

TESTIMONY OF
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FY 2014 BUDGET REQUEST
SENATE FOREIGN RELATIONS COMMITTEE
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Thank you Chairman Menendez, Ranking Member Corker, and members of the Committee. I am pleased to join you to discuss the President's fiscal year 2014 budget request for USAID.

In his State of the Union address, President Obama called upon our nation to join with the world in ending extreme poverty in the next two decades. Today, we have new tools that enable us to achieve a goal that was simply unimaginable in the past: the eradication of extreme poverty and its most devastating corollaries, including widespread hunger and preventable child and maternal deaths.

The President's fiscal year 2014 budget request responds to this call and the most critical development challenges of our time. It supports important global partnerships, including the New Alliance for Food Security and Nutrition and the Child Survival Call to Action, by increasing and focusing investments in food security and maternal and child health. It builds resilience in areas besieged by recurrent crisis and natural disaster, with a focus on the Horn of Africa and Sahel regions. And it advances a comprehensive food aid reform package that will enable us to feed two to four million additional people each year.

The President's request enables USAID to strategically advance our national security priorities by implementing critical economic growth, democracy, human rights, and governance programs in the Middle East and North Africa, as well as in support of the Administration's Asia-Pacific Rebalance. It also focuses activities in Afghanistan, Pakistan, and Iraq at an appropriate level to sustain the gains we have made in those countries over the last decade. And it strengthens economic prosperity, both at home and abroad.

The President's request also makes important investments in Latin America by expanding economic opportunity and social equity and strengthening citizen security by promoting effective judicial systems and investing in communities and at-risk youth to address the root

causes of crime. Some of USAID's most exciting examples of fostering innovation are in this region, where, through groundbreaking public-private partnerships, we have broadened local investment for development.

I want to highlight how the investments we make in foreign assistance, which represents just one percent of the federal budget, help our country respond to the global challenges we face and how we have modernized our Agency to deliver results that shape a safer and more prosperous future.

A NEW MODEL FOR DEVELOPMENT: PARTNERSHIPS, INNOVATION, AND RESULTS

The FY 2014 request for USAID managed or partially managed accounts is \$20.4 billion, six percent below the total enacted funding for FY 2012. In this tough budget environment, USAID is committed to maximizing the value of every dollar. We have made tough choices so that we are working where we will have greatest impact, and shifting personnel and funding resources towards programs that will achieve the most meaningful results. Since 2010, regional program areas have been reduced by 29%, Feed the Future agriculture programs have been phased out of 22 countries, and USAID global health program areas have been phased out of 23 countries.

The President's FY 2014 request continues to build on gains we have made over the past year to work smarter and more effectively through a suite of ambitious reforms called USAID Forward. Through USAID Forward, the Agency has fostered new partnerships, placing a greater emphasis on innovation, and a relentless focus on results. These reforms have formed the foundation of a new model for development that continues to define the way we work around the world.

The FY 2014 budget provides funding to mobilize a new generation of innovators and scientists. Through our Development Innovations Ventures, we invite problem-solvers everywhere to contribute a cost-effective and cutting-edge idea that could scale to reach millions.

It provides funding for Grand Challenges for Development, capitalizing on the success of previous challenges to accelerate reductions in maternal and child mortality, promote childhood literacy, power agriculture through clean energy, and raise the voices of all citizens through technology. We have received more than 500 applications per challenge, with almost 50 percent of innovations coming from developing and emerging economies. For example, through *All Children Reading: A Grand Challenge for Development*, nearly three dozen organizations—half of them local—are pioneering a range of novel approaches to education, from helping children in India learn to read with same language subtitling on movies and TV to bringing fully stocked e-readers to rural Ghana.

The request accelerates advances of USAID’s Higher Education Solutions Network, a constellation of seven development innovation labs on university campuses that work with a global network of partners to provide solutions for key development challenges, leveraging tens of millions of dollars of university and private-sector financing.

The 2014 request also allows us to work more effectively with a range of partners, from faith-based organizations to private sector companies. A new focus on leveraging private sector resources has enabled us to dramatically expand our Development Credit Authority—unlocking a record \$524 million in FY 2012 in commercial capital to empower entrepreneurs around the world. Last year alone, we increased our contributions to public-private partnerships by almost 40 percent, leveraging an additional \$383 million.

This funding also allows us to rigorously measure and evaluate our work so we know which of our development efforts are effective and which we need to scale back or modify. Since the launch of our evaluation policy, 186 high quality evaluations have been completed and are available on our website or through a mobile “app” that is easily downloaded. Half of these evaluations have led to mid-course corrections and one-third has led to budget changes.

A new emphasis on supporting local solutions has enabled us to shift \$745 million in funding to local institutions, firms, and organizations in the last year alone—helping replace aid with self-sufficiency. When we partner with developing country institutions, we use sophisticated tools to assess their financial management capacity and safeguard U.S. resources.

As part of our new model, we’re insisting our partners make policy reforms and fight corruption in order to meet the conditions of our assistance. Through new models of partnership that demand mutual accountability—including the New Alliance for Food Security and Nutrition and the Tokyo Mutual Accountability Framework for Afghanistan—we are creating incentives for governments to strengthen their own institutions.

Across our work, we are moving from a traditional approach of top-down development to a new model that engages talent and innovation everywhere to achieve extraordinary goals. In education, a core development objective, we are harnessing this new approach to help close the gaps in access and quality of education. We know that globally 171 million people could be lifted out of poverty if all students in low-income countries gained basic literacy. Our strategy for basic education is focused on improving reading skills for 100 million children in primary grades by 2015 and increasing equitable access to education in crisis and conflict environments for 15 million learners by 2015.

FOOD AID REFORM

At its foundation, our new model of development shares the bedrock principles of effectiveness and efficiency that serve as the clarion call for government today.

There is perhaps no better example of this fundamental imperative than the food aid reform package proposed in this year's budget request, which would enable us to feed two to four million more hungry men, women and children every year with the same resources, while maintaining the valuable contribution of American agriculture to this mission.

Through P.L. 480 Title II, or Food for Peace, America's agricultural bounty and generosity have fed well over a billion people in more than 150 countries since 1954. But while the world has changed significantly since Title II was created, our hallmark food assistance program has not. The current program limits our ability to use the appropriate tools for each humanitarian situation—tools we know will help people faster and at a lesser cost.

Buying food locally can speed the arrival of aid by as many as 14 weeks—making up precious time when every day can mean the difference between life and death. It can also cost much less—as much as 50 percent less for cereals alone. In complex environments such as Syria and Somalia, which are increasingly the kind of crises where we need to provide assistance, these more flexible tools are invaluable.

The more agile, flexible, and modern approach laid out in the President's budget request pairs the continued purchase of the best of American agriculture with greater flexibility around interventions such as local procurement, cash transfers, and electronic vouchers. The President's proposal maintains the majority of our emergency food aid funds—55 percent in 2014—for the purchase and transport of American commodities. That means we're going to keep working with soy, wheat, pulse, and rice farmers and processors across America who help feed hungry children from Bangladesh to the Sahel—often in the form of specialized high nutrition products.

At a time of urgent human need and budget constraints, we can save more lives without asking for more money.

The proposal also reaffirms our commitment to development partners who receive Title II funding, enabling them to provide the same types of development programs at a lower cost. These programs strengthen our ability to reduce chronic poverty, build resilience, and help prevent future crises.

FEED THE FUTURE

Ending hunger and creating a food secure world are vital components of the fight to end extreme poverty. Launched in 2009 by President Obama, Feed the Future is unlocking

agricultural growth, helping transform developing economies and ending the cycle of food crises and emergency food aid. Although the initiative is still in its early days, we are beginning to see significant results.

In Rwanda, we have reached 1.6 million children under five with nutrition programs that reduced anemia, supported community gardens, and treated acute malnutrition. In Bangladesh, we helped more than 400,000 rice farmers increase yields by 15 percent through the more efficient use of fertilizer, which led to the first-ever rice surplus in the country's poorest state. In FY 2012, we helped more than 7 million farmers across the world apply these kinds of new technologies and practices, four times the number we reached the previous year.

The FY 2014 request provides \$269 million for the President's G-8 commitment to the New Alliance for Food Security and Nutrition, which aims to lift 50 million people in sub-Saharan Africa out of poverty in the next decade. Since its inception at last year's G-8 Summit, we have helped leverage more than \$3.75 billion in commitments from more than 70 global and local companies. In Tanzania, Yara International is constructing a fertilizer terminal at the nation's largest port, and, in Ethiopia, DuPont is expanding seed distribution to reach 35,000 smallholder maize farmers and increase productivity by 50 percent.

At the same time, participating African governments have committed to serious market-oriented reforms. Tanzania has removed its export ban on staple commodities, Mozambique eliminated permit requirements for inter-district trade, and Ethiopia no longer imposes export quotas on commercial farm outputs and processed goods.

GLOBAL HEALTH

Thanks to strong bipartisan support we are on track to provide life-saving health assistance to more people than ever before. The FY 2014 Global Health request supports our goals of creating an AIDS-free generation, ending preventable child and maternal death, and protecting communities from infectious diseases.

Across our global health portfolio, we are aligning our budgets to the areas of greatest need. Now, 90 percent of USAID bilateral maternal and child health funding is in the 24 USAID priority countries that account for three-quarters of maternal and child deaths.

The request supports the continuation and scale-up of high-impact HIV/AIDS prevention, care, and treatment tools in pursuit of an AIDS-free generation. The request also provides \$1.65 billion under PEPFAR for the U.S. contribution to the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

In June, USAID co-hosted a Call to Action to accelerate progress and end preventable child death. A powerful example of how our new model of development can rally diverse partners behind ambitious but achievable goals, the Call to Action has encouraged more than 170 countries, 200 civil society organizations, and 220 faith-based organizations to sign a pledge to help reduce child mortality. This global effort builds on an 8 percent reduction we have seen from 2008 to 2011 in child mortality in countries where the U.S. Government provides assistance.

We will continue to fund critical efforts in voluntary family planning, immunizations, nutrition, malaria, tuberculosis, and neglected tropical diseases—cost-effective interventions that save lives, while preventing the spread of disease.

SUPPORTING STRATEGIC PRIORITIES AND STRENGTHENING NATIONAL SECURITY

Across the world, we are strengthening democracy, human rights, and governance, with a special emphasis on marginalized populations, including women and youth. Support for democratic and economic transitions enables the rise of capable new players who can help solve regional challenges and advance U.S. national security.

Since January 2011, the State Department and USAID have allocated more than \$1.8 billion to support democratic transitions in the Middle East and North Africa and respond to emerging crisis needs in the region. The President's Request of \$580 million for the Middle East and North Africa Incentive Fund provides support to citizen demands for change, improves our ability to respond adroitly to new challenges and opportunities, and begins to address the imbalance between our security and economic assistance in the region.

The budget request supports our humanitarian assistance work around the globe in places where the need is greatest. This is particularly true in Syria, where at least 4 million people are in need of humanitarian assistance and 2 million are displaced. To date, State and USAID have provided nearly \$385 million in humanitarian relief to the Syrian people.

In Iraq, Afghanistan and Pakistan, USAID continues to work closely with interagency partners including the State and Defense departments, to move toward long-term stability, promote economic growth, and support democratic reforms, including the rights of women. Despite the challenges, we have seen a number of positive gains. For example, over the past decade in Afghanistan, we have increased access to education, resulting in dramatic increases in primary school enrollment from 900,000 boys in 2002 to 8 million students in 2012, 37 percent of whom are girls. In Iraq, USAID-funded legal clinics have supported over 1,700 legal cases on behalf of vulnerable individuals, including internally displaced persons and ethnic and religious minorities.

The President's budget request supports the Administration's Asia-Pacific Rebalance by increasing funding for the region to address critical gaps in core programs to renew U.S. leadership, deepen economic ties, promote democratic and universal values, and strengthen diplomatic engagement. In addition, we are seizing new opportunities for partnership in Asia, including in Burma, a nation undertaking political and economic reform.

GLOBAL CLIMATE CHANGE AND BUILDING RESILIENCE

As a result of global climate change, natural disasters are becoming more frequent and more severe. With a new emphasis on helping vulnerable communities build resilience to disasters, the Global Climate Change Presidential Initiative invests in developing countries to accelerate transitions to climate-resilient, low-emission economic growth, while incentivizing private sector investment to scale impact and sustain progress. For example, we are partnering with the Consumer Goods Forum—which represents about 400 companies and \$3 trillion in market value—to reduce tropical deforestation from key commodities, like palm oil and timber.

Drawing on lessons learned during last year's food crisis in the Horn of Africa—as well as decades of experience responding to disasters—USAID is pioneering a fundamental new approach to help communities strengthen their resilience in the face of crises. In Ethiopia, for instance, we're working with international firms like Swiss Re and local businesses to develop index-based livestock insurance—a new product that uses satellite data to protect pastoralists from drought-related losses.

CONCLUSION

When people around the globe cannot feed their families, when young adults find themselves without education or a source of income, and when parents watch their children die of preventable illnesses, the world is inherently less secure. The FY 2014 budget request will continue our work to combat these causes of instability and end extreme poverty.

These investments aren't just from the American people; they're for the American people. By promoting sustainable growth in the developing world, we spur new markets abroad and energize our economy here at home. By driving innovations in agriculture, education, and global health, we strengthen global stability and advance our national security. And by delivering aid in the wake of natural disasters and humanitarian crises, we express the generosity and goodwill that unite us as a people.

Thank you.