm pretty new here in town. But I guess I'd first of all like to second Senator Mikulski's comments regarding USAID workers. On a recent trip to Pakistan and Afghanistan I met some USAID workers, and they're just fine individuals. They're working hard to try and do good things, and I certainly believe that U.S. foreign aid can be a real positive influence throughout the world, enhance the reputation of the United States.

But I think it's unfortunate with our fiscal situation, where we're running \$1.5 trillion or more annual deficits, money's extremely tight. So, it's just critically important that any funds that we do expend are done in an incredibly efficient and effective manner.

So, I guess the first question I have is, your total budget is about \$24 billion, is that correct? Just, you—

Dr. SHAH. Yes.

#### REALLOCATIONS OF FUNDS AND THE NEED FOR EFFICIENCY

Senator TIM JOHNSON. Okay. Do we have any sense for how much of that money really is siphoned off, that really is not going for what it's intended?

Dr. SHAH. Certainly. I would step back a moment and say, across our requests, especially in fiscal year 2012, we've tried to be very rigorous about finding reallocations within our portfolio. So instead of asking for additional resources for core priorities and for the types of results we've been talking about, we've really looked hard at the things we do, things we can stop doing, and areas we can get efficiencies.

Examples of that include eliminating a number of positions in Western Europe and Japan and places where we have development counselors working with other donor countries—not to say their activities weren't important, but the costs of keeping them there were very high, and we think we can do that work virtually based out of our team in Washington.

We have proposed shutting down a number of our missions around the world in order to lower the overall cost basis of our operating expenses, and we've proposed major reductions—more than 50 percent programmatic reductions—in a range of small programs and smaller missions in order to really be more focused and selective in how we apply our investment and our resources.

In addition to that, we've proposed \$400 million of specific cuts and reallocations in the fiscal year 2012 budget, and I could walk through examples of that. But they are all designed to allow our portfolio to be more optimized against the results we seek in terms of reduction of hunger, promotion of child survival, improving democratic governance and opportunities for that, especially in the Middle East, and fulfilling our core national security priorities in places like Afghanistan and Pakistan.

#### OVERSIGHT OF FUNDING REALLOCATION

Senator TIM JOHNSON. Okay. But, again, that's speaking to efficiency, which is extremely important. But the question I asked really had to do with just funds going to—like Senator Kirk was talking about—potentially, foreign terrorists. I mean, going to uses for which they're not intended. I mean, have you, do you have any estimate on that at all? Is there any study that's been prepared within your agency to try and figure out what that potential number might be out of \$24 billion?

Dr. SHAH. Well, I'll say, when we identify those cases we go aggressively into canceling those programs, seeking prosecution, as we have done in a number of instances this past year and as we are doing more aggressively now that we've implemented some of the aspects of our procurement reform and contract oversight efforts. So, we don't have an aggregate number if we knew a certain amount of money was going for an inappropriate and illegal purpose, we would immediately cancel that project or program and immediately seek restitution and prosecution, no matter who the partner was, in terms of exploring that.

I've told the teams this. In Federal Government in general, I think, there's sometimes a reluctance to have bad news highlighted. I've said I want to see these examples because the more of these we find and the more we can ferret out, and the more we can seek restitution, prosecution—whatever is most appropriate—is part of our measure of success in improving our accountability.

And that's what we're trying to do with our procurement reforms and our Accountable Assistance for Afghanistan program.

#### CONSEQUENCES OF CONTRACT VIOLATION

Senator TIM JOHNSON. So, have your team, or has your team brought you, brought to your attention those types of instances? And give us a couple examples.

Dr. SHAH. Well, they certainly have this past year. Some of what is currently under consideration are ongoing suspensions or legal cases that I, perhaps, can't really speak to in a public setting. But some of them are publicly acknowledged. We had malfeasance in certain programs in Afghanistan and Pakistan. We shut down those contracts and programs, and together with the Department of Justice, sought restitution from a number of partners. We have changed the way accounting and reporting takes place with respect to partners in those settings, so that we have more visibility on subcontracts and subcontracts of subcontracts, and tried to collapse the number of layers in our contracting so that we simply have more visibility. That has helped us identify even more cases where we are actively seeking actions against them.

I don't know if it would be appropriate for me to describe them in this setting, but I'm happy also to speak privately or come back to your office with some of the cases—

Senator TIM JOHNSON. Okay.

Dr. SHAH [continuing]. And how we've tried to handle them.

Senator TIM JOHNSON. Fair enough.

#### SPENDING PRIORITIZATION AND ALLOCATION OF FUNDS

With a \$24 billion a year budget, what method do you use, or, how do you prioritize your spending? I mean, are you familiar with Bjorn Lomborg's work in terms of, you know, cost benefit and actually putting dollars to where it has the most benefit?

Dr. SHAH. I am. In fact I worked very closely with Bjorn when I was at the Gates Foundation because our basic approach was about allocating resources against where you get the best results. I think you've seen that in how we've structured our food security program, where we find it is more efficient, more results-oriented and more sustainable for us to invest in agricultural development in low-income countries than in either, you know, basic food aid—although we need to be able to respond to emergencies in that context—or in dealing with the consequences of large-scale hunger and famine. So, we've focused on 20 specific countries where our money gets leveraged by others, and where we can document very specific results in terms of people moved out of poverty, and children who are moved out of a state of hunger and stunting.

In health we've done the same thing. We've looked across every business line in our global health portfolio, identified where we not only save the most lives, but where we do it at the lowest unit cost, and proposed a strategic approach forward that prioritizes immunization, malaria, HIV prevention, and a number of other areas where we think we can bring the cost structure of getting the outcomes down significantly. And in areas like tuberculosis, for example, we've restructured our efforts to invest in new diagnostic technologies, because that's part of getting the whole cost structure to

be more effective in that space. So, those are just examples. We're doing that across all of our areas, like water and education, and a number of other priorities.

But, I'd be remiss if I didn't also note that some of our budgeting at a macro level is, of course, tied to national security priorities, and so it's a combination. In certain accounts we can be very focused on sheer numbers and unit costs, and in other accounts there are a broader set of considerations that are taken into account that define allocation.

Senator TIM JOHNSON. Okay. Thank you, Dr. Shah.

Thank you, Mr. Chairman.

Senator LEAHY. Thank you, Senator.

#### EFFICIENCY AND EFFECTIVENESS IN HAITI

We talked about Haiti, we talked about overhead. I was in Haiti a couple of weeks ago and one of the things I looked at, because we'd seen a New York Times article was the fact that Sean Penn's organization, which manages one of Haiti's largest camps of displaced persons, is doing rubble removal and home reconstruction, and spends only 3.2 percent on overhead. You have an area where there's been a flood—you walk through a few days later and they can point to the mark where the water was, but the water's gone. The rubble, in a lot of these streets, was way over my head and had to be removed with picks and shovels and wheelbarrows and they've cleared street after street.

Now, if they can do that with only 3.2 percent overhead, why can't other USAID grantees and contractors operate like that in Haiti and other countries?

I say this because I know a lot of people, well-known people, go to Haiti for a day or so and say, "Oh, we've got to do something", and talk about it and leave, but Mr. Penn has lived in those camps for months. He's out there working every day with the people, and they're actually getting things done. Why can't that be replicated? Of course, it would help if you had a government that cared more about the Haitian people than about itself.

Dr. SHAH. Well, you know, with respect to Haiti in particular we have been trying to assess—as a criteria for letting contracts and exercising programs—overhead costs, and using that as a core criteria for resource allocation. It's hard—

Senator LEAHY. Yes, but it's been 2 years. It's time to get it done. I mean they—

Dr. SHAH. Well, and we are. And we are. We're able to do that.

Senator LEAHY. Cholera season is coming.

Dr. SHAH. I will say that it's hard to know. What different people count in overhead is very different, and I have found that the biggest disparities are often not quite as large as they appear.

That said—

Senator LEAHY. Was the New York Times wrong in that 3.2 percent?

Dr. SHAH. I don't know the details of—

Senator LEAHY. Okay.

Dr. SHAH [continuing]. Sean Penn's organization. I give him a huge amount of credit for both his efforts and what J/P Haitian Re-

lief Organization is doing, and we've been partnering with them, as you know, Sir, in a number of different effective efforts.

#### USAID'S APPROACH TO CONTRACT REFORM

But overall, you're absolutely right to highlight this. And what we've done is, we've actually mapped out the flow of a development dollar through different systems—the contract system, the grants assistance system, cooperative agreements, tools like our Development Credit Authority that get us more private sector leverage from the spending of our resources. And in our budget allocations, we're now using the basic cost of doing business as criteria to propose reallocations.

The other thing we're doing in our contracting reform is basically setting guidelines to reduce the overheads that are embedded in contractors. We're able to do that more generally in some specific contexts. It's harder to do in security threat environments where those overheads can be very large, but are required to be able to conduct the work in insecure settings.

Senator LEAHY. Everybody wants to help out in a tragedy. I just want to make sure that it's the people that get helped out.

Dr. SHAH. Sir, and I—

#### GOVERNMENT IN HAITI

Senator LEAHY. In Haiti, where I see a lot of expensive vehicles and operations, I also see a lot of people living under tarps and trying to bathe in polluted streams and it's almost overwhelming. It was a poor country to begin with, and now it's worse. Do you think with a new government things will improve? Do you have any early sense about that?

Dr. SHAH. Well, it undoubtedly is too early to tell, and I should probably leave it at that, in the sense that we're at a provisional result at this point.

Senator LEAHY. Will you be working—when the new government is sworn in, will you be working—will USAID be working with them?

Dr. SHAH. Absolutely.

Senator LEAHY. Okay.

Dr. SHAH. And we have been working through the Interim Haiti Recovery Commission with the Prime Minister, with the government very, very closely. And we do that, of course, hand-in-glove with the State Department to manage that relationship and to make sure that it's effective.

I will just validate your point that on case after case, we achieved big breakthroughs in things like rubble removal when the government stepped in and made some decisions. Sometimes that took time to get there, but we do see real progress once those decisions are made and once they enable that.

So the point about working in partnership not only applies in Haiti, but applies everywhere we work, and we've really changed—frankly, we've changed our promotion precepts and how we allocate our senior managers to different mission director posts, and made the number one criteria for both promotion and for how we allocate our people, a criteria we call “inclusive leadership,” but, essentially, a measure of whether people are effective at working well in the

interagency, and being good partners with NGOs and private firms and local governments.

#### SUSTAINABLE DEVELOPMENT AND AFGHANISTAN

Senator LEAHY. I think USAID is being asked to do the impossible in Afghanistan. I've talked to General Petraeus. I've talked to others about this. That's a country with every imaginable problem. The ingredients for sustainable development really don't exist. You're being pressed to spend money as fast as possible. I think in a few years there may be little to show for the huge amount of money spent there.

I'm for helping Afghanistan, but the government's not a reliable partner. I've visited there. I've talked with our men and women in uniform. They're trying to do the impossible. They're doing it bravely. But I wonder if their short-term goals are really compatible with long-term sustainable goals.

What are USAID's long-term goals? Ten years after 9/11, having borrowed for the first time in American history, for a war, we borrowed the money—instead of having a surtax or something to pay for it—we borrowed the money for two \$1 trillion wars, and we've not got an awful lot to show for it. What are we going to see 5 years from now in Afghanistan?

Dr. SHAH. Well, Sir, I would start with the findings of this year's Afghanistan and Pakistan annual review that the President conducted, and concluded that our core area where we need to improve our progress in Afghanistan is in making the gains that have been realized in security, development, and governance more sustainable and more durable.

Senator LEAHY. How are you going to do that when a government in Kabul turns power over to warlords, and oftentimes corrupt groups in other parts of the country, and say, "Here, go ahead and have Sharia law. Do whatever you want."

Dr. SHAH. So, to implement—

Senator LEAHY. "But we're living well in Kabul."

#### IMPLEMENTATION OF AFGHANISTAN PROGRAMS—GOALS AND CHALLENGES

Dr. SHAH [continuing]. This approach, we've been more focused on accountability in our assistance—and I talked through our A-cubed effort. We are also working in closer partnership with the government on improving delivery of assistance into districts and into provincial implementation mechanisms. And some examples of that are areas like agriculture, where I think we've seen real progress since we've made a strategic shift to invest more in that area. We're seeing improved yields, and we're seeing improved aggregate, economic activity in the agriculture sector, and we're starting to see real exports in that sector. I just visited a program that will have lasting, decades-long benefit where entire regions of Nangarhar province are developing vegetables, and now they're meeting higher processing and packaging standards, and selling to—

Senator LEAHY. And they were a huge export market for much of that part of the world. But the transmission lines aren't there.



I mean, is it going to continue, that the water can be shut off if bribes aren't paid? It worries me that—

Dr. SHAH. Well, look, I would just say—we know that this is a difficult environment in which to work. We've implemented what we call a sufficiency audit, or a sustainability audit, across all our programs to be able to prioritize those that meet the President's guidance of sustainability and durability in benefit.

The areas where we're optimistic we'll have strong programs include agriculture, power and roads, health and education, a mobile payment system that will improve the way the civil servants are paid and reduce graft and corruption, and programs like the National Solidarity Program that just went through a pretty rigorous third-party review and showed good results.

So, we are doing this as part of an integrated civilian-military plan. The goal is to resource transition—and we know that USAID and the civilian side of this is an important partner to the military in achieving that goal. And we're trying to be the voice for effective sustainability of programs.

Senator LEAHY. I think with our diplomats and our military you have very good partners. I don't see it on the other side. I hope you're right. I must admit that I'm virtually at the end of being willing to support activities in Afghanistan when we're not getting the support we should from the Afghan Government.

I look at what's happening in Pakistan. They tell the Central Intelligence Agency yesterday—don't attack those people who are out there killing you, or we'll allow people to kill those who are bringing oil to your soldiers who are risking their lives, and we'll just kill the truck drivers, as they have several times.

#### ACCESS TO SAFE DRINKING WATER

I mean, my frustration level is very, very high, and that's a New England understatement. But we also have, I hear about cutting funding for international family planning, and I think about safe drinking water. You may wonder how those go together. The world's population is destined to go to 9 billion or higher. Millions of people have no safe water. Many others, usually women and children, have to walk long distances to get small amounts of it, sometimes through minefields. I think you're going to find wars being fought over water within a decade, just as they now fight over oil. I think you're going to find—and we already have regional conflicts over water. Anything you can do to stop that? We are just tossing all the problems of the world on you, Dr. Shah, so tell us how we approach that one.

Dr. SHAH. Well, first, I very much appreciate your raising that issue. It is very important to us, and the Secretary in particular has issued a number of statements on the subject of safe drinking water and available water.

The way we are approaching it is really through a new approach. We're in the process of developing a new strategy that more closely ties investments in clean drinking water and water that's available for productive uses—agriculture and others—to core goals around saving lives, reducing labor spent collecting water—mostly women and girls' labor—and improving economic productivity, mostly in the agriculture sector. And we think by tying our programs to

those three specific outcomes, we will be more effective at both implementing programs, getting results, reporting those results, and building support for a more effective effort there.

Senator LEAHY. Well, the implementation—that's not a one-size-fits-all thing. I mean, the implementation might be different in Southern Africa than it might be in the Middle East. It might be—

SAFE DRINKING WATER—APPLICATION OF TECHNOLOGY AND  
ENTREPRENEURSHIP

Dr. SHAH. Absolutely. And in fact, this is an area where our new focus on science and technology, which frankly is not new for the Agency—this was an agency that did a lot of work in science and technology decades ago—but our new focus there has real potential and real promise.

I have just recently reviewed a series of clean water purification strategies that would lower the costs of some of our programs significantly if we could validate and get those technologies out there—everything from a low-cost ceramic filter that can be locally developed, to UV water purification systems where local communities can install them and they can be self-sustaining over time.

And I think you, in our prior hearing highlighted an article about entrepreneurship in development. And this is an area in particular—since the poor tend to pay, frankly, more than the middle class pays per unit of clean drinking water in most developing countries—this is an area that's very ripe for the kind of entrepreneurship you've championed. And we took your guidance seriously and have developed a series of programs, like the Development Innovation Venture Fund and others, that we think will meet that gap and enable more experimentation, but also better outcomes at lower costs in this particular field.

Senator LEAHY. Thank you.

Senator Johnson.

Senator TIM JOHNSON. Thank you again, Mr. Chairman.

I'd first like to say, I believe the United States on the whole has a very positive impact on the world. We're extremely compassionate people, so the purpose of the foreign aid is certainly, first of all, to help people in a very meaningful way hopefully to have very long-term consequences on their countries and on their lives.

PROMOTION OF AMERICAN IMAGE THROUGH USAID EFFORTS

I think the question I have is, you know, it's, definitely a secondary purpose, though, of U.S. foreign aid is so the United States gets credit for it—so it enhances our reputation; so that people around the world think kindly of the compassion that the American people share with them. So, I mean, we spend \$24 billion a year through your agency. That doesn't even count the amount of money we spend through our military help when disaster strikes.

So I guess that's the first question I have, is, what are we doing within your Agency to make sure that we do obtain maximum credit for what our efforts are, and for, really, the sacrifice the American people are making in providing that foreign aid?

Dr. SHAH. Well, you know, we believe that that secondary purpose is important. And we need to be focused on how to make that

real, as a realized benefit of our investments abroad. Sometimes the strategy prioritizes branding and clear visibility for specific projects, commodities, individuals that are part of large-scale relief efforts—most notably after, for example, the Pakistan floods where we saw, because of a very strong United States response where we were the first partner with the most capability, but also a real spirit of history and partnership with the Pakistani relief agencies, that we actually saw significant increase in the Pakistani people's appreciation for the United States Government role there. And so we understand that and take that seriously.

I personally believe that a big part of what will ultimately garner the credit that we seek is the sincerity and the way in which we conduct the work. And that is why we've taken the Secretary's guidance, the President's guidance to be good partners pursuing mutual accountability far more seriously. And, you know, just around the world in our projects and programs, we're consulting with heads of state, we're consulting with local communities, we're consulting with small-scale farmers and local civil society organizations.

That sometimes slows down the implementation of programs. But, frankly, it helps us build the kind of partnership, and helps us learn in a way that improves, I think, the effectiveness of those programs and the sustainability over time of those efforts. So in general, that's a trade-off we've been willing to make in order to get a better outcome over time. And I think where we've done that, the feedback I've gotten, certainly, has been that that has been appreciated and that people see this as a different way of working that is something that garners us more recognition and more value.

#### LONG-TERM GOALS OF FOREIGN AID

And then the final thing I'd say is, I think you get more credit by taking on big things and leaving benefits that are lasting that people can point to. South Asia certainly remembers that the United States was the primary partner in the Green Revolution, helped build universities and train hundreds, if not thousands, of fellows and technical experts, and build those rich university partnerships with the United States.

We're re-casting ourselves, and doing that again in the context of our Feed the Future program, so that we can leave the kind of human capital and local leadership that can sustain over time and have all of these really capable, well-educated technical leaders that can say they were the beneficiaries of concrete U.S. investments. And that's something that we've have more focused on—especially in areas like food and health, but also in terms of our science and technology partnerships with a number of countries around the world. So, to me that's how you sort of live out good practice, and then get credit and attribution for those felt behaviors.

Senator TIM JOHNSON. I would just encourage you to make that a priority, because I think from the American people's standpoint probably their greatest frustration—in addition to the fact that it's getting more and more difficult to afford this—but, the fact that we're not liked very well around the world, even though we expend so much money trying to help people out.

So—and speaking of frustration, let me have that be my final question here, is, you’ve been on the job now for 15 months. I mean, what’s your greatest frustration trying to work within USAID to accomplish your objective?

Senator LEAHY. Now, here’s your chance to give a very straightforward question—or, very straightforward answer. It may get you fired, but go ahead. Let loose.

Dr. SHAH. Can I give you two?

Senator TIM JOHNSON. It’s on your nickel here.

Dr. SHAH. Well——

Senator TIM JOHNSON. What I want you to be is honest.

#### COMPLEXITY OF PROCUREMENT SYSTEMS

Dr. SHAH. Well, personally, I’ve found, the two frustrations I’ve found are—the procurement system and the way it operates I think is far more complex than it needs to be. And at first, I thought, well that’s about efficiency, so one of those business process reviews generated this report that is our game plan for cutting our procurement cycle time by almost one-half. And they’re all actions that we can take without congressional activity, et cetera.

But what I realized over time is the complexity of the system doesn’t cost more and lengthens the time from idea to action, and therefore impact. It actually pushes off some of the most creative and innovative partners—whether they are large businesses, or small entrepreneurs, or local NGOs, or government ministries—that, we really should be thinking about how we’re building capacity so that we can achieve the President’s goal of leaving a vibrant civil society, effective private sector, and real capable local governments, and we have, over time, an exit strategy.

So I realize it’s a much more fundamental thing than procurement reform—and I almost regret that I called it “procurement reform”, because it’s really about how we deliver assistance and how partners around the world that either work with us or don’t, feel who we are, what we value, what we care about.

Our teams have made some real progress and done some really courageous things to create new procurement tools that are more like results-based payment systems for small grants and small projects, as opposed to the kind of, do a big contract and then count every single process input, which costs a huge amount of money and doesn’t tell you if you’re necessarily getting the result you seek.

So I think the reform of our procurement system to me has been probably the most exciting opportunity born out of the greatest frustration.

#### HUMAN RESOURCE MISMANAGEMENT AND CREATION OF INCENTIVES FOR INNOVATION

On the second thing I would just say—and this might get me fired—it’s just, the way human resources are managed in the Federal Government is a very complex, challenging issue. And you really want to reward performance; you want to reward people who’ve taken real risks. We have really innovative leaders who’ve gone out to Afghanistan, who’ve gone to Haiti and, in very difficult environments, have done very creative things. And we’re trying to

come up with ways to recognize that kind of leadership and reward it and to incentivize that kind of leadership in our junior officers—who frankly bring a lot of their own creative non-Government experience to the task. And I've worked hard to create systems that get them more exposure and more ability to connect their ideas to impact.

But those are two things that I find challenging, but also as big fundamental opportunities. And I thank our teams in those areas for time and again coming up with creative solutions to help us do some of the more innovative things we've done. For example, we just launched this great partnership called Saving Lives at Birth with five other partners, where for every \$1 we spend, we get \$3 of theirs, and we're really targeting the 1.6 million women and children who die either during childbirth or in the first 48 hours. And it's going to be a fantastic lifesaving effort at very low cost. And our procurement and general counsel and acquisition teams came up with creative solutions to allow us to do that. So, we've just got to keep working at it and we'll stay very focused on that.

Senator TIM JOHNSON. Well, I've been here a little more than 3 months—that's a pretty common theme. You're not—unfortunately you're not alone in your frustration.

Thank you, Mr. Chairman.

Senator LEAHY. Thank you.

#### SMALL-SCALE IMPACT OF AMERICAN AID EFFORTS

Certainly, Senator Johnson raises a question about whether we're liked or not liked. I was struck by what you're saying about things that people can really see, and sometimes it's a small thing. I complimented you earlier on one that did that will have a real impact. You worked with the Smithsonian to save some treasured murals, which they thought were lost when one of the cathedrals collapsed in Haiti. These will be—that's part of their patrimony. It's a relatively small amount of money, but a generation from now people will still talk about the fact the Americans saved it.

When I was first in the Senate, 30 years after World War II was over, and going through Europe and elsewhere, and having people come up and say, "You know, the Americans came in and they helped us plant gardens, they did—I mean, some were spectacular things like the Berlin airlift, but others were smaller ways of helping us." This is in countries that we had fought against. And now these are the same people whose sons and daughters are in the government and we have to work with, and who created a NATO alliance that eventually saw the collapse of the Warsaw Pact.

Sometimes its small things. You don't necessarily get your return that year, or 20 years, or 30 years. But it's like Fulbright scholarships. I find so many times in other parts of the world, you find that the finance minister, or the deputy defense minister, or others had studied, or members of their families had studied here, and they have personal ties.

I know there have been several times recently in some very tough spots in the world—and you can imagine which they are—where people here in the United States were having private conversations with either their counterparts, or others in these coun-

tries, lowering the tension because of the exchange programs that we've done.

#### IMPORTANCE OF SMALL PROPOSALS

I'll finish with this on the small issues. One complaint I get about USAID is that an individual, or a small organization may have a very creative, unsolicited proposal. It comes in, and USAID looks at it, redesigns it, requests more proposals, and bigger contractors come in. The big contractor comes in, "Oh, yes, you wanted to do a whiz bang 1, but I can do a whiz bang 5, which is 10 percent better—it's going to cost you 300 percent more and take longer to implement", and so on.

And we talked about the War Victims Fund with prosthetics and all. They wisely kept that small, using local materials, not going to people who make the \$300,000 prosthetics, but something that could be made locally, and it worked.

President George H.W. Bush had wanted to do something in Vietnam, and he had asked me about using it there. We worked it through an NGO—the Vietnam Veterans of America Foundation. And I'll just tell one story that's always stuck with me. My wife and I, John Glenn and his wife, and a couple of others went outside Saigon to where they were building prosthetics and wheelchairs. Not buying them, but building them there, hiring the people. You'd pay a couple thousand dollars for a wheelchair in a hospital but here they were making them probably for under \$100.

The thing that struck me, there was a small man, he had lost his legs and had been crawling for decades. He was sitting there and he was going to get one of the wheelchairs. And he just stared at me as they explained the Leahy War Victims Fund and so on—and I remember going back and telling President Bush about this after. When they finished the speeches, they asked me to pick him up and carry him to his wheelchair. He just stared at me. And I thought he must hate me—my size, everything else, an American. I picked him up. I carried him to the wheelchair. I put him down in it. I was wearing an open-necked shirt. I started to get up. He grabbed my shirt, pulled me down and kissed me.

You know, there are things that can be done, that can make a difference.

#### ADDITIONAL COMMITTEE QUESTIONS

So look at those small proposals. This was one of them. If you or I lost a leg, it would be a bad thing, but we'd go and our insurance company would pay part of it, and they'd say, "Well, you know, a couple thousand dollars more and you can get even a better one." We'd take out our checkbook and pay for it.

Here, we're talking about people with a few hundred dollars a year in income. Let's do the things that work, because that builds respect for our country. But more than just building respect—let's be altruistic. We're the wealthiest, most powerful nation on earth. We have certain moral responsibilities and we sometimes forget about that.

Dr. Shah, thank you very much for being here.

Dr. SHAH. Thank you.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUE

AFGHANISTAN

*Question.* It is my understanding that the Karzai government's threat to impose back taxes on private security firms has many of those contractors threatening to withdraw from Afghanistan. I am concerned by reports from aid workers in the country about observed empirical increases in the number of kidnappings in areas like Kabul. Could you please explain what U.S. Agency for International Development (USAID) is doing to ensure the safety of foreign and Afghan locals working on development projects? Also, would you please explain what steps, if any, are being taken by USAID in conjunction with the Department of State to address the matter of alleged criminal involvement by Afghan Government officials?

*Answer.* Over the first 5 months of calendar year 2011, there has been an average of 30 security incidents per month involving USAID implementing partners, making 2011, to date, the second most active year since 2003 when incidents were first collected. During calendar year 2010, the monthly security incidents involving USAID implementing partners almost doubled from 2009, to 57 from 29, respectively.

With the increase of attacks, USAID has taken steps to improve the security of our implementing partners. Our goal is to provide rapid and accurate security assistance information to implementing partners, improve the ability of United States Government and International Security Assistance Force (ISAF) personnel to respond effectively to emergency situations, and raise the confidence and preparedness of implementing partners so they can continue to operate in higher-risk environments.

USAID issued a data call, and our security unit is now maintaining a database of approximately 250 implementing partner locations throughout Afghanistan to facilitate communication. We have placed a Regional Security Safety Officer (RSSO) in RC-South, and are in the process of assigning RSSOs to the other regional commands. These officers will help coordinate with ISAF/USFOR-A and partners at the field level to improve responsiveness to implementing partner requests for assistance. On May 9, 2011 Mission Director Earl Gast issued a mission order, establishing a Vetting Support Unit that will screen non-U.S. parties, and will actively engage with the Afghan Finance Threat Cell and CENTCOM vetting systems. This system will help us identify potential malignant actors, and prevent them from gaining access to USAID assets.

*Question.* I commend you for your efforts to reform USAID's business processes and systems. Implementing reforms and a change in culture is always a challenging endeavor. What is your vision for, and where do you hope to see, USAID in 5 years?

*Answer.* My vision is that USAID will be among the world's premier development agencies playing a critical role in our Nation's prosperity and security as we contribute to a more secure and prosperous world for all. I recognize this is a broad goal and, as always, success is in the details. Here is how we will move forward on those details in the next 5 years:

- We will hire and retain the most talented foreign service officers, training them to work in a world that presents new challenges and demands the best from all of us.
- We will focus on investing in sustainable solutions including strengthening host country systems and local institutions so that the U.S. taxpayer reaps the benefits of countries that are excellent trading partners and allies.
- We recognize that development has become a high priority for many small and large companies, philanthropists, and nongovernmental organizations. We will broaden and deepen our partnerships with them, leveraging their expertise and financial resources to drive the most cost effective and sustainable results for our foreign policy objectives.
- We will work seamlessly with all United States Government agencies deployed abroad as the principal voice for the importance of development as a way to demonstrate our values and support the growing number of emerging democracies and markets.
- We will report regularly and transparently on the results we achieve, dollar for dollar, and talk openly about those failures or shortfalls that we must learn from and remedy. To achieve this ambitious goal, we will streamline our reporting systems to make them more understandable to the lay person whose tax dollars support our efforts abroad.

—And last but not least, we will be recognized for our cutting-edge activities and tools that mobilize the best solutions the United States can bring to the world in solving problems such as fragile democratic governments, malnutrition, illiteracy, endemic illness, climate change, as well as other challenges.

#### PACIFIC BASIN

*Question.* The Pacific Basin, particularly countries in the Western Pacific were cited as an area that the United States would like to re-engage in a meaningful way. The Western Pacific is of significant strategic importance to the United States in a manner that may have been forgotten toward the end of the cold war.

From a national security point of view the Western Pacific is a counterbalance to China's growing influence in the region particularly with respect to sea lane access. With the emphasis on leveraging both hard power, force projection by the Department of Defense (DOD), and soft power, diplomatic and foreign assistance, please elaborate on plans, if any, for USAID activities in this area of the Pacific.

*Answer.* USAID plans to open an office in Port Moresby, Papua New Guinea in 2011 under the authority of USAID's mission in Manila, Philippines to oversee programs in the Pacific region.

One program-funded staff will manage USAID's regional environmental programs and the HIV/AIDS program in Papua New Guinea.

USAID programs in the Pacific are regionally focused, but target Western Pacific countries, including Papua New Guinea, Republic of the Marshall Islands, Federated States of Micronesia, Kiribati, Samoa, Solomon Islands, Fiji, and Tonga.

Environmental degradation threatens the existence of some Pacific island-nations and is the top priority for the region in this century. USAID's environmental programs will mitigate the effects of weather-related disasters, support climate change adaptation strategies, reduce greenhouse gas emissions and protect tropical forests in the Pacific islands.

USAID funding will also develop the technical capacity and coordination of two key regional organizations: the Secretariat of the Pacific Community and the Pacific Regional Environmental Program.

Papua New Guinea is the most populous country in the South Pacific and has the highest rate of HIV/AIDS in East Asia and the Pacific. USAID's HIV/AIDS programming will strengthen Papua New Guinea's health system, promote awareness and prevention activities, and provide treatment for HIV-positive individuals.

#### COORDINATION

*Question.* I truly appreciate your initiative and efforts to ensure me and my staff are kept informed of USAID's activities following the devastating earthquake and tsunami in Japan. As the lead agency on coordination of the U.S. response to international disaster assistance, I am curious to learn your thoughts on how that coordination went in the immediate aftermath. In addition, I am interested to find out how you believe coordination may be improved, and any lessons learned from Haiti and Japan.

*Answer.* The U.S. Government response to the recent earthquake and tsunami in Japan required immediate and close coordination between United States Government agencies and the Government of Japan. The United States typically would not be requested to assist in a country with significant domestic response capacity. The magnitude and nature of the disaster in Japan (earthquake, tsunami, and nuclear crisis), coupled with the United States Government's unique capabilities, led to a robust, well-coordinated multi-agency response tailored to the unique circumstances presented by this crisis.

Just more than 1 hour after the earthquake struck, USAID's Office of Foreign Disaster Assistance (USAID/OFDA) activated a Response Management Team (RMT) in Washington, DC, and two Urban Search and Rescue Teams and a Disaster Assistance Response Team (DART) for deployment to Japan to coordinate the response efforts. At the same time as the United States Government and the Government of Japan were focused on the immediate lifesaving response, the potential nuclear disaster quickly became a main focus. USAID augmented the DART and RMT with experts from the U.S. Nuclear Regulatory Commission (NRC), the U.S. Department of Energy (DOE) and the U.S. Department of Health and Human Services (HHS) Federal Occupational Health to provide urgent technical assistance. The DART, including the team of nuclear experts, coordinated daily with their counterparts in the Japanese Government.

In addition to coordinating the nuclear issues, USAID's DART conducted assessments and worked to ensure that essential relief items reached those most in need. This required coordination between the Government of Japan, USAID and the DOD.



While most of the supplies for the relief effort were already in the country, there were logistical problems in transporting relief supplies due to fuel shortages and damaged roads. The DART, which included three USAID military liaison officers, utilized the Mission Tasking Matrix system to confirm humanitarian needs and requests, identify organizations that had supplies to transport and task DOD with transport of goods utilizing their extensive lift capacity in the region. The speed and efficiency of this coordination was essential not only to ensure that needed supplies quickly reached affected areas, but also to avoid a flood of well-intended, but poorly coordinated material aid from outside Japan, which would have overwhelmed an already strained transport system in the early days of the response.

Very early in the response, multiple Japanese ministries requested support from numerous United States Government entities on an ad hoc basis, which created a risk that urgent requests for relief or technical assistance could be missed and not reach those most in need. USAID met daily with DOD, DOE, HHS, NRC and other agencies, as well as the Government of Japan, to share information and reinforce the DART as the central coordinating body through which all requests to the United States Government were evaluated. The DART also worked with the Embassy to establish a single point of contact to receive requests from the Government of Japan.

As assistance to the earthquake, tsunami, and nuclear events transitioned from emergency response to the current phase, USAID collaborated with the United States Embassy in Tokyo to form the Bilateral Assistance Coordination Cell (BACC), the current United States Government focal point for receiving, vetting, and responding to the Government of Japan requests for continued technical assistance to respond to the nuclear issues. The BACC systematized the coordination of the response to the Fukushima Daiichi nuclear power plant crisis through the formation of technically oriented working groups, such as radiation monitoring, data sharing, stabilization of the reactors, and broader strategy for joint nuclear response. These groups meet regularly with the Government of Japan counterparts. The meetings occur at the political, working, and technical levels to coordinate the nuclear response activities. The United States Government has provided the Government of Japan with data and specialized monitoring equipment and training that demonstrate our ongoing commitment to Japan and provide the United States Embassy continued access to critical monitoring data with potential implications for the people of Japan, including United States citizens.

As seen in the response to the earthquake in Haiti, the United States Government responses to significant disaster events are increasingly interagency in nature. The United States Government learned from the Haiti response that we must develop a flexible and clearly articulated United States Government response strategy that assigns responsibilities to appropriate participating agencies based on the unique circumstances presented in a given crisis. The Japan response demonstrated the effectiveness of the interagency approach where host country requests and United States and international offers of assistance are channeled through a central coordinating body.

#### RESEARCH AND DEVELOPMENT PROGRAMS

*Question.* There are many people who may not know about USAID's research and development programs. I am curious to learn of USAID's current efforts in research and development, and where you hope to steer them in 5 years.

*Answer.* USAID has a strong history of transforming development through science and technology—from the successful use of oral rehydration therapies to the Green Revolution. As USAID expands and deepens its internal science and technology capabilities, the agency will support and expand technical expertise through access to analytical tools like Geospatial Information Systems (GIS). Over the next 5 years, the agency will continue to build science and technology capacity in developing countries through cooperative research grants, by improving access to scientific resources, by providing expanded opportunities for higher education and training, and by enabling entrepreneurs in the public and civil sectors to use technology to reach rural populations that have previously been difficult to reach. Several key efforts are outlined below.

An investment in agricultural research today contributes to the growth and resilience of the food supply tomorrow. USAID's Feed the Future initiative is launching an agricultural research strategy this summer that will focus on ways to improve long-term yields, transform production systems, and enhance nutrition and food security. Combined with other agricultural investments, improved technologies and practices will help feed an ever growing global population despite depleted land availability, threatened water supplies, and a highly unpredictable climate.

USAID's Grand Challenges for Development (GCD) provide a framework to focus the agency—and development community—on solvable problems with key scientific and technical barriers to their solution. This is a multi-year approach that incorporates and encourages innovative science and technology-based answers to both newly emerging and age-old questions. USAID issued the first Grand Challenge for Development in Global Health—"Saving Lives at Birth", which was launched on March 9, 2011, in partnership with a host of other bilateral and multilateral donors. More information on the Grand Challenges can be found at: <http://www.savinglivesatbirth.net/>. Over the next several years, USAID will expand GCD, leveraging the resources of other development partners around other solvable development challenges.

Through the Partnerships for Enhanced Engagement in Research (PEER) program, USAID will provide grants to developing country researchers collaborating with NSF-funded researchers in the United States. Funds will help equip laboratories, provide stipends for graduate students, and support training and other activities associated with research. Projects will focus on topics of interest to USAID, such as food security, water, biodiversity, and climate change adaptation. The program intends to build relationships between researchers and institutions that will endure over time. This program will leverage more than \$100 million of NSF research funding in developing countries.

USAID assesses health conditions in developing countries and develops, tests, adapts, and introduces appropriate products and interventions within the context of strengthening local health systems. Key highlights of USAID's current health research and development activities include:

- Support for the Center for the AIDS Program of Research in South Africa, which in 2010 provided the first proof of concept that a microbicide could safely and effectively reduce the risk of heterosexual transmission of HIV from men to women.
- The USAID-supported International AIDS Vaccine Initiative study which provided the first evidence that a new vaccine technique could effectively control viral replication in vaccinated animals.
- The development of new antimalarial drugs, and their subsequent submission for regulatory approval.
- Support for research that improves, reduces costs, and speeds up diagnostics for tuberculosis.
- Support for a clinical trial of a female-controlled, long-acting contraceptive that does not require daily attention from women or the availability of trained health providers.
- Research on the most effective lifesaving postnatal practices in 40 high-mortality countries.
- Studies that demonstrated the effectiveness, cost-effectiveness, and feasibility of community-based care in promoting neonatal health and survival.
- Applied research to increase the availability and uptake of oral rehydration solution treatment to reduce diarrhea-related morbidity and mortality in more than one dozen countries.
- Studies on the effectiveness of community-based treatment of severe pneumonia in Pakistan.
- The establishment and strengthening of surveillance systems to sample and test the quality of medicines throughout the world.

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QUESTION SUBMITTED BY SENATOR RICHARD J. DURBIN

HAITI REFORESTATION—SUPPLEMENTAL

*Question.* Last year's supplemental appropriation included \$25 million specifically for reforestation in Haiti. However, it appears that such funds may instead be being used by United States Agency for International Development (USAID) for loosely defined reforestation programs that do not include the actual long-term replanting of sustainable trees. Can you please elaborate on how USAID is using these specific supplemental Haiti reforestation funds, including how much of the \$25 million is being spent on the actual replanting of sustainable tree cover?

*Answer.* USAID shares your concern about deforestation, and we are committed to an appropriate and sustainable natural resources management program. Through the use of funds provided in the fiscal year 2010 supplemental appropriation, we plan to address the underlying causes of deforestation:

- acute poverty;
- rapid population growth; and

—unplanned urbanization.

USAID has learned from experience in Haiti that classic reforestation approaches are not effective. When planted trees provide little or no economic incentive to farmers they are typically replaced with a crop that does. In Haiti, successful reforestation has occurred where hillside farming is replaced by tree crops or improved pasture that provide income while improving soil conservation and controlling erosion.

USAID-funded projects have in recent years increased tree crop cover by planting high-value trees, such as mango, cacao, coffee, and avocado. For example, a USAID initiative, known as the Watershed Initiative for National Natural Environmental Resource (WINNER), has expanded perennial cover on hillsides to reduce erosion and improve soil conservation, while promoting alternative energy sources to lower the demand for charcoal and fuel wood. During fiscal year 2010, the first full year of operations, WINNER planted about 1 million trees, of which 30 percent were fruit trees and 70 percent were multi-purpose trees.

Reforestation programs funded by the fiscal year 2010 supplemental appropriation will contribute over the long term to replanting sustainable trees for mango and cacao in Haiti by using a value-based approach that strengthens tree crop value chains and assists in producing seedling stock.

USAID anticipates that at least 50 percent, or \$12.5 million, of the \$25 million in natural resources management funds provided by the supplemental appropriation will support activities related to tree planting, including agro-forestry, reforestation, shade-grown cacao, and mango, and other related programs designed to increase forest cover.

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#### QUESTIONS SUBMITTED BY SENATOR MARK KIRK

##### NINEVAH PLAINS REGION

*Question.* The U.S. Congress has appropriated around \$30 million since fiscal year 2008 to assist vulnerable religious communities in Iraq, especially in the Nineveh Plains region. As you may know, last November, a bipartisan group of Members of Congress and Senators requested that the Government Accountability Office (GAO) conduct an audit of these funds, following concerns from community leaders that the funds designated by the Congress have either not reached their intended recipients or they were unaware of funding and grant opportunities. How have United States Agency for International Development (USAID) efforts to date been successful in reaching the objectives set out by the Congress to assist vulnerable communities in the Nineveh Plains in a transparent and effective manner? Has USAID engaged directly with these minority groups in rendering decisions on relevant grants and their recipients?

*Answer.* USAID has posted a representative at the Provincial Reconstruction Team (PRT) in Mosul and in Erbil since 2007 and will have a representative at the consulate in Erbil who will provide coverage for Ninevah after the PRTs close down at the end of June 2011. USAID PRT representatives meet with Iraqi counterparts and beneficiaries whenever possible and work through our implementing partners to ensure effective assistance to all Iraqi beneficiaries including ethnic and religious minorities and other vulnerable populations. The Iraq Rapid Assistance Program (IRAP) which was completed in September 2010 provided grants to local Iraqi non-governmental organizations implementing community development programs including in Ninevah. The process of grant making included formal explanations to organizations whose proposals were turned down.

##### FISCAL YEAR 2008 BASE DIRECTIVE

The Congress inserted its first \$10 million funding directive for Iraq's religious and ethnic minorities in the fiscal year 2008 base appropriations. USAID/Iraq agreed to meet this directive through existing programs. These included:

- the Community Stabilization Program (CSP);
- Community Action Program (CAP);
- Provincial Economic Growth (Tijara);
- Agribusiness (Inma); and
- the Iraq Conflict Mitigation Program.

The CSP worked to achieve economic and social stability in urban Iraqi communities. The CSP program helped meet the fiscal year 2008 base directive through activities that achieved:

- More than 51,900 long-term jobs;
- Disbursing grants that totaled \$78.6 million for nearly 10,300 businesses;
- Graduated nearly 41,500 Iraqis from vocational training courses;

—Created 9,930 apprenticeships; and

—Assisted 339,000 young people through sports and arts programs.

This project activity was focused in urban areas where religious and ethnic minorities coexisted.

CAP worked at the grassroots level to foster citizen involvement and assist local communities to clearly identify their priorities, develop local solutions, and use their skills to mobilize their resources to meet their needs. For the fiscal year 2008 base directive, CAP worked with religious and ethnic minority communities to improve health and education, small-scale infrastructure, and income generation through local apprenticeships in local communities where religious and ethnic minorities exist.

The Provincial Economic Growth (Tijara) program supported the directive and continues to provide loan capital through microfinance institutions, as well as training and technical assistance which benefit all Iraqis, including ethnic and religious minorities. Previously, the Al-Tadhamun institution in Northern Iraq dedicated funds to ethnic and religious minorities from a \$2 million grant. USAID helped Al-Tadhamun establish its office and recruit its staff and board of directors.

USAID/Iraq's Agribusiness Program (Inma) worked to increase the competitiveness and profitability of the Iraqi agricultural sector by raising productivity and lowering costs. Some 175 members of the minority community living near the Bartilla and Al-Qosh feedlots in Northern Iraq benefited from training in record keeping, animal health and selection, red meat production, and ruminant nutrition.

Through USAID Inma's microcredit initiative with Al-Thiqa in Northern Iraq, more than 562 people were trained to provide additional credit for minority borrowers. Some 240 people were trained in hay and alfalfa production at the Elya forge production facility in Ninawa Province. Other minority groups were trained in olive oil production and marketing by the Zayton Olive Association in Northern Iraq.

The Iraq Community-based Conflict Mitigation Program (ICCM) focused on assessing local communities throughout Iraq where conflict existed and then worked with the community on projects that would help mitigate tensions.

In fiscal year 2008, ICCM completed conflict assessments in Bartilla and Tal Kayf communities where religious and ethnic minorities were under pressure. Based on the assessments' results, ICCM designed projects to mitigate the primary conflict factors in these and other communities, with a special focus on youth programs which helped to create tolerance in the community for all religious groups.

USAID continues to track funding for this directive through the CAP. As of May 2010, USAID has tracked more than \$17 million in funding to the fiscal year 2008 base appropriations directive, which is \$7 million more than the requirement.

USAID program	Funding
Community Stabilization Program .....	\$2,500,000
Community Action Program II .....	2,000,000
Community Action Program III .....	7,063,072
Provincial Economic Growth—Tijara .....	2,000,000
Agribusiness—Inma .....	3,115,000
Community-based Conflict Mitigation .....	500,000
<b>Total .....</b>	<b>17,178,072</b>

#### FISCAL YEAR 2008 SUPPLEMENTAL DIRECTIVE

The Congress inserted an additional \$10 million directive for Iraq's religious/ethnic minorities in the fiscal year 2008 supplemental appropriations bill. The Department of State and USAID agreed to support this directive together. The Department of State and USAID met the fiscal year 2008 supplemental directive of \$10 million for religious and ethnic minorities by programming through the Provincial Reconstruction Teams' (PRT) Quick Response Fund (QRF)/Iraq Rapid Assistance Program (IRAP). The remainder of the directive was fulfilled through the U.S. Office for Foreign Disaster Assistance (USAID/OFDA) and through USAID's Civil Society and Conflict Mitigation program.

USAID's IRAP program supported economic and social development programs and civil society conflict-mitigation efforts country-wide through regional centers. IRAP assistance to Iraqi minorities focused on the Ninawa Plain which is home to many minority groups including the Shabaks, Turkmens, Christians, and Yazidis.

IRAP support included the establishment of water networks, road repairs, school buildings, microfinance programs, income generation initiatives, health awareness, and agricultural support for minority farmers. Examples of assistance include:

- water network projects in Tal Keif and Tal Usqof districts of Ninawa;
- primary schools in predominantly Christian, Turkmen, and Shabak communities; and
- the restoration of a destroyed Shabak village in Ninawa Province.

Since 2003, USAID’s OFDA has provided humanitarian assistance throughout Iraq, mainly supporting conflict affected Internally Displaced Persons (IDPs) and other vulnerable populations with disaster relief. In fiscal year 2009, USAID/OFDA in the Northern Iraq districts of Tal Kayf and Hamdanya, distributed nonfood items (blankets, etc.), food items and hygiene kits to about 2,000 Iraqi minority families.

USAID’s Civil Society and Conflict Mitigation (CSCM) program helped provide grants to minority communities for conflict mitigation projects such as providing human rights and rule of law education, community-building activities focusing on religious tolerance, and promoting religious tolerance through youth activities in minority communities.

USAID program	Funding
Iraq Rapid Assistance Program .....	\$8,367,329
Civil Society and Conflict Mitigation .....	314,032
U.S. Office of Foreign Disaster Assistance .....	629,000
Total .....	9,310,361

FISCAL YEAR 2010

In the fiscal year 2010 base appropriations the Congress again inserted a \$10 million directive for Iraq’s religious/ethnic minorities:

The Department of State is planning to meet this \$10 million directive through its QRF program. The PRT in Ninawa is working with local minority community organizations to develop project proposals for funding.

FISCAL YEAR 2011

USAID/Iraq continues to assist communities where religious and ethnic minorities exist through the Community Action Program III (CAP). As mentioned earlier, the CAP program works with local communities to help identify needs and build their capacity by working with their local councils. In Ninawa and Kirkuk, the CAP program continues to work with local communities on small-scale infrastructure projects such as educational facilities and other public spaces, improving health, water and electricity services, and apprenticeships that offer income-generation skills.

In addition, USAID’s new Access to Justice Program will assist Iraq’s religious and ethnic minorities. The Access to Justice program will assist professional legal associations, nongovernmental organizations (NGOs) offering legal assistance, civic education and advocacy, law schools and government institutions improve their support and services to vulnerable and disadvantaged Iraqis, including women, widows, orphans, religious and ethnic minorities, the impoverished, internally displaced people and refugees, detainees, and the incarcerated (including juveniles).

In November and December 2010, OFDA assisted 331 of 762 Christian families displaced from Baghdad and Mosul with nonfood relief items including blankets, stoves, mattresses, and kitchen sets. OFDA assisted 143 families in Ninawa, 80 families in Erbil, 59 families in Sulaymaniyah, and 49 families in Dahuk.

NAGORNO-KARABAKH

*Question.* As you know, Nagorno-Karabakh continues to face serious humanitarian and economic development challenges. Since 1998, USAID has spent \$35 billion in assistance to Nagorno-Karabakh to address these challenges, which represents around 60 percent of what the U.S. Congress has authorized you to spend over this period. What are the notable achievements of USAID efforts to aid Nagorno-Karabakh since 1998? Does the discrepancy between the amounts authorized and spent represent that USAID efforts have been able to “do more with less”? If not, how can the U.S. Government more effectively aid the people of Nagorno-Karabakh?

*Answer.* Since 1998, the United States has provided more than \$35 million in humanitarian assistance to victims of the Nagorno-Karabakh (NK) conflict, including

food, shelter, emergency and medical supplies, access to quality healthcare and water, and demining projects.

United States Government assistance in Nagorno-Karabakh has achieved notable impact in targeted areas of support.

*Health.*—108 health facilities were renovated and supplied with basic medicine, equipment, and furniture, including 5 Regional Maternity Houses; training was provided to medical professionals throughout Nagorno-Karabakh; and mobile medical teams visited 16 communities to provide basic health services benefiting 6,200 people.

*Infrastructure/Shelter.*—1,533 shelters, 3 community centers, and 5 schools were renovated.

*Microfinance.*—More than 3,000 women received loans to support subsistence agriculture.

*In Water.*—60 potable water systems were renovated and upgraded, including 4 irrigation canals. Currently, the United States Government is supporting a new potable water project that is helping to expand access to clean water in the city of Stepanakert.

*Demining.*—The ongoing demining activity has resulted in the clearance of 72 percent of the battle area and 93 percent of anti-personnel and anti-tank mines, returning lands to the rural population for agricultural use.

Programs in Nagorno-Karabakh are funded through a Eurasia Regional budget line within the overall Assistance to Europe, Eurasia and Central Asia (AEECA) account; this budget line funds a number of other regional priorities, including the U.S. contribution to the Organization of Security and Cooperation in Europe. Since 2001, there has been more than a 60 percent decline in the overall AEECA account, as well as a sharp decline in the Eurasia regional budget. Despite the budget decreases and competing priorities, the level of U.S. support to Nagorno-Karabakh has remained constant, and the programs continued to achieve notable accomplishments during that period as noted above.

#### CONCLUSION OF HEARINGS

Senator LEAHY. Without anything further, we'll stand in recess.

[Whereupon, at 11:26 a.m., Tuesday, April 12, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]