

**STATE, FOREIGN OPERATIONS, AND RELATED
PROGRAMS APPROPRIATIONS FOR FISCAL
YEAR 2011**

TUESDAY, APRIL 20, 2010

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

The subcommittee met at 10:35 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Patrick J. Leahy (chairman) presiding.

Present: Senators Leahy, Landrieu, Gregg, Bond, and Brownback.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

STATEMENT OF DR. RAJIV SHAH, ADMINISTRATOR

STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. I know there are several other hearings going on and people are at different places. Dr. Shah, welcome to the subcommittee. We'll talk about your budget request, and I might say and I've told you this privately, I sincerely appreciate the fact that a person of your intellect and enthusiasm has taken on this job.

I think I told you one of the first times we talked, I wasn't sure whether to offer you congratulations or condolences, but on behalf of the country I'm glad you're there.

I don't envy you the job because USAID is in urgent need of reform and it is a formidable task and if it's not fixed, there are those who are going to ask whether USAID as it is should continue. I think every member of this subcommittee supports USAID's mission in one way or another, but I've heard on both sides of the aisle increasing concern about the performance of the agency.

That doesn't diminish in any way the many extraordinary USAID staff or ignore the important and often life-saving work which they and USAID's implementing partners around the world do to help improve the lives of people in some of the world's poorest countries.

We provide billions of dollars for USAID's programs and operations. So it stands to reason that a lot of that money is being used to positive effect. But I don't think USAID is living up to its potential of what—and I can say this to you directly because you have the task of fixing what was done wrong before—the U.S. taxpayers and this subcommittee expect it to do.

Like many government bureaucracies, USAID suffers from a culture of arrogance that it knows best. Too often, it seems more comfortable dealing with elites of foreign countries than those people who have no voice. There is a disturbing detachment between some USAID employees in missions overseas who spend much of their time in comfortable offices, behind imposing security barriers, living in relatively high style, and the impoverished people they're there to help, so much so that it's hard to wonder how you can make a connection.

I have nothing against suitable working and living conditions. We provide the funds for that. What concerns me is the way in some places USAID has become an ivory tower, distant from the trenches, writing big checks for big contractors and high-priced consultants and churning out self-serving reports filled with sometimes incomprehensible bureaucratic jargon.

I've read them and I've sometimes wondered what did they say and, you know, English is my first language and they are written in English and I can't understand them.

Now there are many USAID staff and often they're former Peace Corps volunteers who love to be out in the field doing hands-on work implementing, overseeing programs, but that's become more the exception, not the rule.

I also often hear the frustration of creative people who want to help, have so much to offer, but then they end up facing a closed door, and a closed mind, at USAID. They face a labyrinth of reporting requirements that are burdensome or almost a way of saying we don't need you.

I think USAID has to change its culture, change the way it does business, if it wants the kind of money that you're here asking for. If it doesn't change I will not vote for money for USAID and if I'm not going to vote for it, there are a lot of other people who may not.

I'll have some questions about your budget and I say this in this subcommittee, in the Senate, Republicans and Democrats, you will not find stronger supporters of your mission among the men and women on this subcommittee than anywhere else in the Senate and we want nothing more than for you to tell us how you plan to reform USAID.

So here's your chance, in plain English. Put your full statement in the record. But just tell us how are you going to make these changes and how are you going to restore USAID's image on Capitol Hill?

So over to you, Dr. Shah.

SUMMARY STATEMENT OF DR. RAJIV SHAH

Dr. SHAH. Thank you, Senator, and thank you, Mr. Chairman.

I want to first start by recognizing your deep commitment to USAID's mission. I've had the opportunity to participate in some of your trips abroad from a distance when I was in a different role and I know the commitment you have to this mission supersedes any commitment to an institutional arrangement or a particular bureaucracy. I look forward to working with you to put a change agenda in place so that USAID does live up to your aspirations and

mine and those of the thousands of people that are still involved in USAID programs around the world.

I think this is an important opportunity. In many ways I consider this a once-in-a-lifetime or once-in-a-generation type of opportunity. The President, the Secretary, members of this subcommittee, yourself, and other Members of Congress have all called for a more effective, transparent, and capable development enterprise. I think that is a legitimate call in an environment where our world is more interconnected and people care more about the development mission.

I'm excited about being at USAID because the agency has a rich legacy of successfully introducing the green revolution, of bringing oral rehydration therapy and other health solutions to millions of children, and of creating higher education institutions in parts of the world. I was just in Pakistan and met graduates that were proud to have been supported by U.S. generosity.

I also fully understand the need for change in the way we do business. The examples are really everywhere. I was just in Afghanistan where some of our staff reported errors in their paychecks during a pay period. That's one example where our human resources system failed. There are others, but I think this highlights how acute the need is for performance improvement in many of our core operating functions.

The planning, measurement, and capability to put together ideas and articulate them across the agency and, as you put it, relate to the reporting capabilities of the agency are very weak today. Having been here for a few months with a big interagency focus on Haiti, it took extraordinary measures for us to be able to produce the kind of data reporting and information on a daily and weekly basis so that our interagency colleagues could understand what's working and what's not working in the Haiti relief effort and try to fill gaps in assistance in a rapid way. We need to build better systems in that space.

Our contracting model, as you highlight, needs real reform. I visited an institution just last week where we've provided about \$4.5 million over probably 3½ years and have done wonderful work in supporting thousands of students to gain access to technical training in Afghanistan. At a cost of about \$1,000 a student per year, they will graduate from a 2-year course and earn incomes of \$300 to \$500 a month in areas like the construction trades, electrical wiring, ICT, and computer programming, but we probably spent 35 percent more than we needed to in order to get that result. Having come from a place that had far fewer bureaucratic processes to address, I've seen development happen in a more efficient and a more direct way and think it can be done at USAID.

You asked very specifically about a reform agenda that would better serve U.S. taxpayers and that is what we deeply believe in. Before the end of this month, we hope to roll out a new policy, planning, evaluation and budget capability at USAID that will allow us to be more accountable and make smarter decisions and real resource trade-offs, so that we're not just chasing every need in an environment where needs are endless. We've all been to settings where we are overwhelmed by the extent of needs, but we are

focusing on those areas where we can get the most cost-effective impact and results for our investment.

This summer I hope to launch a series of procurement reforms. This will not be easy because the agency has come to outsource a huge amount of work, including basic program design and program oversight activities, but we have a team in place to work on this issue. We've already put a Board of Acquisition and Assistance Review in place to review all contracts over \$75 million. We will take that further by developing specific detailed guidelines for procurement reform that are based on the premise that we should be doing much more work in-house, especially related to program design and oversight.

PREPARED STATEMENT

And finally, we will focus on human resources and evaluation in a very substantive way over the course of the summer and the fall. I think if we do these things, sir, we will be a more accountable agency, a more transparent agency, and a more effective agency. I share your passion and urgency around these points and appreciate your guidance and your opening comment.

[The statement follows:]

PREPARED STATEMENT OF DR. RAJIV SHAH

INTRODUCTION/HAITI

Chairman Leahy, Ranking Member Gregg, Members of the Subcommittee, I am honored to join you here today in support of the President's fiscal year 2011 foreign operations budget request.

It has been less than 4 months since I was sworn in as Administrator for the U.S. Agency for International Development. As you know, just days after my swearing-in, the people of Haiti were struck by a tragedy of almost unimaginable proportions. The United States—and the American people—responded swiftly and aggressively to this unprecedented disaster—a response that reflected the leadership and compassion of our nation.

In the immediate aftermath of the earthquake in Haiti, President Obama designated me as the Unified Disaster Coordinator and charged our government with mounting a swift, aggressive and coordinated response. In that capacity, USAID coordinated the efforts of the Departments of State, Defense, Homeland Security, and Health and Human Services. We worked collaboratively with the Government of Haiti and a host of other governments, the United Nations, other international organizations, NGOs, the private sector, and with thousands of generous and concerned individuals. Together we have provided a comprehensive response to a complex disaster whose scope far exceeds any other that the Administration has faced internationally and one that requires a continued aggressive and unique approach.

Our unprecedented level of coordination in response to these challenges has shown results on the ground. With our partners, we launched the largest, and most successful international urban search-and-rescue effort ever—with more than 135 lives saved by over 40 countries' search and rescue teams in Haiti. In coordination with Haitian authorities, our military, the United Nations, and NGO colleagues, we created a fixed distribution network to surge food distribution to nearly 3 million people—the most robust urban food distribution in recent history. Within 30 minutes of landing on the ground, the U.S. military secured the airport, and in the hours that followed, rapidly expanded its capacity to well beyond pre-earthquake levels. The United States also helped to restore a critical sea port, thereby scaling up the delivery of essential goods and restoring commercial capacity. And our partners at the Department of Health and Human Services provided medical assistance that enabled an additional 30,000 patients to receive treatment.

Nevertheless, we all know that Haiti faces a long and steep road to recovery. Reconstruction will take time and will require the shared commitment and resources of our international partners, working in concert with the Government and the people of Haiti.

We are requesting a total of \$1.6 billion for the Department of State and USAID in supplemental funding for efforts in Haiti. Of that, approximately \$501 million will be used to reimburse USAID for the emergency humanitarian response already provided through International Disaster Assistance and Food for Peace Title II. Of the funding requested in the supplemental for reconstruction, \$749 million is requested for the Economic Support Fund to support Haiti's critical recovery and reconstruction needs, including rebuilding infrastructure, supporting health services, bolstering agriculture to contribute to food security, and strengthening governance and rule of law. Finally, we have requested an additional \$1.5 million for USAID's Office of the Inspector General to ensure greater oversight of these funds.

GUIDING PRINCIPLES AND OVERVIEW

Recovery in Haiti will continue to be a major focus for the foreseeable future. But we will not lose sight of the important work of strengthening USAID and helping other countries achieve their development goals. Investment in development has never been more strategically important than it is today. Even in the midst of difficult economic times domestically, helping nations to grow and prosper is not only the moral obligation of a great nation; it is also in our national interest. The investments we make today are a bulwark against current and future threats—both seen and unseen—and a down payment for future peace and prosperity around the world.

As Members of this Subcommittee know very well, development is an essential pillar of our foreign policy. As President Obama said in Oslo last December, "Security does not exist when people do not have access to enough food, or clean water, or the medicine and shelter they need to survive." Building the capacity of countries to meet these basic needs—and in turn, increasing dignity and opportunity for their people—is what guides our work and the resources we put behind it.

While the scope and complexity of the world's challenges have grown—from the food crisis to the global financial crisis, terrorism to oppression, climate change to pandemics—we have never had the technology, tools and global imperative for action that we have today. Together with other government departments and agencies, USAID is examining our policies, resources, and capabilities to determine how best to achieve our development objectives through the Presidential Study Directive on U.S. Development Policy and the Quadrennial Diplomacy and Development Review. And already, we are moving to face these challenges, guided by the following important principles:

- Working in partnership, not patronage with the countries we serve;
- Coordinating across U.S. agencies and among donors and partners for maximum impact;
- Ensuring strategic focus with targeted investments in areas where we can have the greatest impact with measurable results and accountability;
- Embracing innovation, science, technology and research to improve our development cooperation; and
- Enhancing our focus on women and girls.

The fiscal year 2011 budget request will support development priorities that contribute directly to our national security. Specifically, our request is focused on three priority areas:

- Securing Critical Frontline States.*—\$7.7 billion in State and USAID assistance will support U.S. development efforts in Afghanistan, Pakistan, and Iraq.
- Meeting Urgent Global Challenges.*—\$14.6 billion in State and USAID assistance will support local and global solutions to national and transnational problems, including global health, food security, poverty, disasters, and threats of further instability from climate change and rapid population growth.
- Enhancing Aid Effectiveness and Sustainability.*—\$1.7 billion will support the ongoing rebuilding of USAID personnel and infrastructure.

SECURING CRITICAL FRONTLINE STATES: AFGHANISTAN, PAKISTAN, AND IRAQ

By far the largest component of our requested budget increase is dedicated to the critical states of Afghanistan, Pakistan and Iraq. We have made some progress in each of these countries, but we realize that significant challenges remain.

Over the past several years, our focus in Afghanistan has been achieving greater stability and security. Working within a fully integrated civilian-military plan, our goal is to create space for economic investment and to lay the foundation for a more representative, responsible and responsive government. We believe these investments are key to providing sustainable security and stability in Afghanistan.

We are gradually delivering more of our resources through public and private Afghan institutions and these efforts have been successful so far. We are performing

careful and diligent oversight and directing resources to local institutions and partners who perform well.

We are beginning to see major improvements in the Afghan healthcare system. In 2002, just 8 percent of the population had access to some form of healthcare, but by 2009, that number had increased to 84 percent.

We have also made significant strides in education. Under the Taliban, only 900,000 boys and no girls were officially enrolled in schools. As of 2009, more than 6 million children were enrolled, 35 percent of whom are girls. One of our biggest economic accomplishments in Afghanistan has been to begin to rejuvenate the agricultural industry. In November of last year, with USAID support, Afghan provincial farmer associations sent to India the first shipment of what is expected to be more than 3 million kilograms of apples this season.

USAID has also been active in developing a coordinated Afghan energy policy, and helped advance new electricity generation capacity and provide 24-hour power for the first time in cities including Kabul, Lashkar Gah, and Kandahar City. With additional resources, we expect a half million people will benefit from improved transportation infrastructure.

In Pakistan, our request supports ongoing efforts to combat extremism, promote economic development, strengthen democratic institutions, and build a long-term relationship with the Pakistani people. We are focusing on programs that help demonstrate the capacity of local civilian governance to meet the Pakistani people's needs, and channeling assistance to less-stable areas to rebuild communities and support the Government of Pakistan's counterinsurgency efforts.

USAID and our partners in Pakistan have made progress in several areas. In 2009, we expanded educational opportunities, rebuilt schools and increased support for higher education. We trained 10,852 healthcare providers, 82 percent of whom were women, and provided essential care to nearly 400,000 newborns. Over the life of our program, we have helped treat 934,000 children for pneumonia, 1.6 million cases of child diarrhea, and provided DPT vaccines to 731,500 babies through training programs for healthcare workers.

We have also focused on generating economic opportunities for the people of Pakistan, contributing to the country's stability. USAID programs generated more than 700,000 employment opportunities in 2009, including training more than 10,000 women in modern agricultural techniques.

The funding increase in fiscal year 2011 for Pakistan will help USAID reach approximately 60,000 more children with nutrition programs, increase enrollment in both primary and secondary schools by over 1 million learners, and support 500,000 rural households to improve agricultural production.

Finally, turning to Iraq, we have transitioned to a new phase in our civilian assistance relationship—shifting away from reconstruction toward the provision of assistance to bolster local capacity in line with Iraqi priorities. Indeed, we are working in partnership with the Government of Iraq whose investment in their own development matches or exceeds at least 50 percent of U.S. foreign assistance funds.

Specifically, USAID is promoting economic development, strengthening the agricultural sector, which is the largest employer of Iraqis after the Government of Iraq, and increasing the capacity of local and national government to provide essential services. For example, USAID is strengthening public administration, strategic planning and project management in critical Iraqi ministries by supporting 180 international post-graduate scholarships in programs related to public administration for Iraqis at universities in Cairo, Amman, and Beirut. The additional funding requested will also promote small and medium enterprise growth, strengthen the Iraqi private banking sector and increase access to lending for entrepreneurs engaged in new market opportunities resulting from improved stability.

MEETING URGENT GLOBAL CHALLENGES

In addition to supporting these critical frontline states, we are targeting investments to assist with urgent global challenges that—if unmet—can compromise the prosperity and stability of a region or nation.

First, global health, where we are requesting \$8.5 billion in State and USAID assistance. Our request supports President Obama's Global Health Initiative, which builds on the President's Emergency Plan for AIDS Relief (PEPFAR), launched by the Bush Administration, and other U.S. global health programs and will help our 80 partner countries strengthen health systems and sustainably improve health outcomes, particularly for women, children and newborns. This initiative will be carried out in collaboration with the Department of State and the Department of Health and Human Services to ensure our programs are complementary and leave behind sustainable healthcare systems that are host-country owned.

With additional funding, we will build on our strong record of success in HIV/AIDS, TB and malaria, and achieve results where progress has lagged, in areas such as obstetric care, newborn care and nutrition. The initiative will include a special focus on up to 20 countries where we will intensify efforts to ensure maximum learning about innovative approaches for working with governments and partners, accelerating impact and increasing the efficiency and effectiveness of U.S. government investments.

Second, to support global food security, we propose investing \$1.2 billion for food security and agricultural programs, in addition to the \$200 million set aside for nutrition programs that support the goals of improved global health and food security. These funds are in addition to the emergency and non-emergency food assistance we provide. There is a strong link between security and hunger, made clear in 2008 when the global food price crisis led to a dramatic rise in food riots in more than 30 countries around the globe. With these additional funds, we will work in countries in Africa, Central America, and Asia to combat poverty and hunger. Our work will draw upon relevant expertise across the United States government to deliver the most effective programs possible.

Our third principal challenge is climate change. We propose to invest \$646 million in our programs, part of the Administration's overall request of \$1.4 billion to support climate change assistance. USAID will support implementation of adaptation and sustainable landscape investments, as well as low-carbon development strategies, market-based approaches to sustainable energy sector reform and emission reductions, capacity-building and technologies to enhance adaptation and local resilience to climate change in partner countries. We plan to expand renewable energy programs in the Philippines, improving electric distribution systems in Southern Africa, and support high-level bilateral climate change partnerships with major economies like India and Indonesia.

Finally, we remain focused on humanitarian assistance, including emergency and non-emergency food aid, where USAID and the Department of State propose to use \$4.2 billion. The tragedy in Haiti brings clarity to both the critical need for America's leadership on humanitarian assistance and the strong support from the American people that such efforts enjoy. This funding allows us to assist internally displaced persons, refugees, and victims of armed conflict and natural disasters worldwide.

With the combined investments proposed in global health, food security, climate change and humanitarian assistance, we will build the capacity of countries to save lives and, through economic growth, help make people less vulnerable to poverty and the threat of instability that extreme poverty can represent. In so doing, we honor our basic values, strengthen our national security and promote our national interests.

ENHANCING AID EFFECTIVENESS AND SUSTAINABILITY

All of the priorities I have outlined require well-trained personnel and robust infrastructure. We must treat development as a discipline. This requires strong capacities in evaluation, planning, resource management, and research to ensure we are incorporating best practices. At the same time, we must be able to recruit, hire and retain best in class development professionals.

As we build our workforce, we must reclaim the Agency's historical leadership in science and technology. We must also strengthen USAID's capacities to identify, implement, and rigorously evaluate new and existing approaches that reward efficiency, effectiveness, and sustainability. We must have the capacity to analyze, plan, and invest strategically for the long term. And most important, we must stay relentlessly focused on results—which means establishing baseline data, measuring progress, being transparent about both our successes and our failures—learning from both and improving our approach as we go forward.

Our fiscal year 2011 budget request represents a vital investment in our human resources, and I want to thank the Committee for its foresight and support for the Development Leadership Initiative. The additional resources requested will allow us to bring on 200 new Foreign Service Officers, furthering our goal of doubling the size of our Foreign Service Corps. Fields of particular focus are education officers, economists, agriculturalists, stabilization, governance and reconstruction officers, global health officers and evaluation experts.

This long-term investment in human resources is critical to help fill a shortage of experienced middle- and senior-level technical experts and managers. Equally important, by reducing our reliance on contractors to design and evaluate programs, we will not only save taxpayer dollars but also enable greater oversight and more effective program implementation.

Through these critical investments, we can achieve the development goals we have set around the world and restore USAID's standing as the world's premiere development agency.

CONCLUSION

Our objective each day is to seek out these best practices, learn from them, and adapt them to everything we do. We are committed to transparency in both our successes and our failures—viewing both as opportunities to learn and improve.

I know this is a time of great economic strain for so many Americans. For every dollar we invest, we must show results. That is why this budget supports programs vital to our national interests. The United States must be able to exercise global leadership to respond to crosscurrents of a complex world. This requires the effective use of all instruments of our national security—including development. We agree strongly with President Obama and Secretary Clinton's vision of embracing development as indispensable to American foreign policy and national security.

It is through this relentless dedication to results that we do justice to our motto, "from the American people." We do this not just by extending a helping hand, but by sharing the hopefulness of the American dream in places where hope remains shrouded by poverty, oppression and despair.

In many cases, the balance between a future filled with fear and a future filled with hope is fragile. Every day, USAID tips the scale toward hope and opportunity. Thank you very much.

Senator LEAHY. Thank you. I, and I believe most people here, want USAID to succeed, but you talked about outsourcing and some of the other things that are being done.

You said local hires are not being paid, but I'm sure that USAID employees, their paychecks came, and—no?

PAYROLL ISSUES

Dr. SHAH. There were problems with payroll for the Foreign Service Limited (FSL) employees—differentials not paid, pay caps imposed, among other issues. The Foreign Service National staff and other employees are being paid and have not had payroll issues.

Senator LEAHY. So that, it was a mechanical thing, this was not a case of money that ran out. Am I right?

Dr. SHAH. Correct. It was entirely related to our internal process and we've already made that fix for that particular problem.

POLITICAL APPOINTEES

Senator LEAHY. How many of your political appointees and other top positions are still waiting for final approval by the White House? What are you hearing as far as getting them approved?

Dr. SHAH. We've made 36 political appointments that have joined and are currently working at the USAID. We've submitted 62 names to the White House. A number of the Senate-confirmed individuals are through an initial process where I believe they're on to the second stage of review and vetting. For me it's an incredible priority to make sure we get a series of names up to the Senate so we fill the slate, but those are the numbers in terms of the progress we've had.

Senator LEAHY. So you still have some that haven't gone through the vetting at the White House?

Dr. SHAH. Thirty-six have joined and are onboard. Of the Senate-confirmed, roughly one-half of them are through an initial vetting process but that only gets concluded when the White House, of course, announces the formal appointments.

AFRICA

Senator LEAHY. There was an Op-Ed in last Sunday's New York Times by Bono entitled "Africa Reboots." Did you have a chance to read that?

Dr. SHAH. I did, sir.

Senator LEAHY. For the others, it described his conversation with different African political leaders, artists, and entrepreneurs during a recent trip around Sub-Saharan Africa focused on aid and trade, governance, corruption, transparency, enforcing the rule of law, rewarding measurable results, and so on.

I know the trip was exhausting but one that he found very worthwhile, and he and I talked about it.

Is there anything in that, in his comments that would have relevance for USAID and the way you do business in Africa and other parts of the world?

Dr. SHAH. Yes, sir, I believe so. The fundamental point he was making in that Op-Ed was that he believes Africa is in a place where there is strong innovative and capable leadership in government, in the private sector, and in civil society, and what I took away from the article was that it is incumbent upon us to find those change agents and those leaders and do the types of things that empower them to be successful and build on their capacity to offer real leadership.

We've seen that in a number of ways. The article talked about the Mo Ibrahim Prize that essentially does that for very high-level African presidential leadership. I was at the Bill and Melinda Gates Foundation for nearly 8 years and we certainly got a lot of credit in that setting for finding innovative leaders and empowering them to be successful.

One of the things I noted, and I shared this with part of the USAID team that runs a program called the Development Credit Authority, is in many cases the initial organization that found and supported the leaders that we were then helping to take to the next level, was USAID and USAID programs, USAID missions, and networks that had developed over many, many years of being present in countries. I think there is a base of capability and leadership and knowledge regarding who's capable of offering real leadership, no matter what sector they come from. USAID has connections and networks that we can build on using some of the tools that are already at our disposal, like the Development Credit Authority, and other tools to support private sector and civil society organizations.

USAID'S PROCUREMENT SYSTEM

I think our procurement process almost systematically excludes a lot of local leaders from being real participants in our efforts and that needs to be fixed in order to really help us be successful.

Senator LEAHY. Well, in fact, there's been a lot of delays in launching the USAID's worldwide procurement software and system. This predated you being there, but it was scheduled to be completed in March 2008. I think now it has a completion date of June 2011 at a cost of around \$100 million.

Are you confident it's going to be completed?

Dr. SHAH. That's what I'm told. Part of what we're doing is looking at the full range of procurement tools we have as part of this procurement reform that I hope to announce in June.

Senator LEAHY. Well, let me pick up on that.

If you call a mission abroad and they say, well, Dr. Shah's on the phone, get the mission director, you say how are things going, and you're told everything is fine.

To what extent can you get objective information? Do you have confidence that you can get that kind of feedback if something isn't working, whether it's procurement, which obviously didn't work with your predecessor because it wasn't completed, but what's your level of confidence that you can hear bad news as well as good news?

Dr. SHAH. Well, you know, this may be surprising, sir, but it is high in the sense that I do hear regularly a fair stream of bad news. Some of it is related to mistakes that were made in following process and some of it is externally created mishaps that result in a poor outcome.

My goal is to give people the space to come to me sooner with an identification of when those kinds of problems are likely to happen, as opposed to coming to me with "we screwed up" after the fact. Even in that area, I'm encouraged.

I was recently in Afghanistan and we built a series of what I call data dashboards, which sector by sector identify four to five key metrics that would allow us to track our spending in that context, and whether it is having the impact we expect and having—and I know this is very mechanical, a small red, yellow, or green light indicator against each metric so you can see if we're spending x amount of money in the education sector, are we improving the attendance rates for girls, educational quality and building capacity in the ministry in the sector that needs to sustain this effort. I found the dialogue there was very rich, very honest.

People want to come forward with what they're struggling with. If we can create the space for that and if we can create a culture that celebrates identifying what's tough and coming up with innovative ways to address it head-on, I think the people and the staff are ready to stand up and participate in that.

HAITI

Senator LEAHY. Well, one good example would be how objective a response you can get on our response in Haiti. There are a number of things that went right. There are a number of things many of us feel went wrong, and I would like, once you've had an evaluation of knowing what went right and what went wrong, I would like to sit down with you and see how objective a picture you got because we're going to also have questions in Afghanistan, Pakistan and elsewhere, different problems, of course, different situations, but I want to know how objective the reports are that you receive.

Dr. SHAH. Sir, I would look forward to the opportunity to do that. We're engaged in a number of after action reports in that regard.

I would just add that during the crisis and, of course, it's an ongoing one, on a daily or weekly basis we were having the dialogue around which sectors were working more effectively and which

ones were not. Areas like sanitation and hygiene in particular, efforts to move and resettle individuals who were at risk of the floods and the rains, and we were able to rededicate ourselves and bring additional resources to help address some of those sectors that were going slower.

So I appreciate the reporting that took place in that context, but I understand your point is a more fundamental one and I look forward to that opportunity.

Senator LEAHY. Thank you very much. We've been joined by Senator Gregg. I'll yield to you and then we'll get to Senator Landrieu.

Senator GREGG. Thank you, Mr. Chairman. Thank you. Unfortunately, I apologize, Dr. Shah, I'm going to have to leave quickly for another meeting.

But, first, I want to associate myself with the chairman's opening remarks. I think he's raised a number of very significant and important red flags for the agency, and this subcommittee has a very deep interest in making sure those are addressed. It's a bipartisan interest and I hope you'll respond to those concerns aggressively.

FISCAL YEAR 2011 BUDGET

Second, just a quick question: I look at the resources that are available and everything you folks want to do and they don't match. Let's even assume that you get significant increases—which is going to be difficult in the climate that we're functioning in—but you've got the Millennium Challenge Corporation (MCC), you've got the Feed the Future Initiative (FTF), and you've got the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), and I don't see how you do any of those three in as robust a way as you're suggesting under the resources that are going to be available.

So I'd like to get a sense of how you think you're going to do that.

Dr. SHAH. Well, thank you, Senator. I would just say in a generic sense we recognize the need to do a better job of setting priorities and especially country by country, narrowing the number of sectors we might work in so that in each of those sectors we can build real technical excellence, stay committed for 5 or 10 years, and see the kind of big transformative outcomes we hope to see.

So part of my leadership, I hope, over time is to narrow our focus in countries to those specific sectors that we think are most important in those particular countries and in a way that is consistent with how our resources are provided to us.

Senator GREGG. Take, for example, PEPFAR and MCC. They're supposed to be 10-year-type initiatives and yet I look at your budget and I'm wondering, well, they're just sort of being atrophied a bit and replaced with this FTF Initiative.

Dr. SHAH. Well, sir, with PEPFAR in particular, I could talk through how we're approaching that because we have launched, as you know, the global health initiative and it's our real aspiration to try and get much more efficiency out of the aggregate U.S. Government global health spending.

So when we add up PEPFAR and CDC spending and USAID spending in the global health sector, I think the total budget request is a little bit over \$8 billion for 2011.

You know, I just saw data coming out of Ethiopia and 12 other countries where we did a substantive data call. There are real op-

opportunities to be more efficient in getting this work done. There are environments where we'll buy a viral load analyzer and put it in an environment where we're serving very few patients and there's a better way to do that.

There are opportunities for us to integrate our work and by integrating our work across these various programs, to do a better job of providing skilled attendants at birth and reducing maternal mortality or do a better job of providing those specific prioritized interventions, like rotavirus and pneumococcal conjugate vaccines, for children to go after the big categories of unyielding child mortality.

So I think our goal is to sort of look at the whole portfolio and identify how we can be more efficient in spending those resources while also achieving the direct disease outcomes.

Senator GREGG. Dr. Shah, unfortunately, I have to leave. What I'd like to get from you, if you possibly can do this, is take your four or five biggest categories and you've just listed two of them, throw in MCC and FTF, and tell me what's the 2 year, 3 year, 5 year, 7 year, and 10 year projection for what you expect those categories to accomplish, how you expect them to be funded, and how you expect the funding of the categories to interrelate with each other in the context of the very stringent budget that we're facing. I'd appreciate that.

I apologize for having to run.

Dr. SHAH. We will do that. Thank you.

[The information follows:]

LARGEST FUNDING CATEGORIES

Most USAID programs, as well as independent agencies such as MCC, do not have firm multi-year budget plans beyond the amount requested for fiscal year 2011. Such plans are of course subject to the availability of funding provided in the annual appropriations process. In the case of major development assistance initiatives, the President has committed to seek predictable multi-year funding, which will be critical to achieving those initiatives' goals. USAID is currently implementing the majority of funding in three of these—the Global Health Initiative, the Feed the Future Initiative, and the Global Climate Change Commitment.

—*Global Health Initiative (GHI)*.—The President committed to provide \$63 billion over 6 years to this expanded and comprehensive global health effort. Enacted appropriations from the GHCS account (both State and USAID portions) for fiscal year 2009 and 2010 and the President's budget request for fiscal year 2011 total \$23.6 billion, leaving \$33.4 billion to be funded over the remaining 3 years of the initiative (fiscal year 2012–2014) (\$6.4 billion is to be funded from other accounts).¹ By 2015, the GHI aims to reduce mortality of mothers and children under five, saving millions of lives; avert millions of unintended pregnancies; prevent millions of new HIV, tuberculosis and malaria infections; eliminate some neglected tropical diseases; and strengthen local health systems.

—*Feed the Future Initiative*.—The President committed at least \$3.5 billion to this initiative over 3 years (fiscal year 2010 through 2012). The enacted appropriation for fiscal year 2010 and the President's budget request for fiscal year 2011 total \$2.7 billion, leaving \$0.8 billion to be funded over the remaining year of the initiative. Additional funding would be required in fiscal year 2012 through fiscal year 2015 in order to achieve the goals of significantly reducing global poverty, hunger and under-nutrition laid out in the Administration's "Feed the Future Guide," released by Administrator Shah on May 20.

—*Global Climate Change Initiative*.—The President committed, along with other developed countries, to provide approaching \$30 billion in international climate finance over fiscal year 2010–2012. As part of this commitment, the USG also committed to provide \$1 billion to REDD+ (Reducing Emissions from Deforestation and Forest Degradation Plus) between 2010–2012, and we are working to meet that

¹Roughly 60 percent of the PEPFAR budget allocated to State is implemented through USAID.

goal. The enacted appropriation for fiscal year 2010 and the President's budget request for fiscal year 2011 total \$2.4 billion in direct climate funding, plus additional funding from other agencies and co-benefits from other assistance programs. Because the United States did not commit to a specific percentage of this total amount, future international climate funding will be determined through the fiscal year 2012 and subsequent budget processes. The USG also committed with other developed countries to jointly mobilize \$100 billion per year in international climate finance by 2020 in the context of meaningful mitigation actions and transparency from developing countries; this funding is intended to be a mix of public and private funding streams, and our out-year budgets will contribute toward the public finance portion of that goal.

Senator LEAHY. Senator Landrieu.

Senator LANDRIEU. Thank you, Mr. Chairman. Dr. Shah, thank you so much for being present this morning and for being so accessible. I've enjoyed our conversations on several opportunities since you've been in your current position and I'm impressed with your background and your enthusiasm for what you're doing.

I do have, though, some questions and issues I'd like to raise before I get into the specifics on Haiti which you and I spoke about on my return just last week.

I'd like you to clarify for me and, Mr. Chairman, if the staff here can help, I'm having a little difficult time with the numbers in front of me understanding what exactly is your budget entailing. I see different figures. Is it \$21 billion out of the total \$52 billion? Could you just say what your understanding is of the amount of money under the control of USAID in this budget for this coming year 2011?

Dr. SHAH. I believe it is approximately in that area.

Senator LANDRIEU. \$21 billion, roughly \$21 billion out of \$52 billion?

Dr. SHAH. Correct. And I think one of the things we're doing as part of putting in place a slightly reformed budget process is we will be able to do a better job of identifying those resources that are specific to USAID programs.

The current process for budgeting doesn't break it out that way. So it's been difficult for me to get an answer to that question in a way that's valid. That figure doesn't necessarily include resources that might come to us through an MCC threshold program or PEPFAR or other funding streams.

Senator LANDRIEU. Well, then I'm glad it's not just me, Mr. Chairman, because my staff and I have been working on this for weeks and I'm glad that the head of the agency is having difficulty. Well, I'm not happy that the head of the agency is having difficulty understanding the budget that he's tasked to manage, but it makes me feel better because we've been trying to break these numbers out to no avail.

But I think, Mr. Chairman, it's extremely important for this subcommittee, in order for us to continue our focus on helping to reform USAID and working for it to become a more effective agency as it is our primary arm of bilateral support to our allies and friends around the world, to really get a handle on it and to be able to break it down so we ourselves can understand where our focus needs to be.

Senator LEAHY. It might also help with the State Department to let them know exactly where their money's going, too.

Senator LANDRIEU. Well, absolutely.

Senator LEAHY. I say this in defense of Dr. Shah.

Senator LANDRIEU. You know, absolutely. I think it's just critical, which brings me to my questions about Haiti.

ORPHANS AND VULNERABLE CHILDREN

There's no question that there were some important steps taken. The government and the officials that I met with down there were very appreciative of everything that the United States and the international partners had done in terms of life saving and distribution of food, et cetera, but as you are personally aware, the challenges to Haiti are just enormous, from just basic delivery of services, water, sanitation, housing, education, and I went down there with several Members particularly focused on children, all children but particularly vulnerable children, potentially orphaned children, and came away with a couple of thoughts about how we might want to proceed and wanted to ask you if you had some knowledge of the work going around the effort to provide for the first time in Haiti a universal free pre-K through 12 school system which may be shocking for people to know doesn't exist in Haiti today.

It might be one of the reasons why they're the poorest nation in our hemisphere because they virtually have no fundamental school system accessible to most families and that the families that are sending their kids to school are sending them to inadequate, poorly staffed, non-certified teachers in a private setting which isn't in itself a problem, except when it's inadequate, and using a great deal of their small salary, which may be \$2 a day, if that much, to fund the education of their children.

Does USAID have a position about the importance or priority of this, and could you comment on your interest in potentially maybe targeting this as an area that we could see some real improvement?

Dr. SHAH. I do. Thank you, Senator. I think, in part based on our conversation, we also are trying to identify specific budget line items that sit in sectors that are called housing or social services that would be education-related and pulling that out to back up what I'm about to say with the budget numbers.

But the reality is we are committed to an education strategy in Haiti. We have for a number of years been working against a single multi-donor strategy that has really pulled the resources of donors together against a strategy that was primarily focused on primary education and the number of kids that had access to primary education and then secondarily focused, although many of our resources went into this, on teacher training and a number of other efforts to improve the quality of education in those environments.

That was between \$12 and \$20 million a year, depending on which funding streams we count and we had every intention of continuing that going forward pre-earthquake.

Given the earthquake, there's obviously a huge need for reconstituted infrastructure and schools and we have built the budget for that into the housing budget and I do think that's an area where we want to share with you the assumptions we used in the budget planning but we really do recognize the need and our capacity to

help fill the current gap by engaging in building schools that could serve as a platform for a broader range of services.

Senator LANDRIEU. Well, I would just suggest, Mr. Chairman, the members of our subcommittee, that as we look out into the reconstruction of Haiti, that helping the Haitian Government and working with international partners, I understand Canada and France want to help lead this effort, to put down as a cornerstone a free universal education system for Haiti accomplishes many goals, one of which, high on my agenda, is to prevent childhood abandonment.

The hundreds of thousands of orphans, Mr. Chairman, that are in Haiti is because families in many instances give their children up hoping they can get an education at one of these over-crowded orphanages. They're both maybe as familiar as they should be with the horrific circumstances, even in the best run of orphanages, that that's not happening.

So that's, you know, one point, and if I could make my second point, I'm also concerned about USAID budget generally. In thinking about serving children, Dr. Shah, separate from their families, thinking about the importance of feeding children, providing their health, their education in and through families as opposed to sort of separate revenue streams that don't support the permanency issue that are so important to children, either to stay with the families to which they're born or to try to promote through the international laws that we now have developing adoption, both domestic and international.

So I'd just ask you when you look at your budget think about if you're serving children separate from their families, which is not the way we do this in the United States. Our system isn't perfect, but our programs serve children in and through families which keeps our abandonment rate relatively low, keeps our adoption rate relatively high, okay, and so that's just my final point about the way we structure our programs is serving children in and through families, and I'll come back to a second round.

Thank you.

Senator LEAHY. Senator Brownback.

Senator BROWNBACK. Thank you, Mr. Chairman. Dr. Shah, good to have you here, and, Mr. Chairman, my last appropriations cycle, I want to recognize you and your longstanding commitment to these difficult issues around the world. You've hung in here for years and done a great job of it and I really want to recognize and acknowledge that.

Senator LEAHY. Well, Senator Brownback, on my time, I appreciate that very much. You've worked with me on landmines and on so many other issues and on issues of poverty, of health around the world, something that you don't see in Kansas, I don't see in Vermont, but part of our common humanity, we respond to and I applaud you for what you've done on that.

Senator BROWNBACK. Thanks. Thank you. Dr. Shah, I want to raise a couple issues, if I can with you.

SUDAN

This is the watershed year for Sudan on the Comprehensive Peace Agreement. They had the vote. It seemed like some questionable issues happened on the presidential vote, but as you know, the

referendum on the south happens in January 2011. I mean, this is the big deal and my sense is that you probably will see the south separate from the north and they're going to need a lot of help if they're going to sustain it.

This Comprehensive Peace Agreement's been one of the great successes, I think, of foreign policy for the last decade or so for us that took a 20-year conflict in Africa and has ended. I've been involved in the issue. I'm sure you have. Yet you've cut the economic support funding for Sudan going into this watershed year and I really hope you look at other ways you can support that.

I don't know if you've been in the south of Sudan yet yourself. If you haven't, I would sure urge you to put it high on your priority list. Great people, wonderful folks, but this is the big one and they're going to need you guys' help and focus.

I've got a couple of other issues I want to raise with you, but I hope that's something you can do. Have you been into the south of Sudan yet?

Dr. SHAH. Not yet, sir, but I am planning to visit there in about 1 month.

Senator BROWNBACK. Good, good. You need to and they need us.

NEGLECTED TROPICAL DISEASES

On neglected diseases, this is an area that Senator Sherrod Brown and I have worked a lot on on getting a priority review process so that you can get some of the neglected diseases that so hit the Third World countries and this is kind of building off of Senator Gregg's comment about where are you—how are you going to do all this with the money you've got, and I like your heart and I like your attitude, but there is a resource issue here and it's unlikely to get a whole lot bigger just in the near term.

Having said that, I'm the ranking member on the Agriculture Subcommittee which has Food and Drug Administration (FDA) and we're pushing FDA to do a shortened pathway for neglected diseases as a way of reducing the cost of these things and trying to get more investment in them.

I hope you can take a look at that and back this cause because this is the way we can get our marketplace to help fund these neglected diseases that typically hit the Third World and have very small markets. We can't afford to have a process that costs \$700 million to develop a drug that has a market potential of a \$150 million. I'm pulling that number out of the air but not the first number and that is being pursued by FDA now and if you were to get and your agency backing of that and get involved in this review process, we've got a special committee that's set up to do this, good people on it, that can be a big help and I think it's one where we can start to whittle away at some of these neglected diseases that cost us so much.

AGRICULTURE

A final issue I wanted to throw out to you was the Department of Homeland Security (DHS) and USDA is building a National BioAgriTerrorism Facility. That may sound like a long ways away from your work but a good portion of the diseases they're going to

study are animal diseases that come out of the Rift Valley. I think actually maybe as many as 10 of 12 are their primary targets.

I think this is a chance for us to network with veterinarians trained in Africa and that region to scale up their ability or help train them because it helps us and then you're off of somebody else's budget, as well, and Department of Homeland Security's which is a great place to be because that's one we tend to think, well, okay, let's put more money in this one and I think there's a good chance that we could build some upscale programs of training better veterinary medicine people in Africa to be eyes and ears for us and help develop awareness of when some of these things are breaking out or what's coming because the Rift Valley has been such a deadly zone for some really nasty things coming out.

But we can use it to train up a level of people that can go back and do great things in a country. Part of the Green Revolution was Norman Borlaug training a generation of plant geneticists in the Third World. Why can't we do that toward animal agriculture, particularly in Africa, that is a source of their wealth and revenue for so many people and do it under our security umbrella so it helps leverage your dollars?

I point these out as ones that I think are key for us moving forward on some really meaty areas and I'm hoping in particular you can help us out with Sudan. I said I was going to end with that, but there's one final thought.

DEMOCRATIC REPUBLIC OF THE CONGO

Senators Durbin, Feingold, and I sent you a letter on Congo, Eastern Congo. We've been involved in the conflict commodity issue in that area. I think it's at the core of stabilizing Congo and probably four countries in that region if we can get the conflict commodities out of the means of commerce that funds the rebels in the regions. Similarly, it's the blood diamonds of east Africa is what this amounts to.

We asked you to look at putting on a mining specialist to really help track some of these issues and work on them. I hope you can look at it because I think it's really key for us to get Congo and probably, as I mentioned, four countries in that region more stabilized so we get less money going to the protagonists that are in that region.

That's a lot, but I wanted to throw that out to you.

Dr. SHAH. Thank you. Should I address that?

Senator BROWNBACK. Go ahead.

Senator LEAHY. Please. I know you've also had some firsthand experience with the Green Revolution. So please go ahead.

Dr. SHAH. Well, thank you. On Sudan, I appreciate the comments. I look forward to getting out to our offices there as soon as possible. We've provided, as you know, sir, \$95 million in support for the election and the referendum activities, including some of the monitoring activities that have been more visible in recent days.

We are very focused on expanding support for local governance and local service delivery in the south in anticipation of how important such activities will be in the future, and I would just use this as an opportunity to highlight the fact that our mission in Juba,

as you know, has nearly 17 U.S. direct hires and PSCs and 75 Foreign Service Nationals—professional and support staff, which makes us really the largest organized donor presence in that environment.

We recognize the responsibility that comes with that to work with partners, including the World Bank and other donors, to try to mobilize efforts in a very connected way to those local leaders that have capacity there.

NEGLECTED TROPICAL DISEASES

On neglected tropical diseases, I completely agree with your point about a shortened development and approval cycle. I will follow up directly with Administrator Hamburg on that and I think there are also opportunities to work with the World Health Organization which has the mandate for those types of governing regulations for most of the countries where we would introduce those.

The only thing I would add is that often the firms we work with in this space benefit from having simple market introduction plans, a thoughtful demand analysis, and a forecast for how product would get to needy populations and so sometimes small investments in those types of activities can unlock real private sector innovation and activity and we will follow up on that.

FOOD SECURITY

And finally, on the question with respect to USDA and DHS, I'm actually quite familiar with that particular facility and I agree. I think there are tremendous opportunities with Rift Valley livestock diseases and with veterinary training which, of course, large vet gaps are a big gap here in the United States and abroad.

As part of our Food Security Initiative, we've allocated \$145 million for agricultural-related research for fiscal year 2011. A significant proportion of that would be executed in partnership with USDA and used in the livestock area where they do some unique work, both related to this facility and more broadly. So I look forward to moving that forward. I think that is a critical and completely unaddressed opportunity in the food security space.

And finally, on Congo, I agree and, in addition, we've been working on following up based on that letter and will continue to share information with your office, but thank you.

Senator BROWNBAC. Mr. Chairman, thank you for the extra time.

Senator LEAHY. Thank you, Senator Brownback.

PROCUREMENT

The thought occurred to me when we were talking earlier about how you evaluate these contracts. What's your largest contract? Say \$10, \$50, \$100 million?

Dr. SHAH. I think significantly larger than that, sir. I don't know which ones are the largest, but I've seen several that are several hundred million dollars.

Senator LEAHY. Then I would keep the pressure on to get that. The system that was supposed to be ready in 2008, long before you were there, to get it ready, and I hope you understand when I ask

these questions, I think you are and will be an inspiration to the people in USAID. There are some superb men and women working at USAID. There are many who worry about the mission being overwhelmed by bureaucracy. They want you to give them the direction. They want to break through. They want to do the things that inspired them to come to USAID in the first place and so we're putting in your lap years of neglect and problems and say please fix it.

And you will have the support here to fix it. Senator Brownback mentioned neglected diseases, something that this subcommittee actually started focusing on about 5 years ago and now it has become, both in the last administration and this administration, an important priority and please keep it a priority.

You're being asked to increase your staff and programs in Afghanistan, Pakistan. Both countries face severe security threats. They have weak governments, endemic corruption, inadequate housing and office space for USAID personnel. And you can't get USAID staff out in the field to monitor programs because of the obvious security problems.

We learned in Iraq that spending lots of money quickly can end up with a lot of fraud and waste. Now Afghanistan, the tribal areas of Pakistan, I can see the potential and I'm sure you can for enormous corruption and waste.

How do you get a handle on that and protect the men and women who have to manage these programs?

AFGHANISTAN

Dr. SHAH. Well, thank you, sir. Having just returned from Afghanistan, I can attest to the fact that our more than 400 USAID staff there that are working as part of the overall mission experience, all of the things you just described, threats to their personal security, challenge around their ability to be mobile in areas where programs are active, and to some degree challenging housing situations, to say the least, but they are very committed to the work. In general, I think the way to address this is to break down our work into core sectors.

In each sector, we are in the process of refining and developing a coherent strategic approach that clearly distinguishes between things we might do to achieve short-term security and stability objectives in the context of an active military campaign and how one builds a bridge to sustainable long-term development in those settings.

To give you an example, I was in Arghandab, an area outside of Kandahar City, and in a 6-month period of time, through a combination of agricultural vouchers for inputs, some technical training, cash for work, short-term jobs programs,—

Senator LEAHY. Irrigation.

Dr. SHAH [continuing]. And improvements in roads and irrigation, we've seen a huge improvement in agricultural productivity in that particular area, an area that covers about 35,000 people. Over a 6-month period those improvements have led, by all accounts, to significant improvements in the security and stability situation in that region, so much so that our military colleagues believe fewer

kinetic operations will be required in that particular space as a result.

But we know that we have much more to do to track those resources that are getting spent and to make sure that we have a glide path where over 2 or 3 or 4 years we can take that spending to an appropriate per capita level of investment so that the Government of Afghanistan and other partners can sustain it over the long run and that's been the focus of how that team is planning to take those programs forward.

So I think it is doable. We just have to be focused on the right metrics as opposed to annual or monthly spend rates or something like that.

Senator LEAHY. Well, yes, I don't consider success based just on what the spend rate is, especially when you're in an area where so much can be stolen. I wish we could go to a website and find that x number of dollars has gone to this NGO near Kandahar or wherever it might be and here's what they're spending it on.

Dr. SHAH. I don't believe I can find that online today. I do think we ought to get to that point. Part of what we try to do is—

Senator LEAHY. I want to avoid what happened in Iraq where, you know, cargo planes full of money came in. Now we're still searching for the hundreds of millions of dollars that were stolen, probably billions of dollars, some by Americans, but certainly a lot by the people in the country we're helping.

Dr. SHAH. That's certainly a risk, sir, and I think we are trying to put in place a system whereby whenever we invest directly in a ministry or a local institution, we put in place a significant certification process and reserve auditing capabilities that allow us to track resources as they're spent in the health sector. The Ministry of Health in Afghanistan is perhaps a good example of that, where it took a number of years to build the actual financial disbursement and contracting mechanism in a transparent and accountable way and now we're able to flow more resources through that system. I think that's a model for what we're trying to do.

Senator LEAHY. Nothing would bring about more effort to cut off money if it turns out that it wasn't spent well and I'm not—and, Dr. Shah, understand that I'm not expecting you to have total success in everything you try.

When I was a prosecutor, I used to tell the assistants in my office who would tell me they'd never lost a case, I'd say then you're not trying enough cases, and if you say we've never had a failure on any program, you're not taking enough risks. Imagine the number of things Dr. Borlaug tried before he got where he was. You worked for the Gates Foundation and they set some pretty tight controls about what's going to be successful, but they'll be the first to admit that sometimes things don't work.

So keep trying. We're going to be coming back on Haiti and again I really want to see when you have more material on what worked, and what didn't. I will have more questions on Afghanistan and Iraq. I've been there and to Pakistan. I know the need, you've got some real, real problems there, and I look at, of course, Africa where we can do so much, provided the aid can get to the people.

Senator Landrieu, you've been waiting patiently.

Senator LANDRIEU. That's okay, Mr. Chairman. I'm very happy to follow your line of questioning and agree with your points and comments, and I, too, am very anxious for USAID to be reformed in a way that we can be effective, it can be expression of the values of the American people and their deep desire to be helpful and generous, but also their hesitancy to throw good money after bad, to not account for the millions of dollars they're contributing, and it's discouraging to them.

This agency should operate in the most transparent, accountable way possible and when it operates that way, it encourages, I think, literally billions of dollars of private donations that Americans and American corporations and individuals, faith-based communities are willing to contribute to the effort, if they believe that it's being done in a comprehensive and strategic way, which brings me to one of your strategic efforts I want to commend and ask you to commend and that is coordinating across U.S. agencies and other donors and partners country to country.

INTERAGENCY COORDINATION

My experience in visiting not nearly as many countries as the chairman but at least a half dozen, is the common complaint that USAID does virtually no coordinating among its own agencies, let alone other NGOs, and you must be aware, Dr. Shah, that there are somewhere between 900 and 1,000 independent NGOs and IGOs operating in Haiti with virtually little coordination and again if USAID isn't stepping up to do that coordination, my question is is Canada or is, you know, France?

If we are not trying to coordinate, is there a country in the world that is tasked with coordinating so that these public and private monies in every country can be spent more strategically, and is that a role that you want USAID to take on?

Dr. SHAH. Well, thank you for those comments. I think in Haiti, in particular, I'd just share one anecdote, that 2 days into the crisis and the earthquake we made a small grant to InterAction in order to help them set up a hub to coordinate the activities of NGOs through that context. I think it was a good first step and it made a big difference, both because it brought especially the largest international NGOs that are the conduit for large streams of funding from a range of partners to a single point of coordination and it gave us someone to engage with when we wanted to address the NGO community specifically.

Through that effort they were also able to identify certain NGOs that, frankly, were doing things that were counterproductive, and relatively irresponsible in terms of the way they were distributing food or doing other things that didn't meet best practices.

So I think that helped and that is an example of how USAID, through leveraging partners in that community, can do a better job of helping NGOs organize among themselves.

The other comment I'd like to make on that is the Global Health Initiative, I think, is a good example of where we're actually trying to turn the coordination point into the relevant country ministry. So if you look at Ethiopia or Tanzania, what we would ultimately like to do is have the Ministry of Health in those places (*a*) be aware of what their NGOs and our implementing partners are

doing in countries, (b) take some responsibility for offering direction to those NGOs, and (c) develop a financial sustainability plan so that there's some sense of who's going to provide these services in a sustained long-term way over 5, 7, or 10 years. I think if we can do those types of things, it will start to improve the coordination of those NGOs and, frankly, it will improve our partnership with countries who regularly complain that they don't know where our money is going and they don't know what we're doing in their country.

Senator LANDRIEU. Well, I appreciate that and I heard in your answer that, yes, you're committed to organization and coordination and even more importantly or equally importantly trying to build capacity within the countries the appropriate ministries to be able to identify and coordinate some of those activities, and I know that would be very important to the Haitian Government that, frankly, in their view expressed to me feels overwhelmed with just identifying the number of different groups and NGOs and coordinating that effort and you want NGOs to be helpful but they're not a substitute for effective governance in country.

UNICEF

Number 2. I have been over the years getting more and more concerned about UNICEF which is one of our—I think we contribute, Mr. Chairman, over \$100 million to UNICEF and despite my personal conversations with leaders of UNICEF over time, Carol Bellamy when she led the organization, Ann Veneman, and now the incoming director, Tony Lake, I'm concerned about UNICEF's position seemingly to be, despite comments to the contrary, their position against adoption, both in country and international.

I want to know if you've come across any conversations with UNICEF or thoughts that you might have about ways that we could encourage UNICEF to understand the extraordinary capacity among families in the world, excess capacity, literally excess budgets within families, excess rooms within homes to take in orphans in an appropriate way when children are truly orphaned to give them a chance at a permanent nurturing family.

Are you willing to maybe express some of these views to UNICEF or to work with me to kind of change a little bit of their outlook in this direction?

Dr. SHAH. Yes, Senator, I am, and we had a chance yesterday to meet with Tony Lake and I think he's also open to exploring what we can do differently to be more effective across the broad goal of child protection and using a broad range of strategies.

I will say in Haiti, we had experiences where we worked effectively with UNICEF and experiences where things were challenging, but I do want to credit them with conducting a data collection exercise across the different institutions that were labeled orphanages that provided some basic data in what was otherwise a numbers-deficient environment to determine where the kids were, in which institutions, and how would we provide them with services. That sort of work did allow us, together with our military colleagues, to target those institutions for distribution of food and water in the early days of the crisis.

So, you know, I think there are areas where they've done effective work and there are probably areas where there could be an expansion of the thinking.

Senator LANDRIEU. Okay. Well, I'll look forward to working with you on that and just to finalize, the first lady of Haiti is extremely enthusiastic and excited and, of course, is a graduate of George Washington right here. The University Collaborative has really come together to support her and her work, really focused on this education opportunity for children in Haiti and for long-term development of Haiti, Mr. Chairman.

I couldn't think of a better way to invest U.S. dollars and I think our taxpayers would agree to give a free quality universal education to the 4.5 million children in Haiti that really have no access today.

Thank you, Mr. Chairman.

Senator LEAHY. Thank you. There are so many opportunities and sometimes with the simple things.

Dr. Borlaug and I were friends and I admired him greatly and I look at what he accomplished, but also I had mentioned earlier the Op-Ed piece by Bono. In fact, without objection, I'll put that in the record at the end of this hearing.

[The information follows:]

[From The New York Times, April 17, 2010]

AFRICA REBOOTS

(By Bono)

I spent March with a delegation of activists, entrepreneurs and policy wonks roaming western, southern and eastern Africa trying very hard to listen—always hard for a big-mouthed Irishman. With duct tape over my gob, I was able to pick up some interesting melody lines everywhere from palace to pavement . . .

Despite the almost deafening roar of excitement about Africa's hosting of soccer's World Cup this summer, we managed to hear a surprising thing. Harmony . . . flowing from two sides that in the past have often been discordant: Africa's emerging entrepreneurial class and its civil-society activists.

It's no secret that lefty campaigners can be cranky about business elites. And the suspicion is mutual. Worldwide. Civil society as a rule sees business as, well, a little uncivil. Business tends to see activists as, well, a little too active. But in Africa, at least from what I've just seen, this is starting to change. The energy of these opposing forces coming together is filling offices, boardrooms and bars. The reason is that both these groups—the private sector and civil society—see poor governance as the biggest obstacle they face. So they are working together on redefining the rules of the African game.

Entrepreneurs know that even a good relationship with a bad government stymies foreign investment; civil society knows a resource-rich country can have more rather than fewer problems, unless corruption is tackled.

This joining of forces is being driven by some luminous personalities, few of whom are known in America; all of whom ought to be. Let me introduce you to a few of the catalysts:

John Githongo, Kenya's famous whistleblower, has had to leave his country in a hurry a couple of times; he was hired by his government to clean things up and then did his job too well. He's now started a group called Inuka, teaming up the urban poor with business leaders, creating inter-ethnic community alliances to fight poverty and keep watch on dodgy local governments. He is the kind of leader who gives many Kenyans hope for the future, despite the shakiness of their coalition government.

Sharing a table with Githongo and me one night in Nairobi was DJ Rowbow, a Mike Tyson doppelgänger. His station, Ghetto Radio, was a voice of reason when the volcano of ethnic tension was exploding in Kenya in 2008. While some were encouraging the people of Kibera, one of the largest slums in Africa, to go on the rampage, this scary-looking man decoded the disinformation and played peacemaker/

interlocutor. On the station's playlist is Bob Marley and a kind of fizzy homespun reggae music that's part the Clash, part Marvin Gaye. The only untruthful thing he said all evening was that he liked U2. For my part, I might have overplayed the Jay-Z and Beyoncé card. "They are friends of mine," I explained to him, eh, a lot.

Now this might be what you expect me to say, but I'm telling you, it was a musician in Senegal who best exemplified the new rules. Youssou N'Dour—maybe the greatest singer on earth—owns a newspaper and is in the middle of a complicated deal to buy a TV station. You sense his strategy and his steel. He is creating the soundtrack for change, and he knows just how to use his voice. (I tried to imagine what it would be like if I owned The New York Times as well as, say, NBC. Someday, someday . . .).

In Maputo, Mozambique, I met with Aactiva, a women's group that, among other things, helps entrepreneurs get seed capital. Private and public sectors mixed easily here, under the leadership of Luisa Diogo, the country's former prime minister, who is now the matriarch in this mesmerizing stretch of eastern Africa. Famous for her Star Wars hairdo and political nous, she has the lioness energy of an Ellen Johnson Sirleaf, a Ngozi Okonjo-Iweala or a Graça Machel.

When I met with Ms. Diogo and her group, the less famous but equally voluble women in the room complained about excessive interest rates on their microfinance loans and the lack of what they called "regional economic integration." For them, infrastructure remains the big (if unsexy) issue. "Roads, we need roads," one entrepreneur said by way of a solution to most of the obstacles in her path. Today, she added, "we women, we are the roads." I had never thought of it that way but because women do most of the farming, they're the ones who carry produce to market, collect the water and bring the sick to the clinics.

The true star of the trip was a human hurricane: Mo Ibrahim, a Sudanese entrepreneur who made a fortune in mobile phones.

I fantasized about being the boy wonder to his Batman, but as we toured the continent together I quickly realized I was Alfred, Batman's butler. Everywhere we went, I was elbowed out of the way by young and old who wanted to get close to the rock star reformer and his beautiful, frighteningly smart daughter, Hadeel, who runs Mo's foundation and is a chip off the old block (in an Alexander McQueen dress). Mo's speeches are standing-room-only because even when he is sitting down, he's a standing-up kind of person. In a packed hall in the University of Ghana, he was a prizefighter, removing his tie and jacket like a cape, punching young minds into the future.

His brainchild, the Ibrahim Prize, is a very generous endowment for African leaders who serve their people well and then—and this is crucial—leave office when they are supposed to. Mo has diagnosed a condition he calls "third-termitis," where presidents, fearing an impoverished superannuation, feather their nests on the way out the door. So Mo has prescribed a soft landing for great leaders. Not getting the prize is as big a story as getting it. (He doesn't stop at individuals. The Ibrahim Index ranks countries by quality of governance.)

Mo smokes a pipe and refers to everyone as "guys"—as in, "Listen, guys, if these problems are of our own making, the solutions will have to be, too." Or, in my direction, "Guys, if you haven't noticed . . . you are not African." Oh, yeah. And: "Guys, you Americans are lazy investors. There's so much growth here but you want to float in the shallow water of the Dow Jones or Nasdaq."

Mr. Ibrahim is as searing about corruption north of the Equator as he is about corruption south of it, and the corruption that crosses over . . . illicit capital flight, unfair mining contracts, the aid bureaucracy.

So I was listening. Good for me. But did I actually learn anything?

Over long days and nights, I asked Africans about the course of international activism. Should we just pack it up and go home, I asked? There were a few nods. But many more noes. Because most Africans we met seemed to feel the pressing need for new kinds of partnerships, not just among governments, but among citizens, businesses, the rest of us. I sense the end of the usual donor-recipient relationship.

Aid, it's clear, is still part of the picture. It's crucial, if you have HIV and are fighting for your life, or if you are a mother wondering why you can't protect your child against killers with unpronounceable names or if you are a farmer who knows that new seed varieties will mean you have produce that you can take to market in drought or flood. But not the old, dumb, only-game-in-town aid—smart aid that aims to put itself out of business in a generation or two. "Make aid history" is the objective. It always was. Because when we end aid, it'll mean that extreme poverty is history. But until that glorious day, smart aid can be a reforming tool, demanding accountability and transparency, rewarding measurable results, reinforcing the rule

of law, but never imagining for a second that it's a substitute for trade, investment or self-determination.

I for one want to live to see Mo Ibrahim's throw-down prediction about Ghana come true. "Yes, guys," he said, "Ghana needs support in the coming years, but in the not-too-distant future it can be giving aid, not receiving it; and you, Mr. Bono, can just go there on your holidays."

I'm booking that ticket.

In South Africa, with Madiba, the great Nelson Mandela—the person who, along with Desmond Tutu and the Edge, I consider to be my boss—I raised the question of regional integration through the African Development Bank, and the need for real investment in infrastructure . . . all the buzzwords. As Madiba smiled, I made a note to try not to talk about this stuff down at the pub—or in front of the band.

"And you, are you not going to the World Cup?" the great man chided me, changing the subject, having seen this wide-eyed zealotry before. "You are getting old and you are going to miss a great coming-out party for Africa." The man who felt free before he was is still the greatest example of what real leadership can accomplish against the odds.

My family and I headed home . . . just in time, I was getting carried away. I was going native, aroused by the thought of railroads and cement mixers, of a different kind of World Cup fever, of opposing players joining the same team, a new formation, new tactics. For those of us in the fan club, I came away amazed (as I always am) by the diversity of the continent . . . but with a deep sense that the people of Africa are writing up some new rules for the game.

Senator LEAHY. But one of the things that really struck me, he was talking with women in Mozambique. That's the first place we used the Leahy War Victims Fund.

He quotes a woman who said, "Roads. We need roads. Today," she added, "we women, we are the roads carrying things." And I hear this over and over again. Don't ship us huge containers of food and agricultural products from the United States. Help us build some simple roads. If you raise produce on a farm but to sell it, the market is 12 miles away, 15 miles away, but it's going to take you 3 days to get it there, then it doesn't do you any good to raise it. You can't sell it. If you have a simple road, that 15 miles, you can get there in an hour's time.

JUSTICE REFORM

One last thing or last two things I'd like to talk about. One is justice reform. We spend tens of millions of dollars, maybe hundreds of millions of dollars to reform dysfunctional justice systems around the world. You can't have a democracy, a real democracy without a functioning justice system. Honest prosecutors, honest and independent judges.

Look at Central America and we see places where people get away with murder literally or where judges are bribed or intimidated. Haiti is another example. There's never been the political will at the top.

Is that an area where you will watch and evaluate because we'll spend the money if you think it's going to accomplish something, but I've been so disappointed seeing how little has been accomplished.

Dr. SHAH. Yes, sir. We will watch that. I think you're right to point that out and I would just highlight that it is both a combination of programmatic activity, training and supporting judges and prosecutors. There are some efforts. I was just part of the rehearsal concept drill in Afghanistan where there was a really substantive conversation about what it would actually take to support the informal justice system and the transition to more formality in that

system, as well. We're trying some unique things in our program there.

But I think you're absolutely right and it often is understated that the political will to create space for that to be effective is a precondition to success at scale.

Senator LEAHY. Well, I remember a group came here from one country to talk to me and they said, we want to look at your justice system and we talked about that. They asked, is it true that in the United States people actually sue the government on occasion? I said, yes, it happens often, and they said, and is it true that sometimes the government loses? I said, yes. They said, and so you then replace the judge? And then when I explained that, no, we don't, they finally began to understand what an independent judiciary is, and we have so many people in this country willing to take the time to go to these countries and work with them and help them, but too often they get lip service while they're there and then the bribes continue or the replacement of a judge who rules against the government or so forth.

CLIMATE CHANGE

The administration plans to spend about \$1.4 billion on climate change programs in fiscal year 2011, \$646 million is through USAID and the State Department, part of it's to protect forests. Of course, the Amazon is the largest and the most threatened from large hydro projects and agribusiness and logging and mining, a lot of it illegal.

How much are you planning to spend for forest protection programs in Brazil or in the other Andean American countries?

FOREST PROTECTION ACTIVITIES IN SOUTH AMERICA

Dr. SHAH. In Brazil, USAID plans to spend 100 percent of the \$14 million in Biodiversity and Sustainable Landscapes funds for forest protection programs in fiscal year 2010.

The USAID Regional Program's Initiative for Conservation in the Andean Amazon will spend \$7 million this year on forest protection in Colombia, Ecuador, Peru and Bolivia.

USAID plans to spend the following amounts for forest protection programs in other South American countries in fiscal year 2010: Bolivia: \$2.5 million in Biodiversity funds; Colombia: \$3 million in Biodiversity and Sustainable Landscapes funds; Ecuador: \$3.1 million in Biodiversity funds; Paraguay: \$1 million in Biodiversity funds; and Peru: \$7.5 million in Biodiversity and Sustainable Landscapes funds.

In summary, USAID plans to spend the following amounts for forest protection programs: \$14 million in Brazil, \$7 million on the Regional Program, and \$17.1 million in other South American countries.

Total planned expenditures on forest protection programs is \$38.1 million in fiscal year 2010.

I'd also add that in the context of this, we're also exploring certain private sector partnerships to see if we can partner with private foundations and other institutions that have an interest in this area and might partner with us in some of these initiatives in Indonesia and other parts of the world.

Senator LEAHY. Well, of course, at the same time the State Department and others are going to have to bring some pressure on some of the governments to actually do the things necessary.

The Millennium Challenge Corporation requires governments to commit to do certain things if they want our aid, like reducing corruption or increasing their own budgets for healthcare and education.

Do you think USAID should be doing the same thing? In other words, a quid pro quo, or is that naïve to think that you can do that in some areas?

Dr. SHAH. I think, in general, the efforts to have long-term effective sustainable development that's broad enough that it reaches a large percentage of a population in country does require some significant degree of country ownership. MCC, of course, encapsulates that in a very specific set of indicators that then gives them a go/no go against a very large program in countries.

I think the approach we're taking, especially in the Food Security Initiative, is a little bit more specific. If a country is meeting its obligations to increase its domestic spending in agriculture, and they are signing up to bringing together all of the stakeholders and private sector partners against a country plan, then we will stand with them and help them build the capacity to be successful over the long run.

So it's a different, I think, interpretation of the concept, but the underlying concept that country "skin in the game" and country ownership is a precondition to long-term success I think was probably a shared one.

Senator LEAHY. Thank you very much. I'll put the rest of my questions in the record.

I'll yield to Senator Bond.

Senator BOND. Thank you very much, Mr. Chairman, and Dr. Shah, I apologize to you both for arriving so late. I had a visit from a high White House official talking about a rather pressing issue that went on and one and on.

Senator LEAHY. Aren't they all?

Senator BOND. Well, yeah, and I—but to me, this is extremely important and I'm delighted to welcome Dr. Shah today because we believe on—I know the chair and I agree that your leadership is critically important at this time.

USAID may not get all the glory on TV but when you get out and help the world's poorest people with global issues, clean water, child mortality, HIV, malaria, it's integral to, I think, a broader national policy, smart power, which Secretary Clinton has advocated so strongly and I believe in, and I know, having traveled around the globe extensively, I've seen where USAID can be a tremendous force for winning the hearts and minds of the people in other countries and dealing with those problems that are a concern to us as good neighbors or people in my case Christians should do.

But a key to expanding that service is getting enough Foreign Service officers in USAID. We want to do that. We need to see USAID build a core capacity and lessen its over-reliance on contractors, to increase accountability and effectiveness.

Now, as you know, biotechnology is an important component of smart power. Not only does it contribute to food security and better

nutrition now, but it's absolutely essential if we're going to feed a global population of 9 billion people. We cannot get there without the most modern farming techniques and biotechnology.

Dr. Shah, I know you've been a longstanding supporter of plant biotechnology. I want to—I can spend until early afternoon talking about that, but obviously I would not.

ENERGY

I need to turn to another subject that's of high priority. A couple weeks ago I visited India to discuss energy and a number of other matters. Energy, of course, is important in India as it is in the United States and they are overwhelmingly dependent upon coal to fuel their growth, to supply the energy to bring 1 billion population with tremendous poverty up to basic living standards and given the abundance and affordability of coal on their country, as ours, we have to make it cleaner, more efficient, and I was very impressed about an initiative USAID has undertaken in India.

Over the course of the USAID-India Greenhouse Gas Pollution Prevention or GGPP Project, it has cumulatively avoided CO₂ emissions from USAID-supported coal activities nearly a 100 million tons in the last 10 years. However, I was very concerned when U.S. and Indian officials told me that those efforts are no longer possible under constraints contained in a 2010 funding bill.

The constraints direct that no funds shall be utilized for any nuclear, coal, or other fossil fuel technology or production and without that, India's going to go back to burning coal without the reduction in emissions. They have made progress and I'd be very interested in hearing your thoughts on this and hope that we can work together with the chairman and the ranking member to find an appropriate solution that will allow us to resume making CO₂ emission reductions and making coal more energy efficient and cleaner for the people of India.

Where do you stand on that?

Dr. SHAH. Well, thank you for mentioning that, Senator, and for highlighting some of the efforts that have been undertaken there.

The low emission growth strategies for countries and especially mid-level economies is an important part of our overall Climate Change Program and will be a larger component of what we do going forward. We, of course, have, as part of the Climate Change Initiative, a broader approach but that's an important piece.

I'd have to look more specifically at the 2010 funding constraints that preclude us from being able to work—

Senator BOND. Would you look at that and get recommendations because I heard a very, very strong objection from both sides, both Indian and the people working for us in that country about the benefit that that project that was just cut off had provided. So if you would get back to me and obviously to the subcommittee, but I would like to see a copy of whatever you transmit to the chair and ranking member.

[The information follows:]

2010 FUNDING CONSTRAINTS FOR THE USAID/INDIA GREENHOUSE GAS POLLUTION PREVENTION PROJECT

To comply with fiscal year 2010 guidance from Congress, USAID is unable to use climate change funds to continue supporting activities under the Greenhouse Gas Pollution Prevention Project. USAID is reviewing whether other funds can be identified outside of the funds appropriated for Global Climate Change clean energy program to support the project which is designed to introduce cleaner coal technologies and better operating and maintenance equipment and practices to make coal-fired electricity plants more energy efficient and cleaner. The project also reduces CO₂ emissions with respect to a business-as-usual situation where no interventions are made.

To support the goals of the October 2009 Memorandum of Understanding to Enhance Cooperation on Energy Security, Energy Efficiency, Clean Energy and Climate Change between the United States and India, USAID is in the process of designing a new clean energy program to help India promote end-use energy efficiency and deploy renewable energy technologies that will reduce the need to build as many CO₂ emitting coal-fired powerplants. The new program will support India's efforts to transition to an economy that produces lower volumes of greenhouse gases while meeting their poverty reduction goals.

Senator BOND. Let me jump back into my favorite area, biotechnology. You're familiar with the Donald Danforth Plant Science Center and Roger Beachy. They've been improving crop yields even though Roger's decamped to Washington and Cassava, for example, is a root crop that's primary food for 750 million people. It's a poor nutritional content, susceptible to many pathogens, particularly in Asia. One-third is lost every year to viral diseases and the Danforth Center has been the lead on two major projects to address nutritional content, have been focusing on increasing Casava's zinc, iron, protein, vitamin A and E content, lowering the level of naturally occurring cyanide which we would think would want to be reduced, and reducing spoilage, and it's also done research to increase folic acids and minerals in sweet potato and to develop more protein, enhance sorghum and peanuts, and they have research partners in Africa.

Now, a lot of people normally talk about biotech and you can see a lot of people yawn, but this to me is key to feeding people, hungry people in the world, and I think projects like this will be critical in applying the most significant business thinking.

I urge you to continue supporting plant biotech research in Global Hungry and Security Initiative, particularly in places like Africa and Southeast Asia. I'd like to hear your comments on USAID's priorities in the area of plant biotechnology development.

Dr. SHAH. Thank you, Senator. I'll start by just acknowledging your leadership on this issue. I've had the chance to work with both the Danforth Center and Roger Beachy over the years and appreciate the unique leadership that those institutions and he brings.

I think there's been a false distinction in choice set up between overall sustainability and core productive agriculture productivity and I think we have an opportunity to be significant advocates for using the broad range of technological solutions against those core constraints that are holding back productive agriculture in much of the world and disproportionately in some of the poorest parts of the world where rain-fed production is the predominant form of production and where small holder producers suffer from hunger and starvation when they don't have enough productivity.

We've identified and gone through a process of identifying a set of core traits and core crops in which we want to work. As you would acknowledge, cassava is, of course, the second highest source of calories in Africa and is a very important crop and on that list and traits, like improved biofortification, improved drought tolerance, improved use characteristics, like lower cyanide content, in cassava are all priorities in that—

Senator BOND. Sounds good to me.

Dr. SHAH [continuing]. Context.

We're right now in the process of trying to ascertain what that means for our existing CRSP programs that fund U.S. land grant universities to work on a range of crops, peanuts, soybeans, sorghum, et cetera, and trying to take those CRSP programs and move them forward in a way that is more aligned against the set of priorities that have been identified by crop and by constraint and that unlock the broad set of tools and technologies that could be used to create advances.

And I'd say the final piece is that we will remain committed to working with countries on regulatory systems and in country testing and training. What we have found, of course, is in areas like drought-tolerance maize, when a country, like Uganda, builds a testing facility on their own agriculture research station and invests in training their own scientists, that seems to unlock the political energy to put in place a regulatory system that allows their people to have access to those technologies. So we think that's an important part of this, as well.

Senator BOND. Well, thank you very much, Dr. Shah. Mr. Chairman, if you'd indulge me one more minute, talking about the regulatory matter is very important.

I talked with the Secretary of Agriculture in India and other leaders. I talked to Secretary Bahsu and he understands the importance of transgenic seeds. Right now Aubergine, what you call eggplant, is the high controversy. I understand from a very good friend of ours that right now the Aubergine crop requires a 120 pesticide spray and the farmers won't even eat the darn vegetable because there's so much pesticide on it.

I've talked with the Ambassador and others in India and they say, oh, well, we need to listen to our people who are concerned about it. They're listening to NGOs who make their living off of raising fear about GMOs and as a result they are missing the opportunity to increase the harvest of a very important vegetable that can be produced with far less chemical pesticides.

Mr. Chairman, again, please accept my sincere thanks and my apologies for this.

Senator LEAHY. We've worked together on so many of these things and this will be your last hearing with the Director of USAID.

Senator BOND. That's why I wanted to get several bites, but I'm going to be—I hope he will contact me. We look forward to working with him because I—

Senator LEAHY. As I said before you came in, I'm delighted that he's there because there have been problems at USAID that you and I have discussed before.

Senator BOND. Oh, yes, I remember those.

ADDITIONAL COMMITTEE QUESTIONS

Senator LEAHY. But I think Dr. Shah's the right person at the right time and the right place and there are many, many very dedicated men and women at USAID and I think they breathed a sigh of relief when he arrived, and with that, we'll stand in recess.

Thank you. Thank you, Dr. Shah.

Dr. SHAH. Thank you.

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

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

TRANSITION INITIATIVE MODEL

Question. Although we often hear about how slow and bureaucratic most of USAID is, we hear the opposite about the Office of Transition Initiatives. That office focuses on conflict-prone countries, and countries making the transition from crisis to stability. The office is relatively small but agile, with flexibility to target resources quickly at the local level. Why can't more of USAID function like that office?

Answer. I am pleased that our Office of Transition Initiatives (OTI) is recognized for effectively and efficiently managing in very difficult and fluid situations. OTI is charged with responding to a particular set of countries that are conflict prone, are in conflict, or those in transition to stability.

OTI's business model involves flexible planning and management structures, including short-term strategies geared to short-term objectives along with systems for procurement, staff and monitoring/reporting developed for those purposes. These structures rely on constant innovation, rapid procurement systems, and intensive, hands-on management tailored to dynamic, fluid environments enabling OTI to react quickly to evolving situations on the ground. OTI fosters a culture of entrepreneurship while placing more authority in the field. Staff are encouraged to seek alternate solutions in program design and execution, and to support small-scale, rapid, and tactical investments in community or national projects that address a country's transition or momentum toward recovery from conflict.

The Agency does take OTI's experience into account in its larger programming response. These include a greater focus on the use local implementing organizations, more rapid program monitoring and feedback systems, and flexible planning where authorities are in the field, which permits rapid programming responses. Additionally, having Indefinite Quantity Contracts (IQCs) in place as rapid response mechanisms will continue to be an important component to the Agency's ability to respond more efficiently.

As part of our Agency's reform process, I am closely looking at OTI's business model and lessons learned and will identify other elements which can be replicated to the rest of the Agency. I acknowledge that not all tools are applicable to longer-term development, but in a changing world, we must consider and integrate all the innovative approaches we can.

USAID EFFECTIVENESS

Question. You have said that restoring USAID's effectiveness is your top priority and that this will require USAID to make significant changes in the way that it is organized and operates. What do you mean by "restoring USAID's effectiveness", what do you see as most needing change, and what changes are you making?

Answer. I have recently outlined a new approach to high-impact development which will lie at the center of restoring USAID's effectiveness. In four core areas we're already putting this approach into practice.

First, USAID is contributing to the U.S. commitment to the Millennium Development Goals (MDGs), not simply by delivering services to those in need, but through building sustainable systems that will transform healthcare, education, food security and other MDG areas.

Second, we are strengthening our ability to invest in country-owned models of inclusive growth and development success. USAID will promote these outcomes in a focused set of areas in countries that are reasonably well-governed, economically stable, globally connected and market oriented. We will undertake these enhanced efforts in a whole-of-government context using complementary assets like trade, private investment and diplomacy to increase the effectiveness of our development cooperation and increase the chances of success.

Third, we are identifying new ways of leveraging science and technology to develop and deliver tools and innovations which we believe can be transformational. I am proud of USAID's past support for the Green Revolution, and this is the time to recalibrate our current science and research portfolio around today's set of grand challenges such as climate change, global health, and food security.

Finally, we need to continue to bring USAID's expertise to bear on some of the most daunting national security challenges we face as a Nation including stabilizing countries like Afghanistan.

Restoring USAID's effectiveness requires more than these new focus areas. We have to transform the way we do work. USAID's development experts will provide increased support to encourage innovation and entrepreneurship. USAID staff will be encouraged to take risks in a smart and calculated way to achieve greater returns in international development. To support this, we're putting in place a range of policy reforms and new business models that will help our operations improve and enable our people to be development entrepreneurs.

USAID is establishing a new policy bureau and resource planning capacity that will be instrumental in managing coherent development approaches and strengthening accountability for our work. In addition, USAID is planning to roll out a meaningful set of procurement reforms. These will involve doing a better job of building local capacity and investing in local institutions where we work overseas. This summer we will launch a set of talent management and human resource reforms that are key to our future as an effective Agency. This will include doing a better job of leveraging the skills and knowledge of USAID's Foreign Service National staff. Finally, in the fall we will launch a major monitoring, evaluation and transparency initiative.

I am convinced if we can re-establish a rigorous program evaluation function and be the most transparent development agency in the world, that the American people will increase their support of our work. I believe this package of reforms will restore USAID's effectiveness and provide the means to restore the Agency to a world-class institution.

PSD-7/QDDR

Question. What impact do you anticipate the White House's "Presidential Study Directive on U.S. Development Policy" and the Secretary of State's "Quadrennial Diplomacy and Development Review" will have on USAID?

Answer. I anticipate that both exercises, which are closely coordinated, will have a very positive impact on USAID and U.S. global development efforts. Both the PSD and QDDR are premised on the strong belief in the importance of international development and of strengthening USAID. I am gratified by the support of President Obama and Secretary Clinton in this regard.

GLOBAL ENGAGEMENT

Question. One of the Administration's new initiatives includes a request for \$100 million for a new "Global Engagement" account. My understanding is this account would provide economic growth, academic exchanges and partnerships, and other education-related assistance to partner countries with mainly Muslim populations, and would likely be administered by USAID.

These are all things that USAID and the State Department already do. Why does a new account need to be created instead of providing support for these activities through existing mechanisms? Which countries are likely to receive this assistance?

Answer. President Obama's vision of Global Engagement is that the U.S. Government engages the world in a spirit of respect and partnership to achieve shared goals. One of his priorities in this area is to broaden the relationship between the United States and Muslim-majority countries around the world. The Department of State and USAID requested a separate line item to catalyze the start-up and initial tracking of funding for a cohesive set of activities to address the objectives of Global Engagement.

This is not a request for a separate account, but rather a separate line item within the Economic Support Fund account. This will allow us to track the activities that are started-up with these funds, and these new activities will complement and strengthen ongoing foreign assistance efforts. In future years, we may incorporate these activities into ongoing program and country budgets.

The countries to receive this assistance are still to be determined, and but will be regionally-diverse with significant Muslim populations.

AFGHANISTAN AND PAKISTAN

Question. USAID is dramatically increasing its staffing and programs in Afghanistan and Pakistan. Both countries suffer from severe security threats, weak governments and corruption, and inadequate office and housing space for USAID personnel.

We hear frequently how difficult it is for USAID staff to get out into the field to monitor programs. We also learned in Iraq that spending lots of money quickly in places like Afghanistan or the tribal areas of Pakistan is a recipe for waste, fraud and abuse.

How are you dealing with these challenges, and are you trying to spend too much money too fast—as was the case in Iraq and Afghanistan by the previous administration?

Answer. The issue of adequate oversight for and thoughtful expenditure of resources in an environment such as Afghanistan and Pakistan is a challenge that we face on a daily basis. In order to tackle that challenge and protect U.S. taxpayer funds, we are engaging in several concurrent efforts in both countries. I will mention them briefly here and provide additional detail below. Specifically, we are increasing our staffing (both program and oversight) in both countries; we are developing alternative mechanisms of oversight in those situations where direct access to activities is not yet possible; and, through the provision of technical assistance, we are increasing the capacity of local institutions to provide services to the population and make assistance efforts more sustainable.

While USAID is increasing our staffing and programs in both Afghanistan and Pakistan, you are correct that it has been historically difficult for us to get out and monitor projects. As you are aware, we are working intensively with Missions in both countries to adequately plan, recruit, and retain qualified staff to be present both in the capital cities and throughout the countryside. These new personnel have a wide variety of backgrounds including financial management, agriculture, governance, and engineering and add much needed development assistance to these countries, while at the same time providing the essential oversight element to our activities.

From a security perspective, Afghanistan and Pakistan will provide us with significant challenges for the foreseeable future insofar as access to activities is concerned. In light of that fact, we have developed alternative mechanisms of providing oversight to our activities in situations when direct access is not possible. In Afghanistan we are developing “movement agreements” with our military colleagues in order to enable our civilian PRT representatives to regularly access project sites within their respective provinces instead of being confined to their PRT. Furthermore, in both countries, we rely extensively on our locally engaged staff, Quality Assessment/Quality Control (QA/QC) contractors—the staff of which is largely locally employed, and implementing partners to provide oversight functions when direct access by United States direct hire personnel is not possible.

As you are aware, we are working to change our business model to include increased implementation through local entities (government and private sector) that have been or will be assessed and certified to receive USAID funding directly. A large portion of requested funds for the fiscal year 2010 supplemental and fiscal year 2011 will be dedicated to that effort. This will serve to increase the capacity of national, provincial and local entities while making assistance more sustainable.

Finally, I would also like to note that we work collaboratively with our Inspector General community in both countries, who provide the needed audit and investigative review of activities to provide assistance in a well directed manner.

INTERNATIONAL COOPERATIVE ADMINISTRATIVE SERVICES

Question. A recent survey about the State Departments ICASS process, which consolidates agency administrative operations overseas like motor pools, warehousing, supplies, maintenance and other functions, was a logical idea to improve efficiency and save money. But the survey suggests that for USAID, ICASS has caused more problems than it has solved.

The overwhelming majority of USAID overseas employees reported that their work had become harder and more costly. There were complaints about access to vehicles, billing mistakes, time consuming reporting, and an increase in tension between USAID and the State Department. Have you looked at this? Is it time to review the consolidation and determine whether it really makes sense for USAID?

Answer. The Agency is working in collaboration with the Department of State to jointly review our experience with administrative consolidation through the Quadrennial Diplomacy and Development Review (QDDR). The QDDR leadership formed a Joint USAID/State Task Force to survey and examine the impact of consolidation

overseas recognizing that problems exist. The review is focusing on the 21 posts where USAID missions overseas are collocated on secure Embassy compounds and where functions have been substantially consolidated for 3 years.

During the course of the QDDR Task Force review, the American Foreign Service Association (AFSA) sent out its own survey worldwide to all USAID employees of all employment categories, and the results show that the implementation of consolidation caused significant confusion and highlighted several support services and procedures that have been problematic at many Embassies.

State Department and USAID management are addressing these problem areas in a systematic manner. Areas for improvement are being identified, and the Task Force will recommend measures to strengthen joint State/USAID support platforms within ICASS. Both the Department and USAID have affirmed that the goal of this review is to achieve optimum consolidation of overseas administrative services provided to State and USAID under the ICASS platform based on the principles of the most cost efficient, and effective service provision to support our respective diplomatic and development missions.

The Task Force has reviewed existing consolidation data and annual ICASS Satisfaction Surveys, and detailed questionnaires were completed by both the USAID missions and the ICASS Service Providers (Embassy Management Officers). Existing cost data in Washington also is being reviewed, and USAID missions are providing updated cost information on post-consolidation operations.

The interim data collected by the Task Force shows that improvements can be made that will result in a higher quality and more effective shared platform overseas that serves State and USAID as well as the many other U.S. Government ICASS customer agencies. The keys to making those improvements and to success in optimizing consolidation appear to be: (1) recognition that consolidation has been successful for most services at most posts, but that problems must be actively addressed; (2) improved accountability by the service provider; (3) communication on best practices, roles, and responsibilities; (4) incorporating additional flexibilities for USAID when necessary to meet the Agency's mission-critical needs; and (5) addressing individual posts directly where broad service issues may exist.

The Task Force study will help USAID and State reach agreement on shared principles for consolidating services in the future, and the QDDR operational plan will also seek to identify opportunities to enhance and optimize consolidation efforts at all posts.

NGO TRANSPARENCY

Question. Budget transparency is a big issue these days, in an effort to reduce opportunities for corruption. USAID gives a lot of money to NGOs—nongovernmental organizations—for projects to promote transparency in other countries, but what about the NGOs themselves—do they have to make public their own project budgets so people can see what they are doing with the money they receive from USAID?

Answer. U.S. NGOs (PVOS) that receive grants from USAID are awarded funding based on budgets submitted with their applications. Project budgets are part of grant agreements which, in turn, are public documents. Expenditures are reported quarterly and are subject to audit. As 501(c)(3) organizations, each must file an annual Form 990 with the Internal Revenue Service. PVOs registered with USAID must submit audited financial statements annually to the USAID Registrar. These include all funding received from USAID whether as grants or contracts.

Question. If I want to know what NGO “x” is doing with money from USAID for a “rule of law” project, or a “budget transparency” project, or some other project, in the Philippines, or Mozambique, or El Salvador, can I go to a website and find a breakdown for how the funds are being spent—does USAID require this kind of transparency from its own grantees? If not, should it?

Answer. At present there is no website where you can find out expenditure information for NGOs that have received funding from USAID. USAID does have an internal capacity for accrual reporting but this information only provides amounts obligated and gross expenditures, not budget details. For USAID to collect and enter detailed expenditure information for each contract and grant for website use would require a major investment in software development as well as staff time.

Project budgets are part of grant agreements which, in turn, are public documents. The Agreement Officers' Technical Representatives responsible for the awards receive quarterly financial reports and can request more detailed information on expenditures. All grants and contracts are subject to audit.

While we would agree that to model the transparency they are encouraging through USAID-funded projects, PVOs and others should make their financial re-

porting under our grants available to the public. USAID's present grant agreements do not require this. This requirement could be added to all grant agreements but limitations exist on financial reporting requirements per U.S. Federal regulations (22 CFR 226.52). Should a member of the public request this information from USAID, it could be made available.

Working with the Department of State, USAID is committed to increasing the ease of access by the public to information about foreign assistance expenditures and performance. While there are limits to the level of detail for individual grants and contracts that we will be able to provide to the public, we are aggressively working to improve our ability to respond to in-country information needs about USAID activities, and to provide more real-time, complete, and understandable information to the general public.

In line with USAID's demonstrated commitment to transparency, the agency supports NGOs adhering to similarly high standards in making expenditures public. A coalition of diverse international humanitarian and development NGOs is currently working to identify common principles of development effectiveness, including budget transparency. USAID is very supportive of this process and the desired outcome for greater downstream transparency¹. NGOs are in the best position to establish common reporting standards amongst their peers and we are supportive of their efforts in this area.

GLOBAL HUNGER AND FOOD SECURITY INITIATIVE

Question. The President's "Food for the Future" initiative calls for \$3.5 billion over 3 years to combat hunger through agricultural development and improved nutrition. The Administration has requested \$1 billion for agriculture programs and \$200 million for nutrition programs in fiscal year 2011 to support this initiative.

I have seen many anti-hunger initiatives over the years, all well intentioned, and most have had positive impacts. But hunger remains a global problem. Assuming you get the funds you have requested and everything goes as planned, can you predict what portion of the world's hungry people will no longer be hungry after this 3 year initiative?

Answer. As there is no fully agreed-upon number of the "world's hungry," even though the figure of 1 billion is commonly used, it is difficult to predict what portion of this population will no longer be hungry after the 3-year Feed the Future initiative. However, an international investment of \$22 billion pledged by L'Aquila partners, which includes the Feed the Future initiative, invested in country-led, evidence-based strategies, will help to raise incomes, improve nutrition, and enhance food security in several ways:

- Based on detailed cost-benefit analysis, we estimate that as a baseline level, donor programs can directly increase the incomes of at least 40 million people in developing countries, including 28 million people who are currently living on incomes of less than \$2 per day and 13 million people living in extreme poverty on less than \$1.25 per day.
- We can amplify these returns through significant increases in investments in agricultural research, as well as its adaptation and dissemination. Through "game changing" innovations like improved crop varieties, the direct benefits of other assistance programs can be extended to many millions of other beneficiaries.
- These gains will be further amplified by the complementary investments by host country governments, and by private sector investors, both domestic and international. Our investments in infrastructure, extension services, and other areas, complemented by government public investments, will make private investments more attractive, adding to the impact of the program.
- Based on our preliminary analysis, we can reach 25 million children in developing countries with a package of nutrition interventions that has been demonstrated to reduce child mortality, improve nutrition outcomes, and protect human capital. These interventions are projected to reduce the number of stunted children by nearly 10 million, and the number of underweight children by more than 4 million.

Specifically, with regard to the U.S. Government's Feed the Future initiative, our development and diplomatic support for game-changing policy reforms that expand opportunities for widespread private entrepreneurship—including full participation by women—can also accelerate a process of sustainable country-driven development

¹ While USAID supports greater transparency, there is recognition that the release of information may at times undermine other U.S. government priorities and interests. For this reason, the agency supports principled exceptions in line with FOIA guidelines.

that extends the benefits of this initiative to millions more consumers who cannot be reached directly with project-based assistance as food supplies increase, prices decline and markets become more stable.

Question. Is the President's plan part of something bigger, coordinated with what other donors and governments in developing countries are doing?

Answer. Yes, the Global Hunger and Food Security Initiative, also known as "Feed the Future," is part of the larger L'Aquila Global Food Security Initiative (AFSI). G8 and other donor countries have pledged \$22 billion to increase investments in agriculture and nutrition to improve the lives of the world's hungry. The USG has pledged \$3.5 billion as its part of AFSI. That pledge is contingent on the availability of appropriated funds.

The Feed the Future initiative has been developed to accelerate progress toward Millennium Development Goal #1 (MDG 1) in countries committed to achieving that goal of halving hunger and poverty by 2015. It is designed to improve the coordination and integration of USG resources capable of contributing to global food security now and in the future. Five principles will guide our common approach: Invest in country-owned food security plans; strengthen strategic coordination among key stakeholders; ensure a comprehensive approach; leverage the benefits of multilateral institutions; and deliver on sustained and accountable commitments.

Further evidence of a larger effort is the Administration's commitment to multilateral engagement through the Global Agriculture and Food Security Program (GAFSP), a new trust fund administered by the World Bank. The United States contributed approximately \$67 million to the Fund in 2010. Other donors who have made commitments to the fund to date include Canada (\$230 million), Spain (\$95 million), South Korea (\$50 million) and the Gates Foundation (\$30 million).

DEVELOPMENT ASSISTANCE

Question. You request \$2.9 billion for Development Assistance, a \$460 million increase from last year. The bulk of the increase is for agriculture and food security, climate change, and education programs.

More money is one thing, and I strongly support these programs as I believe many others do. But using money effectively is another, especially in a time of budget constraints. What steps do you plan to take to get better results from the money you already have, before spending more?

Answer. To achieve better results from existing resources, the Feed the Future (FTF) and the Global Climate Change (GCC) initiatives as well as USAID Basic and Higher Education programs will include robust monitoring and evaluation systems, as well as results frameworks that are underpinned by rigorous analyses. An expanded set of performance indicators will include the collection of baseline data for both initiatives that will focus on impact. The United States is working with other donors to ensure that we do not duplicate efforts. Within the U.S. Government, initiatives are being coordinated to leverage the technical expertise of various agencies providing more efficient delivery of assistance. Internally, USAID is aligning efforts to achieve far greater integration across its global, regional and country-focused programs.

Furthermore, focusing on achieving better results includes not only an emphasis on monitoring and program evaluations, but also on communications, knowledge management and training for staff and USAID counterparts.

CLIMATE CHANGE

Question. How much are you requesting globally for programs to protect biodiversity (the Congress provided \$205 million in fiscal year 2010)?

Answer. The Administration requested \$113.9 million in fiscal year 2011 for biodiversity conservation. This request was developed through a bottom-up request process. USAID Missions faced a constrained budget scenario, requiring difficult choices in their budget requests for fiscal year 2011.

MICROCREDIT LOANS

Question. The New York Times ran an article recently about lending institutions that charge exorbitant interest rates on micro-loans and reap big profits (see attached article, "Banks Making Big Profits from Tiny Loans"). One bank in Mexico is cited as charging poor entrepreneurs an incredible 125 percent annual interest rate on its micro-loans. Your fiscal year 2011 budget request includes \$230 million for micro-enterprise and micro-finance programs, which have consistently received support from this subcommittee.

What is the average interest rate of loans charged by micro-lending institutions that receive USAID support, and how does this rate compare to the global average

for micro-loans? How frequently does USAID receive information on changes in the rates of interest these institutions charge?

Answer. USAID does not currently collect information on the interest rates of its partners around the world; rather, it focuses its efforts on promoting development of sustainable microfinance sectors across the developing world, which requires that microfinance institutions be allowed to set competitive interest rates. USAID guidelines for its microfinance programs require responsible practices regarding interest rates and other lending policies.

Recognizing that the need to ensure sustainability of micro-finance services in economic environments where investment risks are high often requires MFIs to establish relatively high interest rates, USAID provides a range of support to MFIs designed to improve efficiency, reduce risk and, thereby, to reduce the interest rates required for sustainable cost recovery. For example, USAID helps MFIs overcome the challenges of attracting a broad base of funding, introducing alternative delivery mechanisms to reduce operational costs, and identifying more efficient ways to reach remote, poor populations while keeping operating costs low. USAID also employs guarantee programs through the Development Credit Authority (DCA) to increase access to low-cost commercial funds for MFIs.

USAID recognizes that competition works best when interest rates are presented to borrowers in clear and transparent terms, so that they have the ability to rationally choose among lenders. For this reason, USAID will be providing support this fiscal year to the “Smart Campaign” led by the Center for Financial Inclusion at ACCIÓN International. As part of this initial pilot, the Campaign will work with MFIs around the world to ensure they provide transparent, respectful and prudent financial services, including transparency surrounding their interest rate. Therefore, while USAID does not currently collect information on the interest rates of its partners around the world, support for the Smart Campaign movement—as well as the anticipated push from donors, practitioners, and investors in the years to come—will help USAID continue to promote development of the microfinance sector, including competitive interest rates.

According to USAID policy, before signing an agreement to provide assistance to any microfinance institution, the Mission must determine that the institution has full and effective latitude to set interest rates and fees at full cost-covering levels; the institution’s management is prepared to charge interest rates and fees on loans that are high enough to cover the program’s full long-run costs; the institution can attain full financial sustainability on the MFI’s financial service activities within no more than 7 years of the initial provision of USAID assistance; and the institution will use USAID assistance to expand the availability of financial services to micro-entrepreneurs and other poor people.

Also, the MFI must have a plan to reach full financial sustainability, including a timetable and benchmarks to track its progress. USAID’s annual Microenterprise Results Report (MRR) tracks the financial sustainability of the MFIs supported by our funds. In fiscal year 2008, 75 percent of institutions were reported as fully sustainable.

[From The New York Times, April 13, 2010]

BANKS MAKING BIG PROFITS FROM TINY LOANS

(By Neil MacFarquhar)

In recent years, the idea of giving small loans to poor people became the darling of the development world, hailed as the long elusive formula to propel even the most destitute into better lives.

Actors like Natalie Portman and Michael Douglas lent their boldface names to the cause. Muhammad Yunus, the economist who pioneered the practice by lending small amounts to basket weavers in Bangladesh, won a Nobel Peace Prize for it in 2006. The idea even got its very own United Nations year in 2005.

But the phenomenon has grown so popular that some of its biggest proponents are now wringing their hands over the direction it has taken. Drawn by the prospect of hefty profits from even the smallest of loans, a raft of banks and financial institutions now dominate the field, with some charging interest rates of 100 percent or more.

“We created microcredit to fight the loan sharks; we didn’t create microcredit to encourage new loan sharks,” Mr. Yunus recently said at a gathering of financial officials at the United Nations. “Microcredit should be seen as an opportunity to help people get out of poverty in a business way, but not as an opportunity to make money out of poor people.”

The fracas over preserving the field's saintly aura centers on the question of how much interest and profit is acceptable, and what constitutes exploitation. The noisy interest rate fight has even attracted Congressional scrutiny, with the House Financial Services Committee holding hearings this year focused in part on whether some microcredit institutions are scamming the poor.

Rates vary widely across the globe, but the ones that draw the most concern tend to occur in countries like Nigeria and Mexico, where the demand for small loans from a large population cannot be met by existing lenders.

Unlike virtually every Web page trumpeting the accomplishments of microcredit institutions around the world, the page for Te Creemos, a Mexican lender, lacks even one testimonial from a thriving customer—no beaming woman earning her first income by growing a soap business out of her kitchen, for example. Te Creemos has some of the highest interest rates and fees in the world of microfinance, analysts say, a whopping 125 percent average annual rate.

The average in Mexico itself is around 70 percent, compared with a global average of about 37 percent in interest and fees, analysts say. Mexican microfinance institutions charge such high rates simply because they can get away with it, said Emmanuelle Javoy, the managing director of Planet Rating, an independent Paris-based firm that evaluates microlenders.

"They could do better; they could do a lot better," she said. "If the ones that are very big and have the margins don't set the pace, then the rest of the market follows."

Manuel Ramírez, director of risk and internal control at Te Creemos, reached by telephone in Mexico City, initially said there had been some unspecified "misunderstanding" about the numbers and asked for more time to clarify, but then stopped responding.

Unwitting individuals, who can make loans of \$20 or more through Web sites like Kiva or Microplace, may also end up participating in practices some consider exploitative. These Web sites admit that they cannot guarantee every interest rate they quote. Indeed, the real rate can prove to be markedly higher.

Debating Microloans' Effects

Underlying the issue is a fierce debate over whether microloans actually lift people out of poverty, as their promoters so often claim. The recent conclusion of some researchers is that not every poor person is an entrepreneur waiting to be discovered, but that the loans do help cushion some of the worst blows of poverty.

"The lesson is simply that it didn't save the world," Dean S. Karlan, a professor of economics at Yale University, said about microlending. "It is not the single transformative tool that proponents have been selling it as, but there are positive benefits."

Still, its earliest proponents do not want its reputation tarnished by new investors seeking profits on the backs of the poor, though they recognize that the days of just earning enough to cover costs are over.

"They call it 'social investing,' but nobody has a definition for social investing, nobody is saying, for example, that you have to make less than 10 percent profit," said Chuck Waterfield, who runs mfttransparency.org, a Web site that promotes transparency and is financed by big microfinance investors.

Making pots of money from microfinance is certainly not illegal. CARE, the Atlanta-based humanitarian organization, was the force behind a microfinance institution it started in Peru in 1997. The initial investment was around \$3.5 million, including \$450,000 of taxpayer money. But last fall, Banco de Credito, one of Peru's largest banks, bought the business for \$96 million, of which CARE pocketed \$74 million.

"Here was a sale that was good for Peru, that was good for our broad social mission and advertising the price of the sale wasn't the point of the announcement," Helene Gayle, CARE's president, said. Ms. Gayle described the new owners as committed to the same social mission of alleviating poverty and said CARE expected to use the money to extend its own reach in other countries.

The microfinance industry, with over \$60 billion in assets, has unquestionably outgrown its charitable roots. Elisabeth Rhyne, who runs the Center for Financial Inclusion, said in Congressional testimony this year that banks and finance firms served 60 percent of all clients. Nongovernmental organizations served 35 percent of the clients, she said, while credit unions and rural banks had 5 percent of the clients.

Private capital first began entering the microfinance arena about a decade ago, but it was not until Compartamos, a Mexican firm that began life as a tiny non-profit organization, generated \$458 million through a public stock sale in 2007, that investors fully recognized the potential for a windfall, experts said.

Although the Compartamos founders pledged to plow the money back into development, analysts say the high interest rates and healthy profits of Compartamos, the largest microfinance institution in the Western Hemisphere with 1.2 million active borrowers, push up interest rates all across Mexico.

According to the Microfinance Information Exchange, a Web site known as the Mix, where more than 1,000 microfinance companies worldwide report their own numbers, Compartamos charges an average of nearly 82 percent in interest and fees. The site's global data comes from 2008.

But poor borrowers are often too inexperienced and too harried to understand what they are being charged, experts said. In Mexico City, Maria Vargas has borrowed larger and larger amounts from Compartamos over 20 years to expand her T-shirt factory to 25 sewing machines from 5. She is hazy about what interest rate she actually pays, though she considers it high.

"The interest rate is important, but to be honest, you can get so caught up in work that there is no time to go fill out paperwork in another place," she said. After several loans, now a simple phone call to Compartamos gets her a check the next day, she said. Occasionally, interest rates spur political intervention. In Nicaragua, President Daniel Ortega, outraged that interest rates there were hovering around 35 percent in 2008, announced that he would back a microfinance institution that would charge 8 to 10 percent, using Venezuelan money.

There were scattered episodes of setting aflame microfinance branches before a national "We're not paying" campaign erupted, which was widely believed to be mounted secretly by the Sandinista government. After the courts stopped forcing small borrowers to repay, making international financial institutions hesitant to work with Nicaragua, the campaign evaporated.

A Push for More Transparency

The microfinance industry is pushing for greater transparency among its members, but says that most microlenders are honest, with experts putting the number of dubious institutions anywhere from less than 1 percent to more than 10 percent. Given that competition has a pattern of lowering interest rates worldwide, the industry prefers that approach to government intervention. Part of the problem, however, is that all kinds of institutions making loans plaster them with the "microfinance" label because of its do-good reputation.

Damian von Stauffenberg, who founded an independent rating agency called Microrate, said that local conditions had to be taken into account, but that any firm charging 20 to 30 percent above the market was "unconscionable" and that profit rates above 30 percent should be considered high.

Mr. Yunus says interest rates should be 10 to 15 percent above the cost of raising the money, with anything beyond a "red zone" of loan sharking. "We need to draw a line between genuine and abuse," he said. "You will never see the situation of poor people if you look at it through the glasses of profit-making."

Yet by that measure, 75 percent of microfinance institutions would fall into Mr. Yunus's "red zone," according to a March analysis of 1,008 microlenders by Adrian Gonzalez, lead researcher at the Mix. His study found that much of the money from interest rates was used to cover operating expenses, and argued that tackling costs, as opposed to profits, could prove the most efficient way to lower interest rates.

Many experts label Mr. Yunus's formula overly simplistic and too low, a route to certain bankruptcy in countries with high operating expenses. Costs of doing business in Asia and the sheer size of the Grameen Bank he founded in Bangladesh allow for economies of scale that keep costs down, analysts say. "Globally interest rates have been going down as a general trend," said Ms. Javoy of Planet Rating.

Many companies say the highest rates reflect the costs of reaching the poorest, most inaccessible borrowers. It costs more to handle 10 loans of \$100 than one loan of \$1,000. Some analysts fear that a pronounced backlash against high interest rates will prompt lenders to retreat from the poorest customers.

But experts also acknowledge that banks and others who dominate the industry are slow to address problems.

Added Scrutiny for Lenders

Like Mexico, Nigeria attracts scrutiny for high interest rates. One firm, LAPO, Lift Above Poverty Organization, has raised questions, particularly since it was backed by prominent investors like Deutsche Bank and the Calvert Foundation.

LAPO, considered the leading microfinance institution in Nigeria, engages in a contentious industry practice sometimes referred to as "forced savings." Under it, the lender keeps a portion of the loan. Proponents argue that it helps the poor learn to save, while critics call it exploitation since borrowers do not get the entire amount up front but pay interest on the full loan.

LAPO collected these so-called savings from its borrowers without a legal permit to do so, according to a Planet Rating report. "It was known to everybody that they did not have the right license," Ms. Javoy said.

Under outside pressure, LAPO announced in 2009 that it was decreasing its monthly interest rate, Planet Rating noted, but at the same time compulsory savings were quietly raised to 20 percent of the loan from 10 percent. So, the effective interest rate for some clients actually leapt to nearly 126 percent annually from 114 percent, the report said. The average for all LAPO clients was nearly 74 percent in interest and fees, the report found.

Anita Edward says she has borrowed money three times from LAPO for her hair salon, Amazing Collections, in Benin City, Nigeria. The money comes cheaper than other microloans, and commercial banks are virtually impossible, she said, but she resents the fact that LAPO demanded that she keep \$100 of her roughly \$666 10-month loan in a savings account while she paid interest on the full amount.

"That is not O.K. by me," she said. "It is not fair. They should give you the full money."

The loans from LAPO helped her expand from one shop to two, but when she started she thought she would have more money to put into the business.

"It has improved my life, but not changed it," said Ms. Edward, 30.

Godwin Ehigiamusoe, LAPO's founding executive director, defended his company's high interest rates, saying they reflected the high cost of doing business in Nigeria. For example, he said, each of the company's more than 200 branches needed its own generator and fuel to run it.

Until recently, Microplace, which is part of eBay, was promoting LAPO to individual investors, even though the Web site says the lenders it features have interest rates between 18 and 60 percent, considerably less than what LAPO customers typically pay.

As recently as February, Microplace also said that LAPO had a strong rating from Microrate, yet the rating agency had suspended LAPO the previous August, 6 months earlier. Microplace then removed the rating after The New York Times called to inquire why it was still being used and has since taken LAPO investments off the Web site.

At Kiva, which promises on its Web site that it "will not partner with an organization that charges exorbitant interest rates," the interest rate and fees for LAPO was recently advertised as 57 percent, the average rate from 2007. After The Times called to inquire, Kiva changed it to 83 percent.

Premal Shah, Kiva's president, said it was a question of outdated information rather than deception. "I would argue that the information is stale as opposed to misleading," he said. "It could have been a tad better."

While analysts characterize such microfinance Web sites as well-meaning, they question whether the sites sufficiently vetted the organizations they promoted.

Questions had already been raised about Kiva because the Web site once promised that loans would go to specific borrowers identified on the site, but later backtracked, clarifying that the money went to organizations rather than individuals.

Promotion aside, the overriding question facing the industry, analysts say, remains how much money investors should make from lending to poor people, mostly women, often at interest rates that are hidden.

"You can make money from the poorest people in the world—is that a bad thing, or is that just a business?" asked Mr. Waterfield of mftransparency.org. "At what point do we say we have gone too far?"

WATER

Question. The Administration has requested \$255 million for water sanitation and supply projects in fiscal year 2011. USAID funds water-related activities in various program areas such as agriculture, economic growth, nutrition, and health. Approximately how much will USAID spend on water-related activities in fiscal year 2011, across all programs?

Answer. The Administration's request for water programs in fiscal year 2011 is \$260 million. Each year, additional amounts for all water activities normally include portions of other programs that help to improve water supply, sanitation and hygiene (WSSH), water resources management (WRM); water productivity (WP), and water-related disaster risk reduction (DRR). Those additional programs may include Disaster Assistance for WSSH (normally \$90–\$100 million), natural resources management programs contributing to WRM, agricultural sector productivity contributions to WP and broader disaster response and preparedness contributions to water-related DRR. Based on current projections, the total fiscal year 2011 USAID water

expenditures, once all attributions are included, can be expected to be between \$500–\$600 million.

Question. The fiscal year 2010 State and Foreign Operations bill requires the relevant USAID bureaus and offices that support cross-cutting programs such as water to coordinate on a regular basis. In the case of water, how does USAID plan to better coordinate water activities and programs across bureaus?

Answer. The Administration has now formed a new High-level Steering Group on Water that will be responsible for coordination of diplomatic and development activities related to water within State, USAID and the wider U.S. Government. As part of early actions on coordination, efforts are underway to better integrate water into the Administration's fiscal year 2012 budget request, and to identify water-related aspects of the Administration's new initiatives in Global Climate Change, Food Security and Global Health. Beyond these new efforts, USAID has been engaged in a vigorous ongoing coordination and communication process within the Agency's Water Team, which is an informal coordination group with membership from all USAID functional and regional bureaus in Washington and all USAID missions overseas who are engaged in water sector activities, whether in health, economic growth, environment, energy, gender integration, agriculture, private sector business and finance or in other areas where water figures in development programs.

WOMEN AND GIRLS

Question. For years, the Congress has tried to get USAID and the State Department to pay more attention to the needs of women and girls in our foreign aid programs. It has not been easy. This Administration seems to be more receptive, but good intentions do not always produce good results. How do you plan to address this issue?

Answer. USAID is placing renewed emphasis on addressing the needs of women and girls throughout our foreign aid programs. Three areas in particular relate to staff training, new gender analysis and planning requirements, and the incorporation of gender considerations into new Administration initiatives, all reflecting USAID's renewed commitment to women and girls.

With regard to USAID's new gender analysis and planning requirements, the Agency adopted new regulations in November 2009 that require gender analysis and the inclusion of gender within all of the Agency's program planning, monitoring, contracting, and evaluation processes. In 2010, guidance on these new regulations was created to ensure staff is familiar with the regulations and understand how to comply with them. USAID is now also training program officers, contracts officers, and field staff in these new regulations. The new regulations also require USAID Missions to conduct gender analyses. In 2010, 20 gender assessments have been completed, are in process or planned, as compared to three completed in 2009, two in 2009 and three in 2007.

In 2009, USAID also made it mandatory that all incoming Foreign Service Officers (FSOs) receive gender training. To date, 264 of USAID's junior FSOs have been trained. USAID also conducted gender-based violence and trafficking in persons training for field staff from 19 countries in February 2010 and several more field-based trainings are scheduled. USAID is reviewing ways to improve measuring performance toward achieving gender equality as part of our renewed focus on monitoring and evaluation.

Finally, all of the Administration's new initiatives, Global Health, Global Climate Change, Global Engagement, and Feed the Future, have explicitly incorporated gender concerns. For example, the Feed the Future guide published in May 2010, emphasizes gender integration into all proposed food security investments. Global Climate Change Initiative (GCC) investments are being designed to promote women's participation in the development of community-level strategies to increase community resilience to climatic risks. The Global Health Initiative (GHI) includes significant increases for programs that serve women and girls, including maternal and child health, family planning, nutrition and HIV/AIDS. The GHI will also support long-term, systemic changes to remove economic, cultural, social and legal barriers and to expand opportunities to increase the participation of women and girls in decisionmaking in the health sector.

JUSTICE REFORM

Question. USAID has spent many tens of millions—probably hundreds of millions—of dollars in what has often been a futile effort to reform dysfunctional justice systems around the world. We recognize that justice is fundamental to democracy and stability. One need only look at Central America today to see what happens when people know they can get away with murder, or where judges can be easily

bribed or witnesses intimidated, to see the consequences. Violent crime and organized crime are flourishing.

But without the political will to reform, we end up throwing away good money after bad. Haiti is another example. There has never been the necessary political will at the top and frankly, there still isn't. Do you agree that in order to reform a country's justice system the country's own Ministry of Justice needs to be serious about reform?

Answer. Indeed, reform of the justice system requires a commitment to reform by the Ministry of Justice as well as the political will to reform other parts of the government. The justice system is an important element of a functioning, transparent and accountable government. The Ministry of Justice, along with other ministries and agencies responsible for advancing the rule of law, are keys to success; while civil service reform is also necessary to ensure that government workers—including police, prosecutors, judges, and prison officials—are paid a living wage. If governments do not undertake this type of reform, thus reducing incentives for corruption, corruption will destroy developmental gains that might otherwise be realized.

Even in places where democracy is in its infancy or is struggling, it is possible to foster momentum for change. There will be those in the business, academic, faith, media and even government communities who can be rallied to support the necessary changes in the justice system. In some places, it may be that facilitating this momentum is “Job #1” for USG representatives and other donors interested in the same result.

One of the best ways to convince leaders that reform is in their best interest is through the empowerment of civil society. As civil society becomes stronger and civic education expands, citizens begin to understand the services that their governments should be providing and they are thus more likely to hold leaders accountable for their actions. This is not a quick process, but rather something that must be pursued with local change agents over a period of many years. Civil society empowerment should be a lynchpin for the USG's promotion of democracy, good governance, and the rule of law.

COUNTRY OWNERSHIP

Question. USAID is using the term “country ownership” more and more. What does this mean in practice, and how does USAID's concept of country ownership differ from that of the Millennium Challenge Corporation?

Answer. For USAID, in practice, there have been three main aspects to “country ownership”: (1) host country commitments to good governance and policy reform; (2) the extent to which the host country is a partner in the selection, orientation and design, implementation, and monitoring and evaluation of the assistance program; and (3) the extent to which the host country invests in cost sharing arrangements to ensure the sustainability of the program. All of these aspects are relevant to both USAID and the MCC approaches to the delivery of foreign aid and are consistent with the growing body of knowledge on the link between country ownership and aid effectiveness.

The MCC defines country ownership of an MCC compact as being “when a country's national government controls the prioritization process during compact development, is responsible for implementation, and is accountable to its domestic stakeholders for both decisionmaking and results”. Their model emphasizes country ownership from the selection process, through compact design and implementation, using host nation systems at all stages of the compact.

For USAID, the concept of country ownership—focused on host nation participation in formulating and designing aid programs—has always been an integral part of its program planning. For example, USAID's programming guidelines state that country development cooperation strategies which aim to promote transformational development must “align with host country strategies coordinated with a broad cross section of stakeholders, including the socially and economically disadvantaged.” Importantly, USAID's historic operating model emphasized country presence specifically to work in collaboration with host country leaders and national stakeholders to build country capacity for development reforms. Bilateral Assistance Agreements have been used to set forth mutually agreed upon understandings between USAID and the host government of the timeframe, results expected to be achieved, means of measuring those results, resources, responsibilities, and contributions of participating entities for achieving defined priorities, goals and objectives.

In light of our new approach to high-impact development and emphasis under the PSD-7 and QDDR exercises, USAID is currently reviewing its policies and business model to align them more intrinsically with aid effectiveness principles, including that of country ownership. We expect reforms in the way we do business to result

in greater use of host country development strategies, planning and financial management systems, and accountability to their own citizens for results from development investments.

SELECTIVITY

Question. One of the things I like about the MCC is that it requires governments to commit to do certain things if they want our aid, like taking specific steps to reduce corruption, or increase their own budgets for healthcare and education. Do you think USAID should require governments to meet these types of benchmarks of progress in return for our aid?

Answer. In accordance with its charter, the MCC uses ex-ante indicators of performance as the basis for selection of country partners—a principle known as “selectivity.” Given the relatively limited set of partner countries in which MCC operates, this “selectivity” has been useful as an incentive for potential partners to undertake their own reforms as a step toward eligibility for MCC assistance. USAID also considers “selectivity” to be important for the success of its transformational development programs, but works with a larger, more diverse universe of partners, and with a broader set of criteria. Key among a number of factors for selecting USAID partner country investments are: need, U.S. foreign policy interest, and the country’s own development priorities and commitment to reforms. As such, USAID’s approach to “selectivity” primarily informs decisions about how to engage, rather than whether to engage.

As you know, the Obama administration is close to putting in place an overarching development policy. The policy is intended to focus strategically our goals and aspirations so that we can most effectively achieve them. We’re already putting a new approach to high-impact development into practice in a number of core areas, including strengthening our ability to invest in country-owned models of inclusive growth and development success. We have learned from recent country examples, the experience of MCC and from efforts like the Spence Commission of the value of focusing on a set of areas critical to inclusive growth in countries that are reasonably well-governed, economically stable, globally connected and market-oriented. We anticipate working with MCC, State and others to identify such countries where the foundations for progress are in place. In this new, more focused approach, USAID may consider the use of additional policy benchmarks to help more reliably identify a recipient country’s location along the development continuum. We may also learn from MCC’s approaches to monitoring and evaluation and ex-ante cost benefit analyses to help achieve greater transformational impact.

GLOBAL HEALTH

Question. One of the four main components of the Administration’s Global Health Initiative is “doing more of what works and less of what doesn’t.” One would hope that would be a requirement of every Federal program. Since the GHI began in 2009, has USAID ended any programs or activities that were not working, that has resulted in significant savings? Have any new initiatives achieved better results?

Answer. Learning and accountability are critical to the success of the GHI, and we are increasing the rigor and transparency of monitoring and evaluation, with an emphasis on using data to help us identify critical problems and improvements throughout our programs. This lens will apply for both new and innovative approaches, as well as for those existing programs that may benefit from adjustments and improvements.

We place strong emphasis on close tracking and evaluation because that ongoing process, in close dialogue with the country teams, will permit us to learn, respond and ultimately have tailored programs that are “smarter,” with greater country ownership, more partners, and more efficient and effective approaches than we would have designed in a “blueprint” manner. In GHI, as across this Administration’s development agenda, the findings from evaluations will be shared with decisionmakers in ways that are intended to create the best information for effective programming in the future.

As part of our efforts to ensure country-led programs, we expect and welcome programs that are designed at the country level to best respond to the specific disease and health systems priorities in that country. Since the GHI’s inception, we have not ended programs or activities, but as we continue to work on the country-level roll-out, we will work with our country colleagues to hone and sharpen our existing efforts while learning from new and innovative approaches.

MATERNAL AND CHILD HEALTH

Question. The European medical journal The Lancet recently reported that global maternal mortality deaths have decreased by 40 percent since 1980. But there are still about 350,000 cases of preventable maternal deaths annually around the globe.

There are some who want to cut foreign aid. This is one area where those who care about women, children, and families can point to life-saving results. The Administration has requested \$700 million for maternal and child health programs in fiscal year 2011, a significant increase of approximately \$225 million over the fiscal year 2010 level. What do you plan to do, and what do you expect to accomplish, with this additional money?

Answer. The additional funding will allow USAID to:

Advance coverage of life-saving interventions in up to 31 countries² that are a priority for USAID MCH programs.

The evidence suggests that focusing on the major causes of maternal, newborn and child mortality with simple interventions could prevent about two-thirds of child deaths, up to two-thirds of newborn deaths, and a large fraction of maternal deaths globally.

—Some longstanding proven interventions need reinvigoration. For example, USAID will focus on increasing oral rehydration therapy (ORT) for diarrhea, including the use of zinc as an adjunct to ORT, in those countries where ORT use rates are stagnant or falling.

—Other interventions need to be introduced or are ready to be scaled up, such as:

—Active management of the third stage of labor (AMTSL) to prevent postpartum hemorrhage (PPH): USAID will expand full provision of this intervention (that can reduce PPH by up to 60 percent) to 75 percent of facility-level births in Mali, Mozambique, Malawi, Nigeria, Kenya, Mali, Tanzania and Bolivia. (In a multi-country survey of 10 countries in 2008, full application of AMTSL ranged from <1–31 percent.);

—*Management of severe preeclampsia/eclampsia with magnesium sulfate in facilities.*—USAID will apply this life-saving intervention in up to 10 countries (with possible expansion to community level in 2 or 3 countries);

—*Essential newborn care and resuscitation.*—These life-saving interventions will be introduced and a phased-in scale up will be launched in up to 13 countries, with substantial potential for public-private partnership with a manufacturer of innovative low-cost equipment for newborn resuscitation in several;

—*Integrated community case management (CCM) of malaria, diarrhea and pneumonia.*—USAID will introduce or scale up case management in Cambodia, Nepal, Benin, the Democratic Republic of the Congo, Ethiopia, Ghana, Malawi, Mozambique, Rwanda, Senegal and Zambia. In five of these countries, USAID will introduce rapid diagnostic tests for malaria to increase appropriate treatment of children with fever; and

—*Community-led total sanitation and sanitation marketing.*—USAID will support these new behavior-focused approaches to improving sanitation in health programs in up to five countries.

Increase coverage of care by frontline healthcare providers, especially midwives and community health workers, to provide the evidence-based interventions essential for mortality reduction.

Gaps in human resources for health, in terms of numbers, skill mix and distribution, continue to pose a challenge for effective service delivery, particularly in underserved rural areas. While the human resource deficit is serious, there has been progress, particularly in Asia, but the problem in Africa is more challenging. USAID will:

—Disseminate evidence on the effectiveness of alternative financing approaches, such as community-based health insurance and waivers of fees to increase the use of skilled birth attendants. USAID's contribution to this dynamic field will influence key policy decisions by governments for use of their own and donor resources to reduce the financial barriers for families to access skilled care;

—Accelerate the training and supervision of community health workers (CHWs), who can be extremely effective in providing preventive and curative care that saves lives. USAID expects to apply the newly developed and pilot-tested CHW

²India, Cambodia, Indonesia, the Philippines, Bangladesh, Nepal, Pakistan, Tajikistan, Afghanistan, Azerbaijan, Yemen, Ethiopia, Sudan (southern), Uganda, Rwanda, Mali, Nigeria, Senegal, Liberia, Ghana, Benin, Democratic Republic of the Congo, Zambia, Mozambique, Malawi, Tanzania, Madagascar, Kenya, Haiti, Guatemala and Bolivia.

Functionality Tool in approximately five countries to catalyze policies and focus effort on the weakest components of national CHW programs; and

- Expand support to midwifery pre-service education programs in five to seven sub-Saharan African countries, initiating or strengthening accreditation systems, to unlock the unending cycle of need for in-service training to develop basic skills.

Invest in health systems that advance rational policies and improve individual and organizational capacity for sustainable development.

USAID will selectively strengthen components of the health system critical to delivering the high-impact interventions needed to reduce child and maternal mortality. USAID will:

- Expand support for the effective implementation of systems of procurement, storage and delivery of key pharmaceuticals and other essential commodities;
- Rapidly expand quality improvement systems, including standards-based management and collaborative approaches in 15 countries—including Afghanistan, Pakistan, Malawi and Tanzania—as well as other innovative approaches to increase incentives to improve service delivery such as pay-for-performance; and
- Expand activities to address the long-term sustainability of national health systems by strengthening the capacity of national and sub-national ministries of health to ensure services that are effective, non-discriminatory and responsive to local needs.

Target the most vulnerable as maternal and child health programs are expanded, many of whom give birth and are treated for illness in the community setting.

USAID will expand delivery of evidence-based interventions into communities where the poor and vulnerable face death outside of formal healthcare facilities. This will include enhancing the advocacy, policy, planning and budgeting capacity to support a basic package of integrated services that emphasizes the MCH needs of vulnerable women and children, while also—in line with Global Health Initiative (GHI) core principles—fostering women’s leadership, empowerment and access to these critical services. USAID will:

- In six countries, introduce misoprostol, an effective uterotonic, to prevent postpartum hemorrhage in home deliveries where AMTSL cannot be provided by a skilled birth attendant;
- Promote the management of newborn infections with antibiotics by trained CHWs in seven countries; and
- Disseminate and promote examples of effective CHW programs—such as in Nepal where maternal mortality declined by 48 percent within 10 years and where antibiotic treatment for pneumonia by CHWs has contributed to dramatic reductions in child mortality—to policymakers and programmers in other countries and supporting development of national programs adapted from effective models.

Expand monitoring and evaluation to ensure that results of USG investments are documented in a transparent way and lessons learned incorporated into our programs.

Investing in regular, as well as intermittent, independent monitoring and evaluation of MCH programs is essential to improve health outcomes by tailoring approaches based upon evidence. USAID will enhance health information systems to:

- Improve tracking of availability and stock-outs of drugs and other critical commodities;
- Improve routine and periodic systems for measuring progress in all priority countries;
- Better assess the quality of care being delivered; and
- Monitor access to services and health outcomes, as an input to formulate sound policies and as a means to ensure accountability for results to donors.

Expanded and accelerated monitoring will take place in all priority countries so that key indicators for tracking progress will be available for all 31 emphasis countries on an annual basis.

Continue to support major international research and the advancement of new technologies and approaches to enhance MCH program effectiveness.

To improve programs in the long run and to tackle some of the key problems facing health programs in diverse environments, it is essential to find and test innovations. New technologies and approaches are needed. Importantly, many of the most vulnerable choose to avoid or are geographically and culturally distanced from modern medicine. USAID will expand its work in finding innovations—both technological and human—to reach these vulnerable people. Additional funding will allow for a new generation of approaches to be investigated and further developed, such as:

- Cell phone and other communication technology (for communicating health messages, enhancing client care at a distance, improving the functioning of the referral system for obstetric and newborn emergencies, etc.);
- New diagnostics and preventive approaches, such as a simple test to detect risk for impending eclampsia and other risk identification for pregnant women and newborns;
- Improved therapeutic approaches, such as starting preeclampsia and eclampsia treatment in the community with a loading dose of magnesium sulfate before transfer to a hospital for definitive care; and
- Effective behavior change strategies for client behaviors, such as stopping harmful infant nutrition practices, and for provider behaviors, such as eliminating demeaning and abusive behavior toward childbearing women.

In all countries, regions, and global programs—consistent with the principles of the GHI—USAID will expand coordination and strategic integration of MCH programs with malaria, HIV/AIDS, and family planning programs, as well as strengthen partnerships with multilateral organizations, and other international and in-country partners. USAID will strengthen existing and build new public-private partnerships for the development and introduction of innovative health technologies and approaches, such as oxytocin Uniject to prevent postpartum hemorrhage, new methods of delivering chlorine-based drinking water disinfectants, and promotion of hand washing among caregivers as an important measure to prevent severe newborn infection.

Ultimately, the impact of this work, along with investments prior to and after fiscal year 2011, will be measured in terms of mortality and lives saved by many countries in 2015 to document progress or attainment of Millennium Development Goals 4 and 5. In the interim, USAID will provide evidence from all countries of improved policies to promote evidence-based practices, better quality of care, increased uptake of services by the poor, and increased use of life-saving interventions.

H1N1

Question. At the beginning of the H1N1 outbreak there was difficulty in obtaining antivirals in desired quantities. Does USAID currently have any plans to acquire antivirals to help combat H1N1 globally and in places like West Africa where the virus is currently spreading? If no, please explain. If yes, how will USAID determine the proper amount of antivirals to acquire? Does USAID have long-term plans to acquire antivirals to distribute to affected countries to combat future pandemics?

Answer. At present, USAID does not have any plans to stockpile antivirals. Because the World Health Organization (WHO) was able to independently establish a stockpile of more than 10 million doses of Tamiflu, it was determined that this stockpile was adequate for the current global needs and no USAID funds were required for this purpose. We are in constant contact with WHO and we monitor the situation very closely to determine if any USAID assistance in the stockpiling of antivirals is required. If assistance is required, USAID would support WHO's ability to procure the needed antivirals. USAID stands ready to assist WHO in drug distribution, should that be necessary. We have played a major role in the area of vaccine and ancillary commodity distribution and can expand that role to antivirals if needed. USAID will continue to work with the other USG agencies and international organizations to determine the appropriate measures needed and how to best meet those needs.

With respect to sub-Saharan Africa, USAID is working very closely with countries and international organizations to support improved surveillance of influenza through the provision of laboratory equipment and supplies, as well as supporting vaccination programs for health workers and pregnant women. By the end of May 2010, USAID will have supported the delivery of more than 40 million doses of the H1N1 vaccine and ancillary materials to more than 60 countries worldwide. Additionally, USAID is supporting a global laboratory network to monitor the impact of the H1N1 virus as it spreads around the world, with a special focus in upgrading the surveillance and laboratory capacities of 26 countries in West and Central Africa and Central and South America—where such capacities were previously non-existent. While we are watching the situation in Africa very closely, sub-Saharan Africa only constitutes about 3 percent of the total number of H1N1 cases worldwide and less than 1 percent of the deaths attributed to H1N1. Strengthening the ability of countries to accurately detect H1N1 cases and monitor any changes in the trends of these cases is critical to rapid and effective response. USAID is constantly monitoring the trends in all regions and is prepared to mobilize support should the situation change significantly.

QUESTION SUBMITTED BY SENATOR TIM JOHNSON

WHEAT STEM RESISTANCE WHEAT VARIETY

Question. This appropriations cycle I have requested additional funds for USDA to develop a Ug99 wheat stem resistance wheat variety. Can you tell me how agriculture programs at USAID complement the research conducted at USDA? Ug99 would be devastating to my South Dakota producers, as well as producers throughout the world. What is your plan for developing a Ug99 wheat resistant variety?

Answer. USAID has been the lead international development agency in responding to the wheat stem rust alarm first raised by Dr. Norman Borlaug some 5 years ago. After almost 50 years of durable resistance to this most dreaded disease of wheat, Ug99 appeared as a virulent new strain that threatened food security in Africa, the Middle East and South Asia, but ultimately could greatly harm America's farmers as well. The disease has not yet reached an epidemic stage, but with the right environmental conditions in South Asia, a food security disaster could result, including setting the stage for a global pandemic of Ug99 that would probably reach the U.S. wheat belt.

To prevent this from happening, USAID has provided some \$20 million in the last 5 years for wheat research by the Consultative Group on International Agricultural Research (CGIAR), in partnership with U.S. universities and USDA's Agricultural Research Service, to identify and rapidly deploy resistance genes. USAID also supported expanded efforts by USDA's Cereal Disease Laboratory in St. Paul to identify new sources of resistance to the pathogen. USAID and USDA also supported screening trials in disease hot-spots in East Africa, where global wheat varieties—including those from the United States and Canada—were screened for both susceptibility and resistance. It is estimated that over 80 percent of the world's wheat varieties are susceptible, a fact that underscores the severity of the threat. In addition, the Bill and Melinda Gates Foundation established the Borlaug Global Rust Initiative, which links to both USAID and USDA, to respond to this threat and put in place expanded ability to monitor and control wheat rust pathogens in the future.

CGIAR wheat breeding efforts have made excellent progress. Using the latest molecular techniques and genetic information from international partnerships, new varieties of wheat that are resistant to the new strain have been developed, forming a first line of defense against a potential epidemic. Over the last 2 years, USAID has deployed over \$5 million in specially authorized "Famine Funds" to rapidly multiply and scale up production of resistant wheat seed in Afghanistan, Pakistan, Nepal, Egypt and Ethiopia. We also have a partnership with India, which brings its own considerable resources to the effort. In addition, we also are working with global partners as part of a disease-surveillance effort to monitor movement of the disease, which has now moved as far as east Iran.

It is important to recognize that, while we have taken vital steps and made good progress, more work is needed to build back the "durable resistance" that Dr. Borlaug achieved in the Rockefeller Foundation's wheat program in Mexico in the 1950s—the forerunner of CGIAR. USAID has worked closely with USDA's Agricultural Research Service, U.S. universities and researchers in Australia, India and elsewhere around the world to ensure that resistant varieties are developed and food security protected. All of the resistant materials and genetic information about the disease and resistance to it are freely available from the various partners, especially the CGIAR, which has an explicit focus on sharing its products and information. These new sources of resistance are being used in USDA and U.S. university wheat breeding programs to develop varieties adapted to U.S. growing environments. Taken together, our overseas work aimed at protecting food security in the developing world is also helping to ensure that U.S. farmers continue to have access to high-yielding, resistant wheat varieties with the qualities our markets demand. Similarly, U.S. scientific capabilities are being shared through research collaborations around the globe, helping to strengthen food security.

QUESTIONS SUBMITTED BY SENATOR FRANK R. LAUTENBERG

HAITI RECONSTRUCTION

Question. In the reconstruction process in Haiti, what is being done to enable local, community-based organizations to access funds?

Answer. USAID recognizes that its work in the longer-term recovery and reconstruction phase must be both transparent and participatory. Therefore, USAID is developing a procurement strategy that will support transformational change in Haiti.

This procurement strategy will support the humanitarian response as well as the recovery and reconstruction phases in a way that is both country-led and builds local capacity. The following outlines procedures that are designed to ensure transparency, efficiency and broader outreach to attract new partners.

For example, our New Partners Initiative: The USAID procurement strategy encourages and provides for greater use of local NGOs, and U.S. small, minority and women-owned businesses, and seeks to tap the expertise and energy of the Haitian-American community. Assessments of local NGOs are conducted and technical assistance provided to build their organizational capacity to receive direct awards. Direct engagement with the U.S. Haitian-American community helps the Diaspora understand the U.S. foreign assistance strategy and how to do business with USAID. Set-asides for U.S. small, minority and women-owned businesses will be maximized and public-private partnerships will be promoted.

Question. How are you making certain that the large majority of the recovery and reconstruction funds for Haiti are going to services, supplies or other direct benefits and not organizational administrative costs?

Answer. USAID shares Congress' intent to get as many resources as possible into the hands of Haitian organizations and communities to achieve the goal of "building Haiti back better." We are committed to working with a variety of organizations in the recovery and reconstruction effort, including local Haitian, Diaspora, American and international organizations.

Working successfully toward results in difficult environments takes deliberate planning and considerable amounts of coordination at all levels. For this, development programs require some level of administrative support that provides for an effective and efficient infrastructure, designed to allow the program to reach its end goals. Salaries for local Haitian employees, for example may be considered an administrative cost. Yet, these costs also directly benefit the economy of Haiti.

USAID is working diligently to maximize resources going directly to benefit the people and country of Haiti through careful negotiation of our grants and contracts and continuous oversight during implementation. USAID makes every effort to minimize fixed administrative costs when negotiating new mechanisms so that USG resources reach the maximum number of beneficiaries possible. This includes requesting mandatory cost share contributions and leveraging resources with the private sector to offset administrative costs.

Question. What role will environmental issues such as reforestation play in the long-term recovery plan for Haiti?

Answer. Root causes of environmental disaster in Haiti include acute poverty, rapid population growth and unplanned urbanization. In the short term, it is critical to convert hillsides to tree-based perennial agriculture to improve soil conservation. Lessons learned from decades of reforestation programs demonstrate that, if a tree has value, a farmer is likely to maintain and manage it; if not, it will likely disappear. Therefore, strengthening tree crop value chains is an approach with proven ability to restore degraded landscapes.

USAID/Haiti's Watershed Initiative for National Natural Environmental Resources (WINNER) Project, an agricultural and watershed management program, applies best practices such as this. WINNER is already active in the Cul-de-Sac watershed where Port-au-Prince is located, as well as the Cabaret, Mirebalais, Archaie and Gonaives regions of Haiti. WINNER was underway prior to the January 12, 2010 Haiti earthquake and was modified to immediately address post-earthquake needs. The United States will continue to invest a total of \$126 million in the project over the next 5 years. WINNER is strengthening the value chains for tree crops and focusing on tree crops with high value (such as mango) as these are effective incentive to hillside farmers to plant and manage perennial crops.

In addition to tree crops, the USG strategy in Haiti also includes plans to promote cleaner and more efficient cooking technologies, such as liquid petroleum gas (LPG), to decrease charcoal consumption and reduce the rate of deforestation and environmental degradation. After completing a rigorous assessment of the potential market for improved cooking technologies, the USG will implement a program that will address market barriers such as high upfront costs or lack of awareness and achieve large-scale reduction of charcoal consumption over a 5-year period. Beneficiaries are likely to include households, food vendors and energy-intensive businesses such as laundries and bakeries.

Finally, a Programmatic Environmental Assessment will be conducted for proposed earthquake reconstruction activities, which will pay close attention to addressing these issues across the mission's portfolio of projects.

EMERGENCY CONTRACEPTION

Question. Do you plan to add emergency contraception to the list of contraceptive commodities available for purchase by USAID missions and to make funds available to do so?

Answer. USAID-supplied oral contraceptive pills are among the FDA-approved formulation that can be used for emergency contraception (EC). While USAID does not currently procure a dedicated EC product as part of its contraceptive commodity procurement program, USAID supplies information about the use of EC in a variety of its technical and training materials and supports sharing information about this contraceptive option with family planning clients in countries where EC is an approved contraceptive method. USAID has supported biomedical research on the mechanism of action, use, and effectiveness of EC, and in some countries supported operations research programs to determine EC use and need.

While there is no current plan to add EC commodities to the list of commodities available for purchase by USAID, the Agency is currently reviewing its procurement policy and guidelines with respect to programming EC.

 QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

INFLUENZA PANDEMIC PREPARATION

Question. I have been a consistent proponent of aggressive preparedness efforts at the Federal, State and local levels to reduce the threat of an influenza pandemic, and have worked with a series of HHS Secretaries—Secretaries Thompson, Leavitt and now Sebelius—to ensure that Congress provides the adequate resources to defend our country against a pandemic. As pandemics are global by definition, I know that USAID plays a major role in our preparation efforts.

With regard to H1N1, in late February 2010, the World Health Organization elected to hold at the phase 6 pandemic alert level rather than move to a post-peak phase. As I understand it, the WHO experts based this decision on evidence of new spread of the H1N1 virus in West Africa, and the possibility of a second wave of illnesses as the Southern Hemisphere enters its winter months. I am also still keeping my eye on H5N1, which has already claimed lives in Egypt and Vietnam this year and has been reported in several other countries.

I know USAID has taken steps to acquire pre-pandemic vaccines to combat these viruses on a global scale, and I applaud this effort. However, I am also aware of the important role of antivirals, such as Tamiflu, in combating influenza pandemics. It is my understanding that last year, USAID considered acquiring antivirals for the purpose of distribution to countries affected by the pandemic, but did not move forward because of a sense that H1N1 had waned.

LONG-TERM PLANS TO COMBAT SPREAD OF PANDEMICS

What actions is USAID taking to counter the spread of H1N1 in regions seeing growing incidence of H1N1, such as West Africa? Does USAID currently have any plans to acquire antivirals to help combat this spread? If not, why?

Answer. In fiscal year 2009, USAID programmed a total of \$85 million to address the H1N1 virus, of which \$50 million was appropriated as an emergency supplemental and \$35 million was reprogrammed from USAID's regular fiscal year 2009 Avian and Pandemic Influenza (API) appropriation. USAID worked closely with other USG departments to coordinate efforts. USAID funds were allocated to activities that were best suited for USAID's comparative advantage and in support of activities that were being conducted by other government entities. These funds have been used to support three lines of H1N1 related work:

- Deployment of the H1N1 vaccine and related ancillary materials (syringes, needles, etc.). By the end of the May 2010 we expect to have supported the delivery of more than 40 million doses of the H1N1 vaccine and ancillary materials to more than 60 countries;
- Support for a global laboratory network to monitor the impact of the H1N1 virus as it spread around the world, with a special focus on upgrading the surveillance and laboratory capacities of 26 countries in West and Central Africa and Central and South America—where such capacities were previously non-existent; and
- Support for community-based, non-pharmaceutical interventions in 28 countries through a coalition of the International Federation of Red Cross Societies, UN partners and NGOs.

Because the World Health Organization (WHO) was able to independently establish a stockpile of more than 10 million doses of Tamiflu, no USAID funds were used for this purpose. We are in constant contact with WHO and monitor the situation very closely to determine if any USAID assistance in the stockpiling of antivirals is required. At present no USAID funds are required for this purpose.

Question. How does the acquisition and stockpiling of antivirals fit into USAID's long-term plans to combat future pandemics?

Answer. At present, USAID does not have any plans to stockpile antivirals in fiscal year 2011. The WHO stockpile is determined to be sufficient for combating future outbreaks. If this situation should change, USAID will work with the other USG agencies to determine the appropriate measures needed and how to best meet those needs.

In fiscal year 2011, USAID plans to support the global laboratory network for continued monitoring of the H1N1 virus; these laboratory platforms would also be supported for monitoring of the emergence of other new dangerous pathogens. USAID is also continuing to focus on community based preparedness and non-pharmaceutical interventions that can be put into practice in the event of a pandemic.

QUESTIONS SUBMITTED BY SENATOR SAM BROWNBACK

DEMOCRATIC REPUBLIC OF CONGO

Question. I sent you a letter in February about USAID's programs and capacity to help address the underlying causes of conflict in the Democratic Republic of Congo, specifically the exploitation of minerals by armed groups. Your reply to that letter mentioned that your staffing resources "may not be sufficient to cover the complex minerals situation" and that USAID was considering hiring a "senior mining specialist." First, does USAID's Mission in the DRC have sufficient capacity and resources to focus on the resource dimensions of the conflict? And if not, does USAID's budget request for the DRC reflect these needs? Also, has USAID hired a senior mining specialist and is this position reflected in USAID's budget request?

Answer. The USAID Mission is currently exploring options to add a dedicated senior mining expert. At the same time, our fiscal year 2011 budget request for DRC focuses on post-conflict programming to strengthen institutions of democracy and governance (notably justice reform), economic growth (with an emphasis on agriculture and food security), basic education and responding to sexual and gender-based violence.

LORD'S RESISTANCE ARMY

Question. What USAID programs and resources are currently dedicated to addressing the violence perpetrated by the Lord's Resistance Army and assisting affected communities? Does USAID's fiscal year 2011 budget request include resources to assist communities affected by the LRA?

Answer. USAID programs in Haut and Bas Uele Districts (Orientale Province) currently fall in the realm of humanitarian assistance, due to limited access and a security situation that precludes stabilization, recovery, and development programming. USAID has responded favorably to the World Food Program's Emergency Operation of LRA-affected areas of Orientale Province, with a nearly \$4 million contribution in fiscal year 2010 funds.

Current programs of USAID's Office of U.S. Foreign Disaster Assistance include:

- Première Urgence, Agriculture and Food Security, \$2,105,085;
- Mercy Corps Economic Recovery and Market Systems Orientale Province, \$980,920; and
- WHH Agriculture and Food Security, Economic Recovery and Market Systems Orientale Province, \$1,998,755.

USAID anticipates the need to program additional food and non-food humanitarian assistance from fiscal year 2011 FFP and OFDA appropriations. USAID's constraints in responding to LRA-affected populations are directly related to security and access. It remains virtually impossible to implement programs in LRA-affected areas without putting the beneficiaries and implementers at serious risk of being targeted.

DEMOCRATIC REPUBLIC OF CONGO

Question. What specifically is USAID doing to address the conflict minerals problem and how does this fit within USAID's budget request for the DRC? What are the current programs within USAID to improve the livelihood prospects of commu-

nities affected by human rights abuses in eastern Congo, particularly victims of sexual and gender based violence?

Answer. Illicit trade in minerals is a diplomatic and strategic challenge. Armed groups and renegade elements of the Congolese army control many of the mining sites and transit routes, while other militias are tied to elements in nearby countries. The “U.S. Government Strategic Action Plan on Conflict Minerals in the Eastern Democratic Republic of the Congo” includes diplomatic and strategic responses as well as use of foreign assistance to strengthen institutional and regulatory capacity to formalize trade in minerals and socio-economic activities for affected communities.

USAID’s analytical work contributed to the knowledge base around this complex set of issues and our programming supports key sectors such as improved governance, rule of law and economic development which are all essential to addressing the underlying vulnerabilities which allow conflict to be fueled through the rich resource base of the DRC. A number of USAID programs in southern and eastern DRC have sought to address issues, such as reintegration of ex-combatants and community-based economic recovery in conflict-affected areas as well as improved local governance of resource revenues. Comprehensive reintegration programs reduce the likelihood that ex-combatants will be recruited into illicit enterprises or recruited into armed groups that control much of illegal minerals trade.

In support of the Strategic Action Plan on Conflict Mining, State and USAID are currently considering program options to: (1) strengthen trade route monitoring, through police training, to secure borders and track movement of resources; (2) develop safe transit routes through construction and rehabilitation of key roads; and (3) promote strategic, regulatory, and institutional reforms to formalize minerals trade and develop systems of traceability.

In communities affected by human rights abuses, USAID promotes humanitarian assistance programs and supports stabilization and recovery through the use of Economic Support Funds and Public Law 480 developmental food aid programs.

USAID’s fiscal year 2011 budget request does not specifically request funding to combat illicit mining. The ESF request, which includes funding for agriculture, microenterprise, water, and education, focuses on post-conflict programming to strengthen institutions of democracy and governance (notably justice reform), economic growth (with an emphasis on agriculture and food security), basic education and responding to sexual and gender-based violence.

With respect to livelihoods for affected communities, USAID has requested fiscal year 2011 funding for stabilization and recovery (\$2 million), Sexual and Gender Based Violence (\$2.5 million) and Public Law 480 Development Food Aid (\$30 million).

Humanitarian Assistance

In fiscal year 2010 to date, USAID has provided more than \$6.3 million in humanitarian assistance, for agriculture and food security, health, nutrition, protection, and water and sanitation programs in the DRC. In fiscal year 2009, USAID provided nearly \$34 million for humanitarian programs, many of which remain ongoing and include activities such as agriculture and food security, economic recovery and market systems, humanitarian coordination and information management, health, logistics and relief commodities, nutrition, protection, shelter and settlements, and water, sanitation, and hygiene program.

Stabilization and Recovery

Programs to improve livelihoods are an integral part of USAID’s stabilization and recovery programs, which support the return, reintegration and recovery and extension of state authority components of the International Security and Stabilization Support Strategy for Eastern DRC. International efforts are focused around six strategic axes, which include vital links to key mining areas.

In fiscal year 2008 and fiscal year 2009, USAID received supplemental appropriations which allowed us to support the following two projects:

- The Promote Stabilization and Ex-Combatant Reintegration in North and South Kivu project (\$8.2 million), which is in its early stages, targets 30 communities for peace-building and reconstruction activities.
- The Support to the Stabilization Strategy along the Rutshuru-Ishasha Axis project (\$5 million) has completed rehabilitation of 63 kms of road on one of six strategic axes (Rutshuru-Ishasha), allowing freedom of movement, trade and economic opportunity for at least 1 million people. The construction or rehabilitation of 13 administrative buildings, which will allow Congolese local government officials to deploy and provide services to the population, is ongoing. The

construction has created 550 short term jobs, and direct cash inflows into communities from these workers of approximately \$200,000.

Development Food Aid

- Three Public Law 480, Title II, Multi-Year Assistance Programs (\$42 million) provide employment and support recovery of livelihoods in eastern DRC. In South Kivu, USAID funds a program to reduce food insecurity, focusing on female-headed households and returnees.
- In Northern Katanga, we manage a program to reduce food insecurity and in Goma, North Kivu, our program is designed to improve the food security status of vulnerable households and improve access to potable water.

Social Protection

- USAID is providing 6,000 women with income generating and vocation training through our 3-year project called ESPOIR (Ending Sexual Violence by Promoting Opportunities and Individual Rights, \$7 million).
- A different project (\$4.9 million) is providing income generating activities and professional training for almost 4,000 women affected by SGBV.
- A third project (\$3.2 million) helps several hundred abducted children (who are often victims of sexual violence) per year return to school and engage in income generating activities. USAID also assists communities with food insecurity issues with particular attention given to female-headed households.

Livelihoods in the Mining Sector

- Good examples of programs addressing these underlying vulnerabilities are our comprehensive reintegration programs that reduce the likelihood of recruitment of ex-combatants into illicit enterprises or re-recruitment into armed groups that control much of illegal minerals trade. Additionally, USAID has implemented an innovative program to improve governance and reduce conflict associated with the exploitation of mineral resources. The program, a public-private partnership which leverages USAID funds, coupled with a larger private sector contribution by reputable mining companies operating in Katanga and focused on fostering corporate social responsibility and supporting alternative livelihoods for artisanal miners, who were operating in some cases illegally on private company land. The program also addresses critical human rights issues around the mining sites and strengthens conflict resolution mechanisms among artisanal miners. In addition, the program creates local development funds, which are in line with Congolese local government reform processes, in order to ensure that taxes gleaned from legal mining are invested back into community-driven development programs thus supporting economic and social development objectives as well as good governance objectives.
- The success of this intervention led to the establishment of a joint U.S.-DRC Development Credit Authority activity (\$378,000) to provide up to \$5 million in loan guarantees for small and medium-scale enterprises in the key mining province of Katanga, where access to credit was practically nonexistent.
- In Bafwasende, Orientale Province, where U.N. peacekeepers, the FARDC, and Mai Mai rebels all operated on a nature reserve rich with valuable minerals, USAID supported a program based on community-driven anti-corruption committees. The program focused on conflict resolution and succeeded in getting the Mai Mai to disarm, demobilize and stop pillaging the resources of the reserve. The lessons learned from this project are applicable to eastern DRC.
- In addition to work with artisanal miners through the public-private partnership, USAID has also supported stand-alone programs focused on the unique challenges of artisanal miners. For example, in the town of Kolwezi in the southern Katanga copper belt, one project (\$597,000) seeks to (1) promote reconciliation, cooperation, and understanding among artisanal and small-scale mining-related institutional actors; (2) prevent conflicts and risks to communities over resource access and use; (3) improve access to, and awareness of, pertinent mine legislation; and (4) establish a conflict resolution mechanism for disputes and conflicts. The lessons learned and best practices distilled from this and other innovative programs have been used to inform the design of a new multi-million dollar, multi-donor, multi-year program focused on the mining sector in the East. Called PROMINES, it is supported by the World Bank and the UK's Department for International Development (DfID). USAID is currently not contributing funding to this project, but is exploring options for future support.

ECONOMIC SUPPORT FUND FOR SUDAN

Question. Can you please explain why there is a decrease in the budget request for the Economic Support Fund for Sudan, an account that among other things is used for programs to promote basic education and help build infrastructure in Southern Sudan?

Answer. The decrease in the Economic Support Fund (ESF) account from fiscal year 2010 to fiscal year 2011 is primarily due to the decreased need for resources in fiscal year 2011 to fund activities that support the remaining major power-sharing benchmarks of the Comprehensive Peace Agreement (CPA) such as public administration, civic participation and international observation. The overall decline in ESF however, does not signify a decrease in highly-needed programs to increase access to education or improve infrastructure.

Per the CPA, the national elections, popular consultations and referenda processes in Sudan were to take place sequentially and be completed by January 2011. Originally scheduled for July 2009, the election was delayed four times before the April 2010 schedule was announced and implemented. USAID supported electoral activities with ESF from fiscal year 2008 regular appropriations, and fiscal year 2008 and fiscal year 2009 supplemental funds. At the moment, the timeline for the referenda in January 2011 is holding. The timeline for popular consultations in Southern Kordofan and Blue Nile states is less clear, due to postponed legislative and gubernatorial elections in Southern Kordofan which have yet to be implemented. However, we presently anticipate that these processes will be completed before fiscal year 2011 resources will be available for programming.

SUDAN

Question. What resources and staffing needs has USAID incorporated into the fiscal year 2011 budget request that are dedicated to assist Sudan in all possible outcomes of the referendum, including a Southern Sudanese government that will need resources and technical assistance to begin a new chapter as a sovereign nation or the possibility of a failed referendum renewing a civil war in Sudan?

Answer. Fiscal year 2011 will be a critical year for Sudan as it continues on the path toward peaceful democratic transformation. It will also be a year in which flexibility in U.S. assistance is required, pending outcomes of the referenda on the future status of southern Sudan and Abyei and popular consultations in Blue Nile and Southern Kordofan States. There will be an urgent need to support the outcomes and build consensus for these processes and the outcome of the general elections in April 2010 that are adjusting the power-balances in the national, regional, and State governments.

The fiscal year 2011 budget request represents a joint USAID and State Department estimate of program resources needed to assist Sudan in all possible outcomes of the southern Sudan referendum, whether southern Sudan votes for independence or chooses to remain part of a unified Sudan. To support these outcomes, USAID has worked closely with the State Department to plan for an immediate, expanded presence in Juba to implement programs critical to stabilizing the South in the critical pre-referenda period and immediate aftermath. The additional staff will bolster USG diplomatic functions and capacity for State-managed peace and security and rule of law programs which complement USAID's robust programs and presence on the ground. USAID currently has 65 staff assigned to Juba, including both U.S. staff and foreign service nationals.

Future USAID staffing requirements will vary depending on political events. USAID is reviewing multiple scenarios and analyzing associated staffing requirements for 2011 and 2012.

USAID will continue to deploy staff, respond to humanitarian emergencies and support traditional development programs, such as investing in human capacity and health and expanding infrastructure and economic opportunities. In coordination with other donors, State and USAID will jointly implement resources to strengthen the capacity of the Government of Southern Sudan (GOSS), bolster rule of law institutions and capacity, and to mitigate and respond to conflict throughout Sudan.

Transition and development programming

USAID's assistance will be geared toward addressing the threat of new or renewed conflict in the Three Areas, as well as a potential increase in tension between the north and the south in the run-up to the 2011 referenda. Consequently, a higher proportion of resources will be dedicated to conflict prevention and mitigation.

USAID will continue to work on the extension of state authority throughout southern Sudan aiming to prevent conflict. Funding will also be directed at mediating and preventing conflict around post-2011 issues including cross border devel-

opment; security and movement; and inter-ethnic relationships. USAID's transition and conflict management program provides a quick and flexible mechanism for direct technical and material support to reinforce diplomatic efforts to address these issues.

Supporting the development of democratic governance in southern Sudan and the Three Areas will continue to be critical regardless of the outcome of referenda and popular consultations. USAID assistance will build on efforts made since the signing of the CPA to strengthen capacity in core government functions to enable expanded service delivery, and deepen the accountability, transparency and responsiveness of key institutions in the GOSS and the Three Areas. Additionally, strengthening the legislative assembly that is inducted after the elections; enhancing government understanding of public views; building consensus between leaders and constituencies; strengthening the capacity of political parties to conduct outreach to and represent their constituents in the newly elected legislative assembly after the April 2010 elections; and, strengthening civic participation, bolstering civil society and expanding access to free and independent information will all continue to be elements of USAID assistance. Technical assistance and southern Sudan capacity-building will also align with post-2011 arrangements.

USAID will monitor developments regarding Sudan's subsequent post-CPA arrangements, which may include elections and other political processes. USAID, in coordination with the State Department, will program fiscal year 2011 ESF funding to begin supporting these processes.

Humanitarian Assistance

As with natural and complex disasters throughout the world, USAID remains prepared to respond to pre- and post-referendum deterioration in the humanitarian situation in Southern Sudan. USAID humanitarian programs are flexible and able to reallocate resources to meet emerging humanitarian needs.

USAID has taken the following concrete steps to proactively prepare for potential post-referendum humanitarian needs in southern Sudan:

- In order to rapidly respond to population displacement in southern Sudan, USAID supports an international organization to stockpile emergency relief supplies and to rapidly provide safe drinking water and dispatch mobile health clinics, as needed.
- USAID supports strong local and international partners operating in rural areas of southern Sudan to provide assistance to recently returned populations and to prepare to respond quickly to potential outbreaks of violence in the months leading to and following the January 2011 referenda. Ongoing USAID support allows partners to continue to deliver essential basic services, with a focus on health, agriculture and food security, and water, sanitation, and hygiene in areas of highest population movement or IDP return depending on the scenario.
- Depending on the magnitude of the deterioration, USAID remains prepared to rapidly deploy USAID humanitarian personnel to southern Sudan, ranging from regional advisors and field officers to assessment teams or a disaster assistance response team.

The combination of these three capacities will ensure that USAID is able to respond to the immediate humanitarian impacts of the referenda in either scenario and within the current budget request.

Independence Scenarios

In a steady-state scenario where the referenda results in a peaceful separation, USAID expects humanitarian needs across Sudan to be roughly similar to 2009. USAID will continue to maintain both World Food Program (WFP) and private voluntary organization (PVO) food aid supplies, with PVO partners engaged in recovery activities in southern Sudan.

However, populations could initially experience violence surrounding the results. The scale and scope of the humanitarian need will be proportional to the level and duration of violence. Should the resulting conflict be short-term in nature, the situation would require an immediate surge in humanitarian resources closely followed by complementary transition and/or development investments as has occurred in southern Sudan over the course of the Comprehensive Peace Agreement implementation (CPA), for example, following the violence in Abyei in May 2008 and in Akobo, Jonglei state, in early 2009.

A longer-term conflict may result in the need for protracted humanitarian engagement requiring substantial financial and human resources. As conflict surrounding the referenda subsides, or if no violence occurs, humanitarian agencies can expect returns to increase. An increase in returns will necessitate a shift in the focus of

humanitarian programming to ensure that returns are adequately supported, resulting in additional resource requirements for humanitarian activities in the near-term and development activities in the medium- to long-term.

Return to war Scenarios

A return to war will require a significant increase in humanitarian resources to address mass displacements. The scale and scope of resources required to address a return to war will depend on the level and geographic spread of the violence and on the access our humanitarian partners have to populations in need. With respect to food, USAID would increase contributions, and partners would be positioned to expand beneficiary caseloads and programmatic coverage. In either case, USAID would plan to increase staff to bolster capacity on the ground, to include local staff for food security program monitoring.

HUMAN RIGHTS CONDITIONS IN SUDAN

Question. What resources and personnel is USAID employing to monitor and report on human rights conditions throughout Sudan?

Answer. Human rights monitoring and reporting is currently not within USAID's mandate in Sudan. As presently structured, U.S. Government long-term development assistance in Sudan to monitor and report on human rights is done by the Department of State.

ASSISTANCE TO BURMESE REFUGEES

Question. International NGOs continue to report on periodic violent attacks against Burmese Rohingya refugees in Thailand and Bangladesh. What resources is USAID employing to offer assistance to the Rohingya refugees?

Answer. USAID follows closely the situation of Burmese Rohingya refugees and asylum seekers in Bangladesh, Thailand, and elsewhere in the region. We are concerned by credible reports of a growing humanitarian crisis among the unregistered Rohingya population residing outside of Kutupalong refugee camp in Bangladesh, and the numbers of arrests and push-backs to Burma at the border.

U.S. Government efforts to address protection and assistance needs of the Rohingya refugee population are led by the Department of State's Bureau of Population, Refugees and Migration (State/PRM). In fiscal year 2009, State/PRM provided funding of more than \$2 million to several international humanitarian organizations to assist both registered and unregistered Rohingya populations in Bangladesh, Malaysia, Indonesia, and elsewhere in the region. Humanitarian assistance for the Rohingya includes healthcare, water and sanitation, education, vocational skills training, conflict resolution, community mobilization, mental health and psychosocial support, gender-based violence prevention, and access to essential services for Persons with Disabilities.

Cox's Bazar, the southeast district where most Rohingya residing in Bangladesh live, is one of the poorest districts in the country. In addition to high levels of illiteracy and malnutrition, 73 percent of the population lives below the poverty line. Much of the conflict is the result of host-community and Rohingya competing for the region's limited resources. The problems facing the Rohingya cannot be solved without addressing the issues of the broader host-community.

USAID programs benefit the sizeable unregistered Rohingya population living in the Cox's Bazar region of southeast Bangladesh. Health programs focus on low-cost family planning services, maternal and child healthcare, and treatment for tuberculosis through a network of non-governmental clinics. USAID environment programs protect natural resources and help people use resources sustainably, particularly those from tropical forests. Governance activities support greater transparency and citizen participation in the management of public resources at the local level. Additionally, USAID's new 5 year, \$210 million Public Law 480 Title II program throughout the country will support projects in Cox's Bazar to promote economic development of the entire southeast portion of the country. U.S. Pacific Command (PACOM) is also constructing multi-purpose cyclone shelters and schools in southeast Bangladesh.

With respect to USAID programs for vulnerable Burmese populations, USAID has not provided funds to assist Rohingya refugees as an identifiable subset of its programs. However, USAID implements humanitarian assistance programs for vulnerable Burmese along the Thailand/Burma border, and within Burma for people affected by Cyclone Nargis. Rohingya refugees living in these locations benefit from this assistance.

TRAFFICKING IN PERSONS

Question. The budget request to combat Trafficking in Persons seems inadequate. If USAID were to have more resources devoted to combating trafficking, how would they be used?

Answer. The Administration is deeply committed to combating trafficking in persons. The President's request for anti-trafficking programs increased from \$31.5 million for fiscal year 2010 to \$35.8 million for fiscal year 2011. Between 2001 and 2009, USAID spent nearly \$145 million on anti-trafficking projects in more than 70 countries as part of the coordinated U.S. government effort to eradicate trafficking. USAID programs focus on prevention, protection, and prosecution and address both sex and labor trafficking of women, children, and men.

Nearly 90 percent of USAID anti-trafficking programs over the last 3 years have focused on prevention and protection. While a focus on prevention and protection remains essential, increased focus on prosecution in coordination with other USG efforts and efforts to address labor trafficking require additional attention. Forty-four percent of 2009 USAID anti-trafficking projects strengthen prosecution by helping foreign governments draft anti-trafficking legislation and train police and prosecutors. However, USAID evaluations and the TIP Report have demonstrated a need to increase law enforcement capacity to combat trafficking. Incorporating this type of capacity building into foreign assistance programs would be coordinated through the inter-agency Senior Policy Operating Group (SPOG). Likewise, Agency assessments, the TIP Report, and the Department of Labor's 2009 TVPRA list indicate a need for increased global attention to labor trafficking. Sixty-eight percent of our anti-trafficking programs since 2001 have addressed both labor and sex trafficking.

AGRICULTURE

Question. How will USAID use the resources it has, such as programs like the Consultative Group on International Agricultural Research (CGIAR), to help develop wheat variety resistant to Ug99 wheat stem, a disease that is destroying Africa's wheat crop? Will that research be available to U.S. producers? How could USAID's efforts on food security be improved?

Answer. USAID has been the lead national development agency in responding to the wheat stem rust alarm first raised by Dr. Norman Borlaug approximately 5 years ago. After almost 50 years of durable resistance to this most dreaded disease of wheat, Ug99 appeared as a virulent new strain that threatened food security in Africa, the Middle East and South Asia. While the disease has not yet reached an epidemic stage, it poses a significant threat to Africa's farmers, and with the right environmental conditions in South Asia, a food security disaster could result.

To prevent that from happening, USAID has provided over \$20 million in the last 5 years for wheat research by CGIAR, in partnership with U.S. universities and USDA's Agricultural Research Service, to identify and rapidly deploy resistance genes. USAID also supported expanded efforts by USDA's Cereal Disease Laboratory in St. Paul, as well as screening trials in disease hot-spots in East Africa, where global wheat varieties—including from the United States and Canada—were screened for both susceptibility and resistance.

USAID is pleased to report that CGIAR wheat breeding efforts have succeeded. Using the latest molecular techniques and genetic information from international partnerships, new varieties of wheat that are resistant to the new strain have been developed, forming a first line of defense against a potential epidemic. Over the last 2 years, USAID has deployed over \$5 million in specially authorized "Famine Funds" to rapidly multiply and scale up production of resistant wheat seed in Afghanistan, Pakistan, Nepal, Egypt and Ethiopia. USAID also has a partnership with India, which brings its own considerable resources to the effort. In addition, the Agency works with global partners as part of a disease-surveillance effort to monitor movement of the disease, which has now moved as far as Iran.

More work is needed—and will be supported through the Global Hunger and Food Security Initiative—to build back the "durable resistance" that Dr. Borlaug achieved in the Rockefeller Foundation's wheat program in Mexico in the 1950s—the forerunner of CGIAR. More seed multiplication support will also be needed. We are working with our overseas missions to ensure that all partners—national organizations, international NGOs like Catholic Relief Services, CARE and others, work together to ensure farmers get access to resistant seed. All of the above efforts have been carried out in close partnership with USDA, U.S. universities and partners in Australia, India and elsewhere around the world. All of the resistant materials and genetic information about the disease and resistance to it are freely available from

the various partners, especially the CGIAR, which has an explicit focus on sharing its products and information.

QUESTIONS SUBMITTED BY SENATOR GEORGE V. VOINOVICH

MILLENNIUM DEVELOPMENT GOALS

Question. In September, world leaders will gather at the United Nations to assess the Millennium Development Goals and re-commit to achieving the MDGs by 2015. What are your plans in preparing the U.S. position at the U.N. session and any proposals President Obama might announce?

Answer. As President Obama underscored in his address to the U.N. General Assembly last year, the United States fully embraces the Millennium Development Goals (MDGs). The MDGs are a core principle for USAID, and we are pleased to be playing a leading role in the interagency process to develop U.S. positions for the September MDG High Level Plenary (Summit). The interagency process has been working for the past few months to define U.S. strategies and approaches toward accelerating progress in achieving the MDGs.

The 2010 Summit is an important opportunity to take stock of the progress made so far in achieving the MDGs. In fact, significant progress has been made in many MDG areas, although progress has varied dramatically across countries and regions. In developing its position for the U.N. process leading up to the September Summit, the United States will acknowledge and highlight this progress, while considering ways to replicate and scale up successes. At the same time, the challenges ahead in making further progress on the MDGs are formidable. In that regard, the United States will be considering the need for new approaches.

Our preparations for the September MDG Summit provide an opportunity to build support for a more determined, strategically-minded and analytically-focused approach to the MDGs. We see four elements as critical for making more rapid progress in the next 5 years: first, the need to focus on development outcomes, not just development dollars; second, the need to enhance the principle and practice of national ownership and mutual accountability; third, the need to invest in making development gains sustainable; and fourth, the need to make more effective use of innovation and other force-multipliers to maximize the impact of our efforts.

The interagency process is continuing to consider the best strategy and approaches to advance the MDGs. Recent Presidential initiatives, for example, including the Global Health Initiative (GHI) and Feed the Future (FTF), provide opportunities to accelerate and sustain progress in these important MDG areas.

SCALE-BACK EFFORTS

Question. Dr. Shah, looking at the areas of growth in your budget—particularly for health, agriculture and USAID's own capacity—it is evident what the Administration's priorities are for development. Can you tell me where you think USAID could scale back, even eliminate or radically reform our current efforts?

Answer. I have recently outlined a new approach to high-impact development which will lie at the center of restoring USAID's effectiveness. The approach is premised on greater focus and selectivity, and includes four core areas.

First, USAID is contributing to the U.S. commitment to the Millennium Development Goals (MDG), not simply by delivering services to those in need, but through building sustainable systems that will transform healthcare, education, food security and other MDG areas. Second, we are strengthening our ability to invest in country-owned models of inclusive growth and development success. Third, we are identifying new ways of leveraging science and technology to develop and deliver tools and innovations which we believe can be transformational. Finally, we will bring USAID's expertise to bear on some of the most daunting national security challenges we face as a Nation—including stabilizing countries like Afghanistan.

Focusing on these core areas will allow a concentration of USAID's resources and its efforts rather than spreading our efforts and resources over the many other technical areas that relate to broad-based and sustainable development. Other areas of development engagement will be scaled-backed if they do not support the core objectives.

On June 8, White House Chief of Staff Rahm Emanuel and OMB Director Peter Orszag sent a letter to the heads of all executive departments and agencies asking them to identify those programs that have the lowest impact on each agency's mission, and that constitute at least 5 percent of each agency's discretionary budget. I fully support this effort, and USAID will meet or exceed the 5 percent target set by Chief of Staff Emanuel and Director Orszag. By identifying those areas where

we can scale back or eliminate projects and programs, this exercise will help USAID further focus our financial and human capital on the four core areas described above.

PSD-7/QDDR

Question. Dr. Shah, could you give us an update on the multiple efforts going on right now on reforming and improving our aid processes, including the QDDR and PSD? How do initiatives such as the Global Health initiative and Food security initiative fit within the proposed reforms?

Answer. I anticipate that the QDDR and PSD exercises, in which we are actively participating, will have a very positive impact on USAID and U.S. global development efforts, including the Global Health (GHI) and Feed the Future/Global Hunger and Food Security Initiative. Both exercises are looking at how the initiatives could be affected by possible reforms. For example, a joint USAID-State QDDR task force is examining how to increase our capabilities around the issue of aid effectiveness, and in doing so is explicitly looking at how the effectiveness principles (country ownership, alignment, harmonization, managing for results, and mutual accountability) should be applied to both initiatives.

A focus on factors that improve aid effectiveness, such as promoting country ownership, learning, cost-effective and streamlined processes, a whole-of-government approach, and donor coordination are key principles of both the GHI and the Food security initiative. These same principles are the focus of work under both QDDR and PSD.

For example, through the GHI we will help partner countries improve health outcomes through strengthened health systems. A core principle underlying the GHI business model in support of reaching these ambitious health goals is to encourage country ownership and invest in country-led plans. The GHI works closely with partner governments, as well as civil society organizations, to ensure that investments are aligned with national priorities, and to support partner government's commitment and capacity so that investments are maintained in the future. Further, our efforts to strengthen country efforts will be coordinated across USG agencies and other partners to ensure efficient use of resources and effective results.

CIVILIAN RESPONSE CORPS

Question. One of the concerns our military commanders have shared with us and others over the years is the lack of civilian follow up operations in places like Iraq and Afghanistan. As the USAID Administrator, how do you intend to build a cadre of dedicated staff at USAID that can move into post-conflict regions and begin long-term civilian stabilization and reconstruction (S&R)?

Answer. USAID is dedicated to assisting in follow-up stabilization and reconstruction efforts in post-conflict regions. To accomplish this, we have built up a cadre of both immediate, rapid response networks and longer-term staff.

To address immediate stabilization and reconstruction issues, USAID is responsible for a large contingent of Civilian Response Corps (CRC) personnel, managed by the Agency's Office of Civilian Response. The CRC focuses on restoring rule of law and stabilizing war-torn societies as a precursor to sustained economic growth.

The CRC currently has two components: the Active and the Standby. The Active Component (CRC-A) will ultimately be comprised of 250 U.S. Government (USG) members, 91 of which will be from USAID. CRC-A members are direct-hire employees who form a team of first responders available to deploy within 48 hours of call-up for up to 12 months. CRC members within USAID are mostly senior-level, highly experienced personnel with S&R experience. They receive 3-4 months of training to prepare them for S&R operations. The Standby Component (CRC-S) interagency target is 2,000 members, with a USAID target of 744 members. CRC-S is comprised of current USG employees who sign up for and are accepted to the CRC. They receive 2-4 weeks of S&R training and can be deployed within 30-45 days.

USAID CRC-A and CRC-S staff have already successfully deployed to Afghanistan, Pakistan, Sudan, Kenya, Somalia, Democratic Republic of Congo, Yemen, Sri Lanka, Kyrgyzstan, Nigeria, Nepal, Kazakhstan, and Haiti. In addition, they have participated in exercises with the Defense Department's European Command (EUCOM) and Africa Command (AFRICOM). Deployments differ in length from a few months to a year.

The Agency is also building its Foreign Service cadre through the Development Leadership Initiative (DLI). The initiative, introduced in 2008, is aimed at increasing USAID's ability to meet its development and national security objectives through a strong workforce. The goal of DLI is to double the USAID Foreign Service workforce by hiring 1,200 junior and mid-level Foreign Service officers by 2012. To

date, 483 new officers have been sworn in and oriented under this initiative; 89 will specifically focus on Crisis, Stabilization and Governance issues. This cadre of new Foreign Service officers will strengthen the Agency's capacity to provide leadership overseas to develop, carry out, and integrate programs that bring peace, prosperity, and security to the world.

LONG-TERM DEVELOPMENT IN AFRICA

Question. Africa, as you know, remains a continent which suffers not just from extreme poverty, but from disease, lack of basic needs like clean water and food, and a dearth of educational and economic opportunities. Some nations in Africa even face the increasing influence of corrupt governments, terrorist organizations, drug traffickers and other destabilizing influences. One of the key ways these issues can be addressed is through strong, comprehensive and long-term development strategies that are designed to offer solutions to these destabilizing forces. What resources will USAID need to address these problems and how would you convince the American people that such expenditures would serve the national interests of the United States?

Answer. Africa is vital to U.S. interests. Home to approximately 800 million people, Africa is increasingly linked to global markets, holds vast natural resources, and will soon provide 25 percent of U.S. oil imports. There has rarely been a more critical time to consolidate the progress and promise of Africa. Although wars in Liberia, the Democratic Republic of the Congo (DRC), Angola, Burundi, Uganda, and Sierra Leone, and the North-South conflict in Sudan have ended or dramatically abated, sub-Saharan Africa has recently experienced significant stagnation and challenges to its progress toward democracy and good governance. Most worrying have been the democratic setbacks in countries that have historically been considered "good performers," but that are at risk of political instability. Regional bodies such as the African Union have a growing potential to provide leadership and share best practices, but the influence of poorly governed and autocratic states on these multilateral institutions complicates and stifles the evolution toward better governance in Africa.

It is in the interest of the United States for Africa to be stable, well-governed, and economically self-sufficient with healthy and productive populations. Poor governance, conflict, and corruption contribute to the need for billions of dollars per year in food and non-food emergency assistance from the United States and other bilateral and multilateral donors that could be used to solve other global problems. Lacking any sustained political and economic improvements, and with Africa's population expected to double by 2050 to 1.8 billion, the continent's humanitarian needs will only escalate. The stakes are extremely high. However, strategic use of USG foreign assistance resources, combined with those from other bilateral and multilateral donors, can make a meaningful difference in Africa by creating tangible improvements in quality of life and building momentum toward political and economic progress.

Our programs have already made significant contributions, including contributing to reducing mortality among children under five by 14 percent since 1990, and increasing the number of children enrolled in primary school by 36 percent since 1999. To sustain and consolidate these gains in the face of current projected population growth requires a multi-pronged approach that addresses the key issues for the continent and can produce visible impacts at the country and regional level. The Africa Bureau's fiscal year 2011 foreign assistance request of \$7.606 billion, which includes \$3.728 billion of HIV/AIDS funding, directly advances key Administration policy priorities in the areas of democracy and governance, peace and security, economic growth and food security, health and education (including HIV/AIDS and malaria), and transnational challenges, including global climate change.

When combined with the \$3.9 billion currently committed to Africa through Millennium Challenge Corporation (MCC) Threshold programs and Compacts to date, and the annual average of \$25.67 billion in other bilateral and multilateral donor assistance to Africa, the international community has the ability to effect real change. Within the United States, close coordination between the major U.S. agencies (MCC, State and USAID) has facilitated optimal use of funding. For example, USAID implements all the Threshold Programs for MCC in Africa, and is implementing some portions of the Compact in Burkina Faso. MCC Compact Teams coordinate closely with Ambassadors at post, and with USAID staff as appropriate. Another example is Senegal, where starting in July 2003 (even prior to the formal creation of the MCC), USAID provided \$500,000 to enable the Government of Senegal to assess and strengthen its systems for managing development resources and

developed a methodology that could be used in future MCC-eligible countries to accelerate start-up of MCC programs.

PROMOTING GOOD GOVERNANCE

Question. We all recognize that corruption and weak governance are challenges in many of the poorest nations. What are some of the strategies USAID uses to promote good governance through our assistance programs? Is there legislation that could enhance these efforts?

Answer. USAID's overall objective in governance is to provide assistance and training to promote greater transparency, accountability, effectiveness and participation in governing institutions and public policy processes at all levels.

Specific Anticorruption Initiatives promote accountable and transparent governing institutions, processes and policies across all development sectors. For example, USAID programs:

- Promote corruption prevention and education while also supporting prosecution and enforcement through rule of law programming.
- Focus on regulatory and procedural reform, increasing management capacity within the executive branch, and strengthening the oversight capacity of the judicial and legislative branches of government.
- Strengthen public financial management, procurement reform, audit and internal controls, and transparency and accountability in budget processes.
- Support anticorruption commissions, ombudsman offices, civil society, media oversight and advocacy capacity building.
- Support host country multi-stakeholder initiatives such as the Extractive Industries Transparency Initiative to improve governance and public oversight in resource-rich countries.

Executive offices, ministries, and independent governmental bodies are advised and trained on development and implementation of policies, procedures, and skill sets (including leadership, strategic management and communications). Assistance promotes linkages between different branches, levels and functions of government, including across development sectors such as health, education and economic growth, and enhances financial management and civil service reforms, public-private partnerships, and outreach to citizens.

Security sector democratic governance programs focus on how component parts of the security system (e.g., policy, military, justice system, legislature, civil society) are linked and must all perform effectively and in a coordinated manner to achieve effective, legitimate security systems governed by law and accountable to the population. Program examples include reforming the justice system, the civil service and public management; enhancing strategic planning, policy and budget formulation; increasing civilian oversight of the security sector. As police are an important face of the government to citizens, USAID supports civilian police assistance programs.

National and sub-national efforts support democratic decentralization of political, financial, and administrative authority, ensuring all levels are capable of effecting democratic and accountable local governance. Technical assistance and training strengthen development of budgets, local revenue raising, provision of public services, community planning, participation, and implementation of laws, regulations, policies and programs.

Assistance to legislatures supports more democratic practices within legislative bodies, improves legislative processes, and increases the quality of legislation or constitutional reforms. Programs increase the legislature's capacity to be responsive to constituents, engage in policy-making, hold itself and the executive accountable, and oversee the implementation of government programs, budgets, and laws.

Media freedom and access to Information legislation are promoted to improve enabling environments for the existence and operations of NGOs and to increase transparency and accountability in the public sector while strengthening democratic practices and enabling civic engagement.

The Quadrennial Diplomacy and Development Review (QDDR) is reviewing all foreign assistance programs. As part of this process, legislative requirements to improve the effectiveness of governance assistance programs are being considered. We look forward to consulting with the Committee and others in Congress as we formulate recommendations and next steps on this critical issue.

CONCLUSION OF HEARINGS

Senator LEAHY. If there is nothing further, the subcommittee was stand in recess.

[Whereupon, at 11:56 a.m., Tuesday, April 20, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]